

**BIO OSMO BHD**  
**(Company No.740838-A )**  
**(Incorporated in Malaysia)**

**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2009**

**A1. BASIS OF PREPARATION**

The financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and Chapter 9 Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2009.

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2009 which includes the adoption of new/revised FRS effective for the financial period beginning on or after 01 Jan 2006 and are relevant to the Group.

**A2. AUDIT QUALIFICATION**

The preceding year's annual audited financial statements of the Group were not subject to any qualification.

**A3. SEASONAL AND CYCLICAL FACTORS**

The business operations of the Group are subject to the forces of supply and demand, and thus could display cyclical trends.

**A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

There were no material items of an unusual nature and amount for the current quarter and financial year under review.

**A5. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in the estimates used in the current quarter and financial year as compared to those used in the previous financial year.

**A6. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the first quarter ended 30 September 2009.

**A7. DIVIDEND PAID**

There were no interim dividends paid in respect of the current quarter.

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**A8. SEGMENTAL INFORMATION**

Segmental information for the Group by geographical segment is presented as follows:

	3 Months ended 30/09/2009 RM'000
<b>Geographical segments</b>	
<b>Revenue</b>	
Export - Singapore	1,804
Local	1,803
<b>Total revenue of the Group</b>	<u><u>3,607</u></u>

Disclosure on segmental information by the Group business segment is not presented as the Group is engaged in one type of business activity.

**A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The Group did not carry out any revaluation of its property, plant and equipment in the current financial period. The values of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

**A10. MATERIAL SUBSEQUENT EVENTS**

There were no material events between the financial year ended 30 June 2009 and the date of this report, which is likely to substantially affect the current quarter and financial year results under review.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the quarter under review.

**A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities and assets as at the date of this report.

**A13 CAPITAL COMMITMENT**

The material capital commitment for capital expenditure contracted for by the Group is as follow:  
RM'000

Acquisition of Land	0
Machinery and equipment for mineral water plant	0
	<u><u>0</u></u>

Please refer to B8 (ii) for the explanatory notes on the Acquisition of Land and B11 for the Machinery and equipment for mineral water plant

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES**

The Group recorded a turnover of RM 3.607 million for the 1st quarter ended 30 September 2009 from the sales of bottled drinking water as compared to RM 5.978 million for the corresponding quarter last year. The decrease was mainly due to the general slow down in the economic environment, rising costs and stiffer competition from other market players. As a result, the Group incurred a loss before taxation of RM 2.828 million as compared to a loss before tax of RM 3.976 million for the same quarter last year.

**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER**

The Group recorded a turnover of RM 3.607 million for the current quarter as compared to RM 5.643 million for the previous quarter. The decrease in turnover is mainly due to the general slow down in the economic environment, rising costs and stiffer competition from other market players for the quarter under review.

The Group incurred a loss before taxation of RM 2.828 million for the current quarter as compared to a loss before tax of RM 14.747 million for the final quarter of last year.

**B3. CURRENT PROSPECTS**

The Group is taking measures to improve sales and expanding the product base. It is also looking at diversification to improve the group's profitability in the current financial year.

**B4. PROFIT FORECAST**

Not applicable as no profit forecast for the period under review was required.

**B5. TAXATION**

	<b>Current Quarter 30-09-2009 RM'000</b>	<b>Cumulative Current Year To Date 30-09-2009 RM'000</b>
Income Tax		
- current	-	-
Deferred tax assets	-	-
	<hr/>	<hr/>
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**B6. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sale of unquoted investments and properties for the current financial period.

**B7. QUOTED SECURITIES**

There were no purchases or disposals of quoted securities for the current financial period under review.

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**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2009**

**B8(i). STATUS OF CORPORATE PROPOSALS ANNOUNCED**

On 13 June 2006, the Group announced that Morning Valley Sdn Bhd ("MVSB"), a wholly-owned subsidiary company of Bio Osmo, had on even date entered into a conditional sale and purchase agreement with Damansara Residences Sdn Bhd ("DRSB") to acquire a piece of freehold land held under GM556 for Lot No. 504 in Mukim Ulu Kelang, Place of 8th Mile Ulu Kelang, District of Gombak, State of Selangor measuring approximately 3.111 hectares ("Land") for a cash consideration of RM20,000,000 ("Proposed Acquisition").

The Proposed Acquisition is subject to the following Conditions Precedent being fulfilled:

- (i) The Foreign Investment Committee for the Proposed Acquisition which was obtained on 29 August 2008;
- (ii) The shareholders of Bio Osmo at an extraordinary general meeting to be convened for the Proposed Acquisition;
- (iii) The Majlis Perbandaran Ampang Jaya ("MPAJ") for the development of high end residential development by DRSB and compliance by DRSB with all the terms and conditions imposed by MPAJ (including the payment of the conversion premium, administration fees, charges or costs);
- (iv) The procurement of a loan from any bank or financial institution by MVSB to finance the Balance Purchase consideration; and
- (v) The negotiation, finalisation and execution of the Development Agreement.

The Conditions Precedent were not fulfilled and both MVSB and DRSB had mutually agreed to terminate the SPA. However the deposit paid has not been refunded and the Company is currently seeking legal opinion from its lawyers on the issue of the recoverability of the RM3 million deposit which was paid to DRSB.

**B8(ii). STATUS OF UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL**

The Company raised a total gross proceeds of RM12,212,970.00 from the Public Issue. The utilisation of proceeds as at 30 September 2009 are as follows:

	<b>Proposed Utilisation RM'000</b>	<b>Utilisation as at 30/09/2009 RM'000</b>	<b>Balance RM'000</b>
Repayment of hire purchase loan	4,000	4,000	0
Expansion of operations	5,000	0	★ 5,000
Working capital	1,213	1,213	0
Defray estimated listing expenses	2,000	2,000	0
	<b>12,213</b>	<b>7,213</b>	<b>5,000</b>

★ Following the company's listing in December 2007, the company have not been able to procure the financing required for the construction and set-up of the proposed new mineral water manufacturing plant.

Therefore, SC has been informed of the change in the proposed utilisation of the IPO Proceeds from the construction and set-up of a new mineral water manufacturing plant to working capital requirement of our existing core business of manufacturing reverse osmosis water via a letter to SC dated 11 March 2009.

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**B9. GROUP BORROWINGS**

The Group borrowings as at 30 September 2009 are as follows:-

	<b>RM'000</b>
Short term borrowings	
- Unsecured	-
- Secured	10,420
	10,420
Long term borrowings	
- Unsecured	35,000
- Secured	8,812
	43,812
 Total	 54,232

All borrowings are denominated in Ringgit Malaysia.

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off balance sheet risk as at the date of this report.

**B11. MATERIAL LITIGATION**

The Company has taken out legal proceedings in the Kuala Lumpur High Court Suit No. D-22-998-2009 against Century Machinery in order to recover the USD1.5 million (about RM 5.05 million) paid by the Company for machinery and equipment for mineral water plant in pursuance of the Proposed Acquisition which had been mutually terminated ab initio

**B12. DIVIDEND PAYABLE**

No interim dividend has been declared for the current financial period to date.

**B13. EARNINGS PER SHARE (EPS)**

	<b>Current Year Quarter 30-09-2009</b>	<b>Cumulative Current Year To Date 30-09-2009</b>
Net profit attributable to ordinary shareholders (RM'000)	(2,828)	(2,828)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic EPS (sen)	(1.41)	(1.41)
Fully diluted EPS (sen)	(1.41)	(1.41)

By order of the Board

Dato' Hamzah Bin Mohd Salleh  
Chairman  
20 NOVEMBER 2009