

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

**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 2ND QUARTER ENDED 31
DECEMBER 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.

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 31 December 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:

Geographical segments	3 Months ended 31/12/2009 RM'000
Revenue	
Export - Singapore	1,752
Local	1,952
Total revenue of the Group	3,704

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

There were no capital commitment by the Group during the financial period under review.

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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 3.704 million for the 2nd quarter ended 31 December 2009 from the sales of bottled drinking water as compared to RM 5.544 million for the corresponding quarter last year. As a result, the Group incurred a loss before tax of RM 3.681 million as compared to a loss before tax of RM 3.454 million for the same quarter last year.

The results were mainly due to the rising costs and stiffer competition.

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

The Group recorded a turnover of RM 3.704 million for the current quarter as compared to RM 3.607 million for the previous quarter.

The Group incurred a loss before tax of RM 3.681 million for the current quarter as compared to a loss before tax of RM 2.828 million for the 1st quarter.

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

	Current Quarter 12/31/2009 RM'000	Cumulative Current Year To Date 12/31/2009 RM'000
Income Tax		
- current	-	-
Deferred tax assets	-	-
	-	-

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 2ND QUARTER ENDED 31 DECEMBER 2009

B8(i). STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 13 June 2008, 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.

However, both MVSB and DRSB had mutually agreed to terminate the SPA. The deposit paid has not been refunded to the Company and the necessary legal proceedings are currently being initiated against DRSB to recover the sum deposited of RM 3.0 million.

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 31 December 2009 are as follows:

	Proposed Utilisation RM'000	Utilisation as at 31/12/2009 RM'000	Balance RM'000
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
	12,213	7,213	8,000

★ 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 31 December 2009 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	10,434
- Secured	10,434
Long term borrowings	
- Unsecured	35,000
- Secured	8,373
	43,373
Total	53,807

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)

	Current Year Quarter 12/31/2009	Cumulative Current Year To Date 12/31/2009
Net profit attributable to ordinary shareholders (RM'000)	(3,881)	(6,509)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic EPS (sen)	(1.84)	(3.25)
Fully diluted EPS (sen)	(1.84)	(3.25)

By order of the Board

Datuk Seri Krishna Kumar A/L Sivasubramaniam
 Managing Director
 25 FEBRUARY 2010