

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

Quarterly report on consolidated results for the first quarter ended 30 September 2010.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 9/30/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 9/30/2009 RM'000	CURRENT YEAR TO DATE 9/30/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 9/30/2009 RM'000
Revenue	3,912	3,607	3,912	3,607
Other income	721	38	721	38
Operating expenses	(5,436)	(5,426)	(5,436)	(5,426)
Finance cost	(895)	(1,047)	(895)	(1,047)
Operating Profit / (Loss) before tax	<u>(1,698)</u>	<u>(2,828)</u>	<u>(1,698)</u>	<u>(2,828)</u>
Taxation	-	-	-	-
Net Profit / (Loss) after tax	<u>(1,698)</u>	<u>(2,828)</u>	<u>(1,698)</u>	<u>(2,828)</u>
Other comprehensive income				
Gain arising from revaluation of Property, Plant and Equipment	1,148	-	1,148	-
Total comprehensive income for the year	<u>(550)</u>	<u>(2,828)</u>	<u>(550)</u>	<u>(2,828)</u>
Profit attributable to:				
Owners of the Parent	(1,698)	(2,828)	(1,698)	(2,828)
Non-controlling interest	-	-	-	-
	<u>(1,698)</u>	<u>(2,828)</u>	<u>(1,698)</u>	<u>(2,828)</u>
Total comprehensive income attributable to:				
Owners of the Parent	(550)	(2,828)	(550)	(2,828)
Non-controlling interest	-	-	-	-
	<u>(550)</u>	<u>(2,828)</u>	<u>(550)</u>	<u>(2,828)</u>
Earnings per share:-				
(a) Basic (sen)	<u>(0.85)</u>	<u>(1.41)</u>	<u>(0.85)</u>	<u>(1.41)</u>
(b) Fully diluted (sen)	<u>(0.85)</u>	<u>(1.41)</u>	<u>(0.85)</u>	<u>(1.41)</u>

Note:

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statement for the financial year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	UNAUDITED AS AT 9/30/2010 RM'000	AUDITED AS AT 6/30/2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	49,554	49,227
Financial asset held to maturity	3,500	3,500
Deferred Tax Assets	4,414	4,414
	57,468	57,141
Current assets		
Inventories	1,625	1,307
Trade receivables	3,205	3,477
Other receivables, deposits and prepayments	10,183	9,961
Fixed deposits with licensed bank	350	348
Cash on hand and at banks	562	305
Tax recoverable	55	55
	15,980	15,453
Non-current assets held for sales		920
	15,980	16,373
TOTAL ASSETS	73,448	73,514
EQUITY AND LIABILITIES		
Share capital	40,000	40,000
Retained Profits/(Losses)	(30,600)	(28,905)
Reserves	4,001	2,853
	13,401	13,948
Non-controlling interest	(3)	-
TOTAL EQUITY	13,398	13,948
Non-current liabilities		
Long term borrowings	50,680	50,802
	50,680	50,802
Current liabilities		
Trade payables	1,780	1,730
Other payables and accruals	4,937	4,549
Short term borrowings	2,653	2,485
	9,370	8,764
TOTAL LIABILITIES	60,050	59,566
TOTAL EQUITY AND LIABILITIES	73,448	73,514
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.0670	0.0697

Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statement for the financial year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	CURRENT YEAR FOR THE PERIOD 9/30/2010 RM'000	PRECEEDING YEAR CORRESPONDING PERIOD 9/30/2009 RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
(Loss) / Profit before tax	(1,698)	(2,828)
Adjustments for:		
Depreciation of property, plant and equipment	852	1,499
Unrealised Foreign Exchange Gain	(50)	-
Allowance for doubtful debts	-	-
Interest Expense	895	1,046
Gain on disposal of property, plant and equipment	(649)	-
Interest Income	(2)	-
Operating profit before working capital changes	(652)	(283)
Decrease / (Increase) in inventories	(319)	135
Decrease / (Increase) in trade receivables	272	352
Decrease / (increase) in other receivables, deposits and prepayments	(222)	(46)
Increase / (Decrease) in trade payables	50	245
Increase / (Decrease) in other payables and accruals	388	295
Cash used in operations	(483)	698
Income tax refund	-	-
Income tax paid	-	-
Net cash generated from operating activities	(483)	698
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Interest received	2	-
Proceed from disposal of property, plant and equipment	1,570	-
Purchase of property, plant and equipment	(32)	(9)
Net cash used in investing activities	1,540	(9)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Net proceeds / (repayment) of borrowings	-	(48)
Repayment of finance payables	(177)	(158)
Repayment of term loan	224	623
Dividend paid	-	-
Finance costs paid	(895)	(1,046)
Net cash used in financing activities	(848)	(629)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	209	60
EFFECT OF EXCHANGE RATE CHANGES	50	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	653	2,300
CASH AND CASH EQUIVALENTS AT END OF PERIOD	912	2,360
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR COMPRISE:		
Cash and bank balances	562	2,360
Fixed deposit with licensed banks	350	-
	912	2,360

Note:

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statement for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30TH SEPTEMBER 2010

	←----- Attributable to equity holders of the Parent Company -----→				Total	Non-controlling Interest	Total Equity
	Share Capital RM'000	Distributable Retained Profit RM'000	Non-Distributable Share Premium RM'000	Revaluation reserve RM'000			
Balance as of 1 July 2010	40,000	(28,905)	2,853	-	13,948	-	13,948
Total comprehensive income for the period	-	(1,695)	-	1,148	(547)	(3)	(550)
Balance as of 30 September 2010	<u>40,000</u>	<u>(30,600)</u>	<u>2,853</u>	<u>1,148</u>	<u>13,401</u>	<u>(3)</u>	<u>13,398</u>
<hr/>							
Balance as of 1 July 2009	40,000	(19,162)	2,853	-	23,691	-	23,691
Total comprehensive income for the period	-	(2,828)	-	-	(2,828)	-	(2,828)
Balance as of 30 September 2009	<u>40,000</u>	<u>(21,990)</u>	<u>2,853</u>	<u>-</u>	<u>20,863</u>	<u>-</u>	<u>20,863</u>

Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the financial year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial report.

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NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2010

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 2010.

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 2010, which includes the adoption of new/revised FRS effective for the financial period beginning on or after 1 January 2010 and are relevant to the Group.

FRS 139, Financial Instruments: Recognition and Measurement

Inter-company loans

Prior to the adoption of FRS139, inter-company loans were recorded at cost. With the adoption of FRS139, inter-company loans are now recognised at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Fair value changes of financial liabilities

The Group does not have any financial liabilities measured at fair value through profit or loss as at 30 September 2010.

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

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 year 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 2010.

A7. DIVIDEND PAID

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

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NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2010

A8. SEGMENTAL INFORMATION

The company operates mainly in two geographical areas namely Malaysia and Singapore. Therefore segment information is presented in respect of the Group's geographical segments which are based on the Group's management and internal reporting structure. The segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Cumulative Quarter Ended 30/09/2010
(The figures have not been audited)

Geographical segments	Malaysia RM'000	Singapore RM'000	Group RM'000
Revenue			
Revenues from external customers	2,336	1,576	3,912
Segmental Results			
Results from operating activities	(576)	(227)	(803)
Finance costs	(537)	(358)	(895)
Profit / (Loss) before tax	(1,113)	(585)	(1,698)
Tax expense	-	-	-
Profit / (Loss) for the period	(1,113)	(585)	(1,698)

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 engaged PA International Property Consultants Sdn. Bhd. to carry out an update valuation of its properties on 30 July 2010 for financing purposes as well as recognising the assets at fair value.

	Cost (RM'000)	Market Value (RM'000)	Revaluation Surplus (RM'000)
Freehold land - Lot 8351 & 8352	520	701	181
Freehold land - Lot 8101	2,952	3,919	967
Total	3,472	4,620	1,148
Effect of revaluation surplus on the net assets per share (RM)			0.006

A10. MATERIAL SUBSEQUENT EVENTS

There were no material events between the financial year ended 30 June 2010 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.

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NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2010

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.

A14 FINANCIAL ASSETS THAT ARE PAST DUE OR IMPAIRED

	Trade Receivable (RM'000)
Past due amount:	
Up to 30 days	79
>30 to 60 days	13
>60 to 90 days	261
>90 to 180 days	55
>180 days	89
Total past due amount	497
Impaired assets not included in the above:	15,178

The financial assets are classified as impaired asset when they are more than 180 days past due and after impairment tests reveal that their recovery is doubtful. Adequate impairment losses have been made for these impaired assets.

A15 RELATED PARTY DISCLOSURES

The following was the related party transaction:

	Cumulative Year to date 30.09.2010 RM
Kklub - Ballroom rental for Board and Audit Committee Meetings	2,337
	2,337

The above transactions had been entered into in the ordinary course of business on normal commercial terms not materially different from those obtainable in transactions with unrelated parties.

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NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2010

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 3.912 million for the 1st quarter ended 30 September 2010 from the sales of bottled drinking water as compared to RM 3.607 million for the corresponding quarter last year.

As a result, the Group registered a loss before tax of RM 1.698 million as compared to a loss before tax of RM 2.828 million for the same quarter last year. The results were mainly attributable to the increased sales, the reduction in the finance costs, profit arising from the disposal of 2 pieces of land, and revision of depreciation policy.

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

The Group recorded a turnover of RM 3.912 million for the current quarter as compared to RM 4.402 million for the previous quarter.

The Group registered a loss before tax of RM 1.698 million for the current quarter as compared to a loss before tax of RM 5.059 million for the 4th quarter. The substantial loss of the preceding quarter was due to the RM 4.511 million provision for doubtful debts.

B3. CURRENT PROSPECTS

The Group is concentrating in improving the sales to higher levels and at the same time making further efforts to reduce cost. Hence, the Group is confident of achieving better results in the near future.

B4. PROFIT FORECAST

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

B5. TAXATION

	Current Quarter 9/30/2010 RM'000	Cumulative Current Year To Date 9/30/2010 RM'000
Income Tax		
- current	-	-
Deferred tax assets	4,414	4,414
	<u>4,414</u>	<u>4,414</u>

B6. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was a profit of RM 649,701 arising from the disposal of 2 pieces of land in Yong Peng.

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 2010

B8. STATUS OF THE CORPORATE PROPOSAL

The proposed Private Placement of up to 10% of the issued and paid-up capital of Bio Osmo Bhd was approved by Bursa Securities on 4 November 2009. The implementation of the Private Placement was subsequently granted an extension until 4 May 2011.

B9. GROUP BORROWINGS

The Group borrowings as at 30 September 2010 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	-
- Secured	2,653
	2,653
Long term borrowings	
- Unsecured	35,000
- Secured	15,680
	50,680
 Total	 53,333

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

AQRS The Building Company Sdn. Bhd. (formerly known as Damansara Residences Sdn. Bhd.) Vs Morning Valley Sdn. Bhd.

On 13 June 2006, the Group announced that Morning Valley Sdn Bhd ("MVSB"), a wholly-owned subsidiary company of Bio Osmo Bhd, 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").

However, both MVSB and DRSB had mutually agreed to terminate the SPA. The RM 3.0 million deposit paid has not been refunded to the Company and the necessary legal proceedings are currently being initiated against AQRS The Building Company Sdn. Bhd. (AQRS) and whosoever else to recover the deposit sum and the lawyers shall be doing the necessaries.

Amshore Holdings Sdn. Bhd. Vs Century Machinery (Ong Chong Yong)

Amshore Holdings Sdn. Bhd., a wholly-owned subsidiary company of Bio Osmo Bhd, has initiated 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 relation to the Proposed Acquisition which had been mutually terminated ab initio.

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NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2010

B12. DIVIDEND PAYABLE

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

B13. EARNINGS PER SHARE (EPS)

	Current Year Quarter 30/09/2010	Cumulative Current Year To Date 30/09/2010
Net profit attributable to ordinary shareholders (RM'000)	<u>(1,698)</u>	<u>(1,698)</u>
Number of ordinary shares in issue ('000)	<u>200,000</u>	<u>200,000</u>
Basic EPS (sen)	<u>(0.85)</u>	<u>(0.85)</u>
Fully diluted EPS (sen)	<u>(0.85)</u>	<u>(0.85)</u>

By order of the Board

Datuk Idris Bin Haji Hashim
Executive Chairman
25 November 2010