

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

NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 4TH QUARTER ENDED 30 JUNE 2011

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

The relevant effects on the adoption of FRS 139 are as follows:

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 June 2011.

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 was a reversal of accrued Collateralised Loan Obligation (CLO) interest RM4.962 million for the financial year under review. Idaman Capital Bhd. has given a waiver of all outstanding and future interest obligation under the CLO based on the proposed restructuring of debt which is pending for finalisation.

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 fourth quarter ended 30 June 2011.

A7. DIVIDEND PAID

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

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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 30/6/2011
(The figures have not been audited)

Geographical segments	Malaysia RM'000	Singapore RM'000	Group RM'000
Revenue			
Revenues from external customers	8,368	5,755	14,123
Segmental Results			
Results from operating activities	(832)	177	(655)
Finance costs	(2,177)	(1,393)	(3,570)
Profit / (Loss) before tax	(3,009)	(1,216)	(4,225)
Tax (expense) / income	(22)	(14)	(36)
Profit / (Loss) for the period	(3,031)	(1,230)	(4,261)

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

There was no valuation of property, plant and equipment in the current quarter.

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.

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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A14 FINANCIAL ASSETS THAT ARE PAST DUE OR IMPAIRED

	Trade Receivable (RM'000)
Past due amount:	
Up to 30 days	400
>30 to 60 days	111
>60 to 90 days	188
>90 to 180 days	314
>180 days	516
Total past due amount	<u>1,529</u>
Impaired assets not included in the above:	<u>15,317</u>

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.

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 1.966 million for the 4th quarter ended 30 June 2011 from the sales of bottled drinking water and Arctic Ice Energy drinks as compared to RM 4.402 million for the corresponding quarter last year.

The Group registered lower loss before tax of RM 1.931 million as compared to a loss before tax of RM 5.065 million for the same quarter last year due to the absence of provision for doubtful debts recognised in the last financial year.

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

The Group recorded a turnover of RM 1.966 million for the current quarter as compared to RM 4.097 million for the previous quarter. The Group registered a loss before tax of RM 1.931 million for the current quarter as compared to a profit before tax of RM 1.947 million for the preceding quarter. During the preceding quarter, the Group benefited an interest expense writeback from an unsecured term loan.

The lower turnover was a direct impact of the increase in selling prices of the Group's range of products introduced during the current quarter.

B3. CURRENT PROSPECTS

With product differentiation strategy and upward revision in selling prices, coupled with more aggressive sales and marketing efforts, the Group is confident to achieve better results in the near future. Nonetheless, stiff competition as well as cost pressure may continue to exert pressure to bottom line.

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B4. PROFIT FORECAST

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

B5. TAXATION

	Current Quarter 30/06/2011 RM'000	Cumulative Current Year To Date 30/06/2011 RM'000
Income Tax		
- current	-	(36)
Deferred tax assets	(1,547)	-
	<u>(1,547)</u>	<u>(36)</u>

B6. RETAINED EARNINGS
RM'000

	As at 30/06/2011	As at the end of 30/06/2010
Realised	(22,955)	Note: Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure.
Unrealised	4,556	
Consolidation adjustments	(14,766)	
Total Group retained earnings as per consolidated accounts	(33,165)	

B7. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were disposals of 4 units of air compressor for the current quarter.

B8. QUOTED SECURITIES

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

B9. GROUP BORROWINGS

The Group borrowings as at 30 June 2011 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	35,000
- Secured	5,870
	<u>40,870</u>
Long term borrowings	
- Unsecured	-
- Secured	14,827
	<u>14,827</u>
Total	<u><u>55,697</u></u>

All borrowings are denominated in Ringgit Malaysia.

Note 1: Bio Osmo Bhd has earlier concluded a negotiation with Messrs Equity Trust (M) Bhd, the trustee for the settlement of RM35,000,000 unsecured loan (Collateralised Loan Obligation) by way of undertaking an early redemption exercise. Upon the signing of the settlement agreement between the parties, and the appointment of an Investment Banker, the Company shall make an appropriate announcement to Bursa Malaysia.

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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

Amshore Holdings Sdn. Bhd. Vs Ong Chong Yong (trading under the name and style of "CENTURY MACHINERY")

Amshore Holdings Sdn. Bhd (Amshore), 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.

Amshore had filed an application for summary judgment to be entered for the sum of USD1.5 million together with interest against Ong Chong Yong/Century Machinery. The summary judgment application was heard by the learned Judicial Commissioner of the Johor Bahru High Court who entered judgment on 1 April 2011 against Ong Chong Yong/Century Machinery for the sum of USD860,106.00 to Amshore and also ordered that the balance of the total claim of USD1.5 million shall be adjudicated in a full trial. Messrs. Essex LLC, a firm of solicitors in Singapore has been appointed to pursue the enforcement proceedings in Singapore vide the reciprocal enforcement of judgment procedure against Ong Chong Yong/Century Machinery.

The Defendant's Solicitors, K/s Krishnan Papoo & Associates, have filed an application for stay of execution and is fixed for mention on 22 August 2011.

ACFL Sdn. Bhd., Leong Choon Meng and Chong Kim Chan Vs Bio Osmo Bhd.

On 12 January 2011, Bio Osmo Bhd was served with a Writ of Summons and Statement of Claim dated 4 January 2011. The Plaintiffs made a claim over the balance sum of advisory fee together with service tax, amounting to RM420,800. Messrs. Ranjit Singh & Yeoh acts as solicitors for Bio Osmo Bhd in this matter, which is fixed for full trial on 29th & 30th of June 2011.

The Court dismissed the Plaintiff's claim and the Defendant's counterclaim.

B12. DIVIDEND PAYABLE

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

B13. EARNINGS PER SHARE (EPS)

	Current Year Quarter 30/06/2011	Cumulative Current Year To Date 30/06/2011
Net profit attributable to ordinary shareholders (RM'000)	<u>(3,478)</u>	<u>(4,261)</u>
Number of ordinary shares in issue ('000)	<u>200,000</u>	<u>200,000</u>
Basic EPS (sen)	<u>(1.74)</u>	<u>(2.13)</u>
Fully diluted EPS (sen)	<u>(1.74)</u>	<u>(2.13)</u>

By order of the Board

Datuk Seri Krishna Kumar A/L Dato' Sivasubramaniam
Managing Director
26 Aug 2011