

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

Quarterly report on consolidated results for the first quarter ended 30 September 2011.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/09/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2010 RM'000	CURRENT YEAR TO DATE 30/09/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2010 RM'000
Revenue	662	3,912	662	3,912
Other income	45	721	45	721
Operating expenses	(2,037)	(5,436)	(2,037)	(5,436)
Finance cost	(454)	(895)	(454)	(895)
Operating Profit / (Loss) before tax	<u>(1,784)</u>	<u>(1,698)</u>	<u>(1,784)</u>	<u>(1,698)</u>
Taxation	-	-	-	-
Net Profit / (Loss) after tax	<u>(1,784)</u>	<u>(1,698)</u>	<u>(1,784)</u>	<u>(1,698)</u>
Other comprehensive income				
Gain arising from revaluation of Property, Plant and Equipment	-	1,148	-	1,148
Total comprehensive income/(expense) for the year	<u>(1,784)</u>	<u>(550)</u>	<u>(1,784)</u>	<u>(550)</u>
Profit attributable to:				
Owners of the Parent	(1,784)	(1,698)	(1,784)	(1,698)
Non-controlling interest	-	-	-	-
	<u>(1,784)</u>	<u>(1,698)</u>	<u>(1,784)</u>	<u>(1,698)</u>
Total comprehensive income/(expense) attributable to:				
Owners of the Parent	(1,784)	(550)	(1,784)	(550)
Non-controlling interest	-	-	-	-
	<u>(1,784)</u>	<u>(550)</u>	<u>(1,784)</u>	<u>(550)</u>
Earnings per share:-				
(a Basic (sen))	<u>(0.89)</u>	<u>(0.85)</u>	<u>(0.89)</u>	<u>(0.85)</u>
(b Fully diluted (sen))	<u>(0.89)</u>	<u>(0.85)</u>	<u>(0.89)</u>	<u>(0.85)</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 2011 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 2011

	UNAUDITED AS AT 30/09/2011 RM'000	AUDITED AS AT 30/06/2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	46,318	47,101
Deferred tax asset	4,414	4,414
	50,732	51,515
Current assets		
Inventories	1,599	1,671
Trade receivables	2,304	2,733
Other receivables, deposits and prepayments	9,829	9,819
Fixed deposits with licensed bank	422	428
Cash on hand and at banks	72	118
Tax recoverable	53	53
	14,279	14,822
TOTAL ASSETS	65,011	66,337
EQUITY AND LIABILITIES		
Share capital	40,000	40,000
Accumulated Losses	(23,427)	(21,643)
Reserves	4,096	4,096
	20,669	22,453
Non-controlling interest	(4)	(4)
TOTAL EQUITY	20,665	22,449
Non-current liabilities		
Long term borrowings	13,375	14,729
	13,375	14,729
Current liabilities		
Trade payables	1,774	1,713
Other payables and accruals	1,952	1,617
Short term borrowings	27,245	25,829
	30,971	29,159
TOTAL LIABILITIES	44,346	43,888
TOTAL EQUITY AND LIABILITIES	65,011	66,337
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.1033	0.1123

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 2011 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 2011

	Unaudited 2012	Audited 2011
	RM'000	RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
(Loss) / Profit before tax	(1,784)	7,297
Adjustments for:		
Depreciation of property, plant and equipment	781	3,315
Unrealised gain on foreign exchange	(18)	(142)
Allowance for doubtful debts	-	(3)
Impairment loss on other investment	-	3,500
Interest expense	454	3,553
Loss/(Gain) on disposal of property, plant and equipment	1	(688)
Write-back of CLO interest	-	(4,962)
Waiver of debts	-	(15,000)
Interest income	(2)	(9)
Operating profit before working capital changes	(568)	(3,139)
Decrease / (Increase) in inventories	72	(364)
Decrease in trade receivables	429	748
(Increase) / Decrease in other receivables, deposits and prepayments	(10)	92
Increase / (Decrease) in trade payables	61	(17)
Increase / (Decrease) in other payables and accruals	335	(53)
Cash used in operations	319	(2,733)
Interest paid	(454)	(1,562)
Income tax paid	-	(37)
Net cash absorbed by operating activities	(135)	(4,332)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Interest received	2	9
Proceeds from disposal of property, plant and equipment	1	1,740
Purchase of property, plant and equipment	-	(78)
Net cash from investing activities	3	1,671
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Drawdown of term loan	91	133
Net changes in revolving credit	-	3,552
Repayment of finance payables	(29)	(619)
Repayment of term loan	-	(654)
Placement of fixed deposit pledged	6	(80)
Net cash from financing activities	68	2,332
NET DECREASE IN CASH AND CASH EQUIVALENTS	(64)	(329)
EFFECT OF EXCHANGE RATE CHANGES	18	142
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	118	305
CASH AND CASH EQUIVALENTS AT END OF PERIOD	72	118
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR COMPRISE:		
Cash and bank balances	72	118
Fixed deposit with licensed banks	422	428
	494	546

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 2011 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 2011

	Attributable to equity holders of the Parent Company				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 2011	40,000	(21,643)	2,853	1,243	(4)	22,449
Total comprehensive income for the period	-	(1,784)	-	-	-	(1,784)
Balance as of 30 September 2011	40,000	(23,427)	2,853	1,243	(4)	20,665
<hr/>						
Balance as of 1 July 2010	40,000	(28,905)	2,853	-	-	13,948
Total comprehensive income/(expense) for the period	-	(1,695)	-	1,148	(3)	(550)
Balance as of 30 September 2010	40,000	(30,600)	2,853	1,148	(3)	13,398

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 2011 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 2011

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have 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 2011. These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the financial year ended 30 June 2011.

The significant accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011 except for those standards, amendments and interpretations which are effective for the financial period beginning on or after 1 July 2011. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements.

A2. AUDIT QUALIFICATION

The preceding year's annual audited financial statements of the Group were not qualified.

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 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 2011.

A7. DIVIDEND PAID

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

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 30/9/2011

(The figures have not been audited)

Geographical segments	Malaysia RM'000	Singapore RM'000	Group RM'000
Revenue			
Revenues from external customers	405	257	662
Segmental Results			
Results from operating activities	(944)	(386)	(1,330)
Finance costs	(278)	(176)	(454)
Loss before tax	(1,222)	(562)	(1,784)
Tax (expense) / income	-	-	-
(Loss) / Profit for the period	(1,222)	(562)	(1,784)

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 2011 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 was 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	238
>30 to 60 days	283
>60 to 90 days	138
>90 to 180 days	203
>180 days	893
Total past due amount	<u>1,755</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 0.662 million for the 1st quarter ended 30 September 2011 from the sales of bottled drinking water and Arctic Ice Energy drinks as compared to RM 3.912 million for the corresponding quarter last year.

During the quarter under review, several major raw material costs have increased significantly, in particular PET resin and electricity tariff. The increase in electricity tariff had further led to the increase in packaging costs such as carton boxes and shrink labels. As such, management had decided to temporarily cut down the production and sales during the quarter, pending revision of our selling prices.

Nonetheless, despite the slowdown in sales, the loss before tax of RM 1.784 million recorded during the quarter was only marginally higher than the loss before tax of RM 1.698 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 0.622 million for the current quarter as compared to RM 1.966 million for the previous quarter. The Group registered a loss before tax of RM 1.784 million for the current quarter as compared to a profit before tax of RM 9.591 million for the preceding quarter. During the preceding quarter, the Group recognised a net differential sum of RM11.5 million arising from the settlement amount of the Primary Collateralised Loan Obligation (CLO) as waiver of debt.

The lower turnover was a direct impact of the lower sales volume during the current quarter.

B3. CURRENT PROSPECTS

The Group has recently appointed a new Executive Director and several key sales and marketing staff, who will spearhead the sales activities of our drinking water and Arctic Ice Energy Drink in both domestic and export markets. The Group has also on 13 October 2011 signed a new exclusive distribution agreement with Arctico Beverage Corporation of USA, the vendor of Arctic Ice Energy Drink, whereby the Group will also undertake the production and sales of a whole range of other beverage products for the entire Asian markets. It is also in the final stages of exploring other value-added beverage products which will complement its existing products. With a wider product range and aggressive sales and marketing strategies, the Group is poised to boost its sales activities within the second half of the current financial year.

On 25 October 2011, the Group has entered into a Cooperative Agreement with Koperasi EG Malaysia Bhd (“Koperasi EG”), EG Excellence Sdn Bhd, and BYG Worldwide Bhd (“BYG”). This venture essentially provides an opportunity for the Group to supply a wide range of in-house as well as third parties products and services to the members of Koperasi EG as provided for by the Co-operative Societies Act 1993 and the Bylaws of Koperasi EG. BYG, as a marketing consultant, will assist in developing new marketing strategy and product range for this venture. The Group foresees this new business division to contribute significantly to the revenue and income in the longer term.

B4. PROFIT FORECAST

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

B5. TAXATION

	Current Quarter 30/09/2011 RM'000	Cumulative Current Year To Date 30/09/2011 RM'000
Income tax		
- Current	-	-
Deferred tax asset	-	-
	<u>-</u>	<u>-</u>

B6. RETAINED EARNINGS

	As at 30/09/2011 RM'000	As at the end of 30/06/2011 RM'000
Realised	(6,695)	(6,881)
Consolidation adjustments	(14,762)	(14,762)
Total Group accumulated losses as per consolidated accounts	<u>(21,457)</u>	<u>(21,643)</u>

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

There were disposals of 2 units of air conditioners 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 September 2011 are as follows:-

Short term borrowings		RM'000
- Unsecured	<i>Note 1</i>	20,000
- Secured		<u>7,245</u>
		27,245
Long term borrowings		
- Unsecured		13,375
- Secured		<u>13,375</u>
		26,750
Total		<u>40,620</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. The CLO has been written down to RM20 million after recognizing the differential sum of RM15 million arising from the settlement amount of Primary CLO as waiver of debt.

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 USD1,500,000 (about RM5,050,000) 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 USD1,500,000 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 to Amshore and also ordered that the balance of the total claim of USD1,500,000 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, Messrs Krishnan Papoo & Associates, have filed an application for stay of execution and was fixed for mention on 22 August 2011. The said application was dismissed and the case management was fixed on 1 December 2011. However, the judgment cannot be registered in Singapore pending the defendant's appeal to the Court of Appeal due to the provision under the Singapore Reciprocal enforcement of judgment acts.

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

On 5 August 2011, Morning Valley Sdn Bhd (“MVSB”), a wholly-owned subsidiary company of Bio Osmo Bhd, has filed a suit against AQRS The Building Company Sdn Bhd (“AQRS”) to recover a RM3,000,000 deposit. Subsequently on 9 September 2011, AQRS filed an application to strike out the case and the Court directed both parties to exhaust with the exchange of affidavits on or before 21 November 2011. The Court further scheduled the case management on 29 November 2011 and for hearing to strike out the case on 4 January 2012.

B12. DIVIDEND PAYABLE

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

B13. EARNINGS PER SHARE (EPS)

	Current Year Quarter 30/09/2011	Cumulative Current Year To Date 30/09/2011
Net profit attributable to ordinary shareholders (RM'000)	(1,784)	(1,784)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic EPS (sen)	(0.89)	(0.89)
Fully diluted EPS (sen)	(0.89)	(0.89)

By order of the Board

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

30 November 2011