

**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 2011**

**A1. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2011.

The accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements for the 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 relevant FRSs are not expected to have any significant financial impact on the financial statements of 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 FLOW**

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 second quarter ended 31 December 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 31/12/2011  
(The figures have not been audited)

<b>Geographical segments</b>	Malaysia RM'000	Singapore RM'000	Group RM'000
<b>Revenue</b>			
Revenues from external customers	786	705	1,491
<b>Segmental Results</b>			
Results from operating activities	(1,435)	(1,055)	(2,490)
Finance costs	(450)	(379)	(829)
Loss before tax	(1,885)	(1,434)	(3,319)
Tax expense	-	-	-
Loss for the period	(1,885)	(1,434)	(3,319)

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, except for Arctic Ice (M) Sdn Bhd which is now a wholly-owned subsidiary of the Company.

**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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**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2011**

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

**B1. REVIEW OF PERFORMANCE**

For the quarter under review, the Group registered a revenue of RM0.83 million and loss after taxation of RM1.54 million as compared with a revenue of RM4.15 million and loss after taxation of RM2.40 million in the corresponding quarter of the previous financial year ended 30 June 2011 ("FY 2011").

For the financial year-to-date, the Group registered a revenue of RM1.49 million and loss after taxation of RM3.32 million as compared to a revenue of RM8.06 million and loss after taxation of RM4.09 million in the corresponding period of FY 2011.

The decrease in revenue during the quarter and financial year-to-date under review was mainly due to lower sales of bottled drinking water and Arctic Ice Energy Drinks. The beverage industry, in particular drinking water business, continued to undergo intense competition. The high raw material costs remained the stumbling block to improve profit margin.

The lower loss after taxation during the quarter and financial year-to-date under review was also due to a significant reduction in finance cost as a result of the Collateralised Loan Obligation interest is no longer charged with effect from the beginning of financial year ended 30 June 2012.

**B2. MATERIAL CHANGES IN LOSS BEFORE TAXATION AGAINST THE IMMEDIATE PRECEDING QUARTER**

For the quarter under review, the Group reported a loss before taxation of RM1.54 million against the loss before taxation of RM1.78 million reported during the immediate preceding quarter. The lower loss before taxation of the Group was mainly due to the improvement in revenue as a result of stronger sales to Singapore and, Thailand through our local distributors following the flood crisis.

**B3. CURRENT PROSPECTS**

Although the drinking water market continues to face intense competition, the Board believes that the prospects for the Group is encouraging, in view of the new sales and marketing strategies implemented by the newly appointed sales team since late last year. The Group will also intensify cost efficiency measures to enhance the group results in the near future.

**B4. PROFIT FORECAST**

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

**B5. LOSS BEFORE TAX**

	<b>Current Quarter 31/12/2011 RM'000</b>	<b>Cumulative Current Year To Date 31/12/2011 RM'000</b>
<b>Loss before tax</b>		
Depreciation of property, plant and equipment	776	1,558
Gain on disposal of property, plant and equipment	(157)	(156)
Loss on foreign exchange	8	0
Interest Income	(3)	(5)

**B6. TAXATION**

	<b>Current Quarter 31/12/2011 RM'000</b>	<b>Cumulative Current Year To Date 31/12/2011 RM'000</b>
Income Tax		
- current	-	-
Deferred tax assets	-	-
	-	-

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**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2011**

<b>B7. ACCUMULATED LOSSES</b>	<b>As at</b>	<b>As at</b>
<b>RM'000</b>	<b>31/12/2011</b>	<b>30/06/2011</b>
		<b>(Restated)</b>
Realised	(41,838)	(38,584)
Unrealised	4,416	4,481
Consolidation adjustments	12,456	12,460
<b>Total Group accumulated losses as per consolidated accounts</b>	<b>(24,966)</b>	<b>(21,643)</b>

**B8. CORPORATE PROPOSAL**

There are no corporate proposals announced but not completed as at the date of this report.

**B9. GROUP BORROWINGS**

The Group borrowings as at 31 December 2011 are as follows:-

		<b>RM'000</b>
Short term borrowings		
- Unsecured	<b>Note 1</b>	20,000
- Secured		7,393
		<u>27,393</u>
Long term borrowings		
- Secured		13,160
Total		<u><u>40,553</u></u>

All borrowings are denominated in Ringgit Malaysia.

**Note 1:** Bio Osmo Bhd has earlier concluded negotiations 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. MATERIAL LITIGATION**

**Amshore Holdings Sdn. Bhd. Vs Ong Chong Yong (trading under the name and style of "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. The defendant's appeal was fixed for hearing on 13 February 2012 and the Court of Appeal dismissed defendant's appeal with costs. A firm of solicitors in Singapore will be appointed to pursue the enforcement proceedings in Singapore vide the reciprocal enforcement of judgement procedures against the defendant.

**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. The case was scheduled for hearing of the Defendant's Striking Out Application pursuant to Order 18 rule 19 of the Rules of High Court 1980 on 20 February 2012. The Judge has reserved her decision over the Defendant's Striking Out Application until 21 March 2012.

**B11. DIVIDEND PAYABLE**

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

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**B12. EARNINGS PER SHARE (EPS)**

	<b>Current Year Quarter 31/12/2011</b>	<b>Cumulative Current Year To Date 31/12/2011</b>
Net profit attributable to ordinary shareholders (RM'000)	<u>(1,535)</u>	<u>(3,319)</u>
Number of ordinary shares in issue ('000)	<u>200,000</u>	<u>200,000</u>
Basic EPS (sen)	<u>(0.77)</u>	<u>(1.66)</u>
Fully diluted EPS (sen)	<u>(0.77)</u>	<u>(1.66)</u>

By order of the Board

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

22 February 2012