

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

**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 3RD QUARTER ENDED 31 MARCH 2012**

**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 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 third quarter ended 31 March 2012.

**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 31/03/2012  
(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	1,369	2,369	3,738
<b>Segmental Results</b>			
Results from operating activities	(2,170)	(2,460)	(4,630)
Finance costs	(543)	(643)	(1,186)
Loss before tax	(2,713)	(3,103)	(5,816)
Tax expense	-	-	-
Loss for the period	(2,713)	(3,103)	(5,816)

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 disposal of a wholly-owned subsidiary company, Corporate Advisory & Re-engineering Services Sdn Bhd.

**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 3RD QUARTER ENDED 31 MARCH 2012**

**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 RM2.25 million and loss after taxation of RM2.50 million as compared with a revenue of RM4.10 million and profit after taxation of RM3.49 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 RM3.74 million and loss after taxation of RM5.82 million as compared to a revenue of RM12.16 million and loss after taxation of RM0.60 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 energy drinks. The overall beverage industry is facing intensive competition, coupled with the rising raw material costs, in particular to the resin price which is in tandem with the increase in crude oil price.

Meanwhile, the better performance during the previous corresponding period was mainly due to one-off waiver of accrued Collateralised Loan Obligation interest amounting to RM4.96 million, as well as the recognition of deferred tax income of RM1.55 million

**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 RM2.50 million against the loss before taxation of RM1.54 million reported during the immediate preceding quarter. The increase in loss before taxation of the Group was mainly due to higher marketing and sponsorship expenses to promote the energy drink products. During the current quarter, the Company has also incurred higher human capital costs, in line with rising sales in bottled drinking water, in particular to the export market.

Apart from that, the lower loss before taxation in the immediate preceding quarter was also resulted from the one-off gain on disposal of assets amounting to RM0.16 million.

**B3. CURRENT PROSPECTS**

The Board believes that the business outlook remains challenging. Nonetheless, the Group is now in a much better position to capitalise on its resources to improve sales. It is evident by the sharp increase in sales volume of its bottled drinking water by almost three fold during the current quarter vis-à-vis the immediate preceding quarter. The Group is also finalising a plan to introduce value-added beverage to complement the existing drinking water products, which will be able to enhance the revenue and income stream 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 31/03/2012 RM'000</b>	<b>Cumulative Current Year To Date 31/03/2012 RM'000</b>
<b>Loss before tax</b>		
Depreciation of property, plant and equipment	737	2,295
Gain on disposal of property, plant and equipment	-	(156)
Loss on foreign exchange	76	76
Gain on disposal of subsidiary company	(12)	(12)
Interest Income	(3)	(8)

**B6. TAXATION**

	<b>Current Quarter 31/03/2012 RM'000</b>	<b>Cumulative Current Year To Date 31/03/2012 RM'000</b>
Income Tax		
- current	-	-
Deferred tax assets	-	-
	<u>-</u>	<u>-</u>

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<b>B7. ACCUMULATED LOSSES</b>	<b>As at</b>	<b>As at</b>
<b>RM'000</b>	<b>31/03/2012</b>	<b>30/06/2011</b>
		<b>(Restated)</b>
Realised	(44,286)	(38,584)
Unrealised	4,355	4,481
Consolidation adjustments	12,468	12,460
<b>Total Group accumulated losses as per consolidated accounts</b>	<b>(27,463)</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 March 2012 are as follows:-

	<b>RM'000</b>
Short term borrowings	
- Unsecured	20,000
- Secured	7,834
	27,834
Long term borrowings	
- Secured	12,715
Total	<u>40,549</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 matter came up for trial on 21st and 22nd of May 2012 and the plaintiff was advised to withdraw the same due to lack of material evidence and witness. The same was recorded accordingly.

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

The Judge has dismissed the Defendant's Striking Out Application but had ordered that costs of the said application be taxed. The matter was scheduled for case management on 7 May 2012 and the Defendant has filed its defence. However, the said case management was subsequently deferred, as the Shah Alam High Court has indicated that it will be transferring the file from the Shah Alam Court Complex to MRCB Court as the Shah Alam Court Complex is overloaded with trials for the entire year and it is calling on the remaining judges at MRCB Court to help with the excess files that would probably see trial sometime later this year. MVSBD has also been informed that it will receive an official letter from the Court pertaining to file transfer in due course.

**Jasinpack Sdn Bhd Vs Amshore Holdings Sdn Bhd**

Amshore, the wholly owned subsidiary of Bio Osmo Berhad, has been served with a Summons and Statement of Claim on 13 April 2012 by Jasinpack Sdn Bhd for repayment of the outstanding amount of RM103,922.01 as at 30 June 2011. The summary Judgement was also entered pursuant to Order 26A of the Subordinate Court Rules 1980 by the plaintiff against the Defendant on the same day. Amshore has filed an appeal to the Melaka High Court and the appeal is now fixed for mention on 7 June 2012.

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**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 3RD QUARTER ENDED 31 MARCH 2012**

**B11. DIVIDEND PAYABLE**

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

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

	<b>Current Year Quarter 31/03/2012</b>	<b>Cumulative Current Year To Date 31/03/2012</b>
Net profit attributable to ordinary shareholders (RM'000)	<u>(2,497)</u>	<u>(5,816)</u>
Number of ordinary shares in issue ('000)	<u>200,000</u>	<u>200,000</u>
Basic EPS (sen)	<u>(1.25)</u>	<u>(2.91)</u>
Fully diluted EPS (sen)	<u>(1.25)</u>	<u>(2.91)</u>

By order of the Board

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

30 May 2012