

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 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 fourth quarter ended 30 June 2012.

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 30/06/2012
(The figures have not been audited)

Geographical segments	Malaysia RM'000	Singapore RM'000	Group RM'000
Revenue			
Revenue from external customers	2,946	4,696	7,642
Segmental Results			
Results from operating activities	(3,246)	(3,300)	(6,546)
Finance costs	(692)	(862)	(1,554)
Loss before tax	(3,938)	(4,162)	(8,100)
Tax expense	(1,019)	-	(1,019)
Loss for the period	(4,957)	(4,162)	(9,119)

Disclosure on segmental information by the Group business segment is not presented as the Group is engaged in one type of business activity.

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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 2012 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.

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 RM 3.904million and loss before taxation of RM2.284 million as compared with a revenue of RM1.966 million and loss before taxation of RM1.931 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 RM7.642 million and loss before taxation of RM8.100 million as compared to a revenue of RM14.123 million and profit before taxation of RM7.297 million in the corresponding period of FY 2011.

The increase in revenue during the quarter under review was mainly due to increase sales of bottled drinking water. Whilst there was evident of marked improvements in sales volume, in particular during the last two quarters, the losses were due to continued high raw material costs such as resin and transportation. The better performance during the previous year corresponding period was due to the one-off waiver of accrued Collateralised Loans Obligations (CLO) interest amounting to RM4.96 million, as well as the recognition deferred tax income of RM1.55 million. In contrast, during the financial year under review, the Group wrote down RM1.019 million of deferred tax income.

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

For the quarter under review, the Group reported a 73.5% increase in revenue to RM3.904 million, compared to RM2.247 million recorded during the immediate preceding quarter. Nonetheless, the Group continued to suffer a loss before taxation of RM2.284 million against RM2.497 million in the preceding quarter. Higher revenue during the quarter under review, which was boosted by higher volume sales of the Group's beverage products, was still short of achieving the economies of scale to churn in profits for the Group in the financial year.

B3. CURRENT PROSPECTS

Taking the cue from the improvements experienced during the previous two quarters, the Board believes that the Group's beverage division is poised to recover with stronger revenue. This increase in sales volume and the gradual upward adjustment in selling prices will support the profitability of the Group in the longer term. Meanwhile, the Group will be introducing a new value-added beverage to further strengthen its product mix and market share.

B4. PROFIT FORECAST

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

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B5. LOSS BEFORE TAX

	Current Quarter 30/06/2012 RM'000	Cumulative Current Year To Date 30/06/2012 RM'000
Loss before tax		
Depreciation of property, plant and equipment	731	3,026
Gain on disposal of property, plant and equipment	-	(156)
Gain on foreign exchange	(32)	76
Gain on disposal of subsidiary company	-	(12)
Interest Income	(3)	(8)

B6. TAXATION

	Current Quarter 30/06/2012 RM'000	Cumulative Current Year To Date 30/06/2012 RM'000
Income Tax		
- current	-	-
Deferred tax assets	(1,019)	(1,019)
	<u>(1,019)</u>	<u>(1,019)</u>

**B7. ACCUMULATED LOSSES
RM'000**

	As at 30/06/2012	As at 30/06/2011 (Restated)
Realised	(46,592)	(38,584)
Unrealised	3,368	4,481
Consolidation adjustments	12,457	12,460
Total Group accumulated losses as per consolidated accounts	<u>(30,767)</u>	<u>(21,643)</u>

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 30 June 2012 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	20,000
- Secured	7,831
	27,831
Long term borrowings	
- Secured	12,715
Total	<u>40,546</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 RM20,000,000 after recognising the differential sum of RM15,000,000 arising from the settlement amount of Primary CLO as waiver of debt.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

The Group did not have any derivative financial instruments as at the end of the reporting period.

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B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at the end of the financial year and up to the date of this announcement, there is no off balance sheet financial instrument which has material impact to the financial statements under review.

B12. MATERIAL LITIGATION

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

Judgment have been obtained in Amshore's favour. Amshore is in the progress to register the judgement in Singapore to recover the machine deposit.

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. MVSB has also been informed that it will receive an official letter from the Court pertaining to file transfer in due course.

Jasinpak Sdn Bhd Vs Amshore Holdings Sdn Bhd

Amshore, the wholly owned subsidiary of Bio Osmo Berhad, has been served with a Summon and Statement of Claim on 13 April 2012 by Jasinpak 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. Out of Court settlement have been agreed upon on 21th July 2012.

B13. DIVIDEND PAYABLE

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

B14. EARNINGS PER SHARE (EPS)

	Current Year Quarter 30/06/2012	Cumulative Current Year To Date 30/06/2012
Net loss attributable to ordinary shareholders (RM'000)	(3,303)	(9,119)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic EPS (sen)	(1.65)	(4.56)
Fully diluted EPS (sen)	(1.65)	(4.56)

By order of the Board

30 August 2012