

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

Quarterly report on consolidated results for the first quarter ended 30 September 2012.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 9/30/2012 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 9/30/2011 RM '000	CURRENT YEAR TO DATE 9/30/2012 RM '000	PRECEDING YEAR CORRESPONDING PERIOD 9/30/2011 RM '000
Revenue	4,319	662	4,319	662
Other income	15	45	15	45
Operating expenses	(6,002)	(2,037)	(6,002)	(2,037)
Finance cost	(362)	(454)	(362)	(454)
Operating Profit / (Loss) before tax	<u>(2,030)</u>	<u>(1,784)</u>	<u>(2,030)</u>	<u>(1,784)</u>
Taxation	-	-	-	-
Net Profit / (Loss) after tax	<u>(2,030)</u>	<u>(1,784)</u>	<u>(2,030)</u>	<u>(1,784)</u>
Other comprehensive income				
Gain arising from revaluation of Property, Plant and Equi	-	-	-	-
Total comprehensive income/(expense) for the year	<u>(2,030)</u>	<u>(1,784)</u>	<u>(2,030)</u>	<u>(1,784)</u>
Profit attributable to:				
Owners of the Parent	(2,030)	(1,784)	(2,030)	(1,784)
Non-controlling interest	-	-	-	-
	<u>(2,030)</u>	<u>(1,784)</u>	<u>(2,030)</u>	<u>(1,784)</u>
Total comprehensive income/(expense) attributable to:				
Owners of the Parent	(2,030)	(1,784)	(2,030)	(1,784)
Non-controlling interest	-	-	-	-
	<u>(2,030)</u>	<u>(1,784)</u>	<u>(2,030)</u>	<u>(1,784)</u>
Earnings per share:-				
Basic (sen)	<u>(1.02)</u>	<u>(0.89)</u>	<u>(1.02)</u>	<u>(0.89)</u>
Fully diluted (sen)	<u>(1.02)</u>	<u>(0.89)</u>	<u>(1.02)</u>	<u>(0.89)</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 2012 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 2012**

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>AS AT</b>	<b>AS AT</b>
	<b>9/30/2012</b>	<b>6/30/2012</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	43,210	43,952
Deferred tax asset	3,395	3,395
	46,605	47,347
<b>Current assets</b>		
Inventories	2,299	2,098
Trade receivables	3,898	3,411
Other receivables, deposits and prepayments	9,873	9,825
Fixed deposits with licensed bank	331	328
Cash on hand and at banks	164	153
Tax recoverable	56	56
	16,621	15,871
<b>TOTAL ASSETS</b>	<b>63,226</b>	<b>63,218</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	40,000	40,000
Accumulated Losses	(32,890)	(30,860)
Reserves	4,096	4,096
	11,206	13,236
Non-controlling interest		
<b>TOTAL EQUITY</b>	<b>11,206</b>	<b>13,236</b>
<b>Non-current liabilities</b>		
Long term borrowings	-	-
	-	-
<b>Current liabilities</b>		
Trade payables	5,990	4,748
Other payables and accruals	5,493	4,693
Hire Purchase Payable	0	4
Short term borrowings	40,537	40,537
	52,020	49,982
<b>TOTAL LIABILITIES</b>	<b>52,020</b>	<b>49,982</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>63,226</b>	<b>63,218</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.0560	0.0662

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 2012 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 2012**

	<b>Unaudited 30-Sep-12 RM '000</b>	<b>Audited 30-Jun-12 RM '000</b>
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		
(Loss) / Profit before tax	(2,030)	(8,194)
Adjustments for:		
Depreciation of property, plant and equipment	754	3,124
Interest expense	362	1,533
Loss on disposal of a subsidiary company	-	12
Unrealised loss/(gain) on foreign exchange	30	32
Gain on disposal of property, plant and equipment	-	(156)
Interest income	(3)	(10)
<b>Operating profit before working capital changes</b>	<b>(887)</b>	<b>(3,659)</b>
(Increase) in inventories	(201)	(427)
(Increase) in trade receivables	(487)	(678)
(Increase) in other receivables, deposits and prepayments	(48)	(6)
Increase in trade payables	1,242	3,034
Increase in other payables and accruals	800	3,065
Cash used in operations	419	1,329
Interest received	3	10
Interest paid	(362)	(1,533)
Income tax paid	-	(2)
<b>Net cash absorbed by operating activities</b>	<b>60</b>	<b>(196)</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(12)	(39)
Proceeds from disposal of property, plant and equipment	-	220
Cash outflow on disposal of a subsidiary company	-	(1)
<b>Net cash from investing activities</b>	<b>(12)</b>	<b>180</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		
Drawdown of term loan	-	91
Repayment of hire purchase payable	(4)	(108)
Placement of fixed deposit pledged	(3)	100
<b>Net cash from financing activities</b>	<b>(7)</b>	<b>83</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>41</b>	<b>67</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(30)</b>	<b>(32)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>153</b>	<b>118</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>164</b>	<b>153</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR COMPRISE:</b>		
Cash and bank balances	164	153
Fixed deposit with licensed banks	331	328
	<b>495</b>	<b>481</b>

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 2012 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 2012**

	----- 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			Total RM'000
Balance as of 1 July 2012	40,000	(30,860)	2,853	1,243	13,236	-	13,236
Total comprehensive (expenses) for the period	-	(2,030)	-	-	(2,030)	-	(2,030)
Balance as of 30 September 2012	<u>40,000</u>	<u>(32,890)</u>	<u>2,853</u>	<u>1,243</u>	<u>11,206</u>	<u>-</u>	<u>11,206</u>
<hr/>							
Balance as of 1 July 2011	40,000	(21,643)	2,853	1,243	22,453	(4)	22,449
Total comprehensive (expense) for the period	-	(1,784)	-	-	(1,784)	-	(1,784)
Balance as of 30 September 2011	<u>40,000</u>	<u>(23,427)</u>	<u>2,853</u>	<u>1,243</u>	<u>20,669</u>	<u>(4)</u>	<u>20,665</u>

**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 2012 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 SEP 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 2012.

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 2012, except for those standards, amendments and interpretations which are effective for the financial period beginning on or after 1 July 2012.

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**

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 Sep 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.

First Quarter Ended 30/09/2012  
(The figures have not been audited)

<b>Geographical segments</b>	<b>Malaysia RM '000</b>	<b>Singapore RM '000</b>	<b>Group RM '000</b>
<b>Revenue</b>			
Revenues from external customers	1,489	2,830	4,319
<b>Segmental Results</b>			
Results from operating activities	(1,047)	(621)	(1,668)
Finance costs	(125)	(237)	(362)
Loss before tax	(1,172)	(858)	(2,030)
Taxation	-	-	-
Loss for the period	<u>(1,172)</u>	<u>(858)</u>	<u>(2,030)</u>

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 Sep 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 RM4.319 million and loss after tax of RM2.030 million as compared with a revenue of RM0.662 million and loss after tax of RM1.784 million in the corresponding quarter of the previous financial year ended 30 Sep 2011 ("FY 2012").

The increase in revenue during the quarter under review was mainly due to increase sales volume of bottled drinking water and selling price. The group is working on the product quality to improve selling price for its beverage products. Minimum selling price for the beverage product is set to ensure sufficient margin is secured to pay for the overhead of the production facilities.

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

For the quarter under review, the Group reported a 10.6% increase in revenue to RM4.319 million, compared to only RM3.904 million recorded during the immediate preceding quarter. Nonetheless, the Group continued to suffer a loss after taxation of RM2.030 million against RM3.303 million during the corresponding period last year. 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 scales to churn in profits for the Group.

### B3. CURRENT PROSPECTS

Whilst the business environment remains challenging, the Group is in a much improved financial position to capitalise on its resources to improve sales. The sales and marketing efforts put in place is beginning to bear fruits. It is evident by the continue growth of sales volume of its bottled drinking water by 11% during the current quarter vis-à-vis the immediate preceding quarter. The Group's new production facility in the Klang Valley should be operational by the 3Q of the current financial year, which we believe will contribute positively to the income stream in the future.

The Group is undergoing a debt repayment exercise, where all outstanding debts and certain trade creditors will be fully repaid through the issuance of securities. This exercise, once completed, will provide a stronger growth platform for the group in the longer term. Investment Banker, Solicitor and Reporting Accountant have recently been appointed. Details of the debt repayment exercise shall be announced to Bursa Malaysia in due course.

### B4. PROFIT FORECAST

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

### B5. LOSS BEFORE TAX

	<b>Current Quarter 30/09/2012 RM '000</b>	<b>Cumulative Current Year To Date 30/09/2012 RM '000</b>
<b>Loss before tax</b>	(2,030)	(2,030)
Depreciation of property, plant and equipment	754	754
Gain on foreign exchange	33	33
Interest Income	3	3

<b>B6. TAXATION</b>	<b>Current Quarter 30/09/2012 RM '000</b>	<b>Cumulative Current Year To Date 30/09/2012 RM '000</b>
Income Tax		
- current	-	-
Deferred tax assets	-	-

<b>B7. ACCUMULATED LOSSES RM'000</b>	<b>As at 30/09/2012</b>	<b>As at 30/06/2012 (Restated)</b>
Realised	(46,954)	(44,924)
Unrealised	3,369	3,369
Consolidation adjustments	11,714	11,714
<b>Total Group accumulated losses as per consolidated accounts</b>	<u><u>(32,890)</u></u>	<u><u>(30,860)</u></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 Sep 2012 are as follows:-

	<b>RM'000</b>
Short term borrowings	
- Unsecured <i>Note 1</i>	20,000
- Secured	<u>20,537</u>
Total	<u>40,537</u>
Long term borrowings	
- Secured	-
Total	<u><u>40,537</u></u>

All borrowings are denominated in Ringgit Malaysia.

Note 1: Bio Osmo Bhd has earlier concluded negotiations with Messrs TMF Trustees Malaysia 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**

### **(a) Morning Valley Sdn. Bhd. (“MVSB”)**

MVSB has entered into a Sale & Purchase Agreement regarding a piece of land and MVSB has paid a deposit of RM3,000,000 to AQRS The Building Company Sdn. Bhd. (“AQRS”). Since then, the Sale & Purchase Agreement has been mutually terminated by both parties. However, AQRS to date has failed to refund the said deposit of RM3,000,000 to MVSB.

As a result of which MVSB and its shareholders, the Company and Datuk Seri Krishna Kumar (“DSKK”) has entered a private caveat on the piece of land. AQRS has filed a suit to obtain an order to remove the private caveat. The matters are still ongoing. MVSB and the Company are currently in the midst of instituting a civil suit against AQRS for recovery of the said deposit of RM3,000,000. On 2 November 2010, the Shah Alam High Court (“the Court”) ordered the private caveat by DSKK be removed and granted AQRS of a permanent injunction to restrain any further caveat on the particular land by MVSB, the Company and DSKK

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 28 September 2012. The stay application for hearing scheduled on 7 September 2012 and later adjourned to 7 November 2012. Hearing of the case is further postpone to 12th December 2012.

### **(b) Amshore Holdings Sdn. Bhd. (“AHSB”)**

AHSB against Ong Chong Yong (trading under the name and style of “Century Machinery”) claiming for a sum of USD1,500,000. The said sum of USD1,500,000 was paid by AHSB to Century Machinery under a Sales Contract dated 1 November 2006 but the Sales Contract was however subsequently repudiated by Century Machinery. The suit is for the claim of the said sum of USD1,500,000.

On 1 April 2011, an order was made by the Honourable Judicial Commissioner whereby Century Machine was instructed to pay the sum of USD860,106 to AHSB and the balance from the total claim of USD1,500,000 to be disposed of a trial once AHSB decide to proceed with full trial.

On 13 June 2011, Century Machine filed an application for a stay of execution of the aforesaid judgment on 1 April 2011. The stay application was fixed for hearing on 5 October 2011 and later adjourned to 1 November 2011. Subsequently, the stay application was dismissed by the Court.

Subsequent to the financial year end, Century Machine paid RM700,000 as part of settlement of the judgment sum.

## **B11. DERIVATIVE FINANCIAL INSTRUMENT**

The group did not have any derivative financial instrument as at the end of the reporting period

## **B.12 OFF BALANCE SHEET FINANCIAL INSTRUMENT**

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 statement under review.

## **B13. DIVIDEND PAYABLE**

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

**B14. EARNINGS PER SHARE (EPS)**

	<b>Current Year Quarter 30/09/2012</b>	<b>Cumulative Current Year To Date 30/09/2012</b>
Net profit attributable to ordinary shareholders (RM '000)	(2,030)	(2,030)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic EPS (sen)	(1.02)	(1.02)
Fully diluted EPS (sen)	(1.02)	(1.02)

By order of the Board