

BIO OSMO BHD (740838-A)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2012

<i>(RM '000)</i>	3 months ended		6 months ended	
	31.12.12 (Unaudited)	31.12.11 (Unaudited)	31.12.12 (Unaudited)	31.12.11 (Unaudited)
Revenue	3,879	829	8,198	1,491
Other income	29	172	44	217
Operating expenses	(5,390)	(2,161)	(11,392)	(4,198)
Finance costs	350	(375)	(12)	(829)
Operating loss before tax	<u>(1,132)</u>	<u>(1,535)</u>	<u>(3,162)</u>	<u>(3,319)</u>
Taxation	-	-	-	-
Net loss after tax	<u><u>(1,132)</u></u>	<u><u>(1,535)</u></u>	<u><u>(3,162)</u></u>	<u><u>(3,319)</u></u>
Other comprehensive income				
Gain arising from revaluation of property, plant and equipment	-	-	-	-
Total comprehensive expense for the period	<u><u>(1,132)</u></u>	<u><u>(1,535)</u></u>	<u><u>(3,162)</u></u>	<u><u>(3,319)</u></u>
Loss attributable to:				
Owners of the Parent	(1,132)	(1,535)	(3,162)	(3,319)
Non-controlling interest	-	-	-	-
	<u><u>(1,132)</u></u>	<u><u>(1,535)</u></u>	<u><u>(3,162)</u></u>	<u><u>(3,319)</u></u>
Total comprehensive expense attributable to:				
Owners of the Parent	(1,132)	(1,535)	(3,162)	(3,319)
Non-controlling interest	-	-	-	-
	<u><u>(1,132)</u></u>	<u><u>(1,535)</u></u>	<u><u>(3,162)</u></u>	<u><u>(3,319)</u></u>
Loss per share attributable to Owners of the Parent (sen):-				
Basic	(0.57)	(0.77)	(1.58)	(1.66)
Fully diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

The above condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

BIO OSMO BHD (740838-A)
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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

<i>(RM '000)</i>	As at 31.12.12 (Unaudited)	As at 30.06.12 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	45,964	43,952
Deferred tax asset	3,395	3,395
	<u>49,359</u>	<u>47,347</u>
Current assets		
Inventories	2,485	2,098
Trade receivables	4,522	3,411
Other receivables, deposits and prepayments	9,864	9,825
Fixed deposits with licensed bank	334	328
Cash on hand and at banks	180	153
Tax recoverable	56	56
	<u>17,441</u>	<u>15,871</u>
TOTAL ASSETS	<u><u>66,800</u></u>	<u><u>63,218</u></u>
EQUITY AND LIABILITIES		
Share capital	40,000	40,000
Accumulated Losses	(34,022)	(30,860)
Reserves	4,096	4,096
Equity attributable to Owners of the Parent	<u>10,074</u>	<u>13,236</u>
Non-controlling interest	-	-
TOTAL EQUITY	<u><u>10,074</u></u>	<u><u>13,236</u></u>
Current liabilities		
Trade payables	6,719	4,748
Other payables and accruals	9,470	4,693
Hire Purchase Payable	-	4
Short term borrowings	40,537	40,537
TOTAL LIABILITIES	<u><u>56,726</u></u>	<u><u>49,982</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>66,800</u></u>	<u><u>63,218</u></u>
Net assets per share attributable to Owners of the Parent (RM)	<u><u>0.0504</u></u>	<u><u>0.0662</u></u>

The above condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	<----- Attributable to Owners of the Parent ----->				Non-controlling Interest	Total Equity	
	Share Capital (RM '000)	Distributable Retained Profit (RM '000)	Share Premium (RM '000)	Non-Distributable 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 expense for the period	-	(3,162)	-	-	(3,162)	-	(3,162)
Balance as of 31 December 2012	40,000	(34,022)	2,853	1,243	10,074	-	10,074
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	-	(3,319)	-	-	(3,319)	-	(3,319)
Changes in non-controlling interest	-	(4)	-	-	(4)	4	-
Balance as of 31 December 2011	40,000	(24,966)	2,853	1,243	19,130	-	19,130

The above condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED
31 DECEMBER 2012**

<i>(RM '000)</i>	6 months ended	
	31.12.12	31.12.11
	(Unaudited)	(Unaudited)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before taxation	(3,162)	(3,319)
Adjustments for:		
Depreciation of property, plant and equipment	1,524	1,558
Interest expense	12	829
Unrealised loss/(gain) on foreign currency exchange	23	(2)
Gain on disposal of property, plant and equipment	(10)	(156)
Interest income	(6)	(5)
Operating loss before working capital changes	(1,619)	(1,095)
Increase in inventories	(387)	(124)
(Increase)/decrease in trade receivables	(1,111)	318
Increase in other receivables, deposits and prepayments	(39)	(6)
Increase in trade payables	1,971	319
Increase in other payables and accruals	4,777	414
Cash generated from/(absorbed by) operations	3,592	(174)
Interest received	6	5
Interest paid	(12)	(5)
Income tax paid	-	-
Net cash from/(used in) operating activities	3,586	(174)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,536)	(5)
Proceeds from disposal of property, plant and equipment	10	220
Cash outflow on disposal of a subsidiary company	-	-
Net cash (used in)/from investing activities	(3,526)	215
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of term loan	-	91
Repayment of hire purchase payable	(4)	(96)
(Placement)/withdrawal of fixed deposit pledged	(6)	4
Net cash used in financing activities	(10)	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	50	40
EFFECT OF EXCHANGE RATE CHANGES	(23)	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	153	118
CASH AND CASH EQUIVALENTS AT END OF PERIOD	180	160
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISE:		
Cash and bank balances	180	160
Fixed deposit with licensed banks	334	424
	514	584
Less: Fixed deposit pledged to licensed banks	(334)	(424)
	180	160

The above condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2012.

A1. BASIS OF PREPARATION

This condensed consolidated interim financial statements (Condensed Report) have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 30 June 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRS).

The MFRS are effective for the Group from 1 July 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant Condensed Report is 1 July 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The adoption of these relevant MFRSs are not expected to have any significant financial impact on the financial statements of the Group.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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 6 months ended 31 December 2012 under review.

A5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and 6 months ended 31 Dec 2012.

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 current quarter and 6 months ended 31 December 2012.

A7. DIVIDEND PAID

There were no dividends paid during the current and previous corresponding 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.

6 months ended 31 December 2012

Geographical segments	Malaysia	Singapore	Group
	(RM '000)	(RM '000)	(RM '000)
Revenue			
Revenues from external customers	2,433	5,765	8,198
Segmental Results			
Results from operating activities	(2,228)	(922)	(3,150)
Finance costs	(40)	28	(12)
Loss before tax	(2,268)	(894)	(3,162)
Taxation	-	-	-
Loss for the period	(2,268)	(894)	(3,162)

6 months ended 31 December 2011

Geographical segments	Malaysia	Singapore	Group
	(RM '000)	(RM '000)	(RM '000)
Revenue			
Revenues from external customers	786	705	1,491
Segmental Results			
Results from operating activities	(1,435)	(1,055)	(2,490)
Finance costs	(450)	(379)	(829)
Loss before tax	(1,885)	(1,434)	(3,319)
Taxation	-	-	-
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 and previous corresponding quarter.

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A10. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed below, there was no material event subsequent to the end of the current quarter.

The wholly-owned subsidiary, Amshore Holdings Sdn. Bhd., had on 18 January 2013 acquired 66% of the total equity in Tag RO Sdn. Bhd. comprising Sixty Six (66) ordinary shares of RM 1.00 each at par value for cash consideration.

A11. RELATED PARTY TRANSACTION

There were no material related party transaction during the quarter and 6 months ended 31 December 2012.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter and 6 months ended 31 December 2012.

A13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and assets as at the date of this report.

A14. CAPITAL COMMITMENT

There were no capital commitment by the Group during the financial period under review.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

For the current quarter under review, the Group registered a revenue of RM 3.879 million and loss after tax of RM 1.132 million as compared with a revenue of RM 0.829 million and loss after tax of RM 1.535 million in the corresponding quarter of the previous financial year ended 31 December 2011 ("FY 2012").

The increase in revenue during the current 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 current quarter under review, the Group reported a 10.2% decrease in revenue to RM 3.879 million, compared to RM 4.319 million recorded during the immediate preceding quarter. Nonetheless, the Group continued to suffer a loss after taxation of RM 1.132 million against RM 2.030 million during the corresponding periods. Lower revenue during the quarter under review was due to the decrease sales of bottled drinking water.

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 continue growth of sales volume of its bottled drinking water by 550% during the 6 months ended 31 December 2012 vis-à-vis the 6 months ended 31 December 2011. 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.

The proposed corporate exercise, once completed, will bring about an end to the financial stress on the financial position of the group. The settlement of the loans will free up substantial financial resources, and will enable the Group to position itself for future growth.

B4. PROFIT FORECAST

There was no profit forecast for the period under review was required.

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B5. LOSS BEFORE TAXATION

Loss before taxation have been determined after charging/(crediting) amongst other items the following:-

<i>(RM '000)</i>	3 months ended		6 months ended	
	31.12.12	31.12.11	31.12.12	31.12.11
Depreciation of property, plant & equipment	770	777	1,524	1,558
Gain on disposal of property, plant & equipment	(10)	(157)	(10)	(156)
(Gain)/loss on foreign currency exchange:				
unrealised	(7)	16	23	(2)
realised	24	8	17	2
Interest Income	(3)	(3)	(6)	(5)

Other than the above, the items listed under Appendix 9B Note 16 of the listing Requirement of Bursa Malaysia Securities Berhad are not applicable.

B6. TAXATION

There was no tax expenses for the current quarter and 6 months ended 31 December 2012 as the Group was in a tax loss position.

B7. ACCUMULATED LOSSES

<i>(RM '000)</i>	As at 31.12.12	As at 30.06.12
Realised	(48,086)	(44,924)
Unrealised	3,369	3,369
	<u>(44,717)</u>	<u>(41,555)</u>
Consolidation adjustments	11,714	11,714
Total accumulated losses	<u><u>(34,022)</u></u>	<u><u>(30,860)</u></u>

B8. CORPORATE PROPOSAL

Kenanga Investment Bank Bhd, on behalf of the Company, has on 8 February 2013 submitted to Bursa Malaysia Securities Bhd a proposed corporate exercise in relation to :

- (i) Debt settlement owing to creditors of the Company and its subsidiaries, namely Idaman Capital Bhd, Bank Kerjasama Rakyat Malaysia Bhd, and certain trade and non-trade creditors;
- (ii) private placement of 115,000,000 new ordinary shares of RM0.20 each, representing 32.4% of the enlarged issued and paid-up share capital of the Company upon implementation of the proposal; and
- (iii) Proposed amendments to the Memorandum and Articles of Association of the Company to facilitate (i) and (ii) above.

The proposal is currently pending approval from Bursa Malaysia.

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B9. GROUP BORROWINGS

The Group borrowings as at 31 December 2012 are as follows:-

		<i>(RM '000)</i>
Short term borrowings		
Unsecured	Note 1	20,000
Secured		20,537
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 Equity Trust (M) Bhd, the trustee for the settlement of RM 35,000,000 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 suit, and the striking out application was dismissed by the Court on 21 March 2012. The case was fixed for case management by the Court on 31 January 2013, but was subsequently postponed to a new date to be confirmed later.

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(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 USD 1,500,000. The said sum of USD 1,500,000 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 USD 860,106 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 RM 700,000 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.

B12. OFF BALANCE SHEET FINANCIAL INSTRUMENT

As at the end of the financial period 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. LOSS PER SHARE (LPS)

	3 months ended		6 months ended	
	31.12.12	31.12.11	31.12.12	31.12.11
Net loss attributable to Owners of the Parent (RM '000)	(1,132)	(1,535)	(3,162)	(3,319)
Number of ordinary shares in issue (RM '000)	200,000	200,000	200,000	200,000
Basic LPS (sen per share)	(1)	(1)	(2)	(2)
Diluted LPS (sen per share)	N/A	N/A	N/A	N/A

B15. AUTHORISED FOR ISSUE

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 February 2013.