

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER
AND NINE MONTHS ENDED 31 MARCH 2013**

RM'000	3 months ended		9 months ended	
	31.03.13 (Unaudited)	31.03.12 (Unaudited)	31.03.13 (Unaudited)	31.03.12 (Unaudited)
Revenue	3,920	2,247	12,118	3,738
Other income	87	29	131	246
Operating expenses	(4,035)	(4,416)	(15,427)	(8,614)
Finance costs	-	(357)	(12)	(1,186)
Operating loss before tax	<u>(28)</u>	<u>(2,497)</u>	<u>(3,190)</u>	<u>(5,816)</u>
Taxation	-	-	-	-
Net loss after tax	<u><u>(28)</u></u>	<u><u>(2,497)</u></u>	<u><u>(3,190)</u></u>	<u><u>(5,816)</u></u>
Total comprehensive expense for the period	<u><u>(28)</u></u>	<u><u>(2,497)</u></u>	<u><u>(3,190)</u></u>	<u><u>(5,816)</u></u>
Loss attributable to:				
Owners of the Company	(28)	(2,497)	(3,190)	(5,816)
Non-controlling interest	-	-	-	-
	<u>(28)</u>	<u>(2,497)</u>	<u>(3,190)</u>	<u>(5,816)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(28)	(2,497)	(3,190)	(5,816)
Non-controlling interest	-	-	-	-
	<u>(28)</u>	<u>(2,497)</u>	<u>(3,190)</u>	<u>(5,816)</u>
Loss per share attributable to Owners of the Company (sen):-				
Basic	(0.01)	(1.25)	(1.60)	(2.91)
Fully diluted	N/A	N/A	N/A	N/A

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 MARCH 2013

RM'000	As at 31.03.13 (Unaudited)	As at 30.06.12 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	45,164	43,952
Deferred tax asset	3,395	3,395
	<u>48,559</u>	<u>47,347</u>
Current assets		
Inventories	2,086	2,098
Trade receivables	5,402	3,411
Other receivables, deposits and prepayments	9,950	9,825
Fixed deposits with licensed bank	337	328
Cash on hand and at banks	112	153
Tax recoverable	56	56
	<u>17,943</u>	<u>15,871</u>
TOTAL ASSETS	<u><u>66,502</u></u>	<u><u>63,218</u></u>
EQUITY AND LIABILITIES		
Share capital	40,000	40,000
Accumulated Losses	(34,050)	(30,860)
Reserves	4,096	4,096
Equity attributable to Owners of the Company	<u>10,046</u>	<u>13,236</u>
Non-controlling interest	-	-
TOTAL EQUITY	<u><u>10,046</u></u>	<u><u>13,236</u></u>
Current liabilities		
Trade payables	6,960	4,748
Other payables and accruals	8,959	4,693
Hire Purchase Payable	-	4
Short term borrowings	40,537	40,537
TOTAL LIABILITIES	<u><u>56,456</u></u>	<u><u>49,982</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>66,502</u></u>	<u><u>63,218</u></u>
Net assets per share attributable to owners of the Company (RM)	<u><u>0.0502</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 NINE MONTHS ENDED 31 MARCH 2013

	<----- Attributable to Owners of the Company ----->				Total	Non-controlling Interest	Total Equity
	Share Capital	Distributable Retained Profit	Non-Distributable Share Premium	Revaluation Reserve			
	RM '000	RM '000	RM '000	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	-	(3,190)	-	-	(3,190)	-	(3,190)
Balance as of 31 March 2013	40,000	(34,050)	2,853	1,243	10,046	-	10,046
<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	-	(5,816)	-	-	(5,816)	-	(5,816)
Changes in non-controlling interest	-	(4)	-	-	(4)	4	-
Balance as of 31 March 2012	40,000	(27,463)	2,853	1,243	16,633	-	16,633

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 NINE MONTHS ENDED 31 MARCH 2013

RM'000	9 months ended	
	31.03.13	31.03.12
	(Unaudited)	(Unaudited)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before taxation	(3,190)	(5,816)
Adjustments for:		
Depreciation of property, plant and equipment	2,330	2,295
Interest expense	12	1,186
Unrealised loss on foreign currency exchange	42	59
Bad debts recovered	(69)	-
Gain on disposal of property, plant and equipment	(10)	(156)
Interest income	(9)	(8)
Operating loss before working capital changes	(894)	(2,440)
Decrease in inventories	12	119
(Increase)/decrease in trade receivables	(1,922)	20
Increase in other receivables, deposits and prepayments	(125)	(8)
Increase in trade payables	2,212	1,287
Increase in other payables and accruals	766	927
Cash generated from/(absorbed by) operations	49	(95)
Interest received	9	8
Interest paid	(12)	(16)
Income tax paid	-	-
Net cash from/(used in) operating activities	46	(103)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(42)	(14)
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	(32)	206
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of term loan	-	91
Repayment of hire purchase payable	(4)	(100)
(Placement)/withdrawal of fixed deposit pledged	(9)	103
Net cash (used in)/from financing activities	(13)	94
NET INCREASE IN CASH AND CASH EQUIVALENTS	1	197
EFFECT OF EXCHANGE RATE CHANGES	(42)	(59)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	153	118
CASH AND CASH EQUIVALENTS AT END OF PERIOD	112	256
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISE:		
Cash and bank balances	112	256
Fixed deposit with licensed banks	337	325
	449	581
Less : Fixed deposit pledged to licensed banks	(337)	(325)
	112	256

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 3RD QUARTER ENDED 31 MARCH 2013.

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 9 months ended 31 March 2013 under review.

A5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and 9 months ended 31 March 2013.

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 9 months ended 31 March 2013.

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.

9 months ended 31 March 2013

Geographical segments	Malaysia RM '000	Singapore RM '000	Group RM '000
Revenue			
Revenues from external customers	4,235	7,883	12,118
Segmental Results			
Results from operating activities	(2,101)	(1,077)	(3,178)
Finance costs	(40)	28	(12)
Loss before tax	(2,141)	(1,049)	(3,190)
Taxation	-	-	-
Loss for the period	<u>(2,141)</u>	<u>(1,049)</u>	<u>(3,190)</u>

9 months ended 31 March 2012

Geographical segments	Malaysia RM '000	Singapore RM '000	Group RM '000
Revenue			
Revenues from external customers	1,369	2,369	3,738
Segmental Results			
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)
Taxation	-	-	-
Loss for the period	<u>(2,713)</u>	<u>(3,103)</u>	<u>(5,816)</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 and previous corresponding quarter.

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A10. EVENTS AFTER THE REPORTING PERIOD

There was no material event subsequent to the end of the current quarter under review.

A11. RELATED PARTY TRANSACTION

There were no material related party transaction during the quarter and 9 months ended 31 March 2013.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

Other than disclosed below, there were no changes in the composition of the Group during the quarter and 9 months ended 31 March 2013.

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.

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 3.92 million and loss after tax of RM 0.028 million as compared with a revenue of RM 2.247 million and loss after tax of RM 2.497 million in the corresponding quarter of the previous financial year ended 31 March 2012 ('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. The ongoing cost cutting measures have begun to show positive results, which in turn have contributed to the improvement in operating margins for the group.

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

For the current quarter under review, the Group reported a 1.1% increase in revenue to RM 3.920 million, compared to RM 3.879 million recorded during the immediate preceding quarter. Nonetheless, the Group continued to suffer a loss after taxation of RM 0.028 million against RM 1.132 million during the corresponding periods. Higher revenue during the quarter under review, which was due to the increase in 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 324% during the 9 months ended 31 March 2013 vis-à-vis the 9 months ended 31 March 2012. The Group will soon introduce value-added beverages to complement the existing drinking water products, which will be able to enhance revenue and income stream in the 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:-

RM '000	3 months ended		9 months ended	
	31.03.13	31.03.12	31.03.13	31.03.12
Depreciation of property, plant and equipment	806	737	2,330	2,295
Bad debts recovered	(69)	-	(69)	-
Gain on disposal of property, plant and equipment	-	(157)	(10)	(156)
Loss on foreign currency exchange:				
- unrealised	19	61	42	59
- realised	23	15	40	17
Interest Income	(3)	(3)	(9)	(8)

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

RM '000	3 months ended		9 months ended	
	31.03.13	31.03.12	31.03.13	31.03.12
Income Tax				
- current	-	-	-	-
Deferred tax assets	-	-	-	-

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

There was no tax expenses for the current quarter and 9 months ended 31 March 2013 as the Group was in a tax loss position.

B7. ACCUMULATED LOSSES

RM '000	As at	As at
	31.03.13	30.06.12
Realised	(45,722)	(44,924)
Unrealised	(42)	3,369
	(45,764)	(41,555)
Consolidation adjustments	11,714	11,714
Total accumulated losses	(34,050)	(30,860)

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B8. CORPORATE PROPOSAL

Kenanga Investment Bank Berhad, 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 has been approved by Bursa Malaysia Securities Bhd via a letter to Kenanga Investment Bank Bhd dated 16 May 2013. Circular to Shareholders has been issued and an Extraordinary General Meeting is scheduled to be held on 21 June 2013 to seek shareholders' approvals for this corporate exercise.

B9. GROUP BORROWINGS

The Group borrowings as at 31 March 2013 are as follows:-

		RM '000
Short term borrowings		
- Unsecured	<i>Note 1</i>	20,000
- Secured		20,537
Total		<u>40,537</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 RM20,000,000 after recognising the differential sum of RM15,000,000 arising from the settlement amount of Primary CLO as waiver of debt.

B10. MATERIAL LITIGATION

(a) Morning Valley Sdn. Bhd. ("MVSB")

MVSB, a wholly-owned subsidiary of the Company, instituted a civil suit against AQRS on 5 August 2011 for recovery of a deposit amounting to RM3,000,000 which was paid by MVSB to AQRS pursuant to a sale and purchase agreement for an acquisition of land ("SPA"). The SPA was mutually terminated by both parties due to non-fulfilment of conditions precedent of the SPA. To-date, AQRS has failed to refund the said deposit to MVSB.

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. This case is now fixed for a final case management by the Court on 31 May 2013.

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

The case was filed by AHSB against Century Machine claiming for a sum of USD1,500,000. The said sum was paid by AHSB to Century Machinery under a sale contract dated 1 November 2006 but the sale contract was however subsequently repudiated by Century Machinery. The suit is to claim for refund of the said sum.

AHSB filed an application for summary judgment against Century Machinery and had on 1 April 2011 obtained judgment for a sum of USD860,106 from the Johor Bahru High Court and the balance of the total claim of USD1,500,000 to be ventilated at a full trial (“Judgment”). Century Machinery’s subsequent appeal against the decision of the Johor Bahru High Court was duly dismissed. No application for leave to the Federal Court was filed by Century Machinery thereafter.

AHSB has engaged a Singapore solicitors firm to register the Judgment in the Singapore High Court for the recovery of the balance sum from Century Machinery. The Singapore solicitors are preparing the necessary documentation for the next course of action.

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		9 months ended	
	31.03.13	31.03.12	31.03.13	31.03.12
Net loss attributable to Owners of the Company (RM '000)	(28)	(2,497)	(3,190)	(5,816)
Number of ordinary shares in issue ('000)	200,000	200,000	200,000	200,000
Basic LPS (sen)	(0.01)	(1.25)	(1.60)	(2.91)
Diluted LPS (sen)	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 31 May 2013.