

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER
AND 15 MONTHS ENDED 30 SEPTEMBER 2013**

| RM'000 | 3 months ended | | 15 months ended | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30.09.13 (Unaudited) | 30.09.12 (Unaudited) | 30.09.13 (Unaudited) | 30.09.12 (Unaudited) |
| Revenue | 1,029 | 4,319 | 15,299 | 12,102 |
| Other income | 2,571 | 15 | 2,745 | 281 |
| Operating expenses | (3,157) | (6,002) | (22,376) | (20,712) |
| Finance costs | 36 | (362) | 1,629 | (1,895) |
| Operating profit/(loss) before tax | 479 | (2,030) | (2,703) | (10,224) |
| Taxation | - | - | 1 | (1,019) |
| Net profit/(loss) after tax | 479 | (2,030) | (2,702) | (11,243) |
| Total comprehensive income/(expense) for the period | 479 | (2,030) | (2,702) | (11,243) |
| Profit/(loss) attributable to: | | | | |
| Owners of the Company | 542 | (2,030) | (2,541) | (11,243) |
| Non-controlling interest | (63) | - | (161) | - |
| | 479 | (2,030) | (2,702) | (11,243) |
| Total comprehensive income/(expense) attributable to: | | | | |
| Owners of the Company | 542 | (2,030) | (2,541) | (11,243) |
| Non-controlling interest | (63) | - | (161) | - |
| | 479 | (2,030) | (2,702) | (11,243) |
| Earning/(loss) per share attributable to Owners of the Company (sen):- | | | | |
| Basic | 0.27 | (1.02) | (1.27) | (5.62) |
| 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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

| RM'000 | As at 30.09.13 (Unaudited) | As at 30.06.12 (Audited) |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 43,972 | 43,952 |
| Deferred tax asset | 3,395 | 3,395 |
| | 47,367 | 47,347 |
| Current assets | | |
| Inventories | 1,665 | 2,098 |
| Trade receivables | 3,432 | 3,411 |
| Other receivables, deposits and prepayments | 10,027 | 9,825 |
| Fixed deposits with licensed bank | 343 | 328 |
| Cash on hand and at banks | 208 | 153 |
| Tax recoverable | 56 | 56 |
| | 15,731 | 15,871 |
| TOTAL ASSETS | 63,098 | 63,218 |
| EQUITY AND LIABILITIES | | |
| Share capital | 40,000 | 40,000 |
| Accumulated Losses | (33,401) | (30,860) |
| Reserves | 4,096 | 4,096 |
| Equity attributable to Owners of the Company | 10,695 | 13,236 |
| Non-controlling interest | (161) | - |
| TOTAL EQUITY | 10,534 | 13,236 |
| Current liabilities | | |
| Trade payables | 6,459 | 4,748 |
| Other payables and accruals | 8,105 | 4,693 |
| Hire Purchase Payable | - | 4 |
| Short term borrowings | 38,000 | 40,537 |
| TOTAL LIABILITIES | 52,564 | 49,982 |
| TOTAL EQUITY AND LIABILITIES | 63,098 | 63,218 |
| Net assets per share attributable to owners of the Company (RM) | 0.0535 | 0.0662 |

The above condensed consolidated statements of financial position 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 CHANGES IN EQUITY FOR THE 15 MONTHS ENDED 30 SEPTEMBER 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 | - | (2,541) | - | - | (2,541) | (161) | (2,702) |
| Balance as of 30 September 2013 | 40,000 | (33,401) | 2,853 | 1,243 | 10,695 | (161) | 10,534 |
| <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 | - | (11,243) | - | - | (11,243) | - | (11,243) |
| Changes in non-controlling interest | - | (4) | - | - | (4) | 4 | - |
| Balance as of 30 September 2012 | 40,000 | (32,890) | 2,853 | 1,243 | 11,206 | - | 11,206 |

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 15 MONTHS ENDED 30 SEPTEMBER 2013

| RM'000 | 15 months ended | |
|---|------------------------|--------------------|
| | 30.09.13 | 30.09.12 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | |
| Loss before taxation | (2,703) | (10,224) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 3,764 | 3,878 |
| Interest expense | (1,629) | 1,895 |
| Loss on disposal of a subsidiary company | - | 12 |
| Unrealised loss on foreign currency exchange | (59) | 62 |
| Bad debts recovered | (69) | - |
| Gain on disposal of property, plant and equipment | (30) | (156) |
| Waiver of debts | (2,537) | - |
| Incorporation fees | 4 | - |
| Interest income | (14) | (13) |
| Operating loss before working capital changes | (3,273) | (4,546) |
| Decrease/(increase) in inventories | 433 | (628) |
| Decrease/(increase) in trade receivables | 48 | (1,165) |
| Increase in other receivables, deposits and prepayments | (202) | (54) |
| Increase in trade payables | 1,711 | 4,276 |
| (Decrease)/increase in other payables and accruals | (88) | 3,865 |
| Cash (absorbed by)/generated from operations | (1,371) | 1,748 |
| Interest received | 14 | 13 |
| Interest paid | 1,629 | (1,895) |
| Incorporation fees paid | (4) | - |
| Income tax refunded/(paid) | 1 | (2) |
| Net cash from/(used in) operating activities | 269 | (136) |
| CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (284) | (51) |
| Proceeds from disposal of property, plant and equipment | 30 | 220 |
| Cash outflow on disposal of a subsidiary company | - | (1) |
| Net cash (used in)/from investing activities | (254) | 168 |
| CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES | | |
| Drawdown of term loan | - | 91 |
| Repayment of hire purchase payable | (4) | (112) |
| (Placement)/withdrawal of fixed deposit pledged | (15) | 97 |
| Net cash (used in)/from financing activities | (19) | 76 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (4) | 108 |
| EFFECT OF EXCHANGE RATE CHANGES | 59 | (62) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 153 | 118 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 208 | 164 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISE: | | |
| Cash and bank balances | 208 | 164 |
| Fixed deposit with licensed banks | 343 | 331 |
| | 551 | 495 |
| Less : Fixed deposit pledged to licensed banks | (343) | (331) |
| | 208 | 164 |

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 5TH QUARTER ENDED 30 SEPTEMBER 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.

On 30 August 2013, the Group has announced that the Board has approved the change in its financial year end from 30 June to 31 December. This change was made after taking into consideration the material effects of the outcome of the Proposed Debt Settlement and the Proposed Private Placement on the financial position of the Group. We expect to achieve this within the next one to two months. The change of financial year end to 31 December will also facilitate better financial planning for the Group on its future business endeavours. In view of these reason, the financial statements for this financial year will be made up to a period of 18 months from 1 July 2012 to 31 December 2013.

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 15 months ended 30 September 2013 under review.

A5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and 15 months ended 30 September 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 15 months ended 30 September 2013.

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A7. DIVIDEND PAID

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

15 months ended 30 September 2013

| Geographical segments | Malaysia RM '000 | Singapore RM '000 | Group RM '000 |
|-----------------------------------|-----------------------------|------------------------------|--------------------------|
| Revenue | | | |
| Revenues from external customers | 4,891 | 10,408 | 15,299 |
| Segmental Results | | | |
| Results from operating activities | (1,378) | (2,954) | (4,332) |
| Finance costs | 521 | 1,108 | 1,629 |
| Loss before tax | (857) | (1,846) | (2,703) |
| Taxation | 1 | - | 1 |
| Loss for the period | <u>(856)</u> | <u>(1,846)</u> | <u>(2,702)</u> |

15 months ended 30 September 2012

| Geographical segments | Malaysia RM '000 | Singapore RM '000 | Group RM '000 |
|-----------------------------------|-----------------------------|------------------------------|--------------------------|
| Revenue | | | |
| Revenues from external customers | 4,576 | 7,526 | 12,102 |
| Segmental Results | | | |
| Results from operating activities | (4,408) | (3,921) | (8,329) |
| Finance costs | (796) | (1,099) | (1,895) |
| Loss before tax | (5,204) | (5,020) | (10,224) |
| Taxation | (1,019) | - | (1,019) |
| Loss for the period | <u>(6,223)</u> | <u>(5,020)</u> | <u>(11,243)</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

On 27 November 2013, the Company has announced an increase of issued and paid-up capital from 200,000,000 to 355,360,000 via:-

1. private placement of 115,000,000 new ordinary shares of RM 0.20 each at a fixed issued price of RM 0.20 each; and
2. issuance of 40,360,000 new ordinary shares for settlement of debt owing to creditors of the Company and its subsidiaries, namely Idaman Capital Berhad, Bank Kerjasama Rakyat Malaysia Berhad and identified trade and non-trade creditors.

The above-mentioned exercise was completed on 28 November 2013.

A11. RELATED PARTY TRANSACTION

There were no material related party transaction during the quarter and 15 months ended 30 September 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 15 months ended 30 September 2013.

The wholly-owned subsidiary, Amshore Holdings Sdn. Bhd., had on 18 January 2013 acquired 66% of the total equity in Amshore KL Sdn Bhd (formerly known as 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 1.029 million and profit after tax of RM 0.479 million as compared with a revenue of RM 4.319 million and loss after tax of RM 2.030 million in the corresponding quarter of the previous financial period ended 30 September 2012.

However, on a cumulative basis, the revenue for the 15 months ended 30 September 2013 was RM 15.299 million vis-à-vis only RM 12.102 million recorded during the preceding 15 months ended 30 September 2012. Correspondently, the loss after taxation has also reduced by 75.97% to RM 2.702 million, from RM 11.243 million earlier. The marked improvement was mainly attributable to the improvement in both sales volume and value, in particular the increased sales to Singapore. Besides, waiver of debts from finance institution amounting to RM 2.537 million significantly lowered the loss before taxation.

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

For the current quarter under review, the Group reported a 52.18% decrease in revenue to RM 1.029 million, compared to RM 2.152 million recorded during the immediate preceding quarter. Nonetheless, the Group generated a profit after taxation of RM 0.479 million against profit after taxation of RM 0.01 million during the corresponding periods. Lower revenue during the quarter was due to the initial teething problem at the new plant in Sungai Buloh, Selangor. However, these issues have since being resolved, and the new plant is poised to achieve full production in the near term.

B3. CURRENT PROSPECTS

The Group has on 28 November 2013 completed its corporate exercise pertaining to the full settlement of debt owing to Bank Kerjasama Rakyat Malaysia Bhd, Idaman Capital Bhd, and certain trade and non-trade creditors via the issuance of new ordinary shares and convertible preference shares. With this development, the Group is now literally debt free and is in an excellent platform to rejuvenate its operations. With new working capital in place, the Group envisages a strong recovery in its sales of beverage in the medium to long term, in particular overseas markets.

While domestic drinking water market will continue to see stiff competition, the Group is confident that the access of new export markets coupled with product range will spearhead the sales growth and income stream. With an excellent brand equity and new sales and marketing personnel, the Group will transform and improve its operational efficiencies. The Group is upbeat on this new parameters and strongly believe that the recovery path is already within reached.

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 | | 15 months ended | |
|---|----------------|----------|-----------------|----------|
| | 30.09.13 | 30.09.12 | 30.09.13 | 30.09.12 |
| Depreciation of property, plant and equipment | 1,434 | 754 | 3,764 | 3,878 |
| Bad debts recovered | - | - | (69) | - |
| Gain on disposal of property, plant and equipment | (20) | - | (30) | (156) |
| Loss on foreign currency exchange: | | | | |
| - unrealised | (101) | 30 | (59) | 62 |
| - realised | 45 | 1 | 85 | 13 |
| Waiver of debts | (2,537) | - | (2,537) | - |
| Interest Income | (5) | (3) | (14) | (13) |

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 | | 15 months ended | |
|---------------------|----------------|----------|-----------------|----------|
| | 30.09.13 | 30.09.12 | 30.09.13 | 30.09.12 |
| Income Tax | | | | |
| - current | - | - | 1 | - |
| Deferred tax assets | - | - | - | (1,019) |
| | - | - | 1 | (1,019) |

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 15 months ended 30 September 2013 as the Group was in a tax loss position.

B7. ACCUMULATED LOSSES

| RM '000 | As at | As at |
|---------------------------------|-----------------|-----------------|
| | 30.09.13 | 30.06.12 |
| Realised | (45,174) | (46,592) |
| Unrealised | 59 | 1 |
| | (45,115) | (46,591) |
| Consolidation adjustments | 11,714 | 11,714 |
| Total accumulated losses | (33,401) | (34,877) |

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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 proposed corporate exercise was completed as mentioned in Note A10.

B9. GROUP BORROWINGS

The Group borrowings as at 30 September 2013 are as follows:-

| | | RM '000 |
|-----------------------|---------------|----------------|
| Short term borrowings | | |
| - Unsecured | <i>Note 1</i> | 20,000 |
| - Secured | <i>Note 2</i> | 18,000 |
| Total | | <u>38,000</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.

Note 2 : Bio Osmo Bhd has secured the consent from Messrs Bank Kerjasama Rakyat Malaysia Bhd, its secure lender, to a reduced final settlement sum of RM 18,000,000 secured loan by way of proceeds from private placement exercise. The secured loan has been written down to RM 18,000,000 after recognising the differential sum of approximately RM 2,537,000 arising from the settlement amount of secured loan 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.

The parties involved have agreed to settle the dispute out of court and an amicable solution is poised to be reached soon.

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B10. MATERIAL LITIGATION (CONT'D)

(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. EARNING/(LOSS) PER SHARE ("EPS/(LPS)")

| | 3 months ended | | 15 months ended | |
|--|-----------------------|-----------------|------------------------|-----------------|
| | 30.09.13 | 30.09.12 | 30.09.13 | 30.09.12 |
| Net profit/(loss) attributable to Owners of the Company (RM '000) | 542 | (2,030) | (2,541) | (11,243) |
| Number of ordinary shares in issue ('000) | 200,000 | 200,000 | 200,000 | 200,000 |
| Basic EPS/(LPS) (sen) | 0.27 | (1.02) | (1.27) | (5.62) |
| Diluted EPS/(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 29 November 2013.