

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

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016**

RM'000	3 months ended		6 months ended	
	31.12.16 (Unaudited)	31.12.15 (Unaudited)	31.12.16 (Unaudited)	31.12.15 (Unaudited)
Revenue	2,696	1,494	3,942	3,015
Other income	594	(67)	612	1,724
Operating expenses	(4,486)	(3,186)	(6,771)	(6,703)
Operating loss before tax	<u>(1,196)</u>	<u>(1,759)</u>	<u>(2,217)</u>	<u>(1,964)</u>
Taxation	(187)	-	(187)	-
Net loss after tax	<u>(1,383)</u>	<u>(1,759)</u>	<u>(2,404)</u>	<u>(1,964)</u>
Total comprehensive expense for the period	<u>(1,383)</u>	<u>(1,759)</u>	<u>(2,404)</u>	<u>(1,964)</u>
Loss attributable to:				
Owners of the Company	(1,380)	(1,659)	(2,352)	(1,770)
Non-controlling interest	(3)	(100)	(52)	(194)
	<u>(1,383)</u>	<u>(1,759)</u>	<u>(2,404)</u>	<u>(1,964)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(1,380)	(1,659)	(2,352)	(1,770)
Non-controlling interest	(3)	(100)	(52)	(194)
	<u>(1,383)</u>	<u>(1,759)</u>	<u>(2,404)</u>	<u>(1,964)</u>
Loss per share attributable to Owners of the Company (sen):-				
Basic	(0.21)	(0.33)	(0.41)	(0.35)
Fully diluted *	<u>(0.21)</u>	<u>(0.33)</u>	<u>(0.41)</u>	<u>(0.35)</u>

\* *The diluted loss per share of the Group is equivalent to the basic loss per share as the diluted loss per share has anti-dilutive effect.*

The above condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

<b>RM '000</b>	<b>As at 31.12.16 (Unaudited)</b>	<b>As at 30.06.16 (Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	27,251	13,903
Intangible Assets	12,650	-
	39,901	13,903
<b>Current assets</b>		
Inventories	626	411
Trade receivables	1,650	848
Other receivables, deposits and prepayments	5,003	962
Tax recoverable	-	55
Fixed deposits with licensed bank	1,810	368
Cash on hand and at banks	5,482	625
Asset classified as held for sale	-	10,702
	14,571	13,971
<b>TOTAL ASSETS</b>	<b>54,472</b>	<b>27,874</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	36,153	24,933
Accumulated losses	(5,598)	(3,242)
Other reserves	2,381	2,381
Equity attributable to Owners of the Company	32,936	24,072
Non-controlling interest	5,131	(1,103)
<b>TOTAL EQUITY</b>	<b>38,067</b>	<b>22,969</b>
<b>Current liabilities</b>		
Trade payables	601	509
Other payables and accruals	15,804	4,396
<b>TOTAL LIABILITIES</b>	<b>16,405</b>	<b>4,905</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>54,472</b>	<b>27,874</b>
Net assets per share attributable to owners of the Company (RM)	<b>0.05</b>	<b>0.05</b>

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016**

	<----- Attributable to Owners of the Company ----->					Total RM '000	Non- controlling Interest RM '000	Total Equity RM '000
	Share Capital RM '000	Distributable Accumulated losses RM '000	<----- Non-Distributable ----->					
			Share Premium RM '000	Warrants Reserve RM '000	Revaluation Reserve RM '000			
Balance as of 1 July 2016	24,933	(3,023)	288	2,093	-	24,291	(1,103)	23,188
New Shares Issued	11,220	-	-	-	-	11,220	-	11,220
Acquisition of New Subsidiary	-	(223)	-	-	-	(223)	6,286	6,063
Total comprehensive expense for the period	-	(2,352)	-	-	-	(2,352)	(52)	(2,404)
Balance as of 31 Dec 2016	36,153	(5,598)	288	2,093	-	32,936	5,131	38,067
Balance as of 1 July 2015	99,732	(72,772)	288	2,093	-	29,341	(786)	28,555
Total comprehensive expense for the period	-	(1,770)	-	-	-	(1,770)	(194)	(1,964)
Balance as of 31 Dec 2015	99,732	(74,542)	288	2,093	-	27,571	(980)	26,591

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016**

<b>RM '000</b>	<b>6 months ended</b>	
	<b>31.12.16</b>	<b>31.12.15</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss before taxation	(2,217)	(1,964)
Adjustments for:		
Deposits written off		
Depreciation of property, plant and equipment	967	1,151
Gain on disposal of property, plant and equipment	(460)	(1,504)
Provision of Tax	(187)	-
Interest income	(13)	(5)
Unrealised gain/(Loss) on foreign currency exchange	18	(62)
<b>Operating loss before working capital changes</b>	<b>(1,892)</b>	<b>(2,384)</b>
(Increase)/Decrease in inventories	(215)	26
(Increase)/Decrease in receivables	(4,788)	2,140
Increase/(Decrease) in payables	11,500	(2,104)
Cash absorbed by from operations	4,605	(2,322)
<b>Net cash used in operating activities</b>	<b>4,605</b>	<b>(2,322)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(14,315)	(60)
Purchase of intangible assets	(12,650)	-
Acquisition of new subsidiary	6,286	-
Proceeds from disposal of property, plant and equipment	11,162	3,000
<b>Net cash (used in)/from investing activities</b>	<b>(9,517)</b>	<b>2,940</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares	11,220	-
(Placement)/Withdrawal of fixed deposit pledged	(1,433)	-
<b>Net cash from financing activities</b>	<b>9,787</b>	<b>-</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,875</b>	<b>618</b>
EFFECT OF EXCHANGE RATE CHANGES	(18)	62
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>625</b>	<b>810</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,482</b>	<b>1,490</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISE:</b>		
Cash and bank balances	5,482	1,490
Fixed deposit with licensed banks	1,810	368
	7,292	1,858
Less : Fixed deposit pledged to licensed banks	(1,810)	(368)
	5,482	1,490

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial period ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements.

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**NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE PERIOD ENDED 31 DECEMBER 2016.**

**A1. BASIS OF PREPARATION**

This condensed consolidated interim financial statements (Condensed Report), other than for financial instruments, have been prepared under the historical cost convention. Certain financial instruments have been carried at fair value in accordance to Malaysian Financial Reporting Standard (MFRS) 139 Financial Instruments: Recognition and Measurement.

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 Berthed.

This Condensed Report should be read in conjunction with the audited financial statements for the financial period ended 30 June 2016. The explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 30 June 2016.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial period ended 30 June 2016.

Adoption of Amendments to Standards and IC Interpretations

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 - 2012 Cycle	
Annual Improvements to MFRSs 2011 - 2013 Cycle	

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

Standards issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards, Amendments and Annual Improvements to Standards were issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group:

**Effective for financial periods beginning on or after 1 January 2016**

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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**A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Standards issued but not yet effective (cont'd)

**Effective for financial periods beginning on or after 1 January 2016 (cont'd)**

Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Property, plant and equipment - Agriculture: Bearer Plants
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 - 2014 Cycle	

**Effective for financial periods beginning on or after 1 January 2018**

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board (IASB) in July 2014)
MFRS 15	Revenue from Contracts with Customers

The Group will adopt the above pronouncements when they become effective in the respective financial periods. The Group does not expect any material impact to the financial statements on the above pronouncements other than for the two Standards described below, for which the effects are still being assessed:

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

**MFRS 9 Financial Instruments**

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory.

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**A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding financial period's audited financial statements of the Group were not subject to any qualification.

**A4. 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.

**A5. 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 2016 under review.

**A6. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES**

There were no material changes in the estimates used in the current quarter and 6 months ended 31 December 2016.

**A7. 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 except for the issuance of 224,397,000 new ordinary shares at RM 0.05 each to three individual subscribers under the Private Placement arrangement on 26 October 2016.

**A8. DIVIDEND PAID**

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

**A9. SEGMENTAL INFORMATION**

MFRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the top management and the Board of Directors.

The Group is focused in 2 areas of activities, bottled drinking water business and hospitality business. The new hospitality business includes businesses of management and operation of hotels and resorts, property investment and hotel development.

Segment revenue and results	3 months ended 31 December 2016		
	Bottled Water RM '000	Hospitality RM '000	Total RM '000
Revenue	2,137	559	2,696
Operating (Loss)/Profit	(858)	365	(493)

Segment revenue and results	3 months ended 31 December 2015		
	Bottled Water RM '000	Hospitality RM '000	Total RM '000
Revenue	1,494	-	1,494
Operating (Loss)/Profit	(1,759)	-	(1,759)

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**A9. SEGMENTAL INFORMATION (CONT'D)**

Reconciliation for the segmental operating profit/(loss)

	<b>3 months ended</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>RM '000</b>	<b>RM '000</b>
Total Operating Profit/(Loss) for the reported segments	(493)	(1,759)
Other unallocated expenses	703	-
Consolidated Operating Profit/(Loss)	(1,196)	(1,759)

**A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There were no revaluation of property, plant and equipment during the quarter and 6 months ended 31 December 2016.

**A11. EVENTS AFTER THE REPORTING PERIOD**

There were no material event subsequent to the end of the reporting period.

**A12. RELATED PARTY TRANSACTION**

There were no material related party transaction during the quarter and 6 months ended 31 December 2016.

**A13. CHANGES IN THE COMPOSITION OF THE GROUP**

During the quarter under review, the Group invested a 75% equity interest in Intra Magnum Sdn Bhd ("IMSB"), thus making IMSB a subsidiary of the Group.

**A14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

**A15. 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 RM2.696 million versus RM1.494 million recorded in the Second Quarter of the previous financial year, an improvement of 80.5%. Net loss during the quarter narrowed to RM1.383 million, compared to RM1.759 million during the corresponding period last year.

The rise in revenue during the quarter was mainly attributable to the improvement in the sales volume of bottled drinking water, coupled with the maiden contribution from the new investment, Intra Magnum Sdn Bhd ("IMSB"). The Group has on 28 October 2016 subscribed for a 75% equity interest in IMSB, which is involved in the hospitality industry, namely the management and operation of hotels and resorts, hotel property investment and hotel development business. Evidently, IMSB's positive contribution has also helped reduce the net loss at the Group level.

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

For the current quarter under review, Group revenue increased by 116.4% to RM2.696 million vis-à-vis RM1.246 million recorded during the preceding quarter. The growth in revenue was attributed to higher sales in bottled water business, coupled with contribution from IMSB. However, Loss Before Taxation was higher at RM1.383 million, compared to RM1.021 million previously due to the expenses incurred for professional fees pertaining to the corporate exercise which was completed in October 2016.

**B3. CURRENT PROSPECTS**

The Board is confident that Group performance will improve going forward, thanks to the contributions from IMSB. The Group will enjoy the full impact from IMSB over the next two remaining quarters. The Board foresees the contributions from the hospitality segment to be more significant in the near future, and will become the important pillar to the Group.

Nonetheless, the Group will continue to allocate sufficient financial and management resources into the bottled drinking water segment. The Board will ensure that the sustainability of the existing plants and machineries is preserved, in order to improve their performance and efficiencies. As and when is needed, the Board will replace certain obsolete equipments. These investments will be carried out diligently, and will be rolled out in stages to minimise the financial burden to the Group.

**B4. PROFIT FORECAST**

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

**B5. LOSS BEFORE TAXATION**

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

RM '000	3 months ended		6 months ended	
	31.12.16	31.12.15	31.12.16	31.12.15
Deposits written off	-	28	-	28
Depreciation of property, plant & equipment	408	573	967	1,151
(Gain)/loss on foreign currency exchange:				
- unrealised	25	(138)	18	(62)
(Gain)/loss on disposal of				
Property, plant and equipment	(460)	-	(460)	(12)
Interest income	(13)	(3)	(13)	(5)

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

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**B6. TAXATION**

	<b>3 months ended</b>	<b>6 months ended</b>
	<b>31.12.16</b>	<b>31.12.16</b>
	<b>RM '000</b>	<b>RM '000</b>
Total current year tax expense	187	187

**B7. ACCUMULATED LOSSES**

	<b>As at</b>	<b>As at</b>
<b>RM '000</b>	<b>31.12.16</b>	<b>31.06.16</b>
Realised	(82,277)	(41,417)
Unrealised	(2,111)	(1,966)
	(84,388)	(43,383)
Consolidation adjustments	78,790	40,141
<b>Total accumulated losses</b>	<b>(5,598)</b>	<b>(3,242)</b>

**B8. CORPORATE PROPOSAL**

There were no corporate proposals announced but not completed in this quarter.

**B9. GROUP BORROWINGS**

The Group did not have any borrowings as at the end of the reporting period.

**B10. STATUS OF UTILISATION OF PROCEEDS**

The proceeds from the new placement of new ordinary shares of RM 11,220 million ( 224,397,000 ordinary shares of RM 0.05 each), completed on 26 October 2016, are to be utilised as follows:

Purpose	Proposed utilisation as per Circular dated 2 Feb 16 RM '000	Actual utilisation as at 31 Dec 16 RM '000	Intended timeframe for utilisation	Balance unutilised RM '000	%
Funding for the Proposed Subscription of Intra Magnum Sdn Bhd ("IMSB")	9,020	9,020	Within 2 months	-	-
Expenses for the proposal of the subscription of IMSB	2,200	2,200	Within 1 month	-	-
<b>Total</b>	<b>11,220</b>	<b>11,220</b>			

**B11. MATERIAL LITIGATION**

The Group did not have any material litigation as at the end of the reporting period.

**B12. DERIVATIVE FINANCIAL INSTRUMENT**

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

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**B13. 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 a material impact to the financial statement under review.

**B14. DIVIDEND PAYABLE**

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

**B15. LOSS PER SHARE ("LPS")**

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>31.12.16</b>	<b>31.12.15</b>	<b>31.12.16</b>	<b>31.12.15</b>
Net loss attributable to Owners of the Company (RM '000)	(1,380)	(1,659)	(2,352)	(1,770)
Weighted number of average ordinary shares in issue ('000)	662,080	498,660	580,370	498,660
Basic LPS (sen)	(0.21)	(0.33)	(0.41)	(0.35)
Diluted LPS (sen)	(0.21)	(0.33)	(0.41)	(0.35)

**B16. 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 27 February 2017.