

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND 3 MONTHS ENDED 31 MARCH 2014

RM'000	3 months ended		3 months ended	
	31.03.14 (Unaudited)	31.03.13 (Unaudited)	31.03.14 (Unaudited)	31.03.13 (Unaudited)
Revenue	640	3,920	640	3,920
Other income	29	87	29	87
Operating expenses	(2,249)	(4,035)	(2,249)	(4,035)
Finance costs	-	-	-	-
Operating loss before tax	<u>(1,580)</u>	<u>(28)</u>	<u>(1,580)</u>	<u>(28)</u>
Taxation	-	-	-	-
Net loss after tax	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>
Total comprehensive expense for the period	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>
Loss attributable to:				
Owners of the Company	(1,530)	(28)	(1,530)	(28)
Non-controlling interest	(50)	-	(50)	-
	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>
Total comprehensive expense attributable to:				
Owners of the Company	(1,530)	(28)	(1,530)	(28)
Non-controlling interest	(50)	-	(50)	-
	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>	<u><u>(1,580)</u></u>	<u><u>(28)</u></u>
Loss per share attributable to Owners of the Company (sen):-				
Basic	(0.35)	(0.01)	(0.35)	(0.01)
Fully diluted*	<u><u>(0.35)</u></u>	<u><u>(0.01)</u></u>	<u><u>(0.35)</u></u>	<u><u>(0.01)</u></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 31 December 2013 and 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 2014

RM'000	As at 31.03.14 (Unaudited)	As at 31.12.13 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	42,256	43,101
Deferred tax asset	-	128
	<u>42,256</u>	<u>43,229</u>
Current assets		
Inventories	930	1,151
Trade receivables	2,048	2,272
Other receivables, deposits and prepayments	357	393
Tax recoverable	55	55
Fixed deposits with licensed bank	348	345
Cash on hand and at banks	2,127	2,277
	<u>5,865</u>	<u>6,493</u>
TOTAL ASSETS	<u><u>48,121</u></u>	<u><u>49,722</u></u>
EQUITY AND LIABILITIES		
Share capital	91,072	71,072
ICPS	-	19,613
Accumulated Losses	(52,426)	(50,896)
Other reserves	4,946	4,946
Equity attributable to Owners of the Company	<u>43,592</u>	<u>44,735</u>
Non-controlling interest	(366)	(316)
TOTAL EQUITY	<u><u>43,226</u></u>	<u><u>44,419</u></u>
Non-current liabilities		
ICPS	-	515
	<u>-</u>	<u>515</u>
Current liabilities		
Trade payables	960	904
Other payables and accruals	3,935	3,884
	<u>4,895</u>	<u>4,788</u>
TOTAL LIABILITIES	<u>4,895</u>	<u>5,303</u>
TOTAL EQUITY AND LIABILITIES	<u><u>48,121</u></u>	<u><u>49,722</u></u>
Net assets per share attributable to owners of the Company (RM)	<u><u>0.0957</u></u>	<u><u>0.1259</u></u>

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2014

	<----- Attributable to Owners of the Company ----->					Total	Non- controlling Interest	Total Equity
	Share Capital	Distributable Accumulated losses	Non-Distributable Share Premium	ICPS	Warrants Reserve			
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance as of 1 Jan 2014	71,072	(50,896)	2,853	19,613	2,093	44,735	(316)	44,419
Conversion of ICPS	20,000	-	-	(19,613)	-	387	-	387
Total comprehensive expense for the period	-	(1,530)	-	-	-	(1,530)	(50)	(1,580)
Balance as of 31 March 2014	<u>91,072</u>	<u>(52,426)</u>	<u>2,853</u>	<u>-</u>	<u>2,093</u>	<u>43,592</u>	<u>(366)</u>	<u>43,226</u>
<hr/>								
Balance as of 1 Jan 2013	40,000	(32,779)	2,853	-	-	10,074	-	10,074
Total comprehensive expense for the period	-	(28)	-	-	-	(28)	-	(28)
Balance as of 31 March 2013	<u>40,000</u>	<u>(32,807)</u>	<u>2,853</u>	<u>-</u>	<u>-</u>	<u>10,046</u>	<u>-</u>	<u>10,046</u>

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 3 MONTHS ENDED 31 MARCH 2014

RM'000	3 months ended	
	31.03.14 (Unaudited)	31.03.13 (Unaudited)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss before taxation	(1,580)	(28)
Adjustments for:		
Depreciation of property, plant and equipment	843	806
Unrealised loss on foreign currency exchange	11	19
Bad debts recovered	-	(69)
Interest income	(3)	(3)
Operating (loss)/profit before working capital changes	<u>(729)</u>	<u>725</u>
Decrease in inventories	221	399
Decrease/(increase) in receivables	260	(897)
Increase/(decrease) in payables	107	(270)
Cash absorbed by from operations	<u>(141)</u>	<u>(43)</u>
Interest received	-	3
Net cash used in operating activities	<u>(141)</u>	<u>(40)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(6)
Proceeds from disposal of property, plant and equipment	2	-
Net cash from/(used in) investing activities	<u>2</u>	<u>(6)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Withdrawal of fixed deposit pledged	-	(3)
Net cash used in financing activity	<u>-</u>	<u>(3)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(139)	(49)
EFFECT OF EXCHANGE RATE CHANGES	(11)	(19)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,277</u>	<u>180</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>2,127</u></u>	<u><u>112</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISE:		
Cash and bank balances	2,127	112
Fixed deposit with licensed banks	348	337
	<u>2,475</u>	<u>449</u>
Less : Fixed deposit pledged to licensed banks	(348)	(337)
	<u><u>2,127</u></u>	<u><u>112</u></u>

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 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 MARCH 2014.

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 Berhad.

This Condensed Report should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013. 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 31 December 2013.

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 31 December 2013, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2014.

Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2014.

Amendments to MFRS 10	Consolidated Financial Statements - Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities - Investment Entities
Amendments to MFRS 127	Separate Financial Statements - Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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

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A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standards issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards were issued but not yet effective and have not been adopted by the Group:

Effective date to be announced by MASB

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board (IASB) in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

Effective for financial periods beginning on or after 1 July 2014

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

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than for MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued.

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 3 months ended 31 March 2014 under review.

A6. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and 3 months ended 31 March 2014.

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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 and 3 months ended 31 March 2014.

A8. DIVIDEND PAID

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

A9. SEGMENTAL INFORMATION

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segment separately for the purpose of making decision about resource allocation and performance assessment.

(a) Business segment

The principal activities of the Group are those engaged in business of processing, manufacturing and selling drinking water which are substantially within a single business segment. As such, segmental reporting by business segment is deemed not necessary.

(b) Other segment

No other segmental information such as geographical segment, segment assets, segment liabilities and segment results is presented as the Group is principally involved in the manufacturing industry and operates from Malaysia only.

(c) Major customers

Revenue from major customers with revenue equal or more than 10% of the Group revenue are as follows:

	3 months ended		3 months ended	
	31.03.14	31.03.13	31.03.14	31.03.13
Major customers				
- Customer A	182	-	182	-
- Customer B	84	495	84	495
- Customer C	65	621	65	621
- Customer D	-	647	-	647
- Customer E	-	1,001	-	1,001

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A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current and previous corresponding quarter.

A11. EVENTS AFTER THE REPORTING PERIOD

The Company had on 4 March 2014 announced the proposed private placement of up to 48,036,000 new ordinary shares of RM0.20 each, representing up to 10% of the issued and paid-up share capital of the Company. The proposal has not been completed as of the date of authorisation of these financial statements.

A12. RELATED PARTY TRANSACTION

There were no material related party transaction during the quarter and 3 months ended 31 March 2014.

A13. 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 3 months ended 31 March 2014.

The Company had on 19 February 2014 acquired 100% equity interest in Sinaran Strategik Sdn. Bhd. ("Sinaran") (Co. No. 1043077-V) for a total cash consideration of RM 2.00, and hence, Sinaran became a wholly-owned subsidiary company of Bio Osmo Berhad, and subsequently changed its name to Al Maurid Oil & Gas Sdn. Bhd.

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 RM 0.64 million and loss after tax of RM 1.58 million as compared with a revenue of RM 3.92 million and loss after tax of RM 0.028 million during the corresponding quarter of the previous financial period ended 31 March 2013. The Group's revenue was still low as the Group was still in its recovery stage. The Group continued to face difficulties to retain existing sales demand due to shortage of working capital to fulfil its production level. Bulk of the Group's raw material purchases are in cash term, whilst credit terms given to customers range from 1 to 3 months.

The lower production level during the quarter has also resulted in very low economies of scale, whereas the fixed costs and other overheads remained high. As a result, the Group suffered higher loss after taxation during the current quarter compared to the corresponding quarter.

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

For the current quarter under review, the Group reported a 13.5% increase in revenue to RM 0.64 million, compared to RM 0.56 million recorded during the immediate preceding quarter. The Group reported a loss after taxation of RM 1.58 million against loss after taxation of RM 16.778 million during the immediate preceding quarter. The losses incurred by the Group during the immediate preceding quarter was predominantly due to the impact of the RM13.575 million one-off non-cash adjustments, deriving from deposits written off (RM8.890million), impairment of trade receivables (RM1.290million) and de-recognition of deferred tax asset (RM3.395 million). However, slight increase in the revenue derived by the Group as compared to the immediate preceding quarter shows the Group is on the track to recover the sales of beverages.

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 the completion of the corporate exercise, the Group is now debt free and is in an excellent position to rejuvenate its operations. The management envisages a strong recovery in its sales of beverage in the medium to long term. It will also be able to embark on its aggressive marketing efforts to boost its sales, in particular for the overseas markets.

While domestic drinking water market continues to experience stiff competition and margin erosion due to rising operating costs, the Group will gradually turn its focus onto the export markets, as well as to widen its product mix to spearhead the sales growth and income stream. Taking advantage of a more solid financial platform, coupled with the efforts to improve its operational efficiencies, the management is upbeat to see a strong recovery of the Group's production levels and financial performances in the medium to longer term.

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		3 months ended	
	31.03.14	31.03.13	31.03.14	31.03.13
Depreciation of property, plant and equipment	843	806	843	806
Bad debts recovered	-	(69)	-	(69)
Loss on foreign currency exchange:				
- unrealised	11	19	11	19
- realised	(5)	23	(5)	23
Interest Income	(3)	(3)	(3)	(3)

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		3 months ended	
	31.03.14	31.03.13	31.03.14	31.03.13
Income Tax				
- current	-	-	-	-
Deferred tax assets	-	-	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% of the estimated assessable profit for the financial period. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current financial period's rate of 25% with effect from year of assessment of 2016.

B7. ACCUMULATED LOSSES

RM '000	As at	As at
	31.03.14	31.12.13
Realised	(64,464)	(62,942)
Unrealised	(11)	43
	(64,475)	(62,899)
Consolidation adjustments	12,049	12,003
Total accumulated losses	(52,426)	(50,896)

B8. CORPORATE PROPOSAL

- (a) The Company had on 13 January 2014 announced the completion of conversion of 100.0 million Irredeemable Convertible Preference Shares ("ICPS") of RM 0.20 each to 100,000,000 ordinary shares of RM 0.20 each. The new ordinary shares were listed on Bursa Malaysia Securities on 15 January 2014 and hence, it results in an increase of issued and paid-up capital of the Company from 355,360,000 to 455,360,000.
- (b) The Company had on 4 March 2014 announced the proposed private placement of up to 48,036,000 new ordinary shares of RM0.20 each, representing up to 10% of the issued and paid-up share capital of the Company. The proposal has not been completed as of the date of authorisation of these financial statements.

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B9. GROUP BORROWINGS

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

B10. MATERIAL LITIGATION

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

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		3 months ended	
	31.03.14	31.03.13	31.03.14	31.03.13
Net loss attributable to Owners of the Company (RM '000)	(1,530)	(28)	(1,530)	(28)
Number of ordinary shares in issue ('000)	442,027	200,000	442,027	200,000
Basic LPS (sen)	(0.35)	(0.01)	(0.35)	(0.01)
Diluted LPS (sen)	(0.35)	(0.01)	(0.35)	(0.01)

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 22 May 2014.