

Notes to the Quarterly Report – 31 March 2010

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134 Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements of INS Bioscience Berhad (“INSBIO”) and its subsidiaries (“the Group”) for the financial period from 1 January 2008 to 31 March 2009. The explanatory notes attached to the interim financial statements 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 March 2009.

A2. Auditors’ report of preceding annual financial statements

The auditors’ report on the financial statements for the financial period from 1 January 2008 to 31 March 2009 was not qualified.

A3. Seasonal or cyclical factors

The Group’s operations are not materially affected by seasonal or cyclical changes during the current financial quarter under review.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

A5. Material changes in estimates

There were no changes in accounting estimates made that would materially affect the financial statements of the Group for the current financial quarter under review.

A6. Debts and equity securities

There was no issuance and repayment of debt and equity securities, shares buy back or share cancellation and resale of treasury shares for the current financial quarter under review.

Notes to the Quarterly Report – 31 March 2010

A7. Dividend paid

There was no dividend paid during the current financial quarter under review.

A8. Segment information

Segmental reporting for the financial year ended 31 March 2010.

	Manufacturing	Marketing and distribution of products	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External sales	18,125	62,571	-	-	80,696
Inter-segment sales	12,107	1,128	-	(13,235)	-
	<u>30,232</u>	<u>63,699</u>	<u>-</u>	<u>(13,235)</u>	<u>80,696</u>
RESULTS					
Segment results	<u>6,623</u>	<u>77</u>	<u>(1,007)</u>	<u>-</u>	<u>5,693</u>
Finance costs	(119)	(71)	-	-	(190)
Interest income	<u>26</u>	<u>71</u>	<u>67</u>	<u>-</u>	<u>164</u>
Profit before taxation					<u>5,667</u>
Taxation					<u>(545)</u>
Profit after taxation					<u><u>5,122</u></u>

Notes to the Quarterly Report – 31 March 2010

A8. Segment information (Cont'd)

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
OTHER INFORMATION					
Segment assets	33,895	37,743	20,041	(22,405)	69,274
Unallocated corporate assets					56
Consolidated total assets					<u>69,330</u>
Segment liabilities	11,718	39,330	1,329	(22,405)	29,972
Unallocated corporate liabilities					456
Consolidated total liabilities					<u>30,428</u>
Capital expenditure	997	1,753	-	-	2,750
Depreciation	1,382	1,180	-	-	2,562
Amortisation	1	-	-	-	1
Non-cash income other than depreciation	(1,936)	(2,064)	-	-	(4,000)
Non-cash expenses other than depreciation	2,676	2,249	-	-	4,925

A9. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment for the current financial quarter under review.

Notes to the Quarterly Report – 31 March 2010

A10. Material events subsequent to the end of the quarter

There was no material event subsequent to the end of the current financial quarter under review save as disclosed in Section B8 of the notes to the quarterly report.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

A12. Changes in contingent assets and contingent liabilities

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

Contingent Liabilities	The Group 31.03.2010 RM'000	The Company 31.03.2010 RM'000
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries, unsecured	-	8,103
Claim of royalty by a former director (a)	<u>278</u>	<u>-</u>
	<u>278</u>	<u>8,103</u>

- (a) A civil suit under Kuala Lumpur High Court Suit No. S2-22-198-2006 was served on Easy Pha-Max Marketing Sdn Bhd ("EPMSB") and The Origin Foods Sdn Bhd ("TOF") by Lim Soon Hooi ("LSH") on 14 June 2006 to claim for payment RM277,960.00 for royalty payable to LSH as at 31 December 2004, interest on the sum of RM277,960.00 at a rate which the Court think fit and proper from 1 January 2005 until the date of judgment and interest on the sum of RM277,960.00 from the date of judgment until the date of full realisation.

The case has been fixed for Case Management on 28 June 2010 before the Honourable Judge.

Notes to the Quarterly Report – 31 March 2010

A13. Capital commitments

	As at 31.03.2010 RM'000
Approved and contracted for:~	
- contract sum for construction of R&D centre in College of Food Science & Nutritional Engineering, China Agriculture University, Beijing	701
- club membership	27
	<u>728</u>

A14. Significant related party transactions

There were no significant related party transactions for the financial year ended 31 March 2010 other than those disclosed as follows:-

	RM'000
* INS Holdings Berhad Office rental paid	<u>374</u>
* A company in which Datuk Yeat Sew Chuong, Wong Seng Tong, and Khoo Keat are shareholders and directors.	

The directors are of the opinion that the above transactions have been entered into the normal course of business and have been established under terms that were mutually agreed between the parties.

A15. Cash and cash equivalents

	As at 31.03.2010 RM'000
Other investment	1,116
Fixed deposits with licensed banks	6,987
Cash and bank balances	4,355
Bank overdrafts	(564)
	<u>11,894</u>

Notes to the Quarterly Report – 31 March 2010

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

B1. Review of performance

The Group's total revenue for the quarter under review increased to RM29.958 million as compared to RM4.860 million in the corresponding period of the preceding year. The Group's profit before tax was RM3.234 million as compared to the RM11.030 million loss before tax reported in the corresponding period of the previous year. The increase in revenue for the current quarter was mainly due to increase in both local and overseas sales that were derived from sales of herbal supplement. This has subsequently contributed to the increase in profit before tax of approximately RM14.264 million.

B2. Variation of results against preceding quarter

	Jan – Mar'10	Oct – Dec'09
	(4th Q)	(3rd Q)
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Revenue	29,958	20,077
Profit before tax ("PBT")	3,234	1,665
Profit after tax ("PAT")	3,087	1,358

For the current financial quarter ended 31 March 2010, the Group recorded a total revenue and profit before taxation of RM29.958 million and RM3.234 million respectively, as compared to a total revenue and profit before taxation of RM20.077 million and RM1.665 million respectively as stated in the preceding financial quarter ended 31 December 2009.

The Group recorded an increase in revenue of approximately RM9.881 million in the current quarter, mainly attributable to the increase in both local and oversea sales. Local sales were derived from sales of herbal supplement through e-commerce and Easy Mall. Overseas sales were mainly derived from expansion of market regionally, for e.g. China, Hong Kong and Philippines.

B3. Prospects

The Group business development and expansion plan will focus on penetrating into Bumiputera market as well as to strengthen membership in East Malaysia by attracting new membership and organising activities for existing Micro Entrepreneur Program ("MEP") members.

In line with the business expansion, the Group will open more franchise outlets, namely "Easy Mall", as a "herbs and health care" one-stop-shop solution for end consumers. The Group will continue to attract new consumer base by introducing loyalty card.

Notes to the Quarterly Report – 31 March 2010

B3. Prospects

The Group will continue to increase awareness on the Group's brand inclusive the branding campaign of INS Wheatgrass canned drink as well as marketing and distributing the product locally through Easy Mall and various distribution channel such as petrol station, supermarket, hypermarket and convenient stores. The Group also will continue to distribute INS Wheatgrass canned drinks to overseas market such as China, Hong Kong, and Philippines.

The Group will make continuous efforts to launch new products in the forthcoming quarters and these products are expected to further contribute to the Group's total revenue in current year. The prospects of the Group are also dependent on the progress of the market penetration of the Group's products.

B4. Profit forecast and profit guarantee

The Group did not announce or disclose any profit forecast or profit guarantee during the current financial quarter under review.

B5. Taxation

	3 months quarter ended 31.03.2010 RM'000	12 months (Cumulative) ended 31.03.2010 RM'000
Current period taxation	147	545

The effective tax rate for current financial year presented above is lower than the statutory tax rate principally due to utilisation of unabsorbed losses and capital allowances brought forward.

B6. Disposal of and unquoted investments and/or properties

There were no disposals of unquoted investments and/or properties of the Group during the current financial quarter under review.

B7. Quoted securities

There were no acquisitions or disposals of quoted and marketable securities during the current financial quarter under review.

Notes to the Quarterly Report – 31 March 2010

B8. Status of corporate proposals

Save as disclosed below, there are not other corporate proposals announced but not completed as at 25 May 2010:

- (a) On 13 January 2010, OSK Investment Bank Berhad on behalf of the Board of Directors of INSBIO announced that the Company proposed to undertake a special Bumiputera issue of 41,000,000 new ordinary shares of RM0.10 each in INSBIO to the Bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry ("Proposed Special Bumiputera Issue"). INSBIO has been listed on the MESDAQ Market (now known as the ACE Market) of Bursa Securities since 26 July 2005. INSBIO has one (1) year from achieving the profit track record requirement for listing on the Main Market of Bursa Securities or five (5) years after being listed on the ACE Market, to comply with the Bumiputera Equity Condition, whichever is earlier. As such, INSBIO has up to 26 July 2010, being five (5) years from its listing, to comply with the Bumiputera Equity Condition and raise its Bumiputera equity to 12.5% of its enlarged issued and paid-up share capital.

As such, the Proposed Special Bumiputera Issue is intended for the Company to comply with the abovementioned requirements and to raise additional funds to finance the working capital requirement of the INSBIO Group.

Securities Commission ("SC") had, vide its letter dated 24 February 2010 (which was received on 25 February 2010), approved the Proposed Special Bumiputera Issue subject to the condition that the Special Issue Shares shall be allocated by the Ministry of International Trade and Industry ("MITI"). In the event the Special Issue Shares are not fully subscribed by the Bumiputera investors or the MITI is unable to allocate the Special Issue Shares within one (1) year, INSBIO will be deemed to have met the Bumiputera equity condition.

Subsequently, MITI had vide its letter dated 9 April 2010 (which was received on 12 April 2010), agreed to take note of the Proposed Special Bumiputera Issue without restrictions subject to the approval of the SC for the Proposed Special Bumiputera Issue.

- (b) The Company's entire issued and paid up capital of 286,680,020 ordinary shares of RM0.10 each were listed and quoted on 26 July 2005 on the ACE market of Bursa Securities. The proceeds from the Public Issue were received after the Company's listing.

Notes to the Quarterly Report – 31 March 2010

B8. Status of corporate proposals

As at 25 May 2010, the status of utilisation of the proceeds from the Public Issue is as follows:-

		Proceeds from IPO	Revision as approved by the Securities Commission (a)	Actual utilisation as at 25.05.2010	Intended timeframe for utilization (b)	Balance unutilised	% unutilised
		RM'000	RM'000	RM'000		RM'000	
1	R&D Centre and Manufacturing Plant	18,000	12,000	11,457	25 July 2010	543	4.53%
2	R&D Expenditure	4,000	4,000	1,499	25 July 2010	2,501	62.53%
3	Working Capital	1,088	5,088	5,088		-	-
4	Estimated Listing Expenses	2,000	2,000	2,000		-	-
5	Repayment of hire purchase facilities	-	2,000	2,000		-	-
		<u>25,088</u>	<u>25,088</u>	<u>22,044</u>		<u>3,044</u>	<u>12.13%</u>

Notes:-

- (a) On 16 January 2006, the Securities Commission had approved the reallocation of RM6 million from the unutilised proceeds for research and development ("R&D") centre and manufacturing plant to working capital (RM4 million) and repayment of hire purchase facilities (RM2 million) respectively.
- (b) On 13 August 2009, the Securities Commission had approved the extension of intended timeframe for utilisation of IPO funds to 25 July 2010.

B9. Group's borrowings and debt securities

Details of Group's bank borrowings as at 31 March 2010 which are denominated in Ringgit Malaysia were as follows :-

	As at 31.03.2010 RM'000
Short term borrowings:	
Secured	
- Hire purchase payables	305
- Bills payables	-
- Term loan	156
	<u>461</u>
Long term borrowings:	
Secured	
- Hire purchase payables	1,005
- Term loan	2,540
	<u>3,545</u>
Total borrowings	<u>4,006</u>

Notes to the Quarterly Report – 31 March 2010

B10. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments as at the date of this announcement.

B11. Material litigations

There were no other material litigations since the last financial period ended 31 March 2009 except for the following:-

- (i) Legal proceedings commenced by Easy Pha-Max Marketing Sdn Bhd (“EPMSB”) against Yigaho Corporation Sdn Bhd (“Yigaho”)

A civil suit under Kuala Lumpur High Court Suit No. S3-23-1-2006 was filed by EPMSB against Yigaho on 4 January 2006 seeking, amongst others, damages for libel, aggravated and exemplary damages, interest and costs and an injunction restraining Yigaho from further publishing any publications containing statements or any similar words defamatory to EPMSB.

The next case management has been fixed on 17 June 2010.

- (ii) Legal proceedings commenced by Lim Soon Hooi (“LSH”) against Easy Pha-Max Marketing Sdn Bhd (“EPMSB”) and The Origin Foods Sdn Bhd (“TOF”), wholly owned subsidiaries of INSBIO.

A civil suit under Kuala Lumpur High Court Suit No. S2-22-198-2006 was served on EPMSB and TOF by LSH on 14 June 2006 to claim for payment RM277,960.00 for royalty payable to LSH as at 31 December 2004, interest on the sum of RM277,960.00 at a rate which the Court think fit and proper from 1 January 2005 until the date of judgment and interest on the sum of RM277,960.00 from the date of judgment until the date of full realisation.

The case has been fixed for Case Management on 28 June 2010 before the Honourable Judge.

- (iii) Legal proceedings commenced by Easy Pha-Max Marketing Sdn Bhd (“EPMSB”) against Lim Chiew Yin (“LCY”) and Yigaho Corporation Sdn Bhd (“Yigaho”)

EPMSB had on 15 June 2006 filed a Writ of Summons and Statement of Claim against LCY and Yigaho in the Kuala Lumpur High Court bearing Civil Suit No. S5-23-62-2006 for having published or caused to be published the defamatory statement against EPMSB on page 71 of the 10th Edition (September 2005 issue) of the Global Business Magazine, which at all material time was a popular business magazine widely read by the Malaysian direct sales circles, under the sub-title “Yigaho Group”.

Notes to the Quarterly Report – 31 March 2010

B11. Material litigations

- (iii) Legal proceedings commenced by Easy Pha-Max Marketing Sdn Bhd (“EPMSB”) against Lim Chiew Yin (“LCY”) and Yigaho Corporation Sdn Bhd (“Yigaho”)

EPMSB is seeking, amongst others, general damages, aggravated and exemplary damages, an injunction restraining LCY, Yigaho and/or their servants or agents or otherwise from repeating the above statement, or any part thereof, interest and cost and such other relief which the Court may deem fit and proper to grant.

The case has been fixed for Case Management on 20 August 2010.

- (iv) Legal proceedings commenced by Visiber Sdn Bhd (“Plaintiff”) against Bio K Energy Marketing Sdn Bhd (“First Defendant”) and EPMSB

EPMSB, a wholly-owned subsidiary of INSBIO had on 19 June 2009 been served with a Writ of Summons dated 25 May 2009, Amended Statement of Claim dated 4 June 2009, Summons in Chambers dated 10 June 2009 and Affidavit in Support affirmed on 9 June 2009 bearing Kuala Lumpur High Court Civil Suit No. D-22-972-2009 (“the Civil Suit”).

The Plaintiff claims to own the following Intellectual Property Rights (“IPR”) in its products: registered Industrial Designs, registered Trade Marks and Get Up. The First Defendant consigned its products to EPMSB to be sold via EPMSB’s physical shop and website. The Plaintiff alleges that these products infringed its IPR. As a result of this, EPMSB was named as a defendant in the Civil Suit wherein the Plaintiff’s claim is, inter alia, for the alleged infringement of the Plaintiff’s industrial designs and/or trademark. The Plaintiff seeks, inter alia, a declaration of infringement and passing off, injunctive relief, an inquiry as to damages and costs against First Defendant and EPMSB.

The solicitors of EPMM had on 21 August 2009 successfully argued and opposed the Plaintiff’s application for an interim injunction against EPMM. The Court allowed the Plaintiff’s Application only as against the First Defendant. The Court has fixed the case for Trial commencing on 3 January 2011 till 7 January 2011.

B12. Dividends

The Board of Directors did not recommend any interim dividends in respect of the current financial quarter under review.

Notes to the Quarterly Report – 31 March 2010

B13. Earnings per share

	Individual Quarter Current Quarter Ended 31.03.2010	Cumulative Quarter Current Year-To- date 31.03.2010
(a) Basis earnings per share attributable to equity holders of the parent		
Net profit after tax attributable to equity holders of the parent (RM'000)	3,724	5,884
Weighted average number of ordinary shares ('000)	286,609	286,609
Earnings per share (sen)	<u>1.30</u>	<u>2.05</u>
(b) Fully diluted earnings per share	<u>N/A</u>	<u>N/A</u>

B14. Authorisation For Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 May 2010.

By Order of the Board,
 Ng Heng Hooi (MAICSA NO: 7048492)
 Company Secretary
 Kuala Lumpur
 Date: 25 May 2010.