

Notes to the Quarterly Report – 30 June 2011

**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 for the financial year ended 31 March 2011.

These 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 year ended 31 March 2011.

All significant accounting policies and methods of computation adopted by the Group are consistent with those of the audited financial statements for the financial year ended 31 March 2011.

**A2. Auditors’ report of preceding annual financial statements**

The auditors’ report on the financial statements for the financial year ended 31 March 2011 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.

INS BIOSCIENCE BERHAD  
(Company No. 623239-V)  
(Incorporated in Malaysia)

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**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.

**A7. Dividend paid**

No interim nor final ordinary dividend has been declared, recommended or paid during the financial quarter under review and the financial year-to-date.

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**A8. Segment information**

Segmental reporting for the financial year ended 30 June 2011.

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
<b>REVENUE</b>					
External sales	2,919	6,300	-	-	9,219
Inter-segment sales	1,111	387	-	(1,498)	-
	4,030	6,687	-	(1,498)	9,219
<b>RESULTS</b>					
Segment results	678	(544)	(288)	(67)	(221)
Interest income	6	19	6	-	31
Depreciation of property, plant and equipment	(372)	(354)	-	-	(726)
	312	(879)	(282)	(67)	(916)
Share of loss in jointly controlled entity					(176)
Finance costs					(168)
Loss before taxation					(1,260)
Taxation					-
Loss after taxation					(1,260)
<b>Segment assets</b>	29,582	26,304	34,317	(37,314)	52,889
Interest in jointly controlled entity					1,129
Unallocated corporate assets					563
<b>Consolidated total assets</b>					54,581
<b>Segment liabilities</b>	20,300	41,663	2,799	(27,474)	37,288
Unallocated corporate liabilities					359
<b>Consolidated total liabilities</b>					37,647
<b>OTHER SEGMENTS ITEMS</b>					
Capital expenditure	54	83	-	-	137
Non-cash income	104	14	-	-	118
Non-cash expenses other than depreciation	52	-	-	-	52

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**A9. Valuation of property, plant and equipment**

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

**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.

**A11. Changes in the composition of the Group**

On 11 July 2011, Easy Pha-max Marketing Sdn Bhd, a wholly-owned subsidiary of the Company, had incorporated a wholly-owned subsidiary, namely Healthy Life Services Pte Ltd ("HLSPL"). HLSPL was incorporated in Singapore with an issued and paid-up share capital of SGD\$1.00. HLSPL is currently dormant and the intended principle activities are logistic, customer services, marketing and distribution of healthcare products.

On 19 August 2011, INS Bioscience Berhad had acquired two (2) ordinary shares of RM 1.00 each representing the entire issued and paid-up share capital in Healthy More International Sdn. Bhd. (formerly known as Charming Combination Sdn. Bhd.) ("HMI"), for a total of cash consideration of RM2.00. HMI was incorporated on 20 June 2011 in Malaysia under the Companies Act, 1965 as a private limited company. HMI is currently dormant and the intended principal activities are franchising, retailing and wholesaling in bio-herbal supplements, health supplements, skin care, toiletries and cosmetics.

**A12. Changes in contingent assets and contingent liabilities**

There were no material contingent assets as at the date of this report. Save as disclosed below, there are no material contingent liabilities as at the date of this report:-

	<b>The Group</b>	<b>The Company</b>
	<b>30.06.2011</b>	<b>30.06.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries, unsecured	-	8,652

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**A13. Capital commitments**

	<b>As at 30.06.2011 RM'000</b>
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 period ended 30 June 2011 other than those disclosed as follows:-

	<b>RM'000</b>
* INS Holdings Sdn. Bhd. (formerly known as INS Holdings Berhad ) Office rental paid	<u>73</u>

**Notes:-**

- \* 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 ordinary course of business and have been established under terms that were mutually agreed between the parties, and the terms are not more favourable to the Related Parties than those generally available to third parties or the public and are not detrimental to the minority shareholders.

**A15. Cash and cash equivalents**

	<b>As at 30.06.2011 RM'000</b>
Short-term investments	4
Deposits with licensed banks	4,065
Cash and bank balances	5,533
Bank overdrafts	(4,109)
	<u>5,493</u>

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**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 was RM9.219 million as compared to RM19.254 million in the corresponding period of the preceding year.

The decrease in revenue for the current quarter was mainly due to lower revenue derived from both local and overseas market as compared to the corresponding period of the preceding year. Revenue from local sales decreased subsequent to the change of consumers spending pattern and the revenue for overseas market decreased mainly due to less sales orders for the current quarter as compared to the corresponding period of the preceding year.

The Group's loss before tax ("LBT") for the current quarter was RM1.260 million as compared to profit before tax of RM1.837 million in the corresponding period of the preceding year. This was mainly due to the significant drop in revenue as highlighted above as well as an increase in administrative expenses arising from staff costs subsequent to the increase in headcount. Selling and distribution expenses did not fall correspondingly with the drop in revenue as the Group continued to spend on the advertising and promotion of INS Wheatgrass Canned Drinks.

**B2. Variation of results against preceding quarter**

	<b>Apr-June'11</b>	<b>Jan -March'11</b>
	<b>(1st Q)</b>	<b>(4th Q)</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	9,219	11,381
Loss before tax ("LBT")	(1,260)	(22,207)
Loss after tax ("LAT")	(1,260)	(21,922)

For the current financial quarter ended 30 June 2011, the Group recorded a total revenue and LBT of RM9.219 million and RM1.260 million respectively, as compared to a total revenue and LBT of RM11.381 million and RM22.207 million respectively as recorded in the preceding financial quarter ended 31 March 2011.

The decrease of approximately RM2.162 million in Group revenue for the current quarter was mainly due to the decrease in revenue from the overseas market. LBT for the current quarter of RM1.260 million as compared to LBT for the preceding quarter of RM22.207 million shows an improvement as there was no further occurrence of other operating expenses that was incurred in the preceding financial quarter ended 31 March 2011, such as allowance for slow moving inventories, plant and equipment written off, impairment loss on goodwill and allowance for impairment losses on receivables.

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### **B3. Prospects**

In line with the Group's business development and expansion plans, the Group continues to focus on its plan to expand its franchise business in healthcare retailing by launching more franchise retail outlets throughout the country.

The Group will continue its effort of merchandising the Strategic Alliance Partner ("SAP") program. The SAP products' variety and merchantable quantity will be largely increased to cater for consumers needs and shall be widely sold via franchise retail outlets as well as through the e-commerce portal.

The Group had launched a programme namely "Sihat 1 Malaysia" ("S1M") in mid June 2011. It is a Personalised Health Management program which promotes the awareness that "prevention is better than cure" as well as the importance of personal health towards the family and community. The S1M provides the consumers and members with healthcare products, SAP products, health screening and a comprehensive personalised health management service. The Group expects positive growth in revenue from the said programme.

The Group will continue to distribute Easy Pha-max brand name products and INS Wheatgrass Canned Drinks locally and internationally. The INS Wheatgrass Canned Drinks has laid a good foundation in the overseas market, particularly in the People's Republic of China ("PRC"), Hong Kong, Taiwan, South Africa, Thailand and Philippines. The Group expects positive growth from its overseas market for the INS Wheatgrass Canned Drinks, especially through the distribution and marketing by its jointly controlled company, Guangzhou YiXi Drinks Co., Ltd ("YiXi"), a company incorporated in the PRC.

In line with supporting the Group's development plans, the Group will continue to launch new products in the forthcoming year, which is expected to further contribute to the Group's total revenue in year 2012. 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**

	<b>3 months quarter ended 30.06.2011 RM'000</b>	<b>3 months (Cumulative) ended 30.06.2011 RM'000</b>
Current year taxation	-	-

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**B6. Disposal of 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 and financial year-to-date.

**B7. Quoted securities**

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

**B8. Status of corporate proposals**

Save as disclosed below, there are no other corporate proposals announced but not completed as at 22 August 2011:

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.

As at 22 August 2011, 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 22.08.2011	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	12,000	25 July 2012	-	-
2	R&D Expenditure	4,000	4,000	2,167	25 July 2012	1,833	45.8%
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>23,255</u>		<u>1,833</u>	<u>7.3%</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 23 July 2010, the Company announced the extension of intended timeframe for utilisation of IPO funds from 25 July 2010 to 25 July 2012 .



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**B9. Group's borrowings and debt securities**

Details of the Group's bank borrowings as at 30 June 2011 which are denominated in Ringgit Malaysia are as follows :-

	<b>As at 30.06.2011 RM'000</b>
Short term borrowings:	
Secured	
- Hire purchase payables	365
- Term loan	264
- Bill Payable	532
	<u>1,161</u>
Long term borrowings:	
Secured	
- Hire purchase payables	729
- Term loan	3,747
	<u>4,476</u>
Total borrowings	<u><u>5,637</u></u>

**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 material litigations since the last financial year ended 31 March 2011 up to the date of this report.

**B12. Dividends**

No dividend has been declared / recommended for the current financial quarter ended 30 June 2011.

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**B13. Loss per share**

	<b>Individual Quarter Current Quarter Ended 30.06.2011</b>	<b>Cumulative Quarter Current Year- To-date 30.06.2011</b>
<b>(a) Basic loss per share attributable to equity holders of the parent</b>		
Net loss after tax attributable to equity holders of the parent (RM'000)	(1,224)	(1,224)
Weighted average number of ordinary shares ('000) #	286,038	286,038
<b>Loss per share (sen)</b>	<u>(0.43)</u>	<u>(0.43)</u>
<i># Less treasury shares of 641,400</i>		
<b>(b) Fully diluted loss per share</b>	<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 24 August 2011.

By Order of the Board,  
 Ng Heng Hooi (MAICSA NO: 7048492)  
 Company Secretary  
 Kuala Lumpur  
 Date: 24 August 2011.