

Notes to the Quarterly Report – 30 September 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 September 2011.

	<b>Manufacturing RM'000</b>	<b>Marketing and distribution of products RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>REVENUE</b>					
External sales	5,564	10,156	-	-	15,720
Inter-segment sales	1,892	951	-	(2,843)	-
	<u>7,456</u>	<u>11,107</u>	<u>-</u>	<u>(2,843)</u>	<u>15,720</u>
<b>RESULTS</b>					
Segment results	2,542	(718)	(456)	(139)	1,229
Interest income	20	10	2	-	32
Depreciation of property, plant and equipment	(746)	(726)	-	-	(1,472)
	<u>1,816</u>	<u>(1,434)</u>	<u>(454)</u>	<u>(139)</u>	<u>(211)</u>
Share of loss in jointly controlled entity					(584)
Finance costs					(363)
Loss before taxation					(1,158)
Taxation					-
Loss after taxation					<u>(1,158)</u>
<b>Segment assets</b>	<u>28,757</u>	<u>23,380</u>	<u>34,263</u>	<u>(36,857)</u>	49,543
Interest in jointly controlled entity					721
Unallocated corporate assets					578
<b>Consolidated total assets</b>					<u>50,842</u>
<b>Segment liabilities</b>	<u>18,787</u>	<u>38,825</u>	<u>2,918</u>	<u>(27,083)</u>	33,447
Unallocated corporate liabilities					359
<b>Consolidated total liabilities</b>					<u>33,806</u>
<b>OTHER SEGMENTS ITEMS</b>					
Capital expenditure	128	449	-	-	577
Non-cash income	182	2,068	-	-	2,250
Non-cash expenses other than depreciation	161	210	-	-	371

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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 and commenced operations on 29 August 2011. The principal activities of HMI are that of franchising, retailing and wholesaling in bio-herbal supplements, health supplements, skin care, toiletries and cosmetics. On 9 September 2011, INS Bioscience Berhad had increased its investment in HMI by increasing its paid-up share capital from RM2.00 to RM500,000.

On 21 September 2011, Hopematic Sdn Bhd had increased its investment in Hopematic International Sdn Bhd by increasing its paid-up share capital from RM2.00 to RM100,000.

**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>30.09.2011</b>	<b>30.09.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries, unsecured	-	10,069

**A13. Capital commitments**

	<b>As at 30.09.2011 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 September 2011 other than those disclosed as follows:-

	<b>RM'000</b>
* INS Holdings Sdn Berhad (Formerly known as INS Holdings Berhad) Office rental paid	<u>146</u>

**Note:-**

- \* 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 30.09.2011 RM'000</b>
Deposits with licensed banks	3,180
Cash and bank balances	2,916
Bank overdrafts	(3,952)
	<u>2,144</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 RM6.501 million as compared to RM15.457 million in the corresponding quarter of the preceding year.

The decrease in revenue for the current quarter was mainly due to lower revenue derived from the both local and overseas market as compared to the corresponding quarter of the preceding year. The sales from local market decreased subsequent to the changes in consumers spending pattern. The sales from oversea market decreased as the Group had implemented tighter credit control measures by only maintaining good customers from overseas through the monitoring of historical transactions against receipt of payments, as well as only fulfilling sale orders and supply of goods after securing a deposit payment from these customers.

The Group's profit before tax ("PBT") for current quarter was RM102,000 as compared to profit before tax ("PBT") of RM905,000 in the corresponding quarter of the preceding year mainly due to the significant decrease in revenue as highlighted above. The group expenses were lower than corresponding quarter as the selling and distribution expenses (such as advertisement, campaign and promotion) decreased in line with the decrease in revenue. Other operating expenses for current quarter were lower than corresponding quarter of the preceding year mainly due to higher allowance for impairment losses on receivable in corresponding quarter of the preceding year.

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

	<b>Jul-Sept'11</b>	<b>Apr-June'11</b>
	<b>(2nd Q)</b>	<b>(1st Q)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	6,501	9,219
Profit/(Loss) before tax "PBT/(LBT)"	102	(1,260)
Profit/(Loss) after tax "PAT/(LAT)"	102	(1,260)

For the current financial quarter ended 30 September 2011, the Group recorded a total revenue and PBT of RM6.501 million and RM102,000 respectively, as compared to a total revenue and LBT of RM9.219 million and RM1.260 million respectively as recorded in the preceding financial quarter ended 30 June 2011.

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The decrease of approximately RM2.718 million in the Group's revenue for the current quarter was mainly due to the decrease in revenue from overseas market for health functional products. PBT for the current quarter of RM102,000 was higher as compared to LBT for the preceding quarter of RM1.260 million mainly due to recognition of forfeiture of advances received from distributors and also due to lower operating expenses in the current quarter which is in line with the lower revenue for current quarter.

**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 had launched the first "Healthy-More" retail outlet in Batu Pahat, Johor on 29 August 2011. "Healthy-More" is a herbs convenience retail outlet that supplies herbs and health care products, daily essentials, personal care and beauty products. The Group expects to further expand its franchise retailing outlets in the coming year.

The Group will continue its efforts of merchandising the Strategic Alliance Partner ("SAP") program, promoting the awareness that "prevention is better than cure" and distributing INS Wheatgrass Canned Drinks locally and internationally.

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

Barring any unforeseen circumstances, 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 30.09.2011 RM'000</b>	<b>6 months (Cumulative) ended 30.09.2011 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 18 November 2011:

- (a) 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 18 November 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 18.11.2011	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	2,963	25 July 2012	1,037	25.9%
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>24,051</u>		<u>1,037</u>	<u>4.1%</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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- (b) On 22 September 2011, OSK Investment Bank Berhad had, on behalf of the Board of Directors of INS Bioscience Berhad ("INSBIO") ("Board"), announced that the Company proposed to implement a private placement of not more than ten percent (10%) of the issued and paid-up share capital (net of treasury shares) of the Company, to investors to be identified ("Proposed Private Placement").

The Proposed Private Placement will enable INSBIO to raise funds without incurring interest cost compared to bank borrowings. The Board views the Proposed Private Placement as the most appropriate avenue of raising funds given the short expected timeframe for completion of the exercise as compared to other exercise that may require further shareholders' approval.

Bursa Securities had vide its letter dated 30 September 2011, approved the listing and quotation of up to 28,603,862 placement shares to be issued pursuant to the Proposed Private Placement subject to the conditions as per INSBIO's announcement on 30 September 2011.

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

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

	<b>As at 30.09.2011 RM'000</b>
Short term borrowings:	
Secured	
- Hire purchase payables	389
- Term loan	269
- Bill Payable	2,672
	<u>3,330</u>
Long term borrowings:	
Secured	
- Hire purchase payables	655
- Term loan	3,670
	<u>4,325</u>
Total borrowings	<u><u>7,655</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.

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**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 September 2011.

**B13. Earnings/(loss) per share**

	<b>Individual Quarter Current Quarter Ended 30.09.2011</b>	<b>Cumulative Quarter Current Year- To-date 30.09.2011</b>
<b>(a) Basic earnings/(loss) per share attributable to equity holders of the parent</b>		
Net profit/(loss) after tax attributable to equity holders of the parent (RM'000)	138	(1,086)
Weighted average number of ordinary shares ('000) #	286,038	286,038
<b>Earnings/((loss) per share (sen)</b>	<u>0.05</u>	<u>(0.38)</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 21 November 2011.

By Order of the Board,  
 Ng Heng Hooi (MAICSA NO: 7048492)  
 Company Secretary  
 Kuala Lumpur  
 Date: 21 November 2011.