

Notes to the Quarterly Report – 31 December 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)

Notes to the Quarterly Report – 31 December 2011

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.

Notes to the Quarterly Report – 31 December 2011

A8. Segment information

Segmental reporting for the financial year ended 31 December 2011.

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
REVENUE					
External sales	6,765	16,463	-	-	23,228
Inter-segment sales	2,599	1,273	-	(3,872)	-
	<u>9,364</u>	<u>17,736</u>	<u>-</u>	<u>(3,872)</u>	<u>23,228</u>
RESULTS					
Segment results	2,525	908	(598)	(64)	2,771
Interest income	23	26	2	-	51
Depreciation of property, plant and equipment	(1,119)	(1,110)	-	-	(2,229)
	<u>1,429</u>	<u>(176)</u>	<u>(596)</u>	<u>(64)</u>	<u>593</u>
Share of loss in jointly controlled entity					(1,062)
Finance costs					(546)
Loss before taxation					(1,015)
Taxation					(11)
Loss after taxation					<u>(1,026)</u>
Segment assets	<u>28,409</u>	<u>20,522</u>	<u>34,128</u>	<u>(37,731)</u>	<u>45,328</u>
Interest in jointly controlled entity					243
Unallocated corporate assets					582
Consolidated total assets					<u><u>46,153</u></u>
Segment liabilities	<u>18,343</u>	<u>34,677</u>	<u>3,078</u>	<u>(27,555)</u>	<u>28,543</u>
Unallocated corporate liabilities					440
Consolidated total liabilities					<u><u>28,983</u></u>
OTHER SEGMENTS ITEMS					
Capital expenditure	128	576	-	-	704
Non-cash income	797	4,607	-	-	5,404
Non-cash expenses other than depreciation	240	286	-	-	526

Notes to the Quarterly Report – 31 December 2011

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

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

	The Group 31.12.2011 RM'000	The Company 31.12.2011 RM'000
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries, unsecured	-	8,635

A13. Capital commitments

Approved and contracted for:-

	As at 31.12.2011 RM'000
-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>

Notes to the Quarterly Report – 31 December 2011

A14. Significant related party transactions

There were no significant related party transactions for the financial period ended 31 December 2011 other than those disclosed as follows:-

	RM'000
* INS Holdings Sdn Bhd (Formerly known as INS Holdings Berhad) Office rental paid	220
**GD Development Sdn Bhd Office rental received	9
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Note:-

* A company in which Datuk Yeat Sew Chuong, Wong Seng Tong and Khoo Keat are shareholders and directors.

** A company in which Datuk Yeat Sew Chuong is a shareholder and director.

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

	As at 31.12.2011 RM'000
Deposits with licensed banks	3,051
Cash and bank balances	547
Bank overdrafts	(2,592)
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	1,006

Notes to the Quarterly Report – 31 December 2011

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

B1. Review of performance

For the quarter under review, the Group recorded a revenue and profit before taxation (“PBT”) of RM7.508 million and RM143,000 respectively as compared with a revenue and PBT of RM16.805 million and RM343,000 in the corresponding quarter of the preceding year. Revenue for marketing and distribution of products segment had decreased by 58% subsequent to the changes in consumers spending pattern. In addition, revenue by manufacturing segment also decreased by 38% owing to the decreased in overseas sales for its products arising from the tightening of the Group's credit policy with its credit customers.

The Group has recorded a revenue of RM23.228 million over the cumulative nine (9) months financial period as compared with the preceding year’s corresponding period of RM51.516 million, which represents a decline of 55% over the same period. The lower revenue recorded was mainly attributable to the weaker performance of its marketing and distribution segment which declined by 63% despite the marginal improvement of 5% in sales recorded by its manufacturing segment. Management is of the view that the changes in consumer spending pattern following the recent global economic downturn which had resulted in weaker export sales had contributed to the deterioration in the Group's financial performance.

The decline in the Group's revenue over the period under review has resulted in a loss before taxation of RM1.015 million as compared with a PBT of RM3.085 million over the same period in the preceding year.

B2. Variation of results against preceding quarter

	Oct-Dec’11	Jul-Sept’11
	(3rd Q)	(2nd Q)
	(Unaudited)	(Unaudited)
	RM’000	RM’000
Revenue	7,508	6,501
Profit before tax “PBT”	143	102
Profit after tax “PAT”	132	102

The Group’s revenue for the quarter under review amounted to RM7.508 million, representing an increase of 15% as compared to the preceding quarter of RM6.501 million. The improvement in revenue was attributable to the increase of 64% in its marketing and distribution segment despite the 55% decrease in its manufacturing segment.

For the current financial quarter ended 31 December 2011, the Group recorded a revenue and PBT of RM7.508 million and RM143,000, respectively, as compared to a revenue and PBT of RM6.501 million and RM102,000, respectively recorded in the preceding financial quarter ended 30 September 2011. The improvement in PBT for the period under review was mainly attributable to the increase in other income recorded as a result of a forfeiture of advances from its distributors.

Notes to the Quarterly Report – 31 December 2011

B3. Prospects

In line with supporting the Group's product development initiatives, the Group had launch two new products to complement its existing health supplements product range, namely "Bio-Vigorous" and "Bio-Gorgeous" in December 2011.

"Bio-Vigorous" is a functional series product containing seven types of natural essences that promotes the well being of its consumers through the protection against liver, cardiovascular, kidney diseases, as well as improving men's health..

"Bio-Gorgeous" is a functional series product that contains eight natural nutrients which promotes the well being of its consumers by enhancing energy replenishment promotes blood circulation, nourishment of the body and contains anti-ageing properties.

In addition to the Group's existing efforts in increasing its market share for its products, the Group expects these products to further contribute to the Group's total revenue in year 2012.

The Group's financial performance is expected to decline during this financial year ended 30 June 2012 but barring any unforeseen circumstances, is optimistic that the new products launched will contribute positively to the Group's future financial performance.

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.

Notes to the Quarterly Report – 31 December 2011

B5. Notes to the Statement of Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 31/12/11 RM'000	Preceding Year Corresponding Period 31/12/10 RM'000	Current Year To Date 31/12/11 RM'000	Preceding Year Corresponding Period 31/12/10 RM'000
This has been arrived at after charging/(crediting):				
Interest income	(19)	(32)	(51)	(112)
Interest expenses	183	99	546	258
Amortisation of development expenditure	25	-	75	1
Depreciation of property and equipment	757	676	2,229	1,969
Allowance for impairment losses on receivables	20	1,048	125	4,140
Writeback of impairment losses on receivables	(1,070)	(81)	(1,093)	(1,397)
Provision for writeback of forfeited income	110	-	303	-
Writeback of forfeited income	834	-	-	-
Forfeiture of advance received from distributors	(2,267)	-	(4,311)	-
Bad debts written off	9	-	9	-
Property and equipment written off	-	-	23	-
(Gain)/loss on disposal of equipment	-	2	-	24
(Gain)/loss on foreign exchange -realised	(1)	-	(1)	-
-unrealised	-	-	-	-

Other than the items mentioned above, there were no provision for and/or write off of inventories, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 31 December 2011.

Notes to the Quarterly Report – 31 December 2011

B6. Taxation

	3 months quarter ended 31.12.2011 RM'000	9 months (Cumulative) ended 31.12.2011 RM'000
Current year tax expense:		
- for the financial period	-	-
- under provision in the previous financial year	11	11
	<u>11</u>	<u>11</u>

B7. Status of corporate proposals

Save as disclosed below, there are no other corporate proposals announced but not completed as at 22 February 2012:

- (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 22 February 2012, the status of utilisation of the proceeds from the Public Issue is as follows:-

	Proceeds from IPO RM'000	Revision as approved by the Securities Commission (a) RM'000	Actual utilisation as at 22.2.2012 RM'000	Intended timeframe for utilization (b)	Balance unutilised RM'000	% unutilised
1 R&D Centre and Manufacturing Plant	18,000	12,000	12,000	25 July 2012	-	-
2 R&D Expenditure	4,000	4,000	3,573	25 July 2012	427	10.7%
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>24,661</u>		<u>427</u>	<u>1.7%</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.

Notes to the Quarterly Report – 31 December 2011

B7. Status of corporate proposals (Cont'd)

- (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.

B8. Group's borrowings and debt securities

Details of the Group's bank borrowings as at 31 December 2011 which are denominated in Ringgit Malaysia are as follows :-

	As at 31.12.2011 RM'000
Short term borrowings:	
Secured	
- Hire purchase payables	281
- Term loan	272
- Bill Payable	2,674
	<u>3,227</u>
Long term borrowings:	
Secured	
- Hire purchase payables	617
- Term loan	3,601
	<u>4,218</u>
Total borrowings	<u>7,445</u>

Notes to the Quarterly Report – 31 December 2011

B9. Material litigations

There were no material litigations since the last financial year ended 31 March 2011 up to the date of this report.

B10. Dividends

No dividend has been declared / recommended for the current financial quarter ended 31 December 2011.

B11. Earnings/(loss) per share

	Individual Quarter Current Quarter Ended 31.12.2011	Cumulative Quarter Current Year- To-date 31.12.2011
(a) Basic profit/(loss) per share attributable to equity holders of the parent		
Net profit/(loss) after tax attributable to equity holders of the parent (RM'000)	122	(964)
Weighted average number of ordinary shares ('000) #	286,038	286,038
Earnings/(loss) per share (sen)	<u>0.04</u>	<u>(0.34)</u>
<i># Less treasury shares of 641,400</i>		
(b) Fully diluted profit per share	<u>N/A</u>	<u>N/A</u>

B12. Realised and unrealised profits/losses disclosure

	As At 31/12/2011 RM'000	As At 30/09/2011 RM'000
Accumulated losses of the Group	(27,716)	(27,837)
-Realised losses	-	-
-Unrealised gain/(loss)		
-unrealised gain/(loss) on foreign exchange	1	-
-in respect of deferred tax recognized	-	-
	<u>(27,715)</u>	<u>(27,837)</u>

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

Notes to the Quarterly Report – 31 December 2011

B13. 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 23 February 2012.

By Order of the Board,
Ng Heng Hooi (MAICSA NO: 7048492)
Company Secretary
Kuala Lumpur
Date: 23 February 2012.