

Notes to the Quarterly Report – 31 March 2012

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.

Notes to the Quarterly Report – 31 March 2012

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.

A8. Segment information

Segmental reporting for the financial year ended 31 March 2012 and the quarter ended 31 March 2012.

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
3 months ended 31 March 2012					
REVENUE					
External sales	1,121	2,726	-	-	3,847
Inter-segment sales	428	(6)	-	(422)	-
	<u>1,549</u>	<u>2,720</u>	<u>-</u>	<u>(422)</u>	<u>3,847</u>
RESULTS					
Segment results	49	(1,601)	(227)	(19)	(1,798)
Interest income	3	2	-	-	5
Depreciation of property, plant and equipment	(374)	(371)	-	-	(745)
	<u>(322)</u>	<u>(1,970)</u>	<u>(227)</u>	<u>(19)</u>	<u>(2,538)</u>
Share of loss in jointly controlled entity	-	-	-	(239)	(239)
Finance costs	(77)	(107)	-	-	(184)
	<u>(399)</u>	<u>(2,077)</u>	<u>(227)</u>	<u>(258)</u>	<u>(2,961)</u>
Loss before taxation	(399)	(2,077)	(227)	(258)	(2,961)
Taxation	-	-	-	-	-
Loss after taxation	<u>(399)</u>	<u>(2,077)</u>	<u>(227)</u>	<u>(258)</u>	<u>(2,961)</u>

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

Notes to the Quarterly Report – 31 March 2012

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
12 months ended 31 March 2012					
REVENUE					
External sales	7,886	19,189	-	-	27,075
Inter-segment sales	3,027	1,267	-	(4,294)	-
	<u>10,913</u>	<u>20,456</u>	<u>-</u>	<u>(4,294)</u>	<u>27,075</u>
RESULTS					
Segment results	2,573	(693)	(825)	(83)	972
Interest income	27	28	2	-	57
Depreciation of property, plant and equipment	(1,493)	(1,481)	-	-	(2,974)
	<u>1,107</u>	<u>(2,146)</u>	<u>(823)</u>	<u>(83)</u>	<u>(1,945)</u>
Share of loss in jointly controlled entity	-	-	-	(1,301)	(1,301)
Finance costs	(312)	(418)	-	-	(730)
Profit/(loss) before taxation	<u>795</u>	<u>(2,564)</u>	<u>(823)</u>	<u>(1,384)</u>	<u>(3,976)</u>
Taxation	-	(11)	-	-	(11)
Profit/(loss) after taxation	<u>795</u>	<u>(2,575)</u>	<u>(823)</u>	<u>(1,384)</u>	<u>(3,987)</u>
Segment assets	<u>28,598</u>	<u>20,723</u>	<u>33,895</u>	<u>(38,090)</u>	<u>45,126</u>
Interest in jointly controlled entity					4
Unallocated corporate assets					513
Consolidated total assets					<u>45,643</u>
Segment liabilities	<u>18,708</u>	<u>37,010</u>	<u>3,119</u>	<u>(27,822)</u>	<u>31,015</u>
Unallocated corporate liabilities					440
Consolidated total liabilities					<u>31,455</u>
OTHER SEGMENTS ITEMS					
Capital expenditure	128	559	-	-	687
Non-cash income	925	4,936	-	-	5,861
Non-cash expenses other than depreciation	180	1,166	-	-	1,346

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 2012

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 31.03.2012 RM'000	The Company 31.03.2012 RM'000
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries, unsecured	-	10,637

A13. Capital commitments

Approved and contracted for:-

	As at 31.03.2012 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 March 2012

A14. Significant related party transactions

There were no significant related party transactions for the financial period ended 31 March 2012 other than those disclosed as follows:-

	RM'000
* INS Holdings Sdn Bhd (Formerly known as INS Holdings Bhd) Office rental paid	293
**GD Development Sdn Bhd Office rental received	18
	<hr/> <hr/>

Notes:-

- * 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 31.03.2012 RM'000
Deposits with licensed banks	3,226
Cash and bank balances	887
Bank overdrafts	(3,694)
	<hr/> <hr/>
	419

Notes to the Quarterly Report – 31 March 2012

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

B1. Review of performance

Current quarter ending 31 March 2012 (“Q4 2012”)

For the Q4 2012, the Group recorded a revenue and loss before taxation (“LBT”) of RM3.847 million and RM2.961 million respectively as compared with a revenue and LBT of RM11.381 million and RM22.207 million in the corresponding quarter of the preceding year ended 31 March 2011 (“Q4 2011”). The quarterly performance of the operating segments can be analysed as follows:-

	Q4 2012 31/03/2012	Q4 2011 31/03/2011
Segment Revenue:-	RM'000	RM'000
Manufacturing	1,121	8,617
Marketing and distribution of products	2,726	2,760
Others	-	4
	<hr/> 3,847	<hr/> 11,381
Segment LBT:-		
Manufacturing	(399)	(9,000)
Marketing and distribution of products	(2,077)	(14,959)
Others	(258)	(7,331)
Eliminations	(227)	9,083
	<hr/> (2,961)	<hr/> (22,207)

Manufacturing

The decrease in revenue of approximately 87% or RM7.496 million was mainly due to a one-time large order from an overseas customer in Q4 2011. The reduction in LBT of approximately 96% or RM8.601 million was mainly due to the improvement in gross profit during Q4 2012 from a gross loss in Q4 2011 due to allowance for inventory obsolescence of approximately RM3.045 million being charged to manufacturing costs in cost of sales. This was further contributed by the reduction of RM0.441 million in selling and distribution expenses due to the low sales, reduction of RM0.313 million in administrative expenses due to the decrease in the number of senior employees, and a significant reduction in other operating expenses as there was a decrease in allowance for impairment loss on receivables by approximately RM4.933 million .

Marketing and distribution of products

Revenue from marketing and distribution of products remained fairly consistent. The reduction in LBT of approximately 86% or RM12.882 million was mainly due to:-

- i. increase in other income of RM0.738 million;
- ii. decrease of RM3.199 million in selling and distribution expenses as there were minimal advertising & promotion activities as well as marketing events on a small scale held in Q4 2012;

Notes to the Quarterly Report – 31 March 2012

Marketing and distribution of products (cont'd)

- iii. decrease of RM1.439 million in administrative expenses due to reduction in head counts; and
- iv. decrease in other operating expenses comprising of RM2.107 million in impairment losses on receivables, RM1.097 million from provision for writeback of forfeited income and RM0.708 million from writeback of forfeited income.

Others

The decrease in revenue was mainly due to nil interest income from others segment in Q4 2012. The reduction in LBT of approximately 96% or RM7.073 million was mainly due to a one-off impairment of goodwill on subsidiaries companies in Q4 2011.

Financial year-to-date ended 31 March 2012 (“FPE 2012”)

For the FPE 2012, the Group recorded a revenue and LBT of RM27.075 million and RM3.976 million respectively as compared with a revenue and LBT of RM62.897 million and RM19.122 million in the corresponding financial year ended 31 March 2011 (“FYE 2011”). The year-to-date performance of the operating segments can be analysed as follows:-

	FPE 2012 31/03/2012	FYE 2011 31/03/2011
Segment Revenue:-	RM'000	RM'000
Manufacturing	7,886	15,084
Marketing and distribution of products	19,189	47,809
Others	-	4
	<hr/> 27,075	<hr/> 62,897
Segment profit before tax (“PBT”) /(LBT):-		
Manufacturing	795	(10,978)
Marketing and distribution of products	(2,564)	(9,126)
Others	(823)	(8,010)
Eliminations	(1,384)	8,992
	<hr/> (3,976)	<hr/> (19,122)

Manufacturing

The decrease in revenue of approximately 48% or RM7.198 million was mainly due to decrease in revenue from overseas customer subsequent to the change in credit policy requiring higher upfront payment for order of goods. The PBT for FPE 2012 as compared to LBT was due to improvement in gross profit during Q4 2012 from a gross loss in Q4 2011 by approximately RM3.490 million due to allowance for inventory obsolescence of approximately RM3.045 million being charged to cost of sales. Furthermore, there was decrease in allowance for impairment losses on receivables by RM8.413 million due to better credit control policy in place.

Notes to the Quarterly Report – 31 March 2012

Marketing and distribution of products

The decrease in revenue of approximately 60% or RM28.620 million was mainly attributable to the decrease in local customer sales as demand for healthcare products had reduced significantly during the FPE 2012. The reduction in LBT of approximately 72% or RM6.562 million was mainly due to lower selling and distribution expense by approximately RM6.905 million in tandem with the fall in sales, and lower administrative expenses by approximately RM2.027 million as a result of cost savings in place. Furthermore, there was a decrease in other operating expenses arising from impairment losses on receivables of RM2.029 million. However, the reduction in LBT was offset by the decrease in other income by RM2.118 million.

Others

The decrease in revenue was mainly due to nil interest income from others segment. The reduction in LBT of approximately 90% or RM7.187 million was mainly due to a one-off impairment loss on goodwill coupled together with impairment loss of investment in subsidiaries companies in FYE 2011.

B2. Variation of results against previous quarter ended 31 December 2011 (“Q3 2012”)

	Jan – Mar’12	Oct - Dec’11
	Q4 2012	Q3 2012
	(Unaudited)	(Unaudited)
	RM’000	RM’000
Revenue	3,847	7,508
Gross profit	90	2,417
(LBT)/PBT	(2,961)	143
(Loss)/profit after tax (“(LAT)/PAT”)	(2,961)	132

The Group’s revenue for Q4 2012 amounted to RM3.847 million, representing a decrease of approximately 49% or RM3.661 million as compared to Q3 2012 of RM7.508 million. Both operating segments’ revenue of the Group decreased as there was a decrease in local sales due to weak demand for healthcare products and decrease in oversea sales as a result of lower orders received during the quarter.

The Group incurred a LBT for Q4 2012 as compared to a PBT in the Q3 2012. For Q4 2012, the gross profit margins decreased from 32.2% to 2.3% mainly due to higher commission payout according to marketing plan and cost of sales was high as fixed overhead cost remain largely unchanged. There was also a decrease in other income of RM2.766 million in Q4 2012, of which RM1.797 million is attributable to forfeiture income of advance received from distributors whilst RM901,000 is from the write-back of impairment losses on receivables.

In Q4 2012, there was a decrease in total expenses amounting to RM1.919 million subsequent to the continuous cost control in place within the Group. The cost saving measures saw a reduction in the selling & distributions expenses of RM0.366 million, reduction in administrative expenses of RM0.451 million, and reduction in other operating expenses of RM1.102 million.

B3. Prospects

In line with supporting the Group's product development initiatives, the Group had launch two additional products, namely "Bio Beauty" and "Bio Secrète", in April 2012 subsequent to the launch of "Bio-Vigorous" and "Bio-Gorgeous" in December 2011, to complement its existing health supplements product range.

"Bio Beauty" and "Bio Secrète" are functional series products that promote anti-ageing and health benefits. This was the result of a new breakthrough by the Group in anti-ageing via the use of integrative ancient remedy medical practice with modern medical marvel whereby the "Bio Beauty" product contains Poria Cocos, Wolfberry, Tremella Fuciformis, Agaricus (mushroom), Chinese Senna and Chrysanthemum; while the "Bio Secrète" product contains Soy Isoflavones, Coenzyme Q10 (Mulberry Leaf Extract), Green Tea Extract and Hyaluronic Acid.

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 2013.

Barring any unforeseen circumstances, the Group is optimistic that the new products launched will contribute positively to its 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 March 2012

B5. Profit/(loss) before taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 31/3/12 RM'000	Preceding Year Corresponding Period 31/3/11 RM'000	Current Year To Date 31/3/12 RM'000	Preceding Year Corresponding Period 31/3/11 RM'000
This has been arrived at after charging/(crediting):				
Interest income	(6)	(8)	(57)	(120)
Interest expenses	184	174	730	432
Amortisation of development expenditure	25	99	100	100
Depreciation of property and equipment	745	961	2,974	2,930
Allowance for impairment losses on receivables	151	7,040	276	11,180
Writeback of impairment losses on receivables	13	(9)	(1,080)	(1,406)
Provision for writeback of forfeited income	(16)	1,081	287	1,081
Writeback of forfeited income	(83)	625	751	625
Forfeiture of advance received from distributors	470	5,017	4,781	5,017
Bad debts written off	-	-	9	-
Property and equipment written off	-	495	23	495
Gain on disposal of equipment	-	(25)	-	(1)
Loss on foreign exchange				
-realised	20	43	19	43
-unrealised	-	-	-	-

Other than the items mentioned above, there were no other income including investment income, provision for and/or write off of inventories, gain or loss on disposal of quoted & unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 31 March 2012.

Notes to the Quarterly Report – 31 March 2012

B6. Taxation

	3 months quarter ended 31.3.2012 RM'000	12 months (Cumulative) ended 31.3.2012 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 proceeds from the Public Issue

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 21 May 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 21.5.2012 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	3,646	25 July 2012	354	8.9%
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>24,734</u>		<u>354</u>	<u>1.4%</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 March 2012

B8. Status of corporate proposals

Save as disclosed below, there are no other corporate proposals announced but not completed as at 21 May 2012:

- (a) 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 ("Private Placement").

The Private Placement will enable INSBIO to raise funds without incurring interest cost compared to bank borrowings. The Board views the 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 Private Placement subject to the conditions as per INSBIO's announcement on 30 September 2011. The approval had since lapsed on 29 March 2012 and OSK had, on behalf of the board, submitted an application to Bursa Securities to seek an extension of time of six (6) months to implement the Private Placement.

On 20 March 2012, Bursa Securities had approved the application for an extension of time of six (6) months from 30 March 2012 to 29 September 2012 for the Company to complete the Private Placement.

B9. Group's borrowings and debt securities

Details of the Group's bank borrowings as at 31 March 2012 which are denominated in Ringgit Malaysia are as follows :-

	As at 31.3.2012 RM'000
Short term borrowings:	
Secured	
- Hire purchase payables	418
- Term loan	272
- Bill Payable	2,700
	<hr/> 3,390 <hr/>

Notes to the Quarterly Report – 31 March 2012

B9. Group's borrowings and debt securities (Cont'd)

Long term borrowings:	
Secured	
- Hire purchase payables	555
- Term loan	3,534
	<u>4,089</u>
Total borrowings	<u><u>7,479</u></u>

B10. Material litigations

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

B11. Dividends

No dividend has been declared / recommended for the current financial quarter ended 31 March 2012.

B12. Loss per share

	Individual Quarter Current Quarter Ended 31.3.2012	Cumulative Quarter Current Year- To-date 31.3.2012
(a) Basic loss per share attributable to equity holders of the parent		
Net loss after tax attributable to equity holders of the parent (RM'000)	(2,950)	(3,914)
Weighted average number of ordinary shares ('000) #	286,038	286,038
Loss per share (sen)	<u>(1.03)</u>	<u>(1.37)</u>
<i># Less treasury shares of 641,400</i>		
(b) Fully diluted profit per share	<u>N/A</u>	<u>N/A</u>

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

Notes to the Quarterly Report – 31 March 2012

B13. Realised and unrealised profits/losses disclosure

	As At 31/3/2012 RM'000	As At 31/3/2011 RM'000
Accumulated losses of the Group	(30,684)	(26,794)
-Unrealised gain/(loss)	-	-
-unrealised gain/(loss) on foreign exchange	19	43
-in respect of deferred tax recognized	-	-
	<u>(30,665)</u>	<u>(26,751)</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 23 May 2012.

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