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.

Change of Financial Year End

On 22 November 2011, the Company announced that the Board of Directors of the Company has approved the change of year end from 31 March to 30 June. Thus, the statutory financial statements will be made up from 1 April 2011 to 30 June 2012 covering a period of 15 months. This interim financial report covers the period from 1 April 2012 to 30 June 2012 which is an additional quarter of reporting arising from the change in year end to 30 June 2012.

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 save for the impairment losses on equipment of RM4.491 million, impairment loss on goodwill on consolidation of RM1.822 million, impairment loss on and receivables of RM3.362 million. Furthermore, there was a revaluation surplus of RM5.323 million (net of deferred tax of RM1.775 million) as disclosed in Note A9 below.

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.

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 quarter ended 30 June 2012 and the financial period ended 30 June 2012.

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
3 months ended 30 June 2012					
REVENUE					
External sales	2,387	6,006	260	-	8,653
Inter-segment sales	980	(168)	-	(812)	-
	3,367	5,838	260	(812)	8,653
RESULTS					
Segment results	(512)	(9,425)	(2,953)	(498)	(13,388)
Interest income	10	15	-	-	25
Depreciation of property, plant and equipment	(376)	(365)	(234)	-	(975)
	(878)	(9,775)	(3,187)	(498)	(14,338)
Share of loss in jointly controlled entity	-	-	-	(407)	(407)
Finance costs	7	(88)	-	-	(81)
Loss before taxation	(871)	(9,863)	(3,187)	(905)	(14,826)
Taxation	(28)	291	-	-	263
Loss after taxation	(899)	(9,572)	(3,187)	(905)	(14,563)

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
15 months ended 30 June 2012					
REVENUE					
External sales	10,273	25,195	260	-	35,728
Inter-segment sales	4,007	1,099	-	(5,106)	-
	14,280	26,294	260	(5,106)	35,728
RESULTS					
Segment results	2,061	(10,118)	(3,778)	(581)	(12,416)
Interest income	37	43	2	-	82
Depreciation of property, plant and equipment	(1,869)	(1,846)	(234)	-	(3,949)
	229	(11,921)	(4,010)	(581)	(16,283)
Share of loss in jointly controlled entity	-	-	-	(1,708)	(1,708)
Finance costs	(305)	(506)	-	-	(811)
Loss before taxation	(76)	(12,427)	(4,010)	(2,289)	(18,802)
Taxation	(28)	280	-	-	252
Loss after taxation	(104)	(12,147)	(2,188)	(2,289)	(18,550)
Segment assets	31,825	16,175	32,859	(41,214)	39,645
Interest in jointly controlled entity					(402)
Unallocated corporate assets					428
Consolidated total assets					39,671
Segment liabilities	16,487	41,350	3,250	(28,728)	32,359
Unallocated corporate liabilities					2,075
Consolidated total liabilities					34,434
OTHER SEGMENTS ITEMS					
Capital expenditure	128	557	-	-	685
Non-cash income	2,147	1,513	-	-	3,660
Non-cash expenses other than depreciation	2,065	6,520	2,307	-	10,892

A9. Valuation of property, plant and equipment

As at 29 June 2012, the board of Directors has approved the incorporation of a net revaluation surplus of RM5.323 million (net of deferred tax of RM1.775 million) arising from the revaluation of the Group's land and buildings by Messrs KGV International Property Consultants (M) Sdn. Bhd., an independent firm of professional valuers.

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 for the following:-

On 30 August 2012, the Company became an affected listed Company pursuant to the criterias in subparagraphs 2.1(a), (b) and (c) of Guidance Note 3 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. For further details, please refer to the Company's announcement on this matter dated 30 August 2012.

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 30.06.2012 RM'000	**The Company 30.06.2012 RM'000**
Unsecured		
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries	-	9,668

A13. Capital commitments

	As at 30.06.2012 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
	728

A14. Significant related party transactions

There were no significant related party transactions for the financial period ended 30 June 2012 other than those disclosed as follows:-

	RM'000
* INS Holdings Sdn Bhd	
Office rental paid	366
** GD Development Sdn Bhd	
Office rental received	27

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 30.06.2012 RM'000
Deposits with licensed banks	2,756
Cash and bank balances	249
Bank overdrafts	(3,461)
	(456)

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 ended 30 June 2012 ("June 2012")

For June 2012, the Group recorded a revenue and loss before taxation ("LBT") of RM8.653 million and RM14.826 million respectively as compared with a revenue and LBT of RM9.219 million and RM1.260 million respectively in the corresponding quarter ended 30 June 2011 ("June 2011"). The quarterly performance of the operating segments can be analysed as follows:-

	June 2012 30/06/2012	June 2011 30/06/2011
Segment Revenue:-	**RM'000**	**RM'000**
Manufacturing	2,387	2,919
Marketing and distribution of products	6,006	6,300
Others	260	-
	8,653	9,219
Segment (LBT)/profit before tax ("PBT"):-		
Manufacturing	(871)	232
Marketing and distribution of products	(9,863)	(967)
Others	(3,187)	(282)
Eliminations	(905)	(243)
	(14,826)	(1,260)

Manufacturing

The decrease in revenue of approximately 18.2% or RM0.532 million was mainly due to the continuing decrease in order from overseas customer in June 2012.

LBT for June 2012 was mainly due to the increase in allowance for impairment losses on receivables by RM1.848 million. However, the increase was offset by the write-back of earlier impairment losses on receivables amounting to RM1.131 million,

Marketing and distribution of products

Revenue from marketing and distribution of products decreased slightly by RM0.294 million due to decrease in sales from local customers. The increase in LBT of approximately 919.9% or RM8.896 million was mainly due to impairment losses on plant and equipment amounting to RM4.246 million recognised during the quarter. Furthermore, there was a RM3.420 million write-back from forfeiture income of advance received from distributors, coupled together with the increase in allowance for impairment losses on receivables by RM0.972 million for the quarter.

B1. Review of performance (Cont'd)

Others
Revenue for June 2012 was mainly due to an order from one-off customers in others segment. The increase in LBT of approximately 1,030.1% or RM2.905 million was mainly due to the increase in other operating expenses arising from impairment losses on goodwill by RM1.822 million, plant and machinery by RM0.269 million and receivables by RM0.246 million as well as an overall increase in administrative expenses by RM0.334 million.

Financial period ended 30 June 2012 ("FPE 2012")

For the FPE 2012, the Group recorded a revenue and LBT of RM35.728 million and RM18.802 million respectively as compared with a revenue and LBT of RM72.116 million and RM20.382 million respectively in the corresponding 15 months period ended 30 June 2011 ("FPE 2011"). The year-to-date performance of the operating segments can be analysed as follows:-

	FPE 2012 30/06/2012	**FPE 2011 30/06/2011**
Segment Revenue:-	**RM'000**	**RM'000**
Manufacturing	10,273	18,003
Marketing and distribution of products	25,195	54,109
Others	260	4
	35,728	72,116
Segment LBT:-		
Manufacturing	(76)	(10,746)
Marketing and distribution of products	(12,427)	(10,093)
Others	(4,010)	(8,292)
Eliminations	(2,289)	8,749
	(18,802)	(20,382)

Manufacturing
The decrease in revenue of approximately 42.9% or RM7.730 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. In contrast, the LBT for FPE 2012 had reduced significantly as compared to LBT for FPE2011 due to the improvement in gross profit for the FPE2012 as there was no allowance for inventory obsolescence of approximately RM3.045 million that charged to cost of sales in FPE 2011. In addition, the decrease in allowance for impairment losses on receivables by RM2.540 million coupled together with the increase in write-back for earlier impairment losses on receivable by RM1.160 million were due to improved credit control policy in place. Furthermore, there was a corresponding decrease in selling and distribution expenses by RM2.210 million in tandem with the decrease in revenue.

<u>Financial period ended 30 June 2012 ("FPE 2012") (Cont'd)</u>

<u>Marketing and distribution of products</u>
The decrease in revenue of approximately 53.4% or RM28.914 million was mainly attributable to the decrease in local customer sales as demand for healthcare products had reduced significantly during the FPE 2012. Furthermore, increase in LBT of approximately 23.12% or RM2.334 million was mainly due to the impairment loss on plant and equipment of RM4.246million. This was however mitigated by the lower administrative expenses by RM2.818 million as a result of cost savings in place.

<u>Others</u>
The increase in revenue for FPE 2012 was mainly due to an order from one-off customers in others segment during June 2012 as mentioned earlier. The reduction in LBT of approximately 51.64% or RM4.282 million was mainly due to impairment loss of investment in subsidiaries companies that was charged in FPE 2011.

B2. Variation of results against previous quarter ended 31 March 2012 ("March 2012")

	Apr – June'12	**Jan – Mar'12**
	June 2012 (Unaudited)	**March 2012 (Unaudited)**
	RM'000	**RM'000**
Revenue	8,653	3,847
Gross profit	471	90
LBT	(14,826)	(2,961)
Loss after tax ("LAT")	(14,563)	(2,961)

The Group's revenue for June 2012 amounted to RM8.653 million, representing an increase of approximately 124.9% or RM4.806 million as compared to March 2012 of RM3.847 million. The increase in revenue was mainly attributable to the manufacturing segment by approximately RM1.266 million and to the marketing segment by approximately RM3.280 million. This was a result of some improvement in the demand for healthcare products in both the local and oversea markets which led to higher orders received during the quarter.

LBT for June 2012 increased by approximately 400.7% or RM11.865 million as compared to March 2012, mainly due to higher commission payout according to marketing plan. In addition, cost of sales was high as fixed overhead cost remains largely unchanged, which led to a thin gross profit. Furthermore, there was a decrease in other income of RM2.766 million in March 2012, of which RM1.797 million is attributable to forfeiture income of advance received from distributors. In addition, there were impairment losses on plant and equipment amounting to RM4.491 million, receivables amounting to RM3.362 million and goodwill amounting to RM1.822 million.

B3. Prospects

In line with supporting the Group's product development initiatives, the Group will continue to innovate and produce new health care products in order to complement its existing health supplements product range.

In addition to the Group's existing efforts in increasing its market share for its products, the Group expects the recently launched products to further contribute to the Group's total revenue in year 2013.

Barring any unforeseen circumstances, the Group is optimistic that the existing and new products 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.

B5. Loss before taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended	Preceding Year Corresponding Period	15 MONTHS Current Year To Date	15 MONTHS Preceding Year Corresponding Period
	RM'000	RM'000	RM'000	RM'000
This has been arrived at after charging/(crediting):				
Interest income	(25)	(39)	(82)	(159)
Interest expenses	81	168	811	600
Amortisation of development expenditure	25	25	125	125
Depreciation of property and equipment	975	726	3,949	3,656
Allowance for impairment losses on receivables	3,086	24	3,362	11,204
Writeback of impairment losses on receivables	(1,219)	(91)	(2,299)	(1,497)
Provision for writeback of forfeited income	-	-	287	1,081
Writeback of forfeited income	-	-	751	625
Forfeiture of advance received from distributors	3,420	-	(1,361)	(5,017)
Bad debts written off	-	-	9	-
Property and equipment written off	143	-	166	495
Gain on disposal of equipment	-	-	-	(1)
Impairment loss on goodwill	1,822	-	1,822	1,822
Impairment loss on plant and equipment	4,491	-	4,491	-
Loss on foreign exchange				
-realised	4	-	4	-
-unrealised	(8)	-	11	43
Allowance for slow moving inventory	-	-	-	3,490

Other than the items mentioned above, there were no other income including investment income, gain or loss on disposal of quoted & unquoted investments or properties, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 30 June 2012.

B6. Taxation

	3 months quarter ended 30.06.2012 RM'000	15 months (Cumulative) ended 30.06.2012 RM'000
Current year tax expense/(income):		
- for the financial period	234	245
- over provision in the previous financial years	(497)	(497)
	(263)	(252)

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.

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.

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.

As at 27 August 2012, the Company had fully utilised the proceeds from the Public Issue.

B8. Status of corporate proposals

Save as disclosed below, there are no other corporate proposals announced but not completed as at 27 August 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.

B8. Status of corporate proposals (Cont'd)

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 30 June 2012 which are denominated in Ringgit Malaysia are as follows :-

	As at 30.6.2012. RM'000
Short term borrowings:	
Secured	
- Hire purchase payables	266
- Term loan	409
- Bill Payable	2,424
	3,099
Long term borrowings:	
Secured	
- Hire purchase payables	461
- Term loan	3,374
	3,835
Total borrowings	6,934

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 30 June 2012.

B12. Loss per share

	Individual Quarter Current Quarter Ended 30.06.2012	Cumulative Quarter Current Year-To-date 30.06.2012
(a) Basic loss per share attributable to equity holders of the parent		
Net LAT attributable to equity holders of the parent (RM'000)	(14,297)	(18,211)
Weighted average number of ordinary shares ('000) #	286,038	286,038
Loss per share (sen)	(5.00)	(6.37)

 # Less treasury shares of 641,400

(b) Fully diluted profit per share	N/A	N/A

B13. Realised and unrealised profits/losses disclosure

	As At 30/6/2012 RM'000	As At 31/3/2011 RM'000
Accumulated losses of the Group	(44,962)	(26,794)
-Unrealised gain/(loss)	-	-
-unrealised gain/(loss) on foreign exchange	270	43
-in respect of deferred tax recognized	-	-
	(44,692)	(26,751)

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 30 August 2012.

By Order of the Board,
Ng Heng Hooi (MAICSA NO: 7048492)
Company Secretary
Kuala Lumpur
Date: 30 August 2012.