

Notes to the Quarterly Report – 31 March 2013

**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 period ended 30 June 2012.

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 period ended 30 June 2012.

All significant accounting policies and methods of computation adopted by the Group are consistent with those of the audited financial statements for the financial period ended 30 June 2012.

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

The auditors’ report on the financial statements for the financial period ended 30 June 2012 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.

**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.

Notes to the Quarterly Report – 31 March 2013

**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 current quarter/ financial period ended 31 March 2013:-

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
<b>3 months ended 31 March 2013</b>					
<b>REVENUE</b>					
External sales	692	78	-	-	770
Inter-segment sales	105	-	-	(105)	-
	797	78	-	(105)	770
<b>RESULTS</b>					
Segment results	(727)	(86)	(130)	5	(938)
Interest income	3	54	-	-	57
Depreciation of property, plant and equipment	(140)	(31)	-	-	(171)
	(864)	(63)	(130)	5	(1,052)
Share of loss in jointly controlled entity	-	-	-	-	-
Finance costs	(56)	(5)	-	-	(61)
	(920)	(68)	(130)	5	(1,113)
Loss before taxation	(920)	(68)	(130)	5	(1,113)
Taxation	-	-	-	-	-
Loss after taxation	(920)	(68)	(130)	5	(1,113)
<b>9 months ended 31 March 2013</b>					
<b>REVENUE</b>					
External sales	3,516	5,260	-	-	8,776
Inter-segment sales	1,419	-	-	(1,419)	-
	4,935	5,260	-	(1,419)	8,776

Notes to the Quarterly Report – 31 March 2013

**A8. Segment information (Cont'd)**

Segmental reporting for the current quarter/ financial period ended 31 December 2012:-

	<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>9 months ended 31 March 2013 (Cont'd)</b>					
<b>RESULTS</b>					
Segment results	(693)	(319)	(462)	425	(1,049)
Interest income	13	81	-	-	94
Depreciation of property, plant and equipment	(374)	(96)	-	-	(470)
	(1,054)	(334)	(462)	425	(1,425)
Share of loss in jointly controlled entity	-	-	-	-	-
Finance costs	(175)	(154)	-	-	(329)
Loss before taxation	(1,229)	(488)	(462)	425	(1,754)
Taxation	-	-	-	-	-
Loss after taxation	(1,229)	(488)	(462)	425	(1,754)
<b>Segment assets</b>	25,060	8,829	9,373	(11,077)	32,185
Unallocated corporate assets					20
<b>Consolidated total assets</b>					<b>32,205</b>
<b>Segment liabilities</b>	13,479	34,336	3,217	(23,900)	27,132
Unallocated corporate liabilities					425
<b>Consolidated total liabilities</b>					<b>27,557</b>
<b>OTHER SEGMENTS ITEMS</b>					
Capital expenditure	76	-	-	-	76
Non-cash income	422	2,204	-	-	2,626
Non-cash expenses other than depreciation	(662)	(3,941)	-	-	(4,603)

Notes to the Quarterly Report – 31 March 2013

**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 during the quarter under review**

There was no material event subsequent to the end of the current financial quarter under review except for the following:-

- (a) On 22 November 2012, INSBIO circular to shareholders in relation to the proposed disposal to Westone Industries (M) Sdn. Bhd. of a four(4) storey shop office owned by HLS International Sdn. Bhd. (formerly known as Easy Pha-max Marketing Sdn. Bhd. And INS Enterprise Sdn. Bhd.), a wholly-owned subsidiary of INSBIO for a cash consideration of RM5,800,000 ("Proposed Disposal I"). The Proposed Disposal I was completed on 7 May 2013.
- (b) On 1 March 2013, INSBIO announced The Origin Foods Sdn. Bhd., a wholly-owned subsidiary of INSBIO had entered into a sale and purchase agreement with Koh Hock Seng for proposed disposal of a intermediate single-storey factory erected on a piece of leasehold land held under Individual Title HS (M) 23364, PT No. 27129, Tempat Batu 13 Jalan Puchong, Mukim Petaling, District of Petaling, Selangor Darul Ehsan bearing the postal address of No. 30, Jalan Permai 4, Taman Industri Puchong Permai, 47100 Puchong, Selangor Darul Ehsan for a cash consideration of RM430,000 ("Proposed Disposal II"). As at 27 May 2013, the Proposed Disposal II is pending of completion that still according to the Sales and Purchase Agreement terms and conditions.

**A11. 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.

**A12. Changes in the composition of the Group**

There were no changes in the composition of the Group during the current financial quarter under review.

Notes to the Quarterly Report – 31 March 2013

**A13. 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 31.3.2013 RM'000</b>	<b>The Company 31.3.2013 RM'000</b>
<u>Unsecured</u>		
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries	-	10,950

**A14. Capital commitments**

There was no capital commitment for the current financial quarter under review.

**A15. Significant related party transactions**

There were no significant related party transactions for the financial period ended 31 March 2013 other than those disclosed as follows:-

	<b>RM'000</b>
* INS Holdings Sdn Bhd Office rental paid	73
** GD Development Sdn Bhd Office rental received	18

**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.

**A16. Cash and cash equivalents**

	<b>As at 31.3.2013 RM'000</b>
Cash and bank balances	279
Bank overdrafts	(1,904)
	<u>(1,625)</u>

Notes to the Quarterly Report – 31 March 2013

**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 31 March 2013**

For the current quarter ended 31 March 2013, the Group recorded revenue and loss before taxation (“LBT”) of RM0.77 million and RM1.113 million respectively as compared with a revenue and LBT of RM3.847 million and RM2.961 million respectively in the corresponding quarter ended 31 March 2012 (“Mar 2012”). The quarterly performance of the operating segments can be analysed as follows:-

	<b>CURRENT YEAR QUARTER 31.3.2013</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER 31.3.2012</b>
<b>Segment Revenue:-</b>	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	692	1,121
Marketing and distribution of products	78	2,726
Others	-	-
	<u>770</u>	<u>3,847</u>
<b>LBT:-</b>		
Manufacturing	(920)	(399)
Marketing and distribution of products	(68)	(2,077)
Others	(130)	(227)
Eliminations	5	(258)
	<u>(1,113)</u>	<u>(2,961)</u>

**Manufacturing**

Revenue decreased by approximately 38.27% or RM0.429 million was mainly due to decrease in both local and overseas sales for the current quarter ended 31 March 2013.

LBT for the current quarter ended 31 March 2013 was increased from RM0.399 million to RM0.920 million subsequent to the decrease in revenue for the quarter.

**Marketing and distribution of products**

Revenue from marketing and distribution of products decreased by RM2.648 million or 97.146% and LBT of RM0.68 million from LBT of RM2.077 million mainly due to the discontinue operations of certain non-profitability business since October 2012.

**Others**

There is no revenue for others segment. LBT decreased by RM0.97 million mainly due to decrease in the administrative expenses incurred.

**B2. Variation of results against previous quarter ended 31 December 2012**

	<b>CURRENT QUARTER</b>	<b>PREVIOUS QUARTER</b>
	<b>31.3.2013.</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	770	2,552
Gross (loss) / profit	(114)	298
LBT	(1,113)	(188)
Loss after tax (“LAT”)	(1,113)	(188)

The Group’s revenue for current quarter ended 31 March 2013 amounted to RM0.770 million, representing a decrease of approximately RM1.782 million or 69.8% as compared to previous quarter ended 31 December 2012 of RM2.552 million. The Group’s overall revenue decreased mainly from decrease in local and overseas sales which also caused the gross loss incurred subsequent to the fixed overhead remains unchanged.

LBT for current quarter ended 31 March 2013 increased approximately by RM0.925 million as compared to previous quarter ended 31 December 2012 mainly due to the following:-

- (a) gross profit was decreased by RM0.412million subsequent to the decrease in revenue;
- (b) operating expenses for the current quarter were decreased by RM0.279million from RM1.055million to RM0.776million due to the cost saving after the ceased of certain non-profitable operations since October 2012;
- (c) increase of RM0.584 million for the write back of impairment for receivables;
- (d) decrease of RM0.555million for the provision for possibility of write back of forfeiture income;
- (e) decrease of RM0.746million for the write back of forfeiture income;
- (f) decrease in forfeiture income of RM2.087million;
- (g) decrease of RM0.060million for the disposal of equipments;
- (h) decrease of RM0.068million for the deposit written off;
- (i) increase of RM0.024million for other income; and
- (j) there was allowance for impairment losses on receivables of RM0.694million;

Notes to the Quarterly Report – 31 March 2013

### **B3. Prospects**

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

The Group will stay focus on Original Equipment Manufacturer ("OEM") opportunity by sustain existing customers and seek for potential customers locally and internationally by attending health supplement products exhibitions and fairs. It will eventually contribute profitability and value added to the Group.

The Group will continue to implement cost control, cost saving and employ prudence in its management and will strive to enhance its competitiveness and processing effectively.

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.



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

Notes to the Quarterly Report – 31 March 2013

**B5. Loss before taxation**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 31.3.2013 RM'000	Preceding Year Corresponding Period 31.3.2012 RM'000	9 MONTHS Current Year To Date 31.3.2013 RM'000	9 MONTHS Preceding Year Corresponding Period 31.3.2012 RM'000
This has been arrived at after charging/(crediting):				
Interest income	(57)	(6)	(94)	(27)
Interest expenses	61	184	329	562
Amortisation of development expenditure	-	25	-	75
Amortisation of intangible assets	75	-	325	-
Depreciation of property, plant and equipment	426	745	1,240	1,988
Allowance for impairment losses on receivables	694	151	738	251
Writeback of impairment losses on receivables	(540)	13	(584)	113
Writeback of forfeited income	40	(83)	947	750
Provision for writeback of forfeited income	(111)	(16)	333	286
Forfeiture of advance received from distributors	3	470	(2,086)	(3,841)
Deposit written off	86	-	240	-
Plant and equipment written off	-	-	65	23
Loss on foreign exchange				

Other than the items mentioned above, there was 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 31 March 2013.

Notes to the Quarterly Report – 31 March 2013

**B6. Taxation**

	<b>3 months quarter ended 31.3.2013 RM'000</b>	<b>9 months (Cumulative) ended 31.3.2013 RM'000</b>
Current year taxation	-	-

**B7. Status of corporate proposals**

Save as disclosed below, there are no other corporate proposals announced but not completed as at 24 May 2013:

- (a) On 22 September 2011, OSK Investment Bank Berhad (“OSK”) had, on behalf of the Board of Directors of INS Bioscience Berhad (“INSBIO”) (“Board”), announced that the Company proposed to implement a Proposed 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. 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 Proposed 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 Proposed Private Placement.

On 2 October 2012, on behalf of the Board, OSK announced that the approval for extension of time to complete the Proposed Private Placement had lapsed on 29 September 2012 and that no new shares were issued/placed out pursuant to the Proposed Private Placement.

Notes to the Quarterly Report – 31 March 2013

**B7. Status of corporate proposals (Con'td)**

- (b) Referring to the Company's announcement dated 30 August 2012, wherein it was announced that INSBIO is an Affected Listed Issuer as it has triggered Rules 2.1(a), (b) and (c) pursuant to Guidance Note 3 of the ACE Market Listing Requirement ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

On behalf of the Board of Directors of INSBIO, M&A Securities Sdn Bhd is pleased to announce that it had on 20 November 2012 been appointed as the Sponsor to the Company pursuant to Rule 8.04(3)(a)(ii) of the ACE LR of Bursa Securities.

**B8. Group's borrowings and debt securities**

Details of the Group's bank borrowings as at 31 March 2013 which are denominated in Ringgit Malaysia are as follows :-

	<b>As at 31.3.2013 RM'000</b>
Short-term borrowings:	
Secured	
- Hire purchase payables	187
- Term loan	122
	<u>309</u>
Long-term borrowings:	
Secured	
- Hire purchase payables	397
- Term loan	1,036
	<u>1,433</u>
Total borrowings	<u><u>1,742</u></u>

Notes to the Quarterly Report – 31 March 2013

#### **B9. Material litigations**

There were no other material litigations since the last financial period ended 30 June 2012 except for the following:-

- (i) Legal proceedings commenced by Christian Coffinet and Frank Annenberg (collectively “the Plaintiffs”) against INSBIO, Datuk Yeat Sew Chuong, Wong Seng Tong and 7 other Defendants (collectively “the Defendants”)

On 30 October 2012, The Board of Directors of INSBIO (“the Board”) wishes to announce that the Company is involved in a civil suit filed by Christian Coffinet and Frank Annenberg (collectively “the Plaintiffs”) on 28.1.2011 against INSBIO, Datuk Yeat Sew Chuong, Wong Seng Tong and 7 other Defendants (collectively “the Defendants”) bearing Case No. SC 111260 in Los Angeles Superior Court, State of California, United States of America.

The relief sought against the Defendants as pleaded in the Summons vis-à-vis each of the cause of action include amongst others, general and compensatory damages in excess of US\$963,000, prejudgment interest, consequential damages, emotional damages, punitive damages, monetary damages, loss of profit, economic damages and restitution respectively. The estimated potential liability as evidenced in the Plaintiff’s request for entry of default is at US\$1,101,710.00.

The Company has engaged a legal firm in the United States of America, Reyes Law Group (“RLG”), to defend the suit for and on behalf of the Company, its directors, Datuk Yeat Sew Chuong and Wong Seng Tong and INS Holdings.

The Company and its directors, Datuk Yeat Sew Chuong and Wong Seng Tong have represented to RLG that the the Company does not have any contractual relationship with INS USA nor the Plaintiffs and the Company does not have common directors and shareholders with INS USA and as such a proposed step being contemplated is to file a motion for summary judgment at some point shortly before trial, which if successful will get the Plaintiffs’ case dismissed.

RLG is of the opinion that the Plaintiffs’ legal position has no real merit and it will be easy enough to prove that the Company’s version of facts is correct. If there is any liability of INS USA to be proven, it should not create any liability for the Company as they have no legal relationship to each other.

Based on the announcement on 22 February 2013, The Board of Directors of INSBIO announced that the Company has been notified by the Company’s solicitors vide its letter dated 21 February 2013 that pursuant to the stipulation filed in court by the Plaintiff’s attorney, one of the Plaintiff, Christian Coffinet agreed to dismiss all claims made against some of the Defendants. These Defendants are INSBIO, INS Holdings Bhd, Datuk David Yeat Sew Chuong, Wong Seng Tong, Edward Ling, Carmelita Reyes and Marissa Cris Gines. The Company is currently awaiting for confirmation from its solicitors on possible dismissal of the other Plaintiff, which is Frank Annenberg’s claims and status of case will be announced in due course.

Notes to the Quarterly Report – 31 March 2013

**B9. Material litigations (Cont'd)**

Based on the above, the directors are of the view that the Company does not expect to incur any losses arising from the suit and the suit will not have any effect on the Company's financial position and operation.

**B10. Dividends**

No dividend has been declared / recommended for the current financial quarter ended 31 March 2013.

**B11. Loss per share**

	<b>Individual Quarter Current Quarter Ended 31.3.2013</b>	<b>Cumulative Quarter Current Year- To-date 31.3.2013</b>
<b>(a) Basic loss per share attributable to equity holders of the parent</b>		
Net LAT attributable to equity holders of the parent (RM'000)	(1,113)	(1,754)
Weighted average number of ordinary shares ('000) #	286,038	286,038
<b>Loss per share (sen)</b>	<u>(0.39)</u>	<u>(0.61)</u>
<i># Less treasury shares of 641,400</i>		
<b>(b) Fully diluted profit per share</b>	<u>N/A</u>	<u>N/A</u>

**B12. Realised and unrealised profits/losses disclosure**

	<b>As At 31.3.2013 RM'000</b>	<b>As At 30.6.2012 RM'000</b>
Accumulated losses of the Group		
-Realised loss	(74,416)	(67,550)
-Unrealised gain	-	425
	<u>(74,416)</u>	<u>(67,125)</u>
Less: Consolidation adjustments	27,067	21,530
	<u>(47,349)</u>	<u>(45,595)</u>

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

Notes to the Quarterly Report – 31 March 2013

**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 27 May 2013.

By Order of the Board,  
Ng Heng Hooi (MAICSA NO: 7048492)  
Company Secretary  
Kuala Lumpur  
Date: 27 May 2013