

Notes to the Quarterly Report – 30 June 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.

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**A7. Dividend paid**

No interim or 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 year ended 30 June 2013:-

	<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><u>3 months ended 30 June 2013</u></b>					
<b>REVENUE</b>					
External sales	1,227	164	-	-	1,391
Inter-segment sales	(80)	7	-	73	-
	1,147	171	-	73	1,391
<b>RESULTS</b>					
Segment results	(9,834)	(944)	349	2,661	(7,768)
Interest income	-	-	-	-	-
Depreciation of property, plant and equipment	(1,114)	(11)	-	-	(1,125)
	(10,948)	(955)	349	2,661	(8,893)
Share of loss in jointly controlled entity	-	-	-	-	-
Finance costs	(64)	(108)	-	-	(172)
	(11,012)	(1,063)	349	2,661	(9,065)
Loss before taxation	(11,012)	(1,063)	349	2,661	(9,065)
Taxation	-	-	-	-	-
Loss after taxation	(11,012)	(1,063)	349	2,661	(9,065)
<b><u>12 months ended 30 June 2013</u></b>					
<b>REVENUE</b>					
External sales	4,743	5,424	-	-	10,167
Inter-segment sales	1,339	7	-	(1,346)	-
	6,082	5,431	-	(1,346)	10,167

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

Segmental reporting for the current quarter/ financial year ended 30 June 2013:-

	<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>12 months ended 30 June 2013 (Cont'd)</b>					
<b>RESULTS</b>					
Segment results	(10,527)	(1,263)	(113)	3,086	(8,817)
Interest income	13	81	-	-	94
Depreciation of property, plant and equipment	(1,488)	(107)	-	-	(1,595)
	(12,002)	(1,289)	(113)	3,086	(10,318)
Share of loss in jointly controlled entity	-	-	-	-	-
Finance costs	(239)	(262)	-	-	(501)
Loss before taxation	(12,241)	(1,551)	(113)	3,086	(10,819)
Taxation	-	-	-	-	-
Loss after taxation	(12,241)	(1,551)	(113)	3,086	(10,819)
<b>Segment assets</b>	16,491	282	9,561	(9,620)	16,714
Unallocated corporate assets					20
<b>Consolidated total assets</b>					<b>16,734</b>
<b>Segment liabilities</b>	16,119	26,831	3,051	(25,274)	20,727
Unallocated corporate liabilities					178
<b>Consolidated total liabilities</b>					<b>20,905</b>
<b>OTHER SEGMENTS ITEMS</b>					
Capital expenditure	(23)	-	-	-	(23)
Non-cash income	1,231	3,034	-	-	4,265
Non-cash expenses other than depreciation	(11,264)	(4,470)	(963)	5,073	(11,624)

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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 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 12 October 2012, INSBIO announced that its wholly-owned subsidiary, HLS International Sdn. Bhd. (formerly known as Easy Pha-max Marketing Sdn. Bhd.) had entered into a sale and purchase agreement with Westone Industries (M) Sdn. Bhd. for the proposed disposal of a four (4) storey shop office known as Parcel No. PU089, (Type: Puteri Point 2), Phase CP09, Bandar Puteri, Puchong bearing the postal address at No. 2, Jalan Puteri 2/6, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan for a cash consideration of RM5,800,000. INSBIO had on 7 May 2013 announced the completion of the disposal.
  
- (b) On 1 March 2013, INSBIO announced that its wholly-owned subsidiary, The Origin Foods Sdn. Bhd. had entered into a sale and purchase agreement with Koh Hock Seng for the 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. . The disposal is pending completion as at 27 August 2013.

**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.

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**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 30.6.2013 RM'000</b>	<b>The Company 30.6.2013 RM'000</b>
<u>Unsecured</u>		
Corporate guarantees given to financial institutions for facilities granted to the subsidiaries	-	3,081

**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 30 June 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 is a shareholder and director, and Wong Seng Tong and Khoo Keat are 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 favorable 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 30.6.2013 RM'000</b>
Cash and bank balances	341
Bank overdrafts	(1,954)
	<u>(1,613)</u>

**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 2013**

For the current quarter ended 30 June 2013, the Group recorded revenue and loss before taxation (“LBT”) of RM1.391 million and RM9.065 million respectively as compared with a revenue and LBT of RM16.816 million and RM16.502 million respectively in the corresponding quarter ended 30 June 2012. The quarterly performance of the operating segments can be analysed as follows:-

	<b>CURRENT YEAR QUARTER 30.6.2013</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER 30.6.2012</b>
<b>Segment Revenue:-</b>	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	1,227	3,957
Marketing and distribution of products	164	12,325
Others	-	534
	1,391	16,816
<b>LBT:-</b>		
Manufacturing	(11,012)	(3,749)
Marketing and distribution of products	(1,063)	(10,673)
Others	349	(24,668)
Eliminations	2,661	22,588
	(9,065)	(16,502)

**Manufacturing**

Revenue decreased by approximately 68.99% or RM2.73 million was mainly due to decrease in both local and overseas sales for the current quarter ended 30 June 2013.

LBT for the current quarter ended 30 June 2013 was increased by 193.73% or RM7.263 million mainly due to allowance for impairment losses on receivables.

**Marketing and distribution of products**

Revenue from marketing and distribution of products decreased by 98.67% or RM12.161 million and LBT of RM9.610 million from LBT of RM10.673 million to RM1.063 million mainly due to the discontinue operations of certain non-profitability business since October 2012.

**Others**

There is no revenue for others segment for the current quarter ended 30 June 2013 compared to preceding year corresponding quarter ended 30 June 2012. PBT of RM0.349 million for the current quarter ended 30 June 2013 compared to LBT of RM25.017 million for the preceding year corresponding quarter ended 30 June 2012 mainly due to there was one off transactions for allowance for impairment losses on subsidiary companies in preceding year corresponding quarter ended 30 June 2012 incurred.

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**B2. Variation of results against previous quarter ended 31 March 2013**

	<b>CURRENT QUARTER</b>	<b>PREVIOUS QUARTER</b>
	<b>30.6.2013.</b>	<b>31.3.2013.</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	1,391	770
Gross loss	(473)	(114)
LBT	(9,065)	(1,113)
Loss after tax (“LAT”)	(9,065)	(1,113)

The Group’s revenue for current quarter ended 30 June 2013 amounted to RM1.391 million, representing an increase of approximately 80.65% or RM0.621 million as compared to previous quarter ended 31 March 2013 of RM0.770 million. The Group’s revenue increased mainly from increase in local and overseas sales. However, the Group gross loss increased from RM0.114 million to RM0.473 million for the current quarter mainly due to there were RM0.341 million of obsolesces inventories being charged out, increased of RM0.083 million in direct labour expenses subsequent to the increase in revenue and fixed factory overhead remains unchanged .

LBT for current quarter ended 30 June 2013 increased approximately by RM7.952 million as compared to previous quarter ended 31 March 2013 mainly due to increase of RM8.406 million for allowance for impairment losses on receivables which contradict with the increase of RM0.322 million for the write back of impairment for receivables and RM0.226 million for the disposal of property, plant and equipments

**B3. Prospects**

The Group strives to focus on Original Equipment Manufacturer (“OEM”) business prospects by maintaining the existing customers and seek for new customers both locally and internationally by participating in health supplement products exhibitions and fairs.

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

Barring any unforeseen circumstances, the Group is optimistic towards its future financial performance with the encouraging results from its OEM business segment and also cost control implementation.

**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)

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**B5. Loss before taxation**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30.6.2013. RM'000	Preceding Year Corresponding Period 30.6.2012. RM'000	12 months Current Year To Date 30.6.2013. RM'000	12 months Preceding Year Corresponding Period 30.6.2012. RM'000
This has been arrived at after charging/(crediting):				
Interest income	-	(25)	(94)	(52)
Interest expenses	172	81	501	643
Amortisation of development expenditure	-	25	-	100
Amortisation of intangible assets	(50)	-	275	-
Depreciation of property, plant and equipment	355	975	1,595	2,963
Allowance for impairment losses on receivables	9,100	3,086	9,838	3,337
Writeback of impairment losses on receivables	(862)	(1,219)	(1,453)	(1,106)
Writeback of forfeited income	19	-	966	750
Provision for writeback of forfeited income	(100)	-	233	286
Deposit written off	(20)	-	220	-
Plant and equipment written off	-	143	65	166
Loss on foreign exchange				
-realised	-	4	4	26
- unrealised	-	(8)	-	-
Impairment loss on plant and equipment	-	4,491	-	4,491
Gain on disposal of property, plant and equipment	(226)	-	(226)	-

Other than the items mentioned above, there was no other income including investment income, gain or loss on disposal of quoted & unquoted investments, gain or loss on derivatives and exceptional items for the current quarter and financial year ended 30 June 2013.

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**B6. Taxation**

	<b>3 months quarter ended 30.6.2013 RM'000</b>	<b>12 months (Cumulative) ended 30.6.2013 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 26 August 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.

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

(b) On 30 August 2012, INSBIO announced that it had 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 20 November 2012, INSBIO announced that it had appointed M&A Securities Sdn Bhd as its Sponsor pursuant to Rule 8.04(3)(a)(ii) of the ACE LR of Bursa Securities.

On 26 August 2013, M&A Securities Sdn Bhd had on behalf of INSBIO announced that the Company had on 26 August 2013 submitted an application to Bursa Securities for an extension of time up to 30 November 2013 to submit its regularisation plan.

On 28 August 2013, M&A Securities Sdn Bhd had on behalf of INSBIO announced that Bursa Securities had vide its letter dated 28 August 2013 informed that the suspension on the trading of the Company's securities and the de-listing of the Company in accordance with Rule 8.04 of the ACE Market Listing Requirements of Bursa Securities shall be deferred pending the decision on the Application.

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

Details of the Group's bank borrowings as at 30 June 2013 which are denominated in Ringgit Malaysia are as follows :-

	<b>As at 30.6.2013 RM'000</b>
Short-term borrowings:	
Secured	
- Hire purchase payables	179
- Term loan	122
	<u>301</u>
Long-term borrowings:	
Secured	
- Hire purchase payables	340
- Term loan	1,004
	<u>1,344</u>
Total borrowings	<u><u>1,645</u></u>

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## **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 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 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 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, namely INSBIO, INS Holdings Bhd, Datuk David Yeat Sew Chuong, Wong Seng Tong, Edward Ling, Carmelita Reyes and Marissa Cris Gines. Also, the Board noted the other plaintiff, Frank Annenberg had set-aside his claims towards INSBIO on 31 August 2012.

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.

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**B10. Dividends**

No dividend has been declared / recommended for the current financial quarter ended 30 June 2013.

**B11. Loss per share**

	<b>Individual Quarter Current Quarter Ended 30.6.2013</b>	<b>Cumulative Quarter Current Year- To-date 30.6.2013</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)	(9,065)	(10,819)
Weighted average number of ordinary shares ('000) #	286,038	286,038
<b>Loss per share (sen)</b>	<u>(3.17)</u>	<u>(3.78)</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 30.6.2013 RM'000</b>	<b>As At 30.6.2012 RM'000</b>
Accumulated losses of the Group		
-Realised loss	(85,321)	(67,550)
-Unrealised gain	-	425
	<u>(85,321)</u>	<u>(67,125)</u>
Less: Consolidation adjustments	29,729	21,530
	<u>(55,592)</u>	<u>(45,595)</u>

**B13. Authorisation For Issue**

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the directors dated 30 August 2013.

By Order of the Board,  
 Ng Heng Hooi (MAICSA NO: 7048492)  
 Company Secretary  
 Kuala Lumpur  
 Date: 30 August 2013