

Notes to the Quarterly Report – 30 September 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 year ended 30 June 2013.

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 30 June 2013.

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 30 June 2013.

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

The auditors’ report on the financial statements for the financial year ended 30 June 2013 was qualified for disclaimer opinion.

**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 – 30 September 2013

**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 quarter/ financial year ended 30 September 2013:-

	Manufacturing RM'000	Marketing and distribution of products RM'000	Others RM'000	Eliminations RM'000	Group RM'000
<b>3 months ended 30 September 2013</b>					
<b>REVENUE</b>					
External sales	858	59	-	-	917
Inter-segment sales	106	-	-	(106)	-
	<u>964</u>	<u>59</u>	<u>-</u>	<u>(106)</u>	<u>917</u>
<b>RESULTS</b>					
Segment results	(62)	163	(146)	-	(45)
Depreciation of property, plant and equipment	(340)	-	-	-	(340)
Finance costs	(46)	(1)	-	-	(47)
	<u>(448)</u>	<u>162</u>	<u>(146)</u>	<u>-</u>	<u>(432)</u>
(Loss)/profit before taxation					
Taxation	-	-	-	-	-
Loss after taxation	<u>(448)</u>	<u>162</u>	<u>(146)</u>	<u>-</u>	<u>(432)</u>
<b>Segment assets</b>	<u>16,161</u>	<u>16</u>	<u>9,527</u>	<u>(9,601)</u>	<u>16,103</u>
Unallocated corporate assets					<u>6</u>
<b>Consolidated total assets</b>					<u>16,109</u>
<b>Segment liabilities</b>	<u>15,879</u>	<u>26,467</u>	<u>3,107</u>	<u>(25,070)</u>	<u>20,383</u>
Unallocated corporate liabilities					<u>17</u>
<b>Consolidated total liabilities</b>					<u>20,400</u>
<b>OTHER SEGMENTS ITEMS</b>					
Non-cash income	-	193	63	(63)	193
Non-cash expenses other than depreciation	-	39	-	-	39

Notes to the Quarterly Report – 30 September 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:-

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 completed during the quarter under review.

**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 – 30 September 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 30.9.2013 RM'000</b>	<b>The Company 30.9.2013 RM'000</b>
<u>Unsecured</u> Corporate guarantees given to financial institutions for facilities granted to the subsidiaries	-	2,895

**A14. Capital commitments**

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

**A15. Significant related party transactions**

There was no significant related party transactions for the financial period ended 30 September 2013.

**A16. Cash and cash equivalents**

Cash and bank balances	<b>As at 30.9.2013 RM'000</b> <u>262</u>
------------------------	---

Notes to the Quarterly Report – 30 September 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 30 September 2013**

For the current quarter ended 30 September 2013, the Group recorded revenue and loss before taxation (“LBT”) of RM0.917 million and RM0.432 million respectively as compared with a revenue and LBT of RM5.454 million and R0.453 million respectively in the preceding year corresponding quarter ended 30 September 2012. The quarterly performance of the operating segments can be analysed as follows:-

	<b>CURRENT YEAR QUARTER 30.9.2013</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER 30.9.2012</b>
<b>Segment Revenue:-</b>	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	858	1,245
Marketing and distribution of products	59	4,209
	<u>917</u>	<u>5,454</u>
<b>(LBT)/PBT:-</b>		
Manufacturing	(448)	19
Marketing and distribution of products	162	(681)
Others	(146)	(128)
Eliminations	-	337
	<u>(432)</u>	<u>(453)</u>

**Manufacturing**

Revenue decreased by approximately 31.08% or RM0.387 million was mainly due to decrease in both local and overseas sales for the current quarter ended 30 September 2013 compared to 30 September 2012.

LBT for the current quarter ended 30 September 2013 was increased by 245.79% or RM0.467 million mainly due to certain expenses, such as administrative expenses remain unchanged even though there was decrease in revenue.

**Marketing and distribution of products**

Revenue from marketing and distribution of products decreased by 98.6% or RM4.150 million was mainly due to no fee income subsequent to discontinue recruitment of new members after the operations of certain non-profitability business ceased since October 2012. PBT of RM0.162 million for the current quarter as compared to LBT of RM0.681million in preceding year corresponding quarter was mainly derived from the forfeiture income from advance received from distributors.

**Others**

There is no revenue for others segment. LBT increased by 14.1% or RM0.018 million for the current quarter ended 30 September 2013 compared to preceding year corresponding quarter ended 30 September 2012 mainly due to increase in legal and professional fees.

Notes to the Quarterly Report – 30 September 2013

**B2. Variation of results against previous quarter ended 30 June 2013**

	<b>CURRENT QUARTER</b>	<b>PREVIOUS QUARTER</b>
	<b>30.9.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	917	1,403
Gross profit/(loss)	108	(338)
LBT	(432)	(8,932)
Loss after tax (“LAT”)	(432)	(8,754)

The Group’s revenue for current quarter ended 30 September 2013 was decreased by 34.64% or RM0.486 million as compared to previous quarter ended 30 June 2013 of RM1.403 million. The Group’s revenue decreased mainly due to decrease in both local and overseas sales. However, the Group gross profit shows increased by 132.0% or RM0.446 million mainly due to cost of sales in previous quarter was included RM0.341 million of obsolesces inventories that charged out which resulted in gross loss.

LBT for current quarter ended 30 September 2013 decreased approximately by RM8.500 million as compared to previous quarter ended 30 June 2013 mainly due to there was huge allowance for impairment losses on receivables incurred in previous quarter as compliance of Financial Reporting Standards and the Companies Act 1965 in Malaysia.

**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.

Notes to the Quarterly Report – 30 September 2013

**B5. Loss before taxation**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30.9.2013 RM'000	Preceding Year Corresponding Period 30.9.2012 RM'000	12 months Current Year To Date 30.9.2013 RM'000	12 months Preceding Year Corresponding Period 30.9.2012 RM'000
This has been arrived at after charging/(crediting):				
Interest income	-	(18)	-	(18)
Interest expenses	47	191	47	191
Amortisation of development expenditure	-	25	-	25
Depreciation of property, plant and equipment	340	414	340	414
Forfeiture of advance received from distributors	(193)	-	(193)	-
Writeback of forfeited income	14	121	14	121
Provision for writeback of forfeited income	25	-	25	-
Plant and equipment written off	-	143	-	143
Loss on foreign exchange -realised	-	3	-	3
Gain on disposal of property, plant and equipment	(154)	-	(154)	-

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 period ended 30 September 2013.

**B6. Taxation**

	<b>3 months quarter ended 30.9.2013 RM'000</b>	<b>3 months (Cumulative) ended 30.9.2013 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 15 November 2013:

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.

Bursa Securities has decided to reject the Application on 1st October 2013 after due consideration of all facts and circumstances of the Application. Notice has been given by Bursa Securities in relation to suspension of the trading in the securities of the Company with effect from 9th October 2013 and the delisting of the securities of the Company from the Official List of Bursa Securities on 11th October 2013. Subsequently on 8th October 2013, the Company has submitted appeal against the delisting of the Company's securities.

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

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

	<b>As at 30.9.2013 RM'000</b>
Short-term borrowings:	
Secured	
- Hire purchase payables	170
- Term loan	122
	<u>292</u>
Long-term borrowings:	
Secured	
- Hire purchase payables	254
- Term loan	2,773
	<u>3,027</u>
Total borrowings	<u><u>3,319</u></u>



Notes to the Quarterly Report – 30 September 2013

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

There were no other material litigations since the last financial year ended 30 June 2013 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.

Notes to the Quarterly Report – 30 September 2013

**B10. Dividends**

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

**B11. Loss per share**

	<b>Individual Quarter Current Quarter Ended 30.9.2013</b>	<b>Cumulative Quarter Current Year- To-date 30.9.2013</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)	(432)	(432)
Weighted average number of ordinary shares ('000) #	286,038	286,038
<b>Loss per share (sen)</b>	<u>(0.15)</u>	<u>(0.15)</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 30.9.2013 RM'000</b>	<b>As At 30.6.2013 RM'000</b>
Accumulated losses of the Group		
-Realised loss	(85,088)	(85,055)
Less: Consolidation adjustments	29,377	29,776
	<u>(55,711)</u>	<u>(55,279)</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 18 November 2013.

By Order of the Board,  
 Ng Heng Hooi (MAICSA NO: 7048492)  
 Company Secretary  
 Kuala Lumpur  
 Date: 18 November 2013