12. DIRECTORS REPORT

(Prepared for inclusion in the Prospectus)

INS BIOscience 生物科技集團

Registered Office:
20th Floor, East Wing
Plaza Permata (IGB Plaza)
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur

20 June 2005

To: The Shareholders

INS Bioscience Berhad ("INSB" or "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of INSB, I report that after making due enquiries in relation to the interval between 31 December 2004, being the date to which the last audited financial statements of the Group and its subsidiary companies have been made up, and 20 June 2005, being a date not earlier than fourteen (14) days before the date this Prospectus:-

(a) the business of the Company and its subsidiary companies ("Group"), in the opinion of the Directors, has been satisfactorily maintained;

(b) save as disclosed in this Prospectus, in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of INSB and its subsidiary companies, which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by Group;

(e) there have been, since the last audited financial statements of INSB Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and

(f) save as disclosed in this Prospectus, there have been no material changes to the published reserves nor any unusual factors affecting the profits of the Group, since the last audited financial statements of INSB and its subsidiary companies.

Yours faithfully
For and on behalf of the Board of Directors of
INS BIOSCIENCE BERHAD

Datuk Yeat Sew Chuong
Chief Executive Officer

INS BIOSCIENCE BERHAD
(623239-V)
No.62, Jalan Puteri 2/2,
Bandar Puteri,
47100 Puchong,
Selangor Darul Ehsan, Malaysia.
HQ.Tel : +603-8068 1699
Fax : +603-8068 1588
e-mail : info@insholdings.com

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(Prepared for inclusion in the Prospectus)

Horwath

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000 Main
603.2166.1000 Fax

www.horwath.com.my
horwath@po.jaring.my

17 June 2005

The Board of Directors
INS Bioscience Berhad
20th Floor East Wing
Plaza Permata (IGB Plaza)
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur

Dear Sirs

INS BIOSCIENCE BERHAD
ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of INS Bioscience Berhad ("INSB" or "the Company") to be dated 28 June 2005 in connection with the Public Issue of 71,680,000 new ordinary shares of RM0.10 each in INSB at an issue price of RM0.35 per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of INSB comprising 286,680,020 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (formerly known as Malaysia Securities Exchange Berhad).

2. DETAILS OF INSB AND ITS SUBSIDIARIES

2.1 THE COMPANY

The Company was incorporated on 28 July 2003 in Malaysia under the Companies Act, 1965 as a private limited company under the name of INS Bioscience Sdn. Bhd.. INSB was converted to a public limited company on 31 March 2004. Its principal activities are that of investment holding, research and development and consultancy in bio-technology.

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2. DETAILS OF INSB AND ITS SUBSIDIARIES (CONT'D)

2.2 RESTRUCTURING AND LISTING SCHEME

In conjunction with and as an integral part of the listing of INSB on the MESDAQ Market of the Bursa Securities, the Company undertook the following transactions which have been approved by the relevant authorities:-

(a) acquisitions by INSB of:-

(i) INS Enterprise Sdn. Bhd. ("INSE")

Acquisition of the entire issued and paid-up share capital of INSE comprising 5,449,100 ordinary shares of RM1 each of INSE for a purchase consideration of RM13,793,900 satisfied by the issuance of 13,793,900 new ordinary shares of RM1 each in INSB at an issue price of RM1 per share; and

(ii) The Origin Foods Sdn. Bhd. ("TOF")

Acquisition of the entire issued and paid-up share capital of TOF comprising 272,500 ordinary shares of RM1 each of TOF for a purchase consideration of RM7,706,100 satisfied by the issuance of 7,706,100 new ordinary shares of RM1 each in INSB at an issue price of RM1 per share.

The above are collectively referred to as "Acquisitions" hereinafter. Upon completion of the Acquisitions, INSB, INSE and TOF are referred to as "INSB Group" or "the Group". The Acquisitions were completed on 5 April 2005.

The total purchase consideration of RM21,500,000 for the Acquisitions was arrived at based principally on the aggregate audited consolidated Net Tangible Assets ("NTA") of the acquiree companies as at 31 December 2003, adjusted for the effects of the issues of new shares in the acquiree companies subsequent to the financial year ended 31 December 2003. The details of issues of shares by the acquiree companies are as follows:-

(i) INSE increased its issued and paid-up share capital from 4,495,500 to 5,449,100 by the allotment of 953,600 new ordinary shares of RM1.00 each at an issue price of approximately RM3.36 per ordinary share for cash consideration for working capital purposes; and

(ii) TOF increased its issued and paid-up share capital from 224,780 to 272,500 by the allotment of 47,720 new ordinary shares of RM1.00 each at an issue price of approximately RM37.72 per ordinary share for cash consideration for working capital purposes.

2. DETAILS OF INSB AND ITS SUBSIDIARIES (CONT'D)

2.2 RESTRUCTURING AND LISTING SCHEME (CONT'D)

(b) split of 21,500,002 ordinary shares of RM1.00 each in INSB to 215,000,020 ordinary shares of RM0.10 each ("Share Split"). The Share Split was completed on 12 April 2005;

(c) public issue of 71,680,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per share ("Public Issue") which will be allocated in the following manner:-

(i) 5,000,000 new ordinary shares of RM0.10 each available for application by the public;

(ii) 51,680,000 new ordinary shares of RM0.10 each by way of private placement; and

(iii) 15,000,000 new ordinary shares of RM0.10 each available for application by eligible directors, employees and persons who have contributed to the success of the INSB Group; and

(d) the listing of and quotation for the entire enlarged issued and paid-up share capital of INSB on the MESDAQ Market of the Bursa Securities ("Listing").

2.3 DETAILS OF THE SUBSIDIARIES

A summary of the details of the subsidiaries of INSB, all of which are incorporated in Malaysia, as at the date of this report is as follows:-

Name	Date of incorporation	Issued and paid-up share capital RM	Equity interest %	Principal activities
INSE	27 March 1996	5,449,100	100	Marketing and distribution of products mainly under the INS brand in Malaysian (through MLM) and international markets.
TOF	28 May 1999	272,500	100	Manufacturing and processing of wheatgrass and its related products as well as other heath food supplement products and conducting research and development in bioscience technology.

3. SHARE CAPITAL

As at the date of this report, the authorised share capital of INSB is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of INSB as of the date of this report is RM21,500,002 comprising 215,000,020 ordinary shares of RM0.10 each.

The changes in the issued and paid-up share capital of the Company since the date of incorporation are as follows:-

Date of allotment	Number of ordinary shares issued	Resultant number of ordinary shares in issue	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up ordinary share capital RM
28 July 2003	2	2	1.00	Subscriber shares	2
5 April 2005	21,500,000	21,500,002	1.00	Shares issued pursuant to the Acquisitions	21,500,002
12 April 2005	-	215,000,020	0.10	Split of par value from RM1.00 to RM0.10 per ordinary share	21,500,002

Upon completion of the Public Issue as detailed in paragraph 2.2, the issued and fully paid-up share capital of INSB will be enlarged to RM28,668,002 comprising 286,680,020 ordinary shares of RM0.10 each.

4. RELEVANT FINANCIAL PERIOD

The relevant financial period for the purpose of this report ("Relevant Financial Period") is as follows:-

Company	Relevant Financial Period
INSB	Financial period from 28 July 2003 (date of incorporation) to 31 December 2003 and financial year ended 31 December 2004.
INSE	Financial years ended 31 December 2000 to 2004.
TOF	Financial period from 28 May 1999 (date of incorporation) to 30 June 2000, 6 months ended 31 December 2000 and financial years ended 31 December 2001 to 2004.

5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF PREPARATION

The financial statements of INSB Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed under significant accounting policies below. The financial statements comply with applicable approved accounting standards in Malaysia and the provisions of the Companies Act,1965.

5.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of this report are as follows:-

(a) Basis of Consolidation

The proforma consolidated financial statements include the financial statements of the Company and all its subsidiaries.

A subsidiary is defined as a company in which the Company has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(b) Goodwill on Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement.

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(d) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Furniture and fittings	10%
Office equipment	10% - 15%
Computer equipment	20%
Factory equipment	20%
Laboratory and laboratory equipment	10%
Training equipment	10% - 20%
Motor vehicles	20%
Plant and machinery	12%
Renovation	10%

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Impairment of Assets

The carrying values of assets, other than those to which MASB 23 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on a same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(f) Assets under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5.2(d) above. Each hire purchase payment is allocated between the liability and finance charges as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

(g) Investments In Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Other Investment

Other investment is held on a long-term basis and are stated at cost less allowance for diminution in value, if any. Allowance for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(i) Research And Development Costs

Research expenditure is written off to the income statement when incurred. Development costs are recognised as expenses except that costs incurred on development projects are capitalised as long-term assets to the extent that such costs are expected to generate future economic benefits. Development costs capitalised comprise costs incurred for development including direct and attributable indirect costs. Development costs initially recognised as expenses are not recognised as assets in the subsequent period.

Development costs that have been capitalised are amortised on a straight-line method over a period of 7 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development costs are written down to their recoverable amounts.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, direct labour, other direct costs and an appropriate proportion of production overheads.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(l) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Interest-bearing Borrowings

The interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale.

All other borrowing costs are charged to income statement as an expense in the period in which they are incurred.

(n) Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the banalce sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(p) Employee Benefits

(i) Short Term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

(ii) Defined Contribution Plans

The Group's and the Company's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(q) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling as of that date. All exchange differences are taken to the income statement.

(r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue Recognition

(i) *Sale of Goods*

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Period except for the change in the accounting policy adopted by the Group during the financial year ended 31 December 2003 with respect to deferred taxation in compliance with MASB 25 – Income Taxes which became effective from 1 July 2002. The financial effects of the change in accounting policy with respect to the treatment of deferred taxation have been accounted for retrospectively. The comparative figures for the financial years ended 31 December 2001 and 2002 have been restated accordingly for the purpose of this report.

6. AUDITORS AND AUDIT REPORTS

6.1 AUDITORS

We acted as the auditors of INSB for the Relevant Financial Period.

Other than the financial statements for the financial year ended 31 December 2004 which were audited by us, the financial statements of INSE and TOF for the Relevant Financial Period were audited by other firms of chartered accountants.

6. AUDITORS AND AUDIT REPORTS (CONT'D)

6.2 AUDIT REPORTS

The financial statements of INSE and TOF for the Relevant Financial Period were reported upon without any qualification. However, the respective auditors of TOF had emphasised on matters relating to the preparation of the financial statements on a going concern basis for the financial period from 28 May 1999 (date of incorporation) to 30 June 2000 and the financial year ended 31 December 2002. The details of the emphasis of matters are as follows:-

(a) Financial Period From 28 May 1999 (Date Of Incorporation) To 30 June 2000

Without qualifying the opinion, the auditors drew attention to the note to the financial statements on the basis of preparing the financial statements as a going concern. TOF incurred a net loss of approximately RM160,000 during the financial period and, as of that date, the current liabilities of TOF exceeded its current assets by approximately RM546,000. The continuation of TOF's activities was dependent on the continuing financial support of bankers, creditors and shareholders and the future profitable operations of TOF.

(b) Financial Year Ended 31 December 2002

Without qualifying the opinion, the auditors drew attention to the note to the financial statements on the basis of preparing the financial statements as a going concern. The current liabilities of TOF exceeded its current assets by approximately RM940,000 as at 31 December 2002. The continuation of TOF as a going concern was dependent on the continuing financial support of bankers, creditors and shareholders and TOF's future profitable operations as well as TOF achieving cash inflows to sustain its operations.

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7. SUMMARISED INCOME STATEMENTS

7.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF INSB GROUP

The summarised proforma consolidated results of the INSB Group for the Relevant Financial Period have been prepared on the assumption that INSB Group had been in existence throughout the Relevant Financial Period. The proforma consolidated income statements are prepared for illustration purposes only and should be read in conjunction with the notes hereto:-

	Year ended 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	15,873	23,306	21,904	22,587	20,494
Cost of sales	(11,674)	(17,209)	(14,482)	(10,439)	(9,376)
Gross profit ("GP")	4,199	6,097	7,422	12,148	11,118
Other operating income	126	795	91	201	394
	4,325	6,892	7,513	12,349	11,512
Operating overheads	(3,483)	(5,060)	(6,517)	(6,472)	(6,035)
Profit from operations	842	1,832	996	5,877	5,477
Finance costs	(67)	(103)	(191)	(263)	(242)
Profit before taxation ("PBT")	775	1,729	805	5,614	5,235
Depreciation	561	609	914	984	812
Interest expense	43	54	124	179	93
Interest income	(65)	(71)	(69)	(49)	(32)
Earnings before interest, depreciation, tax and amortisation	1,314	2,321	1,774	6,728	6,108
Depreciation	(561)	(609)	(914)	(984)	(812)
Interest expense	(43)	(54)	(124)	(179)	(93)
Interest income	65	71	69	49	32
PBT	775	1,729	805	5,614	5,235
Taxation	(259)	(740)	258	(1,548)	(717)
Profit after taxation ("PAT")	516	989	1,063	4,066	4,518
GP margin (%)	26	26	34	54	54
PBT margin (%)	5	7	4	25	26
PAT margin (%)	3	4	5	18	22
Effective tax rate (%)	33	43	-	28	14
Weighted average number of ordinary shares assumed in issue of RM0.10 each # ('000)	182,793	182,793	182,793	182,793	215,000
Net Earnings Per Share ("EPS") (sen)	0.3	0.5	0.6	2.2	2.1

\# - Based on weighted average number of ordinary shares of INSB assumed in issue before Public Issue, after taking into consideration the Acquisitions and Share Split.

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7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF INSB GROUP (CONT'D)

Notes to the proforma consolidated income statements of INSB Group:-

(a) *The proforma consolidated income statements are presented for illustrative purposes only and are prepared based on the audited financial statements of INSE and TOF for the Relevant Financial Period, taking into consideration the change in accounting policy as explained in paragraph 5.3 of this report. The proforma consolidated income statements are prepared on the basis that the acquisitions of the entire issued and paid-up capital of INSE and TOF by INSB had been in effect throughout the Relevant Financial Period.*

(b) *The proforma consolidated income statements for the Relevant Financial Period have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of INSB Group.*

(c) *As TOF commenced its operations in May 2000, the results of TOF for the financial period ended 30 June 2000 and the financial period ended 31 December 2000 have been incorporated with the results of INSE for the financial year ended 31 December ("FYE") 2000.*

(d) *The difference between the effective tax rate and the statutory tax rate is explained in the notes to the income statements of each individual company.*

(e) *There were no extraordinary or exceptional items during the Relevant Financial Period under review.*

(f) *The proforma net EPS is computed by dividing the PAT by the weighted average number of ordinary shares assumed in issue, based on the existing paid-up share capital before the Public Issue, after taking into consideration the Acquisitions and Share Split.*

(g) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

(h) *The comparative figures for the FYE 2001 and FYE 2002 have been restated to reflect the prior year adjustments ("PYA") made in the audited financial statements for the FYE 2003, the details are set out in paragraph 7.4(g) below.*

7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.2 INCOME STATEMENTS OF INSB

The summarised results of INSB based on its audited financial statements for the Relevant Financial Period are set out below:-

	28.7.2003 (Date of incorporation) to 31.12.2003 RM'000	Year ended 31.12.2004 RM'000
Revenue	-	-
Administrative expenses	(16)	(31)
Loss before taxation ("LBT")/ Loss after taxation ("LAT")	(16)	(31)
Weighted average number of ordinary shares of RM1 each in issue	#	#
Gross loss per share ("LPS") (RM)	(8,000.0) *	(15,500.0)
Net LPS (RM)	(8,000.0) *	(15,500.0)

Notes:-

\# - Represents 2 ordinary shares of RM1 each.

* - The gross LPS and net LPS were computed by dividing the LBT and LAT respectively by the number of ordinary shares in issue during the period. The gross LPS and net LPS computed were not annualised.

The losses incurred by INSB for the Relevant Financial Period were mainly due to advertisement in magazines, donation and professional fees such as legal fee, audit fee and secretarial fee.

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7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.3 INCOME STATEMENTS OF INSE

The summarised results of INSE based on its audited financial statements for the Relevant Financial Period are set out below:-

	Year ended 31 December 2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	15,778	23,227	21,713	22,524	17,613
Cost of sales	(11,721)	(17,631)	(14,943)	(14,277)	(11,270)
GP	4,057	5,596	6,770	8,247	6,343
Other operating income	126	911	192	165	388
	4,183	6,507	6,962	8,412	6,731
Operating overheads	(3,200)	(4,717)	(6,148)	(6,281)	(5,731)
Profit from operations	983	1,790	814	2,131	1,000
Finance costs	(61)	(91)	(176)	(245)	(237)
PBT	922	1,699	638	1,886	763
Depreciation	368	422	680	747	602
Interest expense	39	45	111	164	92
Interest income	(65)	(187)	(170)	(42)	(27)
Earnings before interest, depreciation, tax and amortisation	1,264	1,979	1,259	2,755	1,430
Depreciation	(368)	(422)	(680)	(747)	(602)
Interest expense	(39)	(45)	(111)	(164)	(92)
Interest income	65	187	170	42	27
PBT	922	1,699	638	1,886	763
Taxation	(259)	(680)	291	(1,224)	(282)
PAT	663	1,019	929	662	481
Weighted average number of ordinary shares of RM1 each in issue ('000)	4,496 #	4,496	4,496	4,496	5,288
Gross EPS (sen)	20.5	37.8	14.2	41.9	14.4
Net EPS (sen)	14.7	22.7	20.7	14.7	9.1

- After adjustment for bonus issue.

7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.3 INCOME STATEMENTS OF INSE (CONT'D)

Notes to the income statements of INSE:-

(a) The growth in the number of active distributors to approximately 12,300 in FYE 2000 coupled with the launch of new health food supplements, which include an in-house invented product known as INS Wheatgrass Tea by TOF in FYE 2000 had contributed to the increase in turnover by approximately RM4.5 million or 40% in FYE 2000. Despite the increase in turnover, the decrease in PBT was mainly due to the decrease in the gross profit margin as a result of the increase in commission incurred and the increase in operating overheads due to the increased business activities.

(b) The continued growth in the number of active distributors to approximately 19,300 for FYE 2001 and the launch of water filters and kitchen appliances were the main reasons for the significant increase in turnover by approximately RM7.4 million or 47% in FYE 2001. The increase in turnover had contributed positively to the improved PBT of RM0.8 million for FYE 2001.

(c) The slight decrease in turnover by approximately RM1.5 million or 7% in FYE 2002 was mainly due to the decrease in sales of fertilisers and water filters. The decreases were partially offset by the increase in sales of health food supplements due to the change in marketing strategy in streamlining the products base by focusing on health food supplements as driven by market demand. Despite the decrease in turnover, gross profit increased by approximately RM1.2 million or 21% in FYE 2002 mainly due to the increase in gross profit margin as a result of a revision in marketing plan. However, PBT decreased by approximately RM1.1 million or 62% in FYE 2002 as a result of the decrease in other income and increase in operating overheads.

(d) Turnover for the FYE 2003 increased by approximately RM811,000 or 4% as compared to FYE 2002 mainly due the increase in sales of meal replacement drinks for slimming known as So Easy that was launched in August 2003. The main contributing factor for the increase in PBT by approximately RM1.2 million or 196% in FYE 2003 was due to the improvement in gross profit margin as a result of the increase in overseas sales which are normally not subject to commission.

(e) Turnover decreased by approximately RM4.9 million or 22% in FYE 2004 as compared to FYE 2003 mainly due to the decrease in sales of health food supplements, meal replacement drinks for slimming and fertilisers. The decrease was partly mitigated by the sales of personal and skin care products which were launched in May 2004 and November 2004 respectively. As the gross profit margin for the FYE 2004 remained fairly constant as compared to the FYE 2003, the decrease in PBT was mainly due to the decrease in turnover.

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7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.3 INCOME STATEMENTS OF INSE (CONT'D)

(f) *The effective tax rate for the FYE 2000 approximates closely the statutory tax rate of 28%.*

By discounting the effects of overprovision and underprovision of taxation, the effective tax rates for the FYE 2001 to FYE 2004, were higher than the statutory rate mainly due to certain expenses being disallowed for taxation purposes.

(g) *There was no exceptional or extraordinary item in the Relevant Financial Period under review.*

(h) *The gross EPS is computed by dividing the PBT by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period.*

(i) *The net EPS is computed by dividing the PAT by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period.*

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7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.4 INCOME STATEMENTS OF TOF

The summarised results of TOF based on its audited financial statements for the Relevant Financial Period, after incorporating an adjustment made to the financial statements as further explained in paragraph 7.4(g) below, are set out below:-

	Period from 1.7.2000 to 31.12.2000 RM'000	Year ended 31 December 2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	792	1,863	2,590	5,998	7,900
Cost of sales	(654)	(1,362)	(1,938)	(2,097)	(2,220)
GP	138	501	652	3,901	5,680
Other operating income	-	2	6	36	7
	138	503	658	3,937	5,687
Operating overheads	(121)	(343)	(370)	(175)	(274)
Profit from operations	17	160	288	3,762	5,413
Finance costs	(4)	(130)	(121)	(18)	(5)
PBT	13	30	167	3,744	5,408
Depreciation	73	188	233	237	209
Interest expense	4	127	119	15	2
Interest income	-	(2)	(5)	(8)	(5)
Earnings before interest, depreciation, tax and amortisation	90	343	514	3,988	5,614
Depreciation	(73)	(188)	(233)	(237)	(209)
Interest expense	(4)	(127)	(119)	(15)	(2)
Interest income	-	2	5	8	5
PBT	13	30	167	3,744	5,408
Taxation	-	(60)	(33)	(324)	(435)
PAT/(LAT)	13	(30)	134	3,420	4,973
Weighted average number of ordinary shares of RM1 each in issue ('000)	225	225	225	225	264
Gross EPS (sen)	5.8 *	13.3	74.2	1,664.0	2,048.5
Net EPS/(LPS) (sen)	5.8 *	(13.3)	59.6	1,520.0	1,883.7

* - The gross EPS and net EPS/LPS were computed by dividing the PBT and PAT/LAT respectively by the weighted average number of ordinary shares in issue during the period. The gross EPS and net EPS/LPS computed were not annualised.

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7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.4 INCOME STATEMENTS OF TOF (CONT'D)

Notes to the income statements of TOF:-

(a) TOF commenced its operations in May 2000. Approximately 98% of the turnover for the financial period from 28 May 1999 (date of incorporation) to 30 June 2000 ("FPE 30 June 2000") was in respect of the sale of wheatgrass tea made to INSE. The LBT suffered in the FPE 30 June 2000 was mainly due to the low gross profit earned as a result of the set up costs incurred.

(b) As the turnover of TOF was predominantly linked to the performance of INSE, in particular the market demand of INSE's health food supplements, the increase in turnover of TOF by approximately RM624,000 or 371% during the financial period from 1 July 2000 to 31 December 2000 ("FPE 31 December 2000") was mainly driven by the increase in the number of active distributors and distribution centres in INSE. The turnaround of LBT in the FPE 30 June 2000 to the PBT in the FPE 31 December 2000 was mainly due to the gross profit achieved from the increase in gross profit margin as a result of greater efficiency achieved in production activities and the increase in turnover.

(c) The continued growth in the number of active distributors in INSE in the FYE 2001 had led to the increase in turnover of TOF by approximately RM279,000 or 18% in FYE 2001, on an annualised basis. The slight increase in PBT by approximately 15%, on an annualised basis, was mainly attributable to the increase in turnover and gross profit margin.

(d) The increase in turnover for the FYE 2002 by approximately RM727,000 or 39% was mainly due to the change in INSE's marketing strategy in streamlining its products base by focusing on health food supplements as driven by market demand. The increase in turnover had resulted in the improved PBT of RM167,000.

(e) The significant increase in turnover for the FYE 2003 by approximately RM3.4 million or 132% was mainly due to the sales of three new products that were launched in the FYE 2003. The main contributing factor for the substantial increase in PBT was due to the improvement in gross profit margin resulting from the sales of certain higher margin products and the increase in unit selling price of certain existing products.

(f) Turnover increased by approximately RM1.9 million or 32% in FYE 2004 as compared to FYE 2003 mainly due to the maiden export sales of RM2.8 million achieved during the FYE 2004. The increase was however partly mitigated by the decrease in sales to INSE by approximately RM0.9 million. PBT increased by approximately RM1.7 million or 44% as a result of the increase in gross profit resulting from the increased turnover and improved gross profit margin.

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7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.4 INCOME STATEMENTS OF TOF (CONT'D)

(g) *The prior year adjustments ("PYA") included in the audited financial statements for the FYE 2003 related to the change in accounting policy with respect to the treatment of deferred taxation, as explained in paragraph 5.3.*

The comparative figures for the FYE 2001 and FYE 2002 have been restated to account for the PYA. The financial effects on the results of TOF for the FYE 2001 and FYE 2002 arising from the change in accounting policy are as follows:-

FYE 2001	*As reported in the audited financial statements*	*Change in accounting policy*	*As restated*
	RM'000	*RM'000*	*RM'000*
Profit before taxation	*30*	*-*	*30*
Taxation	*(4)*	*(56)*	*(60)*
Profit/(Loss) after taxation	*26*	*(56)*	*(30)*

FYE 2002	*As reported in the audited financial statements*	*Change in accounting policy*	*As restated*
	RM'000	*RM'000*	*RM'000*
Profit before taxation	*167*	*-*	*167*
Taxation	*(20)*	*(13)*	*(33)*
Profit after taxation	*147*	*(13)*	*134*

(h) *There was no tax charge for the FPE 30 June 2000 and FPE 31 December 2000 due to TOF's tax loss position and the utilisation of unabsorbed capital allowances brought forward respectively.*

The taxation for the FYE 2001 includes PYA made as disclosed in the audited financial statements for the FYE 2003 in respect of the deferred taxation of approximately RM56,000 for the year under review. The deferred taxation relates to the taxable temporary differences of accelerated tax depreciation.

The effective tax rates of TOF for the FYE 2002, FYE 2003 and FYE 2004 respectively were lower than the statutory tax rate mainly due to part of the pioneer business income was exempted from tax.

(i) *There was no exceptional or extraordinary item in the Relevant Financial Period under review.*

(j) *The gross EPS is computed by dividing the PBT by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period.*

(k) *The net EPS/LPS is computed by dividing the PAT/LAT by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period.*

8. SUMMARISED BALANCE SHEETS

8.1 PROFORMA CONSOLIDATED BALANCE SHEETS OF INSB GROUP

As the purchase consideration for the Acquisitions was arrived at based on the adjusted net tangible assets of the audited financial statements of the subsidiaries as at 31 December 2003, it is impracticable to present the consolidated balance sheets of INSB Group throughout the Relevant Financial Period. Accordingly, proforma statements of assets and liabilities of the INSB Group have been presented in respect of 31 December 2004 as shown in Section 10 of this report.

8.2 INSB

The summarised balance sheets of INSB based on its audited financial statements as at the end of the Relevant Financial Period are as follows:-

	At 31 December	
	2003	2004
	RM'000	RM'000
Current assets	10	615
Current liabilities	(26)	(662)
Net current liabilities	(16)	(47)
Represented by:-		
Share capital	#	#
Accumulated losses	(16)	(47)
	(16)	(47)
Net tangible liabilities ("NTL") per ordinary share (RM)	(8,000.00)	(23,500.00)

- Issued and fully paid-up share capital of RM2 comprising 2 ordinary shares of RM1 each.

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.3 INSE

The summarised balance sheets of INSE based on its audited financial statements as at the end of the Relevant Financial Period are as follows:-

	At 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Equipment	1,220	2,045	2,727	2,246	2,944
Investment in a subsidiary	100	100	100	-	-
Investment in associates	138	138	187	-	-
Other investments	980	1,354	795	36	45
	2,438	3,637	3,809	2,282	2,989
Current assets	6,502	9,222	9,833	14,582	17,070
Current liabilities	(3,517)	(7,476)	(7,005)	(9,365)	(9,196)
Net current assets	2,985	1,746	2,828	5,217	7,874
	5,423	5,383	6,637	7,499	10,863
Financed by:-					
Share capital	4,496	4,496	4,496	4,496	5,449
Share premium	-	-	-	-	2,246
Retained profits	670	340	1,269	1,931	2,413
Shareholders' equity	5,166	4,836	5,765	6,427	10,108
Non-current liabilities	257	547	872	1,072	755
	5,423	5,383	6,637	7,499	10,863
Net tangible assets ("NTA") per ordinary share (RM)	1.15	1.08	1.28	1.43	1.86

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.4 TOF

The summarised balance sheets of TOF based on its audited financial statements as at the end of the Relevant Financial Period, after incorporating adjustments as explained in paragraph 7.4(g) above, are as follows:-

	At 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Plant and equipment	788	1,049	1,180	930	1,079
Investment in associates	20	20	31	-	-
Development costs	-	-	-	-	183
	808	1,069	1,211	930	1,262
Current assets	307	606	986	3,427	9,693
Current liabilities	(994)	(1,537)	(1,924)	(679)	(493)
Net current (liabilities)/assets	(687)	(931)	(938)	2,748	9,200
	121	138	273	3,678	10,462
Financed by:-					
Share capital	225	225	225	225	273
Share premium	-	-	-	-	1,752
(Accumulated losses)/ Retained profits	(147)	(176) *	(42) *	3,378	8,351
Shareholders' equity	78	49 *	183 *	3,603	10,376
Non-current liabilities	43	89 *	90 *	75	86
	121	138	273	3,678	10,462
NTA per ordinary share (RM)	0.35	0.22	0.81	16.01	37.34

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8. SUMMARISED BALANCE SHEETS (CONT'D)

8.4 TOF (CONT'D)

* - Restated to account for the PYA as explained in paragraph 7.4(g) above. The effects of the PYA are as follows:-

FYE 2001	*As reported in audited financial statements*	*Change in accounting policy*	*As restated*
	RM'000	*RM'000*	*RM'000*
Accumulated losses	*(120)*	*(56)*	*(176)*
Non-current liabilities	*33*	*56*	*89*

FYE 2002	*As reported in audited financial statements*	*Change in accounting policy*	*As restated*
	RM'000	*RM'000*	*RM'000*
Retained profits/(Accumulated losses)	*27*	*(69)*	*(42)*
Non-current liabilities	*21*	*69*	*90*

9. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD

INSB, INSE and TOF have not paid or declared any dividend during the Relevant Financial Period except as follows:-

Company	**Financial Year**		**Ordinary Dividend %**	**RM**
INSE	31 December 2001	Interim dividend less 28% tax	20	640,000
INSE	31 December 2001	Interim tax-exempt dividend	16	708,650

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

The proforma statements of assets and liabilities of INSB Group at 31 December 2004 are prepared based on the audited financial statements of INSB, INSE and TOF as at 31 December 2004.

The Proforma Group's statements of assets and liabilities are provided for illustrative purposes only to show the effects of the following transactions as if they had been completed as at 31 December 2004:-

Proforma I - the Acquisitions by INSB and the Share Split; and

Proforma II - after incorporating the effects of Proforma I and the Public Issue of 71,680,000 new ordinary shares of RM0.10 each in INSB at an issue price of RM0.35 per share, and the utilisation of the gross proceeds arising from the Public Issue.

The gross proceeds receivable by INSB from the Public Issue of RM25.088 million will be utilised as follows:-

	RM'000	
Setting up research and development centre and manufacturing plant	18,000	^
Development costs	4,000	*
Working capital	1,088	
Estimated listing expenses	2,000	
	25,088	

Notes:-

^ - Capitalised as property, plant and equipment under Proforma II
* - Included in cash and bank balances under current assets, pending utilisation, under Proforma II.

The estimated listing expenses have been set-off against the share premium account.

The Proforma Group's statements of assets and liabilities should be read in conjunction with the accompanying notes thereon.

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

At 31 December 2004	Note	Company At 31.12.2004 RM'000	Group Proforma I RM'000	Group Proforma II RM'000
Non-current assets				
Property, plant and equipment	10.1	-	4,024	22,024
Other investment	10.2	-	45	45
Development costs	10.3	-	183	183
Goodwill on consolidation	10.4	-	1,921	1,921
		-	6,173	24,173
Current assets				
Inventories	10.5	-	3,550	3,550
Trade receivables	10.6	-	10,743	10,743
Other receivables, deposits and prepayments	10.7	611	3,286	3,286
Fixed deposits with licensed banks	10.8	-	2,084	2,084
Cash and bank balances		4	1,596	6,684
		615	21,259	26,347
Current liabilities				
Trade payables	10.9	-	941	941
Other payables and accruals	10.10	662	2,610	2,610
Provision for taxation		-	872	872
Hire purchase payables	10.11	-	268	268
Bank overdrafts	10.12	-	446	446
		662	5,137	5,137
Net current (liabilities)/assets		(47)	16,122	21,210
		(47)	22,295	45,383
Financed by:-				
Share capital	10.13	#	21,500	28,668
Share premium	10.14	-	-	15,920
Accumulated losses		(47)	(47)	(47)
Shareholders' equity		(47)	21,453	44,541
Non-current liabilities				
Hire purchase payables	10.11	-	567	567
Deferred taxation	10.15	-	275	275
		(47)	22,295	45,383
Number of ordinary shares in issue ('000)		##	215,000	286,680
(NTL)/NTA per ordinary share (RM)		(23,500.00)	0.09	0.15

\# - Represents RM2

\## - Represents 2 ordinary shares of RM1 each

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

Notes to the Proforma Statements of Assets and Liabilities:-

10.1 PROPERTY, PLANT AND EQUIPMENT

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Furniture and fittings	194	(94)	100
Office equipment	578	(256)	322
Computer equipment	1,511	(385)	1,126
Factory equipment	458	(392)	66
Laboratory and laboratory equipment	351	(15)	336
Training equipment	8	(7)	1
Motor vehicles	2,290	(1,348)	942
Plant and machinery	832	(392)	440
Renovation	1,015	(324)	691
Per Proforma I	7,237	(3,213)	4,024

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Buildings	12,500	-	12,500
New machinery and equipment	5,500	-	5,500
Furniture and fittings	194	(94)	100
Office equipment	578	(256)	322
Computer equipment	1,511	(385)	1,126
Factory equipment	458	(392)	66
Laboratory and laboratory equipment	351	(15)	336
Training equipment	8	(7)	1
Motor vehicles	2,290	(1,348)	942
Plant and machinery	832	(392)	440
Renovation	1,015	(324)	691
Per Proforma II	25,237	(3,213)	22,024

The motor vehicles with a total net book value of approximately RM0.9 million were acquired under hire purchase terms at the balance sheet date.

10.2 OTHER INVESTMENT

Other investment represents the investment in club membership which was stated at cost.

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

10.3 DEVELOPMENT COSTS

	RM'000
At Company level	-
Acquisitions of subsidiaries	183
Per Proforma I/II	183

10.4 GOODWILL ON CONSOLIDATION

	RM'000
At Company level	-
Acquisitions of subsidiaries	1,921
Per Proforma I and II	1,921

10.5 INVENTORIES

	RM'000
At cost:-	
Raw materials	371
Packaging materials	259
Work in progress	106
Finished goods	2,814
Per Proforma I and II	3,550

There were no inventories stated at net realisable value at the balance sheet date.

10.6 TRADE RECEIVABLES

	RM'000
Trade receivables	11,034
Allowance for doubtful debts	(291)
	10,743

The Group's normal trade credit terms range from 30 to 180 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	RM'000
Ringgit Malaysia equivalent of trade receivables denominated in United States Dollar	1,091

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

10.7 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RM'000
Other receivables	234
Amount owing by country distributors	528
Amount by local distributors	843
Sundry deposits	1,055
Prepayments	626
Per Proforma I and II	3,286

10.8 FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks have been pledged to financial institutions as security for banking facilities granted to the subsidiaries.

The effective interest rates of fixed deposits at the balance sheet date range from 2.6% to 3.7% per annum. The average maturity periods of the fixed deposits as at the end of the financial year range from 30 to 365 days.

10.9 TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 180 days.

10.10 OTHER PAYABLES AND ACCRUALS

	RM'000
Other payables	780
Accruals	870
Deposits received	960
Per Proforma I and II	2,610

10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

10.11 HIRE PURCHASE PAYABLES

	RM'000
Minimum hire purchase payments:	
- not later than one year	325
- later than one year and not later than five years	561
- later than five years	74
	960
Future finance charges	(125)
Present value of hire purchase liabilities	835
The net hire purchase liabilities are repayable as follows:-	
Current:	
- not later than one year	268
Non-current:	
- later than one year but not later than five years	493
- later than five years	74
- later than one year	567
	835

The effective interest rates for hire purchase payables of the Group range from 5.4% to 10.2% per annum.

10.12 BANK OVERDRAFTS

The bank overdrafts bear effective interest rate at 7.5% per annum and are secured by way of:-

(i) a pledge of the fixed deposits of the subsidiaries together with the interest thereon; and

(ii) a joint and several guarantees of all the directors of the subsidiaries.

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

10.13 SHARE CAPITAL

At the date of this report, INSB has an authorised share capital of RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each and an issued and paid-up share capital of RM21,500,002 comprising 215,000,020 ordinary shares of RM0.10 each.

The movements in the issued and paid-up share capital of INSB are as follows:-

	Number of Ordinary Shares	RM'000
Ordinary shares of RM1.00 each		
Audited at 31 December 2004	2	#
Ordinary shares issued pursuant to:		
- Acquisitions	21,500,000	21,500
Per Proforma I	21,500,002	21,500
Ordinary shares of RM0.10 each		
- Share Split	215,000,020	21,500
- Public Issue	71,680,000	7,168
Per Proforma II	286,680,020	28,668

\# - Represents RM2.00.

10.14 SHARE PREMIUM

	RM'000
Audited at 31 December 2004	-
Arising from Public Issue	17,920
Estimated listing expenses written off	(2,000)
Per Proforma II	15,920

10.15 DEFERRED TAXATION

The deferred tax consists of the tax effects of the following items:-

	RM'000
Deferred tax liability:-	
Accelerated capital allowances	356
Deferred tax asset:-	
Allowance for doubtful debts	(81)
Per Proforma I/II	275

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11. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of INSB Group set out below is based on the audited financial statements of INSB, INSE and TOF for the financial year ended 31 December 2004 and is presented on the basis that the INSB Group had been in existence throughout the Relevant Financial Period.

	Note	Financial Year Ended 31 December 2004 RM'000
Cash Flows For Operating Activities		
Profit before taxation		5,235
Adjustments for:-		
Allowance for doubtful debts		291
Depreciation of plant and equipment		812
Interest expense		93
Gain on disposal of plant and equipment		(121)
Interest income		(32)
Operating profit before working capital changes		6,278
Increase in inventories		(1,162)
Increase in trade and other receivables		(3,068)
Decrease in trade and other payables		(1,449)
Cash For Operations		599
Interest paid		(93)
Income tax paid		(958)
Net Cash For Operating Activities		(452)
Cash Flows For Investing Activities		
Development costs paid		(183)
Purchase of plant and equipment	11.1	(2,139)
Purchase of other investment		(9)
Interest received		32
Sale proceeds from disposal of plant and equipment		810
Net Cash For Investing Activities		(1,489)
Cash Flows From Financing Activities		
Proceeds from issuance of shares		5,000
Repayment of hire purchase obligations		(603)
Net Cash From Financing Activities		4,397
Net Increase In Cash And Cash Equivalents		2,456
Cash And Cash Equivalents At Beginning Of The Financial Year		778
Cash And Cash Equivalents At End Of The Financial Year	11.2	3,234

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11. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

Notes to the Proforma Consolidated Cash Flow Statement:-

11.1 PURCHASE OF PLANT AND EQUIPMENT

	RM'000
Cost of plant and equipment purchased	2,350
Amount financed through hire purchase	(211)
Cash disbursed for the purchase of plant and equipment	2,139

11.2 ANALYSIS OF CASH AND CASH EQUIVALENTS

	RM'000
Fixed deposits with licensed banks	2,084
Cash and bank balances	1,596
Bank overdrafts	(446)
	3,234

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12. NET TANGIBLE ASSETS PER ORDINARY SHARE

The net tangible assets cover of INSB based on the Proforma Group's statements of assets and liabilities as at 31 December 2004 as set out in Paragraph 10 above is illustrated below:-

	RM'000
Shareholders' equity before Public Issue/Per Proforma I	21,453
- Less : Development costs	(183)
- Less : Goodwill on consolidation	(1,921)
Net tangible assets of INSB Group before the Public Issue	19,349
Increase in net tangible assets arising from Public Issue	25,088
- Less : Estimated listing expenses	(2,000)
Proforma net tangible assets	42,437

Number of ordinary shares of RM0.10 each in INSB that are in issue:-

	Number of ordinary shares
Ordinary shares of RM1.00 each	
Existing ordinary shares in issue	2
Ordinary shares issued pursuant to Acquisitions	21,500,000
	21,500,002
Ordinary shares of RM0.10 each	
- Share Split	215,000,020
- Public Issue	71,680,000
Enlarged share capital after the Public Issue	286,680,020

On the basis of the enlarged issued and paid-up share capital of 286,680,020 ordinary shares of RM0.10 each in INSB, the Group net tangible assets cover per ordinary share of INSB is approximately RM0.15.

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13. SUBSEQUENT EVENTS

Save as disclosed below, there were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the content of this report.

Pursuant to a Board's resolution dated 20 May 2005, authority was given to the directors of a subsidiary to purchase a freehold land and building for a total purchase consideration of RM5.75 million.

14. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2004 for INSB Group.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No : 1772/11/06 (J/PH)
Partner