

5. FINANCIAL INFORMATION

5.1 Proforma Historical Financial Record

The financial highlights of the Group for the past five (5) FYE 31 December 2000 to 2004, reproduced from the Accountants' Report enclosed in this Prospectus, and based on the assumptions that the proforma Group has been in existence throughout the period under review, are set out as follows:-

	<-----FYE 31 December----->				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	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	4,199	6,097	7,422	12,148	11,118
Profit before interest, tax, depreciation and amortisation	1,314	2,321	1,774	6,728	6,108
Depreciation	(561)	(609)	(914)	(984)	(812)
Interest expenses	(43)	(54)	(124)	(179)	(93)
Interest income	65	71	69	49	32
Profit before taxation	775	1,729	805	5,614	5,235
Taxation	(259)	(740)	258	(1,548)	(717)
Profit after taxation	516	989	1,063	4,066	4,518
Weighted average number of INSB Shares assumed in issue ('000) #	182,793	182,793	182,793	182,793	215,000
Net EPS of INSB (sen)	0.3	0.5	0.6	2.2	2.1

Note:-

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.

The proforma consolidated income statements for the years under review have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of INSB Group.

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 FYE 2000.

There were no extraordinary or exceptional items in all the financial years under review.

No dividend has been declared or paid by INSB and TOF for the financial years under review. The dividends declared and paid by INSE for the financial year under review can be referred to section 9 of the Accountants' Report set out in Section 13 of this Prospectus.

There were no minority interests in all the financial years under review.

5.1.1 Auditor's Qualification

The audited financial statements of INSE and TOF for all the financial years under review were not subject to any audit qualification. However, the respective auditors had emphasised of matters relating to the preparation of the financial statements of TOF on a going concern basis for the financial period from 28 May 1999 (date of incorporation) to 30 June 2000 and the FYE 31 December 2002. The details of the emphasis of matters are as follows:-

5. FINANCIAL INFORMATION (CONTINUED)

- (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 statement 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) FYE 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 is 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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5. FINANCIAL INFORMATION (CONTINUED)**5.2 Proforma Consolidated Cash Flow Statement**

The table below sets out the proforma consolidated cash flow statement of INSB Group for the FYE 31 December 2004, based on the financial statements of INSB and its subsidiary companies, and on the assumption that the structure of the INSB Group had been in existence throughout the years under review:-

	FYE 31 December 2004 RM'000
Cash flows for operating activities	
Profit before taxation	5,235
Adjustments for:	
Allowance for doubtful debts	291
Depreciation on plant and equipment	812
Interest expense	93
Gain on disposal of plant and equipment	(121)
Interest Income	(32)
Operating profit before changes in working capital	6,278
Increase in inventories	(1,162)
Increase in trade and other receivables	(3,068)
Decrease in trade and other payables	(1,449)
Cash generated 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	(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	3,234

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5. FINANCIAL INFORMATION (CONTINUED)

5.3 Key Financial Ratios

The table below sets out key financial ratios, which are provided for illustrative purposes based on the audited financial statements of the INSB Group, prepared under the assumption that the structure of the Group had been in existence throughout the years under review.

	<----- FYE 31 December ----->				
	2000	2001	2002	2003	2004
Profit before taxation margin (%)	5	7	4	25	26
Effective tax rate (%)	33	43	-	28	14
Total borrowings (RM'000)	626	1,084	2,300	2,367	1,281
Interest expense (RM'000)	43	54	124	179	93
Interest coverage (times)	19.0	33.0	7.5	32.4	57.3

5.4 Analysis and Commentary on Financial Information

The following analysis and commentary on financial information should be read in conjunction with the financial data presented in Sections 5.1, 5.2 and 5.3 of this Prospectus.

(a) Segmental Analysis of Contribution to Revenue By Types of Products

Types of Products	<----- FYE 31 December ----->				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Health food supplement	5,743	10,632	11,733	10,515	9,209
Meal replacement drinks for slimming	-	-	-	5,943	5,338
Fertilisers	9,420	9,268	7,316	4,419	3,331
Personal care	-	-	-	-	286
Skin care	-	-	-	-	1,782
Water filters	-	2,003	274	546	125
Household products	50	197	440	327	92
Kitchen appliances	-	334	26	291	-
Sales kits, catalogues and handbooks	288	510	857	215	21
Car care products	96	25	14	-	1
Others*	276	337	1,244	331	309
	15,873	23,306	21,904	22,587	20,494

Note:-

#: Others include sales of education products, food and beverage products, office furniture products, accessories, computers, promotional products and etc.

(b) Revenue and Profitability

	<----- FYE 31 December ----->				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	15,873	23,306	21,904	22,587	20,494
PBT	775	1,729	805	5,614	5,235

No comparison has been made to the competitors' data or industry norm as such information is not publicly available.

5. FINANCIAL INFORMATION (CONTINUED)**2000**

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 a product known as INS Wheatgrass Tea introduced by TOF in FYE 2000 had contributed to the increase in turnover by approximately RM4.6 million or 41% in FYE 2000. Despite the increase in turnover, the PBT had decreased 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.

2001

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 RM1.7 million for FYE 2001.

2002

The slight decrease in turnover by approximately RM1.4 million or 6% 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 the 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 RM1.3 million or 22% 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 RM0.9 million or 53% in FYE 2002 as a result of the decrease in other operating income and increase in operating overheads.

2003

Turnover for the FYE 2003 increased by approximately RM683,000 or 3% as compared to FYE 2002 mainly due to the increase in sales of meal replacement drinks for slimming product that was launched in August 2003. The main contributing factor for the increase in PBT by approximately RM4.8 million or 597% in FYE 2003 was due to the improvement in gross profit margin resulted from the sales of certain higher margin products that were launched in the FYE 2003 and the increase in overseas sales which are normally not subject to commission.

2004

The decrease in turnover in FYE 2004 by approximately RM2.1 million or 9% as compared to FYE 2003 was mainly due to the decreases 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.

(c) Effective tax rate

The Group's effective tax rate for FYE 2000 was higher than the statutory tax rate of 28% mainly due the non-availability of Group relief in respect of loss incurred by TOF.

By discounting the effects of overprovision and underprovision of taxation, the effective tax rates for the FYE 2001 and 2002 were higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes.

By discounting the effects of overprovision and underprovision of taxation, the effective tax rates for the FYE 2003 and 2004 were lower than the statutory tax rate mainly due to major part of the pioneer business income was exempted from tax.

5. FINANCIAL INFORMATION (CONTINUED)**(d) Foreign exchange and interest rates impact**

There has been no material foreign exchange and interest rates impact on the Group's operating profits for the five (5) FYE 31 December 2004.

(e) Trade debtors ageing analysis and commentary on recoverability of trade debts exceeding credit period

The ageing analysis of INSB Group's trade receivables as at 31 December 2004 are as follows:-

	Total RM'000	<90 days RM'000	91-180 days RM'000	>180 days RM'000
As at 31 December 2004	11,034,316	4,896,279	1,053,083	5,084,954
Less: Settlements subsequently to 31 December 2004	(6,206,620)	(900,678)	(1,007,394)	(4,298,548)
Less: Allowance for doubtful debts	(291,206)	-	-	(291,206)
Balance	4,536,490	3,995,601	45,689	495,200

The Directors are confident that the trade debts outstanding more than ninety (90) days but less than a hundred and eighty (180) days amounting to RM45,689 is recoverable. Please refer to the justification supported by the Reporting Accountants' Letter on Trade Receivables as set out in Section 15 of this Prospectus.

The total amount of trade debts exceeding 180 days amounts to RM5,084,954, of which RM4,298,548 has been collected subsequent to the FYE 31 December 2004. The total provision for doubtful debts that have been made in respect of the FYE 31 December 2004 amounts to RM291,206. The remaining outstanding balances of RM495,200 are supported by commission due to distributors which are being withheld by the Group of RM495,200. This amount will be settled via contra against the commission due to distributors as the Group has the right to set-off if the distributors fail to settle the outstanding balance. Commission due to distributors of RM495,200 has been accrued in the financial statements as at 31 December 2004. As such, no allowance for doubtful debts is required.

Please refer to Section 15 of this Prospectus for further information on trade receivables.

In addition to the debt settlement scheme, for long overdue balances and to mitigate the risk of bad debts, the credit control department implements the following:-

- Monthly management review of outstanding trade receivables and close communication with trade debtors to ensure recovery; and
- Regular contact with debtors to follow up on payments, engagement of debt collection agencies and sending of legal notices of demand to expedite the settlement of debts.

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5. FINANCIAL INFORMATION (CONTINUED)**5.5 Directors' Declaration of Financial Performance**

Save as disclosed in this Prospectus and to the best knowledge and belief of the Directors, the financial performance, position and operations of the Company and its subsidiary companies are not affected by any one of the following:-

- (a) Known trends, demands, commitments, events or uncertainties that have had, or that the Company reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (b) Material capital expenditure;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Company/Group; and the extent to which the financial performance, position and operations of the Group was so effected;
- (d) Substantial increase in revenue; and
- (e) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

5.6 Working Capital, Borrowings and Contingent Liabilities**5.6.1 Working Capital**

The Directors of INSB are of the opinion that after taking into consideration its cash flow forecast including the proceeds of the Public Issue and banking facilities available, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

5.6.2 Borrowings

As at 31 December 2004, being the date up to which the audited financial statements were made, the Group's audited total bank borrowings amounted to RM1.28 million of which RM0.71 million is short-term and interest-bearing, and RM0.57 million is long-term and interest-bearing.

The Group does not have any foreign borrowings and has not encountered any default on payment of neither interest nor principal sum in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof preceding the date of this Prospectus.

5.6.3 Contingent Liability

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, the Directors of INSB are not aware of any contingent liability, which upon becoming enforceable, may have a material impact on the Group.

5.6.4 Material Litigation/ Arbitration

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, neither INSB nor any of its subsidiary companies are engaged in any material litigation or arbitration either as plaintiff or defendant that has a material effect on the financial position of the Group, and the Directors of the Company and its subsidiary companies have no knowledge of any proceeding pending or threatened against the Company and its subsidiary companies or of any fact likely to give rise to any proceeding that may materially affect the position and business of the Company and/or its subsidiary companies.

5. FINANCIAL INFORMATION (CONTINUED)**5.6.5 Material Commitments**

Save as disclosed below, as at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, there is no material commitment incurred or known to be incurred by the INSB Group, which may have a material and adverse impact on the financial position of the Group.

	As at 31 May 2005 RM'000
Approved and contracted for:	
- contract sum for construction of R&D centre	1,370
Approved but not contracted for:	
- purchase of second manufacturing facility	5,463 [^]
- purchase of eighteen (18) units of machinery	1,890
	7,353
Future operating lease commitment	
- rental payable for a subsidiary's use of factory over the tenancy period of three (3) years	1,152*

Note:

[^] Excludes the 5% downpayment paid on 28 May 2005 to Dawn Breeze Sdn Bhd of RM287,500.

* There will be no future operating lease commitment in the event that the Company enter into a sales and purchase agreement for the purchase of the second manufacturing facility.

5.7 Profit Forecasts

The Group's revenue and operating results could be adversely affected by many factors. The Group devotes substantial management and financial resources to launch its products and grow its operations in new markets. The market for the Group's products is also characterised by sensitive changes in customer requirements. In addition, the Group is also subjected to many risk factors, some of which are highlighted in Section 4 of this Prospectus. As such, the Group's profit forecasts are not disclosed in this Prospectus.

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6. INFORMATION ON THE INSB GROUP

6.1 History and Background

INSB was incorporated in Malaysia on 28 July 2003 under the Act as a private limited company under the name of INS Bioscience Sdn Bhd. The Company is principally engaged in investment holdings, R&D and consultancy in biotechnology. On 31 March 2004, INSB was converted to a public limited company.

The INSB Group is principally involved in the following activities:-

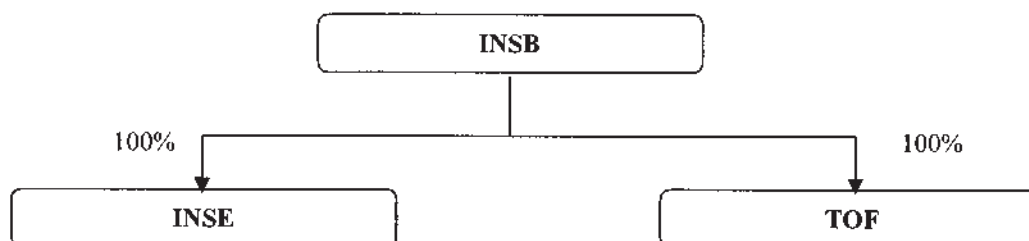
- R&D of health food supplement products;
- Cultivation and processing of wheatgrass;
- Processing of meal replacement drinks for slimming; and
- Marketing of personal care and skin care products.

The Group operates from its head office located at No. 62, Jalan Puteri 2/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan, which serves as the Group's administrative, operations and marketing hub.

The INSB Group's products are marketed in both the domestic and international market. The Group's products are marketed through MLM in the domestic market. TOF is the R&D and manufacturing arm of the Group whereas INSE carries out the Group's marketing and distribution activities.

As at 31 May 2005, the INSB Group has 78 employees.

The corporate structure of the INSB Group is as follows:-



As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, INSB does not have any associated company.

Further information on INSB's subsidiary companies is disclosed under Section 6.4 of this Prospectus.

6.2 Share Capital and Changes in Share Capital

As at 31 May 2005, the authorised and issued and paid-up share capital of INSB is as follows:-

	No. of Shares	Par value RM	Amount RM
Authorised	500,000,000	0.10	50,000,000
Issued and fully paid-up	215,000,020	0.10	21,500,020

6. INFORMATION ON THE INSB GROUP (CONTINUED)

The details of the changes in the Group's issued and paid-up share capital since its date of incorporation are set out below:-

Date of allotment	No. of Shares	Par value RM	Consideration	Total issued and paid-up capital RM
28 July 2003	2	1.00	Subscriber's shares	2
5 April 2005	21,500,000	1.00	Acquisitions	21,500,002
12 April 2005	215,000,020	0.10	Share Split	21,500,002

Upon completion of the Public Issue, INSB will have an enlarged issued and paid-up share capital of RM28,668,002 comprising 286,680,020 Shares.

As at the date of this Prospectus, no person has an option or is entitled to be given an option to subscribe for any Shares of the Company or its subsidiary companies.

6.3 Listing Proposal

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of INSB on the MESDAQ Market, the Company has implemented a listing proposal which entails the following:-

6.3.1 Acquisitions of INSE and TOF

On 16 April 2004, INSB entered into a Conditional Sale and Purchase of Shares Agreement with INSE Vendors and TOF Vendors for the following acquisitions from:-

(i) INSE

The entire issued and paid-up capital of INSE comprising 5,449,100 ordinary shares of RM1.00 each for a purchase consideration of RM13,793,900 or approximately RM2.53 per ordinary share, satisfied through the issue of 13,793,900 ordinary shares of RM1.00 each in INSB; and

(ii) TOF

The entire issued and paid-up capital of TOF comprising 272,500 ordinary shares of RM1.00 each for a purchase consideration of RM7,706,100 or approximately RM28.28 per ordinary share, satisfied through the issue of 7,706,100 ordinary shares of RM1.00 each in INSB.

The purchase consideration for INSE and TOF was arrived at after taking into considering the following factors: -

(i) the aggregate audited consolidated 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 FYE 31 December 2003. The details of issue of shares by the acquiree companies are as follows:-**(a) 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 to OSKTV for cash consideration for working capital purposes; and**

6. INFORMATION ON THE INSB GROUP (CONTINUED)

- (b) 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 to OSKTV for cash consideration for working capital purposes.

OSK, as the Adviser for the listing exercise had confirmed via a letter to the SC dated 8 April 2005, that the proceeds of investments by OSKTV have been received by INSE and TOF.

- (ii) The established "INS" brand name and network. As at 31 December 2004, INSE has 24 domestic distribution centres and approximately 22,850 active distributors; and
- (iii) The future prospects of the health food supplement and functional foods industry, both in Malaysia and in the other countries where INSE/TOF presently has/will have a presence in.

The aggregate purchase consideration for the Acquisitions of RM21,500,000 was satisfied through the issuance of 21,500,000 new ordinary shares of INSB at par value of RM1.00 each to the following parties:-

Vendors	Percentage Acquired %	Purchase Consideration (RM)	No. of INSB Shares of RM1.00 each To Be Issued
Acquisition of INSE			
INSH	64.65	8,917,580	8,917,580
Datuk Yeat Sew Chuong	6.86	946,810	946,810
Dato' Tan Seng Leong	4.65	641,580	641,580
Wong Seng Tong	0.75	103,239	103,239
Yeat Siaw Ping	1.09	149,850	149,850
Eong Kek Hock	0.87	119,808	119,808
Lim Sia Huat	0.54	75,017	75,017
Khoo Keat	1.09	149,851	149,851
Wong Guan Fung	0.16	22,396	22,396
Yeat Saw Seng	0.54	75,017	75,017
Yeat Saw Wei	0.22	30,043	30,043
Chee Fei Ching	0.06	8,922	8,922
Ng Wei Chiang	0.75	103,239	103,239
Chin Yong Shya	0.12	16,387	16,387
Loh Ping Kong	0.15	20,211	20,211
OSKTV	17.50	2,413,950	2,413,950
	100.00	13,793,900	13,793,900
Acquisition of TOF			
INSH	77.85	5,998,190	5,998,190
Dato' Tan Seng Leong	4.65	358,420	358,420
OSKTV	17.50	1,349,490	1,349,490
	100.00	7,706,100	7,706,100
Total		21,500,000	21,500,000

The ordinary shares in both companies were acquired free from all charges, liens, pledges and encumbrances, and have all the rights, benefits and entitlements attaching thereto.

The Acquisitions were completed on 5 April 2005 when the new Shares of INSB were issued to the respective Vendors.

6.3.2 Share Split

The shares of INSB was split from 21,500,002 ordinary shares of RM1.00 each to 215,000,020 ordinary shares of RM0.10 each on 12 April 2005.

6. INFORMATION ON THE INSB GROUP (CONTINUED)**6.3.3 Public Issue**

The Public Issue will involve the issuance of a total of 71,680,000 new Shares at a Issue Price of RM0.35 per Share payable in full upon application which shall be allocated in the following manner:-

- (i) 5,000,000 Public Issue Shares will be made available for application by the public;
- (ii) 51,680,000 Public Issue Shares will be made available for application by the way of private placement; and
- (iii) 15,000,000 Public Issue Shares will be made available for application by eligible directors and employees and persons who have contributed to the success of the INSB Group.

The 5,000,000 Issue Shares made available for application by the public and the Pink Form Shares made available for application by eligible Directors and employees, and persons who have contributed to the success of the INSB Group which are not taken up and are subsequently made available for application by the Malaysian public, have been fully underwritten by the Underwriter listed in Section 1. Any INSB Shares in respect of paragraph (iii) above that are not subscribed for will be firstly made available for application by way of private placement, failing which, such remaining shares shall be made available for application by the public and will be underwritten. In the event of an overall under-subscription of the 5,000,000 Issue Shares and the unsubscribed Pink Form Shares, all Shares not applied for will be made available for subscription by the Underwriter based on the terms and conditions of the Underwriting Agreement.

All the Public Issue Shares to be issued pursuant to the Public Issue shall rank *pari passu* in all respects with the existing issued Shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of this Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of INSB will be enlarged to RM28,668,002 comprising 286,680,020 Shares.

6.3.4 Listing and Quotation

The admission to the official list 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.

6.4 Information on Subsidiary Companies

INSB has two (2) subsidiary companies, the details of which are as follows:-

Name	Date and country of incorporation	Issued and paid-up share capital RM	Effective interest %	Principal activities
INSE	27 March 1996, Malaysia	5,449,100	100.00	Marketing and distribution of products mainly under the INS brand in the Malaysian (through MLM) and international markets.
TOF	28 May 1999, Malaysia	272,500	100.00	Manufacturing and processing of wheatgrass and its related products as well as other health food supplement products, and conducting R&D in bioscience technology.

6. INFORMATION ON THE INSB GROUP (CONTINUED)

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, INSB does not have any associated companies.

Further information on the subsidiary companies are as follows:-

6.4.1 INSE**(i) History and Business**

INSE was incorporated in Malaysia on 27 March 1996 under the Act as a private limited company and commenced business on 1 May 1996. The company currently undertakes the core operations of the INSB Group, which is the distribution and marketing of products mainly under the INS brand name in the local (through MLM) and international markets.

INSE was initially involved in the marketing and distribution of INS Bio Fertilizer and INS Bio Dynamic Oil. In 1999, INSE paved its way in setting up its own manufacturing plant under the name of TOF to produce a series of health food supplement products under the brand name of INS. This sealed the company's future in venturing into R&D of bioscience technology. The first invented health food supplement product was the INS Wheatgrass Tea, which was launched in 2000. Since then, with extensive R&D, INSE had launched a series of INS brand of wheatgrass based products. The accelerating demand on its products has encouraged INSE to expand its product range to other variety of health care food supplements, meal replacement drinks for slimming products, personal care and skin care products and household consumer products.

Further information on the Company's product range is disclosed under Section 8.1 of this Prospectus.

(ii) Share Capital

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, the authorised and issued and paid-up capital of INSE is as follows:-

	No. of shares in INSE	Par value RM	Amount RM
Authorised	10,000,000	1.00	10,000,000
Issued and fully paid-up	5,449,100	1.00	5,449,100

Details of the changes in the issued and paid-up share capital of INSE since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Total issued and paid-up share capital RM
27 March 1996	300,000	1.00	Subscriber's shares	300,000
7 July 1997	915,000	1.00	Cash	1,215,000
28 August 2000	3,280,500	1.00	Other than cash	4,495,500
2 March 2004	953,600	1.00	Cash	5,449,100

(iii) Substantial Shareholders

INSE is a wholly owned subsidiary of INSB.

6. INFORMATION ON THE INSB GROUP (CONTINUED)**(iv) Subsidiary and Associated Companies**

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, INSE does not have any subsidiary or associated companies.

(v) Employees

As at 31 May 2005, INSE has 54 employees.

6.4.2 TOF**(i) History and Business**

TOF was incorporated in Malaysia on 28 May 1999 under the Act as a private limited company and commenced business on 1 May 2000. The company currently undertakes the manufacturing operations of the INSB Group.

From its inception in 1999, TOF has undertaken the task of cultivation, manufacturing and processing of wheatgrass and its related products as well as other health food supplements products. Today, a major part of the cultivation, manufacturing, and processing of wheatgrass is outsourced to third parties in China. TOF is also involved in conducting R&D on bioscience technology.

(ii) Share Capital

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, the authorised and issued and paid-up capital of TOF is as follows:-

	No. of shares in TOF	Par value RM	Amount RM
Authorised share capital	500,000	1.00	500,000
Issued and paid-up share capital	272,500	1.00	272,500

Details of the changes in the issued and paid-up share capital of TOF since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Total issued and paid-up share capital RM
28 May 1999	4	1.00	Subscriber's share	4
15 December 1999	224,776	1.00	Cash	224,780
2 March 2004	47,720	1.00	Cash	272,500

(iii) Substantial Shareholders

TOF is a wholly owned subsidiary of INSB.

(iv) Subsidiary and Associated Companies

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, TOF does not have any subsidiary or associated companies.

(v) Employees

As at 31 May 2005, TOF has 24 employees.

6. INFORMATION ON THE INSB GROUP (CONTINUED)

6.5 Companies with Similar Trade

Save as disclosed below, as at 31 May 2005, none of the Directors or substantial shareholders of the Company or its subsidiary companies have any interest, direct or indirect, in any business carrying on a similar trade as the Group or its subsidiary companies:

Name of Director/ Substantial Shareholder	Other Companies	Principal activities	Direct		Indirect	
			No. of shares	%	No. of shares	%
INSH	Multi-Tech Resource Sdn Bhd	Cultivation, process and packaging of chinese herbs and health foods	100,000	100	-	-
	The Origin Foods Marketing Sdn Bhd	Trading of wheatgrass and other consumer products	26,700	100	-	-
1. Datuk Yeat Sew Chuong	Multi-Tech Resource Sdn Bhd	Cultivation, process and packaging of chinese herbs and health foods	-	-	100,000	100*
2. Wong Seng Tong						
3. Khoo Keat						
4. Wong Guan Fung						
5. Yeat Saw Seng						
6. Yeat Saw Wei						
7. Chee Fei Ching						
8. Ng Wei Chiang						
9. Chin Yong Shya						
10. Loh Ping Kong						
11. Eong Kek Hock						
12. Yeat Siaw Ping						
13. Lim Sia Huat						
1. Datuk Yeat Sew Chuong	The Origin Foods Marketing Sdn Bhd	Trading of wheatgrass and other consumer products	-	-	26,700	100*
2. Wong Seng Tong						
3. Khoo Keat						
4. Wong Guan Fung						
5. Yeat Saw Seng						
6. Yeat Saw Wei						
7. Chee Fei Ching						
8. Ng Wei Chiang						
9. Chin Yong Shya						
10. Loh Ping Kong						
11. Eong Kek Hock						
12. Yeat Siaw Ping						
13. Lim Sia Huat						

Note:

* Deemed interested by virtue of their interests in INSH.

Multi-Tech Resource Sdn Bhd ("MTR") and The Origin Foods Marketing Sdn Bhd ("TOFM") are the wholly-owned subsidiary companies of INSH, a substantial shareholder and Promoter of INSB.

MTR was incorporated in Malaysia on 16 September 1996. The company's principal activities are cultivation, process and packaging of chinese herbs and health foods. The Company is of the view that there is no conflict of interest as MTR concentrates in chinese herbs and health foods relating to *Ganoderma Lucidium*, a mushroom also commonly known as "ling zhi" while INSB Group's health foods products are mainly based on wheatgrass.

6. INFORMATION ON THE INSB GROUP (CONTINUED)

TOFM was incorporated in Malaysia on 21 July 2000. TOFM was engaged in trading of wheatgrass and other consumer products. The Company is of the view that there is no conflict of interest as currently TOFM has ceased the trading of wheatgrass and has focused on trading of other consumer products that differs from INSB Group's products.

INSB's Articles of Association do not allow the Directors to vote in respect of any contract or proposed contract or arrangement in which they have direct/indirect interest but this prohibition shall not apply to any agreement for giving any Director security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company nor to any contract by a Director to subscribe for or underwrite shares or debentures of the Company and it may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in general meeting. A general notice given to the Directors by any Director to that effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in relation to any contract so made.

Notwithstanding the above, upon admission to Bursa Securities, under paragraph 6.6 of MMLR, the Company is required to seek a shareholder's mandate in respect of such transaction. In addition, the related party and/or his associates or persons connected to him are required to abstain from voting on the said resolution.

6.6 Related Party Transactions and Conflict of Interests

Save as disclosed below, as far as the Directors are aware, none of the directors and/or substantial shareholders of the INSB Group of companies has any interest, direct or indirect, in the promotion of or in any assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to the Company or its subsidiary companies or in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company and its subsidiary companies as a whole.

6.6.1 Transaction entered into with or involving the interest of INSE and TOF

- (a) On 1 October 2003, INSE disposed off the entire issued and paid-up share capital of INSM to INSH at book value for the purchase consideration of RM100,000. The net assets of INSM at the date of disposal were RM1,758,318, thus resulting in a loss on disposal of RM1.658 million. The lower selling price as compared to the net assets of INSM is mainly due to the following factors:-
- (i) INSE being a 70% owned subsidiary of INSH hence the disposal would not result in any material financial effect to the INSH Group consolidated account; and
 - (ii) INSE only provides distribution networks for the selling of INSM's fertilizer. However, the technical proprietary knowledge on manufacturing the fertilizers is provided and supported by the ultimate holding company, namely INSH;
- (b) Conditional Share Sale Agreement dated 16 April 2004 between INSE Vendors and INSB as purchaser to acquire the entire issued and paid-up share capital of INSE comprising 5,449,100 ordinary shares of RM1.00 each in INSE for a total consideration of RM13,793,900 to be satisfied by the issuance of 13,793,900 ordinary shares of RM1.00 each in INSB;
- (c) Conditional Share Sale Agreement dated 16 April 2004 between TOF Vendors and INSB as purchaser to acquire the entire issued and paid-up share capital of TOF comprising 272,500 ordinary shares of RM1.00 each in TOF for a total consideration of RM7,706,100 to be satisfied by the issuance of 7,706,100 ordinary shares of RM1.00 each in INSB;

6. INFORMATION ON THE INSB GROUP (CONTINUED)

- (d) An Assignment of Patent dated 28 February 2004 was executed whereby Datuk Yeat Sew Chuong assigned his patent under patent application No. PI 20033935 (Method for Processing Oil Palm Dietary Fibre) to TOF in consideration of RM1.00;
- (e) A Novation Agreement dated 15 March 2004 was entered into between INSH, CAU and TOF whereby INSH novates certain of its R&D responsibilities under a Memorandum of Understanding dated 16 September 2003 between CAU and INSH to TOF. The R&D results pursuant to the R&D responsibilities would then be shared equally between CAU and TOF; and
- (f) A Tenancy Agreement dated 28 April 2005 was entered between INSH and INSE for INSE to rent the premise of No. 58, 60, 62 & 64, Jalan Puteri 2/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan from INSH for a period of 3 years commencing on 1 March 2005 for a consideration of RM31,200 per month.

6.6.2 Transaction entered into with or involving the interest of its directors and Key Management

Save for employment contracts between the INSB Group and its directors and Key Management, and the payments of the directors' fees and remuneration to its directors, INSB Group has no other transaction with its directors and Key Management.

6.6.3 Other Transactions

For the past one (1) FYE 31 December 2004 and subsequent financial period thereof preceding the date of this Prospectus, INSB Group had transactions with the subsidiary companies of INSH. Although the subsidiary companies of INSH carry the INS name, these companies are also producing and selling "INS" branded products, (e.g. INS Manufacturing Sdn Bhd produces INS bio fertilizer), hence indirectly contributing to the promotion of INS brand name as a whole. Furthermore, these subsidiary companies are not involved in the manufacturing or distribution of INSB's core products such as health food supplement, functional foods, meal replacement drinks for slimming and personal care and skin care products. These subsidiary companies are not involved in the R&D of bioscience technology as well.

Save for the transactions disclosed below that were entered into in the ordinary course of business, there are no transactions that are unusual in their nature or conditions between the Company or its subsidiary companies and other party for the past one (1) financial year and the subsequent financial period thereof preceding the date of this Prospectus.

Related party	Interested Director, substantial shareholder / person connected	Nature of transaction	Audited value of transaction for the FYE 31 December 2004 RM'000
INS Manufacturing Sdn Bhd ("INSM")*	Datuk Yeat Sew Chuong and Wong Seng Tong are the common directors of INSM and INSB Group.	Purchase of fertilizer products.	1,706
		Disposal of motor vehicles to INSM.	289
Bio-Agro Products Sdn Bhd ("BAP") *	Datuk Yeat Sew Chuong and Wong Seng Tong are the common directors of BAP and INSB Group.	Sale of fertilizer products.	636
INSH	The common directors of INSH and INSB Group are:-	Rental paid to INSH.	32
		Disposal of motor vehicles to INSH.	376

6. INFORMATION ON THE INSB GROUP (CONTINUED)

Related party	Interested Director, substantial shareholder / person connected	Nature of transaction	Audited value of transaction for the FYE 31 December 2004 RM'000
	1) Datuk Yeat Sew Chuong		
	2) Wong Seng Tong		
	3) Khoo Keat		
	The common shareholders of INSH and INSB Group are:-		
	1) Datuk Yeat Sew Chuong		
	2) Wong Seng Tong		
	3) Yeat Siaw Ping		
	4) Khoo Keat		
	5) Eong Kek Hock		
	6) Ng Wei Chiang		
	7) Lim Sia Huat		
	8) Wong Guan Fung		
	9) Yeat Saw Seng		
	10) Yeat Saw Wei		
	11) Chee Fei Ching		
	12) Chin Yong Shya		
	13) Loh Ping Kong		

Note:-

* Companies which are wholly owned by INSH.

The Directors have represented that, all the transactions with the above parties are carried out at arms' length on terms not less favourable to INSB Group than other third parties. The Directors of INSB estimate that the Group will have recurring related party transactions with the parties as stated above. However, the value for the purchase and sales of goods/services for resale purposes cannot be estimated as it is of a varying nature and is dependant on the business' needs.

The nature and terms of any future transaction involving related parties will be reviewed by the Audit Committee to ensure compliance. The Board will also continue to review the procedures for future transactions, if any.

6.6.4 Related-party loans

There have been no outstanding loans or guarantees undertaken by the Company or its subsidiary companies for the benefit of other related party for the past one (1) financial year and the subsequent financial period thereof preceding the date of this Prospectus.

6.7 Declaration of Conflict of Interests of Advisers

On completion of the Public Issue, OSKTV, a subsidiary company of OSKVI, will hold 37,634,400 shares, representing approximately 13.13% of the enlarged issued and paid-up share capital of INSB. OSK and OSKTV are related companies, by virtue of both companies being wholly-owned subsidiary companies of OSKH. In addition, Dato' Nik Mohamed Bin Nik Yahya and Mr. Ong Leong Huat @ Wong Joo Hwa, are common directors of OSK and OSKTV.

6. INFORMATION ON THE INSB GROUP (CONTINUED)

We are of the opinion that the potential conflict of interest above is mitigated by the following factors:-

- (a) OSK and OSKTV are two (2) separate companies each having their own distinct management team and employees, despite the fact that Dato' Nik Mohammad bin Nik Yahya and Mr Ong Leong Huat are common directors in these companies. In addition, the board of directors of OSK are not called upon to decide on any matters relating to OSK's corporate finance matters which relates to activities carried out in the ordinary course of business, which includes its advisory business;
- (b) The Corporate Finance Division is required as part of its universal broker license to comply with strict policies and guidelines issued by the SC and Bursa Securities governing its advisory operations. These guidelines call for, amongst others, firewall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;

In addition, all submissions made to the SC are reviewed, supported and approved by an independent committee. None of the common directors of OSK, OSKH, OSKVI or OSKTV are members of the independent committee;
- (c) OSK's role as Adviser, Underwriter, Placement Agent and Sponsor for the Listing of the Company on the MESDAQ Market has been carried out objectively, in line with the responsibilities agreed upon in the due diligence planning memorandum. The due diligence process as well as the verification process has been duly implemented for the preparation of documents related to the Listing Scheme;
- (d) Representatives of the Company, the Reporting Accountants, the Solicitors, the Independent Market Researcher, the Company Secretaries and OSK participated in the aforementioned due diligence verification process;
- (e) None of the shares to be placed out as detailed in Section 3.4 of the Prospectus will be placed to OSK and OSKTV and persons connected to them in compliance with the MMLR;
- (f) The pricing of the Issue Shares will be market driven after considering the demand and supply for the said shares and market sentiments at the point of the Public Issue; and
- (g) Save for the professional fees, the Listing proceeds are proposed to be used for various applications of which OSK will not be deriving any benefit therefrom.

In addition, OSK has also complied with Paragraph 14.3 of the MMLR on conflict of interests:-

- (i) OSKTV will not be holding 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company after completion of the Initial Public Offering;
- (ii) The investment in the Company by OSKTV is not contingent upon the Company's successful Listing on the MESDAQ Market; and
- (iii) As disclosed under Section 3.8, save for the professional fees, placement and underwriting fees, OSK will not derive any benefit from the Listing proceeds.

Save as disclosed above, OSK confirms that, as at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, there is no other existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for the listing exercise.

Messrs Horwath has given their written confirmation that there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for the listing of INSB on the MESDAQ Market.

6. INFORMATION ON THE INSB GROUP (CONTINUED)

Messrs Wong, Beh & Toh have given their written confirmation that there is no existing or potential conflict of interest in its capacity as Solicitors for the listing of INSB on the MESDAQ Market.

Public Merchant Bank Berhad have given their written confirmation that there is no existing or potential conflict of interest in its capacity as Independent Adviser for the listing of INSB on the MESDAQ Market.

Spire Research Sdn Bhd has given their written confirmation that there is no existing or potential conflict of interest in its capacity as Independent Market Researcher for the listing of INSB on the MESDAQ Market.

6.8 Summary of Landed Properties

INSB Group does not own any landed properties.

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7. INDUSTRY OVERVIEW

7.1 Economic Overview

7.1.1 Overview of the Malaysian Economy

The Malaysian economy expanded by 7.1% in 2004, the fastest growth since 2000. The economy benefited from both stronger external and domestic demand. Growth was led by private sector activity while the Federal Government continued with its fiscal consolidation program. The overall Federal Government deficit declined to 4.3% of GDP in 2004. The Government, while consolidating, remained supportive of growth with policies targeted at enhancing the business environment for the economy.

The private sector contributed 6.2 percentage points to overall GDP growth in 2004. Private consumption increased significantly, supported by higher disposable incomes, a rebound in consumer confidence following the events of early 2003 including the Severe Acute Respiratory Syndrome (SARS) outbreak, various tax rebates and low interest rates. Private investment also accelerated during the year as rising demand amidst the high capacity utilisation, higher profitability and favourable financing conditions encouraged investment activity.

All sectors registered positive growth during the year except construction. In the manufacturing sector, both export- and domestic-oriented industries expanded strongly with high capacity utilisation, in line with the upturn in the global electronics cycle as well as stronger domestic demand. The services sector experienced a stronger expansion, driven mainly by higher consumer spending amidst rising disposable incomes as well as higher tourist arrivals and increased trade-related activities.

(Source: Bank Negara Malaysia Annual Report 2004)

7.1.2 Malaysian Economic Outlook in 2005

For 2005, global economic growth is expected to remain firm at 4% (2004: 4.8%), while world trade is expected to expand by 5.8% (2004: 8.8%). The pace of slowdown in the USA and PR China is expected to be modest on the basis that adjustments of the imbalances in these economies would be gradual. In 2005, the US economy is expected to expand by 3.5% after a strong expansion of 4.4% in 2004 while PR China is expected to register a strong growth of 8.5%.

Growth in the East Asian region, excluding Japan, is therefore expected to expand at a reasonably high rate of 6.3 – 6.5%. Consumption is expected to be sustained by rising incomes and a growing share of the young age group with higher propensity to consume. Domestic demand is also likely to remain resilient given the larger contribution from new sources of growth and increased intra-regional trade.

Given these positive developments, the prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5 - 6% in 2005. This assessment is based on the assumption of sustained external demand conditions, modest downturn in the global electronics cycle, relatively favourable prices for crude palm oil and crude oil, as well as improved intra-regional trade. Real GDP growth will be mainly private sector-driven, as the Government remains committed to optimizing expenditure to strengthen its fiscal position. High consumer and business confidence, rising incomes and corporate profits as well as an accommodative monetary policy are expected to reinforce robust consumer spending and support the continued upturn in private investment activities.

Economic growth in 2005 is expected to be supported by expansion in all sectors, except construction. Following the strong expansion in 2004, the manufacturing sector is expected to expand at a more moderate pace in tandem with developments in the global semiconductor industry. While the global semiconductor industry is

7. INDUSTRY OVERVIEW (CONTINUED)

consolidating after reaching a peak in mid-2004, the cyclical downturn is forecast to be modest in view of the strong Asian demand, the rapid inventory adjustments and relatively low inventory levels. Current indicators point to an expected upturn in the global semiconductor cycle in the second half-year. Growth in the services sector is projected to remain firm, reflecting expansion in all sub-sectors. The sector has shifted from depending on a narrow range of activities related to trade and manufacturing to a broader range of activities supported by domestic consumption and growth in new services activities related to tourism and business support services.

The contribution to growth from the agriculture and mining sectors is likely to remain strong, supported by higher production amidst the favourable commodity prices. The construction sector is expected to remain weak due to lower civil engineering activity following the completion of several projects as well as lower public spending on infrastructure projects.

Inflation is expected to edge up in the first half year, reflecting the continuing one off impact of price adjustments to retail petroleum products as well as higher taxes on cigarettes and tobacco that were implemented in 2004. The impact is expected to be transitory, and inflation is expected to moderate in the second half-year. Given the lack of significant general demand pressures, inflation is projected to average 2.5% in 2005. Core inflation is projected at 1.8%. The unemployment rate is expected to remain low against the favourable economic environment.

The balance of payments is expected to remain strong in 2005, with the surplus in current account remaining large and continued inflows of foreign direct investments ("FDI"). The trade surplus is expected to remain large as the moderation in exports would be offset by slower growth in imports while the services deficit is expected to improve further with continuing growth in tourist arrivals and export of computer and information services. In the financial account, FDI inflows are expected to remain significant and channelled to higher value-added activities in the manufacturing and services sectors. FDI inflows into the services sector are likely to be mainly in the areas of wholesale and retail trade and business and support services. In the oil and gas sector, recent discoveries of new oil fields in Malaysia are likely to spur greater investment in exploration and extraction activities. Overseas investment by Malaysian companies is expected to remain large as companies seek to gain access to new markets and natural resources to diversify their earnings and to support domestic activities through vertical integration.

(Source: Bank Negara Malaysia Annual Report 2004)

7.2 Overview of the Herbal Products and Wheatgrass Market

The global herbal products market is estimated by the World Health Organisation to have reached US\$60 billion while the Malaysian Industry-Government Group for High Technology estimated that the market would grow to reach US\$200 billion in 2008. World Bank also estimates that the market for herbal products would reach an amazing US\$5 trillion in 2050.

Europe is the largest herbal products market where the annual sales and consumption reached US\$6 billion, Asia's sales excluding Japan worth US\$2.3 billion and North America sales was US\$1.5 billion in 2002. Japan's herbal products market itself reached US\$2.1 billion. There is an enormous potential for Malaysia to supply the international market with its own herbal products.

Malaysian herbal market is estimated at between RM2.5 billion and RM3 billion annually and constitutes about 16% of the whole Asian market. However, only 5% to 10% of the ingredients are sourced from Malaysia's plant biodiversity while the remaining is imported. This is a very low figure considering Malaysia's demand for raw materials of herbal products is expected to grow by 20% in 10 years. Major suppliers of raw materials for Malaysia's herbal industry are China, India, Sri Lanka, Indonesia, Japan and USA. Thus potential exists for Malaysia to use raw materials from its plant biodiversity to supply its own market for herbal products.

7. INDUSTRY OVERVIEW (CONTINUED)

Malaysia has a good opportunity to expand into the global market when it became a member of the world's Pharmaceutical Inspection Cooperation Scheme. The local products are expecting a better trade and export opportunities.

There is no published industry data or statistics on the size of the global wheatgrass products. The top three main export markets of USA wheatgrass seeds were to Canada (57%), China (15%) and Mexico (15%). China is believed to be the largest consumer of wheatgrass tea and Japan is also expected to start and gradually increase the consumption for wheatgrass teas. There is enormous potential for the supply of green wheatgrass supplements.

(Source: Market Research Report prepared by Spire Research Sdn Bhd dated 5 May 2005)

7.3 Overview of the Biotechnology Industry

Nearly 40% of the world's economy is dependant on biological products and processes while the global economic value of biodiversity is estimated at US\$2.9 trillion per year. These biological resources have the economic potential to be developed into medicinal, nutraceutical and cosmetic products. The largest portion of biological resources are found in the developing countries and Malaysia is home to about 12,000 to 15,000 plant species compared to 5,000 in the whole of Europe. However many developing countries lack financial and technological resources to develop these biological resources and many remain unprocessed.

Biotechnology has been identified as one of the industries to focus and develop under the Eighth Malaysia Plan (2001-2005). Part of the Eighth Malaysian Plan initiatives include the establishment of BIOTEK in 1995 to help coordinate research in biotechnology among various organisations in plant, food, animal, molecular biology, medical, environment/industry and bio-pharmacy.

The Malaysian government through the Ministry of Finance has invested nearly RM75 million in biotechnology venture Inno Biologics Sdn Bhd involved in bio-generics. The facility to begin operations in 2006 at the Nilai Science Park, Negri Sembilan, will produce insulin from mammalian tissue culture and produce monoclonal antibodies for drug companies to conduct clinical trials. Inno Biologics will also conduct contract research and manufacturing services for other companies since its facility would be certified with GMP standards.

The outlook for Malaysia biotechnology industry is positive due to strong support and commitment from the Malaysian government. Biotechnology is one of the five core technologies that excels and will transfer Malaysia's economy into a highly industrialized country by 2020. By 2006, the MOSTI targets to attract 150 biotech companies in Malaysia and a total of RM40 billion investments in Malaysia's biotechnology industry in the next decade.

In April 2005, the Government unveiled its biotechnology policy aimed at further boosting Malaysia's biotechnology sector with greater support from the Government including tax incentives and pioneer status for biotechnology companies. The newly-created Malaysian Biotechnology Corporation (MBC) is established as a dedicated agency to identify and assist good value biotechnology ventures. The biotechnology sector is expected to constitute 5% of Malaysia's Gross National Product by 2020.

(Source: Market Research Report prepared by Spire Research Sdn Bhd dated 5 May 2005)

7.4 Overview of the Direct Selling Industry

The global market for direct selling is estimated at RM335 billion of which Malaysia accounted for an estimate of RM3.9 billion.

The low investment requirement to set up a direct selling business by distributors and the attractive of additional source of income to members is one of the main attractions of direct selling scheme. Another attraction of direct sales for distributors is consumer products that have a mass consumer market, which represents tremendous market opportunities.

7. INDUSTRY OVERVIEW (CONTINUED)

In Asia, Malaysia is recognized as the country with the highest ratio of the number of direct selling companies to the number of people. As of January 2003, there were 402 direct selling companies. Most of the products sold by Malaysian MLM companies are locally made such as household and personal care products.

The Malaysian government provides tax incentives for Malaysian direct selling companies to expand into the overseas market. Revenue generated by Malaysian direct selling companies in the overseas market in 2002 was RM352 million and revenue is estimated to increase by 20-30% in 2003. It is known that nearly 50 direct selling companies have already expanded their operations into Indonesia, Singapore, Thailand, Brunei, India and the Middle East.

Prospects in the Malaysian direct selling market remains positive. The Government has reduced the paid-up capital for local direct selling companies from RM2.5 million to RM1.0 million and allowing direct selling companies to renew their licences from 1 year to 5 years. To encourage exports among direct selling companies, the government introduced tax exemptions on revenues from exports in May 2003.

(Source: Market Research Report prepared by Spire Research Sdn Bhd dated 5 May 2005)

7.5 Government Regulations

7.5.1 Government Legislation on Sales of Health Foods

Direct marketing of products categorised as food supplements or for medical treatment require prior approval from the DCA, Food Quality Control Division or Medical Practice Division under the MOH. Herbal foods and beverage manufacturers must obtain a license from the DCA prior to manufacturing. Traditional medicine (among others) used as natural medicine must also be registered with the DCA. INSB complies and follows rules and regulations enforced by MOH on the manufacture and sales of its health food products.

The Malaysian Medicines (Advertisement of Sale) Act 1956 stipulates that traditional medicines must not claim to treat diabetes, epilepsy, asthma, cardiovascular diseases, improving kidney function or used as contraceptives. Product information on traditional herbal medicine must also conform to standards when submitting for registration. These include uniformity of weight; contamination from microbes; moisture content; disintegration of tablets or capsules; and heavy metals and pesticides must be within acceptable limits.

The DCA introduced new and stringent requirements for companies registering new traditional or herbal medicine for approval effective 1 September 2001:-

- (i) Active ingredients that have been used in traditional Chinese medicine – The formulation must be based on Chinese pharmacopoeia and evidence of its use in traditional medicine.
- (ii) Active ingredients that have not been used in traditional medicine – To provide data and information on the safety of the active ingredients or new formulation.
- (iii) Products sold in powder or granule form – To provide taxonomy of the active ingredients, method of preparation and processing, uses of the traditional medicine and safety of the active ingredients and product.
- (iv) Products containing a single active ingredient – To provide taxonomy of the active ingredient, method of preparation and processing, uses of the traditional medicine, safety and standards of quality of the active ingredient and product.

7. INDUSTRY OVERVIEW (CONTINUED)

7.5.2 Government Legislations on Direct Selling

The Malaysian direct selling industry is regulated and enforced by the MDTCA. Only companies licensed by MDTCA are allowed to engage in direct selling activities in Malaysia. MDTCA has introduced various regulations regulating the industry and include:-

- (i) The DSA protecting consumer rights from direct selling companies;
- (ii) The Direct Selling Regulations 1993 establishing licensing procedures and conditions for direct selling companies; and
- (iii) Direct Selling Orders (Exceptions) 1993 exempting individuals acting as distributors from the DSA if the sales do not exceed RM50 per order.

INSE complies and follows rules and regulations enforced by MDTCA on direct selling activities in the country.

MDTCA has established various regulations protecting distributors engaged by direct selling companies. Prospective distributors of direct selling companies are allowed 10 days to decide whether to join a direct selling scheme. Furthermore, direct selling companies must buy back products if the prospective distributor decides to cancel its participation in the scheme. Direct selling companies are also prohibited from promising excessive bonuses to their distributors that are misleading.

Other regulations include a ceiling of 30% foreign stake holding of locally incorporated direct selling companies. Any price increase of a product from a direct selling company requires prior approval by MDTCA. Incentives or commissions paid to the distributors must be based on the sales volume rather than the number of distributors recruited.

(Source: Market Research Report prepared by Spire Research Sdn Bhd dated 5 May 2005)

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8. BUSINESS OVERVIEW

8.1 Products and Services

INSB Group's major products are as follows:-

- Health food supplements;
- Functional foods;
- Meal replacement drinks for slimming; and
- Personal care and skin care products.

The details of the above products are as follows:-

Food Supplement	Name of Product	Description
Health food supplement	INS Wheatgrass Tea INS Wheatgrass Tea – Honey Enriched INS Wheatgrass Plus Sky Wheat Wheatgrass	Contains chlorophyll, vitamins, minerals, amino acids and enzymes which are believed to be beneficial to human health.
	ITO I-MU Nutrimeal	Made from various cereals with high dietary fibre and added with vitamins and minerals to improve general health and digestion.
Functional foods	INS Zhen-Ao S. Bean Extract	Made from beans extract and has a high concentration of nucleic acid to enhance immune system.
	INS IGG Natural Colostrum	Contains immunoglobulin and antibodies (found naturally in milk) that improves the body's immune system.
Meal replacement drinks for slimming	INS So Easy Slim Care Nutri-Scheme Series	These meal replacement drinks are non-laxative and non-metabolic and contain dietary fibre and nutritious vitamins and minerals.
Skin care product	Sky Wheat Skin Care Cleansing Series	The cleansing series products contain plant extracts, collagen, placenta and other active ingredients.
	Sky Wheat Skin Care Caring Series	The caring series products contain plant extract and other active ingredients such as collagen and hyaluronic acid.

The products referred to above and the following products are marketed by INSE:-

- Household consumer products;
- Fertilisers; and
- Water filters for home use.

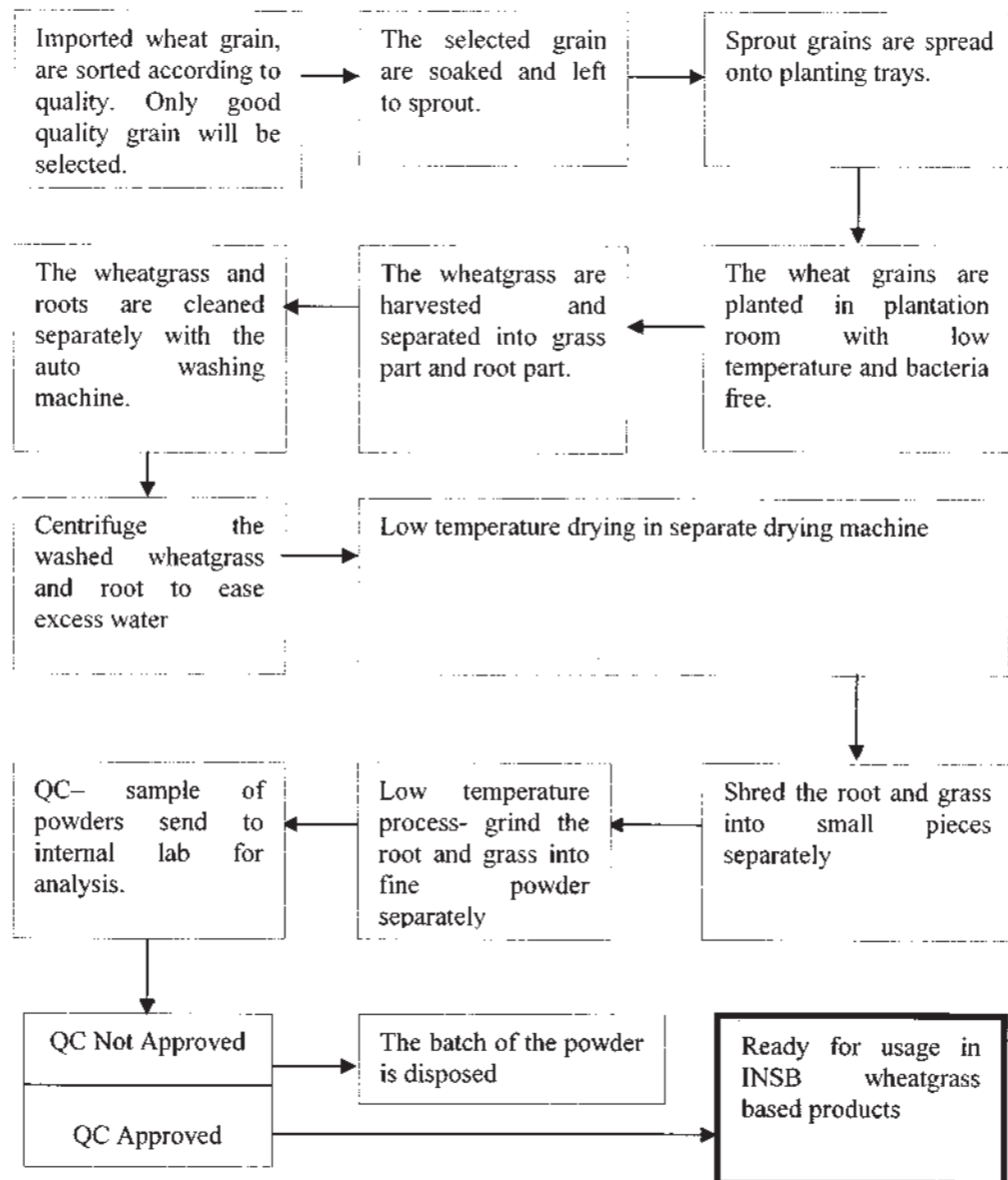
For the FYE 31 December 2004, health food supplement and functional foods contributed approximately 45% to INSB's turnover with meal replacement drinks and skin care products contributing 26% and 8.7% to INSB Group's turnover respectively. The balance of INSB Group's turnover comprises amongst others, fertilizers, personal care products and water filters.

Local sales accounted for approximately 65% of the total sales of INSB Group. The major overseas markets are USA, Thailand and Singapore, which contributed approximately 10%, 6% and 6% of INSB Group's turnover for the FYE 31 December 2004.

8. BUSINESS OVERVIEW (CONTINUED)

8.2 Production Processes

8.2.1 Cultivation and Processing of Wheatgrass

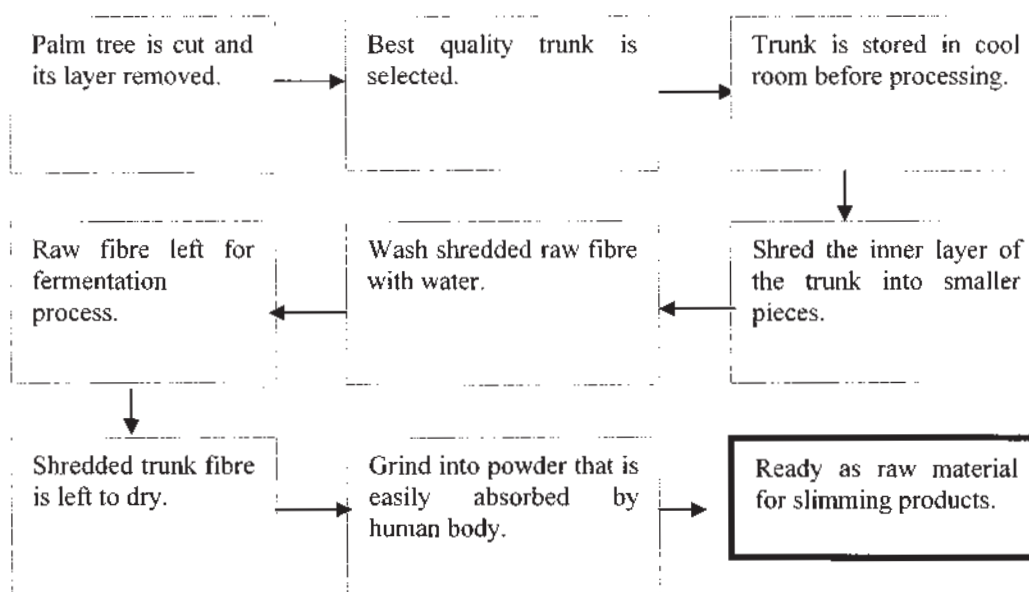


INSB Group's wheatgrass products are in powder form and it uses a different drying and manufacturing process. The advantage of the powder form is that nutrients are more stable and the nutrients do not reduce as fast as compared to liquid concentrate. Furthermore, the wheatgrass powder from INSB Group is packed in aluminium foil packaging to prevent oxidation and hence, loss of nutrients. No preservatives are required in INSB Group wheatgrass formulation.

The uniqueness of INSB Group production of wheatgrass powder is in its low temperature drying and grinding method whereby wheatgrass leaves are dried at a lower temperature compared to the conventional method which dries at a higher temperature. Even during the grinding of the leaves into powder (after drying), the leaves are ground at a low temperature. This reduces the loss of nutrient due to high temperature. In addition, naturally occurring enzymes are more stable and do not denature quickly at lower temperatures.

8. BUSINESS OVERVIEW (CONTINUED)

8.2.2 Processing of Palm Fibre



The fibre from oil palm trunk, in its original form, is unsuitable for human consumption. Unprocessed oil palm fibre contains components that are not suitable for human consumption or as dietary fibre in the form of meal replacement. Hence, for human consumption of these fibres, they will have to be pre-processed first. This is accomplished by a man-made fermentation process that uses micro-organisms to soften the raw palm fibre before it can be consumed.

The fermentation technology entails the washing of shredded raw fibre with water to kill hazardous micro-organisms as well as to neutralise any chemical substances found in the raw fibre. The impurities or contaminants are then separated and removed from the fibre before the fibre is passed on to the fermentation process.

During fermentation, there will be a chain of processes to process the fibre into readily ingested fibre for human consumption. The fermentation process begins by mixing the pre-processed fibre with water and special micro-organisms. The temperature of the fermentation process is kept low.

The remaining “undigested” fibres are then separated from the by-products of the fermentation. Micro-organisms absorbed into the fibres during the fermentation process are then destroyed. The fibres are then dried under a low temperature drying process before they are micro-ground into fine powder and ready to be incorporated into meal replacement drinks as suitable dietary fibre.

An optimized fermentation process is desired to ensure the dietary fibre product is suitable for human consumption and this is a propriety technology of INSB Group.

8.3 Research and Development / Quality Control

8.3.1 Research and Development

INSB Group believes that R&D is the key to its success in developing new and innovative consumer products that have wide consumer appeal. During the early stage of the Group’s development (between 1999 and 2003), R&D was partially outsourced to research scientists at local and foreign universities, whereby the Group’s R&D expenditure formed 1.9% to 4.4% of turnover.

8. BUSINESS OVERVIEW (CONTINUED)

The amount spent on R&D for the last three (3) financial years were as follows:-

	FYE 31 December 2002	FYE 31 December 2003	FYE 31 December 2004
Total R&D expenses incurred (RM)	547,376	777,627	808,632
Total R&D expenses as a proportion of the Company's total revenue (%)	2.5	3.4	3.9

The main reasons for outsourcing were the availability of technical expertise and sophisticated scientific equipments at these institutions. Expenditures for R&D include salaries of staff involved in R&D, purchase of laboratory equipments, materials and services. The Group's R&D efforts are driven by the CEO. In January 2004, the ITAB was formed to provide advice, assistance and guidance to the Group's R&D team. Members of ITAB comprise scientists from universities from Malaysia, China and Thailand. INSB Group conducts its R&D in Malaysia and China.

(a) Existing facilities

INSB Group conducts its R&D activities at its R&D and manufacturing plant located in Shah Alam, Selangor. The R&D activities are headed by the CEO and assisted by ITAB and two (2) other technical personnel. The Malaysia R&D plant is equipped with equipments and instruments, such as incubators, microscopes, laminar flow cabinets, electronic weighting machines and vortex mixers. Current research activities include developing new health food supplements, functional foods, meal replacement drinks for slimming and skin care products. The R&D works involve testing the suitability of raw materials and developing formulations for new products. The R&D and manufacturing plant in Malaysia also conduct product development activities from research activities conducted in China.

The R&D centre in China is located at the incubation centre at the CAU in Beijing. INSB Group's R&D centre in China is a technical collaboration between INSB and the CAU. The R&D result pursuant to the R&D responsibilities would then be shared between TOF and CAU.

(b) Collaborative R&D arrangements

INSH, the holding company of INSB has formed several R&D alliances with corporations and R&D institutions in China, namely CBBG, Zhen-Ao and CAU.

Current research activities include developing new health food supplements, functional foods, meal replacement drinks for slimming and skin care products. The R&D works involve testing the suitability of raw materials and developing formulations for new products.

The following table sets out the major areas of collaboration with the respective institutions:-

Institutions	Areas of Collaboration
CBBG, Beijing	Pharmacology. The initial R&D works will be carried out by CBBG with INSH Group conducting the final research at the product development stage to test the suitability of the products prior to commercialisation.

8. BUSINESS OVERVIEW (CONTINUED)

Institutions	Areas of Collaboration
Zhen-Ao, Dalian, China	<p>Biomolecular science to develop product for use in health food supplements, food additives and pharmaceuticals.</p> <p>The initial R&D works will be carried out by Zhen-Ao with INSH conducting the final research at the product development stage to test the suitability of the products prior to commercialisation.</p>
CAU, Beijing, China	R&D in food science including nutritional foods products, food processing technology, food microbiology, nutrient analysis, quality control and food chemistry.
UPM, Malaysia	R&D in food science including nutritional science, improvement of food processing technologies and to research on Malaysia's plant biodiversity.

INSB Group is aware of the need to secure intellectual property rights and in line with this have taken several measures including having formal agreements, to ensure ownership and control over them.

TOF plans to enter into a formal agreement with CBBG whereby TOF will be granted the right to manufacture, market and distribute Chinese medicine.

TOF has on 7 March 2005 signed a Memorandum of Understanding with UPM to collaborate in R&D in nutritional science, improvement of food processing technologies and also to research on Malaysia's plant biodiversity.

INSH and Zhen-Ao have in an agreement dated 16 March 2004 granted TOF the rights to manufacture and sell the INS-Zhen-Ao (Nucleic Acid) product in Malaysia and ASEAN countries. In addition, INSH, CAU and TOF have in a novation agreement dated 15 March 2004 agreed that TOF will take over the role of INSH in certain identified R&D activities wherein the rights and benefits / results of such R&D will be shared by both CAU and TOF equally. A formal agreement was entered into between TOF and CAU on 19 July 2004 to cooperate in the following areas:-

- (i) To extract from seaweed (marine alga) or other plants the active ingredients that cures diabetes and for other healthcare purposes;
- (ii) R&D of nutritional products for a balanced diet in helping children's intellectual development; and
- (iii) R&D on health food that counter insomnia and disease for the elderly.

Subsequently, on 29 December 2004, TOF and CAU have entered into 3 R&D agreements to set out the terms and conditions for each of the respective R&D areas. Research materials and intellectual property rights of these three (3) research areas will be shared between them.

8. BUSINESS OVERVIEW (CONTINUED)**(c) Achievements of R&D of new products and processes**

The products which have been successfully developed from the Group's R&D efforts are as follows:-

Name of Product	Description of R&D Efforts
INS Wheatgrass Tea INS Wheatgrass Tea – Honey Enriched INS Wheatgrass Plus Sky Wheat Wheatgrass	Developed the low temperature drying and grinding method to dry wheatgrass without using the conventional heating system to dry leaves to maintain the nutrient content and beneficial enzymes found in wheatgrass.
INS So Easy Slim Care Nutri-Schemc series	Developed a procedure to process fibre extracted from the inner bark of the oil palm tree for use as dietary fibre in meal replacement drinks for slimming. This process involves low temperature fermentation, drying and micro grinding of the raw fibre.
ITO I-MU Nutrimeal	Formulated a nutritional food supplement for children containing dehydrated fruits and vegetables, oat powder, honey, plant protein, bean extracts and colostrums containing naturally occurring immunoglobulin found in milk to improve the body's immune system.
Sky Wheat Skin Care Cleansing Series Sky Wheat Skin Care Caring Series	Formulated using pure and natural plant extracts, collagen, placenta and other ingredients.

The Malaysia R&D and manufacturing plant also conducts product development activities from research activities conducted by the research centre in China. It had previously collaborated with scientists from local and foreign universities. TOF has also signed a Memorandum of Understanding with UPM to collaborate R&D efforts in nutritional science, food processing technology and research on Malaysia's plant biodiversity.

As part of the Group's future plans, INSB intends to upgrade its existing R&D facilities in order to enhance its capabilities in the area of bioscience research. A portion of the proceeds from the Listing will be set aside for this purpose.

(d) R&D personnel

The Group's R&D functions are supported by a panel of international technical advisors and as well as the Group's own R&D personnel. Key personnel of the R&D functions are listed as follows:-

i. International Technical Advisory Board

The ITAB provides advice, assistance and guidance to the Group's R&D team on issues related to bioscience including R&D, product development, manufacturing and intellectual property. The Board also advises TOF on the developments and trends in the Malaysian and global bioscience industry.

The technical advisors are:-

- Professor Dr. Mohd Azmi bin Mohd Lila

Further information on Professor Dr. Mohd Azmi bin Mohd Lila is disclosed under Section 9.5 of this Prospectus.

8. BUSINESS OVERVIEW (CONTINUED)

- Professor Dr. Mohamed Isa bin Abdul Majid

Professor Dr. Mohamed Isa is the member of ITAB. He graduated with a Bachelor of Pharmacy with Honours from Universiti Sains Malaysia in 1984 and was awarded Doctor of Philosophy from the University of Bath in 1988. He is a member of the West Malaysian Pharmaceutical Council. From 1995 to 2000, he was appointed as a faculty member at the School of Pharmaceutical Science – Pharmacy Department in Universiti Sains Malaysia and also a faculty member of Allied Health Sciences in Universiti Kebangsaan Malaysia. He sits as the Chairman of the Technical Committee for the National Centre for Marine Biotechnology and Biodiversity Research and Industry. He is also the National Coordinator for Biopharmacy Cooperative Centre and National Biotechnology Directorate under the MOSTI. He acts as the adviser to the Group for new R&D activities and projects.

- Professor Dr. Yunbo Luo

Professor Dr. Luo graduated with a Bachelor of Science Degree in Agriculture Science from Southwestern Agriculture University, China, in 1982. He later pursued his doctorate degree in Biological Science from the University of Bath, United Kingdom, in 1987. In 1996, he was the guest professor in the Faculty of Agriculture in Cornell University, USA. In the subsequent year, he was a visiting fellow professor to the Faculty of Food Science in Purdue University. He is currently the dean and professor of the College of Food Science and Nutritional Engineering at China Agriculture University, Beijing, China.

- Professor Dr. Parnich Tinnimit

Professor Dr. Parnich graduated with a Bachelor of Science Degree in Agriculture and Animal Science from Kasetsart University in Bangkok, Thailand, in 1961. Subsequently he pursued a Master of Science Degree in Animal Science at the University of Hawaii, United States, in 1967 and a Doctor of Philosophy at the Michigan State University, United States, in 1974. Currently, he is the Emeritus Professor to the Faculty of Natural Resources, Prince of Songkla University.

ii. Key R&D personnel

The technical R&D personnel in Malaysia, which are under the guidance and advice of ITAB members, are:-

- Datuk Yeat Sew Chuong

Datuk Yeat sets the objectives and strategies for R&D activities following advice from ITAB and identifying trends and opportunities in the market. Actual R&D activities are conducted by qualified R&D personnel within INSB Group.

- Lim Sia Huat

Lim Sia Huat is TOF's Product Development and Production Manager. His primary role as the Product Development Manager is to develop product prototypes to assess the product quality and viability for eventual commercial production. This also involves researching, developing and assessing new production technologies to produce these new products.

8. BUSINESS OVERVIEW (CONTINUED)

- Pui Jin Chiew

Pui Jin Chiew is the Group's Senior Technical Personnel and Nutritionist. He is completing a Master of Science majoring in Diabetes and Cardiology. He is the personnel involved in overall R&D of a new product from development stage to the commercialisation stage. His functions include the investigation of product complaints, solution provider to product complaints, internal adviser for QC in production and inspection of raw materials and finished goods. He is assisted by a team of technical personnel and nutritionist in his duties.

- Lee Siew Ling

Lee Siew Ling graduated from Universiti Kebangsaan Malaysia with a Bachelor degree in Nutrition. Currently, she is the INSB Group's Technical Personnel / Nutritionist.

(e) Awards

The Group has received the following awards for its R&D efforts:-

- (i) Silver Medal at the "28th Geneva International Exhibition of Invention, Innovation and New Techniques 2000" for indoor aeroponic cultivation technique used to cultivate wheatgrass. This technique enables cultivation and harvesting of wheatgrass within 8 days under controlled indoor conditions without the use of inorganic fertilizers.
- (ii) Gold Medal at the "International Invention Expo 2000 Hong Kong" for the development of wheatgrass tea in powder form from using both the leaves and roots of the plant to enhance the nutrient contents of the product.

8.3.2 Establishment of R&D Centre

INSB Group intends to develop its R&D centre and manufacturing plant in the BioValley or other comparable strategic locations. The new R&D centre will be equipped with analytical equipments such as chromatographers, chemical analysts, electronic counters, inverted microscope and spectrometers. The R&D centre will also be equipped with facilities to develop cultivation techniques and prototype products.

In April 2005, the government has unveiled its biotechnology policy aimed at further boosting Malaysia's biotechnology sector with greater support from the government including tax incentives and pioneer status for biotechnology companies. The biotechnology sector is expected to constitute 5% of Malaysia's Gross National Product by 2020.

8.3.3 Wheatgrass cultivation technology

The INSB Group's wheatgrass cultivation method is unique as it is a combination of the close and controlled environment, aeroponic cultivation and the use of biotechnology.

Growing wheatgrass under a closed and controlled environment (also known as photo-bioreactor) allows controlled light and temperature to stimulate the growth of wheatgrass. Aeroponic cultivation is a method whereby nutrients are not absorbed by the roots but by the leaves of the plants. For the development of green tissues of leaves, nutrient absorption through the leaves is considered faster than through root absorption. Growing wheatgrass under close and aeroponic conditions require nutrients to be available in the air moisture to be absorbed by the leaves. Use of

8. BUSINESS OVERVIEW (CONTINUED)

inorganic fertilisers is not possible as crystalline deposits on the leaves will destroy the quality and taste of the wheatgrass product. Thus, nutrients in the air moisture are sourced from organic materials derived from plants. In addition, the “raw” nutrients in the air moisture will have to be converted or broken down into a form that can be absorbed by the leaves i.e. micro-nutrients.

8.3.4 In-house development of micro-organisms

Micro-organisms are used to supply necessary bio-nutrients required for the cultivation of wheatgrass. The micro-organism/ bacteria produced in-house will be used as a catalyst to breakdown the raw organic nutrients into absorbable micro-nutrients, which are easily absorbed through fine pores on leaves and tender roots. The use of enzymes produced by the micro-organism allows TOF to grow wheatgrass all year round with an eight (8) days cycle compared with the standard fourteen (14) days using traditional methods.

The fermentation of palm fibre involves the employ of micro-organisms to convert wasted natural resources into high economic value food products. An optimized fermentation process would ensure that dietary fibre product is readily ingested into the human alimentary system and suitable for human consumption.

8.3.5 Quality Control

INSB Group places emphasis on the quality of its products to ensure that these products are safe for human consumption. QC teams and procedures are in place at various stages of the cultivation and production processes. Mechanical and visual checks are conducted regularly during various stages of the manufacturing processes. Raw materials are weighted and checked in the laboratory before being used in the production process. Filling machines are regularly checked and calibrated to ensure sachets and containers are correctly filled according to the correct weight. Samples from the production process are sent to the laboratory for testing to ensure that they meet the Group’s quality standards. All packaging boxes or containers are labelled with expiry dates and batch numbers for ease of reference.

The manufacturing plant at Shah Alam is certified as a GMP factory by DCA of MOH.

Health food supplements are manufactured under GMP standards set by the National Pharmaceutical Control Bureau of MOH. Production rooms, machinery and equipment are regularly cleaned and air from the air-conditioning system is filtered and sterilized via ultra-violet system to eliminate airborne contaminants. All employees entering the production facility are required to wear special foot covers, head caps, coats, facemask and gloves to prevent contamination. Furthermore clean utensils and containers are used to handle the raw materials, semi-finished and finished products to prevent contamination.

8.4 Trademarks and Patents

The Group relies on a combination of patents, trademarks and domain name registration to establish and protect its intellectual property, manufacturing processes, brand name and logos and internet domain name.

(a) Patents

The Group has taken steps to protect its manufacturing processes in Malaysia by applying to the PRO for the registration of TOF’s patent. The details of such patents are as follows:-

- (i) An application in relation to ‘Methods of Processing Oil Palm Dietary Fibre’ was filed on behalf of Datuk Yeat Sew Chuong with the PRO on 15 October 2003 and the certificate of filing bearing application no. PI 20033935 was issued on 27 October 2003 with a request for substantive examination due on

8. BUSINESS OVERVIEW (CONTINUED)




15 October 2005. On 28 February 2004, Datuk Yeat Sew Chuong, the inventor of the processing method assigned the patent and the patent application to TOF. The assignment was subsequently filed with the PRO on 1 April 2004.

- (ii) An application in relation to 'Manufacturing Method of Wheatgrass Tea' was filed on behalf of TOF with the PRO on 15 August 2002 and the certificate of filing bearing application no. No. PI 20023028 was issued on 22 August 2002 with a request for substantive examination due on 15 August 2004.

At present, the substantive examinations for both the patent applications are still pending.

(b) *Trademarks*

Save as disclosed below, there are no other trademarks obtained by the Group:

Trademark	Trademark number	Class*	Status
	00015389	30	Certificate of Registration issued on 12 June 2003
	00015922	30	Certificate of Registration issued on 15 September 2003
	01006810	11	Approved for gazetting (letter dated 28 August 2002). Letter of request for transliteration was issued on 12 May 2003

- # Apart from the trademarks disclosed above, INSE has applied to the Registrar of Trademarks for the registration of So Easy – Slim Care Nutri-Scheme, Bio Diet, 2Easy – Body Care Nutri-Scheme, 2Easy – Cleansing Pembersihan, 2Easy – Detoxification, Sky Wheat, 2 Easy, 2 Fit, So Fit, Bio G, Sky Wheat, You Are Partner, Bio Wins, INS, Logo, Bioscience and Origins Foods under classes 3, 5 or 35 respectively. At present, the applications are pending approval.

* Note: Refer as classification of goods and services under the Trade marks registration.

Class 11 – Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.

Class 30 – Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-power, salt, mustard; vinegar, sauces (condiments); spices; ice.

8.5 Competitive Advantages

- (i) Established brandname

INSB Group has established its "INS" brandname since its inception. The Group constantly holds advertising and promotion activities including bulletin, mass media, advertisement, exhibition, etc to enhance the brand awareness.

8. BUSINESS OVERVIEW (CONTINUED)**(ii) R&D effort and unique network marketing and distribution channel**

INSB Group has managed to integrate market research, R&D, manufacturing and marketing within a single group of companies. INSB Group's products are backed by its in-house and external R&D activities whereby existing products are improved and new products are developed. INSB's products are marketed and sold through its extensive MLM network. INSB Group's marketing teams are trained periodically in terms of product knowledge, marketing plan, motivation and career advancement by in-house training centre. All the above programmes are specially designed to emphasize on the INSB culture and its network marketing and distribution channel.

(iii) Strategic alliances and joint venture

As mentioned in Section 8.3.1 of this Prospectus, INSB Group via TOF has a technical collaboration arrangement with CAU, which is a leading agriculture and food research institution in China. This collaboration is expected to enhance the quality of the R&D output.

(iv) Competitive edge in the wheatgrass market

INSB Group is able to retain its competitive advantage in the manufacturing of wheatgrass products through its low temperature drying and grinding method to produce wheatgrass powder. Wheatgrass produced in powder form by the Group minimises any denaturation of enzymes which remain stable when stored at room temperature.

8.6 Production Capacity and Output**8.6.1 Wheatgrass Cultivation**

INSB Group's local wheatgrass cultivation facility is located in Puchong, Selangor. The bulk of wheatgrass cultivation has been shifted to China and is sourced from independent growers that grow and cultivate wheatgrass based on INSB's proprietary wheatgrass cultivation process. The supply from China makes up the main source of wheatgrass supply for the Group whereas the local facility acts as a back up production line.

TOF has not experienced any major interruption on its cultivation that caused disruption in its supply to its customers over the last five (5) years.

8.6.2 Wheatgrass Processing

INSB Group's wheatgrass processing facility is located in Shah Alam Technology Park, Shah Alam, Selangor. Wheatgrass from its independent growers in China as well as from its cultivation facility in Puchong are sent to this processing facility.

TOF has not experienced any major interruption in its processing operation to cause disruption in supply to its customers over the last five (5) years.

8.6.3 Product Output and Production Capacity

The INSB Group manufacturing plant is located at Shah Alam Technology Park, Shah Alam, Selangor. This plant has a built up area of 3,600 square feet. The manufacturing plant is currently operating one (1) shift but has the capacity to operate for two (2) shifts if required. The details on annual production capacity are as follows:-

8. BUSINESS OVERVIEW (CONTINUED)

	Production output in FYE 31 December 2004	Approximate maximum production capacity (2 full shifts)
Sachets (units)	5,455,863	14,700,000
Powder form (kg)	18,421	30,500
Capsules (units)	876,220	4,150,000

TOF has obtained certifications for GMP for its food manufacturing plant in Shah Alam, Selangor. This certification is issued by the DCA which is under the MOH. Foods manufactured by TOF are also certified *halal* by the Islamic Development Department of Malaysia. INSE has also been certified ISO 9001:2000 for Quality Management System Standards compliant, by BM Trada Certification Ltd.

TOF will be shifting its wheatgrass processing facility and manufacturing plant in Shah Alam to a larger processing facility located at Puchong, Selangor by end of 2005.

8.7 Major Customers

Save for Marketing Entrepreneur Global Access Inc., INSB Group does not have any customer that contributes more than 10% of INSB Group's sales.

The company is in the MLM and direct selling industry whereby the distributors are also the customers. As at 31 December 2004, the number of total registered distributors is 95,200.

An analysis of the Group's revenue based on regional market segments for the FYE 31 December 2004 is as follows:-

<u>Country</u>	<u>Percentage of total turnover %</u>
Malaysia	65
USA	10
Thailand	6
Singapore	6
Hong Kong	2
Indonesia	3
Philippines	4
South Africa	4

8.8 Major Suppliers

The Group purchased supplies of fertilizer and raw materials for its health food supplement, functional food products, meal replacement drinks and skin care products. The top ten suppliers (75% total purchases) of the INSB Group, based on FYE 31 December 2004 are as follows:-

No	Supplier Name	Materials Supplied	FYE 31 December 2004		
			Amount RM'000	% of Total Group Purchases (%)	Length of Relationship (Years)
1.	INS Manufacturing Sdn Bhd	Fertilizer	1,706	38	5
2.	Easy Cure Biotech Co. Ltd.	Raw materials for Skin Care Products and So Easy product	250	6	2
3.	Universal Genetic Nutrition Inc	Raw materials for S. Bean products	228	5	1
4.	Emballage Alliance Sdn Bhd	Skin Care Products	228	5	1
5.	Nutripower Sdn Bhd	Raw materials for So Easy products	211	5	2

8. BUSINESS OVERVIEW (CONTINUED)

No	Supplier Name	Materials Supplied	FYE 31 December 2004		
			Amount RM'000	% of Total Group Purchases (%)	Length of Relationship (Years)
6.	Herbal Materials Sdn Bhd	Raw materials for So Easy & Skin Care products	174	4	2
7.	Shandong Machinery I&E Group Corp.	Raw materials for wheatgrass based products	172	4	3
8.	Ferno Industries Sdn Bhd	Packaging materials	139	3	2
9.	Malaysia Packaging Industry Berhad	Packaging materials	128	3	2
10.	Prime Packaging Industries Sdn Bhd	Packaging- Skin Care Products	81	2	1
Total			3,317	75	

For the FYE 31 December 2004, other than INSM who contributed RM1.7 million or 38% of the Group's total purchases, there are no other suppliers contributing more than 10% of total Groups purchases. INSM has been dealing with INSB Group for the past five (5) years.

The Group has formal agreements with most of its vendors to supply raw materials on a continuing basis. TOF does not depend on a single supplier for a particular raw material and has other alternative suppliers. The bulk of fine wheatgrass powder is sent to the TOF's processing plant in Shah Alam for final processing prior to the formulation and packaging into finished products.

8.9 Marketing and Distribution**(a) Malaysian Market**

The INSB Group's products are marketed locally through MLM using distribution centres and distributors to market the products. The Group's MLM schemes and its activities in Malaysia have been approved and licensed by the MDTCA. The Group's network of distributorship as at 31 December 2004 is as follows:-

	<u>Number</u>
Branch Office:	
- Peninsular Malaysia (Since 2003)	1
- East Malaysia (Since 1997)	1
Distribution Centres	
- Peninsular Malaysia	19
- East Malaysia	5
Distributors:	
- Total registered distributors	95,200
- Active registered distributors*	22,850

Note:-

* Refers to registered members who had purchased at least RM78 worth of products during a period of twelve (12) months.

(b) Overseas Markets

The INSB Group's products are marketed overseas by distributors and through informal arrangements for the distribution of the products with local companies. Country distributors have been appointed in Thailand, Indonesia, Singapore and Hong Kong.

8. BUSINESS OVERVIEW (CONTINUED)

The Group's products have penetrated the following markets:-

- Thailand
- Singapore
- Hong Kong
- Indonesia
- Philippines
- Australia
- USA
- South Africa

8.10 Employees

As at 31 May 2005 (being the last practicable date prior to the issuance of this prospectus), INSB Group has a total of 78 employees as illustrated below:-

	Number of employees	Average number of years of service
Management and Professional	16	2.69
R&D, Technical & supervisory	28	1.24
Clerical & Administration	11	0.86
Skilled Workers	6	2.90
General Workers	17	1.17
Total	78	

INSB Group believes in training its employees through professional training programmes to improve their skills, productivity and professionalism in the workplace. Training programmes are conducted in-house, engaging professional consultants to conduct training programmes at its premises, or sending employees for external training courses in institutions.

INSB Group has not faced any shortage of labour, which could impede its business growth. INSB Group's employees are not members of any labour union and the relationship between the Group and its employees is cordial and based on mutual respect. There have never been any industrial or labour disputes lodged by any of its employees or ex-employees against any of the companies within the INSB Group or its management.

8.11 Achievements and Certifications

The Group through its subsidiary companies has attained numerous achievements and awards. The details of these achievements and awards are as follows:-

Year	Award title	Achievement awarded
2000	Silver medal – 28 th Geneva International Exhibition Invention, Innovation and New Techniques 2000	INS Wheatgrass tea
	Gold medal – International Invention Expo 2000 Hong Kong	INS Wheatgrass tea
	Enterprise 50 Award Programme 2000	Award for entrepreneurship
2001	Certificate for GMP	Manufacturing of health food products
2001	Enterprise 50 Award Programme 2001	Award for entrepreneurship
2002	Certified as Largest Wheatgrass Tea Producer by The Malaysia Book of Records	Largest wheatgrass tea producer in Malaysia
	Enterprise 50 Award Programme 2002	Award for entrepreneurship
2003/2004	Certificate of Halal Products	<i>Halal</i> certification for some of INSB Group's products

8. BUSINESS OVERVIEW (CONTINUED)

The Group has also received the following certification:-

Type of certificate (certificate no.)	Issuing authority/ issued to	Certified period	Type of Certification
GMP Certification No. 017/05	National Pharmaceutical Control Bureau, MOH/ TOF	3 December 2004 to 2 December 2006	Products manufactured in table/capsule and sachet forms follows GMP
Certificate of Halal Products Serial No. 000651 & 000652	Islamic Development Department of Malaysia/ TOF	No. 000651 - 1 April 2004 to 31 March 2006 No. 000652 - 1 April 2003 to 31 March 2006	To certify that INS Wheatgrass Tea, INS 2 Easy Slim Care Nutri-Scheme, Bio Wheatgrass, Bio Cell, Bio Balance and Bio Diet are <i>Halal</i> products. To certify that INS IGG Natural Colostrum, INS Wheatgrass Tea Enriched with Honey, ITO I-MU Nutrimeal, INS High Fibre Bio Wheatgrass, INS High Calcium Bio Colostrum and INS S. Bean Extract are <i>Halal</i> products.
Quality Management System Standards	BM Trada Certification Ltd/INSE	10 May 2004 to 9 May 2007	Certificate of approval of Quality Management System Standards (ISO 9001:2000).

8.12 Operating Licenses and Permits Obtained

The INSB Group is currently operating under the following licenses:-

Company	Date of issue	Expiry date	Type	Licensor
INSE	10 September 2003	10 October 2008	Direct Selling License no. AJL 93903	MDTCA
INSE	1 January 2005	31 December 2005	Business, warehouse/store and horizontal signboard license	Majlis Perbandaran Subang Jaya
INSE	1 September 2004	31 August 2005	Public Performance License No. 13/31662	Public Performance Malaysia Sdn Bhd
INSE	-	-	Publishing Permit	Kementerian Dalam Negeri (Application approved on 14 January 2005, waiting for permit to be released)
TOF	7 May 2004	-	Manufacturing License	MITI
TOF	1 January 2005	31 December 2005	Factory License (MALLP20041850)	DCA, MOH
TOF	31 January 2005	31 December 2005	Lighted Signboard license, food product industry license	Majlis Bandaraya Shah Alam
TOF	26 June 2001	30 April 2005	Pioneer Status Letter	MITI (Application dated 7 March 2005 for renewal has been submitted but pending approval)

8. BUSINESS OVERVIEW (CONTINUED)

INSB Group depends on the above licenses for operating of their businesses. However, the Group reasonably believes that INSB Group will continue to be able to operate under these licenses in the near future.

8.13 Future Plans, Strategies and Prospects

The Group's business objectives are as follows:-

- To establish INSB Group as a leading and progressive bioscience company in Malaysia;
- To expand its customer base; and
- To expand its product range.

INSB Group has identified five (5) core areas in its business strategy to expand its business in the next five (5) years. These core areas are:-

- R&D;
- Product development;
- Market development;
- Brand awareness and image building; and
- Human resources recruitment and development.

These business strategies are described in the following table:-

Core Areas	Business Strategy
R&D	Intensify R&D activities in bioscience, including seeking partnership with potential R&D partners and acquiring new technologies in R&D.
Product development	Develop and expand product range through R&D to develop new and innovative products including expanding into new product categories.
Market development	Expand markets in Malaysia and overseas including new overseas market through establishment of new distribution centres and new distributors.
Brand awareness and image building	Increase brand awareness of INS as the brand of choice for its customers and INSB Group's image as a progressive R&D Group in biosciences.
Human resource	Recruit and maintain a pool of qualified workforce including knowledge workers who are professionals in their field of expertise.

INSB Group intends to develop and introduce products with a higher level of technical sophistication to develop and produce from year 2006 onwards. These include pharmaceutical products, traditional herbal medicine and development of health food supplements, functional foods and skin care products. This is made possible with improved facilities to conduct R&D, recruitment of R&D personnel qualified in the biosciences, acquisition of new technologies in R&D, technical expertise and new production processes to develop these products.

The prospect of herbal products, meal replacement drinks and health food supplements industry in Malaysia and the international markets augurs well for the Group in view of the increase in general consumer health consciousness, which are generally gravitating towards these products.

8. BUSINESS OVERVIEW (CONTINUED)

The INSB Group also expects to benefit from the coming effects of the AFTA and WTO, which will result in lower cost of export. Although the Group is expected to face stiff competition in the domestic market from cheaper imports as a result of the reduction/abolishment of import tariff, the impact would be minimal. The Group will leverage on its economies of scale, which will enable the Group to manufacture its products in a cost effective manner. In addition, the Group has established a well placed distribution network throughout Malaysia to efficiently distribute its products.

8.14 Approvals and Conditions

The Listing Proposal has obtained the approvals from the following authorities on the dates set out below:-

Authority	Date of approval
SC	24 February 2005
MITI	7 May 2004

The conditions imposed by the SC (and approved under the Guidelines on the Acquisition of Interests, Takeovers and Mergers by Local and Foreign Interest) in their approvals for the Listing Proposal are as follows:-

Details of conditions imposed	Status of compliance
(i) INSB is to disclose in its prospectus pertinent information and details on its technology-based activities and the basis and/or justification thereof, including the in-house development of micro-organisms used in INSB's processes.	Complied. Please refer to Sections 8.3.3 and 8.3.4.
In addition, INSB is to disclose that its supply of wheatgrass are obtained from growers that grow and cultivate wheatgrass based on INSB's proprietary wheatgrass cultivation process, and to disclose risk and mitigation factors with respect to the supply of wheatgrass and breach of confidentiality agreements by the growers.	Complied. Please refer to Sections 8.6.1 and 4.11.
(ii) With respect to the acquisition of INSE and TOF, INSB is required to disclose in its prospectus detailed bases/factors taken into consideration in arriving at the purchase consideration for INSE and TOF, including the profit forecast of INSE and TOF for the financial year ending 31 December 2005; and confirmation from the Advisers that the proceeds of investments by OSKTV have been received by INSE and TOF.	Complied. Please refer to Section 6.3.1. Complied via letter to SC dated 8 April 2005.
(iii) INSB is to include the following disclosures in its prospectus in relation to INSB's allocation of proceeds for its R&D centre:-	
(a) Detailed breakdown of the utilisation of proceeds for the R&D centre, and expected timeframe to construct and complete the Centre, in particular purchase consideration, and terms and conditions for use of land within BioValley Project;	Complied. Please refer to Section 3.9.
(b) Expected incentives arising from BioValley status and significance thereof to the Group's business and operations, and its business plan;	Complied. Please refer to Section 8.3.2.
(c) Impact on consequent of delays in completing the BioValley Project to the Group's business and operations, and its business plan; and	Complied. Please refer to Section 4.27.
(d) Alternative plans of INSB Group should the R&D Centre and BioValley Project be delayed and/or postponed.	Complied. Please refer to Section 4.27.
(iv) In view of current development of INSB's collaborative R&D arrangements, INSB is to include the following disclosures in the prospectus:-	

8. BUSINESS OVERVIEW (CONTINUED)

(a)	To state how the relationship with respect of the Chinese institutions are governed, and to disclose the salient terms and conditions of the agreement (if any), in particular the contributions/investments of INSB group and the Chinese institutions respectively;	Complied. Please refer to Section 8.3.1.
(b)	To clearly identify the ownership or joint-ownership of intellectual property(ies) arising from the R&D collaboration; and	Complied. Please refer to Section 8.3.1.
(c)	To disclose the Group's dependence on the Chinese institutions and their R&D capabilities, and mitigating factors thereof.	Complied. Please refer to Section 4.16.
(v)	With respect to INSB's related party transactions, INSB is to include the following disclosures in its prospectus the following:-	
(a)	Rationale for other non-related parties to utilise "INS" brandname; and	Complied. Please refer to Section 6.6.3.
(b)	Disposal of INS Manufacturing Sdn Bhd (INSM) by INSE to INSH, including pertinent and relevant details with respect to the purchase consideration, and basis and rationale for disposal of INSM for purchase consideration of RM100,000, resulting in a loss of RMI.658 million.	Complied. Please refer to Section 6.6.1.
(vi)	INSB is to disclose in its prospectus the following in relation to its trade receivables:-	
(a)	To disclose in the prospectus the ageing analysis based on the Group's latest audited trade receivables including measures taken to recover the long overdue balances and other credit control measures undertaken to mitigate the risk of bad debts;	Complied. Please refer to Section 5.4 (e).
(b)	To make full provision for trade receivables outstanding that has exceeded the normal credit period of 90 days but less than 180 days, unless it can be justified that the outstanding amount can be collected. The said justification must be disclosed in the prospectus supported by an independent opinion from the Reporting Accountants; and	Complied. Please refer to Section 5.4 (e) and the Reporting Accountants' Letter on Trade Receivables as set out in Section 15 of this Prospectus.
(c)	To collect or make full provision for all trade receivables that have been outstanding for more than 180 days.	Complied. Please refer to Sections 5.4 (e) and the Reporting Accountants' Letter on Trade Receivables as set out in Section 15 of this Prospectus.
(vii)	INSB to confirm that the independent directors meet the qualifying requirement under MESDAQ Market Listing Requirements (MMLR);	Complied. Confirmed to SC via letter dated 15 April 2005.
(viii)	INSB to confirm that the member of audit committee meet the qualifying requirement under MMLR;	Complied. Confirmed to SC via letter dated 15 April 2005.
(ix)	OSK Securities Berhad (OSK)/INSB to disclose the status of utilisation of proceeds in its periodic and annual reports until the proceeds are fully utilised;	To be complied with.
(x)	OSK/INSB to ensure that all provisions under MMLR are complied with;	To be complied with.
(xi)	INSB to meet the 30% Bumiputera equity requirement within one (1) year after the Company has achieved the profit record	To be complied with.

8. BUSINESS OVERVIEW (CONTINUED)

	requirement companies applying for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market of Bursa Securities, whichever is the earlier, in which the shares to be allocated to Bumiputera investors should be approved by MITI;	
(xii)	INSB to submit a preliminary proposal to SC on how the Company proposes to meet the Bumiputera equity conditions, 6 months before the expiry date of the compliance;	To be complied with.
(xiii)	OSK/INSB to inform the SC when the proposed flotation on MESDAQ Market is completed; and	To be complied with.
(xiv)	Approvals obtained from other relevant authorities, if any.	Complied. The approval of MITI was obtained on 7 May 2004.

The SC has noted that after the proposed listing of INSB, all of the equity in INSB will be held by non- bumiputera shareholders.

The conditions imposed by MITI in their approvals for the Listing Proposal are as follows:-

Details of conditions imposed	Status of compliance
(i) INSB is required to increase the Bumiputera equity interest of the Company to 30% within five (5) years after admission, or within one (1) year after it has achieved a profit record required for a listing on the Second Board of Bursa Securities, whichever is the earlier;	To be complied with.
(ii) Allocation of shares to Bumiputera at paragraph (i) above is subject to MITI's approval;	To be complied with.
(iii) INSB is required to obtain the approval from SC for the Proposed Listing and the compliance with the Malaysian Code on Takeovers and Mergers; and	Complied. The approval of the SC was obtained on 24 February 2005.
(iv) INSB is required to obtain the approval from Bursa Securities for the Proposed Listing.	Pursuant to SC guidelines, effective 1 January 2005, application to Bursa Securities but decisions have yet to be made by 31 December 2004 will be considered by SC. The approval of the SC was obtained on 24 February 2005.

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