

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

9.1 Ownership and Management

Based on the Register of Members of INSB as at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, the direct and indirect interests of the substantial shareholders, Directors, Promoter and Key Management in the issued share capital of the Company, before and after the Public Issue are as follows:-

Name	Nationality / Country of incorporation	Before Public Issue			After Public Issue		
		Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Substantial Shareholders							
INSH	Malaysia	149,157,700	-	69.38	149,157,700	-	52.03
Datuk Yeat Sew Chuong	Malaysian	9,468,100	149,157,700 ¹	4.40	9,968,100 ³	149,157,700 ¹	3.48
OSKTV	Malaysia	37,634,400	-	17.50	37,634,400	-	13.13
OSKVI	Malaysia	-	37,634,400 ²	-	-	37,634,400 ²	-
Directors							
Datuk Yeat Sew Chuong	Malaysian	9,468,100	149,157,700 ¹	4.40	9,968,100 ³	149,157,700 ¹	3.48
Dato' Tan Seng Leong	Malaysian	10,000,000	-	4.65	10,000,000 ³	-	3.49
Wong Seng Tong	Malaysian	1,032,390	-	0.48	1,532,390 ³	-	0.53
Khoo Keat	Malaysian	1,498,510	-	0.70	1,798,510 ³	-	0.63
Wong Kin Nam	Malaysian	-	-	-	500,000 ³	-	0.17
Professor Dr. Mohd Azmi Bin Mohd Lila	Malaysian	-	-	-	200,000 ³	-	0.07
Koong Lin Loong	Malaysian	-	-	-	200,000 ³	-	0.07
Dato' Abdul Majit bin Ahmad Khan	Malaysian	-	-	-	500,000 ³	-	0.17
Tan Sri Dato' Seri Law Hieng Ding	Malaysian	-	-	-	200,000 ³	-	0.07
Dato' Liow Tiong Lai	Malaysian	-	-	-	200,000 ³	-	0.07
Promoter							
INSH	Malaysia	149,157,700	-	69.38	149,157,700	-	52.03
Key Management							
Dr. Larry Wong Chee Yoong	Malaysian	-	-	-	100,000 ³	-	0.03
Wong Chau Ming	Malaysian	-	-	-	200,000 ³	-	0.07
Chin Yong Shya	Malaysian	-	-	-	250,000 ³	-	0.09

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

Name	Nationality / Country of incorporation	Before Public Issue		After Public Issue	
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Key Management (cont'd)					
Wong Kee Hie	Malaysian	-	-	100,000 ³	-
Lim Sia Huat	Malaysian	750,170	0.35	850,170 ³	0.30
Pui Jin Chiew	Malaysian	-	-	60,000 ³	0.02
Chow Foong Yau	Malaysian	-	-	100,000 ³	0.03
Chcah Ming Huat	Malaysian	-	-	100,000 ³	0.03
Lim Cham Hooi	Malaysian	-	-	70,000 ³	0.02
Nyew Sean Woo	Malaysian	-	-	100,000 ³	0.03
Lee Soo Fong	Malaysian	-	-	70,000 ³	0.02

Notes:-

1. Deemed interested by virtue of his direct shareholding in INSH pursuant to Section 6A of the Act.
2. Deemed interested by virtue of its shareholding in OSKTV pursuant to Section 6A of the Act (disclosure of indirect interests by virtue of shares held in a downstream company is restricted only to the immediate upstream company).
3. Assuming full subscription of their respective entitlements pursuant to the pink form allocation.

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9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

9.2 Profile of Promoter and Substantial Shareholders

9.2.1 INSH

INSH is a promoter and substantial shareholder of INSB. INSH was incorporated in Malaysia under the Act on 24 September 1999. The principal activity of INSH is investment holding. Apart from INSB, the following are other subsidiaries of INSH as at 31 May 2005:-

Company	Date of incorporation	Principal activities	Effective equity interest
A-Plus Tech (M) Sdn Bhd	25 February 1997	Manufacturing of Lubricant & Petrol Oil	100%
A-Plus Tech Trading Sdn Bhd	7 January 1999	Trading of Engine oil & Related Machines	100%
Bio-Agro Products Sdn Bhd	19 November 1999	Dormant	100%
Cosmopolitan Asset Sdn Bhd	5 September 1995	Wholesaler in consumer products	90%
Harmony Returns Sdn Bhd	8 November 1999	General Trading	70%
IGS Telecommunication Sdn Bhd	2 August 2002	Providing Telecommunication Services	100%
INS Capital and Development Sdn Bhd	14 October 1996	Dormant	100%
INS Construction Sdn Bhd	31 May 2000	Dormant	100%
INS Entertainment Sdn Bhd	4 January 2002	Musical & Video Presentation Stage Presentation	100%
INS Giant System Bhd	21 February 1997	Information Technology Services & Products	80%
INS Trading Sdn Bhd	21 August 1999	General Trading	100%
INS Venture Sdn Bhd	22 April 2002	Investment Holdings	80%
I-Pay Networks Sdn Bhd	19 November 1999	Providing Telecommunication Services	60%
Multi-Tech Resource Sdn Bhd	16 September 1996	Cultivation, process and packaging of Chinese herbs and Health Foods	100%
SNI Construction Sdn Bhd	16 September 1996	Dormant	100%
The Origin Foods Marketing Sdn Bhd	21 July 2000	Trading of wheatgrass and other consumer products	100%
VPS Network Sdn Bhd	17 July 2002	Providing Telecommunication Services	100%
IBG Ventures Sdn Bhd	16 April 2004	Investment Holdings	75%

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

As at 31 May 2005, the directors of INSH and their respective shareholdings in INSH are as follows:-

Name of Director	Shareholdings				Nationality
	Direct	%	Indirect	%	
Datuk Yeat Sew Chuong	4,212,716	52.0	-	-	Malaysian
Wong Seng Tong	459,510	5.7	-	-	Malaysian
Yeat Siaw Ping	666,740	8.2	-	-	Malaysian
Khoo Keat	666,740	8.2	-	-	Malaysian
Eong Kek Hock	533,392	6.6	-	-	Malaysian
Lim Sia Huat	333,370	4.1	-	-	Malaysian

The substantial shareholders of INSH are as follows:-

Name	Shareholdings				Nationality
	Direct	%	Indirect	%	
Datuk Yeat Sew Chuong	4,212,716	52.0	-	-	Malaysia
Wong Seng Tong	459,510	5.7	-	-	Malaysia
Yeat Siaw Ping	666,740	8.2	-	-	Malaysia
Khoo Keat	666,740	8.2	-	-	Malaysia
Eong Kek Hock	533,392	6.6	-	-	Malaysia
Ng Wei Chiang	459,510	5.7	-	-	Malaysia

9.2.2 OSKTV

OSKTV, a wholly owned subsidiary of OSK Ventures International Berhad ("OSKVI") was incorporated in Malaysia under the Act on 12 October 1994. The principal activities of OSKTV are to undertake venture capital investments in high technology and high growth companies.

As at 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, OSKTV has an authorised share capital and issued and paid-up share capital of RM5,000,000 and RM150,000 respectively. Its directors are Mr Ong Leong Huat @ Wong Joo Hwa and Dato' Nik Mohamad bin Nik Yahya. Mr Ong Leong Huat @ Wong Joo Hwa and Dato' Nik Mohamad bin Nik Yahya are also directors of OSKH and OSK.

9.2.3 OSKVI

OSKVI has indirect interest in INSB via its wholly owned subsidiary, OSKTV. OSKVI was incorporated as a public limited company under the Act on 5 December 2003 and its shares were listed on the MESDAQ Market on 8 September 2004. OSKVI is an investment holding company. The principal activities of the OSKVI Group are venture capital and the management of investments in securities of venture companies.

The substantial shareholders of OSKVI and their respective shareholdings as at 31 May 2005 are as follows:-

Names	Shareholdings				Place of incorporation / Nationality
	Direct	%	Indirect	%	
OSK Holdings Berhad	858,898,800	57.26	-	-	Malaysia
Ong Leong Huat @ Wong Joo Hwa	3,000,000	0.20	858,898,800	57.26 ^(a)	Malaysian

(a) Deemed interested by virtue of his substantial shareholding in OSKH pursuant to Section 6A of the Act.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

The Directors of OSKVI and their respective shareholdings as at 31 May 2005 are as follows:-

Name of Director	Shareholdings				Nationality
	Direct	%	Indirect	%	
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	3,000,000	0.20	-	-	Malaysian
Ong Leong Huat @ Wong Joo Hwa	3,000,000	0.20	858,898,800	57.26 ^(a)	Malaysian
Wong Chong Kim	3,000,000	0.20	1,700,000	0.11 ^(b)	Malaysian
Yap Yuh Foh, Eddie	375,000	0.02	-	-	Malaysian
Dato' Abdul Azim bin Mohd. Zabidi	-	-	-	-	Malaysian
Tan Sri Datuk Dr. Omar bin Abdul Rahman	-	-	-	-	Malaysian
Foo San Kan	-	-	-	-	Malaysian

Notes:-

(a) Deemed interested by virtue of his substantial shareholding in OSKH pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of his substantial shareholdings in Harmony Chime Sdn Bhd.

9.2.4 Directorships and substantial shareholdings in Other Public Corporations

Save as disclosed below, none of the substantial shareholders of INSB has any previous or existing directorship or substantial shareholding in any other public companies for the past two (2) years preceding the date of this Prospectus.

Substantial Shareholders	Company	Principal Activities	% held as at 31 May 2005			
			Direct	%	Indirect	%
INSH	INSB	Investment holdings.	149,157,700	52.03	-	-
	INS Giant System Bhd	Information Technology Services & Products	400,000	80.00	-	-
OSKTV	Infortech Alliance Berhad	Enterprise software solution provider.	.*	.*	-	-
	Nova MSC Berhad	Operational headquarters for the group and function as the group's Global Software and Development Service Centre.	.*^	.*^	-	-
	Impressive Edge Group Berhad	Precision engineering and semiconductor support industry.	.*^	.*^	-	-
	MNC Wireless Berhad	Investment holding, sales and marketing, and R&D of wireless, mobile and multimedia solutions and content.	224,054	10.00	-	-

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

Notes:-

^ The shareholdings held are below 5% of the enlarged share capital of the above companies.

* OSKTV was the substantial shareholder during the past two (2) years period.

9.3 Changes in Substantial Shareholders

The changes in the registered substantial shareholders of INSB, and their shareholdings since incorporation up to 31 May 2005, being the last practicable date prior to the issuance of this Prospectus, are as follows:-

	As at 28 July 2003		As at 5 April 2005 (After Acquisitions)		As at 12 April 2005 (After Share Split)		Upon Listing	
	Number of Shares	(%)	Number of Shares	(%)	Number of Shares	(%)	Number of Shares	(%)
Lim Siew Yen	1	50.00	1	-*	-	-	-	-
Fatimah binti Abdul Latif	1	50.00	1	-*	-	-	-	-
INSH	-	-	14,915,770	69.38	149,157,700	69.38	149,157,700	52.03
Datuk Yeat Sew Chuong	-	-	946,810	4.40	9,468,100	4.40	9,968,100	3.48
OSKTV	-	-	3,763,440	17.50	37,634,400	17.50	37,634,400	13.13

Note:-

* Negligible.

9.4 Moratorium on Shares

Paragraph 2.10.2 of the MMLR states that Shares held by the Promoters amounting to 45% of the nominal issued and paid-up capital of the Company at the date of admission to the Official List of the MESDAQ Market, and any interest in such Shares, are to be placed under moratorium.

The Promoter, whose Shares are subject to this requirement, and OSKTV have placed their Shares under moratorium as follows:-

	After Public Issue		Under moratorium	
	No. of Shares	%	No. of Shares	%
Promoter				
INSH	149,157,700	52.03	129,006,009	45.00
Shareholder				
OSKTV	37,634,400	13.13	9,408,600	3.28
TOTAL	186,792,100	65.16	138,414,609	48.28

The moratorium has been fully accepted by INSH and OSKTV listed above, and they will not be allowed to sell, transfer, or otherwise dispose of any part of their interest in the INSB Shares under moratorium within one (1) year from the date of admission of the Company to the Official List of the MESDAQ Market, and thereafter, they are permitted to sell, transfer or otherwise dispose of their respective shareholdings under moratorium, up to a maximum of one third per annum on a straight-line basis.

The restriction, which is fully acknowledged by the aforesaid shareholder, is specifically endorsed on the notice of allotment representing its shareholdings which are under moratorium. The Registrar and Bursa Depository have been informed in writing in relation to the moratorium of the aforesaid Promoter to ensure that it does not register any transfer not in compliance with the moratorium restriction.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

9.5 Board of Directors

The backgrounds of the Directors of INSB are set out as follows:-

Dato' Abdul Majit Bin Ahmad Khan, a Malaysian aged 59, was appointed as the Executive Chairman of INSB on 6 April 2005. He obtained a Bachelor of Economics (Honours) from University of Malaya.

He served with the government and held various positions in the Prime Minister's Department and the Ministry of Foreign Affairs. His positions provided him with wide exposures in various countries that he served at such as Laos, Vietnam, USA, Nigeria, Ghana, Cote de Ivoire, Sierra Leone and Cameroon and the People's Republic of China. In March 1996, he was appointed the Director General of ASEAN Division of the Ministry of Foreign Affairs, which he served until January 1998. As Director General of ASEAN, he actively participated in the organization of the 30th ASEAN Ministerial Meeting held in Kuala Lumpur as well as the ASEAN Head of Summit and the 10+3 Summit Meetings in Malaysia. In 1998, He was appointed as the Ambassador of Malaysia to the People's Republic of China until his retirement on 2 January, 2005.

He was bestowed the DMIP by His Highness the Sultan of Pahang in 1995. In 2001, he was honoured with the JMN award from the Federal Government.

Datuk Yeat Sew Chuong, a Malaysian aged 36, was appointed as an Executive Director of INSB on 6 April 2005. He is the founder cum CEO of INSB Group.

He worked as the General Manager of Inscard Holding Sdn Bhd, a company involved in the distribution of electronic dictionary and organizers and children's computers, from 1987 to 1991 prior to his appointment as Executive Director for that company in 1991. In 1996, he founded INSE, the first company within the INS Group.

He is currently acting as the key corporate planner of INSB Group and is responsible for setting the direction for the INSB Group's business strategies, marketing plans and R&D. With 18 years of experience in marketing and distribution of consumer products, he is also the key person in setting MLM plans for INSE which has led to INSE being an established direct selling company in Malaysia.

He has achieved and been awarded the following:-

- The "Certificate of Merit of The Outstanding Young Malaysians Award" (TOYM) under the Business, Economic and Entrepreneurial Accomplishment category by Junior Chamber Malaysia in 1999 and 2000;
- The "Honouree of The Outstanding Young Malaysian Award" (TOYM) under the Business, Economic and Entrepreneurial Accomplishment category by Junior Chamber Malaysia in 2001;
- "Top 10 Master Entrepreneur of the Year" award by Ernst & Young Malaysia in 2002;
- The "Pioneering Six Entrepreneur Award" by Johnnie Walker in 2003; and
- "The Outstanding Young Person of the World ("TOYP") Award" by Junior Chamber International in 2003.

He was conferred a Darjah Mulia Seri Melaka, carrying the title of "DATUK" by Tuan Yang Terutama Yang Di-Pertua of Melaka in October 1999. In 2000, his achievement was recognized and recorded in the Books of 'Malaysia New Millennium Who's Who in Malaysia Chinese Community 2000-2001'. On 1 August 2001, he was invited by the Young Entrepreneurs Association of Malaysia ("PUMM") to participate in the 'Learn From Malaysian Entrepreneurs Campaign'.

Wong Seng Tong, a Malaysian aged 36, was appointed as the Executive Director of INSB on 6 April 2005. He is also the Finance Director cum Global Marketing Director of INSE.

He obtained his Diploma in Commerce (Management Accounting) from Tunku Abdul Rahman College in 1993 and was attached to an audit firm for a year after his graduation.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

Subsequently, he joined Lion Suzuki Marketing as Assistant Accountant during 1994 to 1997 and was admitted as the Chartered Accountant of Malaysia Institute of Accountants (“MIA”) and Associate of Chartered Management Accountant of UK (“ACMA (UK)”) in 1996. He has been the Finance Director, Global Marketing Director and Top Administrator of INSB Group since 1997. With his substantial experience in Financial Strategy, Management and Accounting as well as Management Information System (“MIS”), he is currently responsible for overseeing all the operations divisions of INS Group, which includes the Logistic Department, Electronic Data Processing Department, Finance and Administration Department and Global Marketing Department.

He is the Corporate Planner and Strategic Developer and Group Global Marketing Director of INSB Group since 1997. As the Corporate Planner and Strategic Developer, he is responsible for handling government authority related issues, conducting product feasibility studies, designing and implementing incentive & commission scheme’s software system. His responsibility as Group Global Marketing Director includes exploring overseas market and overseeing the development of marketing plans and promotional strategies. He was also the Deputy Quality Management Representative of the Group for the implementation of ISO 9001 until 2004.

Wong Kin Nam, a Malaysian aged 35, was appointed as the Executive Director of INSB on 6 April 2005. He is also the Global Business Director of INSB Group. He has held this position since being promoted from Corporate Communications Director of INSE in 2004.

He graduated in 1995 from the National University of Malaysia as a Bachelor of Art (Honours) in Political Science majoring in International Relationships. He started his career in 1995 with Young Movement Malaysia as an Executive Secretary and in 1996, he was appointed as Executive Secretary for Young Entrepreneurs’ Association of Malaysia (“PUMM”).

In 1998, he joined a public listed company, NV Multi Corporation Berhad as Personal Assistant to the Group Managing Director. Over the past 7 years, he had gained substantial exposure with corporations and public listed company in the field of management, public relations, marketing and event management prior to joining Winstrad Marketing Sdn Bhd as Director in 2002, subsidiary company of INS Group. In 2003, he was promoted to Corporate Communications Director of INSB Group, heading the Global Business Division. The job functions involve merging and acquisition activities, planning and implementation of global business strategy, corporate exercise and investor relations, media relations and public relations.

Dato’ Tan Seng Leong, a Malaysian aged 49, was appointed as the Non-Independent and Non-Executive Director of INSB on 6 April 2005. He is the founder of BCB Berhad. In 1988, he was the appointed Director of BCB Berhad and currently he is the Group Managing Director.

He has more than 20 years of experience in the property industry and has become one of the successful property developers in Malaysia, particularly in the state of Johor.

Dato’ Liow Tiong Lai, a Malaysian aged 44, was appointed as the Independent and Non-Executive Director of INSB on 6 April 2005. He graduated in 1986 from Universiti Kebangsaan Malaysia with a Bachelor in Science (Honours) in Nutritional Science and subsequently obtained an MBA from University of Malaya in 1994.

He began his political career by joining Malaysian Chinese Association (“MCA”) in year 1981. From 1989 till 1996, he was the Press Secretary to the Minister of Human Resources. He served from 1996 to 1999 as the political secretary to the Minister of Human Resources.

He joined MCA Youth in 1990 and was elected as the Raub MCA Youth Chief in 1996. He held the position of Raub MCA Youth Chairman from 1996-1999 where he was also the MCA Youth Deputy Chief of Pahang. He advanced his political career as Pahang MCA Youth Chairman and Member of Parliament for Bentong from 1999 till present.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

Tan Sri Dato' Seri Law Hieng Ding, a Malaysian aged 69, was appointed as the Independent and Non-Executive Director of INSB on 6 April 2005.

He graduated from Nanyang University in 1960 with a Bachelor's degree of Commerce in Accountancy and Banking. Upon graduation, he worked as a Senior Executive in a private company in Sarawak.

He joined the Sarawak United People's Party ("SUPP") in the 1960s and was elected one of the councillors for Sibu Urban District Council from 1964 to 1981. He also served as the Chairman of the Sibu Urban District Council from 1978 to 1981. He was elected as Member of Parliament for the constituency of Sarikei in 1982, a position which held for 6 consecutive terms. He is currently the Deputy President of the SUPP and a Member of Parliament for the Constituency of Sarikei, Sarawak P207.

He has served as Parliament Secretary at various ministries in Malaysia namely the Ministry of Housing and Local Government in 1976 and MOSTE from 1976 to 1987. Subsequently, he was appointed the Federal Deputy Minister where he served for 2 terms from 1987 to 1990, after which he was appointed as the Minister of MOSTE from 1990 to 2004.

During his service in MOSTE, he hosted as the Chairman for BIOMALAYSIA 2002, which was the first international biotechnology event for Malaysia, held in Kuala Lumpur. He was also the Chairman for the 7th International Conference of Party Biodiversity Convention 2004 held also in Kuala Lumpur, Malaysia.

Among some of the non-government awards that he received are:-

- Malaysia Chemistry Institute Honorary Gold Medal Award;
- Malaysia Engineering Institute Honorary Fellowship Award;
- Honorary Rotarian Award, Kuala Lumpur Royal Rotary Club, Malaysia; and
- Malaysian Quality Institute Gold Medal Award.

As at 31 May 2005, he is the Chairman for four other companies and two foundations namely, Timberworld Agencies Sdn Bhd, Jimwood Sdn Bhd, Signature Timber Sdn Bhd and Serapi (KL) Sdn Bhd and Malaysia Toray Science Foundation and BOSAMA Foundation.

Professor Dr. Mohd Azmi bin Mohd Lila, a Malaysian aged 41, was appointed as the Non-Independent and Non-Executive Director of INSB on 6 April 2005. He graduated with a degree in Doctor of Veterinary Medicine from UPM in 1988. He furthered his education at Cambridge University, United Kingdom, and was awarded a PhD in Microbiology/ Virology in 1994 and subsequently MBA majoring in Marketing/ Finance from UPM in year 2000. Professor Dr. Mohd Azmi is also trained in the area of GMP for the production of biopharmaceutical products. He has extensive experience in issues involving protection of intellectual property in biotechnology.

In 2004, he was awarded the Honouree Award in The Outstanding Young Malaysian (TOYM) under the category Scientific and Technological Development.

He is currently the Director of Institute of Bioscience (IBS), UPM, a centre of excellence in research, development and innovation.

Koong Lin Loong, a Malaysian aged 40, was appointed as the Independent and Non-Executive Director of INSB on 6 April 2005. He is the Managing Partner of L.L. Koong & Co, Chartered Accounting Firm.

He is a Chartered Accountant by profession and a registered member of MIA, ACMA, UK, Certified Management Accountants, Australia, and also Associate member of Malaysia Institute of Taxation, the Institute of Internal Auditors Malaysia, and Malaysia Association of Company Secretary.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

Khoo Keat, a Malaysian aged 50, was appointed as the Non-Executive Director of INSB on 6 April 2005. He is a Chartered Accountant by profession and a member of MIA. He completed his tertiary education in New Zealand and graduated with Bachelor of Commerce majoring in Accountancy and Computer Systems.

He was previously attached with a local accounting firm in New Zealand offering accounting and computer services. Upon his return to Malaysia, he joined a local accounting firm to manage its computer bureau service company. In 1998, he founded his own computer vendor and software service firm specializing in local government accounting. At present he is still the managing partner of the firm.

9.5.1 Directors' Remuneration and Benefits

The remuneration and benefits paid to the Directors of the Group for services rendered in all capacities to the Company and its subsidiary companies for the FYE 31 December 2004 amounted to approximately RM342,000. The proposed director's remuneration and benefits for FYE 31 December 2005 amounts to approximately RM1,200,000.

The remuneration band of the Directors of the Company is as follows:-

	FYE 31 December 2004 No. of directors	FYE 31 December 2005 No. of directors
Below RM200,000	2	1
RM200,000 – RM400,000	1	2
RM400,000 – RM600,000	-	1
Total amount (RM)	RM342,000	RM1,200,000

9.5.2 Directorships in Other Public Corporations

Save as disclosed below, none of the Directors of INSB has held directorships in other public corporations during the last two (2) years except:-

Director	Company	Principal activities	Date of appointment	Date of resignation
Datuk Yeat Sew Chuong	INSH	Investment holding	February 2001	-
	INS Giant System Berhad	Information Technology and E-business	January 2002	December 2003
Dato' Abdul Majit bin Ahmad Khan	Sime Darby China Ltd (member of the Sime Darby Group)	Import and distribution of motor vehicles and heavy construction equipments	February 2005	-
Wong Seng Tong	INSH	Investment holding	February 2001	-
	INS Giant System Berhad	Information Technology and E-business	January 2002	December 2003
Dato' Tan Seng Leong	BCB Berhad	Housing Developer	December 1996	-
Khoo Keat	INSH	Investment holding	February 2001	-

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

9.5.3 Substantial Shareholdings in Other Public Corporations

Save as disclosed below, none of the Directors of INSB has substantial shareholdings (5% or more), whether direct or indirect, in other public corporations during the last two (2) years except:-

Director	Company	Principal activities	% held as at 31 May 2005	
			Direct %	Indirect %
Datuk Yeat Sew Chuong	INSH	Investment holding	52.00	-
	INS Giant System Berhad	Information Technology and E-business		-
Wong Seng Tong	INSH	Investment holding	5.67	-
Khoo Kcat	INSH	Investment holding	8.23	-
Dato' Tan Seng Leong	BCB Berhad	Housing Developer	31.55	0.06*

Note:-

* Deemed interested pursuant to Section 6A of the Act

9.5.4 Executive Directors' Involvement in Other Businesses / Corporations

Datuk Yeat Sew Chuong, Wong Seng Tong and Wong Kin Nam are also directors of several privately-owned companies. However, their involvements in these companies have been minimal as their respective day-to-day management and operations have been delegated to the companies' respective management teams.

Executive Directors	Average time allocated to the INSB Group per week (%)
Datuk Yeat Sew Chuong	95
Wong Seng Tong	95
Wong Kin Nam	95

9.6 Audit Committee

INSB has set up an Audit Committee which comprises the following Board members:-

Name	Designation	Directorship
Tan Sri Dato' Seri Law Hieng Ding	Chairman	Independent Non-Executive Director
Koong Lin Loong	Member	Independent Non-Executive Director
Wong Seng Tong	Member	Executive Director

The main functions of the Audit Committee include the review of audit plans and audit reports with the Group's auditors, review of the auditor's evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the balance sheet and profit and loss accounts, and nomination of auditors.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

9.7 Key Management

The Key Management of the Group comprised personnel as disclosed as follow:-

Dr. Larry Wong Chee Yoong, a Malaysian aged 57, is the consultant to INSB Group. His current responsibilities include advising, supervising and participating in projects that are taken up by the Group, particularly from a macro economy, international trade, agricultural, agro-based industries and supply chain management perspective. He is also responsible in advising working groups in the area of analysis, planning, evaluation and implementation of strategies.

He obtained a Bachelor in Agricultural Science (Honours) from University of Malaya in 1972. In 1978, he obtained Masters in Economics, majoring in Agricultural Economics & Business Management from University of New England, Australia. In the same year, he was the first Asian to win the Australian Agricultural Economics Society's Masters Thesis Award. In 1993, he obtained a Ph.D. in Economics from the University of Kent-at-Canterbury, England.

An economist by training, Dr. Larry Wong has over 30 years experience in business and development planning, implementation and policy analysis. He has honed and applied his skills in Malaysia as well as overseas. He joined BERNAS Group since 1996 and held several positions such as Executive Director of Bernas Overseas Ltd, Head of Special Projects, Advisor to Group Managing Director and Advisor, International Business and Coordinator for China, Myanmar and Vietnam. Before joining BERNAS, he has held various management and research position in various agencies including Marditech Corporation Sdn Bhd, Institute of Strategic and International Studies, MARDI, Economic Planning Unit, Ministry of Agriculture and the Department of Agriculture.

He has also acted as consultant to various agencies and companies both locally and abroad, including projects funded by the World Bank, the Asian Development Bank, UNDP-IBRD Cooperative Programme, respective governments and the private sector.

Wong Chau Ming, a Malaysian aged 42, joined INSE in 2004 and holds the position of Deputy General Manager of Marketing for INSE. He is currently responsible for INSB Group's marketing activities, and is also the key speaker and trainer for the company. He has conducted more than 300 training seminars for INSE's distributors.

Chin Yong Shya, a Malaysian aged 34, is the Marketing Manager of INSE. She joined in 1998 as the logistic manager after which she was promoted to Branch Manager of Johor and Singapore where she oversaw the entire day to day operations which includes sales, marketing and promotion. She was later promoted as Marketing Manager at INSB's headquarters.

Her current job function includes planning and implementing the Group's marketing strategy, conducting training seminars for INSE's distributors.

Wong Kee Hie, a Malaysian aged 39, joined INSE in 2004 and holds the position of Chief Operating Officer cum Marketing Consultant for INSE. He has more than 15 years of working experience in the field of sales and marketing in various MLM based companies both in Malaysia and in countries in the ASEAN region namely Thailand and Indonesia.

His key responsibility is to oversee the entire operations and marketing of the Company. Focusing on new market opportunities in Malaysia and overseas countries, he advises the management and the marketing team of INSE on strategic marketing strategies. Apart from marketing planning and implementation for market penetration, he also oversees the operational flows of the distribution centres of INSE. He also conducts marketing workshop trainings and talks for INSE's distributors.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

Lim Sia Huat, a Malaysian aged 36, is the Product Development and Production Manager of TOF. He has more than 10 years of experience in direct selling and another 7 years of experience in the factory manufacturing and operation. He is currently responsible for the Group's R&D on new product development and improvement on manufacturing process, upgrading of product quality etc.

Chow Foong Yau, a Malaysian aged 36, is the Senior Manager of INSE. She has more than 10 years of experience in operations and administration at management level in various companies.

Since joining INSE in year 2000, she has contributed in planning and implementing the Group's organizational structure, policies and procedures. She is also overseeing the administration and operations of a few departments in INSE namely product development department; advertising & promotion department; electronic data processing ("EDP") department and logistic department.

Her current key responsibility is in the administration of product development through product registration with relevant authorities both local and abroad. She is also involved in the intellectual property management of the Group's products through patent and trademark registration.

Cheah Ming Huat, a Malaysian aged 32, joined INSE in 2004 as Finance and Administration Manager. He was admitted as a member to ACCA in 2000 and MIA in 2003. In 1996, he joined Folks DFK & Company as Senior Audit Assistant and later joined A. Razak & Co in 1998 as Senior Auditor. In 2000, he joined Foo, Lee, An & Associates as Assistant Audit Manager and in 2003, he joined Asiatic Development Berhad as Assistant Audit Manager, before joining INSE.

Lim Chin Hooi, a Malaysian aged 28, graduated from Charles Stuart University, Australia, in 2001 with a Bachelor's degree in Information Technology majoring in Computer System. He was previously attached to OAC Insurance Bhd as Programmer and SEA Insurance Bhd (now known as Uni Asia General Bhd) as Analyst Programmer. In 2001, he moved to a software house as Senior Analyst Programmer providing solutions and consultations to manufacturing and trading industries. He later joined INSE in 2003 as MIS Manager.

Nyew Sean Woo, a Malaysian aged 32, graduated from Campbell University, USA in 1997 with a Bachelor of Science. She started her career with AsiaCoolnet Technology Ptd. Ltd. in Singapore dealing with retailing of IT products. In 2003 she joined INSE as EDP Manager. Her job function involves handling the electronic data processing of sales and bonuses for INSE's distributors, including the running and maintenance of the system.

Lee Soo Fong, a Malaysian aged 34, graduated from Northern University of Malaysia in 1996 with a Bachelor of Economics (Honours). She joined SGS (M) Sdn Bhd in 1996 as Trade Coordinator and later being promoted and transferred to SGS Testing & Control Services Singapore Pte Ltd in 1999 as Senior Trade Executive. In 2000, she joined INSE as Trade & Administration Executive and was subsequently promoted as Assistant Logistic Manager of INSE in 2005.

9.7.1 Directorships in Other Public Corporations

None of the Key Management of INSB has held directorships in other public corporations during the last two (2) years.

9.7.2 Substantial Shareholdings in Other Public Corporations

None of the Key Management of INSB has had substantial shareholdings (5% or more), whether direct or indirect, in other public corporations during the last two (2) years.

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONTINUED)

9.7.3 Key Management Personnel's Involvement in Other Businesses / Corporations

Save for Lim Sia Huat and Dr. Larry Wong Chee Yoong, none of the Company's Key Management personnel is involved in other businesses/corporations. The Key Management personnel's involvement in other businesses/corporations is as follows:-

Key Management	Company / Position Held	Average time allocated to the INSB Group per week (%)
Lim Sia Huat	INS Manufacturing Sdn Bhd – Factory Manager	90
	Truc Mineral Water Sdn Bhd – Director	
	Spring Fresh Sdn Bhd – Director	
	FLS Manufacturing Sdn Bhd - Director	
Dr. Larry Wong Chee Yoong	Institute of Strategic and International Studies– Senior Fellow, Centre for China Studies	40

9.8 Declaration

None of the Company's Directors or Key Management personnel is or was involved in any of the following events, whether in or outside Malaysia:-

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director or key personnel;
- (ii) such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (iii) such person was the subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

9.9 Relationships and Associations

Save as disclosed below, there is no family or business relationships amongst the Directors, Promoter, substantial shareholders or Key Management of the INSB Group:-

- (i) Yeat Siaw Ping, Yeat Saw Seng and Yeat Saw Wei, are the shareholders of INSH and brothers of Datuk Yeat Sew Chuong. Yeat Siaw Ping is also a director of INSH;
- (ii) Datuk Yeat Sew Chuong, Wong Seng Tong and Khoo Keat are directors and shareholders of INSH and INSB Group;
- (iii) OSKTV is a wholly-owned subsidiary of OSKVI;
- (iv) Chin Yong Shya, who is a Key Management personnel of INSB Group, is also shareholder of both INSH and INSB;
- (v) Lim Sia Huat, who is a Key Management and shareholder of INSB is also a director and shareholder of INSH;
- (vi) Khoo Keat, who is a shareholder of INSH and INSB, is also a director of INSE, INSB and INSH;

9. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT
(CONTINUED)

(vii) Yeat Siaw Ping, who is a shareholder of INSH and INSB, is also a director of INSH;
and

(viii) Eong Kek Hock, who is a shareholder of INSH and INSB, is also a director of INSH.

9.10 Service Agreements

All employees of the Group have standard employment contracts. There are no existing or proposed service agreements between the Group or any other company within the Group and its Directors or Key Management.

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10. SUMMARY OF THE FIVE (5) YEAR BUSINESS DEVELOPMENT PLAN

The following is a summary of the five-year business development plan prepared by INSB Group for the purpose of inclusion in this Prospectus.

10.1 Business Objective and Strategy**10.1.1 Business Development Objectives**

In line with INSB Group's business expansion plans, strategies implemented by the INSB Group are based on achieving the following objectives, which it intends to achieve by 2008:-

- To establish INSB Group as a leading and progressive integrated bioscience company in Malaysia;
- To expand the Group's market base to ensure its business growth is not dependent on any single market segment; and
- To expand the Group's product range to ensure its business growth is not dependent on any single product or product range.

10.1.2 Business Strategy

INSB Group has identified five (5) core business strategies to achieve its business development objectives up to and including 2008. These strategies are in R&D, product development, market development, brand awareness and image building and human resources development.

(a) R&D

INSB Group plans to intensify R&D activities with the relocation of INSB's R&D activities to its potential future R&D centre at BioValley in 2006. The new R&D centre will be further equipped with new laboratory and scientific equipments to conduct a wide range of research in the biosciences. R&D intensification will also involve seeking partnerships with potential R&D partners.

INSB Group established the International Technical Advisory Board (ITAB) in January 2004, which consists of four (4) experienced scientists in the field of bioscience to advise the CEO of INSB on directions and strategies, trends in R&D, recruitment of R&D personnel and establishment of the new R&D centre.

(b) Product development

INSB Group plans to develop and expand its product range through R&D to develop new and innovative products, including expanding into new product categories. To minimise market risks inherent in any new product, INSB will research market trends and demand to identify new products that have market potential.

INSB Group will ensure that the products developed will be safe for human consumption and of the highest quality through stringent QC measures before and during the manufacturing process. Furthermore, all products developed will be *Halal* for Muslim consumption ease.

10. SUMMARY OF FIVE (5) YEAR BUSINESS DEVELOPMENT PLAN (CONTINUED)**(c) Market development**

The Group currently markets its products through MLM in Malaysia and products are marketed overseas by distributors. INSB Group plans to expand in Malaysia and overseas through establishment of new distribution centres and appointment of new distributors.

INSE will continue to conduct regular training programmes for its distributors, business partners and personnel at the distribution centres. Such training programmes will not only raise the level of awareness of the INS brand of products but also the profile of the Group.

(d) Brand awareness and image building

INSB Group has numerous brands for its various products. INSB Group intends to improve brand awareness and market INSB as the brand of choice for its customers. INSB Group would like to build its image as a progressive bioscience company not only in Malaysia but also overseas. This will be achieved through continual emphasis on product quality; well-designed packaging; instilling professionalism among employees and distributors; public relation exercises; organise and sponsor promotional events and activities; maintain an informative corporate website; and organise educational tours for the public.

(e) Human resources

INSB Group recognizes the importance of its employees. INSB Group recruits and retains a pool of qualified workforce including knowledge workers who are professionals in their field of expertise. INSB's employees include those involved in R&D, business development, manufacturing and administration.

Besides this, INSB Group will conduct regular training programmes to improve productivity and skill development among its workforce. Training programmes include areas of operational support, supervisory, management and product knowledge.

10.2 Future Development Milestones

In the 5-year period to 2008, INSB Group will increase its R&D efforts and establish technical and R&D collaboration in the biosciences with research institutions, universities and corporations. The outcome of the R&D efforts will be the development and commercialisation of new products including health food supplements, functional foods, skin care products, pharmaceuticals and herbal medicine. To market these products, the INSB Group will expand its existing markets in Malaysia and overseas and enter new overseas markets. Development milestones of the Group up to and including 2008 are described as follows:-

Year	Area of Development	Description
2004	Product	Introduction of the INS High-Fibre Bio Wheatgrass using wheatgrass and oil palm dietary fibre and INS High-Calcium Bio Colostrum using bovine colostrum, oil palm dietary fibre and other natural ingredients. Introduction of a range of facial skin care products using raw ingredients from various sources and slimming tablet made from dietary fibre that is non-laxative and non-metabolic.
	R&D	Conduct R&D in collaboration with CAU in extraction of active ingredients from seaweed as a food supplement and nutritional foods for child development.

10. SUMMARY OF FIVE (5) YEAR BUSINESS DEVELOPMENT PLAN (CONTINUED)

Year	Area of Development	Description
2005	Marketing	Establish Distributors in Indonesia, and establish informal distributor in China, the Philippines and USA to expand markets.
	Product	Introduction of a health food supplement extracted from seaweed; milk-based food supplements and cereal-based beverages targeted at young children.
	R&D	Technical collaboration with the Zhen-Ao, to acquire new technologies in R&D in the field of biotechnology and R&D on herbs for traditional herbal medicine.
2006	Marketing	Establish Distributors in India, Vietnam, Cambodia and Poland to expand markets.
	Product	Introduction of a beverage made from various herbs to assist in sleep; vaccines using technologies obtained from China; and herbal medicinal products from traditional herbal medicine.
	R&D	Relocation of R&D activities in Malaysia to the new R&D centre at BioValley Malaysia to conduct R&D in the biosciences and begin research on medicinal herbs from Malaysia's plant biodiversity.
2007	Marketing	Establish Distributors in Laos, Myanmar, Middle East, Japan, Taiwan and Brunei to expand markets and establish new distribution for distribution of pharmaceutical products to the healthcare sector.
	Manufacturing	Relocation and establishment of new manufacturing operation in BioValley Malaysia and production of vaccines using technologies transferred from CBBG.
	Product	Introduction of a hand wash that cleanses and deodorises the hands; skin gel for external treatment of eczema, psoriasis and minor skin ulcer; concentrate of various extracts from traditional herbal medicine; a pharmaceutical product derived from wheatgrass for external treatment of skin wounds; and introduction of a range of medicinal herbs from Malaysia's plant biodiversity.
	R&D	R&D activities in the field of bio-engineering and agro-biotechnology to develop new products.
2008	Marketing	Establish Distributors in South Korea.
	Product	Introduction of a high protein milk-based food product; a pharmaceutical product derived from wheatgrass for external treatment of skin wounds; and introduction of a range of medicinal herbs from Malaysia's plant biodiversity.
	R&D	Trials to cultivate herbs from Malaysia's plant biodiversity on a commercial scale.
	Marketing	Establish Distributors in Canada and South America.

The INSB Group's future business plan has been implemented in 2004 as planned. INSB High-Fibre Bio Wheatgrass and the range of facial skin care products introduced to the market in 2004 as planned. INSB Group's R&D collaboration has not only included CAU but also with CBBG and Zhen-Ao as stated in Section 8.3(b) of this Prospectus. The INSB Group has also successfully established their distribution network to Australia, South Africa, Hong Kong, Thailand, Singapore, Indonesia, the Philippines and USA.

10. SUMMARY OF FIVE (5) YEAR BUSINESS DEVELOPMENT PLAN (CONTINUED)

10.3 Conclusion

The INSB Group's strong commitment towards R&D and marketing activities has helped them nurture the INSB Group to the established position today. The Group also emphasized on patent and trademark building as a way to differentiate themselves from competitors. Moving forward, based on the achievement of planned business plan in 2004, the INSB Group will continue to improve and apply the business model to ensure the success of the future business plans.

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11. SUMMARY OF INDUSTRY OVERVIEW REPORT

(Prepared for inclusion in the Prospectus)



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Date: 5 May 2005

The Board of Directors
INS BIOSCIENCE BERHAD
62, Jalan Puteri 2/2, Bandar Puteri
47100 Puchong
Selangor Darul Ehsan

Dear Sirs,

SUMMARY OF INDUSTRY OVERVIEW REPORT

The following is an independent assessment of INSB's Industry Overview prepared by Spire Research Sdn Bhd for inclusion in the Prospectus of INS Bioscience Bhd in relation to its listing on the MESDAQ of Bursa Malaysia.

1. WHEATGRASS AND HERBAL PRODUCTS

1.1 Wheatgrass

1.1.1 History and Scientific Research on Wheatgrass

Wheatgrass is a grass-like plant from the *Gramineae* (grass) family and common wheatgrass used as a health food are from the genus of *Agropyron*. Such wheatgrass grow naturally in the plains of North America but are now commercially cultivated in the United States, Canada, China, Australia and Malaysia. Main source of supplies of wheatgrass seeds for cultivation are from the United States and Australia. Most common use of wheatgrass is as a health food marketed as a juice concentrate, in powder or tablet form and commonly available in countries such as the United States, Canada, China, Japan and Malaysia.

Many scientific studies indicate wheatgrass is a good source of Vitamins A, B and other vitamins (C, E, H and K), 90 different minerals and 19 amino acids. Thus wheatgrass makes a suitable health food or dietary supplement when consumed. Dr Yoshihide Hagoware discovered that wheatgrass contains 11 times more calcium than cow's milk, 5 times more iron than spinach, 4 times more vitamin B1 than whole wheat flour, 7 times more vitamin C than oranges and an abundance of vitamin B12.¹

1.1.2 Wheatgrass Market

There are no published industry data or statistics on the size of the global wheatgrass market. However, the United States exported 160 tonnes of wheatgrass seeds in 2002 and main markets were Canada (57%), China (15%) and Mexico (15%). US exports of wheatgrass declined to 121 tonnes in 2003 and main markets were Canada (79%), China (6%), Taiwan (14%) and Italy (1%). Main reason for the decline in exports from 2002 to 2003 was the increase in demand for wheatgrass seeds for cultivation in the United States. Exported wheatgrass seeds are used to cultivate wheatgrass in the country of import.²

Wheatgrass, which is popularly consumed in the United States and Canada, has gained popularity in Malaysia, Australia, New Zealand, Britain, Taiwan and India. Consumption of wheatgrass tea is also gaining popularity in China and Japan. Annual sales of herbal health food supplements in Japan reached nearly USD2 billion (RM7.6 billion) in 2002 and accounted for half of the total sales of herbal supplements in Asia. Popularity of herbal supplements among the Japanese is their interest in consuming

¹ *Young Barley Plant Juice* by Dr Yoshihide Hagiwara, M.D., The Green and Health Association, Tokyo, Japan, April 1980.

² 2002 Trade Statistics for HS 1209.29.9070, Foreign Trade Division of US Department of Commerce

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

“foods that are green” beyond green fruits and vegetables. Japanese consumers are known to be willing to try new products, such as wheatgrass, that are known to have health benefits.^{3,4}

Wheatgrass-based products marketed as health foods are sold mainly through MLM companies in Malaysia. The remaining is sold through pharmacies and para-pharmacies. Sales through traditional Chinese medicine shops, supermarkets, hypermarkets and online stores are negligible. There are no published data on the size of wheatgrass market sold as health foods in Malaysia. However, the size of the Malaysian wheatgrass health food market sold through MLM is estimated at RM9.0-10.0 million in 2003 and forecast to grow by 13% annually in the next 5 years.

Besides INSE, Hai-O Marketing Sdn Bhd, Diamond Interest Sdn Bhd, Nu Life International Sdn Bhd and Cosway (M) Sdn Bhd also markets wheatgrass as a health food in various forms. INSE markets its wheatgrass health food supplement in powdered form and offers a wide range of wheatgrass products such as INS Wheatgrass Tea, Wheatgrass Tea Honey-Enrich and INS Wheatgrass Plus to its customers.

1.2 Herbal Products**1.2.1 Global Market for Herbal Products**

The global herbal products market is estimated by the World Health Organization (WHO) to have reached over USD60 billion (RM228 billion) while the Malaysian Industry-Government Group for High Technology (MiGHT) estimate that the market would grow to reach USD200 billion (RM760 billion) by 2008. The World Bank also estimates that the market for herbal products would grow and reach an amazing USD5 trillion (RM19 trillion) by 2050.^{5,6}

Herbal products are categorised into medicinal herbs, health foods and non-food related products. Herbs are used in various product categories and thus demand is not specific to a single market but across a broad range of markets. Herbs are used as raw ingredients in foods, health foods, cosmetics, ointments, food flavouring and additives, lotions and even in conventional medicine.

Global Breakdown of Consumption of Herbal Products by Sales Value

Form of Consumption	Percentage of Total Consumption
Medicinal herbs	30%
Health foods	25%
Non-food related products	45%

Source: *Boost for the Herbal Industry, Business Times, 12 July 2001*

The WHO estimates 80% of the population in developing countries depend on herbal medicine. Global consumption for medicinal herbs is estimated to have increased from US\$17.4 billion (RM67.5 billion) in 1997 to US\$19.1 billion (RM72.6 billion) in 2001. Europe is the largest market where annual sales and consumption was worth USD6 billion (RM22.8 billion) in 2002. Asia's market (excluding Japan) was worth USD2.3 billion (RM8.7 billion) and North America worth USD1.5 billion (RM5.7 billion) in 2002. Japan's herbal products market itself was worth USD2.1 billion (RM8.0 billion) during the period. Thus there is an enormous potential for Malaysia to supply the international markets with its own herbal products.^{7,8}

Major multinational companies marketing medicinal herbs include Amway Corp (US), Kanebo Ltd (Japan), Seven Seas Ltd (UK), Vitabiotics Ltd (UK), Taisho Pharmaceuticals Ltd (Japan), Herbalife International Inc (US), Boehringer Ingelheim International GmbH (Germany), Dabur India Ltd (India) and Engelhard Arzneimittel AG (Germany).

1.2.2 Malaysian Market for Herbal Products

³ *INS Aims for a Better Position, Business Times, 10 December 2001*

⁴ *Green Foods in Japan: The Market for "Foods That are Green" Has Great Potential, Nutraceuticals World, 1 May 2003*

⁵ *WHO/HERBAL PRODUCTS (L-O), Voice of America Press Releases & Documents, 10 February 2004*

⁶ *Huge Potential for Herbal Products Industry Says Musa, Bernama Daily Malaysian News, 24 April 2001*

⁷ *Huge Potential for Herbal Products Industry Says Musa, Bernama, 24 April 2001*

⁸ *Remedies: A World Survey, World Market Overview, Euromonitor, July 2001*

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

The Malaysian herbal market is estimated to be between RM2.5 billion and RM3.0 billion annually. 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 the US. Thus potential exists for Malaysia to use raw materials from its plant biodiversity to supply its own market for herbal products.^{7,9,10}

Major companies marketing health food supplements in Malaysia besides INSE include Amway Holdings Bhd, CNI Enterprise Sdn Bhd, Shuang Ho Enterprise Sdn Bhd, Hai-O Marketing Sdn Bhd, Lion Best Sdn Bhd, Brilliant Point Sdn Bhd, Gano Excel Enterprise Sdn Bhd, DXN Enterprise Sdn Bhd, Malaysian Rainforest Sdn Bhd, and SMC Freemaker Sdn Bhd.

Malaysia's export of herbal products is small compared to the global market value of USD60 billion (RM228 billion). Malaysia exported only RM38 million of herbal products in 1994 and grew to RM60 million in 1996. However, exports have been growing through Malaysian direct selling companies. There are nearly 50 Malaysian direct selling companies with exports to Indonesia, Hong Kong, Singapore, United States, the Philippines, Thailand, China, Japan, Ireland, Finland, India and Australia. Export sales of herbal and non-herbal products from Malaysian direct selling companies was RM352 million in 2002 and is estimated to have grown by 20-30% in 2003.^{10,11}

1.3 Malaysian Market for Health Foods

1.3.1 Health Food Supplements

The health food supplement market in Malaysia includes supplements from herbal and non-herbal sources and vitamins. Sales of health food supplements grew at an average of 13.4% annually from RM324.4 million in 1998 to RM511.7 million in 2002. Sales are expected to grow 5% annually from RM539.5 million in 2003 to RM642.7 million in 2007. Growth is due to increasing per capita income creating affordability to purchase health food supplements and consumer awareness on the health benefits of consuming supplements.¹²

Malaysian Health Food Supplement Market (RM million)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
324.4	371.4	423.4	472.7	511.7	539.5	566.9	593.3	619.1	642.7

Source: OTC Healthcare, Euromonitor, July 2003

In 2002, health food supplements from herbal and non-herbal sources accounted for 48% of the market share while single and multivitamins accounted for 52%. These supplements included:

- Herbal supplements such as wheatgrass, ginseng, ginkgo bilboa and garlic;
- From animal sources such as chicken extracts and fish oils;
- Mineral supplements such as calcium and iron supplements; and
- Single vitamins and multi-vitamins.

Health food supplements made from herbs are becoming increasingly popular as consumers seek supplements that are "100% natural" instead of synthetically produced single and multivitamin supplements.¹²

Major market players in the Malaysian health food supplement market are Amway (M) Sdn Bhd, Vita Health Laboratories Pte Ltd, Cosway (M) Sdn Bhd, Kordel's Ltd and Cerebos Sdn Bhd. MLM companies Amway and Cosway are among the top 5 market players accounting for nearly a quarter of the market for health food supplements.¹²

⁹ *Tap Potential of Herbal Products-Megat Junid*, The Sun, 14 November 1999

¹⁰ *Herbal Products Enjoying Growing Demand-Dr Lim*, Business Times, 21 August 2002

¹¹ *US Tax Incentives to go Global*, Bernama, 4 December 2003

¹² *OTC Healthcare in Malaysia*, Euromonitor, July 2003

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

Market Players for Health Food Supplements

Company	Market Share (%)
Amway (M) Sdn Bhd	13.9
Vita Health Laboratories Pte Ltd	12.2
Cosway (M) Sdn Bhd	9.6
Kordel's Ltd	9.3
Cerebos Sdn Bhd	5.6
Others	49.4
Total	100.0

Source: OTC Healthcare, Euromonitor, July 2003

Sales of health food supplements through direct selling accounted for 31.0% of the total sales followed by pharmacies at 29.5% and para-pharmacies at 27.0%. The remaining is through specialised health food shops (e.g. Nature's Farm and General Nutrition) and grocery outlets including supermarkets, convenience stores and sundry shops. However sales through traditional Chinese medicine shops and discount hypermarkets are not major distribution channels for health food supplements.¹²

Distribution Channel for Health Food Supplements in 2003

Outlet	Distribution (%)
Direct sales	31.0
Pharmacies	29.5
Para-pharmacies	27.0
Health food shops	8.0
Grocery outlets	4.0
Discount stores	Negligible
Others	0.5
Total	100.0

Source: OTC Healthcare, Euromonitor, July 2003

The main reason for direct selling being a major distribution channel is the personal attention provided by the direct selling companies' distributors to their customers. Furthermore, many direct selling companies regularly update their distributors on their product range helping to increase consumer awareness and interest on the health benefits of the products. Coupled with the personal service and large number of registered distributors in Malaysia, direct selling has become an important distribution channel for health food supplements.

1.3.2 Meal Replacement Drinks for Slimming

Slimming products sold in Malaysia are in the form of slimming tea used as a laxative, slimming cream or lotion, soups, slimming pills or meal replacement drinks. These products are sold under various brands and available mainly through direct selling companies, pharmacies and para-pharmacies and television infomercial programmes.

Side effects are known to occur when using some slimming products consumed as a food due to the chemical reactions on the human body. Slimming tea, of which many are laxatives, reduces weight by increasing water loss from the body. Some over-the-counter slimming pills may contain banned substances such as phentermine, fenfluramine and dexfenfluramine, which have adverse effects on the consumer. The medical community at large also comment that there is no scientific evidence on the slimming effect of many slimming creams.

Meal replacement drinks used for slimming do not directly cause any slimming effect on the consumer and thus has no adverse side effects. They are basically foods that are low in calories and supplemented

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

with vitamins and minerals and used as a replacement during regular meals. Thus meal replacement drinks are safe when consumed according to recommendations.

The market size of meal replacement drinks for slimming in Malaysia is estimated at RM30-35 million in 2003 and the market is forecast to grow by 12% annually in the next 5 years. Besides INSE, other direct selling companies marketing meal replacement drinks for slimming include Total Life Sdn Bhd, Diamond Interest Sdn Bhd, Cosway (M) Sdn Bhd, Elken Sdn Bhd and Amway Holdings Bhd.

1.4 Prospects and Outlook

There is potential for growth for wheatgrass as a health food supplement. In the Malaysian market, sales of health food supplements is expected to grow from RM511.7 million in 2002, RM539.5 million in 2003 to RM642.7 million in 2007. With total sales of wheatgrass estimated to be between RM9.0 and RM10.0 million in 2003, wheatgrass accounts for only 2% share of the Malaysian health food supplement market. Thus there is strong potential for INSB to increase its sales of wheatgrass products as a health food supplement.¹³

The World Health Organisation (WHO) estimates the size of the global market for herbal products at US\$60 billion (RM228 billion) in 2000 and demand is expected to grow to US\$5 trillion (RM19 trillion) by 2050. Herbs used as medicine account for 30% of the usage for herbs, followed by health food supplements at 25% and other product categories at 45%. Malaysia has one of the world's largest plant biodiversity but only 5%-10% of the herbs used to manufacture herbal products are sourced locally with the remainder mainly imported from China, India, Sri Lanka, Indonesia, Japan and the United States. This represents an opportunity for INSB to conduct R&D to develop new herbal products for the export markets.^{14,15,16}

Malaysia has a good opportunity to export pharmaceuticals including medicinal herbs into the global market when it became a member of the world's Pharmaceutical Inspection Cooperation Scheme (PICS) - an international organisation of pharmaceutical inspectors. Malaysia is one of the few countries in the world that registers and controls distribution of traditional medicinal herbs. By becoming a member, Malaysia can expect international recognition and acceptance of its pharmaceutical products and expect a boost in exports.¹⁷

Sales of health foods in Malaysia are expected to grow 5% annually from RM539.5 million in 2003 to RM642.7 million in 2007. Growth is from increasing per capita income to purchase health food supplements and increasing consumer awareness on health. Furthermore, consumers gradually prefer health food supplements made from herbs instead of synthetically produced vitamin since they are considered more natural. Thus there is tremendous opportunity for INSB to introduce new range of health food products and expand its market.¹⁸

2. BIOTECHNOLOGY

2.1 Global Scenario

There are many definitions to the term "biotechnology" but a broad definition is the industrial use of the whole or parts of living organisms to produce products such as foods, pharmaceuticals, new plant hybrids and animal crossbreeds. Fermentation of barley, crossbreeding of animals and crosspollination of plants are examples of biotechnology practiced in ancient history. Broad fields of modern biotechnology include protein separation, genomics, combinational chemistry, genetic engineering, agro-biotechnology, cloning, immunology, protein engineering and nucleic acid engineering.

4,284 companies across 25 countries in 2001 were identified as biotechnology companies of which nearly one-third of these companies were located in the United States. 622 were listed on various stock exchanges and 3,662 were privately owned companies. Among the biotechnology companies, 480 were

¹³ *OTC Healthcare in Malaysia*, Euromonitor, July 2003

¹⁴ *WHO/HERBAL PRODUCTS (L-O)*, Voice of America Press Releases & Documents, 10 February 2004

¹⁵ *Huge Potential for Herbal Products Industry Says Musa*, Bernama Daily Malaysian News, 24 April 2001

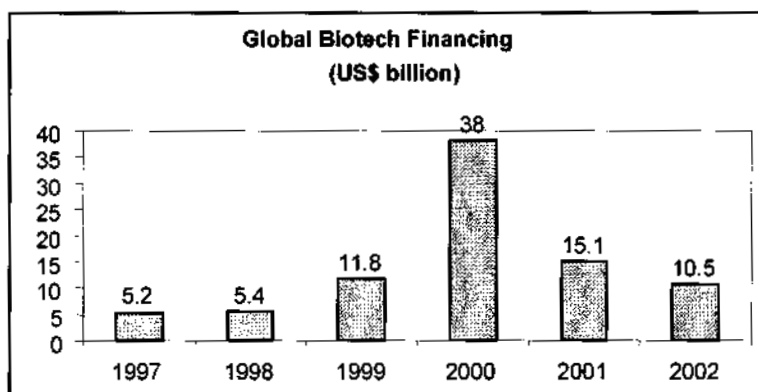
¹⁶ *Planting of Medical and Aromatic Plants in Oil Palm Plantation*, Forest Research Institute of Malaysia.

¹⁷ *Wider Market for Traditional Herbal Products*, Bernama Daily Malaysian News, 23 February 2001

¹⁸ *OTC Healthcare in Malaysia*, Euromonitor, July 2003

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

collaboration between pharmaceutical and biotechnology companies and 550 were collaboration between biotechnology companies.¹⁹



Biotechnology is one of the most research-intensive industries in the world. Ernst & Young reports in its survey, worldwide R&D expenditure among biotechnology companies surveyed reached US\$22 billion (RM84 billion) while revenue reached US\$41 billion (RM156 billion) in 2002. This indicates nearly half of the revenue is reinvested in R&D and this proportion has been the trend since 1992. Thus there is a strong relationship between outcome in revenue and R&D expenditure.²⁰

2.2 Malaysian Scenario

Nearly 40% of the world's economy is dependant on biological products and processes and 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.^{21,22}

Biotechnology has been identified as one of the industries to focus and develop under the Eighth Malaysia Plan (2001-2005). Malaysia's National Biotechnology Directorate (BIOTEK) was established in 1995 to help coordinate research in biotechnology among various organisations in plant, food, animal, molecular biology, medical, environment/industry and bio-pharmacy. Compared to other countries in Asia, the number of biotechnology companies in Malaysia is relatively few. However, nearly 50 companies are already using biotechnology processes in production of foods and herbal products.^{23,24,25}

The federal government has established the BioValley Project in Cyberjaya to develop Malaysia's biotechnology industry, which is still at an infancy stage. The BioValley is expected to be home to nearly 20 companies by 2006 and targets to have 150 companies with an estimated investment of RM40 billion. Seven state governments have already established their intentions to set-up biotechnology centres in their states and attract local and foreign companies.

2.3 BioValley Malaysia

The BioValley Project was proposed under the 8th Malaysian Plan (2001-2005) to jump-start Malaysia's biotechnology industry. The Project was initiated in 2001 and adopts a cluster approach of research institutions, universities and private companies involved in biotechnology in a single location. The cluster known as BioValley Malaysia is located in 480 hectares of land located in Dengkil, Selangor, within the

¹⁹ *India, an Emerging Force in Biotech: E&Y, Business Line, 22 June 2002*

²⁰ *Boom Predicted in the Biotech Sector, Business Line, 1 August 2003*

²¹ *Promising Hotbed for Biotechnology, New Sunday Times, 24 February 2004*

²² *Developing Countries Need to Reduce Biodiversity Loss, Bernama, 18 February 2004*

²³ *Introduction to Biotechnology in Malaysia, website, Biotechnology Information Centre, Malaysia.*

²⁴ *Risk Assessment and Management, Biodiversity Asia, www.biodiversityasia.org*

²⁵ *Malaysia (Region Watch), Instrument Business Outlook, 15 October 2002*

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

Multimedia Super Corridor (MSC). This approach is similar to biotechnology clusters adopted in the United States, Canada and Singapore.²⁶

The BioValley Development Corporation was established to manage development of the BioValley and attract local and foreign biotechnology companies. Additionally, three research institutions will be established in the BioValley during the first phase of the Project:

- The National Institute for Agro-Biotechnology will be involved in developing technologies to increase food production;
- The National Institute for Pharmaceutical and Nutraceutical Biotechnology will be involved in leading new discoveries in functional food and drugs; and
- The National Institute for Genomics and Molecular Biology will be involved in bio-engineering and genetics.

The Project is expected to attract 150 biotechnology firms and attract between RM40 billion and RM45 billion in investments creating nearly 30,000 jobs within 10 years. BioValley Malaysia has already attracted interest among foreign biotechnology investors. Among Malaysian companies, Innovase Sdn Bhd intends to establish a RM75 million plant to produce organic animal feed and high-end sugars made from palm kernel. INSB also intends to manufacture hepatitis A and B vaccines in the BioValley with China Bioway Biotech Group of China, bio-molecular products with China's Zhen-Ao Group and China's Tasly Group to produce 20 types of traditional Chinese medicines by 2006.^{27,28}

2.4 Prospects and Outlook

The Malaysian government has identified research on medicinal plants as a priority area in commercialisation of biotechnology. Malaysia has about 12,000 to 15,000 plant species of which about 1,300 are believed to have medicinal properties but only 100 plant species have been fully researched. Biotechnology has wide applications and used in industries to develop new products or processes in foods, agriculture, pharmaceuticals, cosmetics, chemicals, textiles, environmental industries, energy, mining, forestry and animal breeding. Thus developing Malaysia's capabilities in biotechnology is a major component to transform Malaysia into an industrialised nation and step up the value chain.^{29,30}

Biotechnology is responsible for hundreds of medical diagnostic tests that detect diseases. Biodiversity provides raw materials used in pharmaceuticals, nutraceuticals, foods, genomics and agriculture. Thus Malaysia's biodiversity offers opportunities through R&D to develop new products. Biotechnology is one of the most research-intensive industries in the world and would create new job opportunities in Malaysia for graduates and professionals from the biosciences.

The outlook of Malaysia's biotechnology industry is favourable due to strong support and commitment from the government and has been identified as one of the industries to focus and develop under the Eighth Malaysia Plan (2001-2005). The BioValley is expected to be home to nearly 20 companies by 2006 and targets to have 150 companies with an estimated investment of RM40 billion. According to a study by the Massachusetts Institute of Technology (MIT), the BioValley Project is expected to generate nearly RM41 billion in revenue in the next 10 years.

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.^{31 32}

3. DIRECT SELLING INDUSTRY

3.1 Scenario of the Global Direct Selling Industry

²⁶ Prime Minister Launches BioValley Malaysia, Malaysian Timber Council, 11 Sept 2003

²⁷ BioValley Blueprint, The Edge Singapore, 26 May 2003

²⁸ MOU to Produce Chinese Medicine Signed, New Sunday Times, 7 December 2003

²⁹ Promising Hotbed for Biotechnology, New Sunday Times, 24 February 2004

³⁰ Biotechnology and Natural Products, ASEAN Review of Biodiversity and Environmental Conservation, 14 March 2001

³¹ Biotech push, The Star, 15 April 2005

³² Speech by the Prime Minister at the launch of BioMalaysia 2005 on 28 April 2005

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

The global market for direct selling is estimated at RM335 billion of which Malaysia accounted for an estimated RM3.9 billion in 2003. The low investment requirement to set up a direct selling business by distributors and as an additional source of income is the main attractions of the direct selling scheme.³³

There is potential for Malaysian companies to venture into the overseas markets. The United States is the largest market valued at RM112 billion followed by Japan at RM93.1 billion in 2003. Other potential markets include Indonesia (RM2.0 billion), Thailand (RM3.0 billion), India (RM1.1 billion), Philippines (RM904 million), Singapore (RM992 million) and South Africa (RM1.1 billion).³¹

Multinational direct selling companies are currently monitoring the progress of China's implementation of its commitment towards opening its direct selling industry with the implementation of the WTO Agreement. According to a press statement by the Chairman of Ethics Committee of the WFDSA, direct selling companies entering China will benefit when China's government allow sales away from a fixed location. Furthermore, China's large population will provide tremendous potential for foreign direct selling companies.³⁴

3.2 Direct Selling Industry in Malaysia

The direct selling industry in Malaysia is categorised into Single Level Marketing (SLM) and Multi Level Marketing (MLM) companies. Distributors in SLM schemes receive commissions from their own sales while distributors in MLM schemes receive commissions from their own sales and also commissions from sales of other distributors they recruit.

MLM companies in Malaysia sell a wide range of consumer products including cosmetics, personal care products, health food supplements, household consumer products and appliances. Most of the household and personal care products sold by Malaysian MLM companies are locally made. However, herbal products are mainly imported as finished products or the raw materials are imported and manufactured into finished products.³⁵

In Asia, Malaysia is recognized as having the highest ratio direct selling companies to the number of people. As of January 2003, there were 402 direct selling companies.³⁶ These companies sell a wide range of consumer products including cosmetics, personal care products, health food supplements, household consumer products and appliances. Major MLM companies in Malaysia include Amway Holdings Bhd, CNI Enterprise Sdn Bhd, Lion Best Sdn Bhd, Hai-O Marketing Sdn Bhd, Gano Excel Enterprise Sdn Bhd, SMC Freemaker Sdn Bhd, Brilliant Point Sdn Bhd, Shuang Hor Enterprise Sdn Bhd, Nu Life International Sdn Bhd, DXN Enterprise Sdn Bhd and INS Enterprise Sdn Bhd

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 have increase by 20-30% in 2003. It is known that nearly 50 Malaysian direct selling companies have already expanded their markets into Indonesia, Singapore, Thailand, Brunei, India and the Middle East.^{37,38, 39}

3.3 Prospects and Outlook

Prospects in the Malaysian direct selling industry remains favourable. 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 to 5 years. To encourage exports among direct selling companies, the government introduced tax exemptions on revenues from exports in May 2003.

The low investment cost to be distributors for direct selling companies provides opportunities for many seeking a secondary source of income and entrepreneurs to develop their careers in direct selling. Malaysia's growing economy and subsequent rising per capita income has a created increasing demand for consumer goods such as health foods, personal care products and cosmetics. INSB has taken these opportunities by developing and marketing high quality products that have mass consumer appeal. Thus

³³ World Federation of Direct Selling Associations

³⁴ *Direct Selling Industry Focuses on Chinese Market Opportunities*, Peoples Daily, 1 October 2003

³⁵ *Perfect Resources Plans Ringgit 80M Plant*, The Star, 28 January 2004

³⁶ *Direct Selling Industry Facing Saturation*. The Edge Malaysia, 24 February 2003

³⁷ *Direct Selling Industry Facing Saturation*. The Edge Malaysia, 24 February 2003

³⁸ Speech by the Minister of Health at the opening of Tiens Health Development Sdn Bhd on 18 March 2003

³⁹ *US Tax Incentives to go Global*, Bernama, 4 December 2003

11. SUMMARY OF INDUSTRY OVERVIEW REPORT (CONTINUED)

INSB has successfully attracted distributors to join its MLM scheme and market its products that have consumer appeal.

The global direct selling industry is estimated at RM335 billion in 2003 and Malaysia accounts for only 1% of the global market. Thus there are potential opportunities for INSB to venture and expand into the overseas markets. Malaysia's rich plant biodiversity offers opportunities for INSB to exploit and export herbal products. Malaysia as a regional *halal hub* offers another opportunity to export to the Middle East and countries with a large Muslim population such as Indonesia, China, Turkey, United States and Britain.

Market Size of Direct selling Industry in INSB's Major and Potential Markets in 2003

Country (Year of Estimate)	Market Size (RM million)
United States	112,100
Japan (2002)	93,100
United Kingdom	11,750
France (2001)	10,959
Germany	9,937
Australia (2004)	4,058
Canada	3,610
Thailand	3,040
Indonesia (2002)	1,982
India (2001)	1,140
South Africa	1,079
Singapore	992
Philippines (2002)	904
New Zealand (2004)	684
Hong Kong (2000)	486
Turkey (2002)	387
China	Not Available

Source: World Federation of Direct Selling Associations

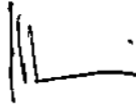
The growing economies in South East Asia such as Indonesia, Thailand, Singapore and the Philippines represent potential opportunities. The combine market size of the direct selling industry in these 4 countries was RM6.9 billion in 2003. Japan is the largest market in Asia and the second largest in the world after the United States. China's large population, strong economic growth, rising per capita income and opening of its market to foreign direct selling companies (due to the WTO Agreement) represents another potential market.⁴⁰

Spire Research Sdn Bhd has prepared this report in an independent and objective manner and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the INSB's business development plan and industries and within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industries and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of the reader(s) of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company or companies.

⁴⁰ World Federation of Direct Selling Associations

11. SUMMARY OF INDUSTRY OVERVIEW REPORT *(CONTINUED)*

Yours sincerely,



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