INSAS BERHAD
Registration No. 196101000026(4081-M)
(Incorporated in Malaysia)

<u>Questions raised by Minority Shareholders Watch Group ("MSWG") – 62nd Annual General Meeting held on 29 November 2024</u>

No.	Questions raised by MSWG	The Company's responses
Operational & Financial Matters		
1.	Out of Insas' five business segments, four registered declined financial performance in FY2024, of which two were loss-making with segmental losses between RM4.88 million and RM19.77 million, as shown in the table below.	

Division	FY2024		FY2023	
(All figures in RM'000)	Revenue	Segment Profit/(Loss)	Revenue	Segment Profit/(Loss)
Financial Services	60,514	20,996	66,415	26,890
Investment Holding & Trading	92,976	5,186	127,985	26,187
Technology	75,316	88,678	1,785	68,448
Manufacturing & Distribution of Consumer Products & Services, Retail Trading, and Car Rental	18,107	-4,877	19,706	3,687
Property Investment & Development	6,336	-19,772	944	-3,858
Total	**253,249**	**90,211**	**216,835**	**121,354**

(Source: pages 197 – 198, Note 48 – Segmental Information, AR2024)

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(a) The Property Investment & Development segment reported another year of losses with RM19.77 million of segmental loss incurred, primarily due	(a) Ho Hup Group's businesses especially the property development activities have been adversely affected due to

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	to the deteriorating financial performance of Ho Hup Construction Company Berhad. Insas' share of loss for Ho Hup increased to RM14.46 million from RM1.2 million the year before. In addition, Ho Hup is in the process of calling off the RM1 billion Flex @ Bukit Jalil mixed development project and will divest the project's 3.09-acre land to Exsim Group for RM110 million cash. Considering Ho Hup's bleak prospects and dismal financial performance, what is Insas' plan for its investment in Ho Hup? Will the Company continue investing in it, or phasing out and redirecting its resources to more promising opportunities?	the financial constraints faced by Ho Hup, resulting in the disposal and/or dilution of equity interest in the property development subsidiary companies and the disposal of its development land as part of the on-going restructuring, rationalization and de-gearing exercises aimed at optimizing asset allocation and de-gearing the borrowings of Ho Hup Group. The carrying value of our investment in Ho Hup has been marked to market over the years and the financial performance of Ho Hup for its next financial year ending 31 December 2025 does not have material effects on the results and net assets of Insas Group. The Board will assess and carefully evaluate the financial position and the business outlooks of Ho Hup after it has substantially completed its restructuring and rationalization exercises before deciding the next course of actions.
	(b) The Property Investment & Development segment incurred non-cash items amounting to RM4.32 million. What do the non-cash items comprise of?	(b) The non-cash items are mainly comprised of dilution loss from Ho Hup Group's equity transaction (private placement of shares) amounting to RM2.7 million and allowance for diminution in value of inventories amounting to RM1.2 million which are related to properties held by M & A Equity Holdings Berhad (formerly known as SYF Resources Berhad) which was acquired by Insas Group in the financial year ended 30 June 2023.
	(c) Meanwhile, the Manufacturing & Distribution of Consumer Products & Services, Retail Trading, and Car Rental division turned loss-making with a segmental loss of RM4.88 million. Which subsegment dragged the divisional performance to losses? Please explain the incurrence of non-cash items that amounted to RM3.89 million.	(c) The division loss is mainly due to losses incurred by the manufacturing and distribution of consumer products and services subsegment with a write-off of property, plant and equipment costs amounting to RM2.25 million and a provision for impairment loss on property, plant and equipment amounting to RM1.0 million. These losses are non-cash items.
	(d) Despite reporting higher revenue in FY2024, Melium Holdings Sdn Bhd's profit plunged to RM4.64 million from RM15.4 million (pages 152 – 153, Note 10 – Associate Companies, AR2024), mainly due to high initial set-up costs for retail outlets as it embarking on an expansion mode in FY2024 with ten new fashion outlets opened in TRX and IOI City Mall.	

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	(i) What is the same-store sales growth for existing stores, excluding the newly opened store? (ii) Will Melium continue the expansion drive in FY2025? What is the total store count? (iii) What is the topline growth projection for Melium, considering the current macroeconomic environment and consumer consumption behaviour?	(d)(i) No significant sales growth noted for existing stores, remained fairly consistent during FY 2024 and FY2023. (d)(ii) Fashion outlets store count as at November 2024 is at 36 stores. At this point, Melium foresees to have another 2 new stores opening in 2025, at The Gardens, Mid Valley and KLCC shopping mall. (d)(iii) Melium Group projected to achieve a 5% - 7% growth in sales for year 2025, with different brands experiencing varying growth percentages.
	(e) Meanwhile, other associate companies chalked up losses of RM23.34 million (FY2023: profit of RM50.92 million). Which are the associate companies that contributed to the losses? What caused them to post unsatisfactory financial results?	(e) The share of losses of associated companies in FY2024 are mainly contributed by associate companies that are involved in trading of securities and other financial instruments and businesses and design, manufacture and repair of semiconductor equipment business:- • associate companies involved in trading of securities and financial instruments that reported the Group's share of losses on fair value changes of financial assets at fair value through profit or loss of -RM4.8 million (FY2023: gain of RM1.7 million) and loss on disposal of financial assets at fair value through profit or loss -RM1.3 million (FY2023: gain of RM3.3 million). • overseas associate companies involved in the design technology and manufacture of highly specialised semiconductor equipments that experiences significant volatility, with periods of high revenue and profitability followed by substantial loss in FY2024. Unlike standard products with steady sales trends, the delivery of our semiconductor equipment products is driven entirely by customer requests, reflecting their specialised and premium nature. This sector reported the Group's share of losses of -RM3.7 million in this financial year, as against a profit of RM5.9 million in FY2023.

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2.	During FY2024, the Group incurred a higher finance cost of RM20.69 million from RM18.77 million in 2023. The effective interest rates of term loans and revolving credit facilities were higher at 4.18%-6.84% and 4.7%-6.02% respectively (FY2023: 0.78% - 6.84% and 3.94% - 5.56%). As of 30 June 2024, Insas was at a net cash position of RM855.5 million (after netting off total borrowings of RM228.83 million and redeemable preference shares of RM129.35 million). What are the benefits of borrowing from banks despite the solid net cash position? Why did the Group not pare down the borrowings and thus save on the finance costs? Please explain the working capital management strategy.	The Group is monetising some of the cash, free shares and unencumbered properties to secure credit facilities from banks, which are used as working capital for the structured finance and lending businesses to generate positive returns and cash flows to the Group. The interest expense is tax deductible and can be used to set off against income earned. The Group needs to maintain sufficient cash reserves to meet funding requirements and to invest in any good investment opportunities that may come along.
3.	The successful listing of M&A Equity Holdings Berhad via a reverse takeover last year has relieved Insas of the burden to support M&A Securities Sdn Bhd's business activities, as M&A Equity is now a separate listed entity that can meet its funding needs via the capital market on its own. The cash-rich position and current low dividend payout ratio of approximately 20% indicate that Insas is capable of rewarding shareholders with higher dividends. Will the Board consider rewarding shareholders with a higher dividend? Otherwise, how does the Management unlock and maximise the value of the healthy cash pile?	We expect FY2025 to be another challenging year ahead and the outlook for the Group is highly dependent on the effects of the on-going Russian-Ukraine war, the Middle-East conflicts and the geopolitical tensions. These uncertainties require us to remain vigilant and adaptable in our strategies. In light of these circumstances, the management has maintained a prudent and conservative approach, ensuring sufficient cash reserves to meet the funding requirements of the core business units and provide flexibility for the Group to invest in good investment opportunities that may come along. The Group is constantly looking for and evaluating good and viable investment prospects that can generate attractive return on investments. The Board, after careful consideration, has proposed to maintain a stable 2.5 sen cash dividend per ordinary share which will provide a reasonable dividend yield of 2.7% at current market price, and to preserve and reinvest the retained earnings for the long-term growth of the Company, for prudent and cautious financial management practices and to safeguard against the global economic uncertainties.
Sustainability Matters		
1.	The Group reviews its sustainability matters annually to ensure they remain relevant and important to our businesses and stakeholders. For FY2024, Insas has identified a total of 17 materiality matters.	The current annual review process for materiality matter assessment is moderately extensive, incorporating the following key components: i. Internal Discussions: The Sustainability Development Working

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	Looking ahead, Insas plans to conduct an in-depth survey involving representatives from each identified stakeholder group to ascertain the materiality matrix. (page 43 of AR2024) A robust materiality assessment requires an inclusive and balanced range of stakeholder perspectives. How extensive is the current annual review process for materiality matter assessment? Which stakeholders were engaged in the annual review? Which segments were omitted but might be considered in future assessments?	Committee conducts internal discussions to evaluate the significance of sustainability matters. ii. Rating Methodology: A structured rating methodology is applied to assess both the operational impact and the importance of these matters to stakeholders. iii. Materiality Assessment Matrix: The results of the assessment were positioned on the Materiality Assessment Matrix, which serves as a baseline for future planning. Our identified materiality matters, 6 out of 17 are directly related to our key stakeholders – our employees. We have conducted annual employee satisfaction survey to gather insights from employees on various aspects of their work experience and overall job satisfaction. Additionally, we engage with shareholders during the Annual General Meeting to collect valuable feedback and liaise with government bodies and regulators as necessary. However, the current process relies primarily on internal insights and involves limited engagement with external stakeholders. To enhance this, Insas plans to expand the process by conducting in-depth surveys, such as a Customer Satisfaction Survey, to incorporate a broader range of stakeholder perspectives in the future.
2.	Referring to the chart showing Insas' total energy and water consumption (page 54 of AR2024), what are the measurements for the two forms of resources? Has the Group set specific reduction targets for energy and water consumption? If so, what are the targets and the baseline it benchmarking with?	The total energy and water consumption shown in the chart are measured in RM. With the implementation of the Bursa ESG Performance Data Table, we have begun compiling energy consumption in Megawatts and water consumption in Megalitres starting in FY 2024. For details, please refer to the Bursa Performance Data Table on page 71 of the AR 2024. Currently, the Group has not established specific reduction targets for energy and water consumption. However, it remains committed to ongoing initiatives aimed at reducing energy and water usage while fostering awareness among employees to minimise wastage.