



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

18 November 2016

BY FAX/EMAIL

(Fax No: 603-22824688)

The Board of Directors
Insas Berhad
No. 45-5, The Boulevard, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Attention: Ms. Chow Yuet Kuen/Ms. Lau Fong Siew
Joint Company Secretaries

Dear Sir,

Re: Fifty-Fourth Annual General Meeting (AGM) of Insas Berhad

In the interest of minority shareholders and all other stakeholders of the Group and the Company, we would like to raise the following points and queries.

Strategy/Financials

1. The Chief Executive Officer (CEO)'s Statement reported that the Group's technology and structured finance divisions have continued to be the backbone of the Group's financial performance and result including other businesses e.g. advisory, stock broking, property, limousine, etc. while the retail group, Melium has now faced a slowdown amid cost cutting measures and restructuring of its business model.
 - (a) On page 126, Note 48 of the financial statements,
 - (i) Would the Board clarify how much and what are the proportions of the segment profit in the Group's technology and IT related services division that were earned by the Group and by the Group's associate companies respectively?
 - (ii) What is the reason for the reduction in the Group's equity interest in associate companies, Inari Amertron Group from 27.2% to 22.8% in 2016 and Ceedtec Group from 13.9% to 11.6%?
 - (b) In the Group's investment holding and trading division, would the Board explain what are those non-cash expenses of RM46.954 million (2015: RM48.206 million) and what steps would the Board take to mitigate them and cut down the segment losses moving forward?
 - (c) On page 124, Note 44, how would the Board evaluate the impact on the Group's retail trading and car rental division's revenue and the segment result after the Group's ownership interest changes in subsidiary companies from 100% to 79.5% owned, Roset Limousine Services Pte Ltd from 51% to 79.5% and Prac Logistics Sdn Bhd from 45% to 55% in the Group's retail trading and car rental division?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia • Company No: 524989-M)
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(d) On page 92, Note 11 (c), it was reported that the associate companies, Winfields Development Sdn Bhd (40% owned) and other associate companies recorded the Group's share of their losses for 2015 and 2016, while Melium Holdings Sdn Bhd (43.4% owned) recorded loss in 2016. What steps and measures would the Board take to mitigate these losses in the near future?

2. The Group adopted equity accounting for its 13.1% equity investment in Ho Hup Construction Company Bhd ("Ho Hup") which has significant influence by virtue of having board representation in Ho Hup.

Amid its equity interest of 13.1%, what is the Board's sustainability plan for its property investment and development division in the longer term given that the dividends receivable expected in terms of its share of profit in Ho Hup will not be significant?

3. On page 120, Note 42, the Group subscribed the enlarged share capital of Special Windfall Sdn Bhd, a 60%-owned subsidiary for RM3.0 million which was announced on 6 May 2014. The rationale for the proposed subscription was aimed at enabling the Group to participate in a residential development project in Nilai, Negeri Sembilan.

What is the status of this subsidiary, Special Windfall Sdn. Bhd. and the residential development project supposed to provide platform for future investment in viable property development projects?

Corporate Governance

MSWG is promoting high standards of corporate governance best practices in PLCs. In this regard, we would like the Board to address:-

- a) Long Serving Independent Director

Board comprises one long-serving Independent Non-Executive Director had served for thirty years, which we hope the Board would address in its succession planning process in line with the recommendations of Malaysian Code on Corporate Governance 2012.

- b) Directors' Remuneration

We note that the Non-Executive Directors' remuneration as stated in the Annual Accounts amounted to RM2,215,000 for FY 2016. Please provide the details of the companies and breakdown of the remuneration at subsidiaries level.

- c) Publication of the Company's Memorandum & Articles of Association onto the company's website.

We would appreciate it if the Board could present the queries raised for shareholders present at the AGM. At the same time, we look forward to a written reply for our records.

Thank you.

Yours sincerely,



Quah Ban Aik
Head, Corporate Monitoring
RBB/mf/qba/Insas 2016



INSAS BERHAD (4081-M)

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Our Ref: SEC/2016/IB/GCE/7508

23 November 2016

Badan Pengawas Pemegang Saham Minoriti Berhad
Tingkat 11, Bangunan KWSP
No. 3 Changkat Raja Chulan
50200 Kuala Lumpur

Attention : Mr Quah Ban Aik, Head – Corporate Monitoring

Dear Sir,

FIFTY-FOURTH (54TH) ANNUAL GENERAL MEETING OF INSAS BERHAD

We refer to your letter dated 18 November 2016 in relation to the above matter and wish to reply as follows:-

Strategy/Financials

Question 1(a)(i)

The segment profit in the Group's technology and IT related services division are as follows:

- earned by the Group	RM 66.4 mil	71.0%
- earned by associate companies	RM 26.6 mil	29.0%
Total	RM 93.0 mil	100.0%
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Question 1(a)(ii)

The reduction in the Group's equity interest in Inari Amertron Group ("Inari") from 27.2% to 22.8% in June 2016 was due to the disposal of some Inari shares by the Group and the dilution effect arising from the conversion of warrants into Inari shares by the Inari warrant holders and the exercise of ESOS by the Inari employees during the financial year.

Ceedtec Group are 51% owned subsidiary companies of Inari, and the reduction in the Group's effective interest in Ceedtec Group is a direct and consequential result of the above Group's reduction in equity interest in Inari.

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Question 1(b)

The non-cash expenses were mainly made up of unrealised losses arising from fair value changes of financial assets at fair value through profit or loss and derivative financial instruments during the financial year. The fair value re-measurements were made in compliance with the accounting standards (MFRS 139) which requires these financial instruments to be measured at fair value at each reporting date by reference to the market closing or quoted reference price, and any differences thereof, whether it is unrealised gains or losses, are required to be recognised in the income statement for the period.

Question 1(c)

During the financial year, the Group has restructured and consolidated the car rental division in order to streamline the operations in a more cost effective and efficient manner for the combined enlarged fleet size of over 1,300 cars, which offer hire and drive, lease and premium limousine services in Malaysia and Singapore. The Group does not envisage any material impact arising from the merger as the Group retains close to 80% equity interest in the enlarged car division group.

Question 1(d)

The losses recorded by these associate companies during the previous 2 financial years arose mainly due to the unforeseen and unfavourable market conditions, both internationally and locally, as a result of, amongst others, the sharp oil price decline, 1MDB crisis and Brexit. The Group is working closely with the boards of the associate companies in cutting costs and restructuring the business models to become better position for the recovery.

Question 2

The Group will continue to explore and evaluate viable property investment and development opportunities in the Klang Valley on a joint venture basis with potential partners and landowners, and the Board expects Ho Hup to contribute reasonable profit to the Group in the foreseeable future.

Question 3

As disclosed in Note 54 of our Annual Report for the previous FYE 30 June 2015, the sale and purchase agreement for the acquisition of the development land in Nilai, Negeri Sembilan has been mutually terminated by the subsidiary company (Special Windfall Sdn Bhd) on 2 October 2014 and all deposits paid have been refunded to Special Windfall Sdn Bhd. The said subsidiary company is now a dormant company.

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Corporate Governance

Question (a)

The Board believes that the said long-serving Independent Director is of high calibre and integrity, and has always discharged her duties and responsibilities as an Independent Director effectively and diligently. The long tenure does not in any way interfere with the exercise of her independent judgement and her ability to act in the best interest of the Group.

Question (b)

The remuneration was paid to 2 Non-Independent Non-Executive Directors of the Company who are Executive Directors of certain Group companies and their remuneration are disclosed in page 13 and 14 of the Annual Report for the current FYE 30 June 2016. The aforesaid Non-Executive Directors did not receive any remuneration from the Company for the FYE 30 June 2015 and 30 June 2016.

The remuneration of the directors are linked, amongst others, to the individual's contribution to the Group's overall performance and commensurate with the level of responsibilities, seniority, experience and industry market norm to attract and retain directors with the necessary expertise, skills and knowledge to manage the Group effectively and efficiently.

Question (c)

We are of the view that the M&A of the Company should be accessible to the shareholders of the Company only, and any shareholder who wishes to inspect the M&A are always welcome to contact us.

The Board will present this reply to the shareholders present at the forthcoming 54th Annual General Meeting of the Company on 24 November 2016.

Please do not hesitate to contact us if you should require any further clarification.

Yours faithfully
INSAS BERHAD



Winnie Ng
General Manager-Finance