

INSAS BERHAD ("INSAS" OR "COMPANY")

- **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 132,604,152 REDEEMABLE PREFERENCE SHARES ("RIGHTS RPS") IN INSAS TOGETHER WITH UP TO 331,510,380 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF 2 RIGHTS RPS AND 5 WARRANTS FOR EVERY 10 EXISTING ORDINARY SHARES AT AN ISSUE PRICE OF RM1.00 PER RIGHTS RPS; AND**
- **PROPOSED AMENDMENTS TO THE CONSTITUTION OF INSAS**

(COLLECTIVELY, THE "PROPOSALS")

The abbreviations and definitions used throughout this announcement are the same as those previously defined in the Company's announcement in relation to the Proposals dated 9 July 2020.

Reference is made to the announcement dated 9 July 2020.

On behalf of the Board, M&A Securities, a wholly-owned subsidiary of Insas, wishes to announce the following additional information:

1. The amount raised from the issuance of RPS-A pursuant to the Rights Issue in 2015 and the breakdown of utilisation of proceeds from the issuance of RPS-A

RM132.6 million was raised from the issuance of RPS-A at an issue price of RM1.00 per RPS-A in March 2015. The breakdown of utilisation of proceeds from the issuance of RPS-A was as follows:-

	RM'000
Capital injection into M&A Securities ^{(1)(a)}	60,000
Capital injection into Insas Pacific Rent-A-Car Sdn Bhd, a wholly-owned subsidiary of Insas ^{(1)(b)}	5,000
Repayment of bank borrowings ⁽²⁾	20,000
Subscription of the rights issue of an associate company ⁽³⁾	30,000
Working capital and general business purposes ⁽⁴⁾	16,201
Payment of expenses relating to the rights issue of RPS-A	1,400
Total	<u>132,601</u>

Notes:

- (1) Capital injection to support Insas subsidiaries' continuous business for growth:
- (a) M&A Securities is in the business of stockbroking and dealing in securities and provision of corporate finance and advisory services. The capital injection of RM60.0 million increased M&A Securities' shareholder's funds to RM173.8 million as at 30 June 2015 (being the latest audited financial statement after the completion of the rights issue exercise in March 2015), which provided M&A Securities with additional working capital for its businesses as well as ensured its shareholder's funds is maintained at, at least RM100 million at all times as required under the Securities Commission Licensing Handbook;
 - (b) The capital injection was for the expansion by Insas Pacific Rent-A-Car Sdn Bhd of its car rental services business to purchase new cars and set up of new offices in East Malaysia.
- (2) RM20.0 million was utilised to repay the Group's revolving credits which generated interest savings of RM1.3 million. The Group's borrowings as at 31 December 2014 (which was the latest available information prior to the implementation of the rights issue in 2015) stood at approximately RM314.8 million.

- (3) RM30.0 million was used to replenish Insas' working capital which Insas had utilised to subscribe for the rights issue with warrants by its associate company, Inari Amertron Berhad on February 2015.
- (4) RM16.2 million was utilised to finance the Group's overheads, staff cost as well as provision of margin lines for its structured finance operations. The breakdown of the utilisation is as follows:

Description	RM'000
Overheads such as office rental, utilities, statutory fees, secretarial/audit fees, insurances	1,164
Staff costs	5,821
Margin lines for structured finance operations	9,216
	<u>16,201</u>

2. **The amount of the Group's cash and bank balances and deposits with banks and financial institutions, based on the latest AR for FYE 30 June 2019 and latest quarterly report for the FPE 31 March 2020; and**
3. **The detailed rationale and justification for the Group to undertake the bridging loans via revolving credit facilities to redeem the RPS-A that matured in February 2020, instead of utilising the significant cash and bank balances and deposits with banks and financial institutions as stated in item (2) to redeem the RPS-A.**

The reply to questions 2 & 3 above are combined below:

	-----As at-----	
	30 June 2019	31 March 2020
	RM'000	RM'000
Cash and bank balances	95,148	228,153
Deposits with licenses banks and financial institutions	554,552	493,049
Total cash & deposits	649,700	721,202
Less:		
Cash and bank balances pledged ^(a)	(19,652)	(146,781)
Fixed deposits pledged ^(a)	(238,271)	(181,826)
Cash & deposits	391,777	392,595
<u>Loans and borrowings</u>		
- current	(281,653)	(389,009) ^(c)
- non-current	(20,280)	(15,572)
	(301,933)	(404,581)
<u>Hire purchase obligations</u>		
- current	(28,789)	(7,563)
- non-current	(53,931)	(16,299)
	(82,720)	(23,862)
Total loans & borrowing and hire purchase obligations^(b)	(384,653)	(428,443)
Net Cash	265,047	292,759

Notes:

- (a) These cash and bank balances and deposits are pledged to various banks and financial institutions as security for banking and credit facilities granted to the Group.
- (b) The Group's total loans, borrowings and hire purchase obligations of RM384.6 million as at 30 June 2019 and RM428.4 million as at 31 March 2020 are mostly short term and repayable within 1 year.
- (c) Includes the bridging loans of RM132.6 million drawn down by Insas to redeem the RPS-A that matured in February 2020.

The Group's cash & bank balances and deposits of RM392.6 million as at 31 March 2020 is primarily used by its subsidiaries for working capital requirement purposes. The Group's principal business segments are stock broking, provision of corporate finance & advisory services and structured finance ("Financial Services"); investment holding & trading; and technology investments & IT related services ("Technology"), the nature of these Group businesses require adequate and sufficient cash resources and back-up to support the business activities and to undertake any potential good and viable investment and structured finance opportunities that may arise from time to time.

As the Group's cash is primarily used by its subsidiaries for their respective businesses and operational requirements, the Company requires to undertake the Proposed Rights Issue with Warrants to repay the bridging loans which were taken to redeem the RPS-A, and the Proposed Rights Issue is structured with a minimum subscription of RM65 million, and if the Proposed Rights Issue is fully subscribed by the shareholders, the Company will raise the maximum subscription of RM132.6 million.

The redeemable preference shares pursuant to the Proposed Rights Issue with Warrants is unsecured, not subject to annual or periodic review by financial institutions and is redeemable only at the option of the Company which is favourable, especially under the prevailing uncertain global economic and market conditions resulting from the Covid-19 pandemic crisis. The issuance of the Rights RPS with Warrants will not have an immediate dilution effect on the percentage shareholdings and earnings per share of the Company as the Rights RPS is not convertible into new Insas Shares.

The preferential dividend rate of the Rights RPS under the Proposed Rights Issue with Warrants which is at 3.8% per annum on the issue price of the Rights RPS is at a rate higher than the dividend yield for Insas Shares and the 1 year fixed deposit rates offered by financial institutions, and the said dividend rate is lower than bank lending rates of not less than 5.0% for fully secured and collateralised bank loans and borrowings. Furthermore, the cumulative dividend feature of the Rights RPS will also provide the entitled shareholders with a regular fixed and consistent income during the tenure of the Rights RPS including in the case of an absence of profits without the risk of long maturity dates or market fluctuation of ordinary shares.

In addition, the 5 Warrants which are attached with 2 Rights RPS for every 10 Insas Shares subscribed are intended to provide an added incentive to the entitled shareholders to subscribe for their respective entitlements, with the Board intending to fix the exercise price of the Warrants at the market price based on the 5D-VWAP of Insas Shares immediately prior to the price-fixing date. The said Warrants will not have an immediate dilutive effect to the existing shareholders unless the Warrants are exercised which is dependent upon the prevailing market price for Insas Shares.

This announcement is dated 24 July 2020.