

NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS): COMBINATION OF NEW ISSUE OF SECURITIES INSAS BERHAD ("INSAS" OR "COMPANY") PROPOSED RENOUNCEABLE RIGHTS ISSUE OF REDEEMABLE PREFERENCE SHARES ("RPS") WITH FREE DETACHABLE WARRANTS ON THE BASIS OF ONE (1) RPS AND TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN INSAS AT AN ISSUE PRICE OF RM1.00 PER RPS ("PROPOSED RIGHTS ISSUE WITH WARRANTS"); PROPOSED RECLASSIFICATION OF THE AUTHORISED SHARE CAPITAL OF INSAS ("PROPOSED RASC"); PROPOSED AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF INSAS ("PROPOSED M&A AMENDMENT"); AND PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME FOR ELIGIBLE EMPLOYEES AND DIRECTORS OF INSAS AND ITS SUBSIDIARIES (EXCLUDING SUBSIDIARIES WHICH ARE DORMANT) ("PROPOSED ESOS") (COLLECTIVELY, THE "PROPOSALS")

INSAS BERHAD

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|-------------|---|
| Type | Announcement |
| Subject | NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) |
| Description | COMBINATION OF NEW ISSUE OF SECURITIES INSAS BERHAD ("INSAS" OR "COMPANY") |

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF REDEEMABLE PREFERENCE SHARES ("RPS") WITH FREE DETACHABLE WARRANTS ON THE BASIS OF ONE (1) RPS AND TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN INSAS AT AN ISSUE PRICE OF RM1.00 PER RPS ("PROPOSED RIGHTS ISSUE WITH WARRANTS");
PROPOSED RECLASSIFICATION OF THE AUTHORISED SHARE CAPITAL OF INSAS ("PROPOSED RASC");
PROPOSED AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF INSAS ("PROPOSED M&A AMENDMENT"); AND
PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME FOR ELIGIBLE EMPLOYEES AND DIRECTORS OF INSAS AND ITS SUBSIDIARIES (EXCLUDING SUBSIDIARIES WHICH ARE DORMANT) ("PROPOSED ESOS")

(COLLECTIVELY, THE "PROPOSALS")

On behalf of the Board of Directors of Insas, M&A Securities Sdn Bhd, a wholly-owned subsidiary of Insas, wishes to announce that the Company proposes to undertake the Proposals.

Further details are disclosed in the attachment herein.

This announcement is dated 25 July 2014.

Attachments

[Annct.pdf](#)
709 KB

Announcement Info

| | |
|----------------|----------------------|
| Company Name | INSAS BERHAD |
| Stock Name | INSAS |
| Date Announced | 25 Jul 2014 |
| Category | General Announcement |
| Reference No | OS-140725-67179 |

INSAS BERHAD ("INSAS" OR "COMPANY")

- **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF REDEEMABLE PREFERENCE SHARES ("RPS") WITH FREE DETACHABLE WARRANTS ON THE BASIS OF ONE (1) RPS AND TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN INSAS AT AN ISSUE PRICE OF RM1.00 PER RPS ("PROPOSED RIGHTS ISSUE WITH WARRANTS");**
- **PROPOSED RECLASSIFICATION OF THE AUTHORISED SHARE CAPITAL OF INSAS ("PROPOSED RASC");**
- **PROPOSED AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF INSAS ("PROPOSED M&A AMENDMENT"); AND**
- **PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME FOR ELIGIBLE EMPLOYEES AND DIRECTORS OF INSAS AND ITS SUBSIDIARIES (EXCLUDING SUBSIDIARIES WHICH ARE DORMANT) ("PROPOSED ESOS")**

(COLLECTIVELY, THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Insas ("Board"), M&A Securities Sdn Bhd ("M&A Securities"), a wholly-owned subsidiary of Insas, wishes to announce that the Company proposes to undertake the Proposals.

Further details of the Proposals are set out in Section 2 below.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Rights Issue with Warrants

Insas is proposing to undertake a renounceable rights issue of up to 138,666,727 RPS with up to 277,333,454 Warrants on the basis of one (1) RPS and two (2) Warrants for every five (5) existing ordinary shares of RM1.00 each subscribed in Insas ("Insas Shares" or "Shares") at an issue price of RM1.00 per RPS.

The RPS together with the Warrants will be offered to the entitled shareholders of Insas whose names appear in the Record of Depositors of the Company at the close of business on the entitlement date to be determined later after obtaining the approvals from all relevant authorities and the shareholders of the Company.

The Warrants will be issued free to each entitled shareholder based on the respective entitled shareholders' entitlement to the Proposed Rights Issue with Warrants and on the acceptance of his rights entitlements.

The actual number of RPS and Warrants offered under the Proposed Rights Issue with Warrants will be determined on the entitlement date.

Fractional entitlements under the Proposed Rights Issue with Warrants if any, will be dealt with in such manner as the Board in its absolute discretion deems fit and in the best interest of the Company.

2.1.1 Renunciation of the RPS

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, entitled shareholders can subscribe for and/or renounce their entitlements to the RPS in full or in part.

The Warrants will be immediately detached from the RPS upon issuance and will be separately traded. The renunciation of the RPS by the entitled shareholders will accordingly entail the renunciation of the Warrants to be issued together with the RPS pursuant to the Proposed Rights Issue with Warrants. If the entitled shareholder decides to accept only part of his RPS entitlements, he shall be entitled to the Warrants in the proportion of his acceptance of his RPS entitlements.

Any RPS with Warrants which are not taken up or validly taken up shall be made available for excess applications by the entitled shareholders and/or their renounee(s). It is the intention of the Board to allocate the excess RPS with Warrants in a fair and equitable manner and on such basis as it may deem fit or expedient or in the best interests of the Company to be determined by the Board and announced later by the Company.

2.1.2 Pricing of the RPS and Warrants

The Board has proposed to fix the issue price of the RPS at RM1.00 per RPS and the exercise price of the Warrants at RM1.00 per Warrant, after taking into consideration, the prevailing market conditions, the five (5)-day volume weighted average market price ("5D-VWAP") of Insas Shares.

The issue price/exercise price of RM1.00 for each RPS/Warrant represents a discount of 19.4% to the 5D-VWAP of Insas Shares up to 24 July 2014, being the market day immediately prior to the date of this announcement, of RM1.24.

2.1.3 Entitlements to the RPS with Warrants

The RPS with Warrants will be provisionally allotted to the entitled shareholders.

For the avoidance of doubt, the Warrants attached to the RPS are without any cost to the entitled shareholders and/or renounees and will be issued only to the entitled shareholders and/or renounees who subscribe for the RPS. The RPS with the Warrants are not separately renounceable. The Warrants shall be immediately detached from the RPS upon allotment and shall be separately traded on Bursa Malaysia Securities Berhad ("Bursa Securities").

2.1.4 Ranking of the RPS and the new Insas Shares to be issued pursuant to the exercise of the Warrants

The RPS shall rank *pari passu* without any preference or priority among themselves and in priority to Insas Shares and other preference shares that may be created in future, but shall rank behind all secured and unsecured obligations of Insas.

The new Insas Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, rank *pari passu* in all respects with the then existing Insas Shares, save and except that such new Insas Shares will not entitle its holders any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company prior to the relevant date of allotment of the new Insas Shares arising from the exercise of the Warrants.

2.1.5 Undertakings by shareholders of the Company and underwriting arrangements

The Proposed Rights Issue with Warrants is intended to be undertaken on a full subscription basis.

Notwithstanding the above, Insas has obtained irrevocable written undertakings from Dato' Thong Kok Khee and his related parties (collectively, the "Undertaking Shareholders"), a major shareholder of Insas to subscribe in full for their respective entitlements and for additional RPS with Warrants via excess application, of up to 100,000,000 RPS with 200,000,000 Warrants ("Undertakings") under the Proposed Rights Issue with Warrants.

| | Shareholdings as at 9 July 2014 | | Undertakings to subscribe for his/its Rights entitlements | | | Undertaking to subscribe for excess RPS | | | Total to be subscribed pursuant to the Undertakings | | |
|---|---------------------------------|----------------|---|------------------------|-------|---|------------------------|-------|---|------------------------|-------|
| | No. of Shares ('000) | % [^] | No. of RPS ('000) | No. of Warrants ('000) | %* | No. of RPS ('000) | No. of Warrants ('000) | %* | No. of RPS ('000) | No. of Warrants ('000) | %* |
| Dato' Thong Kok Khee | 2,385 | 0.36 | 477 | 954 | 0.34 | 67,481 | 134,962 | 48.66 | 67,958 | 135,916 | 49.01 |
| Parties related to Dato' Thong Kok Khee | 160,210 | 24.12 | 32,042 | 64,084 | 23.11 | - | - | - | 32,042 | 64,084 | 23.11 |

Notes:

[^] % shareholdings calculated based on 664,206,342 Insas Shares (net of 29,127,291 treasury shares).

* Computed based on 138,666,727 RPS to be issued pursuant to the Proposed Rights Issue with Warrants.

The Company confirms that the Undertakings will not give rise to any consequences of mandatory general offer obligation pursuant to the Malaysian Code on Take-Over and Mergers, 2010 ("Code") after the Proposed Rights Issue with Warrants. However, should Dato' Thong Kok Khee and/or any of his related parties exercise their Warrants, such that their shareholdings in Insas increases to more than 33%, whether on an individual or collective basis, Dato' Thong Kok Khee and/or any of his related parties is obliged under Part III of the Code to undertake a mandatory offer for all the remaining Insas Shares not already held by them after the exercise of the Warrants.

The remaining portion amounting to 38,666,727 RPS for which no undertaking is obtained will be fully underwritten, and such underwriting arrangement shall be made prior to the entitlement date of the Proposed Rights Issue with Warrants.

2.1.6 Indicative Salient Terms of the RPS

The indicative salient terms of the RPS are set out in the following Table 1:-

Table 1: Indicative Salient Terms of the RPS

| Terms | Details |
|-----------------------|---|
| Issue Size | : Up to 138,666,727 RPS and in multiples of RM1.00 each. |
| Par Value | : RM0.01 per RPS. |
| Issue Price | : RM1.00 per RPS. |
| Tenure | : Five (5) years. |
| Maturity Date | : The day falling five (5) years from the date of issue of the RPS unless the tenure of the RPS, if permitted by law, is extended by Insas and the RPS holders. If such date is not a market day, then it shall be the next market day immediately after the said non market day. |
| Board Lot | : The RPS are tradeable upon listing in board lots of 100 units or such other number of units as may be prescribed by Bursa Securities. |
| Dividends | : The RPS shall carry the right to receive cumulative gross preferential dividend rate out of the distributable profits of Insas as the issuer, at a fixed rate of 4.0 percent (4.0%) per annum on the issue price of the RPS. No dividends shall be paid on the ordinary shares of Insas unless the dividends on the RPS have first been paid. The dividends for the RPS shall be paid every six (6) monthly ending 30 th June and 31 st December of each year, with the first dividend payment to be paid either on 30 th June or 31 st December, immediately after the issuance and allotment of the RPS. The last dividend payment shall be made on the Maturity Date. |
| Form and denomination | : The RPS are to be issued in registered form and constituted by the Company's Memorandum and Articles of Association. |
| Conversion Right | : The RPS is not convertible into new Insas Shares. |
| Ranking of the RPS | : The RPS shall rank <i>pari passu</i> without any preference or priority among themselves and in priority to Insas Shares and other preference shares that may be created in future, but shall rank behind all secured and unsecured obligations of Insas. In the event of liquidation, dissolution, winding-up or other repayment of capital (other than on redemption):- (a) The RPS shall confer on the holders the right to receive in priority to the holders of all other class of shares in Insas, cash repayment in full of the amount (and the premium payable and the amount of any dividends that has been declared and remaining in arrears) of up to 100% of the |

Terms**Details**

- issue price of the RPS provided that there shall be no further right to participate in any surplus capital or surplus profits of Insas.
- (b) In the event that Insas has insufficient assets to permit payment of the full Issue Price to the RPS holder, the assets of Insas shall be distributed rateably to the RPS holder in proportion to the amount that each RPS holder would otherwise be entitled to receive.
- Redemption : The RPS is redeemable at 100% of the issue price of the RPS at any time during the tenure of the RPS at the option of Insas as the issuer, where not less than seven (7) business days' in writing notice must be given.
- The RPS may be surrendered by the Warrant holders at 100% of the issue price of the RPS for the exercise of the Warrants in lieu of the exercise price of RM1.00 per Warrant.
- Any RPS not redeemed by the Company or surrendered by the RPS holder at the Maturity Date shall be redeemed by the Company at 100% of the issue price of the RPS.
- Redemption Price : The redemption price is at 100% of the issue price of the RPS.
- Method of Redemption : The Company may redeem the RPS on a pro-rata basis at their nominal value commencing from the date of issue of the RPS up to the Maturity Date, subject to not less than seven (7) business days' notice in writing must be given.
- Rights of the RPS holders : The RPS holders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited accounts and attending general meetings of the Company. The RPS holders however are not entitled to any voting rights or participation in any rights, allotments and/or other distributions in the Company except in the following circumstances:-
- (a) where the dividend or part of the dividend on the RPS has been declared but remains unpaid for more than six (6) months;
 - (b) on a proposal to reduce the Company's share capital;
 - (c) on a proposal for the disposal of the Insas group of companies' ("Insas Group" or "Group") assets, business and undertakings in excess of 25% of the net assets of the Group based on the last audited financial statements;
 - (d) upon any resolution which varies or is deemed to vary the rights and privileges attaching to the RPS;
 - (e) upon any resolution for the winding up of Insas; and

| Terms | Details |
|---------------------------|---|
| | (f) other circumstances as may be provided under law and applicable to preference shares and/or preference shareholders from time to time. |
| Transferable | : The RPS shall be transferable in accordance with the Rules of Bursa Malaysia Depository Sdn Bhd. |
| Purchase and cancellation | : Insas may at any time purchase the RPS in the open market at any price subject to compliance with prevailing laws. The RPS so purchased may be resold or cancelled at the sole discretion of the Company. |
| Listing | : The RPS will be listed on the Main Market of Bursa Securities. |
| Governing Law | : Laws of Malaysia |

2.1.7 Indicative Salient Terms of the Warrants

The indicative salient terms of the Warrants attached to the RPS are set out in the following Table 2:-

Table 2: Indicative Salient Terms of the Warrants

| Terms | Details |
|-----------------|---|
| Issue Size | : Up to 277,333,454 Warrants to subscribe for up to 277,333,454 new Insas Shares to be issued to the entitled shareholders pursuant to the Proposed Rights Issue with Warrants. |
| Detachability | : The Warrants which are to be issued pursuant to the Proposed Rights Issue with Warrants are immediately detachable upon allotment and issue of the RPS. The Warrants will be traded separately. |
| Deed Poll | : The Warrants will be constituted by the Deed Poll to be executed by Insas. |
| Exercise Price | : RM1.00 per Warrant. The exercise price and the number of outstanding Warrants shall be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period. |
| Exercise Period | : The Warrants may be exercised at any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants until 5.00 p.m. on the expiry date. If such date is not a market day, then it shall be the next market day immediately after the said non market day. The rights attached to the Warrants which are not exercised during the Exercise Period will thereafter lapse. |

| Terms | Details |
|--|---|
| Mode of Exercise | : The holder of Warrants is required to lodge an exercise form with the Company's share registrar, duly completed and signed together with payment of the Exercise Price by banker's draft or cashier's order drawn on a bank or post office operating in Malaysia; or by the surrender of such number of RPS at 100% of the issue price of the RPS for the exercise of the Warrants in lieu of the exercise price of RM1.00 per Warrant. |
| Exercise Rights | : Each Warrant entitles the registered Warrant holder to subscribe for one (1) new Insas Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the provisions of the Deed Poll, which is to be executed. |
| Mode of Transfer | : The Warrants are transferable by an instrument of transfer in the usual or common form or such other form as the Board and Bursa Securities may approve. |
| Board Lot | : The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Insas Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities. |
| Status of new Insas Shares to be issued pursuant to the exercise of the Warrants | : All new Insas Shares to be issued arising from the exercise of the Warrants shall upon allotment rank <i>pari passu</i> in all respects with the then existing Insas Shares save and except that such new Insas Shares will not entitle its holders to any dividends, rights, allotments, and/or other distributions which may be declared, made or paid to the shareholders of the Company prior to the relevant date of allotment of the new Insas Shares arising from the exercise of the Warrants. |
| Rights of the Warrant holders | : The Warrant holders are not entitled to any voting rights or participation in any dividends, rights, allotments and/or other distributions in the Company until and unless such holder of Warrants exercise their Warrants into new Insas Shares. |
| Rights in the event of winding-up, liquidation, compromise and/or arrangement | : Where a resolution has been passed for a member's voluntary winding up of the Company, or where there is a compromise or arrangement, then: <ul style="list-style-type: none"> (a) For the purpose of such winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders or some persons designated by them for such purposes by a special resolution, will be a party, the terms of such winding up, compromise or arrangement will be binding on all the Warrant holders; and (b) In any other case, every Warrant holder shall be entitled within six (6) weeks after the passing of such resolution for a member's voluntary winding-up of the Company or within six (6) weeks after the granting of the order by the High Court of Malaya approving the compromise or arrangement, by the irrevocable surrendering of his |

| Terms | Details |
|---|---|
| | Warrants to the Company, exercise his Warrants and be treated as if he had exercised the Warrants immediately prior to the commencement of such winding up, compromise or arrangement and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new shares to which he would have become entitled pursuant to such action, and the liquidator of the Company will give effect to such election accordingly. If the Company is wound up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution, shall lapse and the Warrants shall cease to be valid for any purpose. |
| Adjustments in the exercise price and/or number of Warrants | : The Exercise Price and/or the number of Warrants held by each Warrant holder may from time to time be adjusted in the event of any alteration to the share capital of the Company in accordance with the provisions as set out in the Deed Poll. |
| Further Issues | : Subject to the provisions of the Deed Poll, the Company will be at liberty to issue shares or other securities convertible to shares to shareholders either for cash or as bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit. Warrant holders will not have any participating rights in such issue unless the Warrant holder becomes a shareholder by exercising his Exercise Rights or otherwise resolved by the Company in general meeting. |
| Listing | : The Warrants will be listed on the Main Market of Bursa Securities. |
| Governing Law | : Laws of Malaysia. |

2.1.8 Proceeds Raised and Utilisation of Proceeds

Assuming the treasury shares are resold in the open market and based on an issue price of RM1.00 per RPS, gross proceeds of up to RM138.7 million is expected to be raised from the Proposed Rights Issue with Warrants, which shall be utilised as follows:

| Purpose | RM'000 | Timeframe for utilisation |
|--|---------------|--|
| Capital injection into M&A Securities, a wholly-owned subsidiary of Insas^ | 60,000 | } Within 6 months from the listing of the RPS |
| Capital injection into Insas Pacific Rent-A-Car Sdn Bhd, a wholly-owned subsidiary of Insas^ | 5,000 | |
| Repayment of bank borrowings# | 20,000 | |
| Subscription of the rights issue of an associate* | 30,000 | |
| Working capital and general business purposes | 22,267 | } Within 12 months from the listing of the RPS |

| Purpose | RM'000 | Timeframe for utilisation |
|--|-----------------------|--|
| To defray estimated expenses relating to the Proposals | 1,400 | Within 1 month from the listing of the RPS |
| Total | <u>138,667</u> | |

Notes:

- ^ Capital injection is to provide its subsidiaries, M&A Securities and Insas Pacific Rent-A-Car Sdn Bhd, which is in the business of stockbroking and dealing in securities and provision of corporate finance and advisory services and; car rental services, respectively, with additional capital to support the continuous business for growth.
- # Total borrowing as at 31 March 2014, being the latest practicable date prior to this announcement is approximately RM221.73 million. The repayment of bank borrowings of RM20.0 million is expected to generate interest savings of approximately RM1.70 million per annum.
- * In the event the proposed rights issue with warrants to be undertaken by the associate, Inari Amertron Berhad, does not materialise, the allocation amount for the said rights issue of the associate shall be utilised for the capital injection into other subsidiaries of Insas and for working capital purposes.

The exact quantum of gross proceeds to be raised by Insas from the exercise of Warrants is dependent on the actual total number of Warrants exercised during the tenure of the Warrants.

Assuming full exercise of the Warrants at an exercise price of RM1.00 per Warrant by way of cash subscription, the Company could potentially raise gross proceeds of up to RM277.3 million. The proceeds to be raised, as and when the Warrants are exercised, are proposed to be utilised for the working capital requirements of the Insas Group, which include operating expenses and/or finance costs. The proceeds to be utilised for each component of working capital and its timeframes are subject to the Insas Group's operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

2.2 Proposed Amendments

2.2.1 Proposed Reclassification of the Authorised Share Capital ("Proposed RASC")

As at 9 July 2014, Insas' authorised share capital is RM1,500,000,000 comprising 1,500,000,000 Shares.

In order to facilitate the issuance of RPS pursuant to the Proposed Rights Issue with Warrants, the Board proposes to reclassify the authorised share capital of Insas to RM1,500,000,000 comprising 1,498,000,000 Shares and 200,000,000 RPS of RM0.01 each.

2.2.2 Proposed amendment to the Memorandum and Articles of Association of the Company ("Proposed M&A Amendment")

The Proposed M&A Amendment entails the consequential amendments to the Memorandum & Articles of Association of Insas to facilitate the:

- (a) reclassification of the authorised share capital of Insas; and
- (b) the issuance of RPS pursuant to the Proposed Rights Issue with Warrants.

The Proposed RASC and the Proposed M&A Amendment are collectively known as the "Proposed Amendments".

2.3 Proposed ESOS

Insas proposes to establish and implement an employees' share option scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital to all eligible employees of the Insas Group including Executive Directors and Non-Executive Directors (excluding Alternate Directors, if any) of the Company and its subsidiaries (excluding subsidiaries which are dormant) who meet the criteria of eligibility for participation in the Proposed ESOS ("Eligible Employees") as set out in the by-laws of the Proposed ESOS ("By-Laws"). The ESOS options granted shall entitle the Eligible Employees to subscribe for new Insas Shares at a specified price ("Options").

The Proposed ESOS will be administered by an ESOS committee to be duly appointed and authorised by the Board ("ESOS Committee").

The principal features of the Proposed ESOS are as follows:-

(a) Maximum number of new Shares available under the Proposed ESOS

The maximum number of Insas Shares that may be offered under the Proposed ESOS (excluding treasury shares) shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the Proposed ESOS.

In addition, not more than ten percent (10%) of the new Shares available under the Proposed ESOS shall be allocated to any Eligible Employee, who, either singly or collectively through persons connected with him/her, holds twenty percent (20%) or more of the issued and paid-up share capital (excluding treasury shares) of the Company.

In the circumstances where the maximum allowable allotment is amended by Bursa Securities or any other relevant authority from time to time, the ESOS Committee shall have the absolute discretion to make the necessary adjustments so that the number of new Shares that may be offered to Eligible Employees shall be in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities ("Main Market LR") and the relevant authority prevailing during the ESOS period.

(b) Eligibility to Participate in the Proposed ESOS

Any employee or Director of any company comprised in the Group shall be eligible to be considered for the offer of Options under the Proposed ESOS provided that:

- (i) the employee or Director shall have attained the age of eighteen (18) years on the date of offer;
- (ii) the employee or Director must fall under one (1) of the categories of employees listed in the By-Laws;

- (iii) the employee or Director must have been employed for a continuous period of at least one (1) year (which shall include any probation period) by the Company and/or a subsidiary within the Group and his employment as an Eligible Employee must have been confirmed on the date of offer, unless he was transferred to a subsidiary within the Insas Group, in which case he must have been employed for a continuous period of at least one (1) year in that subsidiary incorporated in Malaysia;
- (iv) if the employee or Director is employed by a company incorporated in Malaysia which is acquired, and becomes a subsidiary of the Company upon such acquisition during the duration of the Proposed ESOS, the employee or Director must have completed service for a continuous period of at least one (1) year in that subsidiary following the date that such company becomes or is deemed to be a subsidiary of the Insas Group; and
- (v) if the employee or Director, whether Malaysian citizen or non-Malaysian citizen, is serving the Company or a subsidiary within the Insas Group on a full-time basis and whose contribution is vital to such companies and who on the date of offer is employed under a contract for service for a term of not less than three (3) years (including any period of employment which the person has already served), the employee or Director is eligible to participate in the Proposed ESOS, subject to the provisions of the By-Laws provided always that employees of subsidiaries of the Company, which are dormant, shall not be eligible to participate in the Proposed ESOS.

The selection of any Eligible Employee for participation in the Proposed ESOS shall be at the discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

No eligible person shall, at any one time, participate at any time in more than one (1) ESOS (in any form or manner, and local or foreign) implemented by any company within the Insas Group.

(c) Duration of the Proposed ESOS

The Proposed ESOS shall be valid for a duration of five (5) years from the effective date of the Proposed ESOS, and may if the Board deems fit, upon the recommendation of the ESOS Committee, be extended for a further five (5) years, subject to an aggregate of ten (10) years from the effective date of implementation of the Proposed ESOS.

The effective date of the Proposed ESOS shall be the date of Insas' compliance with the relevant requirements of the Main Market LR, including the following:

- (i) Submission of the final copy of the By-Laws of the Proposed ESOS to Bursa Securities pursuant to paragraph 6.43 of the Main Market LR;
- (ii) Receipt of Bursa Securities' approval or approval-in-principle, as the case may be, for the issuance and listing of the Shares to be issued under the Proposed ESOS from the Bursa Securities;
- (iii) Procurement of shareholders' approval for the Proposed ESOS;
- (iv) Receipt of the approval of any other relevant authorities (where applicable); and
- (v) Fulfilment of any conditions attached to the above approvals, if any.

(d) Subscription Price

Subject to any adjustments that may be made in accordance with the By-Laws, the price payable for the exercise of an Option under the Proposed ESOS ("Subscription Price") shall be determined by the ESOS Committee at its discretion based on the 5D-VWAP of the underlying Shares as quoted by Bursa Securities, immediately prior to the date of offer is made by the ESOS Committee with a discount of not more than ten percent (10%), if deemed appropriate, or the par value of Insas Shares, whichever is higher.

The basis of determining the Subscription Price for the Proposed ESOS is in compliance with paragraph 6.39(b) of the Main Market LR.

The Subscription Price as determined by the ESOS Committee shall be conclusive and binding. The Subscription Price shall be subject to any adjustment in accordance with the By-Laws.

(e) Ranking of the new Shares to be issued under the Proposed ESOS

All new Shares to be issued upon exercise of the Options granted under the Proposed ESOS shall, upon allotment, rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company except that such new Shares so allotted will not entitle its holders any dividends, rights, allotments and/or other distributions which may be declared, made or paid, to the shareholders of the Company prior to the relevant date of the allotment of such new Shares.

Fractional entitlements under the Proposed ESOS if any, will be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit and expedient and in the best interest of the Company.

(f) Listing of Shares

The Company will make the necessary application to Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options under the Proposed ESOS on the Main Market of Bursa Securities.

(g) Utilisation of proceeds

The actual proceeds to be received by the Company pursuant to the exercise of the Options under the Proposed ESOS will depend on, amongst others, the number of Options granted and exercised at the relevant point in time and the Subscription Price.

As such, the amount of proceeds to be received from the exercise of the Options cannot be determined at this juncture. However, the proceeds arising from the exercise of the Options will be utilised for working capital purposes and/or for finance costs of the Group, as and when the proceeds are received throughout the duration of the Proposed ESOS, as the Board may deem fit.

3. RATIONALE OF THE PROPOSALS

3.1 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants is undertaken to provide the Group with an adequate level of capital buffer for growth and to further strengthen the Company's capital position to support the continuous business growth of its subsidiaries.

The Proposed Rights Issue with Warrants will provide the entitled shareholders with an opportunity to increase their equity participation in the Company and raise capital at a competitive interest cost as compared to other means of financing such as through bank borrowings or the issuance of debt instruments.

The Proposed Rights Issue with Warrants will also minimise the immediate dilution effect on the earnings per share of the Company which would otherwise arise from the issuance of ordinary shares.

Based on the above and after taking into consideration other options available, the Board is of the view that the Proposed Rights Issue with Warrants is in the best interest of the Company and its shareholders.

3.2 Proposed Amendments

The Proposed RASC and Proposed M&A Amendment are to cater for the issuance of RPS pursuant to the Proposed Rights Issue with Warrants.

3.3 Proposed ESOS

The Proposed ESOS provides the Company with greater flexibility to reward and motivate the Directors and employees of the Insas Group, after considering the following factors:

- (a) the Proposed ESOS is intended to continue to motivate, retain and reward Eligible Employees as well as attract future new Eligible Employees, who would be given the opportunity to participate in the equity of the Company and thereby, relate directly to the performance of the Insas Group; and
- (b) the Proposed ESOS is designed to provide a continuing incentive to Eligible Employees without adversely affecting the cash flow of the Insas Group whilst at the same time, contributing positively to its continuing growth through the intended stimulation of greater commitment, productivity and efforts on the part of the Eligible Employees towards the Insas Group.

The Proposed ESOS is also extended to non-executive Directors of the Company in recognition of their contribution to the Company and to enable them to participate in its future growth.

4. EFFECTS OF THE PROPOSALS

The Proposed Amendments do not have any effect on the issued and paid-up share capital, substantial shareholders' shareholdings, earnings, net asset ("NA"), gearing and any existing convertible securities of the Company.

4.1 Share capital

Until the Options to be granted under the Proposed ESOS are exercised, the Proposed ESOS will not have an immediate effect on the existing issued and paid-up share capital of the Company. The issued and paid-up share capital will increase as more new Shares are issued pursuant to the exercise of Options granted under the Proposed ESOS.

Assuming full exercise of the Options available under the Proposed ESOS, which constitutes ten percent (10%) of the issued and paid-up share capital, the effects of the Proposed Rights Issue with Warrants and the Proposed ESOS on the issued and paid-up share capital of the Company are set out below:-

| | No. of Shares | RM'000 |
|--|-------------------------|-------------------------|
| | '000 | RM'000 |
| Share capital | 693,334 [^] | 693,334 [^] |
| To be issued assuming full exercise of Warrants pursuant to the Proposed Rights Issue with Warrants | 277,333 | 277,333 |
| After full exercise of Warrants | <u>970,667</u> | <u>970,667</u> |
| To be issued pursuant to the Proposed ESOS (and assuming full exercise of all the Options to be granted) | 97,067 | 97,067 |
| Enlarged issued and paid-up share capital | <u>1,067,734</u> | <u>1,067,734</u> |

[^] Assuming all the 29,127,291 treasury shares as at 9 July 2014 are resold in the open market.

4.2 Earnings

Barring unforeseen circumstances, the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of the Insas Group for the financial year ending 30 June 2015 and for the ensuing financial years when the benefit of the utilisation of proceeds raised from the Proposed Rights Issue with Warrants are realised. The proceeds from the Proposed Rights Issue with Warrants shall be mainly used to fund the Group's business growth, hence increasing the Group's future earnings potential.

The consolidated earnings per share of Insas may be proportionately diluted as a result of the increase in the number of ordinary shares in the Company in issue assuming full exercise of the Warrants.

Notwithstanding the above, the actual impact on the future earnings and consolidated earnings per share will depend on the level of returns generated from the utilisation of proceeds in the Group's business growth in the ensuing years.

The Proposed ESOS is expected to have an impact on the earnings and earnings per share of the Group in view of the adoption of Financial Reporting Standard 2 relating to Share Based Payment ("MFRS2"). According to MFRS2, the total potential cost arising from the issuance of Options will depend on, among others, the number of Options granted and the fair value of the Options at the grant date which is expected to vest. The charge will be recognised over the vesting period (i.e. the period when the Options are exercisable) as an expense in the income statement, thereby reducing the earnings of the Group. The fair value of the Options will be considered using a valuation model to be determined by the Board and would be dependent on factors such as the volatility of the Shares, the Subscription Price and the Option period.

As such, the Proposed ESOS will have a dilutive effect upon the exercise of Options granted under the Proposed ESOS and the anticipated recognition of expenses in relation to the Options to be granted under the Proposed ESOS pursuant to MFRS2. Nevertheless, the Board has taken note of the potential impact of MFRS2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of Options to Eligible Employees.

As the proceeds arising from the exercise of the Options will be utilised for the Group's working capital and/or finance costs, the Proposed ESOS is expected to contribute positively to the future earnings of the Insas Group.

4.3 NA and gearing

The proforma effects of the Proposed Rights Issue with Warrants and assuming full exercise of Warrants on the consolidated NA and gearing of the Insas Group based on the audited consolidated financial position of the Insas Group as at 30 June 2013, assuming the Proposed Rights Issue with Warrants was completed on that date, are set out below:-

| | Audited as at 30 June 2013 RM'000 | After the Proposed Rights Issue with Warrants RM'000 | Assuming full exercise of Warrants~ RM'000 | Upon redemption of the RPS RM'000 |
|---|--|---|---|--|
| Share capital | 693,334 | 693,334* | 970,667 | 970,667 |
| Treasury shares | (10,146) | -* | - | - |
| Share premium | 47,751 | 69,181 | 69,181 | 69,181 |
| Capital redemption reserve | - | - | - | 1,387 |
| Warrant reserve | - | 55,170 | - | - |
| Reserve fund | 1,200 | 1,200 | 1,200 | 1,200 |
| Available for sale investment fair value reserve | 39,052 | 39,052 | 39,052 | 39,052 |
| Other reserves | 1,829 | 1,829 | 1,829 | 1,829 |
| Exchange translation reserve | 4,907 | 4,907 | 4,907 | 4,907 |
| Retained earnings | 252,365 | 223,232 ^φ | 223,232 | 221,845 |
| Shareholders' equity | 1,030,292 | 1,087,904 | 1,310,068 | 1,310,068 |
| Par value per ordinary share (RM) | 1.00 | 1.00 | 1.00 | 1.00 |
| No. of ordinary shares ('000) | 670,177 [^] | 693,334 ^{^^} | 970,667 | 970,667 |
| NA per ordinary share (RM) | 1.54 | 1.57 | 1.35 | 1.35 |
| Interest bearing debts | 169,916 | 247,905 [@] | 316,316 ^{##} | 149,916 ⁺⁺ |
| Gearing (times) | 0.16 | 0.23 | 0.24 | 0.11 |

Notes:

* As at 30 June 2013, there was 23,156,191 outstanding treasury shares. Based on the records as at 9 July 2014, there was an increased in outstanding treasury shares to 29,127,291 at a cost of RM13,522,501. The 29,127,291 treasury shares are assumed to be resold in the open market at RM1.20 per Share (which approximates the current market price as at 9 July 2014) prior to the implementation of the Proposed Rights Issue with Warrants, to result in a gain of RM21,430,248 under this scenario.

[^] Net of 23,156,191 treasury shares as at 30 June 2013.

^{^^} After taking into account the 29,127,291 outstanding treasury shares are resold in the open market.

[@] After taking into account the total dividends to be paid on the RPS amounting to RM27.73 million and the liabilities portion of the RPS of RM138.67 million net of the fair value adjustment on RPS of RM55.17 million (Warrant reserve) and deferred tax liabilities of RM13.24 million.

[#] After repayment of bank borrowings from the utilisation of proceeds of the Proposed Rights Issue with Warrants.

^{##} After taking into account the reversal of fair value adjustment on RPS of RM55.17 million and reversal of deferred tax liabilities of RM13.24 million upon full exercise of Warrants.

⁺ After deducting estimated expenses of RM1.40 million.

⁺⁺ After taking into account the total dividends to be paid on the RPS of RM27.73 million and the liabilities portion of the RPS of RM138.67 million

^φ After taking into account total dividends to be paid on the RPS amounting to RM27.73 million.

[~] Based on the exercise price of RM1.00 per Warrant.

The Proposed ESOS will not have any immediate effect on the consolidated NA and gearing of the Insas Group, until such time when the Options under the Proposed ESOS are exercised. Upon exercise of the Options, the NA per Share of the Company may increase or decrease depending on the Subscription Price of the Options, which is to be determined at the time an offer is granted and the number of new Insas Shares issued upon the exercise of such granted Options and the financial impact arising from the recognition of an expense upon granting of such Options pursuant to MFRS2.

Whilst the granting of the Options under the Proposed ESOS is expected to result in the recognition of a charge to the income statement of the Group pursuant to MFRS2, the recognition of such MFRS2 charge would not have any material impact on the NA of the Group as the corresponding amount will be classified as an equity reserve, which forms part of the shareholders' equity. In the event none of the Options granted are exercised within the duration of the Proposed ESOS, the amount outstanding in the said equity reserve would be transferred into the Company's retained earnings. On the other hand, if the Options are exercised, the amount outstanding in the said equity reserve would be transferred into the Company's share premium account.

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4.4 Substantial shareholders' shareholdings

The Proposed ESOS will not have any immediate effect on the substantial shareholders' shareholdings in the Company until such time when the Options granted under the Proposed ESOS are exercised, which would accordingly result in a proportionate dilution in their shareholdings. The substantial shareholders (who are also Directors of Insas) namely, Dato' Thong Kok Khee is eligible to participate in the Proposed ESOS. As such, his shareholdings in the Company will increase if he exercises the Options that may be granted to him.

The Proposed Rights Issue with Warrants will not have any effect on the substantial shareholders' shareholdings of Insas. However, assuming all entitled shareholders subscribe in full for their entitlements under the Proposed Rights Issue with Warrants and exercise in full their Warrants, there will be no effect to the percentage shareholdings of the shareholders, but the number of Insas Shares held by each shareholder will increase proportionately as set out below:-

| | Existing as at 9 July 2014* | | | | After the Proposed Rights Issue with Warrants [^] | | | | Assuming after full exercise of Warrants | | | |
|--|--------------------------------|-------|--------------------------|-------|---|-------|--------------------------|-------|---|-------|--------------------------|-------|
| | <---Direct ---> | | <---Indirect---> | | <---Direct ---> | | <---Indirect---> | | <---Direct ---> | | <---Indirect---> | |
| | No. of Shares '000 | % | No. of Shares '000 | % | No. of Shares '000 | % | No. of Shares '000 | % | No. of Shares '000 | % | No. of Shares '000 | % |
| Dato' Thong Kok Khee ⁽¹⁾ | 2,385 | 0.36 | 160,210 | 24.12 | 2,385 | 0.34 | 160,210 | 23.11 | 3,338 | 0.34 | 224,294 | 23.11 |
| M&A Investments International Limited | 124,420 | 18.73 | - | - | 124,420 | 17.95 | - | - | 174,188 | 17.95 | - | - |
| Dato' Thong Kok Yoon ⁽²⁾ | 43,359 | 6.53 | 30,845 | 4.64 | 43,359 | 6.25 | 30,845 | 4.45 | 60,702 | 6.25 | 43,183 | 4.45 |

Notes:-

* % shareholdings calculated based on 664,206,342 Insas Shares (net of 29,127,291 treasury shares).

[^] % shareholdings calculated based on 693,333,633 Insas Shares (assuming the treasury shares are resold in the open market) prior to implementation of the Proposed Rights Issue with Warrants.

⁽¹⁾ Deemed interest by virtue of his spouse's interest in the Company and his substantial interest in M&A Investments International Limited, Immobiliare Holdings Sdn Bhd and Baktihan Sdn Bhd pursuant to Sections 134 and 6A of the Companies Act, 1965.

⁽²⁾ Deemed interest by virtue of his spouse's interest in the Company and his substantial interest in Titan Express Sdn Bhd, Perak Traders Holdings Sdn Bhd and Baktihan Sdn Bhd pursuant to Sections 134 and 6A of the Companies Act, 1965.

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4.5 Convertible Securities

The Company does not have any convertible securities as at the date of this announcement.

5. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities for the listing of and quotation for the RPS, Warrants and the new Insas Shares to be issued arising from the exercise of Warrants and Options pursuant to the Proposed Rights Issue with Warrants and Proposed ESOS;
- (ii) Bank Negara Malaysia for the issuance of RPS to non-residents pursuant to the Proposed Rights Issue with Warrants;
- (iii) shareholders of Insas at an extraordinary general meeting ("EGM") to be convened for the Proposals; and
- (v) other relevant authorities, if required

The Proposals, individually and collectively, are not conditional upon any other corporate exercises of the Insas Group.

The Proposed Rights Issue with Warrants is inter-conditional with the Proposed Amendments.

The Proposed RASC is inter-conditional with the Proposed M&A Amendment.

The Proposed ESOS is not conditional upon the Proposed Rights Issue with Warrants and/or the Proposed Amendments.

6. DIRECTORS' AND MAJOR SHAREHOLDER'S INTERESTS

None of the Directors and/or major shareholder of the Company, and/or persons connected with them have any interest, direct or indirect, in the Proposed Rights Issue with Warrants and Proposed Amendments, other than their respective entitlements in respect of the Proposed Rights Issue with Warrants as shareholders of Insas, for which all other shareholders of Insas are entitled to, including the right to apply for excess RPS with Warrants.

All the Directors of Insas are eligible to participate in the Proposed ESOS and are therefore deemed interested in the Proposed ESOS to the extent of their respective allocations under the Proposed ESOS ("Interested Directors"). Accordingly, the Interested Directors have declared their interests with respect to the Proposed ESOS and their respective allocations under the Proposed ESOS. They have deliberated and voted on the Proposed ESOS as a whole at the relevant Board meetings.

Furthermore, the Interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in the Company pertaining to their respective allocations under the Proposed ESOS at the forthcoming EGM of Insas.

The major shareholder of Insas, namely Dato' Thong Kok Khee (the Executive Deputy Chairman/Chief Executive Officer) is eligible to participate in the Proposed ESOS to the extent of his allocation under the Proposed ESOS ("Interested Major Shareholder"). Accordingly, the Interested Major Shareholder will abstain from voting in respect of his direct and/or indirect shareholdings in the Company on the resolution pertaining to his allocation under the Proposed ESOS at the forthcoming EGM of Insas.

Furthermore, the Interested Directors and Interested Major Shareholder will ensure that persons connected with them, if any, will abstain from voting in respect of the connected persons' direct and/or indirect shareholdings in the Company, on the resolutions pertaining to the respective allocations of the Interested Directors and Interested Major Shareholder under the Proposed ESOS at the forthcoming EGM of Insas.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals, is of the opinion that the Proposed Rights Issue with Warrants and the Proposed Amendments are in the best interest of Insas.

In view that all the Directors of Insas are interested in the Proposed ESOS, they have abstained from giving any opinion or recommendation on the Proposed ESOS and their respective entitlements under the Proposed ESOS.

8. ESTIMATED TIMEFRAME FOR SUBMISSION AND COMPLETION

The Proposals are expected to be submitted to the relevant authorities within two (2) months from the date of this announcement.

Barring unforeseen circumstances and subject to obtaining all the required approvals, the Proposals are expected to be completed by the fourth quarter of 2014.

9. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposals, there are no other proposals which have been announced but pending implementation.

This announcement is dated 25 July 2014.