

Our Ref: AISB/FAE/EXT/18-0029
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BY POST/HAND

Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur

Attention: **En. Laya Rahman**
 General Manager

Dear Sir,

Re: Forty-Seventh Annual General Meeting (“AGM”) of Amalgamated Industrial Steel Berhad (“the Group” or the “Company”)

We refer to your letter dated 26th June 2018 regarding your queries raised for the above meeting. We are pleased to provide herewith, our explanations in italics, in reply to each of your question: -

Strategic & Financial Matters

- 1) As reported in the Management Discussion and Analysis (“MDA”), the Company expects to generate rental income from Phase 2 of its investment property in Jalan Playar, Shah Alam with the construction of a purpose-built factory/warehouse for potential tenants.
 - (a) When is the construction work expected to commence and when is the expected completion date?
 - *We target to start construction by 1st quarter of 2019 and complete by mid 2020.*
 - (b) What is the estimated construction cost and how will the project be funded?
 - *The estimated construction cost is about RM30 million and is funded by bank borrowing and internal funding.*
 - (c) What is the total net lettable area of the purpose-built factory/warehouse to be constructed?
 - *The estimated total lettable area is about 180,000 sqft.*
 - (d) What is the prevailing rental rate for similar type of purpose-built factory/warehouse in the area?
 - *The prevailing market rental rate is about RM1.80 psf.*

- 2) It was also reported in the MDA that the Company's proposed townhouses development which is its maiden flagship project in Kampung Kayu Ara, Petaling Jaya shall commence in the second half of 2018.
- (a) What is the total number of townhouses to be developed and what will be the average selling price for each unit?
- *The total number of townhouses is 82 units. The average target selling price per unit is about RM1.3 million subject to final confirmation.*
- (b) How long is the development period and when is the targeted completion date for the project?
- *The overall development period is about 4 years inclusive of design and approval. The target completion date of the project is by 4th quarter 2020.*
- (c) What is the debt/equity funding ratio for the development project?
- *The D/E ratio is about 0.21 for this project. The proposed bank borrowing is about RM30 million.*
- (d) Has the project been launched and if yes, what was the take-up rate?
- *The project is not launched yet.*

- 3) As at 31 December 2017, the Group's allowance for impairment losses stood at RM803,531 (2016: RM395,199).

What was the reason for the addition of allowance for impairment losses of RM408,332?

- *The additional impairment is raised for the few trade debtors which we have taken legal action against them.*

Corporate Governance Matters

- 1) We noted the Company has not published a summary of key matters discussed at the Company's 44th Annual General Meeting held on 15 June 2017 as required by Paragraph 9.21(2)(b) of the Main Market Listing Requirements.

Please explain why the Company has not complied with the said Listing Requirement and what actions are being taken to ensure compliance?

- *The company is currently upgrading the website. All latest information as required and rectification shall be uploaded on our website as soon as possible including the summary of key matters discussed at the last AGM held on 15 June 2017 and also at this AGM.*

- 2) The Company in its Corporate Governance Report (CG) states that it does not have a policy on board composition having regard to gender diversity. Practice 4.5 of MCCG requires that the Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets.
- *The Company will take proper measures in setting gender diversity of the board composition. The Board through the Nomination Committee will take necessary steps to ensure women candidates are sought as part of its requirement exercise and selection.*
 - *Once the policies on gender diversity, its targets and measures have been established, the Company will disclose in its annual report.*
- 3) The Company in its Corporate Governance Report had stated that it had applied Practice 12.3 of MCCG. Practice 12.3 refers to facilitating or providing platform for shareholders to vote remotely without being physically present at the Company's AGM. Based on the Company's explanation given on the application of Practice 12.3, we wish to highlight that the Company has not applied the Practice.
- *The Company does not have large number of shareholders and does not hold meetings in remote locations. In the event that the Company has more than 5,000 shareholders or decide to hold meeting in remote location, the Company will study this application and make necessary changes after the studying process.*
 - *We took note of MSWG's comment and will make the correct disclosure in the 2018 Corporate Governance Report.*

We hope our explanations do provide sufficient insight to your queries.

Thank you.

Yours sincerely,

Dato' Lim Yew Boon
Executive Director