

**TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS  
TASCO BERHAD ("TASCO" OR THE COMPANY") PROPOSED  
ACQUISITION BY TASCO OF 2,000,000 ORDINARY SHARES  
OF RM1.00 EACH IN GOLD COLD TRANSPORT SDN BHD  
(GCT), REPRESENTING 100% EQUITY INTEREST IN GCT,  
FOR AN INDICATIVE CASH CONSIDERATION OF  
RM186,086,428**

**TASCO BERHAD**

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
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Please refer to the attachment below for further details.

Please refer attachment below.

**Attachments**

TASCO - Proposed GCT Acquisition.pdf  
726.8 KB

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**Announcement Info**

Company Name	TASCO BERHAD
Stock Name	TASCO
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## TASCO BERHAD ("TASCO" OR THE "COMPANY")

- **PROPOSED ACQUISITION BY TASCO OF 2,000,000 ORDINARY SHARES OF RM1.00 EACH IN GOLD COLD TRANSPORT SDN BHD ("GCT"), REPRESENTING 100% EQUITY INTEREST IN GCT, FOR AN INDICATIVE CASH CONSIDERATION OF RM186,086,428**

### 1. INTRODUCTION

The Board of Directors of TASCO ("**Board**") wishes to announce that TASCO ("**Purchaser**") had on 10 January 2017 entered into a Sale and Purchase Agreement ("**SPA**") with Chang Kok Fai and Chan Sun Cheong (collectively known as the "**Vendors**") for the acquisition of 2,000,000 ordinary shares of RM1.00 each in Gold Cold Transport Sdn Bhd ("**GCT**") ("**GCT Shares**"), representing 100% equity interest in GCT, for an indicative cash consideration of RM186,086,428 subject to a maximum purchase consideration of RM188,000,000 and further adjustments as set out in Section 2.10.4 of this announcement ("**Purchase Consideration**") ("**Proposed GCT Acquisition**").

Details of the Proposed GCT Acquisition are set out in the ensuing sections.

### 2. DETAILS OF THE PROPOSED GCT ACQUISITION

*Terms defined and references construed in the SPA shall have the same meaning and construction in this announcement.*

The Vendors shall sell (and procure the Minority Shareholders to sell to TASCO), and TASCO shall purchase from the Vendors and Minority Shareholders, the GCT Shares free from all Encumbrances and together with all rights, benefits and entitlements now and thereafter attaching thereto, subject to the terms and conditions of the SPA as set out in Section 2.10 of this announcement.

#### 2.1 Information on GCT and its subsidiary ("**GCT Group**")

GCT was incorporated in Malaysia under the Companies Act, 1965 ("**Act**") on 25 June 1998 and having its registered address at No. 3, Jalan Sungai Kayu Ara 32/40, Seksyen 32, Taman Berjaya Park, 40460 Shah Alam, Selangor Darul Ehsan with an authorised share capital of RM5,000,000.00 comprising of 5,000,000 ordinary shares of RM1.00 each.

As at 6 January 2017, being the latest practicable date prior to this announcement ("**LPD**"), 2,000,000 ordinary shares of RM1.00 each have been issued and are fully paid. As at the LPD, GCT has one (1) subsidiary company, details of which are set out below:-

<b>Company name</b>	<b>Issued and paid-up share capital</b>	<b>Equity interest</b>	<b>Principal activities</b>
GC Logistics Sdn Bhd (" <b>GCL</b> ")	RM250,000	100%	Rendering of transportation, cold room storage facilities, repackaging and value added facilities

GCT Group is principally involved in the business of transportation, cold room storage facilities, repackaging and value added facilities. GCT Group currently operates from its warehousing facilities in Shah Alam with a total storage capacity of approximately 25,600 pallets and have developed into a full-fledged chilled and frozen food transporter. GCT Group is one of the largest cold chain logistics players in Malaysia in terms of storage capacity size.

As at the LPD, the directors of GCT, along with their respective shareholdings in GCT are as follows:-

Directors of GCT/ Vendors	Direct Shareholding	
	No. of Shares	%
Chang Kok Fai ("CKF")	999,998	*50.0
Chan Sun Cheong	999,998	*50.0
	<b>1,999,996</b>	<b>100.0</b>

As at the LPD, the shareholders (consisting of both the Vendors and the Minority Shareholders) along with their respective shareholdings in GCT, are as follows:-

Shareholders of GCT	Direct Shareholding	
	No. of Shares	%
<b><u>Vendors:</u></b>		
CKF	999,998	*50.0
Chan Sun Cheong	999,998	*50.0
<b><u>Minority Shareholders:</u></b>		
Chang Lai Wah	1	neg.
Chang Lai Mun	1	neg.
Chan Teng Fung	1	neg.
Lum Yuet Quey	1	neg.
	<b>2,000,000</b>	<b>100.0</b>

\* Round up.

## 2.2 Financial Summary of GCT Group

The consolidated financial performance of GCT Group is set out as follows:-

	<----- Audited----->		
	Financial year ended ("FYE") 30 November		
	2013 (RM)	2014 (RM)	2015 (RM)
Revenue	60,662,167	57,400,928	67,024,254
Profit before taxation ("PBT")	6,580,072	6,068,956	9,569,983
Profit after taxation ("PAT")	4,749,167	4,520,565	6,835,829
Net assets	34,417,520	36,638,085	41,473,914
Total interest-bearing borrowings	58,852,608	57,693,690	54,740,145

(Source: Audited consolidated financial statements of GCT)

### Commentaries on past financial performance:-

#### **FYE 30 November 2013 as compared to FYE 30 November 2012**

GCT Group recorded an increase in revenue of RM12.79 million, or approximately 26.7% to RM60.66 million for the FYE 30 November 2013 as compared to RM47.87 million for the FYE 30 November 2012. The increase in revenue was mainly due to higher revenue generated from the operation of an additional new warehouse (Phase 3). GCT Group recorded a PBT of RM6.58 million for the FYE 30 November 2013 as compared to PBT of RM4.77 million for the FYE 30 November 2012, representing an increase of approximately 37.9% or RM1.81 million. The increase was mainly attributable to higher revenue generated from the new warehouse (Phase 3).

### **FYE 30 November 2014 as compared to FYE 30 November 2013**

GCT Group recorded a decrease in revenue of RM3.26 million, or approximately 5.4% to RM57.40 million for the FYE 30 November 2014 as compared to RM60.66 million for the FYE 30 November 2013. The decrease in revenue was mainly due to discontinuation of business with one customer for transportation business. Similarly, GCT Group recorded a PBT of RM6.07 million for the FYE 30 November 2014 as compared to PBT of RM6.58 million for the FYE 30 November 2013, representing a decrease of approximately 7.8% or RM0.51 million. The decrease in PBT was mainly attributable to higher pre-operating expenses incurred for a new warehouse (Phase 4).

### **FYE 30 November 2015 as compared to FYE 30 November 2014**

GCT Group recorded an increase in revenue of RM9.62 million, or approximately 16.8% to RM67.02 million for the FYE 30 November 2015 as compared to RM57.40 million for the FYE 30 November 2014. The increase in revenue was mainly due to the operation of an additional new warehouse (Phase 4) completed during the year. GCT Group recorded a PBT of RM9.57 million for the FYE 30 November 2015 as compared to PBT of RM6.07 million for the FYE 30 November 2014, representing an increase of approximately 57.7% or RM3.50 million. The improvement in PBT was mainly due to higher revenue from the operation of the new warehouse (Phase 4).

## **2.3 Basis of arriving at the Purchase Consideration**

The indicative Purchase Consideration, which is subject to adjustments as set out in Section 2.10.4 of this announcement, was arrived at on a willing-buyer willing-seller basis after taking into consideration, *inter-alia* the following:

- (i) The proforma consolidated earnings before interest, taxation, depreciation and amortisation (“**EBITDA**”) of GCT Group for the FYE 30 November 2016, as warranted by the Vendors, shall approximate to RM20.8 million (as set out in Section 2.10.2.1 of this announcement).

For information, the proforma consolidated EBITDA of GCT Group shall include:

- a. the consolidated EBITDA of GCT Group for the FYE 30 November 2016; and
  - b. the EBITDA arising from a logistics contract for the period from 1 December 2015 until 31 March 2016 which was recorded in a related company of CKF. The logistics contract was novated to GCT effective on 1 April 2016;
- (ii) the revalued net tangible assets (“**NTA**”) of GCT Group of RM71,441,490 million based on the audited consolidated NTA of GCT Group as at 30 November 2015, as well as taking into account the fair market valuation of the lands and buildings held by GCT Group as appraised by VPC Alliance (KL) Sdn Bhd (“**VPC**”), an independent valuer firm via its letter dated 9 January 2017 (“**Valuation Letter**”). Further details of the lands and buildings of GCT Group are set out in Section 2.5 of this announcement.

The computation of the revalued NTA is as follows:-

	<b>RM</b>
NTA of GCT Group as at 30 November 2015	41,473,914
Add: Revaluation surplus from lands and buildings <sup>(1)</sup>	32,910,541
Less: Deferred tax impact	(2,942,965)
<b>Revalued NTA of GCT Group</b>	<b>71,441,490</b>

Notes:-

(1) *The surplus arising from revaluation is computed as follows:-*

	<b>Land &amp; building</b>
	<b>RM</b>
<i>Fair market value <sup>(2)</sup></i>	<i>111,060,000</i>
Less: <i>Carrying amount based on the audited financial statements as at 30 November 2015</i>	<i>78,149,459</i>
<b>Revaluation surplus</b>	<b>32,910,541</b>

(2) *Based on the fair market valuation as appraised by VPC.*

In addition to the valuation undertaken on the lands and buildings, the Board intends to undertake a valuation on the plant and machinery as well as the fleet of reefer trucks held by GCT Group prior to the completion of its due diligence exercise on the Proposed GCT Acquisition (which is a conditions precedent as set out in Section 2.10.1.1(a) of this announcement). The Board shall make an announcement upon finalising of the valuation on the plant and machinery as well as the reefer trucks held by GCT Group.

- (iii) the future earnings potential of GCT Group arising from the positive outlook of the cold chain logistics and warehousing industry as well as the future prospects of GCT Group, as set out in Section 5 of this announcement.

Based on the above, the valuation multiples implied by the Purchase Consideration are as follows:-

- (i) An enterprise value (“**EV**”) to EBITDA multiple of approximately 11.06 times based on the EV of RM230.0 million (derived from the Purchase Consideration + Indebtedness - Cash), and divided by the proforma consolidated EBITDA of GCT Group for the FYE 30 November 2016 of RM20.8 million; and
- (ii) A price-to-book multiple (“**PBR**”) of approximately 2.60 times based on the Purchase Consideration and divided by revalued NTA of GCT Group for the FYE 30 November 2015 of RM71.44 million.

## **2.4 Justifications for the Purchase Consideration**

In assessing the justifications for the Purchase Consideration, the Board has taken into consideration of the following valuation parameters of the companies listed on the stock exchanges in the Asia region and with business operations within the cold chain logistics and/ or warehousing segment (“**Comparable Companies**”).

A brief description of the principal activities of the Comparable Companies, as well as respective local currencies in which the shares of the Comparable Companies are traded in (“**Local Currency**”) are as follows:-

<b>Comparable Companies</b>	<b>Country (Local Currency)</b>	<b>Principal Activities</b>
Nichirei Corporation (“ <b>Nichirei</b> ”)	Japan (Japanese Yen) (“ <b>JPY</b> ”)	Nichirei produces and distributes frozen food, ice, and meat products. The company also provides a variety of cold storage services, as well as manages leasing business for building and parking garages.
Yokohama Reito Co. Ltd (“ <b>Yokohama</b> ”)	Japan (JPY)	Yokohama processes and sells seafood, fish, and livestock products. The company also manages cold storage facilities.
Snowman Logistics Limited (“ <b>Snowman</b> ”)	India (Rupee)	Snowman provides integrated temperature controlled logistics services in India. The company offers warehousing solutions that cover ambient, chilled, frozen, and blast products.
Tiger Logistics (India) Ltd (“ <b>Tiger</b> ”)	India (Rupee)	Tiger operates an international freight forwarding company. The company offers freight forwarding, custom clearance agents, consulting and transportation services. Tiger Logistics serves large companies and multinational corporations in India and abroad.
JWD Infologistics PCL (“ <b>JWD</b> ”)	Thailand (Baht)	JWD is an information technology company. The company focuses on maximizing the benefits of managing supply chains and fully integrated logistics solutions. JWD operates in Southeast Asia.

(Source: Bloomberg)

The trading multiples of the Comparable Companies are set out below:-

<b>Comparable Companies</b>	<b>Share Price (As at 6 January 2017) (Local Currency)</b>	<b>Market Capitalisation (Local Currency 'million)</b>	<b>Adjusted EV/ EBITDA<sup>(i)</sup> (times)</b>	<b>Adjusted PBR<sup>(iii)</sup> (times)</b>
Nichirei	JPY 2,533.00	JPY 374,695	14.12	3.54
Yokohama	JPY 1,058.00	JPY 55,500	14.06	1.46
Snowman	Rupee 55.20	Rupee 9,223	17.85	1.38
Tiger	Rupee 256.30	Rupee 2,710	17.32	4.22
JWD	Baht 8.30	Baht 8,466	10.66	3.03
High			17.85	4.22
<b>Average</b>			<b>14.80</b>	<b>2.72</b>
Low			10.66	1.38
<b>GCT Group</b>			<sup>(ii)</sup> <b>11.06</b>	<sup>(iv)</sup> <b>2.60</b>

(Source: Bloomberg as of 6 January 2017)

Notes:-

- (i) Based on the latest audited EBITDA extracted from the Comparable Companies' financial statements and adjusted for the differential in trading parameters in EV/EBITDA multiple between Malaysia and the respective countries in the following manner:-

$$\text{Adjusted EV/EBITDA} = \frac{\text{EV/EBITDA of the foreign Comparable Company}}{\text{EV/EBITDA of Foreign Stock Exchange Index}} \times \frac{\text{EV/EBITDA of FTSE Bursa Malaysia KLCI Index}}{\text{EV/EBITDA of Foreign Stock Exchange Index}}$$

- (ii) Based on the EV of RM230 million divided by the proforma consolidated EBITDA for FYE 30 November 2016 of RM20.80 million.
- (iii) Based on the latest audited net assets extracted from the Comparable Companies' financial statements and adjusted for the differential in trading parameters in PBR multiple between Malaysia and the respective countries in the following manner:-

$$\text{Adjusted PBR} = \frac{\text{PBR of the Comparable Company}}{\text{PBR of Foreign Stock Exchange Index}} \times \frac{\text{PBR of FTSE Bursa Malaysia KLCI Index}}{\text{PBR of Foreign Stock Exchange Index}}$$

- (iv) Computed based on the Purchase Consideration divided by the revalued NTA of RM71.44 million.

Based on the above comparison table:

- (i) The EV/ EBITDA multiple of the Proposed GCT Acquisition as implied by the Purchase Consideration of 11.06 times, is within the range of the EV/ EBITDA multiples of the Comparable Companies and is lower than the average EV/ EBITDA multiple of the Comparable Companies of 14.80 times;
- (ii) The PBR multiple of the Proposed GCT Acquisition as implied by the Purchase Consideration of 2.60 times, is within the range of the PBR multiples of the Comparable Companies and is lower than the average PBR multiple of the Comparable Companies of 2.72 times.

Premised on the above, the Board is of the view that the Purchase Consideration is fair and reasonable.

## **2.5 Information on lands and buildings of GCT Group ("Subject Property")**

The Subject Property is located at Jalan Sungai Kayu Ara 32/40, Jalan Sungai Kayu Ara 32/39 and Jalan Sungai Kayu Ara 32/39 within an industrial area known as Berjaya Industrial Park, Shah Alam.

Berjaya Industrial Park, Seksyen 32, Shah Alam is located approximately 30 kilometres due south-west of Kuala Lumpur City Centre, about 10 kilometres due south of Shah Alam city centre and about 12 kilometres due east of Klang town centre.

Access to the Subject Property from the Kuala Lumpur City Centre is via the Federal Highway and turning left onto the KESAS Highway for a distance of about 500 metres turning left onto Jalan Sungai Rasau 32/22, Jalan Sungai Kayu Ara 32/28 and finally turning left onto Jalan Sungai Kayu Ara 32/37 leading to where the Subject Property is located.

Further details of the Subject Property are as follows:-

Land title No.	HSD 152663	HSD 57952
Land Lot No.	PT 145872	PT 57360
Registered owner	Gold Cold Transport Sdn Bhd	
Land area	23,561 square metres	7,518 square metres
Category of land use	Industrial	
Land tenure	Freehold	
Postal address	<p>a. No.1, Jalan Sungai Kayu Ara 32/37, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor</p> <p>b. No. 3, Jalan Sungai Kayu Ara 32/40, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor</p> <p>c. No. 4, Jalan Sungai Kayu Ara 32/39, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor</p>	No. 5, Jalan Sungai Kayu Ara 32/40 Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor
Existing Buildings and approximate age of buildings	<p><u>No. 1, Jalan Sungai Kayu Ara 32/37</u> Double (2) storey cold room warehouse with an integral three (3) storey office and two (2) units guard house. Age of building is approximately 2 years</p> <p><u>No. 3, Jalan Sungai Kayu Ara 32/40</u> Single storey cold room warehouse annexed with a double (2) storey office, two (2) units guard house, plant room and TNB Sub-station. Age of building is approximately 13 years</p> <p><u>No. 4, Jalan Sungai Kayu Ara 32/39</u> Single storey cold room warehouse with an integral three (3) storey office, guard house, toilets and canteen. Age of building is approximately 10 years</p>	Double (2) storey cold room warehouse with an integral double (2) storey office & guard house. Age of building is approximately 7 years
Current market value <sup>(1)</sup>	Land & building - RM111,060,000	
Net book value as at 30 November 2015	Land & building - RM78,149,459	
Occupancy	Fully occupied by GCT	
Encumbrances	Private caveats were entered by Public Bank Berhad	Private caveats were entered by Alliance Bank Malaysia Berhad

Note:-

- (1) Market value was appraised by VPC via the Valuation Letter. The fair market valuation of the lands was determined by the Comparison Method which entails analysing recent transactions and general values of vacant industrial lands within Shah Alam and Klang for comparison purposes and adjustments made for location, land area, shape, time, tenure and improvements to the lands. The fair market valuation of the buildings was arrived at based on the Depreciated Replacement Cost Method which entails taking the value of buildings to be equal to the cost of replacing the buildings with similar construction and finishes and depreciating for its age and condition.

VPC is unable to adopt the Comparison Method to derive the market value of the subject buildings as the subject buildings are specialised and purpose built warehouses for cold room facilities and there are no warehouses with cold room facilities in the vicinity to compare with the subject buildings. In addition, Investment Method is also not possible as the majority of the buildings are occupied by the owner and only the cold storage warehouse and office building are tenanted. Hence, the lack of rental evidence to adopt to derive the total market rental of the properties.



## 2.6 Mode of settlement of Purchase Consideration

The Purchase Consideration will be satisfied in the following manner:-

Payment	Timing	RM' 000	% of Purchase Consideration
Initial Deposit	Paid on 9 Jan 2017	3,722	2%
Balance Deposit	Upon completion of the financial and legal due diligence exercise and issuance of the written notice by the Purchaser to the Vendors confirming that the due diligence is satisfactory	14,887	8%
Balance Purchase Consideration, subject to adjustments as set out in Section 2.10.4	Upon completion of the Proposed GCT Acquisition	<sup>(2)</sup> 167,477	90%
		186,086	100%

Note:-

(2) The Balance Purchase Consideration to be paid by the Purchaser to the Vendors shall be reduced by the amount to be held as Escrow Money 1 and (if applicable) Escrow Money 2 as set out in Section 2.10.3.3 of this announcement.

## 2.7 Liabilities to be assumed by TASC0

Save for the obligations and liabilities arising from or in connection with the SPA, there are no other liabilities, contingent liabilities and/ or guarantees to be assumed by TASC0 pursuant to the Proposed GCT Acquisition.

## 2.8 Source of funding

The Initial Deposit for the Proposed GCT Acquisition amounting to approximately RM3.72 million was paid and funded via internally generated funds of TASC0.

The Balance Deposit and Balance Purchase Consideration, together with adjustments, are expected to be funded via borrowings and/or via advances from Yusen Logistics Co Ltd ("YUSEN"), the holding company of TASC0. However, the quantum of the borrowings and/or advances has not been determined as at the date of this announcement.

## 2.9 Estimated financial commitments

There are no additional financial commitments required by TASC0 to put the business of GCT Group on-stream. As set out in Section 2.2 of this announcement, GCT Group is an on-going and profit making business entity.

## 2.10 Salient terms of the SPA

The salient terms of the SPA for the Proposed GCT Acquisition are as follows:-

### 2.10.1. Conditions Precedent

2.10.1.1 The Proposed GCT Acquisition and completion thereof are conditional upon the fulfilment of the following conditions precedent ("**Condition Precedent**") within 5 months from the date of the SPA or such other period as may be mutually agreed by the Parties ("**CP Period**"):

- a) the Purchaser being satisfied with the results of its due diligence on the financial, legal, contractual, business and tax position of the Company and its subsidiary, and their title to their respective assets and liabilities. The Parties agree that the procedures in Clause 2A of the SPA shall apply in respect of the satisfaction of this Condition Precedent;
- b) the Purchaser having procured the relevant approvals from its shareholders at general meeting for the following:
  - (i) the acquisition of the GCT Shares; and
  - (ii) authorising its directors to take all steps necessary to complete the Proposed GCT Acquisition in accordance with the SPA;
- c) such consents or approvals of the Group's banks and financial institutions which have granted banking or other credit facilities to the Company for any change in the shareholding or control of the Company or management or the board of directors of the Company (if any), Provided Always that the Vendors shall apply to the Group's banks and financial institutions for such consent or approvals within 10 Business Days from the date of the SPA and where such consents or approvals are subject to conditions, then conditions must be mutually acceptable to both Parties; and
- d) receipt of the conditional approval from the Group's banks for the corporate guarantee(s) of the Purchaser to replace:
  - (i) the personal guarantees by the Vendors; and
  - (ii) the corporate guarantees by Gold Cold Trading Sdn Bhd,

issued in favour of the Group's banks for the financing facilities taken by the Group ("**Financing Facilities**") provided always that the Vendors shall apply to the Group's banks for such replacement of guarantees within 10 Business Days from the date of the SPA or in the event that the Group receives notice from the Group's banks that the Purchaser's corporate guarantee(s) is/ are not acceptable to the Group's banks, the receipt of conditional letter(s) of offer from other bank(s) to refinance the Financing Facilities upon terms and conditions that are mutually acceptable to both parties. Provided Always that the Purchaser shall apply for such conditional letter(s) of offer from such other bank(s)

within 5 Business Days from the date of receipt by the Group of such notice.

2.10.1.2 If any of the Conditions Precedent is not fulfilled within the CP Period, the SPA shall *ipso facto* cease and terminate and both Parties shall be released from all obligations under the SPA, save and except in respect of any obligation under the SPA which is expressed to apply after the termination of the SPA and/or any rights or obligations which have accrued in respect of any breach of any of the provisions of the SPA to either Party prior to such termination.

2.10.1.3 If any Party becomes aware that any of the Conditions Precedent is incapable of being satisfied, it shall notify the other Parties in writing within 3 Business Days after it becomes aware of such circumstances.

## **2.10.2. Covenants prior to the Completion**

2.10.2.1 The Parties agree that the audited Proforma Consolidated EBITDA stated in the letter to be issued by the Auditors shall not be less than RM19,760,000.00 (being 95% of the unaudited Proforma Consolidated EBITDA of RM20,800,000.00) and such determination shall, in the absence of manifest error, be final and binding on the Parties.

(i) If the audited Proforma Consolidated EBITDA is less than RM19,760,000.00 but not less than RM17,680,000.00, the Vendors shall pay difference between RM19,760,000.00 and such actual lower audited Proforma Consolidated EBITDA to GCT; or

(ii) If the audited Proforma Consolidated EBITDA is less than RM17,680,000.00, the Purchaser shall be entitled to either:

1) terminate the SPA by giving written notice to the Vendors of its election within 5 Business Days upon the Purchaser receiving the letter issued by the Auditors, whereupon the SPA shall automatically terminate (save and except for those provisions that are expressed to survive termination) and the Parties shall not have any claims against each other save for antecedent breaches; or

2) proceed with the transaction contemplated by the SPA and the Vendors shall pay the difference between RM19,760,000.00 and such actual lower audited Proforma Consolidated EBITDA to GCT.

2.10.2.2 The Vendors shall prior to or on Completion cause, or procure to cause the transfer of the ownership of the lorries from Gold Cold Logistics and/or Gold Cold Enterprise to the Company and to provide the Purchaser with the evidence of the transfer.

2.10.2.3 The Vendors shall prior to or on Completion cause, or procure to cause the directors of the Group to settle all net outstanding balances owing by the Group to the said directors and/or the related parties or vice versa.

### 2.10.3. Sale and Purchase of GCT Shares

2.10.3.1 The Purchase Consideration shall be RM186,086,428.00 and is subject to the Final Adjustment as set out in Schedule 4 of the SPA. However, the Purchase Consideration shall not be more than RM188,000,000.00 after the Final Adjustment.

The Vendors confirm that each of the Minority Shareholders has authorised the payment by the Purchaser to the Vendors of his or her (as the case may be) portion of the Purchase Consideration in accordance with the terms of the SPA and that such payment by the Purchaser to the Vendors shall constitute and be treated as if it were payment to that Minority Shareholder.

The Consideration shall be satisfied wholly in cash in the following manner:

- (i) the Purchaser shall pay the sum of RM3,721,730.00 ("**Initial Deposit**") to each of the Vendors in equal proportions upon the execution of the SPA.

The Parties agree that the Initial Deposit shall be non-refundable, save and except in the following circumstances whereupon it shall be refundable:

- 1) in accordance with Clause 2A.4(b) of the SPA; or
- 2) the notice of termination under Clause 7.2.1 of the SPA is given by the Purchaser to the Vendors after the payment of the Initial Deposit to the Vendors; or
- 3) the SPA is terminated by the Purchaser in accordance with Clause 3.1.1(ii) of the SPA; or
- 4) in the event the SPA is terminated by the Purchaser in accordance with Clause 5A.4 of the SPA; or
- 5) in the event the SPA is terminated by the Vendors in accordance with Clause 7.4.1 of the SPA.

- (ii) the Purchaser shall pay the sum of RM14,886,915.00 ("**Balance Deposit**") to each of the Vendors in equal proportions within 3 Business Days upon satisfaction of the Condition Precedent described in Clause 2.10.1.1(a) above.

The Parties agree that in the event of the following, the Vendors shall refund the Balance Deposit to the Purchaser:

- 1) the notice of termination under Clause 7.2 of the SPA is given by the Purchaser to the Vendors after the payment of the Balance Deposit by the Purchaser to the Vendors; or
- 2) the Conditions Precedent are not fulfilled within the CP Period; or
- 3) the SPA is terminated by the Purchaser in accordance with Clause 5A.4 of the SPA; or
- 4) in the event the SPA is terminated by the Vendors in accordance with Clause 7.4.1 of the SPA.

2.10.3.2 on the Completion Date, the Purchaser shall pay the sum of RM167,477,783.00 ("**Balance Consideration**") (after deducting Escrow Money 1 and (if applicable) Escrow Money 2) to the Vendors, subject to the Final Adjustment as set out in Schedule 4 of the SPA.

#### **2.10.4. Adjustments to the Purchase Consideration**

2.10.4.1 Upon execution of the SPA, the Vendors shall procure the Group's accounts for the financial year ended 30 November 2016 to be audited by the Auditors. The Auditors shall determine the Cash and Indebtedness based on the Audited Accounts which shall be delivered to the Purchaser on or before 28 February 2017 (or on such other date as may be agreed between the Parties), and shall include any relevant supporting materials as reasonably requested by the Purchaser.

2.10.4.2 The following adjustment shall be made to the Purchase Consideration:

(i) **Indebtedness**

In the event the Indebtedness provided for in the Audited Accounts ("**Indebtedness Provision**") is less than RM53,547,602.00, the Purchaser shall, on Completion Date, pay to the Vendors the Indebtedness Shortfall in addition to the Balance Consideration. For the purposes of this paragraph, "Indebtedness Shortfall" means RM53,547,602.00 minus the Indebtedness Provision.

In the event the Indebtedness Provision is greater than RM53,547,602.00, the Purchaser shall, on Completion Date, deduct the Indebtedness Difference from the Balance Consideration payable to the Vendors. For the purposes of this paragraph, "Indebtedness Difference" means the Indebtedness Provision minus RM53,547,602.00.

In the event the Indebtedness Provision is the same as RM53,547,602.00, there will be no adjustment to the Balance Consideration.

(ii) **Cash**

In the event the Cash provided for in the Audited Accounts (“**Cash Provision**”) is greater than RM9,634,030.00, the Purchaser shall, on Completion Date, pay to the Vendors the Cash Difference in addition to the Balance Consideration. For the purposes of this paragraph, “Cash Difference” means the Cash Provision minus RM9,634,030.00.

In the event the Cash Provision is lesser than RM9,634,030.00, the Purchaser shall, on Completion Date, deduct the Cash Shortfall from the Balance Consideration payable to the Vendors. For the purposes of this paragraph, “Cash Shortfall” means RM9,634,030.00 minus the Cash Provision.

In the event the Cash Provision is the same as RM9,634,030.00, there will be no adjustment to the Balance Consideration.

- 2.10.4.3 In the event of any disagreement between the Parties in respect of the Final Adjustment, the matter shall be referred to the Auditors and determination of any matter falling within the Auditors jurisdiction shall, in the absence of manifest error, be final and binding on the Parties.

**2.10.5. Rights to Purchase in respect of Cold Chain Business in Sabah**

The Vendors agree to grant and procure the shareholders of Hypercold Logistics Sdn Bhd (Company No. 748984-V) (“**HLSB**”) and Platinum Coldchain Sdn Bhd (Company No. 924266-K) (“**PCSB**”) to grant to the Purchaser a right, exercisable within 1 year from the Completion Date, to purchase of all of the issued and paid-up share capital of HLSB and PCSB held by the Vendors and the shareholders respectively, free from all Encumbrances and together with all rights, benefits and entitlements now or thereafter attaching thereto.

**2.10.6. NTA Undertaking**

- 2.10.6.1 The Vendors jointly and severally undertake to the Purchaser that the consolidated NTA of the Group in the audited consolidated balance sheet of the Group as at 31 March 2017 (“**Period Management Accounts**”) shall increase by not less than RM2,500,000.00 compared to the consolidated NTA of the Group in the balance sheet as at 30 November 2016 in the Audited Accounts.

For avoidance of doubt, all computations to the NTA in this Clause shall arise solely from ordinary course of business and shall exclude any revaluation surplus accounted for after 30 November 2016.

- 2.10.6.2 The Parties acknowledge that the computation of the consolidated NTA shall be prepared and reviewed by the Independent Auditors jointly appointed by the Vendors and the Purchaser. The Independent Auditors shall then issue a letter addressed to the Parties confirming the consolidated NTA of the Group as at 31 March 2017 (“**Independent Auditors’ Confirmation**”).

- 2.10.6.3 In the event the increase in consolidated NTA of the Group in the Period Management Accounts is an amount which is less than RM2,500,000.00 ("**Shortfall in NTA Increase**") and provided that the consolidated NTA of the Group in the Period Management Accounts has not decreased compared to the consolidated NTA of the Group in the balance sheet as at 30 November 2016 in the Audited Accounts, the Vendors shall within 5 Business Days of the date of receipt of the Independent Auditors' Confirmation pay to GCT an amount equal to the difference between RM2,500,000.00 and the Shortfall in NTA Increase, subject to a maximum of RM2,500,000.00.
- 2.10.6.4 In the event the consolidated NTA of the Group in the Period Management Accounts has decreased compared to the consolidated NTA of the Group in the balance sheet as at 30 November 2016 in the Audited Accounts ("**NTA Reduction**"), the Parties shall enter into good faith negotiations to decide, within 10 Business Days or such longer period as the Parties may agree ("**NTA Reduction Discussion Period**"), on how to resolve the NTA Reduction by mutual agreement of both Parties. In the event the Parties are unable to agree on how to resolve the NTA Reduction, the Purchaser shall be entitled (but not obliged) to terminate the SPA by giving written notice to the Vendors within 5 Business Days from the expiry of the NTA Reduction Discussion Period.
- 2.10.6.5 In the event the Purchaser elects to terminate the SPA pursuant to Clause 2.10.6.4 above, the Vendors shall refund the Deposit to the Purchaser and the SPA shall automatically terminate (save and except for those provisions that are expressed to survive termination) and the Parties shall not have any claims against each other save for antecedent breaches.
- 2.10.6.6 In the event the increase in consolidated NTA of the Group in the Period Management Accounts is an amount which is more than RM2,500,000.00, the amount in excess of RM2,500,000.00 shall be available for use as a reserve to set off against any claims against the Vendors arising from breaches of the Warranties.

#### **2.10.7. Limitations on the Vendors' Liability for breach of Vendors' Warranties**

The Purchaser shall not be entitled to claim for any remote or unfair and/or unreasonable indirect loss (including indirect loss of profit) in respect of any claim for breach of Vendors' Warranties provided that the Vendors' liability for any indirect loss that is not unfair or unreasonable shall be limited to an amount not exceeding RM3,000,000.00 in aggregate and shall be subject to the limitations set out in other paragraphs of Schedule 3 of the SPA.

#### **2.10.8. Termination / Specific Performance**

- 2.10.8.1 The Purchaser shall be entitled to issue a notice of termination to the Vendors if, at any time prior to the Completion Date:
- a) the Vendors commit any continuing or material breach of any of their obligations under the SPA which either:
    - (i) is incapable of remedy; or
    - (ii) if capable of remedy, is not remedied within 30 days of being given notice to do so; or

- b) any of the Vendors' Warranties given by the Vendors was when given or will or would on the date of the SPA and/or on Completion Date be untrue in any material and adverse respect.

Thereafter, the SPA shall automatically terminate (save and except for those provisions that are expressed to survive termination) and the Parties shall not have any claims against each other save for antecedent breaches.

2.10.8.2 The Vendors shall be entitled to issue a notice of termination to the Purchaser if, at any time prior to the Completion Date:

- a) the Purchaser commits any continuing or material breach of any of its obligations under the SPA which either:
  - (i) is incapable of remedy; or
  - (ii) if capable of remedy, is not remedied within 30 days of being given notice to do so; or
- b) any of the Warranties given by the Purchaser was when given or will or would on the date of the SPA and/or on Completion Date be untrue in any material and adverse respect.

For the avoidance of doubt, in the event the SPA is terminated by the Vendors in accordance with this Clause 2.10.8.2, the Vendors shall be entitled absolutely and shall retain the Initial Deposit as agreed liquidated damages. Thereafter, the SPA shall automatically terminate (save and except for those provisions that are expressed to survive termination) and the Parties shall not have any claims against each other save for antecedent breaches.

2.10.8.3 In the event any Party refuses to proceed with the transaction contemplated under the SPA before the Completion Date (otherwise than by reason of termination in accordance with the other provisions of the SPA), the following shall apply:

- a) Vendors' refusal to complete:
  - (i) In the event the Vendors give written notice to the Purchaser of their refusal to proceed with the transaction contemplated under the SPA before the payment by the Purchaser of the Balance Deposit, the Vendors shall, within 5 Business Days from the date of the Vendors' written notice, refund the Initial Deposit to the Purchaser and pay to the Purchaser an amount equal to the Initial Deposit as agreed liquidated damages; or
  - (ii) In the event the Vendors give written notice to the Purchaser of their refusal to proceed with the transaction contemplated under the SPA after the payment by the Purchaser of the Balance Deposit but before all the Conditions Precedent (other than the Condition Precedent in Clause 2.10.1.1(a)) are fulfilled, the Vendors shall, within 5 Business Days from the date of the Vendors' written notice, refund



the Deposit to the Purchaser and pay to the Purchaser an amount equal to 50% of the Deposit as agreed liquidated damages; or

- (iii) In the event the Vendors give written notice to the Purchaser of their refusal to proceed with the transaction contemplated under the SPA after the fulfilment of all the Conditions Precedent but before the Completion, the Vendors shall, within 5 Business Days from the date of the Vendors' written notice, refund the Deposit to the Purchaser and pay to the Purchaser an amount equal to the Deposit as agreed liquidated damages,

and thereafter, the SPA shall terminate (save and except for those provisions that are expressed to survive termination) and the Parties shall not have any claims against each other save for antecedents breaches.

b) Purchaser's refusal to complete:

- (i) In the event the Purchaser gives written notice to the Vendors of its refusal to proceed with the transaction contemplated under the SPA before the payment by the Purchaser of the Balance Deposit, the Vendors shall be entitled absolutely and shall retain the initial Deposit as agreed liquidated damages; or
- (ii) In the event the Purchaser gives written notice to the Vendors of its refusal to proceed with the transaction contemplated under the SPA after the payment by the Purchaser of the Balance Deposit but before all the Conditions Precedent (other than the Condition Precedent in Clause 2.10.1.1(a)) are fulfilled, the Vendors shall within 5 Business Days from the date of the Purchaser's written notice, deduct from the Deposit an amount equal to 50% of the Deposit and retain the same as agreed liquidated damages and refund the remainder of the Deposit to the Purchaser; or
- (iii) In the event the Purchaser gives written notice to the Vendors of its refusal to proceed with the transaction contemplated under the SPA after the fulfilment of all the Conditions Precedent but before Completion, the Vendors shall be entitled to retain the Deposit as agreed liquidated damages,

and thereafter, the SPA shall terminate (save and except for those provisions that are expressed to survive termination) and the Parties shall not have any claims against each other save for antecedent breaches.

2.10.8.4 Notwithstanding the foregoing provisions of Clause 7 of the SPA, the Parties shall be at liberty to take such action in law as may be necessary to compel the defaulting party by way of specific performance to complete the transaction contemplated under the SPA or to claim damages for the breach of the defaulting party.

### **3. RATIONALE FOR THE PROPOSED GCT ACQUISITION**

TASCO and its subsidiaries (“**TASCO Group**”) is a total logistics solutions provider involved in the provision of logistics services covering air, sea and land transportation. TASCO Group also provides warehousing services and serves as a one stop logistics centre to handle domestic and international shipments for its customers.

The business environment which TASCO Group operates in is very competitive. In order to gain new grounds, TASCO Group has to tap into the expertise within the YUSEN network to venture into new areas of opportunity to further enhance its present strong logistics base. One such venture is into the niche area of cold chain logistics, which is a natural step forward given TASCO Group’s existing involvement in traditional ambient warehousing as well as the vast experience in the fast-moving consumer goods (FMCG) and retail industries.

GCT Group owns a sizeable fleet of 174 reefer trucks and operates cold room warehouses with a storage capacity of approximately 25,600 pallets. As such, the Proposed GCT Acquisition is a concerted effort by TASCO to enter the cold chain logistics business in a significant way with its ready capabilities to cater its multi-national customers’ needs and also to serve a wide base of industries, namely the food, pharmaceuticals, chemicals, electronics and other segments. Furthermore, the established reputation and operational track record of GCT Group of more than twenty (20) years in the cold chain industry and the established business relationship with its customers (most of whom are large multi-national corporations) would complement the vision and the business philosophy of TASCO Group.

Combining TASCO Group’s knowledge and logistics network together with GCT Group’s operating scale of sizable fleet of reefer trucks and cold room capacity, the Proposed GCT Acquisition will provide TASCO Group with advantages to be the market leader in the cold chain logistics industry.

### **4. RISK FACTORS IN RELATION TO THE PROPOSED GCT ACQUISITION**

#### **4.1 Non-completion of the Proposed GCT Acquisition**

There is a possibility that the Proposed GCT Acquisition may not be completed due to failure in fulfilling the Conditions Precedent as set out in the SPA within the timeframe prescribed therein.

The Proposed GCT Acquisition is conditional upon the approvals from the shareholders of the Company as well as the relevant authorities (such as banks and financial institutions) being obtained, as disclosed in Section 8 of this announcement. There is no assurance that the Proposed GCT Acquisition will not be exposed to risks such as inability to obtain the approvals from the shareholders of the Company and the relevant authorities and can be complete within the time period prescribed under the SPA. Further, the Initial Deposit and Balance Deposit (as the case may be) paid by TASCO may not be refundable save for the occurrence of the events as set out in Section 2.10.3.1 of this announcement.

If any of the Conditions Precedent as set out in the SPA is not fulfilled within the CP Period, the SPA shall *ipso facto* cease and terminate and both Parties shall be released from all obligations under the SPA, save and except in respect of any obligation under the SPA which is expressed to apply after the termination of the SPA and/or any rights or obligations which have accrued in respect of any breach of any of the provisions of the SPA to either Party prior to such termination.

Nevertheless, the Parties shall use their best endeavours to obtain all the necessary approvals for the Proposed GCT Acquisition to be completed in a timely manner.

#### **4.2 Business risk**

In addition to the risk affecting ambient logistics business, the business of GCT Group is subject to additional risk inherent in the temperature-sensitive logistics business, inter-alia, electricity outage, cold chain equipment failure and mishandling by employees, which would result in contamination or total write-off of cargo/ inventory due to its perishable nature of the cargo/ inventory.

Leveraging on the expertise of the YUSEN network, TASCOCO will put in place fail-safe backup plans and stringent quality control and monitoring procedures, whether manual or electronically, such as scheduled maintenance of the cold room equipment/ reefer containers, installation of redundant refrigeration system, real-time temperature and location reporting, temperature logging, accurate labelling and packaging, employee training. TASCOCO shall also endeavour to ensure that sufficient and adequate insurance coverage is in place to cover all potential risks to which the GCT Group is or may be exposed.

#### **4.3 Regulations and government policy risks**

The Proposed GCT Acquisition is subject to a number of risks, including, without limitation, changes in regulations or government policies such as licenses from Land Public Transportation Commission Malaysia (SPAD), food safety regulations, and occupational safety and health requirements. Changes in these regulations and/ or government policies may further increase GCT Group's operating cost and expenses, such as increase in electricity cost, repair expenses to modify the cold rooms and/ or reefer trucks, increase in labour cost/ benefits and increase in insurance premium.

Nevertheless, TASCOCO will continuously keep abreast with the changes in regulations and government policies and put in place necessary strategies in order to control and safeguard against such risk.

#### **4.4 Competition risks**

The cold chain logistics market in Malaysia is fragmented with several medium-size and many small-size logistics players. Despite most of the competitors are focusing on the cold chain transportation segment (as opposed to the cold chain warehousing segment), GCT Group also faces the risk of existing players as well as new entrants venturing into the cold chain warehousing and transportation segment.

Notwithstanding this, TASCOCO will continuously keep abreast with the changes in the economic and business landscape and put in place necessary strategies in order to safeguard GCT Group's market leader status in the cold chain industry while providing the highest level of value-added services to its customers.

#### **4.5 Dependence of Key Customers**

GCT Group had recorded revenue of RM67.0 million for the FYE 30 November 2015, of which approximately 68% of the revenue was contributed by the top five (5) customers of GCT Group. As such, the revenue and profitability of GCT Group may be materially impacted in the event there is a loss of major customer and not being replaced with demand from existing/ new customer(s).

Nevertheless, the Board is of the opinion that, barring any unforeseen circumstances, GCT Group will continue to maintain its business relationship with its key customers in view of its long operating track record and high service standards. Moving forward, the risk of dependence on key customers is expected to be mitigated over time as the business of GCT Group grows and caters for a wider range of customers.

#### **4.6 Inability to obtain funding/ fluctuating borrowing cost**

As set out in Section 2.8 of this announcement, it is the intention of the Board to fund most of the Purchase Consideration via borrowings and/or advances from TASCOS holding company. There is no guarantee that the Company will be able to obtain sufficient borrowings to finance the Balance Deposit and Balance Purchase Consideration.

Furthermore, even if TASCOS is able to secure the funding to undertake the Proposed GCT Acquisition, such borrowings could be dependent on prevailing interest rates which may be subject to fluctuations in the future. As a result, the cash flow position, profitability and debt repayment obligations of TASCOS Group could be adversely affected if the cost of borrowing were to increase substantially.

However, the Board is confident that the borrowings can be implemented successfully as the gearing ratio of TASCOS remains low at 0.14x based on FYE 31 March 2016. Upon completion of the Proposed GCT Acquisition, the gearing ratio of TASCOS is expected to increase to 0.91x, details of which is set out in Section 6.3 of this announcement. The Board is also mindful on the potential increase in the cost of borrowings and shall mitigate this risk by continuously monitoring the performance of GCT Group and adopting prudent financial management as well as monitoring and managing the exposure to the increase in the cost of borrowings.

#### **4.7 Impairment of goodwill**

Based on the fair market value of the lands and buildings held by GCT Group of RM111.06 million which translates into a revalued NTA of GCT Group of RM71.4 million, the Proposed GCT Acquisition may result in a goodwill of RM114.6 million to be recorded in the financial statements of TASCOS Group. According to Financial Reporting Standards 136: Impairment of Assets requires goodwill to be assessed for impairment annually if events or circumstances indicate that it is more likely than not that the recoverable amount of a cash generating unit (CGU) is less than its carrying amount. In the event the goodwill is not supported by the projected cashflows of the CGU, there could be an impairment to the carrying amounts of goodwill allocated to GCT Group, which would result in an impairment expense in the financial statements of TASCOS Group.

Nevertheless, the Board intends to appoint an independent valuer to appraise the fair market value of the plant and machineries as well as the reefer trucks held by GCT Group prior to completion of the due diligence exercise, as referred to in Section 2.10.1.1(a) of this announcement. In the event that the fair market value of the plant and machineries and the reefer trucks held by GCT Group (as appraised by an independent valuer to be appointed) is higher than the book value as recorded in the financial statements of GCT Group, this would translate into a revaluation surplus and lower goodwill arising from the Proposed GCT Acquisition.

After the completion of the Proposed GCT Acquisition, the Board shall continuously monitor the future cashflows of the GCT Group to ensure that the goodwill is supported by its projected cashflows of the CGU.

## **5. PROSPECTS OF THE PROPOSED GCT ACQUISITION**

### **5.1 Overview and prospects of the Malaysian economy**

The Malaysian economy expanded by 4.3% in the third quarter of 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%).

Overall, domestic demand grew at a more moderate pace, as the sustained growth in private sector activity was more than offset by the slower growth in public spending. Private consumption grew by 6.4% (2Q 2016: 6.3%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1 July 2016. Private investment registered a growth of 4.7% in the third quarter (2Q 2016: 5.6%), supported primarily by continued capital spending in the services and manufacturing sectors. Growth of public consumption moderated to 3.1% during the quarter (2Q 2016: 6.5%) due to lower spending on supplies and services, which partially offset the higher spending on emoluments. Public investment growth contracted by 3.8% (2Q 2016: 7.5%), attributable mainly to lower spending on fixed assets by the Federal Government.

On supply side, growth in the third quarter was supported mainly by the services and manufacturing sectors, while the agriculture sector remained weak. The expansion in the services sector was underpinned primarily by private consumption activity, while growth in the manufacturing sector was supported by export-oriented industries. In the construction sector, growth continued to be driven by civil engineering activity, while the mining sector expanded at a faster pace on account of higher crude oil production. Growth in the agriculture sector, however, remained in contraction, attributable largely to the lagged impact of El Nino on crude palm oil (CPO) yields.

Inflation, as measured by the annual change in the Consumer Price Index (CPI), moderated further to 1.3% in the third quarter of 2016 (2Q 2016: 1.9%). During the quarter, inflation in the food and non-alcoholic beverages category was lower at 3.4% (2Q 2016: 4.2%). Inflation in the transport category also registered a larger decline of 7.4% in the third quarter of 2016 (2Q 2016: -6.6%).

In 3Q 2016, the current account surplus of the balance of payments widened due mainly to a larger goods surplus, which more than offset the higher deficit in the services and investment income accounts. As at 31 October 2016, the reserves position amounted to USD97.8 billion (equivalent to RM405.5 billion). The international reserves remain ample to facilitate international transactions. They are sufficient to finance 8.4 months of retained imports, significantly higher than the 3-month international threshold. The reserves level is also adequate to meet external obligations given the reserves to short-term external debt coverage of 1.2 times. It is important to note that not all short-term external debt creates a claim on reserves given the availability of external assets and export earnings of borrowers.

*(Source: Bank Negara Quarterly Bulletin – Third Quarter 2016)*

In view of the positive outlook for the Malaysian economy, the Board is of the view that the growth prospects of GCT Group are expected to be favorable.

## 5.2 Overview and outlook of the Malaysian cold chain logistics industry

GCT Group's core business involves the provision of temperature-controlled logistics/warehousing services, catering mainly for the food related sector.

During the Tenth Malaysia Plan period, the export of food increased at an average annual growth rate of 9% from RM20.5 billion in 2011 to RM25.6 billion in 2014. However, food imports also grew at an average rate of 9% per annum from RM34.5 billion to RM42.6 billion. Food trade balance showed an increasing deficit at an average rate of 8.9% from 2011-2014. The agriculture sector recorded an average growth of 2.4% and the average annual growth rate of the agro-food subsector is estimated to reach 3.4%. Among the industries that recorded the strongest average annual growth rate were vegetables at 9.7%, fruits at 9%, and livestock at 8.1%.

In the Eleventh Malaysia Plan (2016-2020) ("**Plan**"), the agro-food subsector is expected to grow at 5.4% per annum with livestock, aquaculture and vegetable as the main contributors, while demand for food is expected to reach 14.8 million metric tonnes in 2020. The agriculture sector is expected to grow at 3.5% per annum, contributing 8.2% of total GDP. The agro-based industry is expected to contribute 18.3% of total manufacturing value added by 2020. During the Plan period, the agro-food subsector will be transformed into a high income and sustainable industry through innovative R&D and modernization initiatives.

The macro strategies identified under the Plan include improving market access and logistics support. Marketing of agricultural products will be improved through the establishment of more market outlets, market compliance products, online marketing, promotion and branding. In addition, the Malaysia External Trade Development Corporation (MATRADE) will intensify the promotion of agricultural products in the global market through trade and food exhibitions. The logistics support for collection, distribution and marketing of agricultural produce will be improved to ensure quality of produce, minimize post-harvest loss and reduce marketing cost. In addition, the use of halal and green logistics will also be promoted to increase marketability of agricultural exports.

Production of fruits and vegetables will be increased to meet domestic and export market demand. Focus will be on non-seasonal fruits and highland vegetables. The implementation strategies under the Plan period will focus on increasing productivity through developing fruit and vegetable clusters, replanting and rehabilitation of fruit farms, strengthening contract farming arrangements and widening adoption of modern technologies.

The fisheries industry, which consists of capture fisheries and aquaculture, is expected to achieve an average annual growth of 3.7% during the Plan period. Demand for fish is expected to increase from 1.3 million metric tonnes in 2010 to 1.9 million metric tonnes by 2020 with a growth of 3.8% per annum. Fish consumption per capita is expected to increase from 46 to 55 kilograms per year at a rate of 1.9% per annum in the same period. In line with the Aquaculture Blueprint by MOA, the contribution of aquaculture is expected to increase to 50% or 1.76 million metric tonnes of the total fish production by 2020. The export value of aquaculture, including fish products is also expected to increase from RM1.4 billion in 2010 to RM3.2 billion in 2020.

*(Source: Eleventh Malaysia Plan, 2016-2020 – Economic Planning Unit)*

### **5.3 Future Prospects of GCT Group**

GCT Group had been profitable in the last three (3) financial years and for FYE 30 November 2015, recorded a revenue of RM67 million and a PAT of RM6.8 million. Furthermore, the Vendors have warranted that the proforma consolidated EBITDA of the GCT Group shall approximate to RM20.8 million for the FYE 30 November 2016. With the Proposed GCT Acquisition, it is envisaged that the GCT Group will contribute positively to the financial performance and future profitability of TASC0 Group.

In view of the population growth and increase private consumption/ consumer spending in the Asean region, this would translate into increase in demand for perishable goods including foods and beverage, pharmaceutical products, as well as other higher-value chain goods including temperature-sensitive chemicals and electronic devices. In order for these goods to reach the consumers, demand for quality cold chain logistics services will have to improve and increase accordingly.

Further, the emergence of online shopping for groceries also creates additional demand for cold chain warehousing and on-time delivery using reefer trucks. Given GCT Group's warehousing facility and fleet size, the Proposed GCT Acquisition allows TASC0 to well position itself to meet the ever-increasing demand for cold storage warehouse capacity and reefer trucks.

Moreover, barriers to entry into the cold chain industry includes heavy upfront capital investment in view of the high cost to construct a new cold room warehousing facility. Coupled with the gestation period to construct the facility and even more time to acquire new customers and fight for market share, the Proposed GCT Acquisition provides an on-going operational facility and immediate market share in the cold chain business, thereby minimizing investment and business risk to TASC0.

Barring any unforeseen circumstances, the Board believes that the Proposed GCT Acquisition will make a positive contribution to TASC0 moving forward and is expected to enhance the value to the Company's shareholders' in the longer term.

*(Source: Management of TASC0)*

## 6. EFFECTS OF THE PROPOSED GCT ACQUISITION

The proforma effects of the Proposed GCT Acquisition on the share capital, substantial shareholders' shareholding, earnings and earnings per share ("EPS") and the net assets ("NA") as well as gearing of TASC0 are illustrated as follows:-

### 6.1 Share capital and substantial shareholders' shareholding

The Proposed GCT Acquisition will not have any effect on the issued and paid-up share capital as well as substantial shareholders' shareholdings of TASC0, as the consideration for the Proposed GCT Acquisition shall be satisfied entirely by cash and does not involve any issuance of new shares in TASC0.

### 6.2 Earnings and EPS

The Proposed GCT Acquisition is expected to be completed in the second quarter of calendar year 2017, and is expected to contribute positively to the earnings and EPS of TASC0 Group for the FYE 31 March 2018 and the future earnings and EPS of TASC0 for the ensuing financial years, due to, amongst others, the full recognition of the earnings contribution from GCT Group.

The proforma effects on the PAT and EPS of TASC0 Group is illustrated as follows:-

	Audited as at 31 March 2016 RM'000	After the Proposed GCT Acquisition RM'000
PAT attributable to shareholders of TASC0	30,607	30,607
PAT of GCT Group	-	6,836 <sup>(1)</sup>
Interest cost on borrowings to fund the Proposed GCT Acquisition	-	(7,295) <sup>(2)</sup>
<b>Proforma PAT attributable to shareholders of TASC0</b>	<b>30,607</b>	<b>30,148</b>
Number of TASC0 shares as at the LPD (‘000)	200,000	200,000
EPS (Sen)	15.30	15.07

Notes:-

- (1) Based on the consolidated financial statements of GCT Group for the FYE 30 November 2015.
- (2) Calculated assuming an indicative interest rate of approximately 4.00% per annum on the borrowings to be secured by TASC0 amounting to approximately RM182.4 million to fund the Balance Deposit and Balance Purchase Consideration.



### 6.3 NA and gearing

Based on the latest audited consolidated financial statements of GCT Group for the FYE 30 November 2015, the proforma effects of the Proposed GCT Acquisition on the consolidated NA per share and gearing of TASC0 Group is illustrated as follows:-

		Proforma I	Proforma II
	Audited as at 31 March 2016	After subsequent events <sup>(1)</sup>	After I and the Proposed GCT Acquisition
	(RM'000)	(RM'000)	(RM'000)
Share capital	100,000	100,000	100,000
Share premium	801	801	801
Revaluation reserve	1,401	1,401	1,401
Hedge reserve	(613)	(613)	(613)
Exchange translation reserve	(112)	(112)	(112)
Retained earnings	218,408	213,408	<sup>(2)</sup> 210,408
<b>Equity attributable to owners of the Company</b>	<b>319,885</b>	<b>314,885</b>	<b>311,885</b>
Minority Interest	872	872	872
<b>Total Equity</b>	<b>320,757</b>	<b>315,757</b>	<b>312,757</b>
Number of ordinary shares ('000)	200,000	200,000	200,000
NA per share (RM)	1.60	1.57	1.56
Total debt	46,027	46,027	<sup>(3)</sup> 283,187
Gearing ratio (times)	0.14	0.15	0.91

Notes:-

- (1) After adjusting for single-tier final dividend of 2.5 sen per ordinary share of RM0.50 each in TASC0, amounting to RM5,000,000, which was paid on 28 October 2016.
- (2) For illustration purposes, assuming the estimated expenses pursuant to the Proposed GCT Acquisition amounts to RM3.00 million.
- (3) After taking into consideration of the following:-
  - (i) Total debt of GCT Group amounting to RM54.76 million as at FYE 30 November 2015; and
  - (ii) Assuming borrowings amounting to RM182.40 million was secured by TASC0 to fund the Balance Deposit and Balance Purchase Consideration.

#### **6.4 Convertible securities**

As at the date of this announcement, the Company does not have any convertible securities in issue.

#### **7. HIGHEST PERCENTAGE RATIOS APPLICABLE**

The highest percentage ratio applicable to the Proposed GCT Acquisition as per Paragraph 10.02(g) Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) is 58.17%, calculated based on the indicative Purchase Consideration as compared to the consolidated NA of TASCOT Group based on its latest audited consolidated financial statements for the FYE 31 March 2016 of RM319.88 million.

#### **8. APPROVALS REQUIRED**

The Proposed GCT Acquisition is subject to *inter-alia* the following approvals being obtained from:-

- (i) the shareholders of TASCOT at an Extraordinary General Meeting (“EGM”) to be convened;
- (ii) the banks and financial institutions which have granted banking or other credit facilities to GCT Group, if required;
- (iii) the financiers of TASCOT to replace the personal/ corporate guarantees issued by the Vendors and Gold Cold Trading Sdn Bhd (a related company of the Vendors) with the corporate guarantees issued by TASCOT; and
- (iv) any other approvals of relevant authorities and/or parties, if required.

#### **9. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTEREST**

None of the directors and/or major shareholders of the Company and/or persons connected to them, as defined in the MMLR, have any interest, whether direct or indirect, in the Proposed GCT Acquisition.

#### **10. DIRECTORS’ STATEMENT**

The Board, after having considered all aspects of the Proposed GCT Acquisition and after careful deliberation, is of the opinion that the Proposed GCT Acquisition is in the best interests of the Company.

#### **11. APPLICATION TO THE RELEVANT AUTHORITIES**

Barring any unforeseen circumstances, the application(s) to the relevant authorities in relation to the Proposed GCT Acquisition is expected to be submitted within two (2) months from the date of this announcement.

#### **12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed GCT Acquisition is expected to be completed by the second quarter of calendar year 2017.

**13. DOCUMENTS FOR INSPECTION**

The SPA and the Valuation Letter are available for inspection during normal business hours at TASCOS registered office at 802, 8<sup>th</sup> Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 10 January 2017.