TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS TASCO BERHAD ("TASCO" OR THE "COMPANY") 1) PROPOSED ACQUISITION OF SIX (6) PARCELS OF LEASEHOLD LANDS FOR A CASH CONSIDERATION OF RM113,827,400; AND 2) PROPOSED ACQUISITION OF 3,000,000 ORDINARY SHARES OF RM1.00 EACH AND 2,800,000 REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.10 EACH IN MILS COLD CHAIN LOGISTICS SDN. BHD. AS WELL AS THE ASSUMPTION OF LOANS FOR A TOTAL CASH CONSIDERATION OF RM29,925,100.

TASCO BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	TASCO BERHAD ("TASCO" OR THE "COMPANY") 1) PROPOSED ACQUISITION OF SIX (6) PARCELS OF LEASEHOLD LANDS FOR A CASH CONSIDERATION OF RM113,827,400; AND 2) PROPOSED ACQUISITION OF 3,000,000 ORDINARY SHARES OF RM1.00 EACH AND 2,800,000 REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.10 EACH IN MILS COLD CHAIN LOGISTICS SDN. BHD. AS WELL AS THE ASSUMPTION OF LOANS FOR A TOTAL CASH CONSIDERATION OF RM29,925,100.

Please refer to the attachment below for further details.

Please refer attachment below.

Attachments

TASCO - Proposed Westport Acquisition.pdf
641.4 kB

Announcement Info

Company Name	TASCO BERHAD
Stock Name	TASCO
Date Announced	24 Jan 2017
Category	General Announcement for PLC
Reference Number	GA1-23012017-00048

TASCO BERHAD ("TASCO" OR THE "COMPANY")

PROPOSED ACQUISITION BY TASCO FROM SWIFT INTEGRATED LOGISTICS SDN BHD (FORMERLY KNOWN AS MISC INTEGRATED LOGISTICS SDN BHD) ("SILS" OR THE "VENDOR") OF THE FOLLOWING:

(I) SIX (6) PARCELS OF LEASEHOLD LAND ALL LOCATED IN PULAU INDAH FOR A CASH CONSIDERATION OF RM113,827,400; AND

(II) THE ENTIRE EQUITY INTEREST IN MILS COLD CHAIN LOGISTICS SDN BHD ("MCCL") FOR A CASH CONSIDERATION OF RM9,925,100 AS WELL AS THE ASSUMPTION OF LOANS RECEIVED BY MCCL FROM SILS WITH AN OUTSTANDING BALANCE OF RM20,000,000, FOR A TOTAL CASH CONSIDERATION OF RM29,925,100

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1. INTRODUCTION

The Board of Directors of TASCO ("**Board**") wishes to announce that the Company had on 23 January 2017 entered into the following agreements with Swift Integrated Logistics Sdn Bhd (formerly known as MISC Integrated Logistics Sdn Bhd) ("**SILS**" or the "**Vendor**"):

(I) sale and purchase agreement ("**SPA**") for the acquisition of six (6) parcels of leasehold lands all located in Pulau Indah measuring approximately 159,935 square metres (approximately 39.52 acres) in total, together with the furniture, fixtures, fittings and building(s) erected thereon (save for the fixtures, fittings and building erected on PT 128574) and bearing postal address at Lot 36, Jalan Perigi Nenas 7/2, Taman Perindustrian Pulau Indah (Westport), 42920 Pelabuhan Klang, Selangor ("**Properties**") for a cash consideration of RM113,827,400 ("**Properties Purchase Consideration**") ("**Proposed Properties Acquisition**"); and

(II) share sale agreement ("**SSA**") for the acquisition of 3,000,000 ordinary shares of RM1.00 each and 2,800,000 redeemable convertible preference shares ("**RCPS**") of RM0.10 each in MCCL ("**Sale Shares**"), representing the entire issued and paid-up capital of MCCL, for a cash consideration of RM9,925,100 ("**Share Purchase Consideration**") as well as the assumption of loans received by MCCL from SILS with an outstanding balance of RM20,000,000 ("**Shareholder's Loan**"), for a total cash consideration of RM29,925,100 ("**Proposed Share Acquisition**").

(The Proposed Properties Acquisition and Proposed Share Acquisition are collectively referred to as the "**Proposed Westport Acquisition**")

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

2. INFORMATION ON THE PROPERTIES AND MCCL

2.1. PROPERTIES

The Properties consist of six (6) parcels of leasehold lands all located in Pulau Indah measuring approximately 39.52 acres in total, are gazetted as free zone by the Ministry of Finance ("**MOF**") under the Free Zone Act, 1990 ("**Westport Land**"). The Properties are located within the Mukim and District of Klang and bearing postal address at Lot 36, Jalan Perigi Nenas 7/2, Taman Perindustrian Pulau Indah (Westport), 42920 Pelabuhan Klang, Selangor, which is about 6 kilometres southwest of the town of Klang and 38 kilometres southwest of Kuala Lumpur.

The Properties are accessible from Kuala Lumpur, Subang Jaya and Shah Alam via the Shah Alam Expressway (KESAS) and Lebuhraya Pulau Indah. The Properties are also accessible from Putrajaya via the South Klang Valley Expressway (SKVE). Located to the immediate south west of the Properties is Port Klang Free Zone (PKFZ). PKFZ is an integrated acre free commercial and industrial zone which comprises mainly single storey terraced factory and individual designed detached factories.

Further details of the Properties are as follows:-

Land title No.	HS(D) 134803	HS(D) 134804	HS(D) 134805	HS(D) 134806	HS(D) 134807	HS(D) 134808
Land Lot No.	PT 128571	PT 128572	PT 128573	PT 128574	PT 128575	PT 128576
Land area (square metres)	54,807	35,838	17,481	20,149	13,038	18,622
Existing buildings and approximate age of buildings	Four (4)-storey office block and a single storey warehouse (certificate of fitness: 19 April 2007)	Nil	Nil	Cold storage warehouse annexed with a single-storey office (certificate of completion and compliance: 22 September 2008)	Security office building (certificate of fitness: 19 April 2007)	Nil
Encumbrances	Nil	Nil	Nil	Nil	Nil	Nil
Category of land use	Industrial					
Restriction of Interest	Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri.					
Land tenure	Leasehold land of 99 years expiring on 24 February 2097					
Registered owner	SILS					
Occupancy	The warehouse on PT 128571 is fully occupied by SILS and the cold storage warehouse on PT 128574 is fully occupied by MCCL.					
Net book value as at 31 December 2015	RM103,010,974[(1)]					
Fair market value[(2)]	Six (6) lots of land: **RM68,700,000** Buildings with site improvement on Lot PT 128571 and PT 128575: **RM55,190,000** Buildings with site improvement on Lot PT 128574: **RM16,500,000**					

Notes:

(1) Comprises net book values as at 31 December 2015 of:

a. land and buildings recorded in the audited financial statements of SILS amounting to RM76,747,145; and

b. cold storage warehouse annexed with single-storey office on PT 128574 recorded in the audited financial statements of MCCL amounting to RM26,263,829.

(2) *The fair market value as appraised by VPC Alliance (KL) Sdn Bhd, an independent valuer firm ("**VPC**") via its valuation letter dated 19 January 2017 ("**Valuation Letter**"). The fair market valuation of the Properties was arrived based on cost method of valuation which entails determining the value of land and building separately with the value of the land as an improved site is added to the depreciated replacement cost of buildings and other improvements to arrive at the market value of the Properties.*

The value of the land is determined by the comparison method which entails analysing recent transactions of vacant industrial lands in Pulau Indah Industrial Area, Port Kelang for comparison purposes and adjustments made for location, land area and improvements to the land.

The value of the building is arrived by the depreciated replacement cost method where the buildings are taken to be equal the cost of replacing the buildings with similar construction and finishes and depreciating for its age and condition. VPC was unable to adopt the comparison method of valuation as one of the subject building is a specialized property, i.e. purpose built warehouse for cold room facilities and there are no cold room facilities in the vicinity to compare with. In addition, investment method of valuation is also not adopted as the majority of the buildings are owner occupied. Hence, there are lack of rental evidences to adopt to derive the total market rental of the property.

2.2. MCCL

MCCL was incorporated in Malaysia under the Companies Act, 1965 ("**Act**") on 7 June 2006 under the name MILS-Seafrigo Sdn Bhd. It changed its name from MILS-Seafrigo Sdn Bhd to its current name on 24 July 2013. The principal place of business is located at Lot 88077, Jalan Perigi Nenas 7/1, Taman Perindustrian Pulau Indah, 42907 Pelabuhan Klang, Selangor and the registered address is Unit 206, 2nd Floor, Wisma Methodist, Lorong Hang Jebat, 50150 Kuala Lumpur.

MCCL is principally involved in the business of cold and chill storage services, cold chain logistics solutions and related services to customers. MCCL operates from its warehousing facilities in Pulau Indah with a capacity of 10,500 pallet space in the multiple temperature-controlled storage facility.

Currently, SILS is the sole shareholders of MCCL, holding all 3,000,000 ordinary shares of RM1.00 each and 2,800,000 RCPS of RM0.10 each in MCCL. The authorised and issued and paid-up share capital of MCCL are as follows:

Share Capital of MCCL	**Authorised (RM)**	**Issued and Paid-up (RM)**
Ordinary shares of RM1.00 each	4,000,000	3,000,000
RCPS of RM0.10 each	520,000	280,000

As at the date of this announcement, the directors of MCCL are as follows:-
(i) Loo Yong Hui; and
(ii) Mohd Aznan Bin Aziz.

The financial performance of MCCL is set out as follows:-

	<------------------ Audited-------------------->			<- Unaudited->
	Financial year ended ("FYE") 31 December			Eleven (11)-month FPE 30 November
	2013 (RM)	**2014 (RM)**	**2015 (RM)**	**2016 (RM)**
Revenue	8,482,233	12,566,374	12,640,271	8,279,557
Profit/(Loss) before taxation ("**PBT/LBT**")	(3,104,349)	1,111,781	1,585,312	(35,431)
Profit/(Loss) after taxation ("**PAT/LAT**")	(3,104,349)	1,111,781	1,603,311	(61,138)
Shareholders' equity	(15,373,155)	13,738,626	15,341,937	15,280,799
Total interest-bearing borrowings	51,999,907	23,999,907	36,640,178	20,000,000

(Source: Audited financial statements and management's account of MCCL)

Commentaries on past financial performance:-

<u>FYE 31 December 2013 as compared to FYE 31 December 2012</u>

MCCL recorded a decrease in revenue of RM1.91 million, or approximately 18.4% to RM8.85 million for the FYE 31 December 2013 as compared to RM10.39 million for the FYE 31 December 2012. The decrease in revenue was mainly due to decline in storage volume due from chicken import ban because of bird flu outbreak in China which occurred from February 2013 and lasted until August 2013. MCCL recorded a LBT of RM3.1 million for the FYE 31 December 2013 as compared to LBT of RM1.96 million for the FYE 31 December 2012, representing a decrease of approximately 58.0% or RM1.14 million. The decrease was mainly attributable to shortfall in revenue.

<u>FYE 31 December 2014 as compared to FYE 31 December 2013</u>

MCCL recorded an increase in revenue of RM4.08 million, or approximately 48.1% to RM12.57 million for the FYE 31 December 2014 as compared to RM8.48 million for the FYE 31 December 2013. The increase in revenue was mainly due to revision in storage price in conjunction with increase in electricity tariff and additional storage volume from QSR group of companies as well as higher activity in forwarding and haulage. Similarly, MCCL recorded a PBT of RM1.11 million for the FYE 31 December 2014 as compared to LBT of RM3.1 million for the FYE 31 December 2013, representing an increase of approximately 135.8% or RM4.22 million. The increase in PBT was mainly attributable to higher revenue and lower interest expense after conversion of inter-company loan (with outstanding principal of RM28 million) into RCPS which took effect in January 2014.

<u>FYE 31 December 2015 as compared to FYE 31 December 2014</u>

MCCL recorded an increase in revenue of RM0.07 million, or approximately 0.6% to RM12.64 million for the FYE 31 December 2015 as compared to RM12.57 million for the FYE 31 December 2014. The increase in revenue was mainly due to additional storage volume from QSR group of companies and higher activity in forwarding and haulage. MCCL recorded a PBT of RM1.59 million for the FYE 31 December 2015 as compared to PBT of RM1.11 million for the FYE 31 December 2014, representing an increase of approximately 42.6% or RM0.47 million. The improvement in PBT was mainly due to lower operating cost by RM0.74 million but is offset by increase in forex losses.

<u>Eleven-month financial period ended 30 November 2016</u>

For the eleven-month financial period ended ("**FPE**") 30 November 2016, MCCL recorded a revenue of RM8.28 million, as compared to the revenue of RM11.75 million recorded for the eleven-month FPE 30 November 2015, representing a decrease in revenue by RM3.47 million or approximately 29.5%. This is mainly due to effects of lower inventory level from QSR group of companies in the first half of 2016. The shrinking stock level was to counter measure against the fluctuation of exchange rate against the USD. Similarly, MCCL recorded a LBT of RM0.36 million for the eleven-month FPE 30 November 2016, translating into a decrease of approximately 122% as compared to PBT of RM1.64 million for the eleven-month FPE 30 November 2015, mainly as a result of lower revenue from storage and forwarding activities.

2.3. Information on SILS

SILS was incorporated in Malaysia under the Act on 24 December 1983 under the name Magat Dua Sdn Bhd. It adopted its current name on 11 November 2016. SILS is the wholly-owned subsidiary of Swift Haulage Sdn Bhd. The principal activities of SILS include investment holding and provision of integrated logistics services, which include freight forwarding, warehousing, transportation and repair and storage of containers and other value-added activities.

Swift Haulage Sdn Bhd is the sole shareholder of SILS. The current authorised and issued and paid-up share capital of SILS is as follows:

Share capital of SILS	Authorised (RM)	Issued and Paid-up (RM)
Ordinary Shares of RM1.00 each	427,000,000	20,000,000
Redeemable convertible preference shares of RM1.00 each	373,000,000	332,848,600

As at the date of this announcement, the directors of SILS are as follows:

(i) Dato' Haji Md. Yusoff @ Mohd. Yusoff bin Jaafar;
(ii) Loo Yong Hui; and
(iii) Mohd Faishal bin Kassim.

3. DETAILS OF THE PROPOSED WESTPORT ACQUISITION

3.1. Proposed Properties Acquisition

3.1.1. Details of the Proposed Properties Acquisition

The Proposed Properties Acquisition entails the acquisition of all six (6) pieces of leasehold land on "as is where is" basis free from all encumbrances with vacant possession held under the following titles together with the furniture, fixtures, fittings and building(s) erected thereon (save for the fixtures, fittings and building erected on PT 128574^), bearing the postal address at Lot 36, Seksyen 7 Fasa 1A, Pulau Indah Industrial Park (Westport), 42920 Pelabuhan Klang, Selangor Darul Ehsan as follows:-

i) HS(D) 134803 PT 128571 Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 54,807 square meters in area;

ii) HS(D) 134804 PT 128572 Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 35,838 square meters in area;

iii) HS(D) 134805 PT 128573 Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 17,481 square meters in area;

iv) HS(D) 134806 PT 128574 Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 20,149 square meters in area;

v) HS(D) 134807 PT 128575 Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 13,038 square meters in area; and

vi) HS(D) 134808 PT 128576 Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 18,622 square meters in area;

for a cash consideration of RM113,827,400, subject further to the condition of titles express or implied affecting the Properties and subject to the terms and conditions of the SPA.

Note ^:
*PT 128574 is currently tenanted to MCCL upon the terms and conditions contained in the tenancy agreement dated 10 January 2017 made between the Vendor and MCCL (“**Existing Tenancy Agreement**”).*

3.1.2. Basis and justification of the Properties Purchase Consideration

The Properties Purchase Consideration was arrived at on a “willing buyer-willing seller” basis and after taking into consideration, amongst others, the following:-

i) The fair market value of the Properties (excluding the building with site improvement on PT 128574 which is covered under Section 3.2.2 of this announcement) of RM123,890,000 (“**Land Market Value**”), as appraised by VPC via its Valuation Letter.

   The Properties Purchase Consideration represents a discount of RM10.06 million or 8.1% compared to the Land Market Value; and

ii) The rationale of the Proposed Properties Acquisition and prospects of the Properties (refer to Sections 4 and 6.3 of this announcement).

3.1.3. Salient terms of the SPA on the Proposed Properties Acquisition

Purchase Price

The Purchase Price for the Proposed Properties Acquisition shall be paid in the following manner:-

(a) Upon execution of the SPA, TASCO shall pay the deposit sum of RM11,382,740, being the 10% of the Properties Purchase Consideration ("**Deposit**") to the Vendor;

(b) the balance of the Purchase Price amounting to RM102,444,660 ("**Balance Purchase Price**") shall be paid by TASCO to the Vendor's solicitors as stakeholders within three (3) months from the date of the SPA ("**Completion Date**") becomes unconditional ("**Unconditional Date**"); and

(c) in the event that TASCO fails to pay the Balance Purchase Price within the Completion Date, TASCO shall be entitled to an extension of time of one (1) month from the expiry of the Completion Date ("**Extended Completion Date**") to settle the Balance Purchase Price provided that TASCO shall pay an interest rate of eight per centum (8%) per annum on the Balance Purchase Price or any part thereof remains unpaid to be calculated on a day to day basis from the date immediately after the expiry of the Completion Date to the date the Balance Purchase Price is paid in full within the Extended Completion Date.

Any payment made by TASCO to the Vendor's solicitors as stakeholders pursuant to the terms of the SPA shall be deemed payment made to and received by the Vendor towards the Balance Purchase Price.

Conditions Precedent

The Proposed Properties Acquisition is conditional upon the fulfilment of the following conditions precedent ("**Conditions Precedent**") by the parties within the six (6) months from the date of the SPA or such longer period as the parties may mutually agreed in writing to fulfil the Conditions Precedent ("**Conditional Period**"): -

(a) the Vendor procuring the consent of the State Authority for the sale and transfer of the Properties from the Vendor to TASCO ("**Consent to Transfer**");

(b) TASCO procuring the approval of its shareholders for acquisition of the Properties from the Vendor upon the terms and conditions contained in the SPA; and

(c) all the conditions precedent contained in the SSA have been fulfilled and having become unconditional in accordance with the provisions of the SSA.

No Termination during the Conditional Period

The parties hereby undertake with each other that neither party shall without the consent of the party, at any time during the Conditional Period terminate the SPA save and except as provided under the SPA.

Default by the Vendor

In the event the Vendor fails to complete the sale of the Properties in any way or in the event of any breach by the Vendor of any of the material terms of the SPA, the Purchaser shall be entitled to:-

(a) seek the remedy of specific performance of the SPA against the Vendor to compel the Vendor to complete the sale of the Properties to TASCO in accordance with the provisions of the SPA;

(b) alternatively, at TASCO's option, terminate the SPA by written notice to the Vendor (the "**Notice of Termination from the Purchaser**") in which event the Vendor shall, within seven (7) days from its receipt of the Notice of Termination from the Purchaser, refund to TASCO all sums paid by and on behalf of TASCO towards the Purchase Price under the SPA and further pay to TASCO a sum equivalent to ten per centum (10%) of the Purchase Price as agreed liquidated damages free of interest, failing which the Vendor shall pay TASCO interest at the rate of eight per centum (8%) per annum on daily basis on all of the aforesaid unpaid monies or such part thereof outstanding from the expiry of the aforementioned period to the receipt of the aforementioned sum by the Purchaser.

Default by the Purchaser

In the event TASCO fails to pay the Balance Purchase Price in accordance with the provisions of the SPA or in the event of any breach by TASCO of any of the terms of the SPA, the Vendor shall be entitled to the remedy of specific performance against TASCO to compel TASCO to complete the purchase of the Properties from the Vendor in accordance with the provisions of the SPA.

Vacant Possession

(a) The legal possession for PT 128574 (subject to the Existing Tenancy Agreement) shall be deemed delivered by the Vendor to TASCO on the day failing upon expiry of seven (7) days from the date of full payment of the Balance Purchase Price to the Vendor’s solicitors as stakeholder together with any late payment interest (if any) (“**VP Date**”) and TASCO shall be entitled to collect the monthly rental from the MCCL, being the tenant (“**Tenant**”) commencing from the VP Date; and

(b) the vacant possession of PT 128571, PT 128572, PT 128573, PT 128575 and PT 128576 on "as is where is" basis together with the furniture, fixtures, fittings and building(s) erected thereon (fair wear and tear excepted) shall be delivered to TASCO on the VP Date, failing which the Vendor shall pay late delivery interest at the rate of eight per centum (8.0%) per annum on the Purchase Price calculated on a daily basis from the VP Date until the date of actual delivery of vacant possession of the Properties together with the furniture, fixtures, fittings and building(s) erected thereon (fair wear and tear excepted) to TASCO.

3.1.4. Mode of settlement of the Properties Purchase Consideration

The Properties Purchase Consideration shall be settled in cash in the following manner:-

	Date of Settlement	Consideration (RM)
Deposit (being 10% of the Properties Purchase Consideration)	Paid on 23 January 2017	11,382,740
Balance payment (being 90% of the Properties Purchase Consideration)	On Completion Date	102,444,660
Properties Purchase Consideration		**113,827,400**

3.2. Proposed Share Acquisition

3.2.1. Details of the Proposed Share Acquisition

The Vendor shall sell and TASCO shall purchase all 3,000,000 ordinary shares of RM1.00 each and 2,800,000 RCPS of RM0.10 each in MCCL free from all encumbrances and together with all rights, benefits and entitlements now and thereafter attaching thereto as of the Completion Date (3 months from the last condition precedent contained in the SSA is fulfilled or waived or 1 month from the expiry of the aforementioned 3 months), for the Share Purchase Consideration of RM9,925,100. In addition, TASCO shall on Completion Date, fully settle the Shareholder's Loan amounting to RM20,000,000 on behalf of MCCL.

Upon completion of the Proposed Share Acquisition, MCCL will become a wholly-owned subsidiary of TASCO.

3.2.2. Basis and justification of the Share Purchase Consideration

The Share Purchase Consideration was arrived at on a "willing buyer-willing seller" basis and after taking into consideration, amongst others, the following:-

i) the revalued net tangible asset ("**NTA**") of MCCL of RM9.92 million based on its unaudited management accounts as at 30 November 2016, as well as taking into account the fair market valuation of the building erected on PT 128574 (together with the plant and machineries contained within), as appraised by VPC via its Valuation Letter.

The computation of the revalued NTA is as follows:

	RM'000
Unaudited NTA of MCCL as at 30 November 2016	15,280.8
Less: Revaluation deficit from building with site improvement on PT 128574[(1)]	(5,355.7)
Revalued NTA of MCCL	**9,925.1**

Notes:-

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

	RM'000
Fair market value *- Building with site improvement on PT 128574*[(2)] *- Plant and machinery located on PT 128574* [(3)]	 *16,500.0* *10,153.0*
Less: *Carrying amount based on the unaudited financial statements of MCCL as at 30 November 2016* *- Building with site improvement on PT 128574* *- Plant and machinery located on PT 128574*	 *(25,170.1)* *(6,838.6)*
Revaluation deficit	***(5,355.7)***

(2) *Based on the fair market valuation as appraised by VPC in its Valuation Letter, details of which is set out in Section 2.1 of this announcement.*

(3) *Based on the fair market valuation as appraised by VPC in its Valuation Letter, the fair market valuation of the plant and machinery assets located on PT 128574 was arrived at on the basis of market value in continued use, which is defined as the estimated amount at which the subject assets in their continued use might be expected to be sold and purchased between a willing seller and a willing buyer, neither being under compulsion, each having a reasonable knowledge of all relevant facts and with equity to both, and contemplating the retention of the assets in their present existing use and location for the purpose they were designed, built and installed as part of an ongoing business, but without specific reference to earnings, and is expressed as subject to adequate potential profitability of the undertaking. VPC adopted the cost approach to value the plant and machinery assets which entails determining the cost of replacement new of the assets and depreciating to account for its age, economic functionality and wear and tear.*

ii) Rationale and prospects of the Proposed Share Acquisition as set out in Sections 4 and 6.3 of this announcement.

No other valuation matrices were adopted in arriving at the Share Purchase Consideration because MCCL does not own the lot PT 128574 on which the business and operations of MCCL is currently based upon.

3.2.3. Salient terms of the SSA on the Proposed Share Acquisition

The salient terms of the SSA are as follows:

3.2.3.1 Conditions Precedent

(a) The sale and purchase of the Sale Shares and completion thereof are conditional upon the fulfillment of the following conditions precedent within 6 months from the date of the SSA or such other period as may be mutually agreed by the parties to the SSA ("**Conditional Period**"):

(i) all conditions precedent contained in the SPA on the Proposed Properties Acquisition have been fulfilled in accordance with the provisions of the SPA on the Proposed Properties Acquisition, including, without limitation the Vendor procuring the consent of the State Authority for the sale and transfer of the Westport Land from the Vendor to TASCO ("**Consent to Transfer**");

(ii) the Deed of Novation cum Assignment of Tenancy in respect of the tenancy agreement has been duly executed by the Vendor and deposited with the Vendor's solicitors as stakeholder under the SPA on the Proposed Properties Acquisition;

(iii) the Vendor causing or having procured MCCL to cause the discharge of Charges 001, 002 and 003 as registered on the Register of Charges of MCCL and created in favour of Bank Muamalat Malaysia Berhad;

(iv) the Vendor having procured the relevant approval from its shareholders at general meeting for the transaction provided for in the SSA in accordance with the Companies Act, 1965, if applicable;

(v) TASCO having procured the relevant approval from its shareholders at general meeting for the following:

(I) the acquisition of the Sale Shares from the Vendor; and

(II) authorising the directors of TASCO to take all steps necessary to complete the sale and purchase of the Sale Shares in accordance with the SSA; and

(vi) neither TASCO nor the Vendor having received notice of injunction or other order, directive or notice of any court of competent jurisdiction restraining or prohibiting the consummation of the transaction contemplated by the SSA and there being no action seeking or restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending as at the Unconditional Date or any such injunction, other order or action which is threatened as at the Unconditional Date.

(collectively referred to as "**Conditions Precedent**" and individually referred to as a "**Condition Precedent**").

(b) The date when the last of all the Conditions Precedent set out in Section 3.2.3.1(a) above is fulfilled or waived by TASCO under Section 3.2.3.1(h) below, within the Conditional Period shall be the "Unconditional Date".

(c) TASCO’s solicitors shall remit the 3% RPGT Retention Sum (as defined below) to the Director General of Inland Revenue Department within 30 days from the date of the SSA and thereafter, TASCO’s solicitors shall forward the original official receipt issued by the Director General of Inland Revenue Department for such remission together with a copy of the duly completed RPGT 502 form to the Vendor's solicitors within 5 days from the date of such remission.

(d) If any of the Conditions Precedent set out in Section 3.2.3.1(a) is not fulfilled and not waived by TASCO upon the expiry of the Conditional Period, the SSA shall *ipso facto* cease and terminate and both parties shall be released from all obligations under the SSA, save and except in respect of any obligation under the SSA which is expressed to apply after the termination of the SSA and/or any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to either party prior to such termination.

(e) In the event the SSA is terminated pursuant to Section 3.2.3.1(d) above:

(i) TASCO's solicitors shall refund the 3% RPGT Retention Sum to TASCO free of interest within 14 days from such termination, provided always that the 3% RPGT Retention Sum has not been remitted to the Director General of Inland Revenue Department in accordance with Section 3.2.3.1(c) above;

(ii) the Vendor shall refund the Vendor Sum (as defined below) to TASCO free of interest within 14 days from such termination; and

(iii) all documents deposited by the party with the other party and/or the other party's solicitors shall be returned and/or cause to be returned to the party with its interest therein remains intact.

(f) The Vendor and TASCO shall use their best endeavours to procure the fulfilment of all the Conditions Precedent, and in particular shall furnish such information, supply such documents, and do all such acts and things as may be required to enable all the Conditions Precedent to be fulfilled within the Conditional Period.

(g) If any party becomes aware that any of the Conditions Precedent set out in Section 3.2.3.1(a) above is incapable of being satisfied, it shall as soon as reasonably practicable after it becomes aware of such circumstance forthwith notify the other party of the same.

(h) To the extent permitted by law, TASCO reserves the right to waive any of the Conditions Precedent referred to in Section 3.2.3.1(a) above in writing and thereafter at its sole discretion treat such condition precedent waived as a post completion obligation under the SSA, and the parties may proceed with the completion of the sale and purchase of the Sale Shares under the SSA (subject to simultaneous completion of the SPA on the Proposed Properties Acquisition and the payment of the balance Share Purchase Consideration and the Shareholder's Loan by TASCO to the Vendor) ("**Completion**") in accordance with the SSA.

3.2.3.2 Share Purchase Consideration and Repayment of Shareholder's Loan

(a) The Share Purchase Consideration payable for the Sale Shares shall be RM9,925,100.00 only.

(b) TASCO shall pay to the Vendor a sum equivalent to 10% of the Share Purchase Consideration in the following manner (the payment of which the Vendor hereby expressly authorised and the receipt whereof, the Vendor hereby acknowledges) upon the execution of the SSA as the deposit and, in the event of Completion, part payment towards satisfaction of the Share Purchase Consideration by way of banker's cheque:

(i) a sum equivalent to 3% of the Share Purchase Consideration to be deposited with TASCO's Solicitors as stakeholder as the 3% retention sum for the real property gains tax ("**3% RPGT Retention Sum**") pursuant to the Real Property Gains Tax Act 1976, which shall be dealt with by TASCO's Solicitors in accordance with Sections 3.2.3.1(c), 3.2.3.1(e) or 3.2.3.3(g) of this announcement, as the case may be; and

(ii) a further sum equivalent to 7% of the Share Purchase Consideration ("**Vendor Sum**") to the Vendor.

(c) TASCO shall on the Completion Date, pay to the Vendor the balance Share Purchase Consideration and fully settle the Shareholder's Loan on behalf of the MCCL pursuant to the SSA.

(d) The parties expressly agree and confirm that the completion of the SSA is conditional upon the following:

(i) the simultaneous completion of the SPA on the Proposed Properties Acquisition in accordance with the provisions of the SPA on the Proposed Properties Acquisition; and

(ii) TASCO pay to the Vendor the Share Purchase Consideration and fully settle the Shareholder's Loan on behalf of the MCCL pursuant to the SSA on the Completion Date by way of banker's cheque.

(e) The parties covenant and undertake with each other to complete the sale and purchase of the Westport Land in accordance with the SPA on the Proposed Properties Acquisition. The failure of any party to complete the sale and purchase of the Westport Land in accordance with the provisions of the SPA on the Proposed Properties Acquisition for any reason whatsoever shall be deemed a default by that party under this Agreement, in which event, the other party shall be entitled to the remedy under Section 3.2.3.3 below

3.2.3.3 Termination / Specific Performance

(a) The parties agree that in the event any party materially breaches any of such party's obligations under the SSA, the non-defaulting party shall serve a written notice to the defaulting party specifying the breach and requiring the defaulting party to remedy such breach within 30 days from the date of such notice or such other period as may be mutually agreed between the parties in writing.

(b) TASCO shall be entitled to issue a notice of termination to the Vendor if, at any time prior to the Completion Date:

(i) the Vendor and/or MCCL commits any continuing or material breach of any of its obligations under the SSA which either:

(A) is incapable of remedy; or

(B) if capable of remedy, is not remedied within 30 days of being given notice to do so;

or

(ii) any of the warranties and/or disclosures given by the Vendor and/or MCCL is found at any time to be materially untrue.

(c) Notwithstanding the foregoing provisions of Section 3.2.3.3(b), TASCO shall be at liberty to take such action in law as may be necessary to compel the Vendor by way of specific performance to complete the transaction contemplated in the SSA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of the Vendor in the performance of the terms and conditions herein) or to claim damages for the breach of the Vendor.

(d) In the event TASCO fails to pay the balance Share Purchase Consideration or the Shareholder's Loan or any other monies due and payable by TASCO to the Vendor under and pursuant to the SSA in accordance with the provisions therein, or in the event of any breach by TASCO of any of the terms of the SSA, the Vendor shall be entitled to take such action in law as may be necessary to compel TASCO by way of specific performance (and all other relevant relief flowing therefrom) to complete the transaction contemplated in the SSA.

(e) All provisions of the SSA shall so far as they are capable of being performed or observed, continue in full force and effect notwithstanding completion of the acquisition of Sale Shares, except in respect of those matters then already duly performed.

(f) The SSA may be terminated at any time prior to the Completion by any party (in whole, but not in part) if any Public Authority shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties shall use their reasonable best efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the SSA and such order, decree, ruling or other action shall have become final and non-appealable.

(g) The parties agree that in event the SSA is terminated pursuant to Section 3.2.3.3(b) above:

(i) TASCO's solicitors shall refund the 3% RPGT Retention Sum to the TASCO free of interest within 14 days from such termination, provided always that the 3% RPGT Retention Sum has not been remitted to the Director General of Inland Revenue Department in accordance with Section 3.2.3.1(c) above;

(ii) the Vendor shall refund the Vendor Sum to TASCO free of interest within 14 days from such termination; and

(iii) all documents deposited by the party with the other party and/or the other party's solicitors shall be returned and/or cause to be returned to the party with its interest therein remains intact.

3.2.3.4 Limitation on Warranties

The liability of the Vendor in respect of any breach of any of the representations, warranties, undertakings and obligations and in respect of any indemnity given by the Vendor in the SSA shall be limited as follows:

(a) TASCO shall not be entitled to make a claim in respect of any breach of any of the warranties if the fact, matter, event or circumstance giving rise to such breach was disclosed in the audited accounts of MCCL as at 31 December 2015 or management accounts of MCCL as at 30 November 2016, or to TASCO, or in any document supplied to TASCO and/or its agents and advisers, or to the extent that the financial effect of such fact, matter, event or circumstance was provided for in the audited accounts of MCCL as at 31 December 2015 or management accounts of MCCL as at 30 November 2016;

(b) TASCO shall not be entitled to make a claim in respect of any breach of any of the warranties if the fact, matter, event or circumstance giving rise to such breach was disclosed or otherwise came to the attention of TASCO or its agents or advisers during the course or in relation to the due diligence exercise conducted in respect of MCCL by or on behalf of TASCO;

c) TASCO shall not be entitled to make a claim in respect of any breach of any of the warranties in relation to any fact, where that fact has been disclosed in writing or in any written document which has been provided by the Vendor to TASCO prior to the date of the SSA;

(d) TASCO shall not be entitled to make a claim in respect of any document which has been filed by or on behalf of the MCCL with any governmental or quasi-governmental authority such that the said document is available for inspection by the public;

(e) no claim may be made in respect of any one matter arising under the warranties by TASCO on more than one account or for any loss arising from breaches of warranties in the SSA to the extent that any such loss is or will be recovered or recoverable under a policy of insurance in force at the date of such loss;

(f) no claim shall be made against the Vendor in respect of any of the warranties, covenants or undertakings arising out of or in connection with the SSA except where such warranties, covenants or undertakings are expressly contained or incorporated in the SSA;

(g) the Vendor shall be under no liability whatsoever under the warranties in respect of any and all matters resulting from a change in accounting or taxation policy or practice of MCCL, including the method of submission of taxation returns, introduced since or having effect after the Completion Date;

(h) the Vendor shall not be liable under the warranties to the extent that any breach thereof or liability thereunder occurs as a result of or is otherwise attributable to any legislation not in force at the date of the SSA or any change of law or administrative practice which takes effect retrospectively or occurs as a result of any increase in the rates of taxation in force at the date of the SSA;

(i) the Vendor shall not be liable in respect of any claim by TASCO based upon a liability which is contingent only, unless and until such contingent liability becomes an actual liability and is adjudged to be due and payable. For the avoidance of doubt, this Section 3.2.3.4(i) shall not operate to avoid a claim made in respect of a contingent liability notice of which was given within the time limit and with such details as are specified in Section 3.2.3.4(k), notwithstanding that the actual liability to make a payment crystallises after such time limit;

(j) the Vendor shall not be liable to the extent as sellers of the Sale Shares in respect of any matter, act or circumstance that arises from an act or event occurring after Completion;

(k) the Vendor shall have no liability for any claim for breach of warranties unless TASCO has given the Vendor written notice of such claim (stating with reasonable detail the nature of the relevant claim and if practicable, the amount claimed) on or before:

(i) 23 October 2017; or

(ii) the expiry date of the period (or any agreed extended period thereof) of which Swift Haulage Sdn Bhd (Company No. 533234-V) (hereinafter called "**SHSB**") is entitled to make a claim for breach of similar warranties against MISC Berhad (Company No. 8178-H) (hereinafter called "**MISCB**") under the Agreement for Sale and Purchase of Shares dated 9 May 2016 entered into between MISCB and SHSB (hereinafter referred to as **"SHSB SSA**").

whichever is later.

For the avoidance of doubt, the Vendor hereby warrants and undertakes to inform TASCO of the extension period referred to in Section 3.2.3.4(k)(ii) above, if any.

(l) the maximum aggregate amount which TASCO may recover from the Vendor in respect of all claims against the Vendor for any breach of any of the warranties, including (without limitation) in respect of all contingent liabilities, taxes, duties, fines, penalties, and dues to Malaysian and non-Malaysian regulatory authorities in relation to any cause of action arising prior to the Completion is Ringgit Malaysia Five Hundred Thousand (RM500,000.00) only (any claim in excess of which TASCO waives).

3.2.3.5 <u>Vendor's Tax Indemnity</u>

(a) Subject always to the limitation in Section 3.2.3.4 herein, the Vendor shall (including to do all such acts and things and execute all such deeds, agreements or documents as may be required by the TASCO) indemnify TASCO in full:

(i) against any claim to the extent that the claim arises from or is connected with a breach of any tax warranties prior to the Completion Date; and

(ii) against any tax liabilities arising from the transaction contemplated under the SSA.

(b) Notwithstanding any provision in the SSA, the Vendor warrants and undertakes with TASCO that:

(i) Within the period referred to in Section 3.2.3.4(k)(ii) above, the Vendor shall indemnify TASCO against any claim arises from or is connected with any tax liabilities arising from the import duty and sales tax on the Company prior to the Completion Date (irrespective whether the said liability(ies) is/are assessed or imposed by any statutory or governmental authority, body or official whosoever prior to or after the Completion Date) in the following manner:

(A) the full amount received by SHSB from MISCB under the SHSB SSA; and

(B) 50% of the shortfall between the amount received by SHSB under Section 3.2.3.5(b)(A) and the claim arises under Section 3.2.3.5(b) herein, if any; and

(ii) Upon the expiry of period referred to in Section 3.2.3.4(k)(ii) above, the Vendor shall (including to do all such acts and things and execute all such deeds, agreements or documents as may be required by TASCO) indemnify TASCO against 50% of any claim arises from or is connected with any tax liabilities arising from the import duty and sales tax on the Company prior to the Completion Date (irrespective whether the said liability(ies) is/are, assessed or imposed by any statutory or governmental authority, body or official whosoever prior to or after the Completion Date) for a period of five (5) years from 24 October 2016.

3.2.4. Mode of settlement of the Share Purchase Consideration and Shareholder's Loan

The Share Purchase Consideration comprises the purchase consideration of RM9,925,100 and the assumption of the Shareholder's Loan. The Share Purchase Consideration and Shareholder's Loan shall be satisfied/ settled in cash in the following manner:-

	Date of Settlement	**Consideration (RM)**
Deposit (being 10% of the Share Purchase Consideration)	Paid on 23 January 2017	992,510
Balance payment	On Completion Date	8,932,590
Share Purchase Consideration		9,925,100
Settlement of Shareholder's Loan	On Completion Date	20,000,000
Total cash consideration		**29,925,100**

3.3. Liabilities to be assumed by TASCO

Save for the Shareholder's Loan, the obligations and liabilities arising from or in connection with the SPA and SSA, there are no other liabilities, contingent liabilities and/ or guarantees to be assumed by TASCO pursuant to the Proposed Westport Acquisition.

3.4. Source of funding

The deposits for the Properties Purchase Consideration and Share Purchase Consideration were funded via internally-generated funds of TASCO. The balance payment of the Properties Purchase Consideration and Share Purchase Consideration, as well as settlement of the Shareholder's Loan, are expected to be funded via bank borrowings and/or via advances from Yusen Logistics Co Ltd ("**YUSEN**"), the holding company of TASCO. However, the quantum of the borrowings and/or advances from YUSEN has not been determined as at the date of this announcement.

3.5. Estimated financial commitments

There are no additional financial commitments required by TASCO to put the Properties and the business of MCCL on-stream. As set out in Sections 2.1 and 2.2 of this announcement, there are on-going logistics operations in the Properties and MCCL is an on-going business.

4. RATIONALE FOR THE PROPOSED WESTPORT 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.

Currently, the existing facilities of TASCO Group are operating at near full capacity. In fact, there is greater demand for warehouse space and transportation services than is able to be fulfilled by TASCO Group. TASCO has to venture into new areas of opportunity, including embarking on acquisition opportunities, to add-on additional facilities and further enhance its present strong logistics base.

The Proposed Properties Acquisition allows TASCO to gain a sizeable landbank with close proximity to the busiest container port in Malaysia, which is Port Klang. In addition, the Properties are strategically located within Westport's free zone as gazetted by MOF under the Free Zone Act, 1990. This allows TASCO Group to provide warehousing services tailored to the needs of multi-national corporations for transshipment and the import/ export trade. Further, approximately 17.78 acres of the Properties remain unoccupied, which could be utilised in future to build additional warehouse facilities and/or provide ancillary services should the need arises.

The Proposed Share Acquisition will provide TASCO with access to a temperature-controlled storage facility with a capacity of approximately 10,500 pallet space. This will further scale-up TASCO Group's cold chain logistics capabilities after the completion of the proposed acquisition of the entire equity interest in Gold Cold Transport Sdn Bhd ("**GCT**") (which was announced by TASCO on 10 January 2017) ("**Proposed GCT Acquisition**"). Combining the existing capacity of MCCL and GCT, TASCO would eventually have a combined cold room storage capacity of 36,100 pallet space.

As such, the Proposed Westport Acquisition provides TASCO with an opportunity to expand its ambient warehousing and cold room facilities in order to further grow the Company.

5. RISK FACTORS IN RELATION TO THE PROPOSED WESTPORT ACQUISITION

5.1 Non-completion of the Proposed Westport Acquisition

Completion of the Proposed Westport Acquisition is to among others, the fulfilment of the Conditions Precedents by the relevant parties of their respective obligation as set in the SPA and SSA. In the event that the Conditions Precedents are not fulfilled in accordance with the terms and conditions, the Proposed Westport Acquisition may lapse and terminate and be of no further effect whatsoever. Thereafter, the Vendor and/or the Vendor's solicitors shall refund the Vendor's Sum free from interest to TASCO.

Notwithstanding this, TASCO shall endeavour to ensure that the Proposed Westport Acquisition is completed in accordance with the terms and conditions of the SPA and SSA.

5.2 Compulsory acquisition by the Government

Pursuant to the Land Acquisition Act, 1960, the Government of Malaysia has the power to compulsorily acquire any land in Malaysia in accordance with the aforesaid act. In the event of any compulsory acquisition of land by the Government of Malaysia, the amount of compensation to be awarded shall be computed on the basis prescribed in the First Schedule of the Land Acquisition Act, 1960. At any point of time, the amount of such compensation may be less than the market price of the land.

In the event of any compulsory acquisition of Properties, the TASCO Group will seek to minimise any potential losses from such situations by invoking the relevant provisions in the Land Acquisition Act, 1960 in relation to its rights to submit an objection in respect of the compensation, where necessary.

5.3 Investment risks

The Board is of the view that the Proposed Westport Acquisition is expected to contribute positively to future financial performance of TASCO. However, there is no assurance that the anticipated benefits of the Proposed Westport Acquisition will be realised or that the Proposed Westport Acquisition will generate similar rate of returns as TASCO Group's existing businesses.

TASCO anticipates that it can mitigate such investment risks by undertaking thorough post-merger integration on the operations of the new assets into TASCO Group and to leverage on TASCO's strong management expertise and track record to properly manage the operations on the Properties and of MCCL.

5.4 Funding and interest rate risks

As set out in Section 3.4 of this announcement, it is the intention of the Board to fund the balance payment of the Properties Purchase Consideration, Share Purchase Consideration as well as settlement of the Shareholder's Loan via bank borrowings and/or via advances from YUSEN. If YUSEN does not advance the funds to TASCO, there is no guarantee that TASCO will be able to obtain sufficient bank borrowings to finance the balance payments and settlement of the Shareholder's Loan.

Furthermore, even if TASCO is able to secure the funding to undertake the Proposed Westport 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 TASCO 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 current gearing ratio of TASCO remains low at 0.14x based on its financial position as at 31 March 2016. Assuming the completion of the Proposed GCT Acquisition and upon completion of the Proposed Westport Acquisition, the gearing ratio of TASCO is expected to increase to 1.34x and details of which is set out in Section 7.3 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 the business and operations on the Properties and MCCL and adopting prudent financial management as well as monitoring and managing the exposure to the increase in the cost of borrowings.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 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)

6.2 Overview and outlook of the Malaysian logistics industry

In the first half of 2015, the transport and storage subsector of Malaysia expanded further by 5.6% (January – June 2014: 4.8%) attributed to higher highway, port and airport operations. The land transport segment grew by 5.6% during the first half of 2015 (January – June 2014: 6.1%). Traffic volume on tolled highways increased by 6.6% to 898.8 million vehicles (January – June 2014: 4.1%; 843.4 million) due to higher traffic during festivities amid lower fuel prices.

Keretapi Tanah Melayu Bhd (KTMB) freight volume declined by 20.3% to 2.9 million tonnes (January – June 2014: 9.7%; 3.6 million tonnes) with revenue decreasing by 2.8% to RM72.3 million (January – June 2014: 9.2%; RM74.4 million). This was due to the increase in freight rates; lack of locomotives servicing the landbridge route from Padang Besar Station; and the closing of Gemas – Gua Musang sector for repair and upgrade.

The water transport segment rebounded by 1.2% (January – June 2014: -2.9%) on account of stronger port activities. This is reflected in the improvement in the freight segment with cargo services posting a positive growth. Total container throughput in major ports grew by 8.4% to 11.6 million twenty-foot equivalent units (TEUs) (January – June 2014: 5.1%; 10.7 million TEUs). In addition, Port Klang and Port of Tanjung Pelepas (PTP) registered higher volumes at 5.8 million TEUs and 4.4 million TEUs (January – June 2014: 5.3 million TEUs; 4.1 million TEUs) accounting for 50% and 38.4% of total container throughput, respectively (January – June 2014: 49.4%; 38.2%). Port Klang and PTP, the leading container ports in the country, continued to be ranked among the world's top 20 container ports. According to the Containerisation International Report, in terms of total TEUs handled in 2014, Port Klang ranked at 12th while PTP ranked at 18th position. Moving forward, several initiatives including the Logistics and Trade Facilitation Masterplan (LTFM) launched in March this year, to improve the last-mile connectivity to Port Klang and a new queuing system at PTP, are expected to enhance port operations, cargo clearance and container services in the future.

During the first half of 2015, the air transport segment moderated to 2.4% (January – June 2014: 4.9%) following lower passenger arrivals and air cargo handled. The air passenger segment recorded a marginal growth of 0.4% to 42.6 million (January – June 2014: 12%; 42.4 million). Meanwhile, total air cargo grew by 2.9% to 498,255 tonnes (January – June 2014: 7.1%; 484,238 tonnes) on account of slower regional trade. However, growth of the subsector is anticipated to increase further to 5.4% in 2015 (2014: 5.2%) on account of new routes as well as promotions offered by airlines and incentive programmes to encourage new and existing airlines to fly in more passengers.

(Source: Economic Report, 2015/ 2016)

6.3 Prospects of the Properties and MCCL

For the quarter ended 30 September 2016 ("**Q2FY2017**"), revenue for the international business solutions (IBS) and domestic business solutions (DBS) of TASCO Group increase by RM11.5 million (22.2 per cent) and RM8.7 million (11.5 per cent) respectively, when compared to the quarter ended 30 September 2015 ("**Q2FY2016**"). Within DBS segment, revenue posted from contract logistics (CL) business increased by RM7.6 million (13.9 per cent) contributed from increase export shipment of existing major electronics customers as well as import shipments contributed from a newly secured solar panel customer. Revenue from warehouse and in-plant businesses rose by RM1.7 million (7.5 per cent) and RM0.1 million (2.1 per cent) respectively. Newly secured fast moving consumer goods (FMCG) and tele-communication distribution business resulted in revenue improvement of trucking business of RM1.1 million (5.4 per cent) as against Q2FY2016 results.

In order to keep up with the increase in demand for logistics services from both existing and new customers, TASCO Group is committed to bring its performance to the next level by investing in strategic logistic assets and facilities, as such as warehousing capacities in key growth areas and specialized logistics facilities such as cold chain logistics assets. The Proposed Westport Acquisition fits nicely into this strategic direction to set the stage for future growth of TASCO.

(Source: Management of TASCO)

7. EFFECTS OF THE PROPOSED WESTPORT ACQUISITION

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

7.1 Share capital and substantial shareholders' shareholding

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

7.2 Earnings and EPS

The Proposed Westport 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 TASCO for the ensuing financial years, due to, amongst others, the additional revenue to be generated from MCCL as well as from the ambient warehouse operations of the Properties.

7.3 NA and gearing

The proforma effects of the Proposed Westport Acquisition on the consolidated NA per share and gearing of TASCO are as follows:-

		Proforma I	**Proforma II**	**Proforma III**
	Audited as at 31 March 2016	**After subsequent events (1)**	**After I and the Proposed GCT Acquisition (2)**	**After II and the Proposed Westport Acquisition**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Share capital	100,000	100,000	100,000	100,000
Share premium	801	801	801	801
Revaluation reserve	1,401	1,401	1,401	1,401
Hedge reserve	(613)	(613)	(613)	(613)
Exchange translation reserve	(112)	(112)	(112)	(112)
Retained earnings	218,408	213,408	(2)210,408	(4)206,408
Equity attributable to owners of the Company	**319,885**	**314,885**	**311,885**	**307,885**
Minority Interest	872	872	872	872
Total Equity	**320,757**	**315,757**	**312,757**	**308,757**
Number of ordinary shares ('000)	200,000	200,000	200,000	200,000
NA per share (RM)	1.60	1.57	1.56	1.54
Total debt	46,027	46,027	(3)283,187	(5)414,587
Gearing ratio (times)	0.14	0.15	0.91	1.34

Notes:-

(1) *After adjusting for single-tier final dividend of 2.5 sen, 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 account of the following:-*

(i) *Total debt of GCT amounting to RM54.76 million as at FYE 30 November 2015; and*

(ii) *Assuming borrowings amounting to RM182.40 million was secured by TASCO to fund the Proposed GCT Acquisition.*

(4) *For illustration purposes, assuming the estimated expenses pursuant to the Proposed Westport Acquisition amounts to RM4.0 million.*

(5) *Assuming debt financing of approximately RM131.4 million to fund the balance payment of the Properties Purchase Consideration, Share Purchase Consideration and settlement of Shareholder's Loan.*

7.4 Convertible securities

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

8. HIGHEST PERCENTAGE RATIOS APPLICABLE

The highest percentage ratio applicable to the Proposed Westport Acquisition as per Paragraph 10.02(g) Chapter 10 of the Main Market Listing Requirements ("**MMLR**") is 45%, calculated based on the total cash consideration of RM143.75 million as compared to the consolidated NA of TASCO Group based on its latest audited consolidated financial statements for the FYE 31 March 2016 of RM319.88 million.

9. APPROVALS REQUIRED

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

(i) the shareholders of TASCO at an extraordinary general meeting ("**EGM**") to be convened;

(ii) the consent of the state authority for the Proposed Properties Acquisition; and

(iii) any other relevant authorities and/or parties, if required.

The Proposed Properties Acquisition and Proposed Share Acquisition are inter-conditional with each other.

The Proposed Westport Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

10. 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 Westport Acquisition.

11. DIRECTORS' STATEMENT

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

12. APPLICATION TO THE RELEVANT AUTHORITIES

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

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Westport Acquisition is expected to be completed by the second (2^{nd}) quarter of calendar year 2017.

14. DOCUMENTS FOR INSPECTION

The SPA, SSA and Valuation Letter are available for inspection during normal business hours at TASCO's registered office at 802, 8^{th} 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 24 January 2017.