
11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

1.3 Government legislation, policies and incentives

1.3a Government legislation

The more relevant legislation governing the cargo logistics industry's activities, for licensing purposes, includes:

- **Customs Act 1967:** This Act governs activities related to forwarding and bonded warehouses, and is regulated by the Royal Customs Department (under the Ministry of Finance).
- **CVLB Act 1987:** This Act is concerned with licensing of operators. Different permits are required for carriage of the operator's own goods, third-party cargoes and container haulage. Car carriers require special permits.

1.3b Government policies

Malaysia's entry into the ASEAN Free Trade Area (AFTA) in 2003, meant to spur intra-ASEAN trade, should have a positive effect on the cargo logistics industry. Under AFTA, the intra-regional tariffs for most products between the member nations will be substantially reduced. This is expected to enhance trade activities, and hence, the need for logistics services.

1.3c Government incentives

Incentives for Integrated Logistics Services. To encourage integrated logistic solutions providers, companies are eligible to apply for incentives under the Promotion of Investments Act, 1986. Integrated logistic services comprise the entire supply chain management, including procurement of software and hardware, warehousing, distribution, packaging activities and customs clearance. The tax incentives include:-

- Pioneer status with tax exemption of 70-100% of the increased statutory income arising from the reinvestment for a period of five years;
- Investment tax allowance of 60-100% of the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70-100% of the statutory income for each year of assessment.

Incentives for cold chain facilities. The government has also established incentives for companies undertaking cold chain facilities including cold room, refrigerated truck and related services such as collection, storage and distribution of perishable locally produced food products. The incentives include:-

- For companies providing cold chain facilities, there is pioneer status and Investment tax allowance;
- For companies providing cold chain facilities intending to import machinery and equipment that are not available locally can apply for import duty and sales tax exemption.

The government provides ample incentives to promote Malaysia as an ASEAN hub for logistics services, including:

Special capital allowance for warehouses serving the export market. With effect from the assessment year 1998, a special capital allowance was given for 10 years to warehouse buildings used for exports and re-exports of imported goods. Previously, logistics companies

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

were allowed to write-off only 10% as an initial allowance, followed by 2% annually thereafter for the remaining 45 years. This allows logistics companies to accelerate the depreciation rate of their warehouse investments over a period of 10 years instead of 45 years for tax purposes – offsetting and lowering the effective tax rate.

Incentives for IPCs or RDC. A company granted an IPC or RDC status will enjoy the following incentives:

- Full tax exemption of its statutory income for 10 years, under Section 127 of the Income Tax Act 1967
- Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders
- Open one or more foreign currency accounts with any licensed commercial bank to retain its export proceeds, without any limit imposed;
- Enter into foreign exchange forward contracts with any licensed commercial bank to sell forward export proceeds, based on projected sales;
- Allow 100% equity holding by the promoter of the company; and
- Bring in raw materials, components or finished products with customs duty exemption into Free Industrial Zones, Licensed Manufacturing Warehouses, FCZ, and Bonded Warehouses for repackaging, cargo consolidation and integration before distribution to the final consumers.
- The above is sourced from Malaysian Industrial Development Authority.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

1.4 Capital and labour intensiveness of the industry

Activities catering to specific sub-segments of the logistics value chain, particularly freight forwarding, trucking and general warehouse management, are generally not capital intensive.

However, providing total logistics services can be more capital intensive, due to the cost of establishing adequate infrastructure (including IT integration) to provide the full range of services – airfreight forwarding, NVOCC, trucking/haulage and warehousing-related activities. Only a few local companies have successfully transformed themselves into TLSPs, as many of the logistics service providers are under-capitalised.

Overall, the industry is fairly labour intensive: freight forwarding and trucking are labour intensive, while warehousing services can be, depending on the level of automation at the warehouses.

1.5 Cyclicity

The cargo logistics industry is cyclical, as demand is generally highly dependent on the level of the manufacturing and external trade activities. Most logistics providers are dependent on external trade activities, especially TLSPs, which typically cater to the multinational companies. Sales are relatively higher in the second half of the year due to increased transportation requirements in preparation for year-end festivities.

1.6 Industry dynamics for TLSPs**1.6a Substitutes**

There are no substitutes to the services provided by TLSPs, which supply all modes of transportation, warehousing and value-added services.

1.6b Suppliers

TLSPs typically engage various logistics service providers to augment their transportation and warehousing infrastructure. Third-party transportation and storage charges are typically competitive, reflecting the numerous logistics service providers available in the market. Generally, these logistics providers have weak to moderate bargaining power.

1.6c Customers

TLSPs generally have many and a broad range of customers. As a result, TLSPs are not usually over dependent on a handful of clients. TLSPs with a global network have an advantage over smaller players in that they are able to offer multinational corporations the convenience of dealing with one provider for their logistic needs.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

1.6d Competitive threats and new entrants

While there are numerous providers of logistics-related services, there are only a handful of TLSPs, as a result of the relatively high barriers to entry. Most of the TLSPs have global alliances, and are either subsidiaries of global logistic players or have alliances/relationships with either regional/global logistics companies.

There have been only a few new entrants to the TLSP industry in recent years, due to the relatively high entry barriers, including having global alliances, a sizeable trucking fleet, extensive warehouse network, and adequate IT support.

- Having global alliances is a key differentiating factor for most TLSPs, since much of the cargo logistics business is geared towards trade-related activities. Strategic alliances provide better chances of 'client ownership' of global accounts, some of which need the services of TLSPs with global reach and control.
- Another barrier to entry is the establishment cost of TLSPs, particularly investments in facilitating cargo monitoring and inventory management. Adequate investments should be made in IT systems that allow flexible modular system, fast set-up time to market and, if applicable, smooth integration into global affiliates' network.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

TASCO's position in the industry

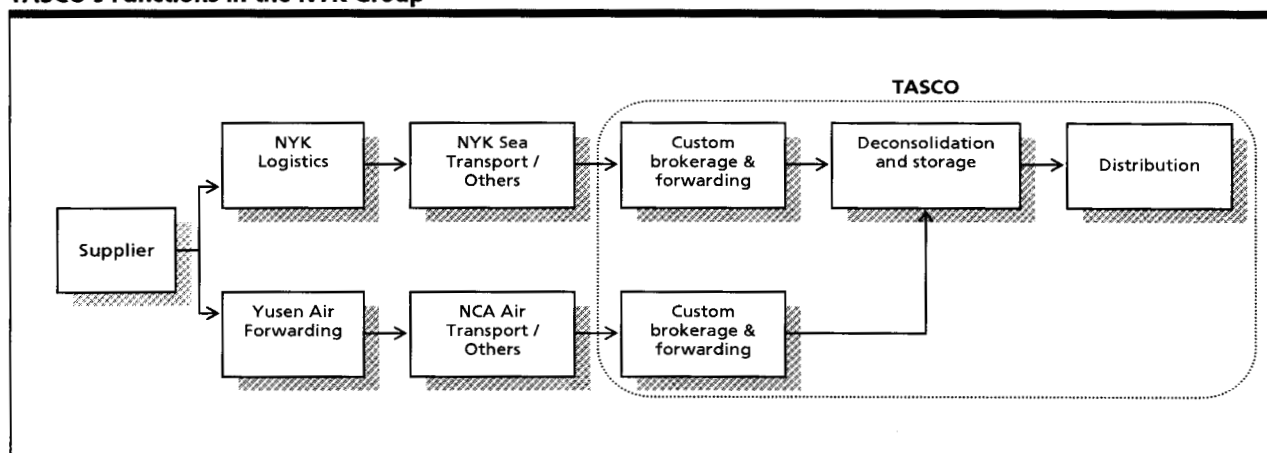
2.1 Background

TASCO is one of the leading TLSPs in Malaysia with an extensive international network. Its logistics services are divided into airfreight and ocean freight forwarding, custom brokerage, container haulage, trucking, warehousing-related services, distribution and automobile-related logistics. The company is an established provider of airfreight and ocean freight forwarding services, and also NVOCC services, which buy and sell ocean freight from carriers. The range of its warehousing-related services includes IPC, cold-room, and value-added services such as cargo consolidation, break-bulking, minor assembly.

The company has a strategic tie-up with Japan's Nippon Yusen Kabushiki Kaisha (NYK), and forms the Malaysian arm of the NYK Group's global logistics solution network. NYK, a Fortune Global 500 Company, is listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange. It also operates one of Japan's largest shipping fleets and provides a diverse range of transportation and logistics services. With a total of 379 logistic centers in 34 countries worldwide, NYK Group is a global logistic player and has a substantial portfolio of MNC customers.

TASCO's role within the NYK Group's logistics process is best illustrated by the following chart of incoming cargo either by air or by ocean, forwarded by NYK Group or its affiliates. The cargo arriving in Malaysia is entrusted to TASCO, which provides full logistic services (within the dotted lines) encompassing customs brokerage, freight forwarding, transportation, warehousing-related activities and, finally, distribution. The combination of TASCO's wide range of services with its global network and management system enables the Group to meet a wide range of customer needs effectively.

TASCO's Functions in the NYK Group



Note: Yusen Air Forwarding, NYK Sea Transport and NCA Air Transport are members of the NYK Group. Above flowchart is for imports. For exports, direction of arrows are reversed.
Source: Company, HwangDBS Vickers Research

Over the years, the scope of TASCO's services has expanded to include customized value-added solutions. For example, in the auto industry, their role used to be confined to shipping finished cars in and/or out of the country. TASCO's services gradually expanded to include:-

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

- parts procurement in the form of "milk runs";
- pre-delivery inspection (including minor maintenance work, washing and polishing;
- accessory installation (such as alarm systems, reverse sensors, radios and CD players);
- automotive parts consolidation;
- completely knocked down (CKD) inbound/outbound shipping arrangements;
- JIT shuttle deliveries.

For some clients, TASCOS is a logistics provider in the country and handles customs clearance of the vehicles (when imported) to transportation of the vehicles to distributors nationwide.

There has also been significant evolution in solutions for the retail industries. In this sector, the smallest unit of transport used to be one shipping container. TASCOS now provides consolidation of different products into a single container. At the Group's bonded and unbonded warehouses in major ports, individual products are reconsolidated and transported to shops and distribution centres. As a result, retailers can send to their shops a certain amount of products for a certain period without having to keep too much inventory.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Selected showcases of customized solutions

The following are selected showcases of TASCO's customized logistics solutions to clients.

IPC

TASCO operates an IPC for a large Japanese electronics manufacturer. TASCO receives containers of electronics and related components from various local and international vendors. The parts are scanned, sorted and packed into different categories by function and type of components (such as plastic, electrical, motor and safety parts) before being organized for export to manufacturing plants in different countries. The products are tracked, documented and go through customs clearance. Additional services include storage management, extensive domestic and international distribution networks, consolidation and inventory management, assistance with customs clearing process, packaging and logistics information management. The scale of this operation is evidence of the Group's organization, management and IT capabilities.

Regional Distribution Hub

As a spin-off of its warehousing services, TASCO also operates and manages a regional distribution hub in the FCZ, Northport for a prominent European shoe maker. For this project, TASCO receives shoes from factories in Vietnam, Philippines, China and Indonesia every month. TASCO provides value-added services such as cleaning, waxing and demoulding the shoes. These shoes are sorted, packed and labelled before being distributed.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

2.2 Competitive analysis**2.2a Market share**

TASCO ranks as among one of the larger TLSPs in the country. TASCO is one of the larger airfreight forwarders in the country, handling 31,472 tonnes of airfreight cargo in 2006 (26,114 tonnes in 2005), or about 2.6% (2.4% in 2005) of the volume cargo carried through Malaysian airports. Its 24,000 square feet office-cum-warehouse facility is one of the largest in the Kuala Lumpur International Airport. The bulk of its airfreight forwarding revenues are derived from referral business from the NYK Group.

TASCO is also a significant ocean freight forwarder. TASCO's container throughput in Port Klang is 59,636 TEU in 2006 and 64,431 TEU in 2005. However, industry market share is not available, given the absence of reliable information on industry data. TASCO is one of the larger NVOCC operators in Port Klang by leveraging on their global relationship with the NYK Group.

TASCO also operates a sizable trucking fleet and eleven truck freight stations on a 24-hour basis in Malaysia under the brand name "Harimau Express." Reliable market share data is not available for the trucking business. However, the Group has a wide network ranging from Padang Besar to Singapore. Under the logistics network of NYK Group, the Group is able to carry cargo to Thailand. The Group operates bonded trucking services between Malaysia and Thailand under "NYK-HARIMAU EXPRESS Cross-Border Service". It offers regular services of bonded trucking for both full truck load and less-than truck load.

2.2b Competitive strengths

Impressive global network. The NYK Group of Japan owns a 38% stake in TASCO. TASCO is the NYK Group's Malaysian unit and leverages on their shareholders impressive global network. NYK Group has 379 logistic centers in 34 countries around the world and global workforce of more than 30,000. NYK Group being a major logistics player has many global accounts that transport cargo into and out of Malaysia through air and ocean. TASCO enjoys the Malaysian business of these accounts. Malaysian-based manufacturing companies are also attracted to TASCO's access to global markets through its shareholders' international network and TASCO's consultancy services for manufacturers intending to establish plants overseas.

Total logistics solution. The capability to offer a wide range of solutions such as air, ocean, land and warehousing is a major competitive edge. This is because clients benefit from the convenience from dealing with just one logistics solution provider that handles all of its logistic needs. With its range of services, TASCO can move further up the value chain with higher value-added services such as providing IPC and RDC and being a third or fourth party logistics solution provider. As a result of the Group's total logistic solution, TASCO has been granted tax incentives for integrated logistic services (Please refer to Section 1.3c for details on the incentives).

Good competitive positioning. TASCO enjoys good competitive positioning: over 1,500 active clients; numerous suppliers of transportation and warehousing space; and high barriers to entry. This implies reasonable pricing power on customers and good bargaining power to contractors.

Strong local presence. TASCO has 28 offices in Malaysia and Singapore and is strategically located at all major airports – KLIA, PIA, Senai and Kuching and sea ports – Port Klang, Penang, Kuantan, Pasir Gudang, Pelabuhan Tanjung Pelepas, Kota Kinabalu and Kuching.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Founded in 1974, the Group has more than 30 years experience. This allows TASCOS to offer personalized and prompt customer service at the country's major cargo entry and exit points.

Niche in the electronic and electrical (E&E) industry. The Group specializes in providing logistics solutions in the E&E industry. It custom designs specific supply chain solutions by analyzing supply and demand flows of the E&E industry and matches them with cost and performance of a various modes of transportation, warehouse and distribution options. The Group's clients in this segment include Sony Electronics (M) Sdn Bhd and Yamaha Electronics Manufacturing (M) Sdn Bhd.

2.2c Interaction with industry dynamics

Customers. TASCOS has a broad range of customers. Some of these represent Japan-based multinationals, which typically have a long-term relationship with the NYK Group. Customers such as Sony Supply Chain Solutions (M) Sdn Bhd have been with the Group for more than 20 years.

Suppliers. TASCOS's suppliers include transportation service providers and owners of warehousing facility.

TASCOS also occasionally competes with the less-integrated providers in various segments of logistics services. Some of these potential competitors are also suppliers to TASCOS, which subcontracts some transportation requirements (container haulage and trucking) and rents third-party warehousing space.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Overview/outlook of the Malaysian economy and cargo logistics industry**3.1 Overview and outlook of the Malaysian economy**

The passage below in this section is from review and prospects of the Malaysian economy.

The Malaysian economy registered a decent growth of 5.7% y-o-y in 2Q07, higher than 1Q07 revised 5.5%. Growth was driven mainly by domestic demand, which grew 10.8% up from 8.7% in the previous quarter. Private consumption was strong at 13.1% backed by improved employment outlook. Government spending increased 10.2%, reflecting the ongoing fiscal expansion which is crucial in propping up growth as external demand falters. Investment was healthy at 6.6%, supported by the continued increase in government as well as private sector capital spending. On the external front, net exports managed a better showing, rising 15.7%. However it was partly due to weak import growth of 1.4%, and a low base last year – net exports contracted 17.5% in 2Q06. In fact, exports grew a mere 3.0% in the second quarter, reflecting the continued weakness in external demand.

Sector-wise, growth was led by strong performance in the services (9.2%), construction (4.8%) and mining (7.7%) sectors, while the key manufacturing sector remained weak (1.5%) amidst a soft external environment. The services sector remains the key driver of growth in the economy. While growth may have tapered slightly to 9.2% from 9.7% in 1Q07, it is still the largest contributor to growth given the sheer size of the sector relative to the economy. In fact, it has been the key growth driver for Malaysia since the end of last year, when external demand started to wither. The services sector contributed as much as 4.7 ppt and 4.5 ppt to overall growth in the first two quarters this year, respectively. Within the services sector, while the financial, real estate and business services segment continued to account for the bulk of services growth, the wholesale and retail trade, and hotel and restaurant services managed to increase its contribution to growth as well. This segment has benefited from the better employment outlook as well as the Visit Malaysia Year 2007 tourism campaign, and should continue to do well in the months ahead.

The mining sector has certainly benefited from the increased regional demand for mineral fuels such as crude oil and liquefied natural gas. A recovery in natural gas output after major upgrading work on the MLNG2 plant would probably have added some impetus to growth as well. In addition, the Kikeh oil field in Sabah, which was discovered in 2004, is expected to start production in 4Q07, and this should translate into some sustained support for this sector in the longer term.

The export-oriented manufacturing sector registered an uninspiring 1.5% expansion in the second quarter. The current down-cycle in global electronics demand has been the main cause and the prospect of recovery remains uncertain, judging by some of its leading indicators. The US SEMI book-to-bill ratio slid to 0.84 in Jul 2007 while global semiconductor sales grew a benign 3.3% in Jan-Jul 2007 period compared to a year ago. Electronics, key to the overall performance of the manufacturing sector, is likely to remain anaemic and possibly hamper overall manufacturing growth.

Going forward, the source of growth will continue to come from within the economy rather than from external demand. While the current subprime problem in US has certainly tainted the global economic outlook, domestic demand will continue to drive growth this year and the next. Strong impetus should come from more rapid implementation of public projects under the Ninth Malaysia Plan, the start of production at the Kikeh oil field and the significant increase in tourist arrivals for the Visit Malaysia Year 2007. Private investment is also likely to remain supportive of growth, amidst further liberalisation efforts by the government and a reduction in corporate tax.

The Government unveiled the 2008 budget on 7 Sep, along with an estimation of its fiscal position for 2007. While revenue collection is envisaged to increase in line with better

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

economic performance, expenditure is also expected to increase, due to the salary adjustment for civil servants in July and faster disbursement of funds for development projects.

For 2008, fiscal policy will remain expansionary in order to support the economy and further stimulate private sector activities amidst sluggish external demand. Government spending is expected to rise 2.5% to RM168.8b, an increase of 2.5% over 2007. Of this, RM128.8b has been set aside for operating expenditure, while the remaining RM40b has been allocated for development expenditure.

The corporate tax will also be further reduced to 25% in 2009, from 26% in 2008.

Overall, strong emphasis has been placed on enhancing the competitiveness of the economy and building the foundation for stronger growth ahead. There has also been strong commitment to infrastructure development, education and training of labour, liberalisation of domestic regulation as well as a reduction in administrative red-tape. Recognising that the economy need to diversify its industrial structure and avoid being overly-reliant on electronics, the government has also allocated expenditure for the development of other sectors such as biotechnology, professional services, especially Islamic banking.

Inflation eased in the first half of the year, mainly due to a high base last year as well as a strong currency. However, inflation should start to move stealthily from August onwards, when the base effect dissipates. In addition, global food and commodity prices have been rising. Fiscal expansion, a general improvement in the labour market and the forthcoming election are also expected to put upward pressure on wages and general prices.

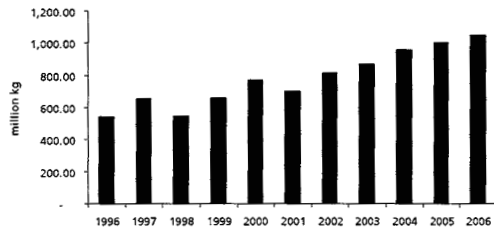
3.2 Review of the cargo logistics industry's performance

Over the years, the government has placed increasing emphasis on the development of Malaysian ports. Focus has been on expanding capacity, upgrading and increasing equipment and facilities as well as enhancing the efficiency of ports and port-related services. Cargo throughput in Port Klang has had a double digit growth since the introduction of the load centering policy in 1993, where Port Klang was designated as the national load center for local and regional containers. As such, cargos from all other Malaysian ports are being consolidated where possible through Port Klang. The highest growth was at 40% in 1999 at 2.5m TEU (1998: 1.8m TEU). Total cargo movement in Malaysian ports grew by 10.2% y-o-y in 2004 and climbed to 39.5% in 2005. The healthy increase is reflective of the buoyant economic growth enjoyed by the country.

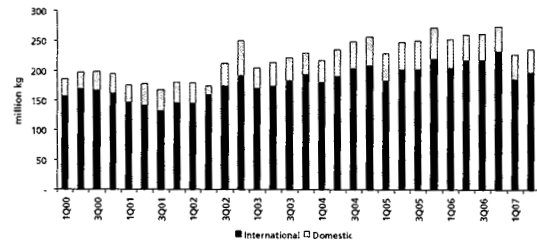
Annual air cargo movements in Malaysian airports steadily increased from 2001 onwards. In 2006, growth for air cargo movements was at 5.1% y-o-y mainly supported by international movements which grew at 7.7% from 2005 whereas domestic cargoes dropped by 5.9% y-o-y. Total cargo movement was highest in the Kuala Lumpur International Airport followed by Penang Airport. Quarterly data shows that domestic movement grew slightly between 1Q00 and 1Q06, whereas international air cargo movement grew steadily. Cargo movements are affected by the seasonality factor where the fourth quarter of every year is usually the busiest, and the first quarter is usually quiet. Q-o-q, air cargo movement for 2Q07 slightly grew by 4% compared to 1Q07.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

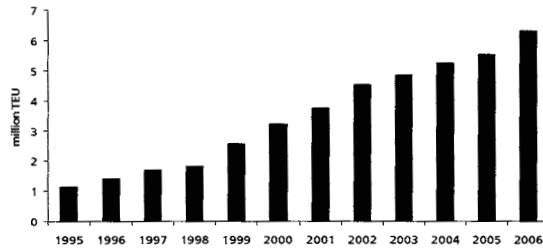
Annual Air Cargo Movement



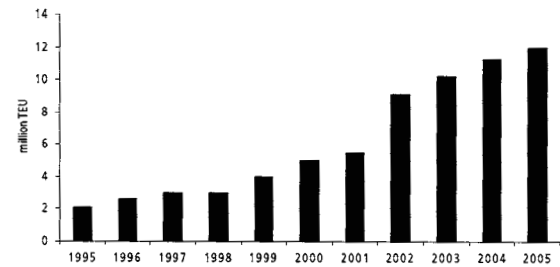
Quarterly Air Cargo Movement



Cargo Throughput in Port Klang



Cargo Throughput in All Malaysian Ports



Source: Ministry of Transport, Malaysia Airport Holdings, HwangDBS Vickers Research

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

3.3 Opportunities for the cargo logistics industry

The following sub-segments illustrate potential opportunities for the general cargo logistics industry.

3.3a Electronics exports

Exports of electronics constituted 60% of Malaysia's export value during January-June 2007, according to the Department of Statistics (see table below for a detailed breakdown of manufacturing exports). Higher global semiconductor sales could lead to stronger exports from Malaysia.

Malaysia: Manufacturing Exports (January – June)

	RM million		Change (%)		Share (%)	
	2006	2007	2006	2007	2006	2007
Electronics, electrical and machinery appliances	143.1	136.8	6.9	(4.4)	62.9	59.8
Semiconductors	45.0	46.5	1.0	3.3	19.8	20.3
Electronic equipment and parts	61.3	54.8	13.8	(10.6)	26.9	24.0
Machinery and electrical products	36.8	35.5	3.7	(3.6)	16.2	15.5
Non E&E	84.5	92.1	16.1	8.9	37.1	40.2
Chemicals, chemical and plastic products	16.5	20.1	2.4	22.1	7.2	8.8
Iron, steel and metal products	11.1	12.7	29.3	14.4	4.9	5.5
Petroleum products	12.1	11.5	34.9	(5.2)	5.3	5.0
Wood-based products	6.7	7.4	5.2	9.7	2.9	3.2
Textiles, apparel and footwear	5.4	5.0	8.9	(8.4)	2.4	2.2
Food, beverages and tobacco	5.4	6.3	13.3	15.4	2.4	2.7
Rubber products	4.2	5.0	28.1	16.7	1.9	2.2
Transport equipment	5.1	4.0	80.0	(21.0)	2.2	1.7
Non-metallic mineral products	1.6	1.8	12.0	14.9	0.7	0.8
Other manufactured goods	16.4	18.4	6.2	12.3	7.2	8.0
Total	227.6	228.8	10.1	0.5	100.0	100.0

Source: Economic Report 2006/07

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

3.3b Improvement of infrastructure

Going forward, the Malaysian Government has planned for capacity expansion of the country's transportation infrastructure. Together with several private sector initiatives, the improvement in infrastructure should support growth in transport services. In the nation's mission towards achieving developed nation status by 2020, the Government has outlined its policies, key programs and projects for 2006-2010 in the Ninth Malaysia Plan (9MP). For the 9MP period, the Government has planned RM30.3bn in expenditure (8MP:RM30.9bn) to increase capacity, upgrade and refurbish infrastructure networks to meet rising demand and improve service delivery.

Domestic Expenditure and Allocation For Infrastructure and Utilities, 2001-2010 (RM million)

Sector	8MP Expenditure	9MP Allocation	% Growth
Transport			
Roads	18,451.4	17,303.1	(6.2)
Urban Transport	706.6	1,565.5	121.6
Rail	5,270.1	3,634.9	(31.0)
Ports	2,443.0	1,290.0	(47.2)
Airports	1,779.3	2,868.5	61.2
Rural Roads ¹	2,286.1	3,642.4	59.3
	30,936.5	30,304.4	(2.0)

Note: ¹ Includes village roads

Source: Ninth Malaysia Plan, Economic Planning Unit, Hwang-DBS Vickers Research

Selected measures from the 9MP

Segment	Measures
Ports	<ul style="list-style-type: none"> ➤ Promotions to attract more main line operators particularly at Port Klang and PTP ➤ Purchase additional gantry cranes to improve turnaround time ➤ Upgrade cargo storage facilities ➤ Dredge approach channels and port basins to enable very large vessels to call ➤ Develop free trade zones to enhance port operations ➤ Forge strategic alliances with international ports ➤ Intensify and expand use of Information and Communications Technology (such as e-billing and e-commerce) to improve efficiency of ports. Includes extending electronic documentation systems to smaller ports
Airports	<ul style="list-style-type: none"> ➤ Complete upgrading works on Kuching, Kota Kinabalu, Labuan and Kuala Terengganu airports ➤ Continue negotiations for additional traffic rights under the liberal or open sky policy with key countries including member states of the European Union. ASEAN airlines will have unrestricted access to ASEAN capitals by 2008
Rail	<ul style="list-style-type: none"> ➤ Promote rail transport as a major mode of freight transportation ➤ Upgrade rail infrastructure. This includes track realignment and improvement works from Taiping to Padang Rengas, rehabilitation and strengthening of tracks and bridges and computerizing signaling systems ➤ Construct spur lines to provide dedicated freight services from industrial areas to major cities and ports ➤ Refurbishment and procurement of rolling stock

Source: Ninth Malaysia Plan, Economic Planning Unit, HwangDBS Vickers Research

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)**Traffic at Malaysian Airports, 2000-2010**

	2000	2005	CAGR 2000-05 (%)	2010	CAGR 2005-10 (%)
Cargo (tonnes)					
Domestic	122,098	197,783	10.1	268,086	6.3
International	653,045	809,031	4.4	1,213,415	8.4
Total	775,143	1,006,814	5.4	1,481,501	8.0
Commercial Aircraft Movements (numbers)					
Domestic	282,435	344,630	4.1	416,855	3.9
International	98,978	137,378	6.8	194,640	7.2
Total	381,413	482,008	4.8	611,495	4.9

CAGR: Compounded average growth rate

Source: Ninth Malaysia Plan, Economic Planning Unit, HwangDBS Vickers Research

Port Capacity, Number of Berths, Cranes, Ship Calls and Volume of Cargo Handled at Ports¹, 2000-2010

	2000	2005	CAGR 2000-05 (%)	2010	CAGR 2005-10 (%)
Port Capacity (mil tonnes)	324.9	443.3	6.4	570.0	5.2
Number of Berths	221.0	233.0	1.1	242.0	0.8
Number of Cranes ²	131.0	217.0	10.6	265.0	4.1
Number of Ships Calls	81,313.0	98,345.0	3.9	130,000.0	5.7
Volume of Cargo Handled (mil tonnes)	223.9	369.4	10.5	539.0	7.8
General	23.3	44.7	13.9	47.0	1.0
Liquid Bulk	87.5	103.8	3.5	202.0	14.2
Dry Bulk	28.6	38.2	6.0	44.0	2.9
Containerised Cargo	84.5	182.7	16.7	246.0	6.1
Container (mil TEUs)	4.9	12.1	19.8	18.0	8.3

Notes:

¹ Includes Port Klang, Penang, Pasir Gudang, Tanjung Pelepas, Kuantan, Kemaman, Bintulu, Kota Kinabalu, Lahad Datu, Sandakan, Tawau, Kuching, Miri, Rajang, Lumut, Teluk Ewa, Kuala Perlis, Kuala Kedah, Tanjung Bruas, Port Dickson, Kerteh, Sungai Udang, Tanjung Lembang and Labuan.² Includes gantry and multipurpose cranes.

Source: Ninth Malaysia Plan, Economic Planning Unit, HwangDBS Vickers Research

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)**Selected Port and Related Expansion Projects**

Port	Expansion
PTP	Increasing annual capacity from 2m to 8m TEU with the completion of berths 9 and 10 in 3Q06. New berths will have the capacity to handle vessels of up to 250,000 dwt and drafts of 19 meters alongside
Penang Port	Extending the North Butterworth Container Terminal (NBCT) Phase 2B by 100 meters to 900 meters. The project included the building of a second access bridge, reclamation of 25ha for yard facilities, and purchase of requisite equipment. Upon completion, NBCT was expected to be able to handle 1m TEU p.a from 0.66m TEU p.a.
Port Klang	Signed a management contract to develop 400ha Pulau Indah Free Zone (PIFZ) after the Jebel Ali Free Zone International Development works will be carried out by Kuala Dimensi Sdn Bhd based on a 10-year deferred payment system. Completion expected in 5 years.
Kemaman	Consists of a jetty with concrete deck of 510 x 29 meters, sufficient to berth a Capesize and Panamax vessel together. The berth pocket is 18 meters deep. The wharf is expected to benefit from the Malaysian Pellet Project where Grange Resources have secured future access to the wharf for loading and unloading of iron ore pellets.
Suria	Construction of the RM322m Sapangar Bay container port will be completed in early 2007. The port is capable of handling 2 container vessels of up to 2,500 TEU at one time and a container stacking areas of 15ha.

Source: HwangDBS Vickers Research

Selected Airport and Related Expansion Projects

Airport	Expansion
Kota Kinabalu	Expansion of the existing terminal building to achieve total building area of 87,000 square meters which is scheduled for completion in 36 months.
KLIA	Expansion to increase passenger capacity to 45m passengers per annum scheduled to commence during the 9MP period. Current capacity at 25m.
Penang	Runway resurfacing and associated works due for completion in August 2006.
Kuching	Redevelopment of terminal building to be completed in March 2008 including upgrading terminal layout, extending existing terminal, building a new road and car parks. This is part of a RM620m program. Malaysia Airports will also extend the runway from 2452 meters to 3780 meters. The RM200m new runway and associated facilities will provide unrestricted Boeing B747-400 operations and increase airside capacity to accommodate 20 aircraft movements per hour.
Alor Star	Redevelopment completed in May 2006.
Labuan	Redevelopment scheduled for completion in November 2008.
Kuala Terengganu	Redevelopment scheduled for completion in January 2007.

Source: Malaysia Airports, HwangDBS Vickers Research

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

3.3c Iskandar Development Region

Several developments are being planned in the Iskandar Development Region that could potentially create significant business opportunities for total logistic providers. Senai Airport Terminal Services Sdn Bhd (SATS) has developed a comprehensive 20-year master plan to transform Senai International Airport and its surrounding to a world-class airport city comprising of transportation, logistics, commercial, retails and tourist development.

3.3d Rising outsourcing of logistics services

Manufacturers have increasingly outsourced their logistics operations to save costs. One example is TASCO's IPC operations for a large Japanese electronics manufacturer. TASCO warehouses and distributes, on demand, components to clients' factories.

3.4 Industry challenges**3.4a Increasing oil prices**

The increasing oil prices have led to higher cost for transporters. The two operations that are worst hit are the haulage operations and trucking business, as the competition in these segments result in relatively slower cost pass through. For air and ocean freight, transporters are generally able to pass through higher jet fuel and bunker cost. However, there is usually a lag effect, causing a squeeze in near term profitability.

Nevertheless, several TLSPs should be more insulated because they subcontract out some of their transportation needs.

3.4b Moves closely with GDP

The logistics business growth moves closely with the country's GDP. As a result, business activity for the logistics sector may contract with lower GDP. Conversely, a growth in GDP will normally impact the logistics growth positively.

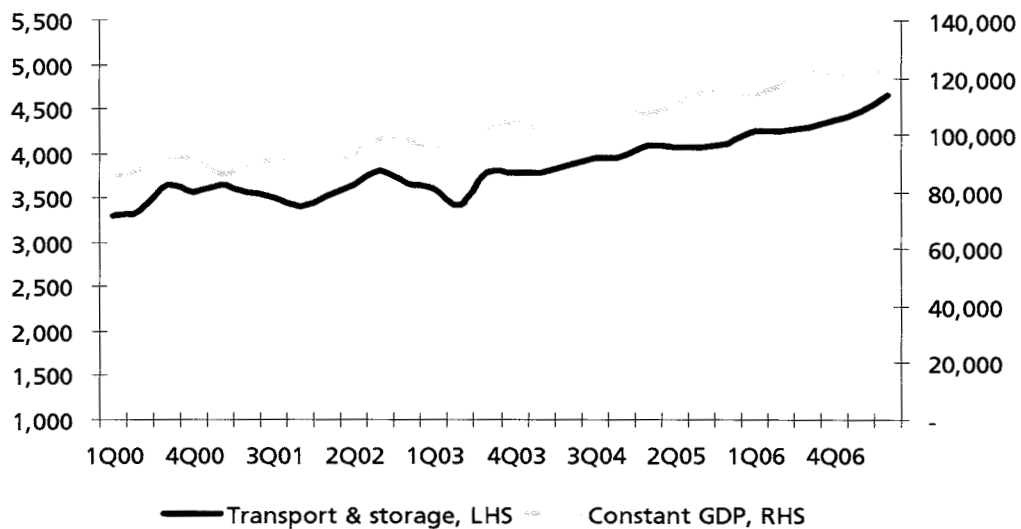
11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

3.5 Growth forecast for the cargo logistics industry

3.5a GDP growth well correlated to the proxy for cargo logistics industry

The closest officially obtainable proxy to measure the services provided by the logistics industry is the GDP component 'transport, communications and storage' provided by the Department of Statistics.

GDP versus transport industry



Source: Department of Statistics, HwangDBS Vickers Research

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

3.5b Industry outlook and prospects

Growth in the 'transport, communications and storage' segment of GDP shows a strong correlation with GDP growth. GDP is expected to grow 5.8% in 2008. This should provide a boost for external trade activities. Moreover, the Malaysian Government has planned for capacity expansion of the country's transportation infrastructure – under the Ninth Malaysia Plan. Specific projects such as the Iskandar Development Region will also provide opportunities for the cargo logistics sector. Together with several private sector initiatives, the improvement in infrastructure should support growth in transport services.

Future growth will be driven by volume recovery rather than pricing. The outlook for pricing of logistics services is generally stable in the near term. Long-term pricing for container haulage may improve with industry consolidation.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

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(formerly known as Hwang-DBS Vickers Research Sdn Bhd)
Suite 26-03, 26th Floor Menara Keck Seng, 203, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.
Tel.: +603 2711-2222 Fax: +603 2711-2333 email : general@hwangdbsvickers.com.my

12. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



TRANS-ASIA SHIPPING CORPORATION BERHAD

(Co. No. 20218-T)

Shah Alam Logistics Centre (SALC)

Lot 2.25, 2.27 & 2.29, Jln. SU 7, Off Persiaran Tengku Ampuan, Lion Industrial Park II,
Section 26, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia.

Tel: 03-5101 8888 Fax: 03-5191 4678 / 5192 4678 Website: www.tasco.com.my

5 DEC 2007

The Shareholders of
Trans-Asia Shipping Corporation Berhad
312, 3rd Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sir/Madam,

On behalf of the Board of Directors of Trans-Asia Shipping Corporation Berhad ("**TASCO**" or "**Company**"), I wish to report after due enquiry by the Board of Directors of TASCO, that between the period from 31 August 2007 (being the date to which the last audited financial statements of TASCO and its subsidiaries ("**Group**") have been made up) to **5 DEC 2007** (being a date not earlier than 14 days before the issuance of this Prospectus), that:-

- (a) The business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;
- (c) The current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the Group; and
- (e) There have been, since the latest audited financial statements of the Group, no default or any known event that could give rise to a default situation, in respect of payments, of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) Save as disclosed in this Prospectus, there have been, since the last audited financial statements of the Group, no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,
For and on behalf of the Board of Directors of
TRANS-ASIA SHIPPING CORPORATION BERHAD

LEE CHECK POH
Non-Independent Managing Director

13. BY-LAWS OF THE ESOS

1. NAME OF SCHEME

This Scheme shall be called the "Trans-Asia Shipping Corporation Berhad Employees' Share Option Scheme".

2. OBJECTIVES OF SCHEME

The objectives of the Scheme are: -

- (a) to recognise the contribution of the Eligible Employees whose services are valued and considered vital to the operations and continue growth of the TASCO Group;
- (b) to motivate the Eligible Employees of the TASCO Group towards better performance through greater productivity and loyalty;
- (c) to stimulate a greater sense of belonging and dedication since the Eligible Employees are given the opportunity to participate directly in the equity of the Company;
- (d) to encourage the Eligible Employees to remain with the TASCO Group thus ensuring that the loss of key personnel is kept to a minimum; and
- (e) to reward the Eligible Employees by allowing them to participate in the Company's profitability and eventually realise capital gains arising from any appreciation in the value of the Company's shares.

3. DEFINITIONS AND INTERPRETATION

3.1 In these By-Laws, the following terms and expressions shall have the following meanings:-

"Audit Committee"	— The audit committee in and appointed by the Company pursuant to paragraph 15.10 of the Listing Requirements
"Board"	— The Board of Directors of the Company.
"Bursa Securities"	— Bursa Malaysia Securities Berhad (635998-W).
"CDS"	— Central Depository System.
"Date of Offer"	— The date inscribed on a particular Offer document on which an Offer is deemed to have been made by the ESOS Committee to an Eligible Employee in the manner provided in By-Law 7.
"ESOS" or "Scheme"	— The scheme for the grant of Options to Eligible Employees to subscribe for new Shares upon the terms set out in the By-Laws and such Scheme to be known as the "Trans-Asia Shipping Corporation Berhad Employees' Share Option Scheme"

13. BY-LAWS OF THE ESOS (Cont'd)

- “ESOS Committee”** — A committee comprising directors and/or senior management personnel appointed by the Board to administer the Scheme.
- “Effective Date”** — The date on which the Scheme comes into force as provided in By-Law 19.1.
- “Eligible Employee(s)”** — A person who is employed by and on the payroll of any company in TASCOS Group and who fulfils the conditions of eligibility stipulated in By-Law 5.1. Eligible Employees include Executive Directors.
- “Executive Director”** — A natural person who holds a directorship on a full time executive capacity in any company in TASCOS Group and is on the payroll of such company
- “Grantee”** — An Eligible Employee to whom an Offer has been made and who has accepted an Offer (or any part thereof) in accordance with the terms of the Scheme.
- “Listing Requirements”** — The Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time
- “Market Day”** — Any day between Monday and Friday (inclusive) which is not a public holiday and on which the Bursa Securities is open for the trading of securities.
- “Offer”** — An offer made in writing by the ESOS Committee to any Eligible Employee in the manner provided in By-Law 7.
- “Offer Period”** — The period of validity of an Offer as prescribed in By-Law 7.3.
- “Option”** — The right of a Grantee to subscribe for new Shares pursuant to the contracts constituted by each acceptance by the Grantee in the manner set out in By-Law 8 thereof of any Offer (or any part thereof) made by the ESOS Committee in accordance with By-Law 7.
- “Option Period”** — The period commencing from the Date of Offer and expiring five (5) years therefrom or upon the date of expiry of the Scheme as provided in By-Law 19.1, whichever is the earlier. In the event that the duration of the Scheme shall be extended or the Scheme shall be renewed, the date of expiry of the Scheme shall be the date of expiry as so extended or renewed.
- “SC”** — Securities Commission.

13. BY-LAWS OF THE ESOS (Cont'd)

"Shares"	— Ordinary shares of RM1.00 each in the Company.
"Subscription Price"	— The price at which a Grantee shall be entitled to subscribe for each new Share as calculated in accordance with the provisions of By-Law 11.
"TASCO" or the "Company"	— Trans-Asia Shipping Corporation Berhad (20218-T), a public limited company incorporated in Malaysia.
"TASCO Group" or the "Group"	— The Company and its subsidiary companies as defined in Section 5 of the Companies Act, 1965 which are not dormant. Subsidiary companies include subsidiary companies which are existing as at the Effective Date and subsidiary companies which are incorporated or acquired or its assets (including employee) which are acquired at any time during the duration of the Scheme but exclude the subsidiary companies which have been divested in the manner provided in By-Law 17.2

- 3.2 Headings are for ease of reference only and do not affect the meaning of a By-Law.
- 3.3 References to the provisions of statutes include such provisions as amended or re-enacted from time to time, and references to statutes include any consolidations, replacements or revisions of the same.
- 3.4 Words importing the masculine gender shall include the feminine and neuter genders.
- 3.5 Words importing the singular number shall include the plural number and vice versa.
- 3.6 In an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the next Market Day.

4. TOTAL NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 4.1 The maximum number of new Shares of the Company which may be issued and allotted pursuant to the exercise of Options granted under this Scheme shall not in aggregate exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company at any point in time during the existence of this Scheme.
- 4.2 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

13. BY-LAWS OF THE ESOS (Cont'd)

- 4.3 Notwithstanding the provision of By-Law 4.1 nor any other provisions herein contained, in the event the maximum number of Shares comprised in the Options granted under the Scheme exceeds the aggregate of fifteen per centum (15%) of the issued and paid-up share capital of the Company as a result of the Company purchasing its own Shares pursuant to Section 67A of the Companies Act, 1965 and thereby diminishing its issued and paid-up capital, then such Options granted prior to the adjustment of the issued and paid-up capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.

However in such a situation, the ESOS Committee shall not make any further Offers to Eligible Employees until the total number of Shares to be issued under the Scheme falls below fifteen per centum (15%) of the issued and paid up capital of the Company.

5. ELIGIBILITY

- 5.1 Only employees who are employed full-time by the Company or its subsidiary companies and Executive Directors who fulfill the following conditions shall be eligible to participate in the Scheme: -
- (a) an employee or a Executive Director shall have attained the age of eighteen (18) years by the Date of Offer;
 - (b) an employee or a Executive Director must fall within such other categories and criteria that the ESOS Committee may from time to time at its absolute discretion;
 - (c) an employee must have been employed for a continuous period of at least one (1) year in the Group and his employment must have been confirmed by the Date of Offer.
- 5.2 No Eligible Employee shall participate at any time in more than one (1) employee share option scheme implemented by any company within the Group.
- 5.3 Executive Directors who represent the Government or Government institutions/agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to participate in the Scheme.
- 5.4 Employees of dormant companies are not eligible to participate in the Scheme.
- 5.5 Eligibility under the Scheme does not confer on an Eligible Employee a claim or a right to participate in or any rights whatsoever under the Scheme and an Eligible Employee does not acquire or have any rights over or in connection with the Options or the Shares comprised therein unless an Offer has been made by the ESOS Committee to the Eligible Employee and the Eligible Employee has accepted the Offer or any part thereof in accordance with the terms and conditions of the Scheme.

13. BY-LAWS OF THE ESOS (Cont'd)

6. MAXIMUM ALLOWABLE ALLOTMENT AND BASIS OF ALLOTMENT

- 6.1 The maximum number of Options to be offered to each Eligible Employee shall be at the discretion of the ESOS Committee. In exercising its discretion, the ESOS Committee shall take into consideration the seniority, performance and length of service of each Eligible Employee.
- 6.2 There should be equitable allocation to the various grades of Eligible Employees, such that not more than 50% of the shares available under the scheme should be allocated, in aggregate, to Executive Directors and senior management.
- 6.3 Not more than 10% of the shares available under the Scheme should be allocated to any individual director or employee who, either singly or collectively through persons connected with the director or employee, holds 20% or more in the issued and paid-up capital of the Company. For the purposes of these By-Laws, unless the context otherwise requires, "persons connected with an Eligible Employee" or "persons connected with a Director" shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in paragraph 1.01 of the Listing Requirements.
- 6.4 The Audit Committee of TASCOCO shall verify the allocation of Options offered to the Eligible Employees under the Scheme, check on compliance with the By-Laws and ensure that the statements to this effect shall be disclosed in the annual report of TASCOCO.

7. OFFER

- 7.1 The ESOS Committee may at its discretion at any time and from time to time within the duration of the Scheme, as it shall deem fit, select and make an Offer in writing to any Eligible Employee to subscribe for new ordinary shares of the Company in accordance with the terms of this Scheme PROVIDED ALWAYS that any such Offer by the ESOS Committee to the Eligible Employee shall not be less than 100 ordinary shares.
- 7.2 The ESOS Committee shall state the following particulars in the letter of Offer: -
- (a) the number of Options that are being offered to the Eligible Employee;
 - (b) the number of Shares which the Eligible Employee shall be entitled to subscribe for upon the exercise of the Options being offered;
 - (c) the Option Period;
 - (d) the Subscription Price;
 - (e) the closing date for acceptance of the Offer; and
 - (f) Any other information deemed necessary by the ESOS Committee.
- 7.3 An Offer shall be valid for a period of forty-five (45) days from the Date of Offer ("**Offer Period**") PROVIDED ALWAYS that the ESOS Committee may at its discretion extend the Offer Period by such further periods as it deems fit.

13. BY-LAWS OF THE ESOS (Cont'd)

- 7.4 No Offer shall be made to any Executive Director of the Company unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in a general meeting, unless such approval is no longer required under the Listing Requirements and/or the Memorandum and Articles of Association of the Company.

8. ACCEPTANCE

- 8.1 An Offer shall be accepted by an Eligible Employee within the Offer Period by written notice to the ESOS Committee in the prescribed form accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.
- 8.2 If an Offer is not accepted in the manner aforesaid, the Offer shall automatically lapse upon the expiry of the Offer Period and be null and void and be of no further legal effect.

9. NON-TRANSFERABILITY

- 9.1 An Option is personal to the Grantee and subject to the provisions of By-Laws 14.2 to 14.9, is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group.
- 9.2 An Option shall not be transferred, assigned or otherwise disposed of by the Grantee save and except in the event of the death of the Grantee as provided under By-Law 14.6.

10. EXERCISE OF OPTIONS

- 10.1 Subject to By-Laws 10.2, 14.2 to 14.7, 16 and 17, a Grantee shall be allowed to exercise the Options granted to him in full or in part during the Option Period in such manner and subject to such conditions as stipulated in the Offer, or such other period that may be stipulated by the ESOS Committee, during his lifetime whilst he is in the employment of any company in the Group.
- 10.2 The Grantee may exercise all or any part of the rights under Options in whole or in part, provided that any partial exercise of an Option shall be in multiples of one hundred (100) Shares or the minimum board lot as prescribed by Bursa Securities from time to time.
- 10.3 The ESOS Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its discretion including amending/varying any terms and conditions imposed earlier.
- 10.4 Subject to the discretion of the ESOS Committee, a fixed term contract employee may exercise any remaining unexercised Options within sixty (60) days before the expiry of the employment contract if the remaining duration of the contract as at the date on which the Options are granted is less than the Option Period.

13. BY-LAWS OF THE ESOS (Cont'd)

- 10.5 A Grantee shall exercise his Options during normal business hours on any working day of the Company during the Option Period, by notice in the prescribed form stating the number of Options exercised and remittance for the full amount of the subscription monies in relation to the number of Shares being exercised. The procedure for the exercise of Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time.
- 10.6 Within ten (10) Market Days of receipt of such notice and payment, the Company shall allot the relevant number of Shares and despatch notices of allotment to the Grantee subject to the Articles of Association of the Company. The said Shares will be credited directly into the CDS account of the Grantee or his financier, as the case may be. No physical certificates will be issued.
- 10.7 The Shares to be allotted and issued to the Grantee pursuant to any exercise of the Options will not be listed or quoted on Bursa Securities until the Option is exercised in accordance with the By-Laws whereupon the Company will apply to Bursa Securities for listing of and quotation for such Shares and will use its best endeavours to obtain permission for such listing and quotation.
- 10.8 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in procuring Bursa Securities to list the Shares subscribed for by a Grantee or for any delays in crediting the Shares into the Grantee's CDS account or any other matter or dealing which is outside the control of the Company.

11. SUBSCRIPTION PRICE

The price at which the Grantee is entitled to subscribe for each new Share shall be subject always to the provisions of By-Law 15 hereof: -

- (a) in respect of any Offer which is made in conjunction with the listing of the Company, the initial public offer price of the Shares in the Company; and
- (b) in respect of any Offer which is made subsequent to the listing of the Company, the five (5) days weighted average market price of the Shares in the Company preceding the Date of Offer, with a discount that does not exceed ten per centum (10%) or at the par value of the Shares, whichever is higher.

12. RIGHTS ATTACHING TO SHARES

All Shares issued pursuant to the exercise of Options shall: -

- (a) rank in pari passu in all respects with the then existing issued and paid-up Shares, save and except that they are not entitled to dividends, rights, allotments and/or other distributions whereby the entitlement date for such dividends, rights, allotments and/or other distributions shall be prior to the date of allotment of such Shares;
- (b) be entitled to any dividends, rights, allotments and other distributions which are declared, made or paid to shareholders after the date of allotment of such Shares in respect of the financial year in which such Shares are allotted and subsequent financial years; and

13. BY-LAWS OF THE ESOS (Cont'd)

- (c) be subject to all the provisions of the Articles of Association of the Company in relation to transfer, transmission or otherwise.

13. HOLDING OF SHARES

- 13.1 The Shares to be allotted and issued to the Grantees pursuant to any exercise of the Options will not be subject to any retention period or restriction of transfer, save as provided in the Articles of Association of the Company. Notwithstanding the same, the Grantees are encouraged to hold the Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may sell the Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS account.

14. TERMINATION AND/OR SUSPENSION OF EXERCISE OPTION

- 14.1 Subject to provisions of the By-Laws, an Option which has not been exercised by the Grantee shall be terminated in the following circumstances:-

- (a) in the event of death of the Grantee, upon the date of his death, subject to Bye Law 14.6 hereinafter;
- (b) in the event of the Grantee ceasing to be an employee of the Company and/or its subsidiary companies due to termination of employment by the Grantee, upon the date of the notice of termination;
- (c) in the event of the Grantee ceasing to be an employee of the Company and/or its subsidiary companies due to termination of employment by the employer of the Grantee, upon the expiry of the notice of termination;
- (d) in the event of the Grantee ceasing to be an employee of the Company for any other reason other than as stated in paragraphs (a) (b) or (c) upon the last day of the Grantee's employment;
- (e) in the event of the bankruptcy of the Grantee, upon the date the Grantee is adjudged a bankrupt;
- (f) in the event where the Grantee is currently employed by a subsidiary of the Company, upon that subsidiary ceasing for any reason to be a subsidiary of the Company; subject to By-Law 17 hereinafter; and
- (g) in the event of the liquidation of the Company.

- 14.2 A Grantee may apply in writing to the ESOS Committee to be allowed to continue to hold and to exercise any unexercised Options held by him upon termination of employment with the Group, in the following circumstances: -

- (a) retirement (save for Executive Directors) upon or after attaining the age of fifty five (55) years; or
- (b) retirement (save for Executive Directors) before the age of fifty five (55) years with the consent of his employer; or
- (c) ill health, injury or disability; or

13. BY-LAWS OF THE ESOS (Cont'd)

- (d) retrenchment; or
- (e) transfer to any company outside the TASCOS Group at the direction of the Company; or
- (f) any other circumstances as may be determined by the ESOS Committee from time to time.

14.3 Applications under By-Law 14.2 shall be made: -

- (a) in a case where paragraph 14.2(a), (b) or (g) is applicable, within six (6) months after the Grantee's last day of employment. In the event that no application is received by the ESOS Committee before the Grantee's last day of employment, any Options held by the Grantee on his last day of employment shall be automatically terminated;
- (b) in a case where paragraph 14.2(c) is applicable, within six (6) months after the Grantee notifies his employer of his resignation due to ill health, injury or disability. The Grantee may exercise Options within the said period of six (6) months subject to the provisions of By-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated;
- (c) in a case where paragraph 14.2(d) is applicable, within six (6) months after the Grantee is notified that he will be retrenched or, where he is given an offer by his employer as to whether he wishes to accept retrenchment upon certain terms, within six (6) months after he accepts such offer. The Grantee may exercise Options within the said period of six (6) months subject to the provisions of By-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated; and
- (d) in a case where paragraph 14.2(f) is applicable, within six (6) months after the Grantee is notified that he will be transferred to a company outside the TASCOS Group. The Grantee may exercise Options within the said period of six (6) months subject to the provisions of By-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated.

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13. BY-LAWS OF THE ESOS (Cont'd)

- 14.4 The ESOS Committee shall consider applications under By-Law 14.2 on a case-by-case basis and may in its absolute discretion approve or reject any application in whole or in part and may impose any terms and conditions in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the period so approved by the ESOS Committee and subject to the provisions of By-Law 10. Any Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 14.3 or on the date of the ESOS Committee's decision, whichever is the later.
- 14.5 In the event that the ESOS Committee receives an application under By-Law 14.2 after the expiry of the relevant period under By-Law 14.3, the ESOS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the ESOS Committee's discretion and powers under By-Law 14.4. In the event that the ESOS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised Options which are the subject of the approval to the Grantee and such Options offered, if accepted by the Grantee, shall be exercisable: -
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of By-Law 10 as applicable in respect of such terminated Options; and
 - (c) at the Subscription Price applicable in respect of such terminated Options.
- 14.6 In the event that a Grantee dies before the expiration of the Option Period and at the date of his death held any Options, the following provisions shall apply: -
- (a) such Options may only be exercised by the executor or personal administrator of the Grantee's estate pursuant to a valid grant of probate or letters of administration ("**Representative**"): -
 - (i) within six (6) months after the Grantee's death ("**Permitted Period**"); or
 - (i) within the Option Period;

whichever expires first. For the avoidance of doubt, it is hereby stated that By-Laws 10.1 shall not be applicable in this event but By-Law 10.4 shall be applicable;
 - (b) In the event that the Option Period expires before the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options;

13. BY-LAWS OF THE ESOS (Cont'd)

- (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply: -
- (i) the Representative (or prior to the issuance of a valid grant of probate or letters of administration, a beneficiary of the Grantee's estate who has submitted sufficient documentary proof to the satisfaction of the ESOS Committee) may, at any time before the expiry of the Permitted Period, apply in writing to the ESOS Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the ESOS Committee before the expiry of the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated;
 - (ii) the ESOS Committee shall consider such applications on a case-by-case basis and may in its absolute discretion approve or reject an application in whole or in part and may impose any terms and conditions in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with the provisions of By-Law 10.5. Any Options in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the ESOS Committee's decision, whichever is the later;
 - (iii) in the event that the ESOS Committee receives an application after the expiry of the Permitted Period, the ESOS Committee shall take into account the reasons given by the Representative for the delay in making the application, in exercising the ESOS Committee's discretion and powers under sub-paragraph (ii) above. In the event that the ESOS Committee approves an application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Representative and such Options shall be exercisable: -
 - (A) within such period as may be stipulated in the Offer which shall not exceed the Option Period of those Options which were terminated pursuant to sub-paragraph (i) above;
 - (B) in accordance with the provisions of By-Law 10.4; and;
 - (C) at the Subscription Price applicable in respect of the Options which were terminated pursuant to sub-paragraph (i) above.

14.7 The provisions of By-Law 14.5 and By-Law 14.6(c)(iii) constitute exceptions to the provisions of By-Law 5.1 and By-Law 11.

13. BY-LAWS OF THE ESOS (Cont'd)

14.8 Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right at its absolute discretion by notice in writing to that effect, to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his Option having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that: -

- (i) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his Option;
- (ii) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; and
- (iii) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

14.9 Notwithstanding the provisions regarding the termination of Options as contained in the By-Laws, the ESOS Committee may at its discretion allow the Option to be exercised by the Grantee (or such other persons as the ESOS Committee may specify) in respect of all the Shares comprised in the Option (or any part thereof specified by the ESOS Committee) remaining unexercised within such period as the ESOS Committee may allow and on such terms as the ESOS Committee may specify, subject always to the provisions of the By-Laws.

15. ALTERATION OF CAPITAL

15.1 Subject to By-Law 15.3 hereof, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital, other variation of capital or otherwise howsoever, the Company shall cause such adjustments to be made to: -

- (a)
 - (i) the number of Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option; and/or
 - (ii) the number of Shares comprised in an Offer made to an Eligible Employee which is open for acceptance during the Offer Period; and/or
- (b) the Subscription Price

as shall be necessary to give or allocate a Grantee or an Eligible Employee, as the case may be, the same proportion of the issued capital of the Company as that to which he was entitled to prior to the event giving rise to such adjustment.

13. BY-LAWS OF THE ESOS (Cont'd)

15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 15.1: -

- (a) any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the Shares; and
- (b) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

15.3 In addition to By-Law 15.1 and not in derogation thereof, the Subscription Price and the number of new Shares relating to the Option so far unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with the external auditor: -

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the additional number of new Shares relating to the Option to be issued shall be calculated in accordance with the following formula: -

$$\text{Number of additional Shares} = T \times \left[\frac{\text{Former Par Value}}{\text{Revised Par Value}} \right] - T$$

where T = existing number of Shares relating to the Option.

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date when the Shares are traded on Bursa Securities at the new par value), or such period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of Shares to shareholders credited as fully paid, by way of bonus issue or capitalization issue of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction: -

$$\frac{A}{A + B}$$

and the additional number of new Shares relating to the Option to be issued shall be calculated as follows: -

$$\text{Number of additional Shares} = \left\{ T \times \left[\frac{A + B}{A} \right] \right\} - T$$

13. BY-LAWS OF THE ESOS (Cont'd)

where: -

- A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of bonus issue or capitalisation issue of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund); and
- T = existing number of Shares relating to the Option

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Record Date for such issue.

(c) If and whenever the Company shall make: -

- (i) A Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
- (ii) Any offer or invitation to its shareholders whereunder they may acquire or subscribed for Shares by way of rights; or
- (iii) Any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction: -

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 15.3(c)(ii) hereof, the number of additional new Shares comprised in the Option to be issued shall be calculated as follows: -

$$\text{Number of additional Shares} = \left\{ T \times \left[\frac{C}{C - D} \right] \right\} - T$$

where: -

- T = existing number of Shares relating to the Option
- C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

13. BY-LAWS OF THE ESOS (Cont'd)

- D = (i) in the case of an offer or invitation to acquire or subscribe for Shares under By-Law 15.3(c)(ii) above or for securities convertible into or with rights to acquire or subscribe for Shares under By-Law 15.3(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (ii) in the case of any other transaction falling within By-Law 15.3(c) hereof, the fair market value as determined (with the concurrence of the external auditor) by the adviser of that portion of the Capital Distribution to one (1) Share.

For the purpose of definition (i) of D above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula: -

$$\frac{C - E}{F + 1}$$

where: -

- C = as C above;
- E = the subscription price for one (1) additional Share under the terms of offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares;
- F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Shares or security convertible into Shares or right to acquire or subscribe for Shares; and
- D* = The value of rights attributable to one (1) Shares (as defined below)

For the purpose of definition D* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula: -

$$\frac{C - E^*}{F^* + 1}$$

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13. BY-LAWS OF THE ESOS (Cont'd)

where: -

- C = as C above;
- E* = the subscription price for one (1) additional Share under the terms of offer or invitation; and
- F* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Shares.

For the purpose of By-Law 15.3(c) hereof, ("**Capital Distribution**") shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not falling under By-Law 15.3(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders as shown in the audited consolidation profit and loss accounts of the Company.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Record Date for such issue.

- (d) If and whenever the Company makes any allotment to its shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its shareholders as provided in By-Law 15.3(c)(ii) or (iii) above and the Record Date for the purpose of the allotment is also the Record Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction: -

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its shareholders as provided in By-Law 15.3(c)(ii) above and the Record Date for the purpose of the allotment is also the Record Date for the purpose of the offer or invitation, the number of additional new Shares relating to the Option to be issued shall be calculate as follows: -

$$\text{Number of additional Shares} = \left[T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

13. BY-LAWS OF THE ESOS (Cont'd)

where: -

- G = the aggregate number of issued and fully paid-up Shares on the Record Date;
- C = as C above;
- H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares as the case may be;
- H* = the aggregate number of Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;
- B = as B above; and
- T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Record Date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in By-Law 15.3(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for shareholders as provided in By-Law 15.3(c)(iii) above, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional new Shares relating to the Option to be issued shall be calculated as follows: -

$$\text{Number of additional Shares} = \left[\frac{T \times (G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

13. BY-LAWS OF THE ESOS (Cont'd)

where: -

- G = as G above;
- C = as C above;
- H = as H above;
- H* = as H* above;
- I = as I above;
- I* = as I* above;
- J = the aggregate number of Shares to be issued to its shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the shareholders;
- K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Shares; and
- T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Record Date for the above transactions.

- (f) If and whenever the Company makes an allotment to its shareholders as provided in By-Law 15.3(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its shareholders as provided in By-Law 15.3(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in By-Law 15.3(c)(iii) above, and the Record Date for the purpose of allotment is also the Record Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional new Shares relating to the Option to be issued shall be calculated as follows: -

$$\text{Number of additional Shares} = \left[T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where: -

- G = as G above;
- C = as C above;
- H = as H above;
- H* = as H* above;
- I = as I above;

13. BY-LAWS OF THE ESOS (Cont'd)

- I* = as I* above;
 J = as J above;
 T = as T above;
 K = as K above; and
 B = as B above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Record Date for the above transactions.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all shareholders and requiring an adjustment under By-Laws 15.3(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Share or any security convertible into Shares or any rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted by multiplying it by the following fraction: -

$$\frac{L + M}{L + N}$$

where: -

- L = the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and
- N = the aggregate number of Shares so issued or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

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13. BY-LAWS OF THE ESOS (Cont'd)

For the purpose of By-Laws 15.3(g), ("**Total Effective Consideration**") shall be determined by the Board with the concurrence of the external auditor and shall be: -

- (i) In case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (ii) In the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) In the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commission, discount or expense paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15.3(g), ("**Average Price**") of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which the Company determines the offering price of such Shares. Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

15.4 By-Law 15.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following: -

- (a) an issue of Shares pursuant to the exercise of Options under the Scheme; or
- (b) an issue of Shares arising from the conversion of securities with a right of conversion into Shares; or
- (c) an issue of securities as consideration for an acquisition; or

13. BY-LAWS OF THE ESOS (Cont'd)

- (d) an issue of securities as a private placement; or
- (e) an issue of securities as a special issue approved by the relevant governmental authorities; or
- (f) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 67A of the Companies Act, 1965. In this event, the following provisions shall apply: -
 - (i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than 15% of the issued capital of the Company after such cancellation, the ESOS Committee shall not make any further Offers; and
 - (ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than 15% of the issued capital of the Company after such cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to 15% of the issued capital of the Company after such cancellation.

15.5 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Companies Act, 1965, By-Law 15.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 is applicable, but By-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 is not applicable as described in By-Law 15.4.

15.6 An adjustment pursuant to By-Law 15.1 shall be made at the following times:-

- (a) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the date of entitlement in respect of such issue; or
- (b) in the case of a consolidation or subdivision of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the ESOS Committee shall give notice in writing within twenty-one (21) days from the date of adjustment to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

15.7 All adjustments other than on a bonus issue must be confirmed in writing by an approved company auditor, acting as an expert and not as an arbitrator, to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a certificate from an approved company auditor to the effect that in the opinion of such auditor, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purposes of this By-Law, an approved company auditor shall have the meaning given in Section 8 of the Companies Act, 1965.

13. BY-LAWS OF THE ESOS (Cont'd)

16. TAKE-OVERS AND MERGERS

In the event of an offer being made for Shares under the Malaysian Code on Take-Overs and Mergers, 1998 and such offer being declared unconditional, the following provisions shall apply: -

- (a) a Grantee shall be entitled to exercise all or any of the Options held by him as at the date of such offer being declared unconditional, within a period of six (6) months after such date and in accordance with the provisions of By-Law 10.5. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months;
- (b) if during the said period of six (6) months, the offeror becomes entitled or bound to exercise rights of compulsory acquisition in respect of the Shares under the provisions of the Companies Act, 1965 and gives notice to the Grantee that he intends to exercise such rights on a specific date ("**Specified Date**"), the Grantee shall be entitled to exercise all or any of the Options held by him until the expiry of the said period of six (6) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of By-Law 10.5. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months or on the Specified Date, whichever is the earlier; and
- (c) subject to By-Law 10 and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement in connection with a scheme of arrangement and reconstruction of TASCO resulting in it amalgamation or merger with any other company or companies pursuant to Sections 176 or 178 of the Companies Act, 1965, a Grantee may be entitled to exercise all or any part of his Options at any time commencing from the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period. Upon the compromise or arrangement becoming effective, all unexercised Options shall automatically lapse and shall become null and void and of no further force and effect.

17. DIVESTMENT FROM GROUP

17.1 In the event that a company within the Group shall cease to be subsidiary of the Group for any reason whatsoever, a Grantee who is employed by such company: -

- (a) shall be entitled to continue to hold and to exercise all the Options held by him on the date of completion of such divestment, within a period of six (6) months from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of By-Law 10.5. In the event that the Grantee does not so exercise some or all of such Options, the unexercised Options shall be automatically terminated upon the expiry of the relevant period, whichever is earlier; and
- (b) shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.

13. BY-LAWS OF THE ESOS (Cont'd)

17.2 For the purposes of By-Law 17.1, a company shall be deemed to cease to be a subsidiary of the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Companies Act, 1965.

18. WINDING UP

All outstanding Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

19. DURATION AND TERMINATION OF SCHEME

19.1 The Scheme is conditional upon: -

- (a) the receipt of the approval-in-principle for the listing of the new Shares to be issued under the Scheme from Bursa Securities;
- (b) the approval by the shareholders of the Company in general meeting;
- (c) the receipt of the approval of any other relevant regulatory authority whose approval is necessary in respect of the Scheme;
- (d) submission of the final copy of the By-Laws of the Scheme to Bursa Securities together with the letter of compliance pursuant to paragraph 2.11 of Bursa Securities Listing Requirements; and
- (e) fulfillment of all conditions attached to any of the abovementioned approvals, if any;

and shall take effect from the date of full compliance with all the relevant requirements in Chapter 6 of Bursa Securities Listing Requirements including the abovementioned conditions ("**Effective Date**") whereupon the adviser of the Company is to submit a letter confirming full compliance as aforesaid to Bursa Securities and stating the Effective Date no later than five (5) market days after the Effective Date together with the Certified True Copy of the relevant resolutions passed by the shareholders of the Company in the general meeting.

The Scheme shall be in force for a duration of five (5) years from the Effective Date. However the Company may, if the Board deems fit, upon the recommendation of the ESOS Committee, extend the Scheme for up to a period(s) of up to a maximum of five (5) years in aggregate. Such extended Scheme shall be implemented in accordance with the terms of the By-Laws set out herein, save for any amendments and/or changes to the relevant statutes, guidelines and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties provided that the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all the abovementioned parties within thirty (30) days prior to the expiry of the Scheme.

19.2 Offers can only be made during and not after the duration of the Scheme.

13. BY-LAWS OF THE ESOS (Cont'd)

19.3 The Company can terminate the Scheme at any time provided that all of the following conditions are satisfied: -

- (a) approval from Bursa Securities for the circular to the shareholders in relation to the termination of the Scheme;
- (b) the prior consent of the shareholders of the Company at general meeting, wherein at least a majority of the shareholders present voted in favour of the termination, has been obtained; and
- (c) the prior written consent of all Grantees who have yet to exercise their Options, either in part or in whole, has been obtained in respect of such termination.

In the event all conditions for the termination of the Scheme were obtained and the Scheme terminated, the following provisions shall apply: -

- (aa) No further Offers shall be made by the ESOS Committee from the date of such resolution;
- (bb) All Offers which have yet to be accepted shall automatically lapse on the date of such resolution; and
- (cc) All outstanding Options shall be automatically terminated on the date of such resolution.

19.4 In seeking to obtain the consent of the shareholders and Grantees for the termination of the Scheme referred to in By-Law 19.3, the Company must provide sufficient information on the following matters: -

- (a) reasons for the termination;
- (b) whether or not the termination of the Scheme would be in the best interest of the Company; and
- (c) any other information that would justify termination of the Scheme.

19.5 The Company may establish a new employee share option scheme after the expiry or upon the termination of the Scheme. However, the new scheme shall be subject to the approval of Bursa Securities.

19.6 The effective date for the implementation of any increase in the maximum number of Option Shares available under the Scheme shall be the date of full compliance with all the relevant requirements of Chapter 6 of the Listing Requirements including the following: -

- (a) submission of the final copy of the amended By-Laws of the Scheme to Bursa Securities pursuant to paragraph 6.30F of the Listing Requirements;
- (b) receipt of approval-in-principle for the listing of the additional shares to be issued under the Scheme from Bursa Securities;
- (c) procurement of shareholders' approval for the increase in the maximum number of Option Shares available under the Scheme;
- (d) receipt of approval of any other relevant authorities, where applicable; and

13. BY-LAWS OF THE ESOS (Cont'd)

- (e) fulfillment of all conditions attached to the above approvals, if any.

In addition, the Company's adviser will submit a confirmation to Bursa Securities of full compliance pursuant to the above stating the effective date of implementation together with a certified true copy of the relevant resolution passed by shareholders in a general meeting. The submission of the confirmation to Bursa Securities must be made no later than five (5) Market Days after the effective date of implementation.

20. ADMINISTRATION

20.1 The Scheme shall be administered by the ESOS Committee. The ESOS Committee shall, subject to these By-Laws, administer the Scheme and regulate the ESOS Committee's own proceedings in such manner as it shall think fit, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to: -

- (a) subject to the provisions herein, construe and interpret the By-Laws, define the terms herein and to recommend to the board of directors to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The ESOS Committee in the exercise of this power may correct any defect, supply any omission or reconcile any inconsistency in these By-Laws or in any documents pursuant hereto in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective.
- (b) determine all issues of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company or the Group.

20.2 The Board shall have power at any time and from time to time to rescind the appointment of any person appointed to the ESOS Committee as it shall deem fit.

21. AMENDMENTS

21.1 Subject to By-Laws 20.1 and 21.2, the ESOS Committee may at any time and from time to time recommend to the Board any addition or amendment to or deletion of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these By-Laws upon such recommendation. Any subsequent modifications or changes to the By-Laws do not need the prior approval of Bursa Securities and/or any other relevant authorities. However, a letter of compliance together with the By-Laws are required to be submitted to Bursa Securities not later than five (5) Market Days after the amendments to the By-Laws, each time an amendment and/or modification is made, stating that the amendment and/or modification complied with the Listing Requirements and the Rules of the Bursa Depository.

13. BY-LAWS OF THE ESOS (Cont'd)

21.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to or deletions of these By-Laws provided that no addition, amendment or deletion shall be made to these By-Laws which would: -

- (a) prejudice any rights which have accrued to any Grantee without his prior consent; or
- (b) increase the number of Shares available under the Scheme beyond the maximum imposed by By-Law 4.1; or
- (c) alter any matter which are required to be contained in the By-Laws by virtue of Appendix 6F of the Listing Requirements to the advantage of the Eligible Employee without the prior approval of the shareholders of the Company unless allowed otherwise by the provisions of the Listing Requirements.

The ESOS Committee shall within ten (10) Market Days of any modification and/or amendment made pursuant to this By-Laws notify the Grantee in writing of any modification and/or amendment made pursuant to this By-Laws.

22. INSPECTION OF ACCOUNTS

All Grantees are entitled to inspect the latest audited accounts of the Company at the registered office of the Company during normal business hours on any working day of the Company.

23. SCHEME NOT A TERM OF EMPLOYMENT

The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Employee.

24. NO COMPENSATION FOR TERMINATION

No Eligible Employee shall be entitled to any compensation for damages arising from the termination of any Options pursuant to the provisions of these By-Laws.

25. DISPUTES

In the event any dispute or difference shall arise between the ESOS Committee and Eligible Employee or Grantee as the case may be as to any matter or thing of any nature arising thereunder, then the ESOS Committee shall determine such dispute or difference by a written decision. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee shall dispute the same by written notice to the ESOS Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the external auditors for the time being of the Company acting as experts and not as arbitrators, whose decision shall be final and binding in all respects and whose costs shall be borne by the party at fault, provided that no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws.

13. BY-LAWS OF THE ESOS (Cont'd)

26. COSTS AND EXPENSES

Unless otherwise stipulated by the Company in the Offers, all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of Options, shall be borne by the Company.

27. ARTICLES OF ASSOCIATION

In the event of a conflict between any of the provisions of these By-Laws and the Articles of Association of the Company, the Articles of Association shall prevail.

28. QUOTATION OF SHARES

Upon the exercise of any Options in accordance with By-Law 10, the Company shall apply to Bursa Securities for the listing of and quotation for such new Shares arising from the exercise of the Options within ten (10) Market Days of the date of receipt of the Notice of Exercise together with the requisite payment or such other period as may be prescribed by Bursa Securities, and shall use its best endeavours to obtain permission for the dealing of such new Shares.

29. NOTICE

29.1 Any notice under which the Scheme is required to be given to or be served upon the ESOS Committee by an Eligible Employee or Grantee or any correspondence to be made between an Eligible Employee or Grantee and the Committee shall be given or served in writing (in the prescribed form if such form exists) and either delivered by hand or sent to the registered office of the Company by facsimile transmission or registered letter.

29.2 Any notice which under the Scheme is required to be given to or served upon an Eligible Employee or Grantee or any correspondence to be made between an Eligible Employee or Grantee shall be deemed sufficiently given or served in writing and either delivered by hand or sent to the Eligible Employee or Grantee by facsimile transmission or registered letter addressed to such person at the place of employment or the last address known to the Company as being his address. Any notice served by post as aforesaid shall be deemed to have been received at the time when such registered letter would in the ordinary course of post be delivered.

30. SEVERABILITY

Any term, condition, stipulation, provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation, provision herein contained.

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in Sections 2.3 and 4.1.6 of this Prospectus, no shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There is only one class of shares in our Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another.
- (iii) Save as disclosed in Sections 2.1, 4.1.3, 4.1.6 and 4.2 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiary companies have been issued or are proposed to be issued as fully or partly paid-up for cash or otherwise, within the two (2) years immediately preceding the date of this Prospectus.
- (iv) Save for the IPO Shares reserved for the eligible Directors and employees of our Group as disclosed in Section 2.3 of this Prospectus and up to 15,000,000 new Shares to be issued pursuant to the exercise of ESOS options as disclosed in Section 4.1.6(v) of this Prospectus, there is currently no other scheme for or involving the Directors or employees in the capital of our Company or any of our subsidiary companies.
- (v) Save for the ESOS as disclosed in Section 4.1.6(v) of this Prospectus, neither our Company nor our subsidiary companies have any capital that is under option, or agreed conditionally or unconditionally to be put under option.
- (vi) Neither our Company nor our subsidiary companies have any outstanding convertible debt securities.

14.2 ARTICLES OF ASSOCIATION

The following provisions are extracted from our Company's Articles of Association. The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Articles of Association.

14.2.1 Transfer and Transmission of Securities

The provisions in the Articles in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:

Article 26 – Transferor's Rights

The instrument of transfer of any securities shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof.

Article 27 – Refusal to register transfers

Bursa Depository may refuse to register any transfer of Deposited Securities that does not comply with the Central Depositories Act and the Rules, no securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

14. ADDITIONAL INFORMATION (Cont'd)

Article 28 – Closing of registers

The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine, provided it shall not be closed for more than thirty (30) days in any year. The Company shall give Bursa Securities prior written notice of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least ten (10) market days or such number of days as may be prescribed by Bursa Securities. In relation to the suspension or closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.

Article 29 – Transfer of securities

The transfer of any listed securities or class of listed securities of the Company which have been deposited with Bursa Depository, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act, and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

Article 30 – Instrument of Transfer

Subject to the provisions of the Central Depositories Act and the Rules, every instrument of transfer shall be in writing and in the form approved in the Rules and shall be presented to the Bursa Depository with such evidence (if any) as the Bursa Depository may require to prove the title of the intending transferor and that the intended transferee is a qualified person.

14.2.2 Remuneration of Directors

The provisions in the Articles dealing with the remuneration of the Directors of the Company are as follows:

Article 85 – Directors' remuneration

The fees payable to the Directors shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as that Directors may determine provided always that:-

- (a) fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;
- (c) any fee paid to an Alternate Director shall be such amount as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.