

APM AUTOMOTIVE HOLDINGS BERHAD (“APM” OR THE “COMPANY”)

- **PROPOSED ACQUISITION OF THE ASSETS OF TC ALUMINIUM CASTINGS SDN BHD (AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF TAN CHONG MOTOR HOLDINGS BERHAD) BY APM THERMAL SYSTEMS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF APM) FOR A TOTAL CASH CONSIDERATION OF RM5,701,318.00**

1. INTRODUCTION

The Board of Directors of APM wishes to announce that APM Thermal Systems Sdn Bhd (“APMTS”), a wholly-owned subsidiary of the Company, proposes to enter into a related party transaction which falls within the ambit of Section 132E of the Companies Act, 1965 (the “Act”) with TC Aluminium Castings Sdn Bhd (“TCAC”), namely, the proposed acquisition (“Proposed Acquisition”) of the assets of TCAC used for the casting, machining and assembly of aluminium parts and components and other related assets (collectively, the “Assets”) as detailed in section 2.1 below for a total cash consideration of RM5,701,318.00, which is subject to price adjustment (“Proposed Acquisition Price”) and conditional upon the fulfilment of the Conditions Precedent as set out in section 3(b) below. TCAC is a wholly-owned subsidiary of TC Manufacturing Holdings Sdn Bhd (“TCMan”), which in turn is a wholly-owned subsidiary of Tan Chong Motor Holdings Berhad (“TCMH”).

This announcement is made pursuant to paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), as based on the audited financial statements of the Company for the year ended 31 December 2015, the highest percentage ratio applicable for the Proposed Acquisition pursuant to paragraph 10.02(g) of the MMLR is 0.48%.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 The Assets

The Assets which form the subject matter of the Proposed Acquisition are as follows:

- (a) the core assets of TCAC comprising the plant and machinery used for the casting, machining and assembly of aluminium parts and components (“Core Assets”). The Core Assets are valued based on the market value as stated in the Valuation Report of Henry Butcher Malaysia Sdn Bhd dated 26 November 2015 (“Valuation Report”);
- (b) other fixed assets of TCAC besides the Core Assets comprising moulds, tools, furniture & fittings, factory equipment and office equipment (“Other Fixed Assets”); and
- (c) stock comprising raw materials which TCAC uses to cast, machine and assemble aluminium parts and components, work-in-progress and finished goods (“Stock”).

2.2 Information on APM Thermal Systems Sdn Bhd

APMTS was incorporated in Malaysia as a private limited company under the Act on 14 June 2011.

The authorised share capital of APMTS is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of APMTS is RM2.00 comprising 2 ordinary shares of RM1.00 each. APMTS is currently dormant.

The directors of APMTS are Low Seng Chee and Siow Tiang Sae.

2.3 Information on TCAC

TCAC was incorporated in Malaysia as a private limited company under the Act on 4 July 2006.

The authorised share capital of TCAC is RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of TCAC is RM4,500,000.00 comprising 4,500,000 ordinary shares of RM1.00 each. The principal activities of TCAC are casting, machining and assembly of aluminium parts and components.

The directors of TCAC are Teong Seng Kiang, Christopher Tan Kok Leong, Lim Sew Chan and Lee Jiunn Shyan.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

APMTS and TCAC has on 27 April 2016 agreed to the principal terms and conditions of the sale and purchase of the Assets set out in the Principal Terms Sheet which are summarised as follows:

- (a) The Assets shall be sold and purchased free from all encumbrances.
- (b) The completion of the Proposed Acquisition is conditional upon satisfaction of the following conditions precedent (collectively referred to as "Conditions Precedent"):
 - (i) obtaining of approvals of the shareholders of APMTS, APM, TCAC, TCMAN and TCMH ("Shareholders' Approvals");
 - (ii) obtaining of all authorizations, registrations, statutory licences and permits including work permits (if applicable);
 - (iii) due diligence which confirms that the Assets are free from encumbrances and on the value of the Assets;
 - (iv) TCAC not being in breach of any of the warranties relating to the Assets including its title to the Assets; and
 - (v) TCAC not being the subject matter of any pending or threatened litigation that have a material adverse effect on the value of the Assets or the sale and purchase of the Assets.
- (c) 10% of the Proposed Acquisition Price of RM570,000.00 shall be paid upon the execution of the Contract of Sale of Assets ("CSA") after the obtaining of the Shareholders' Approvals. Another 10% of the Proposed Acquisition Price of RM570,000.00 will be withheld for three (3) months from completion date and will be released upon the satisfaction of all warranty claims, if any. The balance of the Proposed Acquisition Price after any price adjustment shall be paid within five (5) business days after the completion date of the Proposed Acquisition.
- (d) Within thirty (30) working days or such other period as the parties may agree upon of obtaining the last of the Shareholders' Approvals, the parties will enter into CSA on arm's length basis and commercially acceptable terms and conditions.
- (e) TCAC shall after the completion of the Proposed Acquisition for a transitional period of up to six (6) months, which may be extended by mutual agreement, provide such training, assistance and support at arm's length and commercial rate basis to the employees of APMTS in the operation and maintenance of the fixed assets and the different processes relating to the casting, machining and assembly of aluminium parts and components as may be required by APMTS.

4. BASIS OF THE PROPOSED ACQUISITION PRICE

The Proposed Acquisition Price, which is subject to price adjustment in accordance with the basis of valuation stated below, was arrived at based on a willing-buyer willing-seller basis, after taking into consideration of the following:

	Description	Value as at 31 December 2015 RM'000	Basis of valuation
(1)	Core Assets	4,643	Market value*
(2)	Other Fixed Assets	465	Net book value^
(3)	Stock	593	Percentage of the cost by reference to the age of the Stock
	TOTAL	5,701	

* Market value based on the Valuation Report.

^ Net book value as at the completion date of the Proposed Acquisition which shall be determined by reference to the audited financial statements of TCAC as at 31 December 2015.

5. SOURCE OF FUNDING

The Proposed Acquisition is to be funded via internally generated funds.

6. RATIONALE AND PROSPECTS OF THE PROPOSED ACQUISITION

The rising strength of aluminium die-castings in recent years is mostly traceable to the automotive industry. An emerging trend in the automotive industry is to continuously seek for better ways to increase the fuel economy by replacing steel parts of the automobile with aluminium parts to achieve reduction in the vehicle weight. Lightweight and highly precise in manufacturability, aluminium casting products are widely used in heat dissipation applications and structural applications such as lightweight aircraft seats. The ongoing trend for lightweight vehicles will also enhance the use of such aluminium components.

Against this backdrop, the Proposed Acquisition would create an opportunity for the APM Group to expand its product base and strengthen its overseas presence. Additional products can be marketed to other countries by the APM Group, leveraging on the Group's existing export network. The prospects for exporting aluminium castings are good, in particular to European and the US markets that have demand for heat dissipation applications. Aluminium castings are also widely used in the oil and gas industry.

In addition, TCAC is one of the main suppliers to the Electrical & Heat Exchange Division of the APM Group. The Proposed Acquisition is therefore part of the APM Group's strategy to improve efficiency by cost rationalization and having a complete supply chain management.

7. RISK FACTORS

The Board does not envisage any specific risks to be associated with the Proposed Acquisition other than operational risks and risks inherent in the automotive industry of which the APM Group is operating.

8. EFFECTS OF THE PROPOSED ACQUISITION

(i) Share capital

The Proposed Acquisition will have no effect on the issued and paid-up share capital of the Company.

(ii) Earnings

The Proposed Acquisition will not have any material effect on the consolidated earnings and earnings per share of APM Group for the financial year ending 31 December 2016.

(iii) Net Assets and Gearing

The Proposed Acquisition will not have any material effect on the consolidated net assets, consolidated net assets per share and gearing of APM Group for the financial year ending 31 December 2016.

(iv) Substantial shareholders' shareholdings

The Proposed Acquisition will have no effect on the shareholdings of the substantial shareholders of the Company.

9. APPROVALS REQUIRED

The Proposed Acquisition falls within the ambit of Section 132E of the Act in view of the disclosure of interest set out in section 10 below and hence requires the prior approval of the shareholders of APM at the forthcoming Annual General Meeting ("AGM") and the prior approvals of the shareholders of APMTS, TCAC, TCMAN and TCMH.

The Proposed Acquisition is also subject to all authorisations, registrations, statutory licences and permits (if applicable) being obtained. The applications for all relevant authorisations, registrations and statutory licences and permits are anticipated to be submitted within one (1) month of the execution of the CSA.

10. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS INTERESTS

TCAC is an indirect subsidiary of TCMH. Tan Chong Consolidated Sdn Bhd ("TCC") is a substantial shareholder of APM and TCMH. By virtue of their respective shareholdings in TCC, pursuant to Section 6A of the Act, Dato' Tan Heng Chew, a director of APM and TCMH, Tan Eng Soon, brother of Dato' Tan Heng Chew and Tan Kheng Leong are substantial shareholders of APM and TCMH.

Apart from Tan Eng Soon, the persons deemed connected with Dato' Tan Heng Chew by virtue of Section 122A of the Act are as follows:

- (a) his spouse, Dato' Khor Swee Wah @ Koh Bee Leng, who is a Director of TCMH;
- (b) his brother, Dato' Tan Eng Hwa, who is a Director of APM;
- (c) his son, Nicholas Tan Chye Seng, who is a Director of APM;
- (d) his son, Christopher Tan Kok Leong, who is a Director of TCAC; and
- (e) Wealthmark Holdings Sdn Bhd ("WH"), a substantial shareholder of APM.

Dato' Tan Eng Hwa and WH are also persons deemed to be connected with Tan Eng Soon.

The Directors of APM who are interested in the Proposed Acquisition (namely Dato' Tan Heng Chew, Dato' Tan Eng Hwa and Nicholas Tan Chye Seng) have abstained and will continue to abstain from deliberating and voting on the resolution in respect of the Proposed Acquisition at the relevant meetings of the Board of APM.

The Directors and substantial shareholders who are interested in the Proposed Acquisition shall abstain from voting and have undertaken that they will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in APM on the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming AGM.

Dato' Haji Kamaruddin @ Abas bin Nordin is a director of APM and TCMH and his shareholding in APM and TCMH is less than 0.01%. Due to Dato' Haji Kamaruddin @ Abas bin Nordin's common directorship in APM and TCMH, even though he is not interested in the Proposed Acquisition for the purposes of Section 132E of the Act, he has abstained and will continue to abstain from deliberation and voting on the resolutions in respect of the Proposed Acquisition at the relevant meetings of the Board as well as the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming AGM.

Saved as disclose above, none of the other Directors, substantial shareholders and/or persons connected with such Directors or substantial shareholders of APM has any interest, direct or indirect, in the Proposed Acquisition.

11. LIABILITIES TO BE ASSUMED BY THE COMPANY

There are no liabilities to be assumed, including any contingent liability and guarantee to be assumed by the Company arising from the Proposed Acquisition.

12. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

The Proposed Acquisition is estimated to be completed by the last quarter of 2016.

13. TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

There was no transaction entered into with the same related party, namely TCAC for the past 12 months.

14. STATEMENT BY AUDIT COMMITTEE

The Audit Committee (except for Dato' Haji Kamaruddin @ Abas bin Nordin who abstained from deliberation on the Proposed Acquisition as explained in Section 10 above) having considered all aspects of the Proposed Acquisition, including the basis of arriving at the Proposed Acquisition Price, the rationale and prospects for the Proposed Acquisition and the principal terms of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of APM Group;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the minority shareholders of APM Group.

15. DIRECTORS RECOMMENDATION

The Board (with the exception of the interested Directors as disclosed in Section 10 above) having considered all aspects of the Proposed Acquisition, including the basis of arriving at the Proposed Acquisition Price, the rationale and prospects for the Proposed Acquisition and principal terms of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of APM Group.

16. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 62-68 Jalan Sultan Azlan Shah, 51200 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement:

- (a) the Principal Terms Sheet agreed between APMTS and TCAC on the principal terms and conditions of the sale and purchase of the Assets set out in section 3 above; and
- (b) the Valuation Report and the letter of consent of Henry Butcher Malaysia Sdn Bhd to the reference of the Valuation Report being made in this announcement.

This announcement is dated 27 April 2016.