

APM AUTOMOTIVE HOLDINGS BERHAD

- JOINT VENTURE AGREEMENT BETWEEN HIGHLY MARELLI HOLDINGS CO., LIMITED AND PT. APM MEKAR ARMADA INVESTAMA

1. INTRODUCTION

The Board of Directors of APM Automotive Holdings Berhad (“**APM**” or the “**Company**”) wishes to announce that PT. APM Mekar Armada Investama (“**PTAMAI**”), an indirect subsidiary of the Company, had on 25 August 2022 entered into a joint venture agreement (“**JVA**”) with Highly Marelli Holdings Co., Limited (“**HM**”) to establish a joint venture company in Indonesia as a vehicle to undertake the business of manufacturing, selling, wholesaling, importing and exporting HM designed or HM procured heating, ventilation and air-conditioning (“**HVAC**”) products, subject to the terms and conditions as stipulated therein (“**Proposed Joint Venture**”).

2. INFORMATION OF PTAMAI AND HM

(a) **PTAMAI**

PTAMAI is a private limited liability company incorporated under the law of Republic of Indonesia with an issued and paid-up share capital of IDR17,500,000,000 divided into 1,750,000 shares of IDR10,000 each. PTAMAI is an investment holding company.

The shareholders of PTAMAI are as follows:

Name	Shares held in PTAMAI	
	No. of shares	% of shareholdings
PT. APM Automotive Indonesia	892,500	51%
PT. APM Armada Autoparts	857,500	49%
Total:	1,750,000	100%

(b) **HM**

HM is a private limited liability company incorporated under the law of Hong Kong, with an issued and paid-up share capital of USD245,520,578 as at 31 December 2021. HM is principally engaged in automotive air conditioning compressor and automotive air conditioning system business.

The shareholders of HM are Highly International (Hong Kong) Limited and Marelli Corporation.

3. DETAILS OF THE PROPOSED JOINT VENTURE

3.1 Information of the JVA

- (a) A new joint venture company will be incorporated in Indonesia under the proposed name “PT. Highly Marelli APM Indonesia” (“**JV Co.**”) with an issued and paid-up capital of IDR34,262,000,000 (being the equivalent of USD2,315,000.00) divided into 3,426,200 shares with a nominal value of IDR10,000 per share (“**Investment Capital**”).

(b) The Investment Capital will be contributed by both joint venture parties in cash based on the following ratio:

- (i) PTAMAI to contribute 49%, being a sum of IDR16,788,380,000 (equivalent to USD1,134,350.00); and
- (ii) HM to contribute 51%, being a sum of IDR17,473,620,000 (equivalent to USD1,180,650.00).

3.2 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Company arising from the Proposed Joint Venture.

3.3 Source of Funding

The capital contribution of IDR16,788,380,000 (equivalent to USD1,134,350.00) by PTAMAI will be satisfied by internally generated funds.

3.4 Salient terms of the JVA

The salient terms of the JVA include, among others, the following:

- (a) Neither the shareholders nor any of its group companies shall directly, indirectly, by itself or through others compete with the JV Co. in Indonesia with regard to the business of JV Co.
- (b) the key responsibilities of the shareholders in the JV Co. are as follows:

Parties	Key Responsibilities
HM	<ul style="list-style-type: none"> (i) To provide assistance in procurement of components, plant and machinery for carrying out the business, if necessary; (ii) To assist the JV Co. in promoting sales and stabilising the quality of products; (iii) To provide technical and other allied support for assembling/manufacturing of the products as provided under the licence and technical assistance agreements; and (iv) Responsible for initial preparation necessary or advisable to procure assembling facilities to meet the customer’s orders.
PTAMAI	<ul style="list-style-type: none"> (i) To incorporate the JV Co. in Indonesia and assist in obtaining all licenses for the business operations of the JV Co.; (ii) To procure its affiliate to provide assembling location of the JV Co. in Indonesia; (iii) To assist in identification and procurement of local raw material and components to the extent required for the products of the JV Co.; and (iv) To provide administrative assistance, if required.

- (c) The Board of Commissioners of the JV Co. shall comprise 3 Commissioners with 2 persons from HM, one of them shall be the President Commissioner, and 1 person from PTAMAI; and
- (d) The Board of Directors of the JV Co. shall comprise 3 Directors with 2 persons from HM, one of them shall be the President Director, and 1 person from PTAMAI.

4. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Proposed Joint Venture will enable both parties to leverage on each other's resources, expertise, knowledge and experience to bring greater synergy in the design, development, manufacture, assembly and marketing of heat exchange and air-conditioning systems, specifically in electrification of compressors, heat pump system and HVAC system. The Proposed Joint Venture is also in line with APM Group's plan on overseas expansion for sustainability.

5. FINANCIAL EFFECTS

5.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Joint Venture will not have any effect on the share capital and substantial shareholders' shareholdings of APM as the Proposed Joint Venture does not involve any issuance of securities of the Company.

5.2 Earnings, Net Assets and Gearing

The Proposed Joint Venture is not expected to have material effect on the earnings, net assets and gearing of APM Group for the financial year ending 31 December 2022.

6. PROSPECT OF THE PROPOSED JOINT VENTURE

The automobile consumer base in Indonesia is expected to grow rapidly, with most purchases occurring mainly in Indonesia's cities, where the automotive industry in Indonesia is poised to benefit from a huge domestic automobile market driven by an emerging middle-class population. Thus, the Board believes that the timing of the Proposed Joint Venture is appropriate to capture the opportunities to expand APM Group's current heat exchange and air-conditioning business overseas as HM is poised to be one of key suppliers for HVAC systems in Indonesia.

7. RISK FACTORS

There is no special risk associated with the Proposed Joint Venture other than operational risks and risks inherent in the automotive industry in which APM Group is operating.

8. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Joint Venture pursuant to paragraph 10.02(g) of Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad is 0.29%.

9. APPROVAL REQUIRED

The Proposed Joint Venture is not subject to the approval of the shareholders of the Company or regulatory authorities.

10. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

None of the Directors and Major Shareholders and persons connected with them have any interest, direct or indirect, in the Proposed Joint Venture.

11. STATEMENT BY DIRECTORS

The Board of Directors of APM, after having considered all aspects of the Proposed Joint Venture, is of the opinion that the Proposed Joint Venture is in the best interest of APM Group.

12. INSPECTION OF DOCUMENTS

The JVA is available for inspection for a period of 3 months during office hours at the registered office of APM at 62-68, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur.

13. ESTIMATED TIMEFRAME AND COMPLETION

The Board of Directors expects the JVA to be completed by the 4th quarter of 2022.

This announcement is dated 25 August 2022.