

## INFORMATION DISCLOSURE

In compliance with the Regulation of Indonesian Financial Service Authority Regulation No.IX.E.1 concerning Transaction with Affiliated Parties and Conflict of Interest on Certain Transaction  
Regulation No.IX.E.2 concerning Material Transaction and Change of Main Business Activities

Board of Directors and Board of Commissioners of the Company take full responsibility for the accuracy and completeness of material information and facts disclosed herein and declare there are no other material and relevant information that are not disclosed herein which may cause the information to become incorrect and/or misleading.



("Company")

Business Activities

Engaged in textile manufacturing and provision of supporting services including warehouse rental

Having its domicile in Jakarta,

Office:

Wisma Argo Manunggal, 2<sup>nd</sup> Floor, Jl. Gatot Subroto Kav. 22, Jakarta 12939  
Phone No. (021) – 55753838 Fax. No. (021) – 55753255  
email: corp-secretary@argopantes.com

### INFORMATION DISCLOSURE IN RELATION TO THE COMPANY'S ARRANGEMENT:

1. To provide its affiliate PT Argo Manunggal Textile (AMT) with the Company's fixed assets to be pledged with the bank so that the Company gets a credit facility and/or L/C which constitutes a Transaction with Affiliated Parties as referred to in the Regulation of Bapepam-LK (Capital Market and Financial Institution Supervisory Agency) No.IX.E.1 and an exceptional material transactions as referred to in Regulation of Bapepam-LK No.IX.E.2.
2. To sell spinning machine and its set to its affiliate PT Lawe Adyaprima Spinning Mills which constitutes a Transaction with Affiliated Parties as referred to in Regulation of Bapepam-LK No.IX.E.1 and an exceptional material transaction as referred to in Regulation of Bapepam-LK No.IX.E.2.
3. To appoint its affiliate PT Argo Manunggal Triasta (AMT) as a Sole Distributor (Agent) of the Company which constitutes a Transaction with Affiliated Parties as referred to in Regulation of Bapepam-LK No.IX.E.1.

An Extraordinary General Meeting of Shareholders to approve the abovementioned Company's Arrangement will be held at Training Room of PT. Argo Pantes Tbk, Jl. M.H. Thamrin Km.4 Cikokol, on July 29, 2016 at 10.30 WIB (Western Indonesian Time)

This Information Disclosure is issued in Jakarta on June, 22, 2016

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## KEY DATES

Submission of the Company's Arrangement to convene an Extraordinary General Meeting of Shareholders to the Indonesian Financial Service Authority	June 15, 2016
Submission of Information Disclosure to the Indonesian Financial Service Authority	June 24, 2016
Advertisement of the Notice of Extraordinary General Meeting of Shareholders on 1 (one) daily newspaper	June 22, 2016
Advertisement of Information Disclosure about the Proposed Transaction on 1 (one) daily newspaper	June 22, 2016
List of Shareholders entitled to Attend Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders	July 1, 2016
Date of Advertisement of Extraordinary General Meeting of Shareholders	July 2, 2016
Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders	July 29, 2016
Submission of Summary of Resolutions of Extraordinary General Meeting of Shareholders to the Indonesian Financial Service Authority	August 28, 2016
Advertisement of Resolutions of Extraordinary General Meeting of Shareholders on 1 (one) daily newspaper	August 2, 2016

## CHAPTER I GENERAL

PT Argo Pantas Tbk (“Company”) is established by virtue of Deed No.30 dated July 12, 1977 prepared by Darwani Sidi Bakaroedin, SH., a Notary Public in Jakarta, and has been approved by Minister of Justice of the Republic of Indonesia under its Decree No. Y.A 5/236/24 dated July 19, 1978 and announced in the State Gazette of the Republic of Indonesia No.87, Supplement No.1198 dated October 28, 1988. In accordance with Article 3 of the Company’s Articles of Association, the scope of business activities of the Company include textile manufacturing and provision of supporting services including warehouse rental.

### Capital Structure of the Company

The capital structure of the Company as of December 31, 2015 is as follow:

Description	Number of Issued and Paid-up shares	Percentage of ownership	Amount (USD)
PT Dharma Manunggal	98,500,000	29.35%	21,274,091
The Ning King	33,832,500	10.08%	7,307,164
Maximus Capital Pte Ltd	27,459,750	8.18%	5,930,774
PT Manunggal Prime Development	23,683,000	7.06%	5,115,069
Karman Widjaya	6,252,500	1.86%	1,350,419
The Nicholas	1,829,750	0.55%	396,486
Gunarso Budiman	199,500	0.06%	2,430
Sidik Murdiono	11,250	0.00%	1,566
Yohanes Susanto	2,500	0.00%	539
Public (each below 5%)	143,786,700	42.86%	31,095,367
Total	335,557,450	100.00%	72,473,906

Based on Deed of Resolutions of Meeting No.2 dated July 3, 2015 prepared by Aulia Taufani, SH., a Notary Public in Tangerang, which deed has been received and recorded in the Legal Entity Administration System (Sisminbakum) of Ministry of Law and Human Rights of the Republic of Indonesia No. AHU-AH.01.03.-0952185 dated July 27, 2015, the composition of Management of the Company on the date of issuance of this Information Disclosure is as follow:

#### Board of Commissioners

President Commissioner	: Sidik Murdiono
Vice President Commissioner	: The Nicholas
Commissioner	: Karman Widjaya
Independent Commissioner	: Toni Hartono
Independent Commissioner	:Doddy Soepardi Haroen Al-Rasjid

#### Board of Directors

President Director	: Deepak Anand
Director	: Surjanto Purnadi
Director	: Hong Jung Kwang
Director	: Lim Handy Wierdardi
Director	: Yohanes Susanto

### Summary of Financial Statements of the Company

The company’s financial performance as of December 31, 2010, December 31, 2011, December 31, 2012, December 31, 2013, December 31, 2014, December 31, 2015, and March 31, 2016 are as follows:

Description	2011	2012	2013	2014	2015	March 31, 2016 <i>Limited Review</i>
Current Asset	33,181	43,699	51,774	29,250	22,092	24,717
Non-current Asset	128,410	157,593	124,875	116,580	108,160	92,714
Total Asset	161,592	201,292	176,649	145,830	130,252	117,430
Current Liabilities	32,340	55,398	76,566	72,415	75,179	78,410
Non-current Liabilities	117,749	121,262	91,542	94,040	86,719	88,681
Total Liabilities	150,089	176,660	168,018	166,455	161,898	167,091
Equity	11,503	24,632	8,631	(20,625)	(31,647)	(49,661)
Revenue	93,364	100,145	126,986	104,819	45,264	11,111
Gross Profit (Loss)	(7,771)	(10,393)	(9,713)	(11,655)	(4,973)	(1,141)
Operating Profit (Loss)	(10,820)	(8,154)	4,872	(23,822)	(8,335)	(17,544)
Net Profit (Loss)	(11,939)	(13,882)	415	(30,096)	(10,913)	(17,940)

Source: *Financial Statements of PT Argo Pantas*

## CHAPTER II INFORMATION ABOUT THE COMPANY'S ARRANGEMENT TO LEND ITS FIXED ASSETS TO PT ARGO MANUNGGAL TRIASTA (AMT)

In the course of its main business activities, the Company gets revenue from running a business in textile manufacturing. To manufacture the products, the Company's production activities are very influenced by the availability of mostly imported raw materials. In order to get the raw materials from abroad suppliers, the Company needs a Letter of Credit (L/C).

Based on the Company's historical financial statements, the Company has suffered repeated losses from its business activities causing the Company to have negative equity since 2014, and accordingly it is impossible for the Company to get a L/C from bank although the Company has sufficient assets to be pledged.

To maintain its production activities, in 2014, the Company utilized a L/C facility owned by its group PT Argo Manunggal Triasta (AMT) by providing AMT with the Company's assets of land covering area of 199,560 m<sup>2</sup> and building as well as its supporting infrastructures located at Desa Ganda Mekar, Bekasi (hereinafter referred to as the "Fixed Assets") to be pledged with PT Bank Mega, Tbk so that the Company got a L/C facility.

The cooperative transaction between the Company and AMT abovementioned has been made, and based on the collateral receipt No.003/CCOP-LCUST/STTA/16 dated January 4, 2016, PT Bank Mega, Tbk has handed over a Fixed Asset pledged by AMT with the bank so that the Company got a credit facility and/or L/C.

### **Information about PT Argo Manunggal Triasta (AMT)**

PT Argo Manunggal Triasta is established in 1991 under the name of PT Argo Manunggal Trading or PT Sutratrex Citrasejati, by virtue of Deed No.190 dated October 31, 1991 prepared by Winanto Wiryomartani, SH, a Notary Public in Jakarta. The Deed of Establishment has been approved by Minister of Justice of the Republic of Indonesia under its Decree No.C2-2252.HT.01.01.TH.92 dated March 12, 1992. Based on Deed No.23 dated December 29, 2005 prepared by Erly Soehandjojo, SH., a Notary Public in Jakarta, the name AMT was changed into PT Argo Manunggal Textile. The deed of change of corporate name has been approved by Minister of Law and Human Rights of

the Republic of Indonesia under its Decree No.C-06698 HT.01.04.TH.2006 dated March 9, 2006 and registered with the Company Registration Office of South Jakarta Number 1064/RUB.09-03/IX/2006 dated September 7, 2006.

In 2013, the name PT Argo Manunggal Textile was changed into PT Argo Manunggal Triasta based on Deed No.162 dated May 30, 2013 prepared by Doktor Misahardi Wilamarta, SH, M.H, M.Kn, LLM, a Notary Public in Jakarta. The deed of amendment has been approved by Minister of Law and Human Rights of the Republic of Indonesia under its Decree Number AHU-30606.AH.01.02. *Tahun* 2013 dated June 7, 2013.

### **Business Activities of AMT**

By virtue of Deed No.162 dated May 30, 2013 prepared by Doktor Wilamarta, SH, M.H, M.Kn, LLM, a Notary Public in Jakarta, AMT is engaged in businesses of trading, industry, and real estate management service. The head office of the company is at Wisma Argo Manunggal 9<sup>th</sup> Floor, Jalan Gatot Subroto Kaveling 22, South Jakarta.

### **Capital Structure of AMT**

The structure of capitalization and shareholders of AMT by virtue of Deed No.17 dated May 14, 2008, prepared by a Notary Public Erly Soehandjojo, SH, a Notary Public in Jakarta is as follow:

Shareholders	Number of shares	Percentage of Ownership	Nominal
<b>Authorized capital</b>			<b>100,000,000,000</b>
<b>Paid-up and Issued Capital</b>			
PT Sarana Peratas	31,500,000	77.8%	31,500,000,000
Mr. Ning King	8,300,000	20.49%	8,300,000,000
Mr. Karman Widjaya	700,000	1.73#	700,000,000
<b>Total</b>	<b>40,500,000</b>	<b>100.00%</b>	<b>40,500,000,000</b>

### **Composition of Management of AMT**

The composition of management of AMT on the date of issuance of this information is as follow:

#### Board of Commissioners

President Commissioner : Juliana Hermanto

Independent Commissioner : Surjanto Purjadi

#### Board of Directors

Director : The Nicholas

Director : Johny Jongiran

### **Summary of Statements of Financial Position of AMT**

The AMT's financial performance per December 31, 2011, December 31, 2012, December 31, 2013, December 31, 2014, December 31, 2015 and March 31, 2016 is as follow:

Description	2011	2012	2013	2014	2015 Unaudited	March 31, 2016 unaudited
Current Asset	10,170	7,349	39,066	66,036	25,144	26,109
Non-current Asset	23,735	25,058	16,022	28,514	64,494	67,529
Total Asset	33,906	32,407	55,088	94,551	89,639	93,638
Current Liabilities	7,312	6,270	19,247	54,747	31,098	33,113
Non-current Liabilities	11,118	10,562	9,145	12,630	30,426	31,971
Total Liabilities	18,430	16,832	28,392	67,377	61,523	65,083

Equity	15,475	15,575	26,696	27,173	28,115	28,554
Revenue	23,543	16,370	46,048	53,306	61,876	14,074
Gross Profit (Loss)	4,441	3,434	7,562	6,869	6,801	1,996
Operating Profit (Loss)	1,805	1,348	3,015	1,766	2,316	763
Net Profit (Loss)	406	362	1,841	492	965	465

Source: *Financial Statements of PT AMT*

### **CHAPTER III INFORMATION ABOUT THE COMPANY'S ARRANGEMENT TO SELL ITS SPINNING MACHINE TO PT LAWE ADYAPRIMA SPINNING MILLS**

To run its operational activities, the Company strictly depends on the availability of working capital to be used, amongst other things, for the payment of raw materials, fuel, electricity bills, and labor wage.

Based on the Company's historical financial statements, the Company has suffered repeated losses from its business activities causing the Company to have negative equity since 2014. From January to March, 2016, the Company posted gross loss of USD455,066, operating loss of USD2,370,380 and net loss of USD2,851,138.

In consideration of the Company's historical financial statements showing that the Company continues to suffer from loss, it is impossible for the Company to get loan from bank or other financial institution. Meanwhile, the Company needs working capital to run its production activities. In order to get an additional working capital and for the continuation of its production activities, the Company intends to sell its spinning machine located at the Company's factory in Bekasi, where, since December 1, 2014, the factory has been shut and the spinning machine has not been used anymore.

To get an additional working capital, the Company intends to sell its spinning machine to its affiliate, PT Lawe Adyaprima Spinning Mills (LASM).

#### **Information about PT Lawe Adyaprima Spinning Mills (LASM)**

PT Lawe Adyaprima Spinning Mills is established on December 16, 1997 by virtue of Deed No.200 prepared by Erly Soehandjojo, SH, a Notary Public in Jakarta. The Articles of Association of LASM has been severally amended, lastly by Deed No.40, dated April 28, 2008, prepared by a Notary Public Erly Soehandjojo, SH., a Notary Public in Jakarta concerning the Amendment to the Company's Articles of Association.

#### **Business Activities of LASM**

By virtue of Deed No.40 dated April 28, 2008 prepared by Erly Soehandjojo, SH., a Notary Public in Jakarta, LASM is engaged in businesses of textile industry and trading. The head office of LASM is at Wisma Argo Manunggal 5<sup>th</sup> Floor, Jalan Gatot Subroto, Kav.22, Jakarta 12930.

#### **Capital Structure of LASM**

By virtue of Deed No.40 dated April 28, 2008, prepared by a Notary Public Erly Soehandjojo, SH, a Notary Public in Jakarta, the authorized capital of LASM amounts to Rp.50,000,000,000 (fifty billion rupiah) divided into 50,000,000 (five million) shares, with par value of Rp.1,000 (one thousand rupiah) each. 50% (fifty percent) out of authorized capital or representing 25,000,000 (twenty five million) shares, having total nominal value of Rp.25,000,000,000 (twenty five billion rupiah) have been issued and paid-up. The composition of shareholders of LASM is as follow:

Table 5.3 Composition of Shareholders of LASM

Shareholders	Number of shares	Percentage of Ownership	Nominal
<b>Authorized capital</b>			<b>50,000,000,000</b>
<b>Paid-up and Issued Capital</b>			
The Nicholas	8,437,500	33.75%	8,437,500,000
Mr. Hungkang Sutedja	8,020,825	32.08%	8,020,825,000
PT Tunas Koralindo	8,541,675	34.17%	8,541,675,000
<b>Total</b>	<b>25,000,000</b>	<b>100.00%</b>	<b>25,000,000,000</b>

Source: Deed No.40 dated April 28, 2008

### **Composition of Management of LASM**

By virtue of Deed No. 200 dated December 16, 1997 prepared by Erly Soehandjojo, SH., a Notary Public in Jakarta, the composition of members of Board of Commissioners and Board of Directors of the Company is as follow:

#### Board of Commissioners

President Commissioner : Letnan Jenderal Purnawirawan Sayidiman Suryohadiprojo

Commissioner : Yan Karnadi

#### Board of Directors

President Director : Abdul Moeis

Director : Dedy Gunawan

## **CHAPTER IV INFORMATION ABOUT THE COMPANY'S ARRANGEMENT TO APPOINT PT ARGO MANUNGGAL TRIASTA AS A SOLE DISTRIBUTOR (AGENT) OF THE COMPANY**

Based on the Company's historical financial statements, the Company has suffered repeated losses from its business activities causing the Company to have negative equity since 2014. Such losses occurred because the raw material price and production cost is higher than the sale price of the Company's product.

The company's recent products are commodities with a low sale value. If the Company continues producing commodities with higher production cost than the sale price, the condition of the Company is getting worse.

Meanwhile, based on information from the Company's management, the Company has capacity to do product diversification, namely to manufacture non-commodity products with higher sale price, and the production machines recently owned by the Company also support to manufacture the products. However, the Company has limitation to market such non-commodity products.

Based on the abovementioned Company's condition, and in order to continue its business activities, the Company will diversify its products and accordingly, the Company intends to appoint PT Argo Manunggal Triasta (AMT) as a sole distributor (agent) to market and sell the products.

### **Assumptions and Limiting Conditions**

1. The Company assumes that from the date of issuance of this Information Disclosure until the date of execution of the Proposed Transaction, there will be no changes which would materially affect the execution of the Proposed Transaction by the Company.

2. The Company assumes that the Company has adhered to all governmental regulations, and there will be no changes in the regulations until the execution of the Proposed Transaction.

## **CHAPTER V SUMMARY OF THE INDEPENDENT APPRAISER'S REPORT**

The Company has appointed KJPP Toto Suharto & Partners to conduct a fairness assessment toward the Company's arrangement to provide AMT with its fixed assets to be pledged with the Bank so that the Company got a credit facility and/or L/C, and assessment toward the Fairness Opinion on the Company's arrangement to sell the spinning machine and its sets to PT Lawe Adyaprima Spinning Mills.

The following is a summary of fairness opinion as shown on the Fairness Report No. B.F.O.16.00.0017 dated June 21, 2016 as prepared by KJPP Toto Suharto & Partners regarding the Company's arrangement to provide AMT with its fixed assets to be pledged with the Bank so that the Company got a credit facility and/or L/C.

### **Parties involved in the Proposed Transaction**

- 1) PT Argo Pantes Tbk (Company)
- 2) PT Argo Manunggal Triasta (AMT)

### **Object of Transaction**

The object of transaction is fixed assets of land covering area of 199,560m<sup>2</sup> pursuant to the Right-to-Build Certificate No.15 on behalf of the Company, buildings and its supporting facilities erected thereon located at Desa Ganda Mekar, Bekasi Regency, West Java Province.

### **Value of Transaction**

AMT will allocate the Company its part and/or all L/C facility in the amount of Rp350,000,000,000.- (three hundred fifty billion rupiah).

### **Date of Appraisal**

The fairness analysis is conducted on the basis of parameters and limited review financial statements per March 31, 2016.

### **Purpose of Appraisal**

This Fairness Opinion Report aims at analyzing the fairness of the Proposed Transaction with regard to the Regulation of Capital Market and Financial Institutions Supervisory Board (*Badan Pengawas Pasar Modal dan Lembaga Keuangan / Bapepam-LK*) / Indonesian Financial Service Authority (*Otoritas Jasa Keuangan/OJK*), Regulation No. IX.E.1 concerning Transaction with Affiliated Parties and Conflict of Interest on Certain Transaction by virtue of decree of Head of Capital Market Supervisory Board and Regulation No.IX.E.2 concerning Material Transaction and Change of Main Business Activities.

### **Method of Analysis of the Proposed Transaction**

In conducting a fairness assessment toward the Proposed Transaction, KJPP performed an analysis with the following stages:

1. Qualitative analysis including analysis of the parties involved, reasons underlying the Proposed Transaction, agreement and requirements, financial



leverage impact, liquidity impact, financial impact if the Proposed Transaction fails, benefits and risks, and industrial analysis.

2. Quantitative analysis including historical analysis, financial projection analysis, ratio analysis, analysis of the Company's capacity to settle the loan, L/C Need Analysis, Cash Management Analysis, and Financial Covenant, sensitiveness analysis, object value analysis, fairness analysis on rate of return for AMT, Value Added Analysis.

### **Fairness Analysis of the Transaction**

Based on the brief history of the parties involved in the transaction, it is known that the Proposed Transaction is categorized as transaction with affiliated parties because Mr. Ning King and Karman Widjaya are the shareholders of the Company and AMT. Mr. Nicholas is an owner of 0.55% shares of the Company and Vice President Commissioner of the Company and a Director of AMT, and Surjanto Purnadi is a Director of the Company and an independent commissioner of AMT.

Based on the summary of draft agreement and requirements of cooperation, there are no specific requirements that will harm the parties involved so that the requirements set forth in the Proposed Transaction are fair.

Based on an industrial analysis, textile industry has a good prospect. The benefits of the Proposed Transaction are 1) the Company gets an additional working capital to support the continuation of its business activities, 2) the Company will get the goods imported (purchased) from exporter because the exporter will have certainty of payment after the submission of document in accordance with the terms and conditions set forth in the Letter of Credit.

The risks of the Proposed Transaction are 1) if something interferes the operational continuation of AMT, it will affect the approval of L/C facilities which will be received by AMT for the Company's necessities; 2) costs must be borne by the Company in relation to the banking-related services involve: commission fee, interest expenses, telex/fax charges, and acceptance fee. 3) If the Company fails to repay the L/C, the pledged asset of the Company will be sequestrated by the bank.

If the Proposed Transaction fails, it is predicted that the Company will continue to have an increasing net loss that lead to the increase of accumulated deficit. This condition indicates the existence of uncertainty and raises questions toward the capacity of the Company to maintain its business. Accordingly, the Company's corporation action to execute the Proposed Transaction is fair.

Through the Proposed Transaction, the Company's financial ratio will be better and the Company can decrease its loss until the Company earns a profit in 2019 and afterward. The abovementioned condition will give positive impact on the benefit of shareholders, either from the side of shareholding or possibility for shareholders to get dividend in the future. Based on the analysis on the historical financial performance of the Company and AMT, it is shown that the Company continues to suffer from loss while AMT posts a net profit every year so that it is possible for AMT to get a direct L/C facility from banking institution. Based on the foregoing, in our opinion, the Company's Proposed Transaction is fair.

In consideration of the need of the Company to get the maximum L/C facility, the Company's arrangement to open a new L/C facility on behalf of AMT on the basis of pledge of the Company's assets is categorized fair.

The minimum cash arrangement of USD 6,000,000 is intended to cover 2 (two) withdrawals of L/C and other costs, and there is no specific fine or sanction that encumbers the Company, so that the arrangement is considered fair.

Because the rate of return given to AMT and the bank's average provision is same, namely 1%, so that, in our opinion, the rate of return paid by the Company to AMT is fair.

Based on the projected profit (loss) from performance and non-performance of the Proposed Transaction, it is shown that the Company's profit (loss) projection will be better if the Company executes such Proposed Transaction. So, in our opinion, the Proposed Transaction is fair.

Based on the regulation of Bank Indonesia, the value of L/C which will be received by the Company is not higher than 70%, namely 50%. The Company's arrangement to get an indirect L/C facility from the bank is executed through AMT. So, the value of L/C facility received by the Company in the amount of 50% or below 70% is fair.

Through the execution of the Proposed Transaction, the Company will get an added value in form of an average net profit of USD 4,250,000.- per year during the projection period.

### **Conclusion**

Based on the above analysis, in our opinion the Proposed Transaction is **FAIR**.

The following is a summary of fairness opinion as shown on the Fairness Report Mills No. B.F.O.16.00.0018 dated June 21, 2016 as prepared by KJPP Toto Suharto & Partners regarding the Company's arrangement to sell its spinning machine to PT Lawe Adyaprima Spining.

### **Parties involved in the Proposed Transaction**

- 1) PT Argo Pantes Tbk (Company)
- 2) PT Lawe Adyaprima Spinning Mills (LASM)

### **Object of Transaction**

The object of transaction is fixed assets of spinning machine located at Desa Ganda Mekar, Bekasi Regency, West Java Province.

### **Value of Transaction**

The Company and LASM has agreed and consented that the price of all machines is USD 4,425,186 (four million four hundred twenty five thousand one hundred eighty six United States Dollar) or Rp.58,748,770,000 (fifty eight billion seven hundred forty eight million seven hundred seventy thousand rupiah) with exchange rate of Rp.13,276.

### **Date of Appraisal**

The fairness analysis is conducted on the basis of parameters and limited review financial statements per March 31, 2016.

### **Purpose of Appraisal**

This Fairness Opinion Report aims at analyzing the fairness of the Proposed Transaction with regard to the Regulation of Capital Market and Financial Institutions Supervisory Board (*Badan Pengawas Pasar Modal dan Lembaga Keuangan / Bapepam-LK*) / Indonesian Financial Service Authority (*Otoritas Jasa Keuangan/OJK*), Regulation No. IX.E.1 concerning Transaction with Affiliated Parties and Conflict of Interest on Certain Transaction by virtue of decree of Head of Capital Market Supervisory Board, and Regulation No.IX.E.2 concerning Material Transaction and Change of Main Business Activities.

### **Method of Analysis of the Proposed Transaction**

In conducting a fairness assessment toward the Proposed Transaction, KJPP performed an analysis with the following stages:

1. Qualitative analysis including analysis of the parties involved, reasons underlying the Proposed Transaction, agreement and requirements, financial leverage impact, liquidity impact, financial impact if the Proposed Transaction fails, and benefits and risks analysis.
2. Quantitative analysis including historical analysis, the Company's financial projection, financial ratio analysis, Financial Statements analysis before and after the execution of the Proposed Transaction, price fairness analysis of the Proposed Transaction, added value analysis.

### **Fairness Analysis of the Transaction**

Based on the brief history of the parties involved in the transaction, it is known that the Proposed Transaction is categorized as transaction with affiliated parties because Mr. Nicholas is the owner of 0.55% of share of the Company and the Vice President Commissioner of the Company and the owner of 33.7% of share of LASM.

Based on the summary of draft agreement and requirements on sale and purchase, there are no specific requirements that will harm the parties involved so that the requirements set forth in the Proposed Transaction are fair.

Based on an industrial analysis, textile industry has a good prospect. The benefits of the Proposed Transaction are 1) the Company may utilize its non-operating assets to get working capital to support the continuation of its business activities; 2) the Company will no longer bear the depreciation cost for such non-operating assets. This Proposed Transaction doesn't have significant risks except the probability of default so the purpose of the Company to utilize its non-operating assets will not be reached.

If the Proposed Transaction fails, it is predicted that the Company will continue to have an increasing net loss that lead to the increase of accumulated deficit. Such loss occurs due to the lack of working capital and an expense incurred to bear the depreciation cost for such non-operating assets.

Based on the analysis on the historical financial performance of the Company showing that the Company continues to suffer from loss, it is impossible for the Company to get loan from bank or other financial institution. Meanwhile, the Company needs working capital to run its production activities. Based on the foregoing, in our opinion, the Company's Proposed Transaction in order to get an additional working capital is fair.

Based on the projected profit (loss) from performance and non-performance of the Proposed Transaction, it is shown that the Company's profit (loss) projection will be

better if the Company executes such Proposed Transaction. So, in our opinion, the Proposed Transaction is fair.

The Proposed Transaction gives a positive impact on the Company's financial condition as shown on the Company's financial ratios that are getting better. So, the Proposed Transaction is considered fair.

Based on the comparison between the value of Proposed Transaction and the market value of share, it is known that the difference is on the range of upper and lower limits not exceeding 7.5%, so the set price is fair.

Through the execution of the Proposed Transaction, it is predicted that the Company will get an added value in form of an average net profit of USD 221,000.- per year during the projection period.

### **Conclusion**

Based on the above analysis, in our opinion, the Proposed Transaction is **FAIR**.

The following is a summary of fairness opinion as shown on the Fairness Report No. B.F.O.16.00.0019 dated June 21, 2016 as prepared by KJPP Toto Suharto & Partners regarding the Company's arrangement to appoint PT Argo Manunggal Triasta (AMT) as a sole distributor (agent) of the Company.

### **Parties involved in the Proposed Transaction**

- 1) PT Argo Pantes Tbk (Company)
- 2) PT Argo Manunggal Triasta (AMT)

### **Object of Transaction**

The assessment object is the Company's arrangement to appoint its affiliate PT Argo Manunggal Triasta (AMT) as a sole distributor (agent) to market and sell the Company's products.

### **Date of Appraisal**

The fairness analysis is conducted on the basis of parameters and limited review financial statements per March 31, 2016.

### **Purpose of Appraisal**

This Fairness Opinion Report aims at analyzing the fairness of the Proposed Transaction with regard to the Regulation of Capital Market and Financial Institutions Supervisory Board (*Badan Pengawas Pasar Modal dan Lembaga Keuangan / Bapepam-LK*) / Indonesian Financial Service Authority (*Otoritas Jasa Keuangan/OJK*), Regulation No. IX.E.1 concerning Transaction with Affiliated Parties and Conflict of Interest on Certain Transaction by virtue of decree of Head of Capital Market Supervisory Board.

### **Method of Analysis of the Proposed Transaction**

In conducting a fairness assessment toward the Proposed Transaction, KJPP performed an analysis with the following stages:

1. Qualitative analysis including analysis of the parties involved, reasons underlying the Proposed Transaction, agreement and requirements, financial leverage impact, liquidity impact, financial impact if the Proposed Transaction fails, benefits and risks analysis, and industrial analysis.

2. Quantitative analysis including historical analysis, the Company's financial projection, financial ratio analysis, Financial Statements analysis before and after the execution of the Proposed Transaction, price fairness analysis of the Proposed Transaction, added value analysis.

#### **Fairness Analysis of the Transaction**

1. Based on the brief history of the parties involved in the transaction, it is known that the Proposed Transaction is categorized as transaction with affiliated parties because Mr. Ning King and Karman Widjaya are the shareholders of the Company and AMT. Mr. Nicholas is an owner of 0.55% shares of the Company and Vice President Commissioner of the Company and a Director of AMT, and Surjanto Purnadi is a Director of the Company and an independent commissioner of AMT.
2. Based on the summary of draft agreement and requirements on sale and purchase, there are no specific requirements that will harm the parties involved so that the requirements set forth in the Proposed Transaction are fair.
3. Based on an industrial analysis, textile industry has a good prospect.
4. The benefits of the Proposed Transaction are 1) the Company will earn an income. The Company will no longer bear the depreciation cost for the non-operating assets. The risk of this Proposed Transaction is that the marketing of the Company's product will heavily depend on AMT.
5. If the Proposed Transaction fails, it is predicted that the Company will continue to have an increasing net loss that lead to the increase of accumulated deficit. Such loss occurs due to the unsold products of the Company.
6. Based on the analysis on the historical financial performance of the Company showing that the Company continues to suffer from loss and it leads the Company to do product diversification with efficient cost and good marketing. So, the Company's arrangement to appoint PT Argo Manunggal Triasta (AMT) as a sole distributor (agent) to market and sell the Company's product is fair.
7. Based on the projected profit (loss) from performance and non-performance of the Proposed Transaction, it is shown that the Company's profit (loss) projection will be better if the Company executes such Proposed Transaction. So, in our opinion, the Proposed Transaction is fair.
8. The Proposed Transaction gives a positive impact on the Company's financial condition as shown on the Company's financial ratios that are getting better, so that the Proposed Transaction is considered fair.
9. Through the execution of the Proposed Transaction, it is predicted that the Company will get an added value in form of an average net profit of USD 3,032,000.- per year during the projection period.

#### **CHAPTER VI PRO FORMA FINANCIAL STATEMENTS OF THE COMPANY BEFORE AND AFTER THE EXECUTION OF THE PROPOSED TRANSACTION**

The Company has appointed a Public Accountant Firm Anwar & Partners as an independent party to perform a review on pro- forma financial statements of the Company before and after the execution of the Proposed Transaction based on the Report No.: ARL/L-364/16, dated June 16, 2016.

Table 5.1 Pro forma Financial Statements of the Company before and after the Execution of the Proposed Transaction (USD000.-)

Description	Before the Proposed Transaction	Pro forma Adjustment	After the Proposed Transaction
Current Asset	24,716,638	651,235	25,367,873
Non-current Asset	92,713,548	(4,425,186)	88,288,362
<b>Total Asset</b>	<b>117,430,186</b>	<b>(3,773,951)</b>	<b>113,656,235</b>
Current Liabilities	78,410,115	651,235	25,367,873
Non-current Liabilities	88,681,117	(4,425,186)	88,288,362
<b>Total Liabilities</b>	<b>167,091,232</b>	<b>(3,773,951)</b>	<b>113,656,235</b>
Equity	(49,661,046)	829,955	(48,831,091)
<b>Liabilities and Equity</b>	<b>117,430,186</b>	<b>(2,943,996)</b>	<b>64,825,144</b>

Table 5.2 Pro forma Profit and Loss Statement of the Company Before and After the Execution of the Proposed Transaction

Description	Before the Proposed Transaction	Pro forma Adjustment	After the Proposed Transaction
Sales	11,111,242		11,111,242
Cost of Goods Sold	(12,252,463)		(12,252,463)
Gross Profit (Loss)	(1,141,221)		(1,141,221)
Operating Expenses			
Sales and distribution expenses	(288,132)		(288,132)
General and administration expenses	(1,305,503)		(1,305,503)
Other operating expenses	(14,809,474)	829,955	(13,979,519)
Total operating expenses	(16,403,109)	829,955	(15,573,154)
Operating Profit (Loss)	(17,544,330)	829,955	(16,714,375)
Interest income	3,017		3,017
Financing cost	(896,924)		(896,924)
Profit (Loss) before Income Tax	(18,438,237)	829,955	(17,608,282)
Deferred income tax benefit	498,042		498,042
Net profit (loss)	(17,940,195)	829,955	(17,110,240)

The financial impact from the Proposed Transaction on the pro-forma financial position is shown on the side of the Company's assets where there is a decrease in total Assets in the amount of Rp. 113,656,235.-. The decrease occurs due to the selling of machine as posted on the fixed assets side. On the liabilities side, there is a decrease in current liabilities in the amount of USD3,773,951.- due to the repayment of loan due and, on the non-current liabilities side, there is a decrease in finance lease liabilities. On the equity side, there is a decrease in deficit.

## CHAPTER VII REPRESENTATION OF BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS

1. The Information Disclosure submitted to the Indonesian Financial Service Authority on June 24, 2016 is complete and in compliance with the requirements as set forth in the Regulation No.IX.E.1 concerning Transaction with Affiliated Parties and Conflict of Interest on Certain Transaction – Attachment to the Decree of Head of Bapepam-LK No.Kep-412/BL/2009 dated November 25, 2009 (hereinafter referred to as the Regulation No.IX.E.1), and the Regulation

- No.IX.E.2 – Attachment to the Decree of Head of Bapepam-LK No. Kep-614/BL/2011 dated November 28, 2011 (hereinafter referred to as the Regulation No. IX.E.2);
2. Upon a careful and thorough analysis, we believe that the Report Statement doesn't contain false or misleading statements or information or facts, and all material information or facts has been disclosed for the interest of investors to make a decision in relation to the Transaction;
  3. The Transaction doesn't contain a Conflict of Interest as referred to in the Regulation No.IX.E.1;
  4. Because the Company still records a negative equity, then pursuant to item 3 letter a point 11 of the Regulation IX.E.2 Attachment to the Decree of Head of Bepepam-LK No.Kep-614/BL/2011 dated November 28, 2011 concerning Material Transaction and Change of Main Business Activities, the Transaction is categorized as an exclusive material transaction.
  5. The Transaction may only be executed if the Company has obtained an approval of the Extraordinary General Meeting of Shareholders which will be held on July 29, 2016.

## CHAPTER VIII GENERAL MEETING OF SHAREHOLDERS

To approve the Proposed Transaction, the Company will convene an Extraordinary General Meeting of Shareholders (“EGMS”)

**Day/Date** : Friday, July 29, 2016  
**Time** : 10.30 WIB (Western Indonesian Time) – end  
**Place** : Training Room  
Jl. M.H. Thamrin Km.4 Cikokol Tangerang

### Agenda of the Meeting

1. Approval of the Amendment to the Article 4 paragraph 1 of the Company's Articles of Association relating to the increase of the Company's authorized capital
2. Approval of the Rights Issue (Limited Public Offering)
3. Approval of the Amendment to the Article 15 paragraph 3 of the Company's Articles of Association.
4. Approval of pledge of the Company's assets in connection with the loan from the financial institutions either a direct loan or through the Company's affiliate, PT ARGO MANUNGGAL TRIASTA
5. Approval of disposal of the Company's assets, namely machineries located at Desa Gandamekar Cibitung, Bekasi

The EGMS with the abovementioned agenda shall be attended by more than 3/4 of all voting shares issued by the Company whose names are recorded in the Register of Shareholders of the Company and/or the holder of Sub-Securities Account on the closing of trading at the Indonesian Stock Exchange on June 26, 2016 or their representative with Power of Attorney.

The Company has notified the shareholders of EGMS on June 22, 2016 through an advertisement on Harian Pelita, and submitted an Invitation to EGMS through an advertisement on the same newspaper on July 2, 2016.

If the Proposed Transaction as cited herein is not approved by EGMS, another proposed transaction may be resubmitted 12 (twelve) months after the date of EGMS.

## **CHAPTER IX ADDITIONAL INFORMATION**

For further information about the abovementioned arrangements, please contact the Company during business hours at:

**Corporate Secretary**  
**PT Argo Pantes Tbk**  
**Wisma Argo Manunggal, 2<sup>nd</sup> Floor**  
Jl. Jendral Gatot Subroto Kav.22, Jakarta 12930  
Phone No. (021) 55753838  
Fax. No. (021) 55753255  
Email: corp-secretary@argopantes.com



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