

ANNOUNCEMENT OF THE PROPOSED TRANSACTION
In compliance with Public Disclosure requirement as set forth in BAPEPAM-LK Regulation
No. IX.E.1 on Affiliated Transaction and Conflict of Interests in Certain Transaction

The Board of Directors and the Board of Commissioners of PT Hexindo Adiperkasa Tbk (the "Company") are collectively and individually responsible for the validity of all material information disclosed in this Announcement of the Proposed Transaction and following to a reasonable assessment, stating that to the best of their knowledge, there is no material facts, which, if it is not disclosed or removed in this Announcement of the Proposed Transaction, will cause the information herein to be incorrect and / or misleading.



PT HEXINDO ADIPERKASA Tbk.

Domiciled in Jakarta, Indonesia

Business Activity :

Conducting business in the fields of trading, services, mining, transportation, development, agriculture, and industry.

Head Office

Pulo Gadung Industrial Estate
Jalan Pulo Kambing II Kav. I-II No. 33
East Jakarta, Greater Jakarta Area, 13930
Phone: (021) 4611688, Fax: (021) 4611686
e-mail: corporate@hexindo-tbk.co.id, website: www.hexindo-tbk.co.id

This Announcement of the Proposed Transaction contains information on the Plan of Implementation on Royalties Agreement to Utilize Hitachi's and HCM's Brands ("Proposed Transaction"), which potentially contains a conflict of interests element as referred to BAPEPAM-LK Regulation No. IX.E.1 on Affiliated Transaction and Conflict of Interests in Certain Transaction Appendix of the Chairman of BAPEPAM-LK Decree No. KEP-412 / BL / 2009 ("Regulation IX.E.1").

The Company is going to organize a General Meeting of Shareholders ("GMS") attended by independent shareholders ("Independent GMS") to approve the Proposed Transaction in which it will be held on 28 March 2018 in Jakarta, Advertisement on Announcement of the Independent GMS is published on 19 February 2018 and advertisement on the Invitation of Independent GMS will be published on 6 March 2018.

If there is any difficulties in understanding this Announcement of the Proposed Transaction or there is any hesitation in making a decision in regards to this Announcement of the Proposed Transaction , the Company recommends a consultation with a securities company or investment manager or investment adviser or other professional advisor.

THIS ANNOUNCEMENT OF THE PROPOSED TRANSACTION IS PUBLISHED IN JAKARTA, ON 19 FEBRUARY 2018

I. BACKGROUND

This Announcement of the Proposed Transaction was made in connection with the Proposed Transaction. The Company's Board of Directors submits this Announcement of the Proposed Transaction with the aim to provide information to the shareholders in regard to organize an Independent GMS which is going to be held on 28 March 2018. Prior to the implementation of the Proposed Transaction, the approval of independent shareholders through an Independent GMS is required, since the Proposed Transaction can be potentially classified as conflict of interest transaction as defined under Regulation IX.E.1.

A. The Company's Establishment and General Information

The Company was established under the name of PT Hexindo Adiperkasa under the law of the Republic of Indonesia and is a limited liability company domiciled in Jakarta, as set forth in Deed of Establishment No. 37 dated 28 November 1988, appeared before Notary Mohamad Ali, S.H., M.H., which has been ratified by the Minister of Justice of the Republic of Indonesia pursuant to Decision Letter no. C2-4389 HT.01.01.Th 89 dated 12 May 1989 and has been announced in State Gazette of the Republic of Indonesia No. 54 Supplement No. 1251 dated 7 Juli 1989 in which the Deed of Establishment was amended for all of its articles of association to conform with the provisions under Law Number 40 of 2007 regarding Limited Liability Company which has been ratified by the Minister of Law and Human Rights of the Republic of Indonesia through his Decision Letter AHU-55157.AH.01.02 of 2008 on 25 August 2008. Then, the deed has been amended to conform with the provisions of the Financial Services Authority Regulation number 32 / POJK. 04/2014 on the Proposal and Implementation of the Company's General Meeting of Shareholders and Financial Services Authority Regulation number 33 / POJK.04 / 2014 regarding the Board of Directors and Board of Commissioners of the Public Company which has been acknowledged by the Minister of Law and Human Rights of the Republic of Indonesia through his receipt letter No. AHU-AH.01.03-0981247 on 18 November 2015 and the last amendment has been acknowledged by the Minister of Law and Human Rights of the Republic of Indonesia through his receipt letter No. AHU-AH.01.03-0181609 dated 17 October 2017.

B. The Company's Purpose and Objective

Pursuant to Deed No. 27 dated 12 October 2017, the purpose and objective of the Company is to conduct business in the fields of trade, services, mining, transportation, development, agriculture, and industry. To achieve the above purpose and objectives, the Company may carry out the following business activities:

1. Trade in general, including import, export, inter-island, local, both for Company's own benefit and on profit basis, agent, distributor, suppliers of all kinds of merchandises including trading in heavy equipment, within or outside the country;
2. Construction services, heavy equipment rental services, hire-purchasing services, after-sales services, maintenance and repair of the machineries, cleaning services, and workshop except for legal and taxation services;
3. Coal mining and other mines either under license of the government or mining concession granted by the government;
4. Land transportation;
5. Contractor of building and mining, bridge, road, installation of water, gas, electricity and telecommunication;
6. Food crop agriculture, industrial crop including plantation and fishery;
7. Heavy equipment industry manufacturing machines, components, and spare part thereof.

C. The Company's Board and Supervisor

Following are the composition of the Company's members of the Board of Commissioners and the Board of Directors based on Deed Number 29 dated 20 December 2017 regarding the Statement of Company's Extraordinary General Meeting of the Shareholders Resolution:

Board of Commissioners

President Commissioner/ : Harry Danui
Independent Commissioner
Commissioner/ : Drs Toto Wahyudiyanto
Independent Commissioner

Board of Directors

President Director/ : H. Kardinal A Karim
Independent Director
Director : Eiji Fukunishi
Director : Naoyuki Miyauchi
Director : Ir. Djonggi TP. Gultom
Director : Koji Sato
Director : Shunya Hashimoto
Director : Atsuo Hashimoto
Director : Tohru Kusanagi

D. List of Shareholders and the Shares Ownership Percentage

The following is the Company's Securities Ownership Report which has Reached 5% (five percent) or more of the issued and fully paid shares from the *Biro Administrasi Efek*/Securities Administration Bureau of PT Circa Datapro Perdata dated 31 January 2018:

Shareholder	Paid-up Capital: 840.000.000	
	Amount of Shares	Ownership Percentage
Hitachi Construction Machinery Co. Ltd	408.180.000	48,59%
Itochu Corporation	210.400.000	25,05%
Hitachi Construction Machinery Asia & Pacific PTE LTD	42.620.000	5,07%

Publik	178.800.000	21,29%
Total	840.000.000	100%

II. INFORMATION RELATED TO THE PROPOSED TRANSACTION

A. Object of the Proposed Transaction

The Company and Hitachi Construction Machinery Co. Ltd. ("HCM") as one of the Company's shareholder intends to renew Royalties Agreement for the Utilization of the Brand of Hitachi Ltd., a company incorporated in Japan as the Company's ultimate parent entity ("Hitachi") and the Brand of HCM. The renewal of the agreement is relating to the amendment to Hitachi brand value calculation formula which consists of HCM's own separate business brands, both collectively and individually, includes ZAXIS, SUPPORT CHAIN, Global e-Service, ConSite, and other brand which constitute business and products brand owned by HCM (regardless of whether it has been registered as a trademark or not) (hereinafter referred to as "Proposed Transaction").

B. Value of the Proposed Transaction

The Proposed Transaction will cause brand value or royalty imposition to the Company based on the calculation using the formula: 2,0% x Total Sales to the Third Party, where 2,0% represents the applied royalty rate where 1,0% is for Hitachi brand royalties. and 1,0% for HCM's brand royalties.

With regard to Hitachi royalties, HCM and Hitachi has signed a Royalties Agreement on the Utilization of Hitachi Brand, in which under the aforementioned agreement, HCM is entitled to utilize the sublicense of Hitachi trademarks to its subsidiaries and the agreement requires HCM to pay royalties for the use of Hitachi trademarks by its subsidiaries. Based on the agreement, the Company with HCM will sign a Royalty Agreement for Utilization of Hitachi and HCM Brands, as a sublicense agreement where the Company shall pay royalties on the utilization of Hitachi trademarks at 1%.

C. Transacting Parties in the Proposed Transaction

1. Hitachi Construction Machinery Co. Ltd. or HCM as a shareholder of the Company is the licensor of HCM's brand.
2. PT Hexindo Adiperkasa Tbk. or the Company is a licensee of HCM's brand.

D. Relationship between the Transacting Parties under the Proposed Transaction

Based on the Company and HCM's corporate documents, information obtained regarding the affiliated relationship is as follows: HCM as the sublicensor of the Hitachi's brand and the licensor of HCM's brand, is the holding company of the Company, in which the Company is the license holder of Hitachi brand and a licensee of HCM brand. Furthermore, HCM is holding 48.59% (forty eight point five nine percent) shares ownership of the Company.

E. Characteristic of the Conflict of Interests within the Transacting Parties under the Proposed Transactions

The implementation of the Proposed Transaction will cause the Company to adjust retail selling price and may affect the profit value for or otherwise impact any loss to the Company. This condition is caused by price adjustment price being made due to royalty cost into 2,0% of Company's product total sale to the Company's Third Party which depends on certain factors, such as market situation, rate of foreign currency exchange, and another factors. Based on the Company's management explanation, the implementation of Proposed Transaction would fall into an affiliated transaction and potentially conflict of interest transaction as defined under the Regulation IX.E.1.

III. SUMMARY OF THE FAIRNESS OPINION REPORT ON THE PROPOSED TRANSACTION

The Company has appointed Nirboyo Adiputro Public Appraiser Office (KJPP), Dewi Apriyanti & Rekan hereinafter referred to as "NDDR" as an independent appraiser to provide opinions of the Proposed Transaction. NDDR is a registered appraiser (based on Decree of the Minister of Finance No. 357 / KM.1 / 2009 which is attached with Business License No. 2.09.0018 dated 2 April 2009 and NDDR has been registered by the Financial Services Authority/Otoritas Jasa Keuangan ("OJK") which was previously the function was carried by the Capital Market Supervisory Agency and Financial Institution/ Badan Pengawas Pasar Modal dan Lembaga Keuangan ("Bapepam-LK") based on Letter No. S-8492 / BL / 2009 issued by Bapepam-LK dated September 16, 2009). Furthermore, NDDR has no direct or indirect relationship with the Company as defined under prevailing laws relating to Capital Market.

Below is the summary of the Fairness Opinion Report (Fairness Opinion) on the Proposed Transaction of Royalties Agreement on the Utilization of Hitachi and HCM Brands No No. 18-047/NDR/HAP/B/LL date February 15, 2018, with valuation date as of September 30, 2017:

A. Transacting Parties in the Proposed Transaction

Parties which are going to conduct the transaction are the Company and HCM, in which HCM is the shareholder of the Company.

B. Object of the Assessment

The object of assessment which is reported under the fairness opinion is the plan on amendment to Hitachi's and HCM's brand value calculation formula through the execution of Royalties Agreement on the Utilization of Hitachi's and HCM's Brands (Proposed Transaction). Amendment to Hitachi and HCM brand value calculation formula will cause an obligation for the Company to pay a royalty rate of 2,0% of Total Sales to Third Parties. Through the implementation of the Proposed Transaction, the Company can legally sell machinery/ heavy equipment under the brands of Hitachi and HCM, making it easier to sell heavy machinery / heavy equipment under the brands which have been internationally recognized for their good product quality and high technology use, and will increase the corporate's added value and trust of the consumers.

C. Purpose and Objective

This assessment aims to provide a fairness opinion on the Proposed Transaction which is intended to comply with the provisions under the Regulation IX.E.1. In providing the fairness opinion, NDDR is guided by the Indonesian Appraisal Code of Ethics/ Kode Etik Penilai Indonesia ("KEPI") and the Indonesian Assessment Standards 2015/ Standar Penilaian Indonesia ("SPI-2015"), the OJK Regulation in which previously the function is carried by Bapepam-LK,

namely the Chairman of Bapepam-LK. Decree No. Kep-196 / BL / 2012 dated 19 April 2012 concerning Guidelines on the Assessment and the Presentation of Business Appraisal Reports in the Capital Market ("Regulation VIII.C.3"), as well as the other prevailing laws and regulation

D. Assumptions dan Conditions

1. The fairness opinion is prepared using the financial projections made by the management of the Company, and NDDR has made adjustments which reflects the fairness of the projections with its fiduciary duty
2. The fairness opinion is prepared based on the scope of the assignment in which NDDR is responsible for conducting the financial projection appraisal and the fairness assessment.
3. In preparing this fairness opinion, NDDR uses the supporting documents received from the management of the Company as the basis, in which the documents are the relevant, valid, and reliable data and information.
4. In preparing this fairness opinion, NDDR uses the assumption that there is no material and significant change to: the political, economic and legal climate in which the Company conducts its business, tax rates or interest rates derived from projected reports which have been granted to NDDR, structures and management of the Company, laws and regulations prevailing within the Republic of Indonesia, significant labor and other costs, industrial relations or labor associations, accounting policies used by Company management, technology and market competition where the Company operates its business.
5. The information that has been provided by the Company to NDDR as mentioned in fairness opinion is deemed feasible and reliable, however NDDR shall not be held liable in the case of the information provided proves to be inconsistent with the facts. Information which has been disclosed without mention of the source, is the result of the NDDR review of existing data, examination of the documents or information from the authorized government agencies. The responsibility for re-examining the accuracy of such information is entirely hold by the Company.
6. Preparation of this fairness opinion has been conducted in good faith and professional manners.
7. Preparation of this fairness opinion is conducted based on economic consideration, general condition of business and financial condition, also business condition of the Company. Any analysis, opinions and conclusions that NDDR made under this fairness opinion are in conformity with the Regulation VIII.C.3, KEPI and SPI 2015, and applicable laws and regulations.

E. Approachment and Assessment Method

In order to provide reasonable opinion on the Proposed Transaction, NDDR implements the assessment procedure by conducting the following analysis: transaction analysis, qualitative analysis and quantitative analysis, analysis towards the fairness of transaction value and analysis of other relevant factors. NDDR conducts the analysis based on data and information related to the assignment, namely:

1. Draft Royalty Agreement between HCM and the Company for utilization of Hitachi's and HCM's brands;
2. The Company's Audited Financial Statement as of 30 September 2017 audited by the Public Accounting Firm Purwanto, Sungkoro & Surja (EY) with unqualified opinion in respect to all material matters;
3. The Company's Audited Financial Statement as of 31 March 2017 audited by the Public Accounting Firm Purwanto, Sungkoro & Surja (EY) with unqualified opinion in respect to all material matters;
4. The Company's Audited Financial Statement as of 31 March 2015-2016 audited by the Public Accounting Firm Purwanto, Sungkoro & Surja (EY) with unqualified opinion in respect to all material matters;
5. The Company's Audited Financial Statement as of 31 March 2013-2014 audited by the Public Accounting Firm Purwanto, Sungkoro & Surja (EY) with unqualified opinion in respect to all material matters;
6. The Company's Projected Financial Statement including the Projected Statement of Financial Position, Income, and Cash Flow with and without the implementation of the Proposed Transaction which is obtained from the management of the Company;
7. Performance of the Company's Financial Report with the implementation of Proposed Transaction which is obtained from the management of the Company;
8. Legal documents such as Notarial Deeds and its amendments, Business License/ *Surat Izin Usaha Perdagangan* (SIUP), Company Registration Certificate/*Tanda Daftar Perseroan* (TDP), Taxpayer Identification Number/ *Nomor Pokok Wajib Pajak* (NPWP), Certificate of Domicile/ *Surat Keterangan Domisili* and other important documents;
9. Information from the Company which has been collected through interviews and discussions in relation to the Proposed Transactions;
10. Review of data and information relating to royalty rates that NDDR deems relevant to the Proposed Transaction;
11. Conducting transaction analysis, qualitative analysis and quantitative analysis, analysis of fairness towards the transaction value and analysis of other relevant factors;
12. This fairness opinion is prepared based on data and information, and also based on the integrity principles.

F. Conclusion

The results of the NDDR assessment which has been performed towards the Proposed Transaction are as follows:

1. The Company is a subsidiary of HCM with the ownership of 48.59%;
2. Through the implementation of the Proposed Transaction, the Company can legally sell machinery/ heavy equipment under the brands of Hitachi and HCM, making it easier to sell machinery/ heavy equipment under the brands which has been recognized worldwide with good product quality and use high technology, and will increase the corporate's added value and increase trust of the consumers;
3. Through the implementation of the Proposed Transaction, the Company must adjust the selling price to cover the increase of the cost due to the stipulation of the royalty tariff;
4. Proposed Transaction is a policy established globally by HCM as the parent entity of the Company;
5. Sales will be increased due to the increased prices following to the company's strategic plan to accommodate increased costs as the result of the royalties. The company will raise selling prices for the heavy equipment products;
6. Through the implementation of the above management strategy, EPS will not experience a significant increase by 0,42% in 2018, 0,46% in 2019, and 0,42% in 2020;
7. Based on comparative analysis on comparable royalty rate, market royalty rate is 2.08% of sales or income. The royalty tariff rate in the Proposed Transaction is 2.00% or 4.03% lower than the market royalty tariff hence it can be concluded that the transaction value is in accordance with Bapepam

LK Regulation no. VIII.C.3 No: KEP-196 / BL / 2012 concerning Guidelines on the Assessment and the Presentation of Business Appraisal Reports in the Capital Market dated April 19, 2012 point 12.e.2) which states that the fair value of transactions should be within the range of upper and lower limits down which does not exceed 7.5%.. Therefore, it can be said that the royalty rate in the Proposed Transaction is fair;

8. The Company's management declares that the HCM group's decision on the Proposed Transaction has similar terms and conditions for all companies under the HCM group. In addition, from the side of global HCM group the implementation of the Proposed Plan will reduce tax risk.

G. Fairness Opinion on the Proposed Transaction atas Rencana Transaksi

Based on the analysis conducted by NDDR towards the fairness of the Proposed Transaction including transaction analysis, qualitative analysis and quantitative analysis, analysis towards the fairness of transaction value and analysis of other relevant factors, NDDR argues that the Proposed Transaction is Fair.

IV. THE EXECUTION OF INDEPENDENT GMS

In connection with the Proposed Transaction as described in this Announcement of Proposed Transaction, the Company will conduct an Independent GMS with the agenda to approve the royalty agreement plan to utilize Hitachi's and HCM's brands. In relation to the approval for the agenda of the above Independent GMS, the Independent GMS shall be respectively attended and approved by more than 50% (fifty percent) of the total shares with valid voting rights owned by independent shareholders, which are the shareholders whose names are listed under the Company's Shareholders List dated 5 March 2018. In case of the first Independent GMS does not meet the minimum quorum and minimum vote requirement as required above, the Company shall hold a second Independent GMS with the same minimum quorum and vote requirement with the first Independent GMS. If the quorum of attendance at the second Independent GMS is not reached, the third Independent GMS may be held and shall be entitled to take a decision if it is attended by independent shareholders with valid voting rights with a quorum of attendance as decided by OJK at the request of the Company. The resolution of the third Independent GMS is valid if it is approved by independent shareholder(s) representing more than 50% (fifty percent) of the shares owned by independent shareholder(s) who was present.

Shareholders who have a conflict of interest are deemed to have made the same decision with a resolution made by independent shareholders who have no conflict of interest.

Shareholders with valid voting rights attending the Independent GMS but abstaining (not giving any votes) are deemed to vote in the same voices as the majority votes of the voting shareholders.

In the case of the Proposed Transaction does not obtain any approval of the independent shareholders of the Company through an Independent GMS that has reached attendance quorum, the Proposed Transaction can not be re-submitted within 12 (twelve) months as of the date of the resolution date.

V. CONSIDERATIONS AND DISCUSSION OF THE PROPOSED TRANSACTION

The Company has enjoyed significant benefit in its business from Proposed Transaction and resolve that the payment of a royalty rate of 2.0% upon the usage of HCM's trademark (including the usage of Hitachi in which HCM owns its sublicense) is fair transaction. In addition, HCM's trademark and Hitachi's trademark are globally well known brands with high quality and using advanced technology. The Company considers that the use of other trademark will be less efficient as it will need business approaches to third party which might take long time and more cost.

However, because HCM is one of the Company's shareholders, the royalty fee payment might be deemed as conflict of interest. That is why the Company has determined to conduct an Independent GMS with the agenda to approve the royalty agreement plan to utilize Hitachi trademark by Company, in which the trademark is held by HCM.

VI. ADDITIONAL INFORMATION

In the case of shareholders of the Company require further information on the Proposed Transaction as disclosed in this Announcement of the Proposed Transaction, please contact:

Corporate Secretary
PT Hexindo Adiperkasa Tbk
Pulo Gadung Industrial Estate
Jalan Pulo Kambing II Kav. I-II No. 33
Jakarta
Indonesia, 13930
Tel: 62-21-4611688
Fax: 62-21-4611686