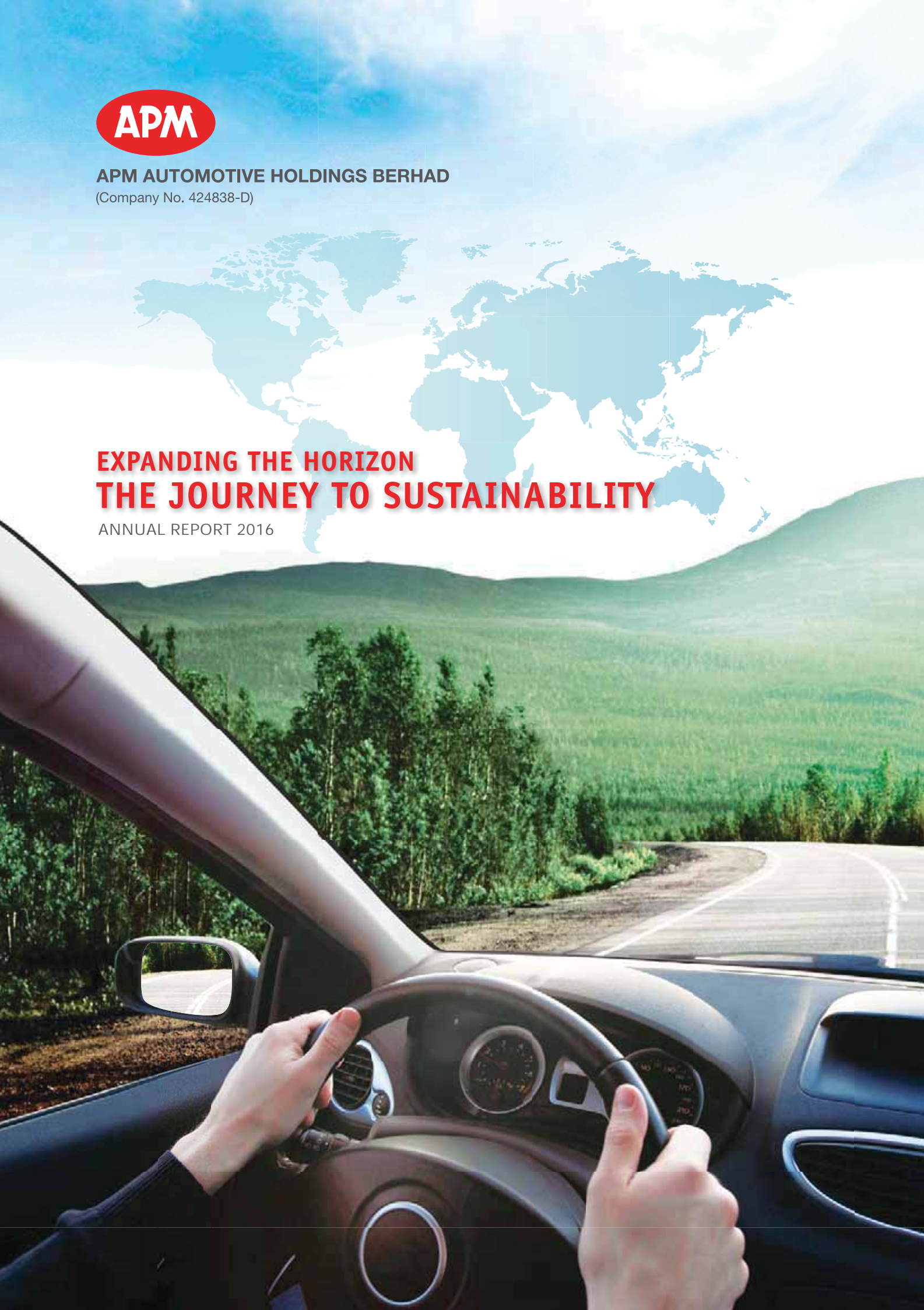




**APM AUTOMOTIVE HOLDINGS BERHAD**  
(Company No. 424838-D)

# **EXPANDING THE HORIZON THE JOURNEY TO SUSTAINABILITY**

ANNUAL REPORT 2016



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### DATO' TAN HENG CHEW

*President*

### LOW SENG CHEE

*Chief Executive Officer*

### DATO' TAN ENG HWA

*Chief Operating Officer*

### SOW SOON HOCK

*Executive Vice President*

### SIOW TIANG SAE

*Chief Business Development Officer*

### DATO' N. SADASIVAN S/O N.N. PILLAY

*Senior Independent Non-Executive Director*

### DATO' HAJI KAMARUDDIN @ ABAS BIN NORDIN

*Independent Non-Executive Director*

### NICHOLAS TAN CHYE SENG

*Non-Independent Non-Executive Director*

### LEE TATT BOON

*Independent Non-Executive Director*

### LEE MIN ON

*Independent Non-Executive Director*

## NOMINATING COMMITTEE

Dato' N. Sadasivan s/o  
N.N. Pillay (*Chairman*)

Dato' Haji Kamaruddin @  
Abas Bin Nordin

Lee Tatt Boon

Lee Min On

## AUDIT COMMITTEE

Lee Min On (*Chairman*)

Dato' N. Sadasivan s/o  
N.N. Pillay

Dato' Haji Kamaruddin @  
Abas Bin Nordin

Lee Tatt Boon

## COMPANY SECRETARIES

Khoo Peng Peng  
(MIA 19749)

Quah Khian Khoon  
(MAICSA 7030264)

## REGISTERED OFFICE

62-68, Jalan Sultan Azlan Shah  
51200 Kuala Lumpur, Malaysia

Telephone : (603) 4047 8888

Facsimile : (603) 4047 8636

## CORPORATE OFFICE

Lot 600,  
Pandamaran Industrial Estate  
Locked Bag No. 218  
42009 Port Klang  
Selangor Darul Ehsan, Malaysia

Telephone : (603) 3161 8888

Facsimile : (603) 3161 8833

E-mail : apmah@apm.com.my

## REGISTRARS

Tricor Investor & Issuing House  
Services Sdn Bhd (11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia

Telephone : (603) 2783 9299

Facsimile : (603) 2783 9222

## AUDITORS

KPMG PLT  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia.

## CORPORATE WEBSITE

[www.apm.com.my](http://www.apm.com.my)

## STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad  
Stock Code : 5015

## BUSINESS DIVISIONS



### OTHERS

- Research & Development
- Investment Properties
- Management Services
- Casting, Machining and assembly of aluminium parts
- Distribution of motor vehicles

### ALL OTHER SEGMENTS

- USA
- Vietnam
- Australia
- Netherlands
- Thailand
- Myanmar

### MARKETING DIVISION

- Local Replacement Market
- Export Market
- Asean Market

### INDONESIA DIVISION

- Indonesia Operation
- Joint Venture
- Associate

### SUSPENSION DIVISION

- Leaf Springs
- Parabolic Springs
- Shock Absorbers
- Coil Springs
- Coilovers
- U-Bolts
- Gas Springs

### INTERIOR & PLASTICS DIVISION

- Public Transportation Seating Systems such as bus/coach seats, train/locomotive seats
- Automotive Seats
- Plastic Parts for both interior and exterior parts
- Extrusion Parts such as roof drips etc.
- Interior Trims such as headlinings, door panels and carpets
- Safety Belts

### ELECTRICAL & HEAT EXCHANGE DIVISION

- |                             |  |
|-----------------------------|--|
| • Starter Motors            | • Condensers                             |
| • Alternators               | • Evaporators                            |
| • Wiper Systems             | • Compressors                            |
| • Distributors              | • Radiators                              |
| • Engine Management Systems | • Internet of Things platform and device |
| • Throttle Bodies           | • Infotainment Systems                   |
| • Air-Conditioning Systems  |  |



# RECOGNITION & ACHIEVEMENT

01.

Malaysia Productivity and  
Innovation Class

02.

HR Asia Best Companies  
to Work for in Asia 2016

03.

TSC-TPS Top Management  
Summit VII

04.

Team Excellence Wilayah  
Tengah GEAR

01



02



03



04



## PROFILE OF THE BOARD OF DIRECTORS

### **DATO' TAN HENG CHEW** *JP, DJMK*

*President*

**Dato' Tan Heng Chew**, aged 70, a Malaysian, was the first director of the Company when it was incorporated on 26 March 1997. He was appointed the Chairman of the Board on 1 November 1999 and was re-designated as Executive Chairman on 1 January 2011. His corporate title has been changed to President effective 1 January 2015.

Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and has a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong Motor Holdings Berhad group of companies ("TCMH Group") in 1970 and was instrumental in the establishment of its Autoparts Division in the 1970s and early 1980s.

Dato' Tan is also the President of TCMH and Warisan TC Holdings Berhad. He is a major shareholder of the Company. He is a brother of Mr. Tan Eng Soon and also a director and shareholder of Tan Chong Consolidated Sdn Bhd. Mr. Tan Eng Soon and Tan Chong Consolidated Sdn Bhd are major shareholders of the Company. Dato' Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Tan attended all the five (5) Board Meetings held in 2016.

### **MR. LOW SENG CHEE**

*Chief Executive Officer*

**Mr. Low Seng Chee**, aged 57, a Malaysian, was appointed to the Board of the Company as an Executive Director on 1 July 2010. He was re-designated as Executive Director and Chief Executive Officer on 1 June 2013.

Mr. Low graduated from Monash University, Melbourne, Australia with a Bachelor of Electrical Engineering degree and subsequently obtained his Master of Business Administration from Heriot-Watt University, Edinburgh, Scotland.

Mr. Low has more than 30 years of working experience in high volume semiconductor production, automotive component manufacturing, vehicle assembly as well as vehicle retailing. Senior management positions held by Mr. Low included heading the operations of automotive assembly plants of several global marques in Malaysia and an aluminium foundry supplying to the automotive and motorcycle industries.

Mr. Low attended all the five (5) Board Meetings held in 2016.

### **DATO' TAN ENG HWA** *DIMP*

*Chief Operating Officer*

**Dato' Tan Eng Hwa**, also known as Dato' Robert Tan, aged 62, a Malaysian, was first appointed to the Board of the Company on 1 November 1999 as a Non-Independent Non-Executive Director. Dato' Robert Tan was re-designated as Executive Director on 23 March 2004 and was subsequently re-designated as Executive Director and Chief Operating Officer on 1 June 2013.

Dato' Robert Tan graduated from the University of Birmingham with a Bachelor of Commerce degree. He was with the Tan Chong Motor Holdings Berhad Group ("TCMH Group") as Treasurer and was also involved in various departmental functions within the TCMH Group.

His brothers, Dato' Tan Heng Chew, a Director of the Company and Mr. Tan Eng Soon are major shareholders of the Company. Dato' Tan Heng Chew, Mr. Tan Eng Soon and himself are also the directors and shareholders of Tan Chong Consolidated Sdn Bhd, another major shareholder of the Company. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Robert Tan attended all the five (5) Board Meetings held in 2016.

## PROFILE OF THE BOARD OF DIRECTORS

**DATO' N. SADASIVAN S/O N.N. PILLAY** DPMP, JSM, KMN

*Senior Independent Non-Executive Director*

**Dato' N. Sadasivan s/o N.N. Pillay**, aged 77, a Malaysian, was appointed to the Board of the Company as an Independent Non-Executive Director on 1 November 1999. He was re-designated as Senior Independent Non-Executive Director on 22 January 2013.

Prior to the changes of the composition of the board committees on 30 November 2016, Dato' N. Sadasivan was the Chairman of the Audit Committee and a member of Nominating Committee. Currently, he is the Chairman of the Nominating Committee and member of the Audit Committee.

Dato' N. Sadasivan graduated from the University of Malaya with a Bachelor of Arts (Honours) degree majoring in Economics in 1963. In the same year, Dato' N. Sadasivan commenced working for the Singapore Economic Development Board and was Head of the Industrial Facilities Division when he left to join Malaysian Investment Development Authority (previously known as Malaysian Industrial Development Authority) ("MIDA") in 1968. He was with MIDA for a total of 27 years and became its Director-General in 1984. He retired from MIDA in 1995.

Dato' N. Sadasivan is a director of Bank Negara Malaysia.

Dato' N. Sadasivan attended all the five (5) Board Meetings held in 2016.

**DATO' HAJI KAMARUDDIN @ ABAS BIN NORDIN** DSSA, KMN

*Independent Non-Executive Director*

**Dato' Haji Kamaruddin @ Abas Bin Nordin**, aged 78, a Malaysian, is an Independent Non-Executive Director. He has been a member of the Board and the Audit Committee since 1 November 1999. He was appointed as member of the Nominating Committee on 22 January 2013.

Dato' Haji Kamaruddin graduated from the University of Canterbury, New Zealand with a Master of Arts degree majoring in Economics in 1966. He joined the civil service upon his graduation and served the Government until he retired in 1993. During his tenure with the civil service, he held various senior positions, among them as Director, Industries Divisions in Ministry of International and Trade Industry ("MITI"), Deputy Secretary-General, Ministry of Works and Director-General of the Registration Department, Ministry of Home Affairs.

Dato' Haji Kamaruddin is a director of Lion Industries Corporation Berhad and Tan Chong Motor Holdings Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Haji Kamaruddin attended all the five (5) Board Meetings held in 2016.

**MR. SIOW TIANG SAE**

*Chief Business Development Officer*

**Mr. Siow Tiang Sae**, aged 59, a Malaysian, was appointed to the Board of the Company as Executive Director on 1 June 2013. His corporate title has been changed to Chief Business Development Officer effective 1 January 2015.

Mr. Siow graduated from Tunku Abdul Rahman College and is a member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants. Mr. Siow has more than 32 years of experience in audit, accounting, procurement, logistic, information technology and marketing.

Mr. Siow joined Tan Chong Motor Holdings Berhad in May 1982 as Senior Internal Auditor for about three (3) years and later joined the APM Automotive Holdings Berhad ("APM") Group in January 1985 where he was the Accountant for certain subsidiaries of the Company. Mr. Siow held senior positions includes heading the operations of interior division and APM Auto Components (USA) Inc. in USA.

In 2011, Mr. Siow was assigned to head the New Business Development Division for APM Group and was tasked to expand the business operations of the Group to overseas, spearheading the merger and acquisition exercise in addition to promoting joint venture arrangements. Mr. Siow has successfully acquired businesses in Australia and USA and formed joint ventures in the Netherland for past few years.

Mr. Siow attended all the five (5) Board Meetings held in 2016.

## PROFILE OF THE BOARD OF DIRECTORS

### MR. NICHOLAS TAN CHYE SENG

*Non-Independent Non-Executive Director*

**Mr. Nicholas Tan Chye Seng**, aged 43, a Malaysian, was appointed to the Board of the Company as Non-Independent Non-Executive Director on 1 June 2013.

Mr. Nicholas Tan graduated from Boston University School of Management with a Bachelor of Science Degree. He joined Tan Chong Motor Holdings Berhad Group ("TCMH Group") in 2008 and formed the Corporate Planning and Strategic Investments Division of TCMH Group. He is the founder of the marketplace for used vehicle ("MUV Marketplace") and developed supporting eco-system for car financing, car sharing, leasing and insurance product verticals. Today MUV Marketplace is a pioneer of the online marketplace for used vehicles with the highest gross merchandise value in transactions. He is currently spearheading the operations and management of TCMH Group and Warisan TC Holdings Berhad Group. He was formerly an Executive Director and Vice-President of research in global investment banks for 10 years in Kuala Lumpur, Singapore and Hong Kong prior to joining TCMH Group.

Mr. Nicholas Tan is the son of Dato' Tan Heng Chew, a Director and major shareholder of the Company. He is also the nephew of Dato' Robert Tan, a Director of the Company and Mr. Tan Eng Soon, a major shareholder of the Company. He has abstained from deliberating and voting in respect of transactions between the Group and the related parties involving himself.

Mr. Nicholas Tan attended four (4) out of the five (5) Board Meetings held in 2016.

### MR. SOW SOON HOCK

*Executive Vice President*

**Mr. Sow Soon Hock**, aged 59, a Malaysian, was appointed to the Board of the Company as Executive Director on 11 November 2013. His corporate title has been changed to Executive Vice President effective 1 January 2015.

Mr. Sow graduated from United Business Institute, Brussels, Belgium with an Executive MBA. He started his career with the APM Group in 1978, rising from supervisory and managerial positions in the Suspension Division and was subsequently transferred to the Original Equipment Manufacturer ("OEM") Marketing Division. He was promoted to Group Senior General Manager- Group OEM in 2005.

In July 2006, Mr. Sow was appointed as Executive Director of the Company, taking charge of sales and marketing function of the APM Group. He was subsequently re-designated as Non-Executive Director of the Company in July 2009 and retired from the Board in May 2010. In July 2011, Mr. Sow was appointed as the Head of TC Manufacturing (Sabah) Sdn Bhd, a subsidiary of Tan Chong Motor Holdings Berhad and was assigned to lead the Sabah new project.

Mr. Sow attended all five (5) Board Meetings held in 2016.

### MR. LEE TATT BOON

*Independent Non-Executive Director*

**Mr. Lee Tatt Boon**, aged 67, a Malaysian, was appointed to the Board on 30 November 2016 as an Independent Non-Executive Director, a member of the Audit Committee and Nominating Committee.

Mr. Lee qualified as a Barrister-at-law from Gray's Inn London and is an Advocate & Solicitor of the High Court of Malaya. He was also admitted as an Advocate & Solicitor in Singapore and Brunei during his time at SKRINE.

Mr. Lee has more than 40 years of experience in intellectual property law, in particular, copyright, patent and design, trademark and trade practices law. He is also a registered Trade Mark Agent, registered Design Agent and Patent Agent as well as a Notary Public. He became the Partner of the law firm SKRINE in 1981 and subsequently became the Consultant in January 2015.

Mr. Lee was the author and co-author of various publications and articles on Intellectual Property Law between 1991 to 2005. He also delivered a presentation on "The Role of Arbitration in Intellectual Property Disputes" at the International Conference on Settlement of International Commercial Disputes in October 2003. He was a former Associate Editor of Trademark World and former Editor of IP Asia. He has also written a book on Trademarks for Malaysia Businessmen.

Mr. Lee was the Vice Chairman of the Malaysian Chapter of the International Chamber of Commerce (ICC Malaysia) from February 2004 to 2011 and subsequently he was appointed as the Chairman in December 2012 to 2014.

Mr. Lee is currently a member of the Executive Board of ICC Malaysia, IP Committee of ICC Malaysia, Legal Affairs Committee of The Associated Chinese Chamber of Commerce of Malaysia and Member of the Malaysian Intellectual Property Association, Asian Patent Attorneys Association and International Trademark Association.

Mr. Lee did not attend any Board Meetings in 2016 as there was no Board Meeting being held subsequent to his appointment.



# PROFILE OF THE BOARD OF DIRECTORS

## MR. LEE MIN ON

*Independent Non-Executive Director*

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**Mr. Lee Min On**, aged 57, a Malaysian, was appointed to the Board on 30 November 2016. He is an Independent Non-Executive Director, a Chairman of the Audit Committee, a member of the Nominating Committee and Risk Management Committee.

Mr. Lee is a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a Chartered Fellow Member of The Institute of Internal Auditors, Malaysia.

Mr. Lee started his career with KPMG Malaysia in 1979 and retired as a Partner of the Firm on 31 December 2015. During his tenure with KPMG, he served in the external audit division before moving to helm the Firm's risk consulting practice, providing, inter-alia, board advisory services that encompassed corporate governance assessment, enterprise risk management and risk-based internal audit for both public listed as well as private corporations.

Mr. Lee co-wrote the "Corporate Governance Guide – Towards Boardroom Excellence" 1st and 2nd Editions which were published by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). He also sat on the Task Force which was responsible for developing the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers", a document issued by Bursa Malaysia in 2012. As a strong advocate for good governance and integrity in the market place, Mr. Lee regularly speaks at public seminars and conferences, including in-house sessions, sharing his thoughts and insights, particularly on Sustainability, Governance, Risk and Control.

Mr. Lee serves as a Non-Executive Director with Coalition for Business Integrity Berhad, an unlisted and not-for-profit organization that advocates the importance of integrating governance in conducting business, all with the view of raising the bar on corporate governance and integrity in the marketplace.

Mr. Lee also sits as an Independent Non-Executive Director of Tan Chong Motor Holdings Berhad, Warisan TC Holdings Berhad and Kotra Industries Berhad. He is also an audit committee member of The Institute of Internal Auditors, Malaysia.

Mr. Lee did not attend any Board Meetings in 2016 as there was no Board Meeting being held subsequent to his appointment.

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### Notes:

*Except for Dato' Tan Heng Chew, Dato' Tan Eng Hwa and Mr. Nicholas Tan Chye Seng, none of the other Directors has any family relationship with any other Director and/or major shareholders of the Company.*

*None of the Directors has any convictions for offences within the past 5 years other than traffic offences, if any and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.*

*Except as disclosed above, none of the Directors has any conflict of interest in any business arrangement involving the Company.*

## PROFILE OF KEY SENIOR MANAGEMENT

Key Senior Management of APM Automotive Holdings Berhad ("APM") Group comprises Dato' Tan Heng Chew - President, Mr. Low Seng Chee - Chief Executive Officer, Dato' Tan Eng Hwa - Chief Operating Officer, Mr. Siow Tiang Sae - Chief Business Development Officer, Mr. Sow Soon Hock - Executive Vice President, whose profiles are included in the Profile of the Board of Directors on pages 5 to 8 in the annual report 2016, and the following senior management personnel:-

### **MS. KHOO PENG PENG**

*Chief Financial Officer*

**Ms. Khoo Peng Peng**, aged 42, a Malaysian, was appointed as Chief Financial Officer of APM on 1 June 2014.

Ms. Khoo graduated with a Bachelor of Accountancy (Honours) from University of Malaya in 1999 and is an accountant by profession. She is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

She has more than seventeen (17) years of working experience in the areas of finance, accounting, corporate finance, auditing and taxation in a variety of industries including audit, property development, construction, building material manufacturing and automotive. She began her career with an audit firm, KPMG in 1999 and thereafter joined a public listed company in 2003 as Group Accountant. Prior to joining APM, she was under the employment of Tan Chong Motor Holdings Berhad as the Deputy Group Financial Controller.

### **MR. NG BOON HOOI**

*Head of Suspension Division*

**Mr. Ng Boon Hooi**, aged 54, a Malaysian, has been with APM for more than 30 years. He was appointed as the Head of Suspension Division in 2014.

He oversees the entire business operations of APM Suspension Group in Malaysia as well as Overseas Business operations in Vietnam and Indonesia. Prior to this, he has been in various subsidiaries within the APM Group as head of subsidiary. He has vast experience in manufacturing and assembly operation of leaf spring, coil spring, shock absorber and car seat products.

Mr. Ng graduated with a Master of Business Administration from Charles Sturt University in Australia and a Graduate Diploma in Purchasing & Supply from the Institute of Purchasing & Supply (UK). He is also a member of Chartered Institute of Purchasing & Supply (UK). He was sponsored by the Ministry of Labor, Japan to undergo APEC White Collar training on "Total Management System" in Japan back in 2000.

### **MR. KHO KIAT SENG**

*Head of Interior and Plastics Division*

**Mr. Kho Kiat Seng**, aged 59, a Malaysian, joined APM in May 2006 as General Manager. He was promoted to Senior General Manager in July 2012 and was subsequently appointed to head the Interior and Plastics Division in 2014.

He graduated from Monash University, Australia with a Bachelor of Materials Engineering degree.

He has more than 30 years of working experience in manufacturing plant operations and management in various industries ranging from ceramic, iron and steel as well as automotive components.

## PROFILE OF KEY SENIOR MANAGEMENT

### MR. TAN AH SWEE

*Head of Engineering and Research Division*

---

**Mr. Tan Ah Swee**, aged 63, a Malaysian, joined APM in August 1985 and was appointed as the Head of APM Engineering & Research in January 2015.

Mr. Tan graduated from University Malaya with a Bachelor of Mechanical Engineering (Hons) degree in 1978.

Mr. Tan has more than 38 years of working experience in high volume semiconductor production and process engineering, setting up of automotive air-conditioning manufacturing plant and subsequent management position in APM covering Corporate Quality & Environment (TS16949 & ISO14001), air-conditioning manufacturing, polyurethane and plastic manufacturing, and engineering & research. Prior to joining APM, he worked as the plant manager for an automotive air-conditioning manufacturing plant.

### MR. CHYE MUN HENG

*Head of Electrical and Heat Exchange Division*

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**Mr. Chye Mun Heng**, aged 53, a Malaysian, was appointed as the Head of Electrical and Heat Exchange Division in 2014. He is in charge of the companies within the APM Group which manufacture products such as air-conditioning systems, radiators, starter motors, alternators, wiper system, distributors and other electrical parts. In addition, Mr. Chye is also in charge of a company that develops Internet of Things telematics platform and In-vehicle Infotainment systems.

Mr. Chye graduated from Universiti Pertanian Malaysia, now known as Universiti Putra Malaysia, with a Bachelor of Mechanical Engineering degree.

Mr. Chye has more than 20 years of working experience in automotive component manufacturing as well as sales and marketing of automotive components.

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#### Notes:

None of the Key Senior Management members has:-

- any family relationship with any Director and/or major shareholder of the Company;
- any conflict of interest with the Company;
- any conviction of offences within the past five (5) years other than traffic offences, if any;
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year;
- any directorship in public companies and listed company

The disclosure on the particulars of the Key Senior Management of APM is made in compliance with the requirements under Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

# PRESIDENT'S STATEMENT



## DEAR VALUED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, IT GIVES ME GREAT PLEASURE TO PRESENT THE ANNUAL REPORT OF APM AUTOMOTIVE HOLDINGS BERHAD (THE "COMPANY") AND ITS GROUP OF COMPANIES (THE "GROUP") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016.

2016 was indeed a challenging year for the Malaysian economy. The Malaysian economy registered a slight moderation of growth for the first half of the year (1Q 2016 : 4.2% and 2Q 2016 : 4.0%). The growth was weighed down by the continued decline in net exports and cautious spending by the private sector in view of heightened uncertainties in the global economy. Inflationary pressure was high due to the reduction in electricity tariff rebates in January 2016. The Ringgit faced stronger depreciation pressure against the US dollar due to continued volatility in global crude oil prices and uncertainties surrounding the US monetary policy.

For the second half of the year, the Malaysian economy showed supportive growth with GDP growth at 4.3% and 4.5% for Q3 2016 and Q4 2016 respectively, underpinned by continued expansion in private sector expenditure and additional support from net exports. While the economy expanded, financial market volatility increased due to concerns over global events in the advanced economies, such as policy and political uncertainties following the outcome of the presidential election in the US and Britain's vote to exit the European Union.

Against this backdrop, the automotive industry felt the inevitable impact of the deteriorating and difficult operating environment. Total Industry Volume ("TIV") stood at 580,124 units in 2016 as compared to 666,674 units achieved for 2015, representing a significant drop of 13.0%. This was the lowest TIV recorded for the past six consequent years that went below the 600,000 mark.

Amidst such an adverse operating environment, the Group continued to focus on expansion, operational execution and strengthening of research and development abilities.

## GROUP FINANCIAL PERFORMANCE REVIEW

In 2016, the Group continued to drive value from its core automotive business by investing in new businesses and markets such as Internet of Things ("IoT") and the formation of a new joint venture in Vietnam. Such measures were accomplished despite ongoing weak customer demand in a subdued Malaysian automotive sector, and ongoing currency volatility.

For the financial year ended 31 December 2016, the Group registered a revenue of RM1,236.6 million and profit before tax of RM83.2 million. The operating performances of the business segments were generally better or marginally lower, except for the Interior & Plastics Division and Indonesia Operations. Nevertheless, the Interior & Plastics Division remained the key contributor to the Group's bottom line, contributing 43.0% of the Group's profit before tax. The overseas operations, excluding Indonesia, achieved growth of 4.4% in profit before tax, whilst Indonesia Operations suffered higher losses as new production lines have only recently become operational.

The Group's financial performances and business segments performance review are further detailed in the "Management Discussion and Analysis" section of the annual report.



# PRESIDENT'S STATEMENT

## DIVIDENDS

The Group continues to view the dividend as the key element of shareholders' return and hence, the Board declared an interim single tier dividend of 5 sen per ordinary share for the financial year ended 31 December 2016 (2015 : 7.5 sen per ordinary share), which was paid on 29 September 2016. Further, the Board recommends the payment of a single tier final dividend of 10 sen per ordinary share for the financial year ended 31 December 2016 (2015 : 12 sen per ordinary share) for shareholders' approval at the forthcoming Annual General Meeting.

The aggregated dividend for the year is 15 sen per ordinary share (2015 : 19.5 sen per ordinary share) will result in a total dividend payment of RM29.4 million (2015: RM38.2 million) if the proposed final dividend is approved by the shareholders.



## OUTLOOK

The global economy is expected to remain on a moderate growth path. Downside risks continue to prevail, arising from volatility in commodity prices and uncertainties over the policy and geopolitical development in major developed economies. On the domestic front, the Malaysian economy is expected to remain resilient and is expected to grow by 4.3% in 2017 as forecasted by the World Bank.

Malaysian Automotive Association ("MAA") has forecasted the TIV for the year 2017 to be 590,000 units, representing 1.7% increase from 2016's TIV of 580,124 units. We anticipate the outlook for the Group's business to remain challenging due to consumer sentiment having grown increasingly cautious in Malaysia. However, recent success and growth both regionally and globally provide a counter balance to the prevailing economic conditions in the increasingly competitive Malaysian automotive space. Furthermore, the level of uncertainty and volatility in the already weak Ringgit is expected to continue.

However, with our robust financial position and vast industry experience, we will continue to nurture and grow our businesses in both the domestic and global scene. We are optimistic that our ongoing strategies of product innovation, regional and global expansion, cost containment initiatives and production efficiency improvements will drive future turnover growth and profitability.

## CHANGE IN BOARDROOM

This year, we bid farewell to Dato' Heng Ji Keng who was an Independent Non-Executive Director since 2011. I would like to take this opportunity to express my deepest gratitude to Dato' Heng Ji Keng for his valuable contributions to the Group, and wish him the best in his future undertakings. At the same time, I warmly welcome Mr. Lee Tatt Boon and Mr. Lee Min On who bring with them a wealth of experience as new Independent Non-Executive Directors of the Company.

## ACKNOWLEDGEMENTS

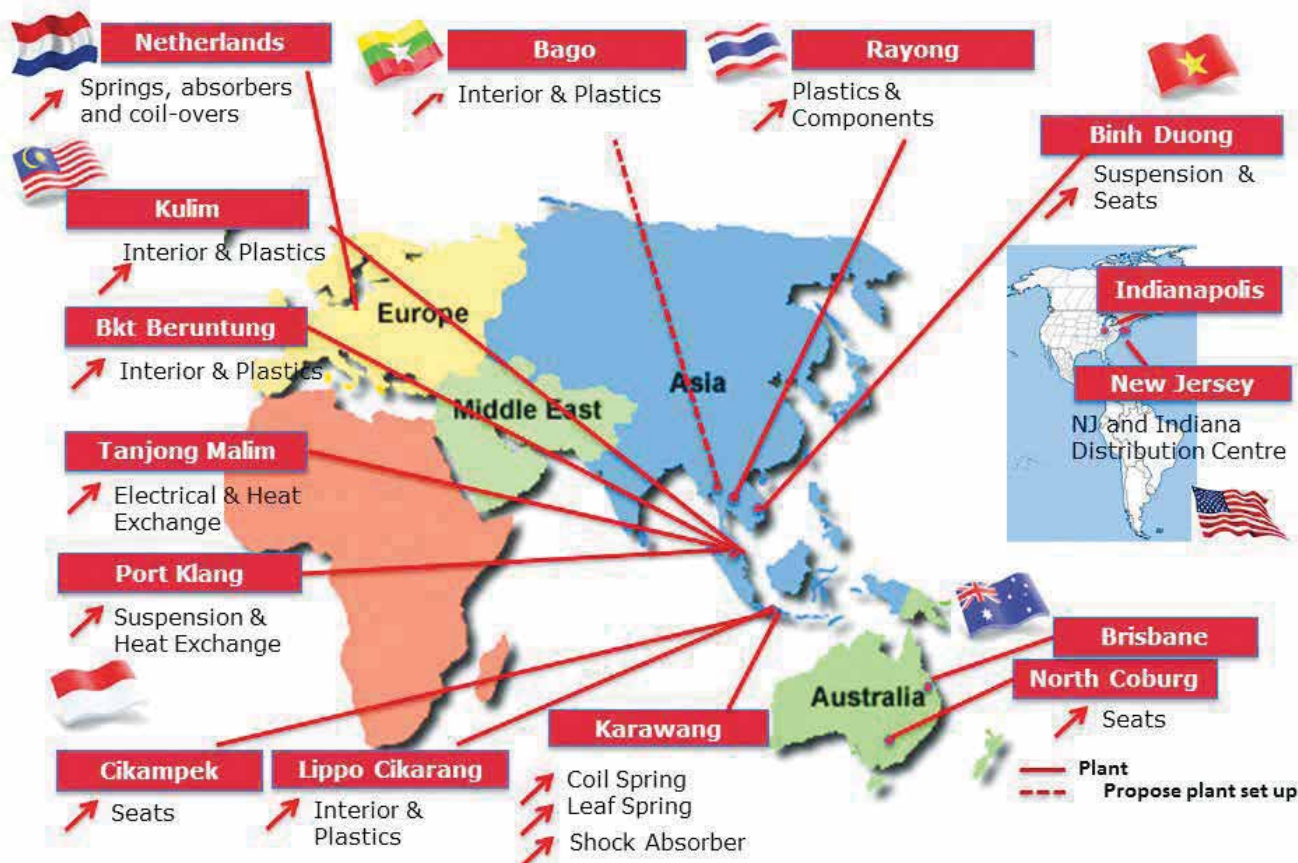
On behalf of the Board, I would like to thank our group of exemplary directors who have been instrumental to the Group's successful and rewarding journey to-date. I would also like to express my heartfelt gratitude to the Management for guiding the Group seamlessly; and all our employees for their dedication and our business partners, suppliers and distributors for their continuous support and loyalty over the years.

On behalf of the Board,

**Dato' Tan Heng Chew**  
President

# MANAGEMENT DISCUSSION AND ANALYSIS

## Geographical Diversification



### GROUP FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2016, the Group's revenue grew by RM83.8 million or 7.3% to RM1,236.6 million, compared to the preceding year of RM1,152.8 million. The growth in revenue was led by Interior & Plastics segment which saw higher localisation content for certain Original Equipment Manufacturer ("OEM") parts coupled with new model launches. These, along with our overseas ventures in Australia, Vietnam and Indonesia have contributed positively to the revenue increase for the financial year.

Group gross margin for the financial year ended 31 December 2016 was 17%, slightly higher compared to last year of 16.6% mainly due to cost optimisation initiatives and favourable product mix in the Suspension Division.

Despite the growth in revenue, the Group's bottom line came under pressure due to the adverse operating environment. Profit before tax stood at RM83.2 million, down by 12.4% from RM95.0 million in the previous financial year. The lower profit before tax was mainly recorded in the Interior & Plastics Division where already

thinning margins came under intense pressure due to a weakening Ringgit and a higher inventory write-off and provision for obsolete stock, amounting to RM6.5 million compared to last year. Meanwhile our Indonesian operations suffered higher losses as new production lines for leaf spring and coil spring became operational, registering start-up losses due to depreciation charges and higher initial operating costs.

### STATEMENT OF FINANCIAL POSITION

The Group's financial stability was reflected in net assets per share which grew steadily from RM6.05 in 2015 to RM6.14 in 2016 with cash and cash equivalents including other investments totalling RM331.0 million in 2016 (2015 : RM406.2 million).

Current assets decreased by 1.9% to RM875.4 million. This decline is largely attributed to the reduction in cash and cash equivalents (including other investments) of RM75.2 million which was used for the Group's capital expenditures. The reduction, is however, partly negated by the higher trade and other receivables of RM36.4 million as a result of higher sales in the last quarter of

# MANAGEMENT DISCUSSION AND ANALYSIS

2016. Meanwhile, non-current assets increased by 8.0% or RM53.1 million predominantly from higher property, plant and equipment (net of depreciation) by RM44.4 million in 2016.

Current liabilities were at RM294.4 million, up RM10.2 million from the preceding year mainly due to a progress payment for a vacant land purchased during the year. Non-current liabilities increased by 17.2% to RM53.4 million attributable to higher provision for employee benefits and deferred tax liabilities.

Looking ahead, by adopting a prudent capital management framework, we believe our financial position will provide us sufficient flexibility in the pursuit of our growth and expansion plans.

## CAPITAL EXPENDITURES AND CASH FLOWS POSITION

Capital expenditure for the year was 7.2% of revenue, or RM88.9 million. This capital investment includes the cost of construction for our new manufacturing plant in Thailand, testing facilities and tooling investments to cater for new models as well as further regional expansion. In addition, the Group has contracted capital expenditures of RM42.7 million mainly for land purchase and building of plants. These capital expenditures were funded via internally generated working capital.

Cash flow generated from operating activities was RM78.3 million, representing a significant decrease of 53.6%. The reduction in cash from operating activities was largely the result of higher sales during the last quarter of the year, coupled with a progress payment of RM10 million for the acquisition of land.

During the year, the Company established an Islamic Commercial Paper ("ICP") and Islamic Medium Term Notes ("IMTN") programme of up to RM1.5 billion in nominal value, each subject to a combined aggregate limit of up to RM1.5 billion in nominal value under the Shariah principle of Murabahah (collectively, the "Sukuk Murabahah Programmes"). The objective of this was to build-up a war-chest to support our transformation for growth, whilst leveraging debt to lower the cost of capital.

## BUSINESS DIVISIONS - PERFORMANCE REVIEW, PROSPECT AND STRATEGIES

The Group's operating businesses are organised into seven divisions, each offering a different group of products or activities, these include: Suspension, Interior & Plastics, Electrical & Heat Exchange, Marketing, Non-reportable Segment, Indonesia Operations and All Other Segments.

The prospect and outlook of business segments (primarily automotive industry) are further detailed in the "President Statement" section of the annual report.

## SUSPENSION DIVISION

Backed by our years of experience and possessing a comprehensive range of suspension products coupled with our own in-house design and Research & Development capabilities, we pride ourselves on being recognised as a World Class, OEM quality leaf spring manufacturer.

In 2016, the Suspension Division registered revenue of RM209.7 million, down by 6.5% from RM224.3 million a year ago due to a lower contribution from certain OEM parts that have reached the end of their product life cycle. Nevertheless, the Division saw its profit before tax improve by 5.4% to RM23.2 million in 2016, from RM22.0 million in the preceding year. Despite the impact of lower revenue, the profitability of the Division improved due to the higher margins earned on export and local replacement market sales.



Adjustable  
Shocks



Barrel  
Coil Spring



Leaf Spring -  
Complete  
Set



## MANAGEMENT DISCUSSION AND ANALYSIS

As part of our ongoing innovation initiatives adopted in 2016, the Division has collaborated with market specialists notably in the leaf spring sector for commercial vehicles and pick up trucks to differentiate our products from competitors. In addition, the Division has carried out and completed our Solar Power Generating Project (“Solar Project”) under SEDA (“Sustainable Energy Development Authority Malaysia”), which allowed us to enjoy a new steady stream of income.

Looking forward, we continue to see new opportunities and some new sources of demand internationally. The Division remains steadfast in developing high quality products and progressing towards a highly automated manufacturing process. The Division aims to evolve from a component manufacturer to a full-fledged system supplier, offering converged products and services to a broad international customer base.

### INTERIOR AND PLASTICS DIVISION

Revenue in 2016 amounted to RM830.4 million, surpassing the RM754.0 million recorded in 2015, reflecting a growth of 10.1%. The uplift in the Division’s revenue was primarily driven by new model launches coupled with higher localisation content for certain OEM parts for both new and existing vehicle models. The higher revenue was also caused by the consolidation of RM54.7 million of revenue from APM TACHI-S Seating Systems Sdn Bhd (“ATS”) which became a subsidiary of the Group at the end of 2015. In previous years, the Group’s consolidated financial statements included only the Group’s share of the profit or loss of ATS.

Despite the revenue growth, profit before tax was lower at RM35.8 million, a decrease of 18.6% from RM44.0 million posted in 2015. Profitability was impacted by the higher unfavourable inventories adjustments amounting to RM6.5 million compared to 2015. Furthermore, the continued weakness of the Ringgit has taken a toll on raw material costs and combined with the unfavourable product mix continues to aggravate the performance of

the Division. The inventory adjustment was a proactive and prudent step undertaken by the Division to tighten up its inventory management policies whereby slow moving and obsolete inventories were identified and written off. Stripping out the inventory adjustments, the Division would have achieved a stronger profit before tax of RM49.7 million.

2016 was a year of strategic consolidation and investment for the Interior & Plastics Division. These two key actions will promote growth and allow us to capitalise on the full value of our market position for future years.

The Division undertook an internal consolidation exercise to integrate its automotive interior plastic component and plastic injection and extrusion moulded parts operations in the current year under review. This internal consolidation aims to provide the Division with an improved structure to better position itself as an integrated interior systems provider while at the same time improving operational efficiency, realising greater economies of scale and harnessing the full potential of its manufacturing capabilities as a combined operation.

In addition, the Group also embarked on another joint venture with Delta Kogyo Co., Ltd (“Delta Kogyo”) on 28 October 2016. As Delta Kogyo is one of the technical partners of the Group, the joint venture will enable both parties to leverage on each other’s knowledge and experience to bring greater synergy in expertise and know-how in design, development, manufacturing, assembly and sale of automotive seats. This investment is appropriate to capture the opportunities to expand our current seat business domestically as well as overseas.

As the Division’s revenue is primarily derived from local OEM, the key goals for the year ahead are to drive growth by leveraging our manufacturing and R&D capabilities to broaden the product range and identify new partnerships through joint ventures with global technical alliances. Driven by plant location with close proximity to major car manufacturers, the Division is well positioned to drive cost optimisation and commercial efficiencies.



Solar



# MANAGEMENT DISCUSSION AND ANALYSIS

## ELECTRICAL AND HEAT EXCHANGE DIVISION

The Electrical and Heat Exchange Division generated revenue of RM175.2 million in 2016, a 1.0% marginal increase from RM173.4 million in 2015. The increase was primarily attributable to higher demand from OEM customers following the launch of new models in the last quarter of the year. Despite the higher revenue, profit before tax decreased by RM0.5 million or 3.3% to RM14.6 million in 2016 from RM15.1 million in 2015. Included in the results for 2015, was an amount of RM2.0 million from reversal of provision of costs.

Our strategies in 2016 for the Electrical and Heat Exchange Division remained unchanged, that is to develop products that provide connectivity for devices, systems and services. The aim is to position the Division to benefit from the Internet of Things ("IoT") related opportunities as well as strengthen new product development capabilities.

**CARDIO**  
making cars smarter



Infotainment  
System

To diversify beyond our conventional auto parts business, the Group subscribed to a 52% stake in Omnimatics Sdn Bhd ("Omnimatics") on 28 December 2016. Omnimatics is involved in the development of the flagship product, CARDIO TM – an IoT telematics platform that connects vehicles to the cloud, with the intent of making day-to-day driving a better and safer experience through information awareness. The platform comprises both purpose-specific hardware that transmits vehicular information to the cloud and a software platform that generates actionable data for commercialization. This business will enable us to tap into new opportunities by automating our traditional parts into technology-driven parts in tandem with the revolution of the automobile industry with IoT application.

To secure the sustainability of the business, the Division is deepening and broadening its market penetration in the Replacement Market ("REM") for all vehicle models. During the year, the Division made good progress on launching new products like parallel flow evaporator and parallel flow condenser. Nevertheless, to stay competitive in the replacement market, the Division needs to drive a meaningful improvement in the cost base, which includes increased focus on direct cost optimisation, multi-sourcing for lower material costs and enhancing production efficiency.

## MARKETING DIVISION

The Marketing Division comprises activities mainly in the trading and distribution of automotive components and parts manufactured by the Group for the replacement and export markets.

The Marketing Division delivered a commendable performance with revenue up by 19.1% to RM213.3 million from RM179.1 million in the previous year and profit before tax grew by 13.2% to RM8.6 million against RM7.6 million recorded in 2015. The revenue growth was underpinned by innovative promotional and market-driven campaigns coupled with strong export sales which are primarily denominated in the US Dollar. In addition, the introduction of new product ranges and an increase of overseas customers especially in ASEAN, Europe and the USA during the year have aided the revenue growth. The growth in revenue has in turn translated into improved profitability. The favourable product mix also contributed to the better result of the Division.

In the domestic replacement market, the Division has established a good presence via its network of 463 dealers across all states in Malaysia. Complementing the existing auto parts manufactured in-house, the Division has ventured into trading of other related products to improve its revenue and profitability.

Our export marketing arm, with a customer base across 64 countries, has successfully secured 18 new customers that contributed RM5.2 million of new turnover for the year, overall export sales increased by approximately RM20 million. Participation in Automechanika Frankfurt 2016, the world's leading trade fair for the automotive service industry, has further improved APM's brand footprint and global network.



Exhibition at  
Automechanika  
Frankfurt

## MANAGEMENT DISCUSSION AND ANALYSIS

By setting-up plant operations in the ASEAN region, the Marketing Division has the opportunity to expand further in the REM business in these countries, replicating our success in Malaysia. Capitalising on APM's R&D capabilities and market knowledge, the Division will continue to initiate in-house developed products, not only to complement its existing range but also to explore new product segments that will widen its customer base in both the REM and export markets.

Other key focus areas for the Division include cost containment, improved inventory management and product availability and the development of an online interactive e-catalogue and digital marketing strategy.

### NON-REPORTABLE SEGMENT, MALAYSIA

This segment comprises mainly of operations relating to the rental of properties in Malaysia, casting, machining and assembly of aluminium parts and components, distribution of motor vehicles and provision of management services, engineering and research services for companies within the Group.

The revenue grew by 28.1% in the Non-reportable segment, Malaysia to RM56.1 million from RM43.8 million. This segment recorded a higher profit of RM2.1 million compared to RM1.3 million in the previous year mainly due to recognition of fair value gain on investment properties of RM2.1 million (2015 : RM0.6 million).



### INDONESIA OPERATIONS

The Indonesia Operations refer to the Group's wholly-owned subsidiaries producing suspension products such as coil spring, shock absorber and leaf spring as well as the Group's investment in joint ventures and associates in Indonesia.

Revenue derived from the Indonesia Operations was up more than twofold to RM38.2 million in 2016, buoyed by the high take-off in OEMs for newly launched vehicle models. Leaf spring sales contributed as well since the commencement of its operation during the year. In spite of the revenue hike, losses widened to RM11.2 million in 2016 from RM4.7 million a year ago. The Indonesia Operations results were aggravated by the onset of depreciation charges on plant and machineries and higher initial operating costs for its new manufacturing plants which commenced operations in 2016.

Indonesia is presently seen as one of the fastest growing markets for automobiles with its growing economy, rising disposable incomes and emerging middle class. With strategic plans afoot to further strengthen our foothold in Indonesia, we have commenced our leaf spring and shock absorber manufacturing lines and the start-up of a second coil spring production line. These new operations are equipped with state-of-the-art machinery such as automated NC coiling machine and two-stage heating furnace that will enhance productivity, cost efficiency and whilst maintaining high OEM quality standards.

Moving forward, the Indonesia operations will continue to build on its strong foundations, learning from Malaysia's internationally successful Suspension Division with the aim of replicating its strengths, OEM pedigree and reputation for quality and reliability. We anticipate sales will improve during 2017 as the new plants contribute a full year of sales turnover.



# MANAGEMENT DISCUSSION AND ANALYSIS

## ALL OTHER SEGMENTS

This business segment is made up of our overseas operations in Vietnam, Myanmar, Thailand, Australia, USA and Netherlands (“Operations Outside Malaysia”).

Revenue from Operations Outside Malaysia remained the key revenue growth driver for the Group, registering a surge of 35.7%, year-on-year to RM131.4 million. The growth was led by strong performances in Australia and Vietnam. In local currency terms, the revenues in Australia and Vietnam grew 25.0% and 37.4% respectively. The revenue growth in our Australian subsidiary, McConnell Seats Australia Pty. Ltd. (“MSA”) was mainly due to the realisation of the revenue from the acquisition of assets associated with Locomotive Seats Australia in early 2016 in order to gain a foothold in the Queensland market. Higher off-take from OEMs for leaf spring and new sales secured for the seat business have contributed to the increase in APM Vietnam’s revenue.

Despite the notable growth in revenue, the segment profit before tax was RM9.9 million, grew by 5.3% from RM9.4 million. The pre-operating cost amounting to RM1.8 million (in particular relating to land and staff cost expenses) incurred in Myanmar and Thailand operations had lowered the profitability of the segment.

As part of our strategies to expand ourselves geographically, the Group entered into a Joint Venture Agreement with TACHI-S (Thailand) Co., Ltd. on 12 August 2016 to carry on the business of designing, developing, manufacturing, assembling and sale of automotive seats in Vietnam for the OEM. This joint participation will further demonstrate the Group’s commitment to formulate strategies to enhance coverage across our regional footprint outside Malaysia.

During the year, we have completed the construction of our new production facilities in Thailand which was targeted to be fully operational by first quarter of 2017. As a new operation, the Thailand team will focus on driving sales with an internal emphasis on efficient resource management, cost containment and increased technical training of workers to improve production efficiency.

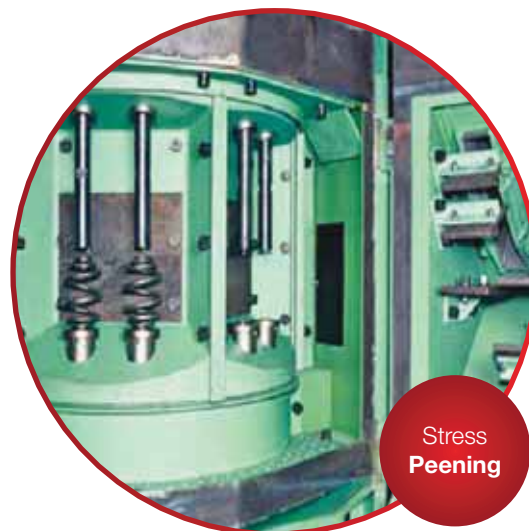
The next crucial step for MSA for the year 2017 is to ensure a smooth relocation of plant following its acquisition of land and building situated at 130 Northcorp Boulevard, Broadmeadows, Victoria. The relocation will allow MSA to expand its production capabilities and reduce rental cost which increases yearly.

## PROGRESSING GROUP WIDE STRATEGIES

### Expansion

We are now two years into our transformation journey and have made significant progress. The journey enables us to drive value for our core business and at the same time build pathways for future growth with emphasis on our four strategic priorities i.e. expansion, efficient and cost effective operations, research and development and branding enhancement activities.

Supporting the growth goal, we have invested strategically to expand the Group, both in terms of capacity and our international presence as evident in our recent joint ventures and acquisition of businesses. Such synergies will continue to provide us with greater capacity and growth by achieving economies of scale; minimising our cost structure and enhancing our innovative and competitive abilities on a regional scale. We remain committed in our expansion plan for upstream and downstream business locally and regionally.





# MANAGEMENT DISCUSSION AND ANALYSIS



Ingress-Egress  
Testing Cell



Multi-Test  
Bed Machine

## Our People

For more than 40 years, our focus has always been on the greatest asset to the Group: the loyal and dedicated employees, whom have weathered uncertain times and grown with the Group. Our people are behind every aspect of our strategy and execution. We deployed the SAP SuccessFactors, the human capital solutions, in managing the performance of employee workforce against their yearly Key Performance Indicators ("KPI").

We engaged our employees on issues related to our strategy, products and services offering and latest development in the Group in a variety of ways, including intranet, emails and annual management conference as well as through direct dialogue with individual company/department head. For two consecutive years, our employees are invited to participate in HR Asia Workplace and Employee Engagement Survey conducted by Business Media International which allow us to measure engagement levels, identify ways to improve how we do things and compare ourselves with 280 other companies. This year, our engagement index has increased. Once again, APM is one of the winners of the HR Asia Best Companies To Work For In Asia 2016.

## Research and Development ("R & D")

Our R & D team has also played a pivotal role in our transformation journey. In keeping with our unique positioning in R & D, we pledge to offer our customers a diversified range of high quality and commercially viable new products to meet our customers' increasingly high expectations. During the year in review, our R & D activities focused on enhancing our product selection and innovative design. Our first luxury coach seat design has received good publicity in Korea's automotive industry. We are proud that our in-house unique suspension components design has commenced operation.

Throughout the years, APM recognises the need for a broad range of testing services. APM has since invested substantially to upgrade the testing facilities. As of today, the test centre situated in Port Klang houses advanced technologies and cutting-edge equipment such as Headrest testing system, Multipurpose Test Bed, Damper Module Tester, 2 Axis Seat System Vibration Machine, KUKA Occubot and etc. The test centre will help reduce costs and improve product quality for all manufacturing companies within the Group, whilst also providing customers International OEM standard product development support.

For sustainable growth, we are strategically positioning our central testing laboratory as an independent test laboratory offering product development and certification testing to external customers.



Seminar



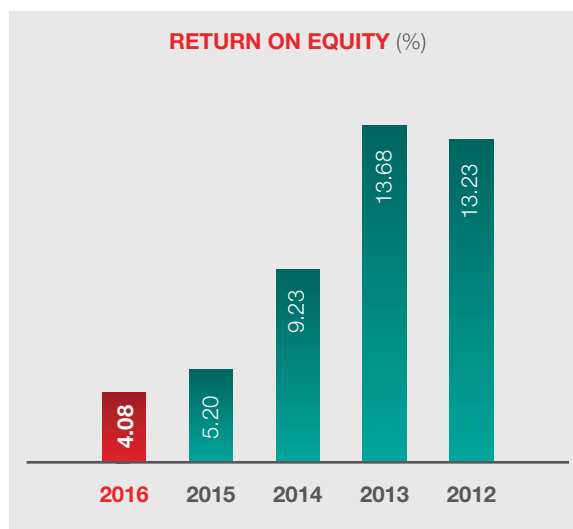
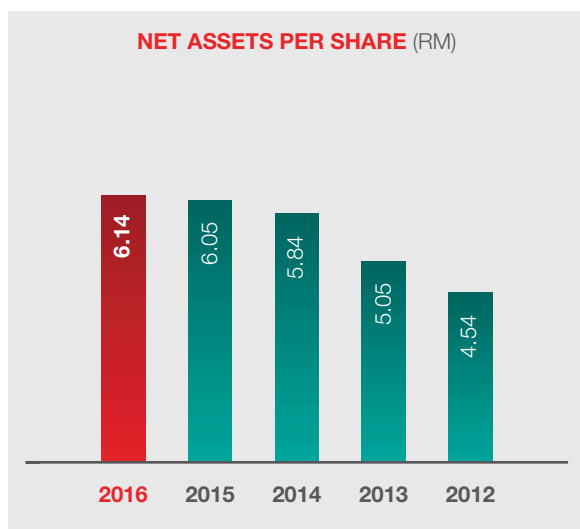
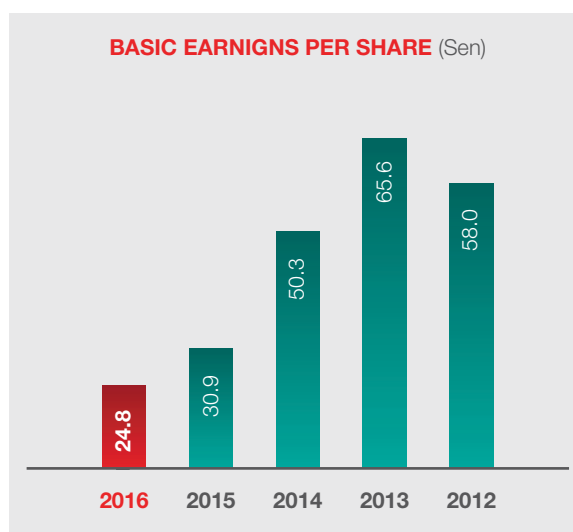
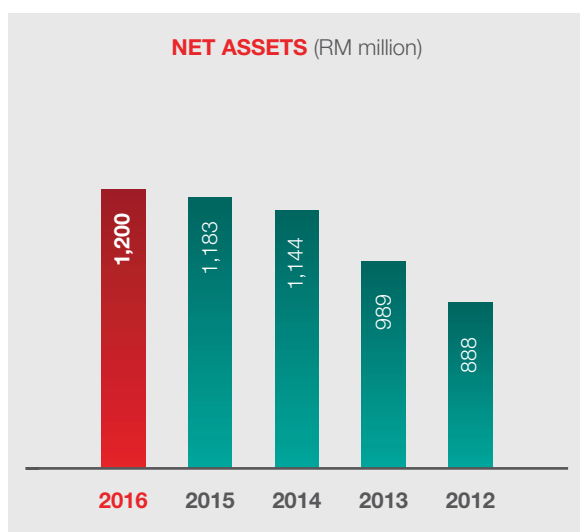
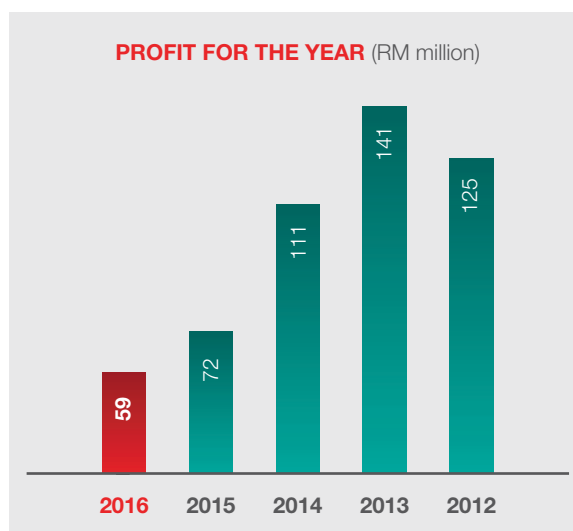
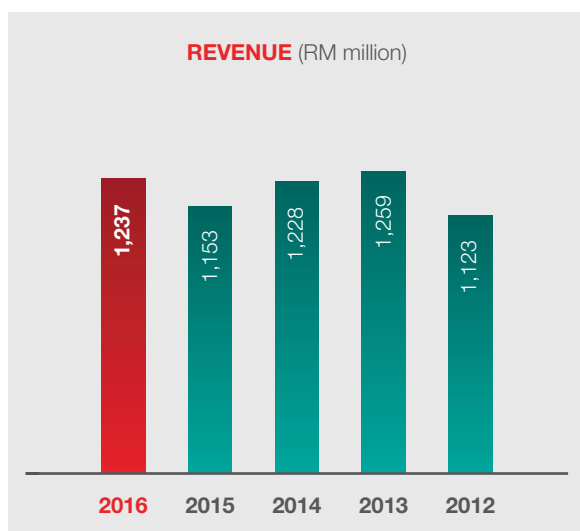


## 5 YEARS FINANCIAL HIGHLIGHTS

	2016 RM'000	2015 RM'000	2014 RM'000	2013 <sup>1</sup> RM'000	2012 RM'000
<b>RESULTS</b>					
<b>Revenue</b>	<b>1,236,630</b>	1,152,839	1,227,870	1,259,020	1,123,147
Profit before tax	<b>83,207</b>	95,026	145,285	182,004	159,524
Taxation	<b>(23,836)</b>	(23,113)	(34,133)	(40,635)	(34,337)
<b>Profit for the year</b>	<b>59,371</b>	<b>71,913</b>	<b>111,152</b>	<b>141,369</b>	<b>125,187</b>
Attributable to:					
Equity holders of the Company	<b>48,582</b>	60,490	98,403	128,290	113,602
Non-controlling interests	<b>10,789</b>	11,423	12,749	13,079	11,585
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Assets</b>					
Property, plant & equipments	<b>510,972</b>	466,610	406,103	234,123	212,477
Prepaid lease payments	<b>17,888</b>	16,926	14,869	14,586	15,286
Investment properties	<b>103,294</b>	97,854	97,290	91,917	17,002
Equity-accounted investees	<b>41,949</b>	41,411	43,388	41,106	30,956
Intangible assets	<b>24,601</b>	23,381	11,632	873	474
Deferred tax assets	<b>11,712</b>	11,101	14,731	15,683	12,801
<b>Total non-current assets</b>	<b>710,416</b>	<b>657,283</b>	<b>588,013</b>	<b>398,288</b>	<b>288,996</b>
Current assets	<b>875,364</b>	893,123	910,589	891,139	831,111
<b>Total assets</b>	<b>1,585,780</b>	<b>1,550,406</b>	<b>1,498,602</b>	<b>1,289,427</b>	<b>1,120,107</b>
<b>Equity</b>					
Share capital	<b>201,600</b>	201,600	201,600	201,600	201,600
Reserves	<b>1,011,871</b>	995,091	954,774	799,718	698,840
Treasury shares	<b>(13,297)</b>	(13,289)	(12,818)	(12,806)	(12,796)
Equity attributable to owners	<b>1,200,174</b>	1,183,402	1,143,556	988,512	887,644
Non-controlling interests	<b>37,772</b>	37,220	32,949	26,200	20,821
<b>Total equity</b>	<b>1,237,946</b>	<b>1,220,622</b>	<b>1,176,505</b>	<b>1,014,712</b>	<b>908,465</b>
Non-current liabilities	<b>53,412</b>	45,577	39,694	15,853	14,531
Current liabilities	<b>294,422</b>	284,207	282,403	258,862	197,111
<b>Total equity and liabilities</b>	<b>1,585,780</b>	<b>1,550,406</b>	<b>1,498,602</b>	<b>1,289,427</b>	<b>1,120,107</b>
<b>FINANCIAL STATISTICS</b>					
Basic earnings per share (sen)	<b>24.84</b>	30.90	50.30	65.60	58.05
Gross dividend per share (sen)	<b>15.00</b>	19.50	19.50	52.00	32.00
Net assets per share (RM)	<b>6.14</b>	6.05	5.84	5.05	4.54
Return on shareholders equity (%)	<b>4.08</b>	5.20	9.23	13.68	13.23

<sup>1</sup> Comparative figures have been restated to take into account the effects of the change of accounting policy in respect of accounting for investment properties

## 5 YEARS FINANCIAL HIGHLIGHTS



# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

APM Group recognises that the principles of doing business and ensuring sustainability are key business drivers that distinguish our business in delivering long term benefits for stakeholders.

While our vision is “To be the leading automotive parts supplier in Malaysia and ASEAN”, we are committed in the Corporate Social Responsibility through the various activities carried out during the year, in particular Environment, Workplace and the Community. Clear goals translated into specific roles and responsibilities are at the heart of our corporate strategy.

## ENVIRONMENT

The symbiotic relationship between human and the environment is made more apparent by the recent weather events that echoed around the world. As the world industrialises, the effects on the environment magnifies; greenhouse effects, toxic emissions and discharges produced a detrimental effect on our planet.

The culture of environmental stewardship includes operating facility and equipment in compliance with governmental standards while protecting employees.

### Renewable energy

During the year, APM has managed to obtain the feed-in approval to supply renewable energy generated to Tenaga National Berhad. Since then, APM has invested and built a solar power facility for power generation (“Solar Project”).

The Solar Project undertaken by the APM is a modern mechanism to generate Renewable Energy and reduce the consumption of fuel and water, thereby conserving precious natural resources and contributing to a greener and healthier environment.



Solar

## WORKPLACE



Team Building

### Commitment to Employees

A company is only as good as the people working in it, and for it. APM Group is supported by 3,500 employees and we view our employees as the biggest asset, and believes that building a diverse workforce can help to

maintain the Group’s sustainability in the marketplace. In our hiring process, we will always keep in mind that we are hiring future leaders and not just to fulfil our current manpower needs. Diversity practice guidelines in terms of ensuring gender, ethnicity and age group balance at workplace were put in place and this guideline provides Human Resources Department to act accordingly. Employees of different backgrounds, gender, age, ethnicity, and religion are given equal opportunity for career development and progression.

With high levels of employees’ engagement and excellent workplace cultures, we have strengthened our reputation as one of the preferred employers by being bestowed the “Best Companies to Work for in ASIA” Award by HR Asia for the second year running in 2016. With this recognition, APM Group will continue in engaging employees and enhancing the Group’s ethics with our stakeholders.

This award best amplifies how we care for the people and provides the required resources to increase employees’ level of satisfaction and performance so as to continually deliver higher productivity for business growth and sustainability.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

## Occupational Safety and Health

APM is the largest auto parts manufacturer in Malaysia; inevitably, the nature of business operations creates risks and hazards for workers and the public. APM manufacturing processes are also subject to relevant laws and regulations in Malaysia on occupational safety, health and environmental protection.

To protect public safety, the Group implements prudent safety measures and places great emphasis on continuous system improvement through the structured management system i.e. APM Manufacturing System (“AMS”). Subsidiaries of APM have been certified to ISO 14001 Environmental System and TS 16949 Quality System.

We are also actively involved in the “Completely Check Completely Find out” (“CCCF”) program which was introduced by a renowned global OEM customer on the “Unsafe Condition, Unsafe Act, Near Miss and Accident” within the plant environment.

The objectives of the CCCF program is to ensure that the work hazards are completely checked and suggestions for improvement is to be implemented as well to create the safety environment mind-set from “Re-active” to “Pro-Active”. Also, the CCCF will alert the employees to safety with self-awareness at home which is known as “Genchi-Genbutsu” (actual place, actual thing).



## Training and Development

Our Group continues to provide skill upgrading training and re-skilling training programmes as this is our effort to recognise and nurture the very best in our employees as well as to provide opportunities for career advancement. Employees stand to experience more personal growth in an environment where they are exposed to differences in culture, opinions and ideas.

We have enhancing our employees’ assistance by providing “Employees Education Sponsorship” with the purpose of workforce planning and development to support academic activities that directly relate to the Group’s need for identified knowledge, skills and behaviours which support the mission, vision and values of the Group.

In addition, study subsidies or scholarships were also extended to eligible employees to assist them in acquiring higher qualification for their career development and promote self-development among the staff.

APM also participated in the MEISTER PROGRAM, a national effort introduced by the Selangor Human Resource Development Centre and the Federation of Malaysian Skills Development Centre with the objective to increase the accessible pool of technologists and hands-on engineers with strong engineering and industry fundamentals, thoroughness and relevancy for industries in Malaysia by creating an alternative pool of highly skilled engineers with internationally recognised standards.

## Recognising Achievement

In recognising the value of dedicated and long serving employees and their diverse experience and contributions to the success of the Group, the Company presents Long Service Award to employees who have served the Group for more than 10 years. On 25 November 2016, 91 employees received the Long Service Award for their dedicated service ranging from 10 years to 25 years.

## Welfare of Employees

“Building a Healthy Workplace” is always at our heart in creating a strong culture where our employees are highly motivated and take control of their well-being. Employees are engaged in many forms such as morning assembly, dialogues, get-togethers, management seminar and festival celebrations in order to create an aligned and cohesive workforce.

A new Sports Club was set up in 2016 with the objectives to develop leadership skills and create a sense of camaraderie among our employees. The Sports Club also promotes the concept of a healthy lifestyle among the employees. The sports and social activities arranged by the Sports Club will help forge closer relationships and togetherness amongst all employees.



# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

## Education

We believe that learning will enable improvements both at work and individually, hence encourages continuous learning by introducing four areas of competencies focused on leadership development, which include “Create and Capitalise Opportunities”, “Maximise People Potential”, “Delivery Excellence” and “Live Our Core Value”.

During the year, the Group offered several internships and industrial training to undergraduates from local colleges and universities as part of its continuing efforts in grooming future leaders in the industry.

Education awards were extended to qualified and deserving employees children for them to pursue diploma/degree programs in accredited local public or private universities or institutions of higher learning. This will motivate our employees to encourage continuous learning and education in the younger generation.



## COMMUNITY

### Road Safety Campaign

In conjunction with the Road Safety Campaign launched, the Group has also organised a Safety Campaign during the Hari Raya Haji on 4 September 2016 at Bukit Beruntung and Tanjung Malim toll plaza to create awareness on road safety.

### Community Aid

We continue our effort to support and contribute to social and charitable organisations to improve the living standard of the underprivileged.

The Group has made cash donations to various non-profit community-driven bodies such as Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah, Pertubuhan Kebajikan Agathians Malaysia, Persatuan Kesejahteraan Rakyat 1 Malaysia, Selangor and Federal Territory Association for the Mentally Handicapped.

The Group has also sponsored the Child Care Centre for Schoolchildren of Single Parents in SJK (C) Keong Hoe, Penang.

### Blood Donation Campaign

During the financial year under review, a blood donation campaign was held in one of APM's plants located at Port Klang. This blood donation drive has provided much-needed contribution towards replenishing the blood bank in the hospitals in Malaysia.

# CORPORATE GOVERNANCE STATEMENT

The Board of APM Automotive Holdings Berhad (the “Company”) recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value. The Directors consider corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity as well as corporate performance.

As such, the Board seeks to embed in the Group a culture that aims to balance conformance requirements with the need to deliver long-term strategic success through performance, without compromising on personal or corporate ethics and integrity.

This Corporate Governance Statement (“Statement”) sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance (“MCCG 2012”) and observed the 26 Recommendations supporting the Principles during the financial year. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

## Principle 1 - Establish Clear Roles and Responsibilities of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s businesses;
- overseeing the conduct of the Group’s businesses and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- overseeing the development and implementation of a shareholder communications policy; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has delegated and conferred some of its authorities and powers to properly constituted Board Committees, namely the Audit Committee and Nominating Committee, which comprise exclusively Independent Non-Executive Directors. The Board Committees are entrusted with specific responsibilities to oversee the Company’s affairs in accordance with their respective terms of reference as approved by the Board and to report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

### (i) Board Charter

The Company has established a Board Charter (“Charter”) which outlines the Board’s roles and responsibilities. The Charter, which is periodically reviewed by the Board to be in line with regulatory changes and to reflect changes made to Board Committees’ terms of reference, was last reviewed and approved by the Board on 27 February 2017.

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands.

# CORPORATE GOVERNANCE STATEMENT

## Principle 1 - Establish Clear Roles and Responsibilities of the Board and Management (cont'd)

### (i) Board Charter (cont'd)

Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. The Management, comprising Executive Directors and Senior Management personnel, is responsible to the Board in accordance with their respective roles, positions, functions and responsibilities which include, inter-alia, the achievement of Company's goals and observance of Management authorities delegated by the Board, developing business plans to enable the Company's requirements for growth, profitability and return on capital to be achieved, ensuring cost effectiveness in business operations, overseeing development of human capital and ensuring members of the Board have the information necessary to perform their fiduciary duties and other governance responsibilities. Such delineation of roles is clearly set out in the Charter, which serves as a reference point for Board activities. The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, Board Chairman, Board Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.

The Charter provides that Directors shall not sit on the boards of more than five (5) listed issuers and before accepting any new directorship, the Directors are required to notify the Chairman, the notification of which includes an indication of time that will be spent on the new appointment. Salient features of the Charter are publicly available on the Company's website at [www.apm.com.my](http://www.apm.com.my) in line with Recommendation 1.7 of the MCCG 2012.

### (ii) Code of Ethics

The Board has formalized a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. The Directors' Code of Ethics is contained in Appendix A of the Charter, which is published on the Company's website at [www.apm.com.my](http://www.apm.com.my). To inculcate good ethical conduct, the Group has established a Code of Conduct for employees, which has been disseminated to all levels of employees in the Group.

The Board has also formalized a Special Complaint Policy ("Policy"), which is equivalent to whistle-blowing policy, which serves as an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. Under the said Policy, a hotline is made available for employees to report any alleged or suspected fraud, corruption or non-compliance with the Code of Conduct for employees, governance documents and laws and regulations directly to the Group Compliance Officer. The team from the Investigative Functions is entrusted to commence investigations upon receiving a mandate from the Group Compliance Officer. Investigative reports are tabled to the governing committees for deliberation and decision on the next course of action to be taken, and significant cases are reported to the Audit Committee for further deliberation.

### (iii) Sustainability of Business

The Board is mindful of the importance of business sustainability and in conducting the Group's businesses, the impact on the environmental, social and governance aspects is taken into consideration. The Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders, including suppliers, customers and other organizations.

The Group's activities on corporate social responsibility for the financial year under review are disclosed on page 22 of this Annual Report.

### (iv) Access to Information and Advice

Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis for an effective discharge of the Board's responsibilities.

# CORPORATE GOVERNANCE STATEMENT

## Principle 1 - Establish Clear Roles and Responsibilities of the Board and Management *(cont'd)*

### *(iv) Access to Information and Advice (cont'd)*

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by Directors and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Charter in furtherance of their duties. Such procedures include, amongst others, the need to confer with the Board Chairman and the rationale for such independent professional advice.

Directors have unrestricted access to all information within the Company and direct access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The performance of the Company Secretaries is evaluated by the Executive Directors of the Company annually. The Company Secretaries are members of good standing in their respective professional bodies, i.e. Malaysian Institute of Accountants and The Malaysian Institute of Chartered Secretaries and Administrators. They have to constantly keep themselves abreast of the evolving regulatory changes and developments in the corporate governance by attending relevant conferences and continuous professional development programmes as required by the respective professional bodies.

## Principle 2 - Strengthen Composition of the Board

The Board consists of ten (10) members, comprising five (5) Executive Directors and five (5) Non-Executive Directors, of which four (4) are Independent Non-Executive Directors. The number of Directors has increased to ten (10) from nine (9) following the appointment of two (2) additional Independent Non-Executive Directors, namely Mr. Lee Tatt Boon and Mr. Lee Min On, in place of Dato' Heng Ji Keng who resigned from the Board on 30 November 2016.

With the new appointments, the Board decided to refresh the chairmanship of the Audit Committee and Nominating Committee with effect from 30 November 2016, i.e. with Dato' N. Sadasivan s/o N.N. Pillay moving on to helm chairmanship of the Nominating Committee and Mr. Lee Min On assuming the Audit Committee chairmanship. The composition of the Board fulfills the requirements as set out in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The Board, having reviewed its size and composition, is satisfied that its current size and composition is appropriate and adequate to meet the Company's needs. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as entrepreneurship, engineering, finance, accounting, audit, legal, corporate governance and risk management as well as marketing and operations. The profile of each Director is set out on pages 5 to 8 of this Annual Report.

### *(i) Nominating Committee – Selection and Assessment of Directors*

The Board established a Nominating Committee on 22 January 2013 as it recognizes the roles such a Committee plays, not only in the selection and assessment of Directors but also in other aspects of boardroom activities to enable the Board discharge its fiduciary and leadership functions.



# CORPORATE GOVERNANCE STATEMENT

## Principle 2 - Strengthen Composition of the Board (cont'd)

### (i) Nominating Committee – Selection and Assessment of Directors (cont'd)

The Nominating Committee comprises the following Directors and their attendances at the two (2) meetings held during the financial year ended 31 December 2016 are as follows:

Name	Designation	Number of meetings attended
Dato' N. Sadasivan s/o N.N. Pillay	Chairman <sup>(1)</sup>	2/2
Dato' Haji Kamaruddin @ Abas Bin Nordin	Member	2/2
Mr. Lee Tatt Boon	Member <sup>(2)</sup>	– <sup>(3)</sup>
Mr. Lee Min On	Member <sup>(2)</sup>	– <sup>(3)</sup>
Dato' Heng Ji Keng	Member <sup>(4)</sup>	2/2

#### Notes:

<sup>(1)</sup> Appointed as Chairman on 30 November 2016.

<sup>(2)</sup> Appointed on 30 November 2016.

<sup>(3)</sup> No meeting was held subsequent to the appointment of both Mr. Lee Tatt Boon and Mr. Lee Min On on 30 November 2016.

<sup>(4)</sup> Resigned on 30 November 2016.

The Board has stipulated specific terms of reference for the Nominating Committee, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programs for the Board. In the nomination and election of new Director, the Nominating Committee carries out the requisite evaluation and assessment of the candidate's ability to discharge his duty, before making recommendation of the candidate, if deemed suitable, to the Board for its approval. The Nominating Committee is guided by the following processes for the on-boarding of new Director:

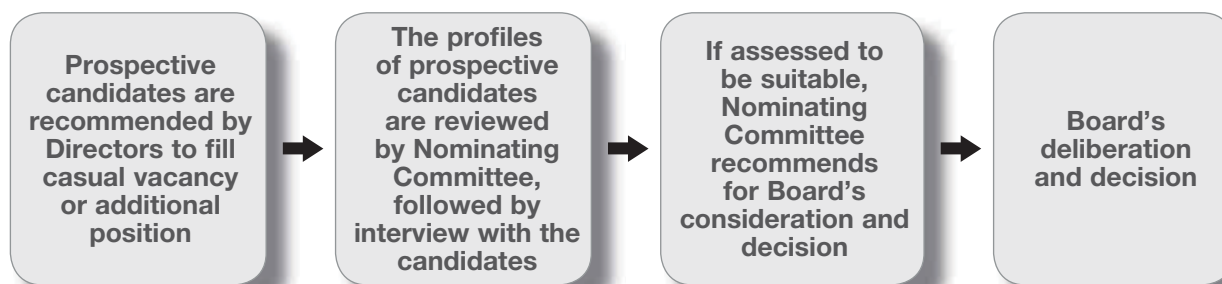


Diagram A

The Nominating Committee is entrusted to review annually the required mix of skills and experience of Directors; succession plans and board diversity, including gender, age and ethnicity diversity; training courses for Directors; and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Committee is also tasked to assess annually the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director.

The Company has formalised a Board Diversity Policy, which sets out the approach to diversity on the Board. This Policy is contained in the Charter which is published on the Company's website. Insofar as Board diversity is concerned, there is no specific policy on setting targets for women, ethnic or age composition on the Board. The Board's strategic intent for diversity is the attraction, retention and development of a diverse team of skilled people towards delivering the Company's imperatives. Evaluation of candidates' suitability is based on their competency, character, time availability, integrity and experience in meeting the Company's needs, including, where appropriate, ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

# CORPORATE GOVERNANCE STATEMENT

## Principle 2 - Strengthen Composition of the Board *(cont'd)*

### *(i) Nominating Committee – Selection and Assessment of Directors (cont'd)*

The Nominating Committee meets at least once a year or more frequently as deemed necessary by the Committee Chairman. During the financial year under review, the Nominating Committee convened two (2) meetings, which were attended by all the members, to consider the performance assessment of the Board, Board Committees and individual Directors for the financial year ended 31 December 2015, including the selection of candidates and recommendation to the Board to fill the positions of Independent Non-Executive Directors based on the processes shown in Diagram A above. Before recommending the candidates to the Board for its deliberation and decision, the Nominating Committee considered, amongst others, the candidates' skills, knowledge, expertise and experience, character and integrity, availability of time and other external obligations which may affect their commitment to the Company if appointed. Following this process, the Board, on 30 November 2016, approved the appointment of two (2) new Independent Non-Executive Directors. The Nominating Committee has evaluated the performance of Executive Directors, including the renewal of their service contracts, before recommending to the Board for approval.

On 26 January 2017, the Nominating Committee met to review and assess the effectiveness of the Board as a whole, the Board Committees and performance of individual Directors, including the independence of the Independent Non-Executive Directors for the financial year ended 31 December 2016 based on a "self and peer" assessment approach. This approach took into consideration the mix of skills, experience, contribution, performance, competency, personality, integrity and time commitment of each Director to effectively discharge his role as part of the Board, Board Committees as well as a Director of the Company. In assessing the independence of Independent Non-Executive Directors for the financial year under review, the criteria set out in paragraph 1.01 of the Listing Requirements of Bursa were deployed.

From the results of the assessment, the Nominating Committee recommended to the Board the re-election of retiring Directors at the Company's forthcoming Annual General Meeting. Apart from activities on the assessment and selection of Directors, the Nominating Committee also evaluated the training needs of Directors to enhance their competencies and ensure that they are kept abreast of all regulatory changes and developments in the business environment.

The Board also acknowledges the importance of board diversity, including gender diversity to the effective functioning of the Board.

### *(ii) Directors' Remuneration*

The Board is of the view that the existing remuneration guidelines, formulated by drawing upon the wealth of experience of all the Directors on the Board, are more pragmatic and effective, and, accordingly, a Remuneration Committee is dispensed with. The Board, as a whole, determines and recommends the remuneration packages of Independent Non-Executive Directors and Executive Directors, with the respective Directors abstaining themselves from discussing their individual remuneration. The remuneration policy of the Group essentially seeks to attract, retain and motivate employees of all levels, including Executive Directors, to contribute positively towards the Group's performance.

The quantum of annual performance bonus and increment for employees of the Group, is dependent on the operating results of the Group after taking into account the prevailing business conditions and the individual's performance. The same guidelines apply to the Executive Directors.

# CORPORATE GOVERNANCE STATEMENT

## Principle 2 - Strengthen Composition of the Board (cont'd)

### (ii) Directors' Remuneration (cont'd)

The aggregate remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2016 is as follows:

Category	Fees (RM)	Salaries and allowances (RM)	Bonus (RM)	Benefits- in-kind (RM)	Total (RM)
<b>Company:</b>					
Executive Directors*	-	1,245,216	604,758	-	1,849,974
Non-Executive Directors	297,500	51,900	-	-	349,400
<b>Group:</b>					
Executive Directors*	-	4,773,942	1,976,021	156,562	6,906,525
Non-Executive Directors	297,500	51,900	-	-	349,400

(Note: \* The remuneration paid to the Executive Directors were in respect of their employment with the Company/Group.)

The number of Directors of the Company, whose remuneration band falls within the following successive bands of RM50,000, is as follows:

Remuneration Band	Number of Directors	
	Executive Directors	Non-Executive Directors
RM0 - RM50,000	-	3
RM100,001 to RM150,000	-	3
RM800,001 to RM850,000	1	-
RM850,001 to RM900,000	1	-
RM1,600,000 to RM1,650,000	1	-
RM1,700,001 to RM1,750,000	1	-
RM1,800,001 to RM1,850,000	1	-
<b>Total</b>	<b>5</b>	<b>6</b>

## Principle 3 – Reinforce Independence of the Board

The Company is led by an experienced Board with a diverse background in business and financial experience, and skills which are vital for the continued progress and success of the Group.

The President, who is also the Chairman of the Board, is primarily responsible for setting the Group's strategic direction and leading the Board in the oversight of Management. The role of day-to-day management of the Group's business development and operations, including implementation of policies and decisions of the Board, is helmed by the Chief Executive Officer and Executive Directors. The Board believes that such division of power and responsibilities helps ensure that no one person in the Board has unfettered powers to make major decisions for the Company unilaterally.

# CORPORATE GOVERNANCE STATEMENT

## Principle 3 – Reinforce Independence of the Board *(cont'd)*

While the position of the Board Chairman is not held by an Independent Non-Executive Director, there are four (4) Independent Non-Executive Directors, constituting slightly more than one third (1/3) of the composition of the Board. The Board acknowledges the importance of balance of power and authority in the Board and has identified Dato' N. Sadasivan s/o N.N. Pillay as the Company's Senior Independent Non-Executive Director, to whom concerns may be conveyed by fellow Directors, shareholders and other stakeholders.

The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance processes and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its businesses. Independent Non-Executive Directors are essential for protecting the interests of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in detached impartiality.

The Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Non-Executive Director. Thereafter, he may be re-designated as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent Non-Executive Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting.

In justifying the decision, the Nominating Committee is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence adopted by the Board. Following an assessment and recommendation by the Nominating Committee, the Board recommended that Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin, both of whom have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years as at the end of the financial year under review, be retained as Independent Non-Executive Directors, subject to shareholders' approval at the forthcoming Annual General Meeting. Key justifications for retaining them as Independent Non-Executive Directors are as follows:

- they fulfill the criteria for definition of Independent Director under the Listing Requirements of Bursa and, therefore, are able to bring independent and objective judgement to the Board's deliberations;
- their experience and expertise in finance, economics and regulatory requirements as well as diverse business environment enable them to provide the Board and Board Committees, as the case may be, with pertinent and diverse set of expertise, skills and competence;
- they have been with the Company long enough to develop valuable insights into the Company's business operations, which enable them to contribute actively and effectively during deliberations at Board and Board Committees, as the case may be; and
- from their perfect attendance record at the Board and Board Committee meetings, it is demonstrable of their commitment towards the Company's needs, exercised due care as Independent Directors of the Company and carried out their duties in the interest of the Company and shareholders.

With the caliber, qualifications, experience and personal traits, particularly on integrity and objectivity, possessed by both Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin, the Board believes that these two (2) Directors are well positioned to discharge their duties and responsibilities as Independent Non-Executive Directors towards meeting the Company's needs for the ensuing year.



# CORPORATE GOVERNANCE STATEMENT

## Principle 4 – Foster commitment of Directors

The Board meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to enable Directors plan their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analyses to assist Directors on the agenda items. The relevant reports and Board papers, including agenda of meeting, are furnished to Board and Board Committee members at least seven (7) days before the meeting for pre-reading by Directors to enhance the effectiveness of discussion and decision making at the meeting. On a quarterly basis, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings, which are subsequently confirmed and signed off by the Board Chairman or Board Committee Chairman, as the case may be.

For the financial year under review, the Board convened five (5) Board meetings and attendances of Directors are as follows:

Name	No. of Board Meetings attended	Percentage of Attendance (%)
Dato' Tan Heng Chew	5/5	100
Dato' Tan Eng Hwa	5/5	100
Low Seng Chee	5/5	100
Dato' N. Sadasivan s/o N.N. Pillay	5/5	100
Dato' Haji Kamaruddin @ Abas Bin Nordin	5/5	100
Siow Tiang Sae	5/5	100
Nicholas Tan Chye Seng	4/5	80
Sow Soon Hock	5/5	100
Lee Tatt Boon <sup>(1)</sup>	N/A	N/A
Lee Min On <sup>(1)</sup>	N/A	N/A
Dato' Heng Ji Keng <sup>(2)</sup>	3/5	60

### Notes:

<sup>(1)</sup> No board meeting was held subsequent to the appointment of both Mr. Lee Tatt Boon and Mr. Lee Min On on 30 November 2016.

<sup>(2)</sup> Dato' Heng Ji Keng resigned on 30 November 2016.

As stipulated in the Charter, the Directors are required to devote sufficient time to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board or Board Committees.

### Directors' Training – Continuing Education Programmes

The Board acknowledges the importance of continuous education and training programmes for its members to enable effective discharge of its responsibilities and to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group. The Company Secretaries normally circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference.

All Directors have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa. During the financial year under review, all Directors attended seminars and training programmes except for Mr. Lee Tatt Boon who was appointed as a Director of the Company on 30 November 2016. Details of training, conferences, seminars and workshops participated by the various Directors are set out below:

# CORPORATE GOVERNANCE STATEMENT

## Principle 4 – Foster commitment of Directors (cont'd)

### Directors' Training – Continuing Education Programmes (cont'd)

Directors	Training/Seminar/Conference/Workshop
Dato' Tan Heng Chew	<ul style="list-style-type: none"> <li>Dato' Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as a Source of Competitive Advantage, by Tan Chong Education Services Sdn Bhd.</li> <li>Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> <li>MFRS 15 – Revenue from Contracts with Customers, by KPMG.</li> </ul>
Low Seng Chee	<ul style="list-style-type: none"> <li>Corporate Governance Statement Workshop – The Interplay between CG, Non-Financial Information and Investment Decisions, by Bursa Malaysia Securities Berhad.</li> <li>CG Breakfast Series with Directors – Future of Auditor Reporting: The Game Changer for Boardroom, by Bursa Malaysia Securities Berhad.</li> <li>Directors' Tea Talk – Financial Statements, by Malaysian Alliance of Corporate Directors.</li> <li>Role of the Chairman &amp; Independent Directors, by Malaysian Institute of Corporate Governance.</li> </ul>
Dato' Tan Eng Hwa	<ul style="list-style-type: none"> <li>Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> </ul>
Dato' N. Sadasivan s/o N.N. Pillay	<ul style="list-style-type: none"> <li>Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> <li>5<sup>th</sup> Board Audit Committee Forum 2016, by Petronas Gas Berhad.</li> <li>Corporate Governance Statement Workshop – The Interplay between CG, Non-Financial Information and Investment Decisions, by Bursa Malaysia Securities Berhad.</li> <li>Related Party Transactions – Their Implications to the Board of Directors, Audit Committee &amp; Management, by Malaysian Institute of Corporate Governance.</li> </ul>
Dato' Haji Kamaruddin @ Abas Bin Nordin	<ul style="list-style-type: none"> <li>Ring the Bell for Gender Equality, by Bursa Malaysia Securities Berhad.</li> <li>Independent Directors Programme – The Essence of Independence, by Bursa Malaysia Securities Berhad and The Iclif Leadership and Governance Centre.</li> <li>CG Breakfast Series with Directors – The Strategy, the Leadership, the Stakeholders and the Board, by Bursa Malaysia and Malaysian Directors Academy.</li> <li>Sustainability Engagement Series – for Directors/Chief Executive Officers, by Bursa Malaysia Securities Berhad.</li> <li>Dato' Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as a Source of Competitive Advantage, by Tan Chong Education Services Sdn Bhd.</li> </ul>
Siow Tiang Sae	<ul style="list-style-type: none"> <li>Corporate Governance Breakfast Series with Directors – The Strategy, the Leadership, the Stakeholders and the Board, by Bursa Malaysia Securities Berhad and Malaysian Directors Academy.</li> <li>Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> <li>Economic Outlook and Business Potential in Myanmar – Post Election, by Myanmar Industries Association.</li> </ul>
Nicholas Tan Chye Seng	<ul style="list-style-type: none"> <li>Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> </ul>
Sow Soon Hock	<ul style="list-style-type: none"> <li>Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> </ul>

# CORPORATE GOVERNANCE STATEMENT

## Principle 4 – Foster commitment of Directors (cont'd)

### Directors' Training – Continuing Education Programmes (cont'd)

Directors	Training/Seminar/Conference/Workshop (Con't)
Lee Min On (appointed on 30 November 2016) (participated as speaker)	<ul style="list-style-type: none"> <li>• The Draft Malaysian Code on Corporate Governance 2016 &amp; Changes to Listing Requirements, conducted for Farm's Best Berhad.</li> <li>• The Draft Malaysian Code on Corporate Governance 2016 – Key Changes &amp; Implications to Listed Issuers, conducted for MeLearn Global.</li> <li>• Companies Act, 2016 – Key Changes &amp; Their Implications to the Company's Business Structure &amp; Administration, conducted for Alam Maritim Resources Berhad.</li> <li>• Management Discussion &amp; Analysis – Drafting the MD&amp;A – What &amp; How to Disclose, conducted for the Malaysian Investor Relations Association.</li> <li>• Sustainability Reporting – How to go about the intricacies of reporting, conducted for Malaysian Institute of Corporate Governance.</li> <li>• Integrity in Boardrooms – Are Boards playing their role? Fraud Risk Management – Whose responsibility is it?, conducted for LeadWomen Sdn Bhd.</li> <li>• Sustainability Reporting – What and how to report (conducted for SAM Engineering &amp; Equipment Berhad in Penang), organized by the Malaysian Investor Relations Association.</li> </ul>
Dato' Heng Ji Keng (resigned on 30 November 2016)	<ul style="list-style-type: none"> <li>• Briefing on Companies Bill 2015, by Zaid Ibrahim &amp; Co.</li> <li>• Brainstorming Session, by Baker Tilly Monteiro Heng.</li> <li>• National Tax Conference 2016, by Chartered Tax Institute of Malaysia.</li> <li>• Complimentary Talk on Colored Brain Communication for Accountants &amp; Connecting Generations at Workplace, by Malaysian Institute of Accountants.</li> <li>• Forum on Key Audit Matters, by Malaysian Institute of Accountants.</li> <li>• 2016 Business and Tax Seminar, by Baker Tilly Monteiro Heng Services Sdn Bhd.</li> <li>• MIA National Accountants Conference 2016, by Malaysian Institute of Accountants.</li> </ul>

During the financial year, the Chief Financial Officer and External Auditors also briefed the Board members on changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements. The Directors continue to undergo relevant training programs to further enhance their skills and knowledge in the discharge of their stewardship role.

## Principle 5 – Uphold integrity in financial reporting by the Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the President's Statement and Management Discussion and Analysis in the Annual Report.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Independent Non-Executive Directors, with Mr. Lee Min On as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out in year 2016, are set out in the Audit Committee Report on pages 42 to 45 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 1965, as the case may be. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

# CORPORATE GOVERNANCE STATEMENT

## Principle 5 – Uphold integrity in financial reporting by the Company *(cont'd)*

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and their affiliates, including the need to obtain the Audit Committee's approval for such services.

An annual assessment of the competency and independence of the external auditors was conducted by the Audit Committee via a set of assessment questionnaire. In assessing the external auditors' performance and suitability, the Audit Committee considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors. Pertinent feedback from Management who interacted with the external auditors was obtained by the Audit Committee to augment its assessment of the external auditors. The Audit Committee received assurance from the external auditors, by way of the external auditors' presentation pack, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. The external auditors had attended three (3) Audit Committee meetings and Annual General Meeting of the Company during the financial year under review. In addition, the Audit Committee had one separate session with the external auditors without the presence of the executive Board members and management personnel to exchange independent views on matters which require the Audit Committee's attention.

Based on the outcome of the annual assessment conducted on the external auditors' performance, technical competence and professional independence, the Audit Committee recommended to the Board for the re-appointment of KPMG PLT as external auditors of the Company for the financial year ending 31 December 2017. Based on the Audit Committee's recommendation, the Board recommended the re-appointment of the external auditors for approval by shareholders at the forthcoming Annual General Meeting.

## Principle 6 – Recognise and manage risks of the Group

The Group has implemented a comprehensive risk management framework and established a process for identifying, evaluating and monitoring significant risks faced by the Group in its operations. This Enterprise Risk Management Framework that the Group has adopted is largely aligned with globally accepted risk management standards such as the AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines.

The Audit Committee which has oversight responsibility over risk management and internal control, assists the Board in reviewing the adequacy and integrity of the system of risk management and internal control in the Group. The implementation and maintenance of the risk management process is carried out by the Group Risk Management Committee ("GRMC"), assisted by subsidiaries' management who is tasked to manage business risks as well as develop, implement and monitor the system of internal control. Further details of the Group's Enterprise Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Risk Management and Internal Control Statement included in this Annual Report.

The Company has established an in-house Internal Audit Department, which is independent of the activities it audits. The Department, helmed by the Head of Internal Audit, reports directly to the Audit Committee on the adequacy and operating effectiveness of the Group's system of internal controls from the perspectives of governance, risks and controls. All internal audits carried out are guided by the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors Inc, a globally recognised professional body for internal auditors. The scope and extent of work carried out by the Department are set out in the Risk Management and Internal Control Statement included in this Annual Report.



# CORPORATE GOVERNANCE STATEMENT

## Principle 7 – Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalized the Corporate Disclosure Policies and Procedures to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, and set out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Company's website has a section on corporate governance, where information on the Company's announcements to Bursa, the Charter, rights of shareholders and the Company's Annual Report may be accessed.

## Principle 8 – Strengthen relationship between the Company and its shareholders

### (i) *Shareholders participation at General Meetings*

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, the Chairman of the meeting informed the shareholders of their rights to demand for a poll for the resolutions in accordance with the Articles of Association of the Company. A "Question & Answer" session was held, where the Chairman of the meeting invited shareholders to raise questions which were addressed by the Board and Senior Management. The Company's responses to the questions raised by Kumpulan Wang Persaraan Diperbadankan, a shareholder of the Company prior to the AGM was read out and shared with the shareholders by the Chairman of the meeting in the last AGM.

The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed as well as to allow them to make necessary arrangements to attend and participate in the meeting. Shareholders who are unable to attend the general meeting, are encouraged to appoint proxy or proxies to attend and vote at the meetings for and on their behalf. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day.

### (ii) *Effective communication and proactive engagement with shareholders and investors*

The Board recognises the importance of being transparent and accountable to the Company's investors. Whilst the Company holds group and individual discussions with analysts, institutional shareholders, and investment communities, at their request, with the view of fostering better understanding of the Group's businesses by these stakeholders, the Company is mindful of its corporate disclosure policies and procedures regarding disclosure of information.

The various channels of communications with shareholders are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, as needed by the Listing Requirements of Bursa, the Annual and/or Extraordinary General Meetings and through the Group's website at [www.apm.com.my](http://www.apm.com.my) where shareholders and other stakeholders can access corporate information, annual reports, press releases, financial information and Company's announcements. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. [apmah@apm.com.my](mailto:apmah@apm.com.my) to which stakeholders can direct their queries or concerns.

This Statement is dated 12 April 2017.

# RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa”), the Board of Directors (“Board”) of a listed issuer is required to include in its annual report, a statement about the state of internal control of the listed issuer as a group. Accordingly, the Board is pleased to furnish the Risk Management and Internal Control Statement (“Statement”), which outlines the nature and scope of the risk management and internal control systems in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2016 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this Statement has considered the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers” (“Guidelines”), a publication of Bursa, in particular the requirements under paragraphs 41 and 42 of the said Guidelines.

## BOARD'S RESPONSIBILITY

The Board acknowledges and assumes its overall responsibility for the Group's risk management and internal control systems to safeguard shareholders' investment and the Group's assets, including the need to review the adequacy and operating effectiveness of these systems in meeting the Group's objectives. The Board is cognizant of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Recommendation 1.2 of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”), in particular, its principal responsibilities as outlined in the Commentaries of the same Recommendation with respect to the following:

- to identify principal business risks faced by the Group and ensure the implementation of appropriate controls and mitigation measures to address the risks; and
- to review the adequacy and integrity of the management information and internal control system of the Group.

The Board is also mindful of its role in establishing a sound framework to manage risk as stipulated in Recommendation 6.1 of the MCCG 2012. Accordingly, the Board has formalized in writing a Risk Management Framework (“RMF” or “Framework”), which incorporates, amongst others, a structured risk management process to identify and evaluate business risks, comprising strategic, financial, operational and compliance risks as well as a system of internal control to mitigate such risks.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's objectives. The system can, therefore, only provide reasonable, but not absolute assurance, against any material misstatement, financial loss or fraudulent practices. This system is reviewed on a periodic basis by the Board in terms of its continuing adequacy and operating effectiveness in all material aspects. The Audit Committee, which has been entrusted by the Board to oversee risk management and internal control activities, assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. Details of the activities undertaken by the Audit Committee in fulfilling this role are set out in the Audit Committee Report included in this Annual Report.

## RISK MANAGEMENT SYSTEM

As risk management is an integral activity that undergirds the Group's business operations, the Group's RMF includes, inter-alia, a methodical process to identify, evaluate, control, report and monitor business risks faced by the Group in its business operations. This Framework, which was enhanced during financial year 2015 with assistance from a professional firm of consultants, provides guidance on how business risks are evaluated. Individual business risks as identified are scored for their likelihood of occurrence and the impact thereof based on a ‘5 by 5’ risk matrix deploying parameters established for each key business unit or function in the Group.

The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the extent of risk the Group is prepared to take or seek in achieving its corporate objectives. The metrics used in quantifying the risks were based on risk parameters considered appropriate to reflect the risk appetite of the Group.

# RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Whilst the Group Risk Management Committee (“GRMC”) is tasked with the responsibility of creating risk-awareness amongst personnel in the Group and monitoring key risks faced in the Group’s operations, the subsidiaries’ management is responsible for managing business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels. As part of its remit, the Internal Audit Department reviews the progress of implementation of the subsidiaries’ risks response plans and assesses the effectiveness of controls in managing the relevant risks. The results of the reviews are presented at GRMC meetings for further deliberations as needed. In addition, the Internal Audit Department also provides training to subsidiaries upon request or where deemed necessary, to ensure that the established risk management process is carried out appropriately.

The salient features of the risk management process are as follows:

- The heads of subsidiary and department at Group level are tasked to update their respective risk profiles on a 6-monthly basis and prepare a report on risk assessment to confirm that they have reviewed the risk profiles, risk reports and related business processes, including action plans to be implemented to manage the risks so identified;
- The risk information from the respective subsidiaries and departments at Group level are compiled, collated, consolidated and tabled to the GRMC for its deliberation and monitoring; and
- On a half-yearly basis, the GRMC meets to review the significant risks identified and the progress of implementation of action plans. A copy of the GRMC meeting minutes is presented to the members of the Audit Committee for review and deliberation. The GRMC reports to the Board of Directors through the Audit Committee on significant matters arising from GRMC meetings and, where deemed pertinent, the GRMC presents its recommendations to the Board of Directors for approval.

Apart from the RMF, the Group has also formalized a Fraud Prevention Policy (“FPP”) and a Special Complaints Policy (“SCP”) (collectively known as “Policies”) to mitigate the risk of fraud, corruption and other irregularities. Embedded in the Policies is a procedure that allows employees and other stakeholders to report any wrongdoing by any person in the Group so that appropriate action can be taken immediately. The Policies also include provisions to safeguard the confidentiality of informants who act in good faith, and measures to avoid abuse of the Policies lest false or malicious allegations are intentionally made.

Under the said Policies, a hotline is made available for employees to report any alleged or suspected fraud, corruption or non-compliance with the Code of Conduct for employees, governance documents and laws and regulations directly to the Group Compliance Officer. The Investigative Functions team is tasked to commence investigations upon receiving mandate from Group Compliance Officer. Investigative reports are tabled to the governing committees for deliberation and decision on the next course of action to be taken, and significant cases are reported to the Audit Committee for deliberations.

Commitment and discipline in managing risks are imperative to the success of the Group. Continuous efforts are taken by Management to monitor and assess the existing risk management framework in order to manage risks as well as the related internal control activities towards achieving the Group’s objectives.

## INTERNAL CONTROL SYSTEM

The Group has established an organizational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including limits of authority for different processes, decisions and commitments. Key duties are segregated amongst different personnel within the subsidiaries and department at Group level, for example sales and marketing, production, quality assurance and quality control, procurement, inventory management, financial management and reporting, treasury management, capital expenditure management, human resource management, information management, investments, etc. A process of hierarchical reporting is established via a structured organization chart, which provides for a documented and auditable trail of accountability in respect of decisions made and executed.

# RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Other key elements of the internal control system of the Group are as follows:

- The Executive Directors manage the businesses and hold dialogues with Senior Management of the various subsidiaries;
- The Executive Management Committee (“EMC”), established by the Board to manage and control the Group’s businesses, monitors the performance of the subsidiaries and identifies areas requiring follow-up actions. The EMC is further supported by various sub-committees. Matters beyond the EMC’s limits of authority are referred to the Board for approval;
- The Board meets at least quarterly to discuss the performance of the Group and other major issues. The year-end financial statements and the announcements of the quarterly results are reviewed by the Audit Committee, with explanations provided by Management on any significant fluctuations from quarter to quarter as well as year-to-date performance, before the Board’s approval and release to Bursa; and
- The Board also reviews and approves the Group’s annual budget and business plan consisting of the budgets and business plans of the subsidiaries. These plans set out the key business objectives of the respective subsidiaries, including major risks, opportunities as well as the action plans.

## INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by the Group’s in-house Internal Audit Department, an integral part of the Group’s monitoring system. The Internal Audit Department, which is independent of the activities it audits, reports functionally to Audit Committee and administratively to the Chief Executive Officer. As the Internal Audit Department adopts the definition of internal auditing as promulgated by the International Professional Practices Framework of the Institute of Internal Auditors, Inc., the Department’s primary role is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Group. Internal Audit carries out regular and systematic reviews of the Group’s system of risk management and internal control, including the extent of compliance with the Group’s operating policies and procedures as well as laws and regulations.

The Internal Audit Department submits its annual plan to the Audit Committee for approval well before commencement of the Group’s financial year. The internal audit coverage takes into consideration the significance of the business units within the Group as well as their respective risk profiles. Internal audit reports, which highlight issues of concern, their implications, recommended corrective measures and Management’s comments, including the status of completion of internal audit vis-à-vis the annual plan, are submitted to the Audit Committee for review on a quarterly basis. The Internal Audit Department also follows up on the status of implementation of corrective actions by Management on issues raised by Internal Audit for onward reporting to the Audit Committee. For the financial year ended, the Internal Audit Department covered the following business units/departments and business processes, and their associated risks, of major subsidiaries, in its audits:



## RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Business unit/department selected for internal audit	Business processes (including risks covered)
APM Springs Sdn Bhd	Revenue management; Production Order management; Expenses management; Cash & bank balance management; Balance sheet review Manual journal adjustment; Foreign workers management
Auto Parts Manufacturers Co. Sdn Bhd	Revenue management; Inventory management; Balance sheet review
APM Springs (Vietnam) Co., Ltd	Revenue management; Procurement management; Expenses management; Cash & bank balance management; Trade receivable review; Balance sheet review
Corporate Treasury	Local currency deposits; Effectiveness of risk management
APM Aluminium Castings Sdn Bhd (formerly known as APM Thermal Systems Sdn Bhd)	Fixed asset and inventory verification
APM TACHI-S Seating Systems Sdn Bhd	Fact Finding on Stock Variance
P.T. APM Armada Suspension	Follow-up review
APM Group of Companies	Diesel & Liquefied Petroleum Gas Cylinder Permits review; Recurrent Related Party Transactions review; Stock variances review

For the financial year under review, there was no restriction placed upon the scope of the Internal Audit Department's work and internal audit personnel were allowed unrestricted access to the records and relevant personnel of the Group. The Audit Committee reviewed the work of the Internal Audit Department, its observations and recommendations as well as Management's comments as a means to obtain assurance on the adequacy and operating effectiveness of the Group's risk management and internal control system. The Audit Committee also completed a set of questionnaire obtained from the Corporate Governance Guide-Towards Boardroom Excellence 2nd edition, a publication of Bursa, to assess the competency of the Head of Internal Audit Department and sufficiency of resources available to the Department to carry out its responsibilities.

The costs incurred on the Internal Audit Department for the financial year ended 31 December 2016 amounted to approximately RM490,00 (2015:RM504,000)

# RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

## BOARD'S COMMENTS AND ASSURANCE BY THE MANAGEMENT

This Risk Management and Internal Control Statement has not dealt with associates and joint ventures where the Group does not have full management over them. The Group's interest is served through representations on the Board of the respective associates and joint ventures.

The Board, through its Audit Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company is sound and adequate to safeguard shareholders' investment and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of material weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing business environment the Group operates in. Therefore, the Board endeavours to put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time.

The Board has also received assurance in writing from the Management (comprising the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and the respective Heads of Division) that, based on the Group's risk management framework, the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the annual report of the Group, in all material respect;

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Risk Management and Internal Control Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and opinion by the Board of Directors and Management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement is dated 12 April 2017.

# AUDIT COMMITTEE REPORT

The Board of Directors of APM Automotive Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

The Audit Committee ("AC") was established on 1 November 1999. The revised terms of reference of the AC, which took into account recent changes to the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa"), were adopted by the Board of Directors at a meeting held on 27 February 2017.

## COMPOSITION AND MEETINGS

The AC comprises the following directors and their attendances at the six (6) meetings held during the financial year ended 31 December 2016 are as follows:

Name	Designation	Number of meetings attended
Lee Min On	Chairman <sup>(1)</sup> Independent Non-Executive Director	— <sup>(3)</sup>
Dato' N. Sadasivan s/o N.N. Pillay	Member <sup>(2)</sup> Senior Independent Non-Executive Director	6/6
Dato' Haji Kamaruddin @ Abas Bin Nordin	Member Independent Non-Executive Director	6/6
Lee Tatt Boon	Member Independent Non-Executive Director	— <sup>(3)</sup>
Dato' Heng Ji Keng	Member <sup>(4)</sup> Independent Non-Executive Director	6/6

### Note:

<sup>(1)</sup> Appointed as Chairman of AC on 30 November 2016

<sup>(2)</sup> Re-designated as member of AC on 30 November 2016.

<sup>(3)</sup> There was no AC Meeting held subsequent to 30 November 2016.

<sup>(4)</sup> Resigned on 30 November 2016

The AC meetings are structured through the use of agendas and relevant meeting papers which are distributed to AC members prior to such meetings. This enables the Committee members to study the items on the agenda, including relevant materials that support the items, and, where appropriate, provides an opportunity for them to seek additional information or clarification from Management.

While the Committee Chairman calls for meetings to be held not less than four (4) times in a financial year, any member of the AC may at any time requisition for, and the Company Secretaries who are Committee Secretaries, shall on such requisition, arrange for such a meeting. Except in the case of an emergency, seven (7) days' notice of meeting is given in writing to all members. A quorum of meeting is a majority of members who are Independent Non-Executive Directors. Meetings are chaired by the Committee Chairman and in his absence, by an Independent Non-Executive Director from those members who are present. Decisions are made by a majority of votes.

The Chief Financial Officer, Head of Internal Audit and the Company Secretaries normally attend the meetings. Other Board members and employees may attend meetings upon the invitation of the AC. A representative of the external auditors is required to attend the meeting to consider the final audited financial statements and such other meetings as determined by the AC.

The Committee Chairman has the right to require those who are in attendance to leave the room when matters to be discussed are likely to be hampered by their presence or confidentiality of matters needed to be preserved.

For the financial year under review, the performance and effectiveness of the AC were evaluated through AC members' self and peer evaluation, the outcome of which was reviewed by the Nominating Committee. Having considered the recommendation made by the Nominating Committee based on the outcome of the evaluation, the Board was satisfied that the AC members are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC.

In line with the Listing Requirements of Bursa, details of the Terms of Reference of the AC are uploaded on, and are available for reference by the public, at the Company's website at [www.apm.com.my](http://www.apm.com.my).

# AUDIT COMMITTEE REPORT

## SUMMARY OF WORKS OF THE AC

During the financial year under review, the AC worked closely with Management, internal auditors and external auditors to carry out its functions and duties as required under its Terms of Reference.

The works and activities carried out by the AC in discharging its duties and responsibilities during the financial year under review and as of the date of this report are summarised as follows:

### Financial Reporting

- (1) Reviewed all the four (4) quarter's unaudited financial results of the Group, focusing on key material matters which included the going concern assumption and ensured that disclosures were in compliance with the Malaysian Financial Reporting Standards and regulatory requirements before recommending the same to the Board for approval to release the said results to Bursa and the Securities Commission;
- (2) Reviewed the audited financial statements of the Company and of the Group, together with the external auditors, before recommending to the Board for approval;
- (3) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters highlighted in the financial statements.

### External and Internal Auditors

- (1) Reviewed the audit findings for the financial year ended 31 December 2016, highlighted by the External Auditors as well as the weaknesses in the internal control systems of certain subsidiaries that required improvements. The AC also deliberated on the responses from Management and evaluated the improvement action plans proposed by Management to ensure that the areas of concern are adequately mitigated;
- (2) Reviewed the External Auditors' Audit Plan for the Group for the financial year ended 31 December 2016, including the scope of work and audit approach adopted by the External Auditors, the risk areas emphasized by the External Auditors, the engagement team, audit materiality, audit timetable and audit fees were discussed. Key changes to the financial reporting standards, auditing standards as well as Listing Requirements of Bursa and the consequential impacts thereon were deliberated and noted.
- (3) Assessed the suitability and independence of the External Auditors by evaluating, among others, the adequacy of their technical knowledge, experience, skills, independence, objectivity, audit engagement and the supervisory ability and competency of the engagement team assigned to the Group. Moreover, the External Auditors have confirmed their professional independence in accordance with the By-Laws (On Professional Ethics, Conducts and Practice) of the Malaysian Institute of Accountants via their presentation deck to the AC. The AC was satisfied that the External Auditors had the ability to meet the audit requirements and statutory obligations of the Company as well as their independence and objectivity as External Auditors of the Company. Following such an assessment, the AC recommended, and the Board has accepted, the re-appointment of KPMG PLT as External Auditors of the Company at the forthcoming Annual General Meeting;
- (4) Assessed the audit scope of the External Auditors and thereafter recommended the external audit fees to the Board for approval;
- (5) Reviewed and approved the nature and fees of non-audit services provided by the External Auditors and their affiliates in accordance with the Group's Policy on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the External Auditors. Details of non-audit fees incurred by the Company and Group for financial year ended 31 December 2016 are stated in the Other Statements and Disclosures of this Annual Report;
- (6) Private sessions were held with the External Auditors without the presence of executive Board members and Management personnel to discuss the audit findings and any other observations or concerns noted by the External Auditors during the course of their audit. There were no major concerns raised by the External Auditors at the meetings;

# AUDIT COMMITTEE REPORT

## External and Internal Auditors (cont'd)

- (7) Reviewed and approved the annual Internal Audit Plan to ensure adequacy of scope and coverage of the auditable areas, i.e. high risk areas are audited on a regular basis;
- (8) Reviewed the outcome of internal audit, focusing on the adequacy and operating effectiveness of internal controls that addressed strategic, operational, financial, compliance and information technology processes and their associated risks relating to the Group based on the approved annual Internal Audit Plan;
- (9) Discussed major findings, weaknesses and significant internal audit matters raised by the Internal Auditors and Management's response and follow-up actions thereto. Management of the respective business units concerned were requested to rectify and improve internal control procedures and workflow processes based on the Internal Auditors' recommendations;
- (10) Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority and manpower to carry out its work as planned;
- (11) Discussed the corporate risks score cards of the Group as presented by the Group Risk Management Committee, and noted the action plans that were or were being implemented to mitigate business risks as identified;
- (12) Reviewed the recurrent related party transactions ("RRPTs") of the Group on a quarterly basis to ensure that the amounts transacted, including the nature of transactions, accorded with the shareholders' mandate. In the case of related party transactions entered into by the Group, the AC reviewed these transactions to ensure that they were on terms which were not more favourable than those generally available to the public and to comply with the Listing Requirements of Bursa.

## Other Matters

- (1) Reviewed the Circular to Shareholders in relation to shareholders' mandate on RRPTs and the review procedures of RRPTs, Audit Committee Report and Risk Management and Internal Control Statement for inclusion in this Annual Report to ensure compliance with the relevant regulatory reporting requirements prior to recommending the same to the Board for approval; and
- (2) Reviewed the Terms of Reference of the Audit Committee and, where deemed pertinent, amendments were made thereto for the Board's approval.

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT PROCESS

The Group has an adequately resourced in-house Internal Audit Department. The principal role of the Internal Audit function is to undertake regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that:

- the Group has a sound system of risk management and internal control;
- established policies and procedures are adhered to; and
- continue to be effective in addressing the risks identified.

It reports directly to the AC, which reviews and approves its annual audit plan. The Internal Audit function is independent of the activities it audits. The Internal Audit function performed audit reviews on major subsidiaries of the group as well as ad hoc reviews/investigations. In addition, routine year end reviews such as annual stock takes, recurrent related party transactions and its pricing reviews were also conducted.



# AUDIT COMMITTEE REPORT

## **SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT PROCESS** *(cont'd)*

On quarterly basis, Internal Audit submits audit reports and status of internal audit plan for review and approval by the AC. Internal audit reports also encompassed recommendations for improvements to address and rectify the weaknesses identified, which were deemed practical and necessary for implementation by Management. Follow-up reviews were carried out to ascertain that management action plans had been duly implemented.

Full details of the recurring work and activities carried out by the Internal Audit Department for the financial year under review, including the costs incurred by the Department, are set out in the Risk Management and Internal Control Statement included in this Annual Report.

Risk management is an integral part of the Group's business operations. The Group has implemented a risk management framework and established a process for the identification, evaluation and reporting of major risks faced by the Group. The implementation and maintenance of the risk management framework is carried out by the Group Risk Management Committee ("GRMC"). Further details of the work and activities carried out by GRMC, including key elements of the risk management framework of the Group, are set out in the Risk Management and Internal Control Statement included in this Annual Report.

This Report is dated 12 April 2017.

## OTHER STATEMENTS AND DISCLOSURES

### 1. Material Contracts Involving Directors and Major Shareholders' Interest

On 4 July 2016, APM Thermal Systems Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a Contract of Sale of Assets ("Agreement") with TC Aluminium Castings Sdn Bhd ("TCAC"), an indirect wholly-owned subsidiary of Tan Chong Motor Holdings Berhad, in respect of the acquisition of the assets of TCAC ("Proposed Acquisition") for a total cash consideration of RM5,701,318.00 ("Proposed Acquisition Price") which was subject to price adjustment and conditional upon the fulfilment of the conditions precedent as set out in the Agreement.

The Proposed Acquisition Price was adjusted to and agreed at RM5,643,083.81 and all conditions precedent were fulfilled. The Proposed Acquisition was completed on 6 September 2016.

Save as disclosed above, there were no other material contracts (not being contracts entered in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the Directors and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the previous financial year.

### 2. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, KPMG PLT (local and their overseas affiliate), to the Company and the Group respectively for the financial year ended 31 December 2016 were as follows:

	Group 2016 RM	Company 2016 RM
Statutory audit fees	437,000	43,000
Non-audit fees*	440,000	38,000

**Note:**

\* The non-audit fees comprised mainly fees paid to KPMG PLT to review the regulatory reporting, tax compliances and tax advisory works.

### 3. Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and their results for the financial year.

In preparing the financial statements for the year ended 31 December 2016, the Directors have:

- (i) adopted the appropriate accounting policies, which are consistently applied;
- (ii) made judgments and estimates that are reasonable and prudent; and
- (iii) ensured that the applicable approved accounting standards in Malaysia and provisions of the Act are complied with.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act. The Directors have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and as well as other irregularities.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiaries are as stated in Note 32 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	48,582	95,052
Non-controlling interests	10,789	-
	59,371	95,052

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review other than those disclosed in the financial statements.

## DIVIDENDS

Since the end of the previous financial year, the Company paid:

- a final ordinary dividend of 12 sen per ordinary share totalling RM 23,470,500 in respect of the financial year ended 31 December 2015 on 24 June 2016; and
- an interim ordinary dividend of 5 sen per ordinary share totalling RM 9,779,000 in respect of the financial year ended 31 December 2016 on 29 September 2016.

The Directors propose a final ordinary dividend of 10 sen per ordinary share totalling RM19,559,000 in respect of the financial year ended 31 December 2016. This dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

## DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Tan Heng Chew  
 Dato' Tan Eng Hwa  
 Low Seng Chee  
 Dato' N. Sadasivan s/o N.N. Pillay  
 Dato' Haji Kamaruddin @ Abas Bin Nordin  
 Siow Tiang Sae  
 Nicholas Tan Chye Seng  
 Sow Soon Hock  
 Lee Min On (appointed on 30 November 2016)  
 Lee Tatt Boon (appointed on 30 November 2016)  
 Dato' Heng Ji Keng (resigned on 30 November 2016)

# DIRECTORS' REPORT

for the year ended 31 December 2016

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<i>Interests in the Company:</i>				
Dato' Tan Heng Chew	5,924,999	-	-	5,924,999
Dato' Tan Eng Hwa	207,008	-	-	207,008
Dato' Haji Kamaruddin @ Abas Bin Nordin	5,448	-	-	5,448
Nicholas Tan Chye Seng	185,600	-	-	185,600
Siow Tiang Sae	2,050	-	-	2,050
Dato' Tan Heng Chew	92,157,784 <sup>(1)</sup>	-	-	92,157,784
Dato' Tan Eng Hwa	15,267,728 <sup>(2)</sup>	-	-	15,267,728

- (1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn. Bhd. and Wealthmark Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and interests held by spouse and son by virtue of Section 134(12)(c) of the Companies Act, 1965.
- (2) Deemed interest by virtue of interests in Wealthmark Holdings Sdn. Bhd. and Solomon House Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and interest held by spouse by virtue of Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Dato' Tan Heng Chew and Dato' Tan Eng Hwa are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest. Details of their deemed shareholdings in non-wholly-owned subsidiaries are shown in Note 32 to the financial statements.

None of the other Directors holding office at 31 December 2016 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.



# DIRECTORS' REPORT

for the year ended 31 December 2016

## TREASURY SHARES

During the financial year, the Company repurchased 2,000 of its issued ordinary shares from the open market at an average price of RM3.76 per ordinary share. The total consideration paid for the repurchase including transaction costs was RM7,606. The ordinary shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2016, the Company held as treasury shares a total of 6,013,500 of its 201,601,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM13,297,000 and further relevant details are disclosed in Note 16 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

# DIRECTORS' REPORT

for the year ended 31 December 2016

## SIGNIFICANT EVENTS

Significant events during the financial year ended 31 December 2016 are disclosed in Note 37 to the financial statements.

## SUBSEQUENT EVENT

There were no subsequent event after the financial year ended 31 December 2016.

## AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Low Seng Chee**  
Director

**Dato' Tan Eng Hwa**  
Director

Selangor Darul Ehsan,

Date: 12 April 2017

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>					
Property, plant and equipment	3	510,972	466,610	-	-
Prepaid lease payments	4	17,888	16,926	-	-
Investment properties	5	103,294	97,854	-	-
Investments in subsidiaries	6	-	-	506,408	431,539
Investment in an associate	7	11,763	11,463	-	-
Investments in joint ventures	8	30,186	29,948	-	-
Intangible assets	9	24,601	23,381	-	-
Deferred tax assets	10	11,712	11,101	-	-
<b>Total non-current assets</b>		<b>710,416</b>	<b>657,283</b>	<b>506,408</b>	<b>431,539</b>
Inventories	11	229,492	221,793	-	-
Other investments	12	101,547	141,969	10,285	10,286
Current tax assets		25,887	22,966	23	-
Trade and other receivables, including derivatives	13	247,558	211,190	28,825	36,680
Deposits and prepayments	14	41,401	30,991	7	5
Cash and cash equivalents	15	229,479	264,214	1,251	1,413
<b>Total current assets</b>		<b>875,364</b>	<b>893,123</b>	<b>40,391</b>	<b>48,384</b>
<b>Total assets</b>		<b>1,585,780</b>	<b>1,550,406</b>	<b>546,799</b>	<b>479,923</b>
<b>Equity</b>					
Share capital		201,600	201,600	201,600	201,600
Reserves		1,011,871	995,091	349,812	288,407
Treasury shares		(13,297)	(13,289)	(13,297)	(13,289)
<b>Equity attributable to owners</b>	16	<b>1,200,174</b>	<b>1,183,402</b>	<b>538,115</b>	<b>476,718</b>
<b>Non-controlling interests</b>		<b>37,772</b>	<b>37,220</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>1,237,946</b>	<b>1,220,622</b>	<b>538,115</b>	<b>476,718</b>
<b>Liabilities</b>					
Employee benefits	17	17,252	13,001	1,013	615
Deferred tax liabilities	10	36,160	32,576	-	-
<b>Total non-current liabilities</b>		<b>53,412</b>	<b>45,577</b>	<b>1,013</b>	<b>615</b>
Loans and borrowings	18	54,692	56,194	6,000	-
Provisions	19	19,020	17,532	-	-
Trade and other payables, including derivatives	20	219,319	208,787	1,671	2,540
Current tax liabilities		1,391	1,694	-	50
<b>Total current liabilities</b>		<b>294,422</b>	<b>284,207</b>	<b>7,671</b>	<b>2,590</b>
<b>Total liabilities</b>		<b>347,834</b>	<b>329,784</b>	<b>8,684</b>	<b>3,205</b>
<b>Total equity and liabilities</b>		<b>1,585,780</b>	<b>1,550,406</b>	<b>546,799</b>	<b>479,923</b>

The notes on pages 63 to 128 are an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016 (in USD equivalent)

	Group	
	31.12.2016	31.12.2015
	USD'000	USD'000
<b>Assets</b>		
Property, plant and equipment	113,903	108,716
Prepaid lease payments	3,988	3,944
Investment properties	23,025	22,799
Investment in an associate	2,623	2,671
Investments in joint ventures	6,729	6,978
Intangible assets	5,484	5,448
Deferred tax assets	2,611	2,586
<b>Total non-current assets</b>	<b>158,363</b>	<b>153,142</b>
Inventories	51,157	51,676
Other investments	22,636	33,078
Current tax assets	5,771	5,351
Trade and other receivables, including derivatives	55,184	49,205
Deposits and prepayments	9,229	7,221
Cash and cash equivalents	51,155	61,560
<b>Total current assets</b>	<b>195,132</b>	<b>208,091</b>
<b>Total assets</b>	<b>353,495</b>	<b>361,233</b>
<b>Equity</b>		
Share capital	46,971	46,971
Reserves	223,531	231,848
Treasury shares	(2,965)	(3,096)
<b>Equity attributable to owners</b>	<b>267,537</b>	<b>275,723</b>
<b>Non-controlling interests</b>	<b>8,420</b>	<b>8,672</b>
<b>Total Equity</b>	<b>275,957</b>	<b>284,395</b>
<b>Liabilities</b>		
Employee benefits	3,846	3,029
Deferred tax liabilities	8,061	7,590
<b>Total non-current liabilities</b>	<b>11,907</b>	<b>10,619</b>
Loans and borrowings	12,191	13,093
Provisions	4,240	4,085
Trade and other payables, including derivatives	48,889	48,646
Current tax liabilities	311	395
<b>Total current liabilities</b>	<b>65,631</b>	<b>66,219</b>
<b>Total liabilities</b>	<b>77,538</b>	<b>76,838</b>
<b>Total equity and liabilities</b>	<b>353,495</b>	<b>361,233</b>

The information presented on this page does not form part of the audited financial statements of the Group.

The audited figures are converted into USD equivalent using the exchange rate of RM4.486 = USD1.00 (2015 - RM4.292 = USD1.00) which approximates the prevailing rate on 31 December 2016

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	21	1,236,630	1,152,839	101,011	86,584
Cost of sales		(1,026,002)	(960,919)	-	-
<b>Gross profit</b>		210,628	191,920	101,011	86,584
Other income		12,800	21,535	456	747
Distribution expenses		(32,124)	(21,828)	-	-
Administrative expenses		(101,996)	(84,714)	(3,079)	(1,988)
Other expenses		(10,172)	(18,390)	(4,001)	(17)
<b>Results from operating activities</b>		79,136	88,523	94,387	85,326
Finance costs	22	(2,777)	(1,471)	(267)	(165)
Finance income	23	9,203	11,086	1,079	1,256
<b>Net finance income</b>		6,426	9,615	812	1,091
Share of (loss)/profit of equity accounted associate, net of tax		(302)	2,254	-	-
Share of loss of equity-accounted joint ventures, net of tax		(2,053)	(5,366)	-	-
<b>Profit before tax</b>	24	83,207	95,026	95,199	86,417
Income tax expense	26	(23,836)	(23,113)	(147)	(278)
<b>Profit for the year</b>		59,371	71,913	95,052	86,139
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of defined benefit liability		(1,959)	-	(398)	-
<b>Items that will be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		513	16,429	-	-
Share of gain of equity-accounted investees		2,893	1,542	-	-
<b>Other comprehensive income for the year, net of tax</b>	27	1,447	17,971	(398)	-
<b>Total comprehensive income for the year</b>		60,818	89,884	94,654	86,139



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
<b>Profit attributable to:</b>					
Owners of the Company		48,582	60,490	95,052	86,139
Non-controlling interests		10,789	11,423	-	-
<b>Profit for the year</b>		59,371	71,913	95,052	86,139
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		50,029	78,461	94,654	86,139
Non-controlling interests		10,789	11,423	-	-
<b>Total comprehensive income for the year</b>		60,818	89,884	94,654	86,139
Basic earnings per ordinary share (sen)	28	24.8	30.9		

The notes on pages 63 to 128 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016 (in USD Equivalent)

	Group	
	31.12.2016	31.12.2015
	USD'000	USD'000
Revenue	275,665	268,602
Cost of sales	(228,712)	(223,886)
<b>Gross Profit</b>	46,953	44,716
Other income	2,854	5,017
Distribution expenses	(7,161)	(5,086)
Administrative expenses	(22,737)	(19,738)
Other expenses	(2,268)	(4,285)
<b>Results from operating activities</b>	17,641	20,624
Finance costs	(620)	(343)
Finance income	2,052	2,583
<b>Net finance income</b>	1,432	2,240
Share of (loss)/profit of equity-accounted associate, net of tax	(67)	525
Share of loss of equity-accounted joint ventures, net of tax	(457)	(1,250)
<b>Profit before tax</b>	18,549	22,139
Income tax expense	(5,314)	(5,385)
<b>Profit for the year</b>	13,235	16,754
<b>Other comprehensive income, net of tax</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability	(437)	-
<b>Items that will be reclassified subsequently to profit or loss</b>		
Foreign currency translation differences for foreign operations	115	3,828
Share of gain of equity-accounted investees	645	359
<b>Other comprehensive income for the year, net of tax</b>	323	4,187
<b>Total comprehensive income for the year</b>	13,558	20,941
<b>Profit attributable to:</b>		
Owners of the Company	10,830	14,093
Non-controlling interests	2,405	2,661
<b>Profit for the year</b>	13,235	16,754
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	11,153	18,280
Non-controlling interests	2,405	2,661
	13,558	20,941
Basic earnings per ordinary share (sen)	5.5	7.2

The information presented on this page does not form part of the audited financial statements of the Group.

The audited figures are converted into USD equivalent using the exchange rate of RM4.486 = USD1.00 (2015 - RM4.292 = USD1.00) which approximates the prevailing rate on 31 December 2016

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

		Attributable to the owners of the Group									
		Non-distributable					Distributable				
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premiums RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000	
At 1 January 2015		201,600	(12,818)	17,898	92,395	(9,725)	854,206	1,143,556	32,949	1,176,505	
Foreign currency translation differences for foreign operations	27	-	-	-	-	16,429	-	16,429	-	16,429	
Share of gain of equity-accounted investees	27	-	-	-	-	1,542	-	1,542	-	1,542	
Total other comprehensive income for the year		-	-	-	-	17,971	-	17,971	-	17,971	
Profit for the year		-	-	-	-	-	60,490	60,490	11,423	71,913	
Total comprehensive income for the year		-	-	-	-	17,971	60,490	78,461	11,423	89,884	
Own shares acquired		-	(471)	-	-	-	-	(471)	-	(471)	
Subscription of shares by non-controlling interests		-	-	-	-	-	-	-	1,738	1,738	
Dividends to owners of the Company											
- Final 2014 ordinary	29	-	-	-	-	-	(23,475)	(23,475)	-	(23,475)	
- Interim 2015 ordinary	29	-	-	-	-	-	(14,669)	(14,669)	-	(14,669)	
Dividends to non-controlling interests		-	-	-	-	-	-	-	(8,003)	(8,003)	
Effect of change from joint venture to subsidiary		-	-	-	-	-	-	-	(887)	(887)	
Total transactions with owners of the Group		-	(471)	-	-	-	(38,144)	(38,615)	(7,152)	(45,767)	
At 31 December 2015		201,600	(13,289)	17,898	92,395	8,246	876,552	1,183,402	37,220	1,220,622	
		Note 16	Note 16	Note 16	Note 16	Note 16					

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

		Attributable to the owners of the Group								
		Non-distributable					Distributable			
		Share capital	Treasury shares	Share premiums	Revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016		201,600	(13,289)	17,898	92,395	8,246	876,552	1,183,402	37,220	1,220,622
Foreign currency translation differences for foreign operations	27	-	-	-	-	513	-	513	-	513
Remeasurement of defined benefit liabilities	27	-	-	-	-	-	(1,959)	(1,959)	-	(1,959)
Share of gain of equity-accounted investees	27	-	-	-	-	2,893	-	2,893	-	2,893
Total other comprehensive income for the year		-	-	-	-	3,406	(1,959)	1,447	-	1,447
Profit for the year		-	-	-	-	-	48,582	48,582	10,789	59,371
Total comprehensive income for the year		-	-	-	-	3,406	46,623	50,029	10,789	60,818
Own shares acquired		-	(8)	-	-	-	-	(8)	-	(8)
Acquisition of remaining shares of a subsidiary from non-controlling interests		-	-	-	-	-	-	-	(2,500)	(2,500)
Dividends to owners of the Company										
- Final 2015 ordinary	29	-	-	-	-	-	(23,470)	(23,470)	-	(23,470)
- Interim 2016 ordinary	29	-	-	-	-	-	(9,779)	(9,779)	-	(9,779)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(8,002)	(8,002)
Increase in non-controlling interests through business combination		-	-	-	-	-	-	-	265	265
Total transactions with owners of the Group		-	(8)	-	-	-	(33,249)	(33,257)	(10,237)	(43,494)
At 31 December 2016		201,600	(13,297)	17,898	92,395	11,652	889,926	1,200,174	37,772	1,237,946
		Note 16	Note 16	Note 16	Note 16	Note 16				

The notes on pages 63 to 128 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Company	Note	Attributable to the owners of the Company				Total equity
		Share capital	Treasury shares	Share premium	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>		201,600	(12,818)	17,898	222,514	429,194
Profit for the year		-	-	-	86,139	86,139
<b>Total comprehensive income for the year</b>		-	-	-	86,139	86,139
Own shares acquired		-	(471)	-	-	(471)
Dividends to owners of the Company						
- Final 2014 ordinary	29	-	-	-	(23,475)	(23,475)
- Interim 2015 ordinary	29	-	-	-	(14,669)	(14,669)
<b>Total transactions with owners of the Company</b>		-	(471)	-	(38,144)	(38,615)
<b>At 31 December 2015/ 1 January 2016</b>		201,600	(13,289)	17,898	270,509	476,718
Remeasurement of defined benefit liability		-	-	-	(398)	(398)
Profit for the year		-	-	-	95,052	95,052
<b>Total comprehensive income for the year</b>		-	-	-	94,654	94,654
Own shares acquired		-	(8)	-	-	(8)
Dividends to owners of the Company						
- Final 2015 ordinary	29	-	-	-	(23,470)	(23,470)
- Interim 2016 ordinary	29	-	-	-	(9,779)	(9,779)
<b>Total transactions with owners of the Company</b>		-	(8)	-	(33,249)	(33,257)
<b>At 31 December 2016</b>		201,600	(13,297)	17,898	331,914	538,115
		Note 16	Note 16	Note 16		

The notes on pages 63 to 128 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		83,207	95,026	95,199	86,417
<i>Adjustments for:</i>					
Amortisation of intangible assets	9	7,948	5,088	-	-
Amortisation of prepaid lease payments	4	113	97	-	-
Depreciation of property, plant and equipment	3	47,273	40,957	-	-
Change in fair value of investment properties	5	(2,086)	(564)	-	-
Inventories written off		8,883	5,914	-	-
Impairment of intangible assets	9	787	-	-	-
Impairment in subsidiary		-	-	4,000	-
Employee benefits	17	2,716	2,016	-	-
Finance costs	22	2,777	1,471	267	165
Interest income	23	(9,203)	(11,086)	(1,079)	(1,256)
Gain on disposal of property, plant and equipment		(125)	(97)	-	-
Loss on acquisition of non-controlling interest		3	-	-	-
Provision of warranties	19	4,741	5,161	-	-
Provision of warranties reversed	19	(657)	(4,187)	-	-
Property, plant and equipment written off		230	56	-	-
Share of loss/(profit) of associate, net of tax		302	(2,254)	-	-
Share of loss of joint ventures, net of tax		2,053	5,366	-	-
Operating profit before changes in working capital		148,962	142,964	98,387	85,326
Deposits and prepayments		(10,410)	18,970	(2)	19
Inventories		(14,948)	(14,577)	-	-
Trade and other payables, including derivatives		10,372	(25,859)	(869)	(1,846)
Trade and other receivables, including derivatives		(36,101)	74,628	7,855	4,683
<b>Cash generated from operations</b>		<b>97,875</b>	<b>196,126</b>	<b>105,371</b>	<b>88,182</b>
Employee benefits paid	17	(1,042)	(463)	-	-
Interest received	23	9,203	11,086	1,079	1,256
Interest paid	22	(2,777)	(1,471)	(267)	(165)
Warranties utilised	19	(2,596)	(4,945)	-	-
Income tax refund		1,595	1,045	18	555
Income tax paid		(23,893)	(32,396)	(238)	(245)
<b>Net cash generated from operating activities</b>		<b>78,365</b>	<b>168,982</b>	<b>105,963</b>	<b>89,583</b>

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(88,923)	(95,661)	-	-
Addition of intangible assets	9	(5,324)	(10,257)	-	-
Acquisition of operation, net of cash and cash equivalent acquired		(11,089)	-	-	-
Net decrease/(increase) in other investments		40,422	(63,463)	1	(9,786)
Investment in subsidiaries		-	-	(78,869)	(46,827)
Proceeds from disposal of property, plant and equipment		3,648	436	-	-
Net effect of changes from joint venture to subsidiary, net cash inflows		-	59	-	-
<b>Net cash used in investing activities</b>		(61,266)	(168,886)	(78,868)	(56,613)
<b>Cash flows from financing activities</b>					
Acquisition of shares in a subsidiary from non-controlling interest		(2,503)	-	-	-
Dividends paid to non-controlling interests		(8,002)	(8,003)	-	-
Dividends paid to owners of the Company	29	(33,249)	(38,144)	(33,249)	(38,144)
Drawdown of loans and borrowings		19,833	23,369	6,000	-
Repayment of loans and borrowings		(21,335)	(4,204)	-	-
Purchase of Company's own shares		(8)	(471)	(8)	(471)
Subscription of shares in subsidiary by non-controlling interests		-	1,738	-	-
<b>Net cash used in financing activities</b>		(45,264)	(25,715)	(27,257)	(38,615)
<b>Net decrease in cash and cash equivalents</b>		(28,165)	(25,619)	(162)	(5,645)
Effect of exchange rate fluctuations		(6,570)	10,449	-	-
Cash and cash equivalents at beginning of year	(i)	264,214	279,384	1,413	7,058
<b>Cash and cash equivalents at end of year</b>	(i)	229,479	264,214	1,251	1,413

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

## i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	15	122,409	172,494	87	629
Corporate management accounts	15	46,432	31,244	480	125
Cash and bank balances	15	60,638	60,476	684	659
		229,479	264,214	1,251	1,413

Corporate management accounts are interest bearing current accounts maintained with a bank.

# NOTES TO THE FINANCIAL STATEMENTS

APM Automotive Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**

Lot 600, Pandamaran Industrial Estate  
Locked Bag No. 218  
42009 Port Klang  
Selangor Darul Ehsan

**Registered office**

62-68, Jalan Sultan Azlan Shah  
51200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in an associate and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiaries are as stated in Note 32 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 12 April 2017.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018;
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

#### (i) **MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### (ii) **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group will assess the financial impact that may arise from the adoption of MFRS 9.

#### (iii) **MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group will assess the financial impact that may arise from the adoption of MFRS 16.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION *(cont'd)*

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than those as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards (MFRSs) and International Financial Reporting Standards require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 – Valuation of property, plant and equipment
- Note 5 – Valuation of investment properties
- Note 19 – Provisions for warranties and contingent liabilities

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

### (a) Basis of consolidation (*cont'd*)

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of consolidation (cont'd)

#### (v) Associates (cont'd)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

#### (vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of consolidation (cont'd)

#### (viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia (RM)

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

##### **(a) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### **(b) Loans and receivables**

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Financial instruments (cont'd)

#### (ii) Financial instrument categories and subsequent measurement (cont'd)

##### **Financial liabilities (cont'd)**

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. Freehold land is stated at revaluation.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Property, plant and equipment (cont'd)

#### (i) Recognition and measurement (cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of the other items of property, plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### Property under the revaluation model

The Group revalues its property comprising land and building every 3 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• long term leasehold land	64 - 80 years
• buildings	20 - 25 years
• plant, machinery and equipment	1 - 10 years
• furniture, fittings and office equipment	2 - 7 years
• motor vehicles	5 - 10 years
• renovation	10 - 25 years

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Property, plant and equipment (cont'd)

#### (iii) Depreciation (cont'd)

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### (ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

#### (ii) Development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Intangible assets (cont'd)

#### (ii) Development expenditure (cont'd)

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and any accumulated impairment losses.

#### (iii) Technical know-how

Technical know-how intangible asset comprises the right to use certain technical knowledge and/or know-how to manufacture and sell automotive parts.

Cost incurred to acquire technical know-how is capitalised only if it can be measured reliably, future economic benefits are probable and the Group intends to and has sufficient resources to use or sell the asset.

Capitalised technical know-how is stated at cost less accumulated amortisation and any accumulated impairment losses.

#### (iv) Other intangible assets

Intangible assets, other than goodwill that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

#### (vi) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

• development expenditures	3 - 5 years
• trademarks	2 years
• design	3 years
• technical know-how	1 - 3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period are adjusted, if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Investment properties

#### (i) Investment properties carried at fair value

Investment properties are properties which are owned or held under leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of the materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

#### (ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, investment in an associate and investments in joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, investment properties measured at fair value and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment loss arises on the land and building carried at revaluation model will be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Any excess will be charged to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Impairment (cont'd)

#### (ii) Other assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (k) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

#### (i) Ordinary shares

Ordinary shares are classified as equity.

#### (ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (l) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or incentive if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Employee benefits (cont'd)

#### (iii) Defined benefit plans (cont'd)

The calculation of defined benefit obligations is performed every three years by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### (m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### (i) Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty claim.

In rare circumstances, a provision for warranties is not made when it is related to unusual product defects and where the amount of obligation cannot be measured with sufficient reliability.

### (n) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services

Revenue from services rendered is recognised in profit or loss as and when the services are performed.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Revenue and other income (cont'd)

#### (iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

### (p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (p) Income tax (cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### (q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment's results are reviewed regularly by the chief operating decision makers, which in this case is the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (s) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Long term leasehold land	Buildings	Plant, machinery and equipment	Furniture, fittings and office equipment	Motor vehicles	Renovation	Under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost/Valuation</b>									
At 1 January 2015	62,402	55,500	165,879	439,113	30,645	10,031	-	12,431	776,001
Additions	-	-	2,516	34,318	5,184	998	1,889	50,756	95,661
Disposals	-	-	-	(1,382)	(122)	(927)	-	-	(2,431)
Written off	-	-	-	(1,371)	(10)	-	-	-	(1,381)
Transfer	-	-	5,829	33	-	-	-	(5,862)	-
Effect of change of joint venture to subsidiary	-	-	-	1,757	186	205	-	-	2,148
Effect of movement in exchange rates	1,354	-	1,504	3,102	133	138	-	48	6,279
At 31 December 2015/ 1 January 2016	63,756	55,500	175,728	475,570	36,016	10,445	1,889	57,373	876,277
Acquisition through business combinations	-	-	-	5,109	30	-	-	-	5,139
Additions	305	-	3,478	45,187	1,880	779	190	37,104	88,923
Disposals	-	-	-	(4,224)	(612)	(1,064)	-	-	(5,900)
Written off	-	-	-	(573)	(49)	-	-	-	(622)
Transfer	-	-	25,763	37,735	109	-	-	(63,607)	-
Transfer to investment property	-	-	(3,660)	-	-	-	-	-	(3,660)
Effect of movement in exchange rates	616	-	663	1,048	112	56	-	3,914	6,409
At 31 December 2016	64,677	55,500	201,972	559,852	37,486	10,216	2,079	34,784	966,566
<b>Accumulated depreciation</b>									
At 1 January 2015	-	-	-	340,399	25,236	4,263	-	-	369,898
Charge for the year	-	905	10,288	25,479	2,781	1,455	49	-	40,957
Disposals	-	-	-	(1,376)	(121)	(595)	-	-	(2,092)
Written off	-	-	-	(1,315)	(10)	-	-	-	(1,325)
Effect of movement in exchange rates	-	-	352	1,719	135	23	-	-	2,229
At 31 December 2015/ 1 January 2016	-	905	10,640	364,906	28,021	5,146	49	-	409,667
Charge for the year	-	903	11,632	29,723	3,365	1,556	94	-	47,273
Disposals	-	-	-	(1,321)	(320)	(736)	-	-	(2,377)
Written off	-	-	-	(345)	(47)	-	-	-	(392)
Offset of accumulated depreciation on property transferred to investment property	-	-	(306)	-	-	-	-	-	(306)
Effect of movement in exchange rates	-	-	296	1,303	96	34	-	-	1,729
At 31 December 2016	-	1,808	22,262	394,266	31,115	6,000	143	-	455,594
<b>Carrying amounts</b>									
At 1 January 2015	62,402	55,500	165,879	98,714	5,409	5,768	-	12,431	406,103
At 31 December 2015/ 1 January 2016	63,756	54,595	165,088	110,664	7,995	5,299	1,840	57,373	466,610
At 31 December 2016	64,677	53,692	179,710	165,586	6,371	4,216	1,936	34,784	510,972

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

The Group's freehold land, leasehold land and buildings were revalued in November 2014 by independent professional qualified valuers. Had the revalued properties been carried under the cost model, the net carrying amount of the properties that would have been included in the financial statements of the Group as at 31 December 2016 is as follows:

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
<b>2016</b>				
Cost	44,701	26,968	191,938	263,607
Accumulated depreciation	-	(7,662)	(73,794)	(81,456)
	44,701	19,306	118,144	182,151
<b>2015</b>				
Cost	43,780	26,968	165,694	236,442
Accumulated depreciation	-	(6,759)	(62,172)	(68,931)
	43,780	20,209	103,522	167,511

The fair values of the freehold land, long term leasehold land and buildings in 2014 were categorised as Level 3 fair values.

#### Fair value information

##### *Policy on transfer between levels*

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### *Level 3 fair value*

Level 3 fair value was estimated using unobservable inputs for the land and buildings.

Fair values of land and buildings had been generally derived using the sales comparison approach. In the sales comparison approach, sales price of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was price per square foot of comparable properties.

##### *Valuation process applied by the Group for Level 3 fair value*

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. PREPAID LEASE PAYMENTS

<b>Group</b>	<b>Unexpired period less than or equal to 50 years RM'000</b>
<b>Cost</b>	
At 1 January 2015	15,359
Effect of movement in exchange rates	2,279
At 31 December 2015/1 January 2016	17,638
Effect of movement in exchange rates	1,110
At 31 December 2016	18,748
<b>Accumulated amortisation</b>	
At 1 January 2015	490
Charge during the year	97
Effect of movement in exchange rates	125
At 31 December 2015/1 January 2016	712
Charge during the year	113
Effect of movement in exchange rates	35
At 31 December 2016	860
<b>Carrying amounts</b>	
At 1 January 2015	14,869
At 31 December 2015/1 January 2016	16,926
At 31 December 2016	17,888

## 5. INVESTMENT PROPERTIES

<b>Group</b>	<b>Freehold land RM'000</b>	<b>Long term leasehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
At 1 January 2015	3,172	82,688	11,430	97,290
Change in fair value	304	-	260	564
At 31 December 2015/1 January 2016	3,476	82,688	11,690	97,854
Change in fair value	23	1,706	357	2,086
Transfer from Property, plant and equipment	-	-	3,354	3,354
At 31 December 2016	3,499	84,394	15,401	103,294



# NOTES TO THE FINANCIAL STATEMENTS

## 5. INVESTMENT PROPERTIES (cont'd)

### 5.1 Fair value information

Fair value of investment properties are categorised as follows:

Group 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land	-	-	3,499	3,499
Long term leasehold land	-	-	84,394	84,394
Buildings	-	-	15,401	15,401
	-	-	103,294	103,294
<b>2015</b>				
Freehold land	-	-	3,476	3,476
Long term leasehold land	-	-	82,688	82,688
Buildings	-	-	11,690	11,690
	-	-	97,854	97,854

The fair value of investment properties can be categorised based on the following:

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

Fair values of lands and buildings have been generally derived using the sales comparison approach. In the sales comparison approach, sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

#### Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provide the fair value of the Group's investment properties portfolio every year. Changes in Level 3 fair values are analysed by the management every year after obtaining valuation report from the valuation company.

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	519,947	441,078
Less: Accumulated impairment losses	(13,539)	(9,539)
	506,408	431,539

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (cont'd)

Impairment losses are recognised in the statement of profit or loss and other comprehensive income. During the financial year, an additional impairment loss amounting to RM4,000,000 is recognised in relation to an investment in a subsidiary.

An impairment test has been performed because the subsidiary incurred a net loss during the year. Accordingly, management estimated the recoverable amount at RM24,000,000 based on fair value less costs of disposal ("FVLCD"). The FVLCD is derived by estimating the fair value of the underlying net assets of the subsidiary and was based on the assumption that the plant and equipment and inventories can be realised at their carrying amounts.

The fair value measurement was categorised as a Level 3 fair value. Details of the subsidiaries are shown in Note 32.

### 6.1 Non-controlling interest in subsidiaries

The Group's subsidiary that has material non-controlling interests ("NCI") is as follows:

	Fuji Seats (Malaysia) Sdn. Bhd. RM'000	2016 Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest (Held via Fuji Seat Co., Ltd)	40%		
Carrying amount of NCI	37,227	545	37,772
Profit allocated to NCI	11,225	(436)	10,789

#### Summarised financial information before intra-group elimination

As at 31 December 2016	RM'000
Non-current assets	43,913
Current assets	100,692
Non-current liabilities	(1,278)
Current liabilities	(50,260)
Net assets	93,067
 Year ended 31 December 2016	 RM'000
Revenue	313,823
Profit for the year	28,063
Total comprehensive income	28,063

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (cont'd)

### 6.1 Non-controlling interest in subsidiaries (cont'd)

#### Summarised financial information before intra-group elimination (cont'd)

	RM'000
Cash flows from operating activities	30,490
Cash flows from investing activities	(5,063)
Cash flows from financing activities	(20,007)
Net increase in cash and cash equivalents	5,420
Dividends paid to NCI	8,002

	Fuji Seats (Malaysia) Sdn. Bhd. RM'000	2015 Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest (Held via Fuji Seat Co., Ltd)	40%		
Carrying amount of NCI	34,258	2,962	37,220
Profit allocated to NCI	11,315	108	11,423

#### Summarised financial information before intra-group elimination

As at 31 December 2015	RM'000
Non-current assets	45,698
Current assets	96,199
Non-current liabilities	(1,105)
Current liabilities	(55,147)
Net assets	85,645
Year ended 31 December 2015	RM'000
Revenue	312,641
Profit for the year	28,287
Total comprehensive income	28,287

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (cont'd)

### 6.1 Non-controlling interest in subsidiaries (cont'd)

#### Summarised financial information before intra-group elimination (cont'd)

	RM'000
Cash flows from operating activities	43,920
Cash flows from investing activities	(16,779)
Cash flows from financing activities	(20,007)
Net increase in cash and cash equivalents	7,134
Dividends paid to NCI	8,003

### 6.2 Restriction imposed by shareholder's agreement

Generally, for all the subsidiaries which are not wholly-owned by the Company, the non-controlling interests shareholders hold protective rights restricting the Group's ability to use the net assets of the subsidiaries to settle the liabilities of the Group, unless approval is obtained from the non-controlling interests shareholders.

## 7. INVESTMENT IN AN ASSOCIATE

	Group	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	5,048	5,048
Share of post-acquisition reserves	6,715	6,415
	11,763	11,463

Details of the associate are as follows:

Name of entity	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2016	2015
P.T. Adient Automotive Indonesia (formerly known as P.T. Armada Johnsons Controls)	Indonesia	Manufacturing and supplying automotive products to the Group	12.5%	12.5%

## 8. INVESTMENTS IN JOINT VENTURES

	Group	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	25,184	25,184
Share of post-acquisition reserves	5,002	4,764
	30,186	29,948

## NOTES TO THE FINANCIAL STATEMENTS

### 8. INVESTMENTS IN JOINT VENTURES *(cont'd)*

Details of joint ventures are as follows:

Name of joint venture	Nature of the relationship	Effective ownership interest	
		2016	2015
P.T. APM Armada Autoparts (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture interior products and is one of the strategic partnerships to develop Indonesia's automotive market.	50%	50%
IAC APM Automotive Systems Ltd. (held via 100% owned subsidiary, APM Automotive International Ltd.)	Manufacture interior plastic components and is one of the strategic partnerships to develop Thailand's automotive market.	40%	40%
Diversified Furniture Systems Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant.	50%	50%

There is no individually material joint venture to the Group.

### 9. INTANGIBLE ASSETS

Group	Trademarks and design	Development expenditure	Goodwill	Technical know-how	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	5,025	2,436	6,696	-	14,157
Additions	240	4,849	-	5,168	10,257
Reclassification from prepayments	-	1,051	-	4,560	5,611
Effect of movement in exchange rate	494	-	622	-	1,116
At 31 December 2015/1 January 2016	5,759	8,336	7,318	9,728	31,141
Additions	-	117	-	5,207	5,324
Acquisition through business combination	3,273	-	1,201	-	4,474
Effect of movement in exchange rate	303	-	258	-	561
At 31 December 2016	9,335	8,453	8,777	14,935	41,500

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INTANGIBLE ASSETS (cont'd)

Group (cont'd)	Trademarks and design RM'000	Development expenditure RM'000	Goodwill RM'000	Technical know-how RM'000	Total RM'000
<b>Amortisation and impairment loss</b>					
At 1 January 2015	208	2,317	-	-	2,525
Amortisation for the year	2,981	1,982	-	125	5,088
Effect of movement in exchange rate	147	-	-	-	147
At 31 December 2015/1 January 2016	3,336	4,299	-	125	7,760
Amortisation for the year	1,970	1,766	-	4,212	7,948
Impairment loss	-	-	-	787	787
Effect of movement in exchange rate	404	-	-	-	404
At 31 December 2016					
Accumulated amortisation	5,710	6,065	-	4,337	16,112
Accumulated impairment	-	-	-	787	787
	5,710	6,065	-	5,124	16,899
<b>Carrying amounts</b>					
At 1 January 2015	4,817	119	6,696	-	11,632
At 31 December 2015/1 January 2016	2,423	4,037	7,318	9,603	23,381
At 31 December 2016	3,625	2,388	8,777	9,811	24,601

The amortisation charge is allocated to the cost of sales and is recognised in profit or loss.

#### Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the operations in Australia, which represents the lowest level within the Group, at which the goodwill is monitored for internal management purposes.

The recoverable amount of the business unit is based on value in use calculations. Cash flow projections used in this calculation were based on financial budgets approved by the management covering a five-year period.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units and was based on the following key assumptions:

- There will be no material change in structure and principal activities of cash-generating units.
- The earnings before interest, taxes and amortisation ("EBITA") is based on growth rate of 3%.
- A pre-tax discount rate of 7% was applied in determining the recoverable amount of the unit.

No impairment is required for the goodwill attributed to the business unit as the estimated recoverable amount significantly exceeds the carrying amount of the business unit.

In order for the business unit to record an impairment loss, the discount rate will need to increase to 13%.



## NOTES TO THE FINANCIAL STATEMENTS

### 10. DEFERRED TAX ASSETS/(LIABILITIES)

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Employee benefits	1,888	731	-	-	1,888	731
Property, plant and equipment	1,164	532	(40,817)	(34,821)	(39,653)	(34,289)
Investment properties	-	-	(4,426)	(3,477)	(4,426)	(3,477)
Provisions and others	19,493	18,397	(1,750)	(2,837)	17,743	15,560
Tax assets/(liabilities)	22,545	19,660	(46,993)	(41,135)	(24,448)	(21,475)
Set off of tax	(10,833)	(8,559)	10,833	8,559	-	-
Net tax assets/(liabilities)	11,712	11,101	(36,160)	(32,576)	(24,448)	(21,475)

Movement in temporary differences during the financial year

Group	At 1.1.2015	Recognised in profit or loss (Note 26)	Recognised in other comprehensive income (Note 27)	At 31.12.2015/ 1.1.2016	Recognised in profit or loss (Note 26)	Recognised in other comprehensive income (Note 27)	At 31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Employee benefits	-	731	-	731	539	618	1,888
Property, plant and equipment	(25,667)	(8,622)	-	(34,289)	(5,364)	-	(39,653)
Investment properties	(3,627)	150	-	(3,477)	(949)	-	(4,426)
Provisions and others	15,779	(219)	-	15,560	2,183	-	17,743
	(13,515)	(7,960)	-	(21,475)	(3,591)	618	(24,448)

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2016	2015
	RM'000	RM'000
Unutilised tax losses	42,822	20,372
Unabsorbed capital allowances	6,900	1,389
Deductible temporary differences	2,504	1,476
	52,226	23,237

# NOTES TO THE FINANCIAL STATEMENTS

## 10. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

### Unrecognised deferred tax assets (cont'd)

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation except for the unutilised tax losses of RM13,555,000 [IDR40,585,283,000] (2015: RM13,193,000 [IDR42,422,492,000]) which will expire in financial year 2017 - 2021 (2015: 2016 - 2020) for the subsidiary in Indonesia. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

## 11. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
Raw materials	141,420	141,852
Work-in-progress	11,385	11,164
Manufactured inventories and trading inventories	70,012	64,192
Spare parts and others	6,675	4,585
	229,492	221,793

	Group	
	2016	2015
	RM'000	RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	880,241	924,154
Write-down to net realisable value	4,602	1,490

## 12. OTHER INVESTMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Current</b>				
Financial assets at fair value through profit or loss				
- Liquid investment with licensed financial institutions	101,547	141,969	10,285	10,286

# NOTES TO THE FINANCIAL STATEMENTS

## 13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables		202,548	158,517	-	-
Less: Impairment losses		(553)	(546)	-	-
		201,995	157,971	-	-
Related parties	13.1	25,916	37,504	-	-
		227,911	195,475	-	-
Non-trade					
Other receivables		18,843	15,395	60	33
Subsidiaries	13.2	-	-	28,765	36,647
Derivatives held for trading at fair value through profit or loss					
- Forward exchange contracts		804	320	-	-
		19,647	15,715	28,825	36,680
		247,558	211,190	28,825	36,680

13.1 The trade amounts due from related parties are subject to 30-60 days trade credit term.

13.2 The non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand except for amount due from subsidiaries amounting to RM24,654,000 (2015: RM28,053,000) which is subject to interest ranging from 3.2% to 3.5% (2015: 3.3% to 3.6%) per annum.

## 14. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits	8,007	4,882	5	5
Prepayments	33,394	26,109	2	-
	41,401	30,991	7	5

# NOTES TO THE FINANCIAL STATEMENTS

## 15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	122,409	172,494	87	629
Corporate management accounts	46,432	31,244	480	125
Cash and bank balances	60,638	60,476	684	659
	229,479	264,214	1,251	1,413

Corporate management accounts are interest bearing current accounts maintained with a bank.

## 16. CAPITAL AND RESERVES

### Share capital

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	2016	2016	2015	2015
	RM'000	'000	RM'000	'000
Authorised:				
Ordinary shares of RM1.00 each	300,000	300,000	300,000	300,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	201,600	201,600	201,600	201,600

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

### Treasury shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 25 May 2016, approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 2,000 (2015: 96,800) of its issued ordinary share capital from the open market at an average price of RM3.76 (2015: RM4.87) per ordinary share. The purchase transactions were financed by internally generated funds. The ordinary shares purchased are retained as treasury shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. CAPITAL AND RESERVES (cont'd)

#### Treasury shares (cont'd)

Details of the repurchase of treasury shares were as follows:

	Average repurchase price	Highest repurchase price	Lowest repurchase price	Number of treasury shares repurchased	Total consideration received
2016	RM	RM	RM		RM
March	4.000	4.000	4.000	1,000	4,048
August	3.510	3.510	3.510	1,000	3,558

At 31 December 2016, the Company held 6,013,500 (2015: 6,011,500) of the Company's shares.

#### Share premium

The reserve comprises the premium paid on subscription of shares in the Company over and above par value of the shares.

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

#### Revaluation reserve

The revaluation reserve relates to the revaluation of Group's freehold land, leasehold land and buildings.

### 17. EMPLOYEE BENEFITS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Recognised liability for employee benefits	17,252	13,001	1,013	615

Under the terms of employment with its employees, the Group and the Company have to pay employee benefits to eligible employees who have completed a qualifying period of service. Eligible employees are entitled to employee benefits based on a certain percentage of total basic salary earned for the period of service less the employers' Employee Provident Funds contribution.

# NOTES TO THE FINANCIAL STATEMENTS

## 17. EMPLOYEE BENEFITS (cont'd)

### Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components.

Group	Net defined benefit liability	
	2016 RM'000	2015 RM'000
Balance at 1 January	13,001	11,448
Remeasurement of defined benefit liability	2,577	-
<b>Included in profit or loss</b>		
Current service cost	1,605	1,468
Past service credit	554	30
Interest cost	557	518
	2,716	2,016
<b>Others</b>		
Benefits paid	(1,042)	(463)
Balance at 31 December	17,252	13,001
<b>Company</b>		
Balance at 31 December	1,013	615

### Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group and Company	
	2016	2015
Discount rate	5.0% – 6.0%	5.75% - 6.0%
Future salary growth	5.5%	6.5%
Future pension growth	12% - 13%	12% - 13%

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2016, the weighted-average duration of the defined benefit obligation was 9.9 years for senior managements and 13 years for other covered employees (2015: 11.4 years for senior managements and 10.9 years for other covered employees).



# NOTES TO THE FINANCIAL STATEMENTS

## 18. LOANS AND BORROWINGS

	Note	2016 RM'000	2015 RM'000
<b>Group</b>			
Sukuk Murabahah	18.1	6,000	-
Unsecured foreign currency loans		33,692	41,194
Unsecured revolving credit		15,000	15,000
		54,692	56,194
<b>Company</b>			
Sukuk Murabahah	18.1	6,000	-

The borrowings of the Group are subject to interest at 2.08% to 10.32% (2015: 0.80% to 10.96%) per annum.

### 18.1 Sukuk Murabahah

Sukuk Murabahah are Islamic Commercial Papers ("ICPs") Programme and Islamic Medium Term Notes ("IMTNs") Programme under the Shariah principle of Murabahah (via Tawarruq arrangement) (collectively, the "Sukuk Murabahah Programmes"). Both the ICP and IMTN Programme have a tenure of 7 years and 20 years from the date of first issue from the respective programmes.

On 28 December 2016, the Group and the Company issued RM1,000,000 of ICP and RM5,000,000 of IMTN. These Sukuk have tenures of 1 month and 1 year respectively and carry a profit sale of 3.9% and 4.95% respectively, which are determined at the point of issuance. Profit on ICP is paid upon issuance and IMTN is payable semi-annually.

## 19. PROVISIONS

	Group RM'000
At 1 January 2015	21,503
Provisions made during the year	5,161
Provisions utilised during the year	(4,945)
Provisions reversed during the year	(4,187)
At 31 December 2015 / 1 January 2016	17,532
Provisions made during the year	4,741
Provisions utilised during the year	(2,596)
Provisions reversed during the year	(657)
At 31 December 2016	19,020

Provisions for warranties are recognised when the products are sold where they are entitled to warranty. The provisions are estimated based on historical warranty claims and the Group expects to incur most of the liabilities over the next 1 - 3 years.

Where an abnormal defect is discovered on a product, the management will perform investigation to identify the cause. The total warranty liability that will be incurred is highly dependent on the course of action that needs to be taken by the Group in consultation with the affected customer. It may vary significantly.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade</b>					
Trade payables		112,074	118,219	-	-
Joint ventures	20.1	-	84	-	-
Related parties	20.1	6,498	3,553	-	-
		118,572	121,856	-	-
<b>Non-trade</b>					
Other payables and accruals		99,580	85,473	1,495	1,464
Subsidiaries	20.2	-	-	176	1,076
Joint ventures	20.2	84	8	-	-
Related parties	20.2	688	1,391	-	-
Derivatives held for trading at fair value through profit or loss					
- Forward exchange contracts		395	59	-	-
		100,747	86,931	1,671	2,540
		219,319	208,787	1,671	2,540

20.1 The trade amounts due to joint ventures and related parties are subject to 30-60 days trade credit term.

20.2 The non-trade amounts due to subsidiaries, joint ventures and related parties are unsecured, interest free and repayable on demand.

## 21. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	1,236,630	1,152,839	-	-
Dividend income	-	-	101,011	86,584
	1,236,630	1,152,839	101,011	86,584

## 22. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Other borrowings	2,777	1,471	267	165

## NOTES TO THE FINANCIAL STATEMENTS

### 23. FINANCE INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income received from deposits, liquid investment and corporate management accounts with licensed financial institutions	9,203	11,086	199	244
Interest income received from subsidiaries	-	-	880	1,012
	9,203	11,086	1,079	1,256

### 24. PROFIT BEFORE TAX

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Profit before tax is arrived at after charging:</b>				
Non-executive directors:				
- Fees	298	270	298	270
- Benefits	52	31	52	31
Amortisation of intangible assets	7,948	5,088	-	-
Auditors' remuneration:				
Audit fees				
- KPMG Malaysia	437	389	43	39
- Other auditors	282	172	-	-
Non-audit fees				
- KPMG Malaysia	42	55	38	19
- Local affiliates of KPMG Malaysia	346	177	-	26
- Overseas affiliates of KPMG Malaysia	52	100	-	100
- Other auditors	41	-	-	-
Amortisation of prepaid lease payments	113	97	-	-
Depreciation of property, plant and equipment	47,273	40,957	-	-
Impairment loss				
- trade receivables	45	57	-	-
- other receivables	-	-	-	17
- intangible assets	787	-	-	-
- investment in subsidiary	-	-	4,000	-
Inventory written off	8,883	5,914	-	-
Net foreign exchange loss				
- realised	5,030	5,967	-	-
Personnel expenses (including key management personnel)				
- Employee benefits	2,840	2,016	-	-
- Contributions to state plans	11,302	10,615	199	189
- Wages, salaries and others	158,430	136,226	1,106	415

# NOTES TO THE FINANCIAL STATEMENTS

## 24. PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Profit before tax is arrived at after charging:</b> (cont'd)				
Property, plant and equipment written off	230	56	-	-
Provision of warranties	4,741	5,161	-	-
Rental of premises	2,757	2,598	-	-
Royalties	9,731	12,095	-	-
<b>and after crediting:</b>				
Gain on disposal of property, plant and equipment	125	97	-	-
Net foreign exchange gain				
- realised	-	-	164	18
- unrealised	2,754	5,311	31	728
Rental income from investment properties	1,885	2,995	-	-
Reversal of impairment loss				
- trade receivables	38	104	-	-
Reversal of provision of warranties	657	4,187	-	-
Net dividends received from subsidiaries	-	-	101,011	86,584
Fair value adjustment on investment properties	2,086	564	-	-

## 25. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive directors				
- Remuneration	6,750	6,036	1,850	1,716
- Other short-term employee benefits	157	102	-	-
Total short-term employee benefits	6,907	6,138	1,850	1,716
Other key management personnel:				
- Remuneration and other short-term employee benefits	5,760	5,492	-	-
	5,760	5,492	-	-
	12,667	11,630	1,850	1,716

# NOTES TO THE FINANCIAL STATEMENTS

## 25. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

Remuneration paid to executive directors were in respect of their employment with the Group and the Company.

Other key management personnel comprise the executive directors of certain subsidiaries, having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly.

## 26. INCOME TAX EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Recognised in profit or loss</b>				
Income tax expense	23,836	23,113	147	278
Share of tax of associate	188	229	-	-
Share of tax of joint ventures	-	52	-	-
	24,024	23,394	147	278
<b>Current tax expense</b>				
Malaysia				
- Current year	18,831	14,630	154	230
- (Over)/Under provision in prior year	(472)	(1,810)	(33)	48
Overseas				
- Current year	1,601	2,005	-	-
Total current tax recognised in profit or loss	19,960	14,825	121	278
Others	285	328	26	-
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	2,184	4,686	-	-
- Under provision in prior year	1,407	3,274	-	-
Total deferred tax recognised in profit or loss	3,591	7,960	-	-
Share of tax of associate	188	229	-	-
Share of tax of joint ventures	-	52	-	-
<b>Total income tax expense</b>	24,024	23,394	147	278

# NOTES TO THE FINANCIAL STATEMENTS

## 26. INCOME TAX EXPENSE (cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Reconciliation of tax expense</b>				
Profit for the year	59,371	71,913	95,052	86,139
Total income tax expense	24,024	23,394	147	278
Profit excluding tax	83,395	95,307	95,199	86,417
Income tax using Malaysian tax rate of 24% (2015: 25%)	20,015	23,827	22,848	21,604
Non-deductible expenses	1,783	2,669	1,591	327
Tax exempt income	(326)	(127)	(24,243)	(21,646)
Tax incentives	(5,227)	(6,315)	-	-
Current year losses for which no deferred tax asset was recognised	5,388	2,417	-	-
Other items	1,456	(541)	(16)	(55)
	23,089	21,930	180	230
Malaysia				
- (Over)/Under provision of tax expense in prior year	(472)	(1,810)	(33)	48
- Under provision of deferred tax expense in prior year	1,407	3,274	-	-
<b>Total tax expense</b>	24,024	23,394	147	278



## NOTES TO THE FINANCIAL STATEMENTS

### 27. OTHER COMPREHENSIVE INCOME

	2016			2015		
	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
<b>Group</b>						
<b>Items that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of Defined benefit liability	(2,577)	618	(1,959)	-	-	-
<b>Items that will be reclassified subsequently to profit or loss</b>						
Foreign currency translation differences for foreign operations	513	-	513	16,429	-	16,429
Share of gain of equity-accounted investees	2,893	-	2,893	1,542	-	1,542
	829	618	1,447	17,971	-	17,971
<b>Company</b>						
<b>Items that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of Defined benefit liability	(524)	126	(398)	-	-	-
	(524)	126	(398)	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 28. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
Profit for the year attributable to ordinary shareholders (RM'000)	48,582	60,490
Weighted average number of ordinary shares ('000 units)		
Issued ordinary shares at 1 January	201,600	201,600
Effect of treasury shares held	(6,013)	(6,011)
Weighted average number of ordinary shares at 31 December	195,587	195,589
Basic earnings per ordinary share (sen)	24.8	30.9

## 29. DIVIDENDS

Dividends recognised by the Company:

	<b>Sen per share</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2016</b>			
Interim 2016 ordinary	5.0	9,779	29 September 2016
Final 2015 ordinary	12.0	23,470	24 June 2016
		<b>33,249</b>	
<b>2015</b>			
Interim 2015 ordinary	7.5	14,669	29 September 2015
Final 2014 ordinary	12.0	23,475	26 June 2015
		<b>38,144</b>	

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial year upon approval by the owners of the Company.

	<b>Sen per share</b>	<b>Total amount RM'000</b>
Final 2016 ordinary	10.0	19,559

## NOTES TO THE FINANCIAL STATEMENTS

### 30. COMMITMENTS

#### (a) Capital Commitments

	Group	
	2016	2015
	RM'000	RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	42,773	19,925
Authorised but not contracted for	46,030	75,585

#### (b) Non-cancellable operating leases

	Group	
	2016	2015
	RM'000	RM'000
<b>Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:</b>		
Not later than 1 year	1,089	-
More than 1 year but not later than 5 years	5,446	-
More than 5 years	67,296	-
Authorised but not contracted for	73,831	-

The non-cancellable operating leases consist of a land lease for 50 years extendable by two terms of ten years each in Bago Region, Myanmar.

### 31. RELATED PARTIES

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

Controlling related party relationships are as follows:

- i) The subsidiaries as disclosed in Note 32.
- ii) The substantial shareholders of the Company are Tan Chong Consolidated Sdn. Bhd. ("TCC") and Wealthmark Holdings Sdn. Bhd. ("WH"). TCC and WH are also substantial shareholders of Warisan TC Holdings Berhad Group ("WTCH Group"). TCC is also a substantial shareholder of Tan Chong Motor Holdings Berhad Group ("TCMH Group") and Tan Chong International Limited Group ("TCIL Group").

# NOTES TO THE FINANCIAL STATEMENTS

## 31. RELATED PARTIES (cont'd)

### Identity of related parties (cont'd)

- iii) The Director of the Company, Dato' Tan Heng Chew is deemed interested in the shares held by TCC and WH by virtue of Section 6A of the Companies Act, 1965.
- iv) For the purpose of related parties transactions and balances disclosure, the Group and the Company treat TCC as the ultimate controlling shareholder.
- v) Significant related party transactions with TCMH, WTCH and TCIL Groups are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>With TCMH Group</b>				
Sales	119,353	47,613	-	-
Purchases	(11,212)	(13,805)	(2)	(1)
Administrative and consultancy services	(197)	(286)	-	-
Insurance	(3,036)	(4,526)	(44)	(1)
Rental expenses	(143)	(35)	-	-
Rental income	1,687	1,800	-	-
<b>With WTCH Group</b>				
Sales	300	-	-	-
Purchases	(167)	(81)	-	(5)
Administrative and consultancy services	(1,805)	(1,838)	-	-
Rental income	279	16	-	-
Rental expenses	(1,240)	(1,187)	-	-
<b>With TCIL Group</b>				
Sales	39,998	14,758	-	-
Provision of consultancy services	(58)	-	-	-

These transactions have been entered into in the normal course of business and have been established under 30 - 60 days trade credit term.

All of the above outstanding balances are expected to be settled in cash by the related parties.

The outstanding net amounts due from/(to) related parties are disclosed in Note 13 and Note 20 respectively.

There are no allowances for impairment losses made and no bad or doubtful receivables recognised for the financial year ended 31 December 2016 and 31 December 2015 in respect of related party balances.

# NOTES TO THE FINANCIAL STATEMENTS

## 32. SUBSIDIARIES

The principal activities of the subsidiaries in the Group and the Group's effective ownership interest are as follows:

		Effective ownership interest	
Name of subsidiary	Principal activities	2016 %	2015 %
Incorporated in Malaysia:			
Auto Parts Manufacturers Co. Sdn. Bhd.	Manufacture and sale of automotive seats	100	100
APM Plastics Sdn. Bhd.	Manufacture and sale of plastic injection and extrusion moulded parts and components	100	100
APM Seatings Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive seats	100	100
APM Automotive Modules Sdn. Bhd.	Assembly and sale of door trim module and instrument panel module parts	100	100
APM Auto Safety Systems Sdn. Bhd.	Manufacture and sale of automotive seat belt	100	100
Fuji Seats (Malaysia) Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive seats and components	60	60
APM IAC Automotive Systems Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive interior plastic component and systems	100	60
APM TACHI-S Seating Systems Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture, assembly and sale of automotive and industrial seats	51	51
APM Coil Springs Sdn. Bhd.	Manufacture and sale of automotive coil springs	100	100
APM Springs Sdn. Bhd.	Manufacture and sale of automotive leaf springs	100	100
APM Shock Absorbers Sdn. Bhd.	Manufacture and sale of shock absorbers and related component parts	100	100
APM Climate Control Sdn. Bhd.	Manufacture and sale of automotive air-conditioners and radiators	100	100
APM Auto Electrics Sdn. Bhd.	Manufacture and sale of automotive electrical components	100	100
APM-Coachair Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Distribution and provision of after sales service for bus coach air conditioning	100	100
APM Tinnos Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Develop, manufacture and supply automotive In-vehicle Infotainment systems and Internet of Things products.	60	60

# NOTES TO THE FINANCIAL STATEMENTS

## 32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in Malaysia: (cont'd)			
APM Auto Parts Marketing Sdn. Bhd.	Marketing and sale of automotive parts and accessories	100	100
APM Auto Parts Marketing (Malaysia) Sdn. Bhd.	Marketing and sale of automotive parts and accessories	100	100
APM Engineering & Research Sdn. Bhd.	Provision of engineering research, design and development services	100	100
APM Corporate Services Sdn. Bhd.	Provision of management services	100	100
Able Motor Sdn. Bhd.	Distribution of motor vehicles	100	100
Omnimatics Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Provide solution for Internet of Thing	52	-
APM Auto Mechanisms Sdn. Bhd.	Property investment holding	100	100
KAB Otomotif Sdn. Bhd.	Property investment holding	100	100
Perusahaan Tilam Kereta Sdn. Bhd.	Property investment holding	100	100
Auto Parts Holdings Sdn. Bhd.	Investment holding	100	100
APM Automotive International Ltd.	Investment holding	100	100
APM Automotive Global Ltd. <sup>Δ</sup>	Investment holding	100	100
APM Automotive Indonesia Ltd. <sup>Δ</sup>	Investment holding	100	100
APM Automotive IndoChina Ltd. <sup>Δ</sup> (held via 100% owned subsidiary, APM Automotive International Ltd.)	Investment holding	100	100
APM Automotive Thailand Ltd. <sup>Δ</sup> (held via 100% owned subsidiary, APM Automotive IndoChina Ltd.)	Investment holding	100	100
APM Automotive Myanmar Ltd. <sup>Δ</sup> (held via 100% owned subsidiary, APM Automotive IndoChina Ltd.)	Investment holding	100	100
APM Chalmers Suspensions Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant	100	100

# NOTES TO THE FINANCIAL STATEMENTS

## 32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in Malaysia: (cont'd)			
APM Interiors Sdn. Bhd.	Dormant	100	100
APM Metal Industries Sdn. Bhd.	Dormant	100	100
APM Chemicals Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant	100	100
APM Tooling Centre Sdn. Bhd.	Dormant	100	100
Atsugi Parts Manufacturing Sdn. Bhd.	Dormant	100	100
Pandamaran Special Steel Sdn. Bhd.	Dormant	100	100
APM Suspension Systems Sdn. Bhd.	Dormant	100	100
APM Aluminium Castings Sdn. Bhd. (previously known as APM Thermal Systems Sdn. Bhd)	Casting, machining, and assembly of aluminium parts and components	100	100
Incorporated in Canada:			
APM Holdings Inc. <sup>Δ</sup> (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Investment holding	100	100
APM Components America Inc. <sup>Δ</sup> (held via 100% owned subsidiary, APM Holdings Inc.)	Dormant	100	100
Incorporated in Vietnam:			
APM Springs (Vietnam) Co., Ltd.* (held via 100% owned subsidiary, APM Automotive International Ltd.)	Manufacture and sale of automotive suspension parts	100	100
APM Auto Components (Vietnam) Co., Ltd.* (held via 100% owned subsidiary, APM Automotive International Ltd.)	Manufacture and sale of automotive seats and its components, shock absorbers, radiators and air-conditioner parts for automobiles	100	100
Incorporated in Thailand:			
APM Auto Components (Thailand) Ltd.* (held via 100% owned subsidiaries, APM Automotive Thailand Ltd., APM Automotive IndoChina Ltd. and APM Automotive International Ltd.)	Dormant	100	100



# NOTES TO THE FINANCIAL STATEMENTS

## 32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in United States of America:			
APM Auto Components (USA) Inc. <sup>Δ</sup> (held via 100% owned subsidiary, APM Automotive International Ltd.)	Marketing and sale of automotive parts and accessories	100	100
APM Components (USA) Inc. <sup>Δ</sup> (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant	100	100
Incorporated in Australia:			
McConnell Seats Australia Pty. Ltd.* (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture of transportation seating for trains, buses and trams	100	100
Incorporated in Indonesia:			
P.T. APM Auto Components Indonesia* (held via 100% owned subsidiaries, Auto Parts Holdings Sdn. Bhd. and APM Automotive International Ltd.)	Manufacture and sale of automotive heat exchange products	100	100
P.T. APM Armada Suspension* (held via 100% owned subsidiaries, Auto Parts Holdings Sdn. Bhd. and APM Automotive International Ltd.)	Manufacture and distribution of coil springs and leaf springs	100	100
P.T. APM Automotive Indonesia* (held via 100% owned subsidiaries, APM Automotive Indonesia Ltd. and APM Automotive International Ltd.)	Dormant	100	100
P.T. APM Leaf Springs Indonesia* (held via 100% owned subsidiaries, P.T. APM Automotive Indonesia and P.T. APM Auto Components Indonesia)	Dormant	100	100
P.T. APM Shock Absorbers Indonesia* (held via 100% owned subsidiaries, P.T. APM Automotive Indonesia and P.T. APM Auto Components Indonesia)	Dormant	100	100
Incorporated in Myanmar:			
APM Auto Components Myanmar Co., Ltd.* (held via 100% owned subsidiaries, APM Automotive Myanmar Ltd. and APM Automotive IndoChina Ltd.)	Dormant	100	100

## NOTES TO THE FINANCIAL STATEMENTS

### 32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in Netherlands:			
APM Auto Components Europe B.V. <sup>Δ</sup> (held via 100% owned subsidiary, APM Automotive Global Ltd.)	Investment holding	100	100
APM-TS B.V. <sup>Δ</sup> (held via 100% owned subsidiary, APM Auto Components Europe B.V.)	Develop springs, absorbers and coilovers for the automotive markets	80	80

<sup>Δ</sup> Subsidiary is not required to be audited and consolidation is based on the management financial statements.

\* Audited by another firm of Public Accountants.

### 33. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTEREST

#### Acquisition of non-controlling interests – APM IAC Automotive Systems Sdn. Bhd.

On 31 May 2016, the Group acquired an additional 40% equity interest in APM IAC Automotive Systems Sdn. Bhd. ("APM IAC") for a total cash consideration of RM2,503,000, resulting in APM IAC being a wholly-owned subsidiary of the Group. The carrying amount of APM IAC's net assets in the Group's financial statements on the date of the acquisition was RM6,250,000. The Group recognised a decrease in non-controlling interests of RM2,500,000 and a decrease in retained earnings of RM3,000.

The following summarises the effect of changes in the equity interest in APM IAC Automotive Systems Sdn. Bhd. that is attributable to owners of the Company:

	Group 2016 RM'000
Equity interest at 1 January 2016	3,891
Effect of increase in Company's ownership interest	2,500
Share of comprehensive income	(131)
Equity interest at 31 December 2016	6,260

#### Acquisition of subsidiary – Omnimatics Sdn. Bhd.

On 28 December 2016, the Group subscribed 52% equity interest in Omnimatics Sdn. Bhd. for a total cash consideration of RM650,000. The company provides telematics solutions, software and hardware for remote monitoring, IT software and hardware consultancy. The acquisition of Omnimatics Sdn. Bhd. has no material impact to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTEREST *(cont'd)*

#### Acquisition of subsidiary – Omnimatics Sdn. Bhd. *(cont'd)*

##### Net cash outflow arising from acquisition of subsidiary

	Group 2016 RM'000
Purchase consideration settled in cash and cash equivalents	(650)
Others	364
Cash and cash equivalents acquired	221
	(65)

#### Acquisition of an operation – TC Aluminium Castings Sdn. Bhd. ("TCAC")

On 4 July 2016, the Group acquired the business and assets of TCAC at a price of RM5,643,000 satisfied via cash. The operation acquired is used for the casting, machining and assembly of aluminium parts and components and other related assets. The acquisition of TCAC has no material impact to the Group.

##### Net cash outflow arising from acquisition of subsidiary

	Group 2016 RM'000
Purchase consideration settled in cash and cash equivalents	(5,643)

#### Acquisition of an operation – RBC Bearings Pty. Ltd.

On 9 March 2016, the Group acquired the business and assets of RBC Bearing Pty. Ltd. at a price of RM5,381,000 satisfied via cash. The company is the exclusive importer and distributor of the products of Seats Inc. in Australia and also manufacturer and supplier of railroad wall mounted folding seats, railroad drive/guard and observer seats and sugar cane locomotive driver seats.

The following summarises the major classes of consideration transferred, and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

##### Fair value of consideration transferred

	Group 2016 RM'000
Cash and cash equivalents	5,381

## NOTES TO THE FINANCIAL STATEMENTS

### 33. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTEREST *(cont'd)*

#### Acquisition of an operation – RBC Bearings Pty Ltd *(cont'd)*

#### Identifiable assets acquired and liabilities assumed

	Group 2016 RM'000
Property, plant and equipment	140
Intangible assets	2,909
Inventory	864
Other assets	267
	4,180

#### Goodwill

Goodwill was recognised as a result of the acquisition as follows:-

	Group 2016 RM'000
Fair value of identifiable net assets	4,180
Total consideration transferred	5,381
Goodwill	1,201

#### Net cash outflow arising from acquisition of subsidiary

	Group 2016 RM'000
Purchase consideration settled in cash and cash equivalents	(5,381)

### 34. OPERATING SEGMENTS

The Group has seven divisions, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, the Chief Operating Decision Makers ("CODM"), which in this case is the Executive Directors of the Group, review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's division:

- *Suspension Division, Malaysia:* Business in products such as leaf springs, parabolic springs, coil springs, shock absorbers, gas springs, U-bolts and metal parts.
- *Interior & Plastics Division, Malaysia:* Business in products such as plastics parts, interiors, seatings for motor vehicles, buses, auditoriums, cinemas and rails and light rails system.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. OPERATING SEGMENTS (cont'd)

- *Electrical & Heat Exchange Division, Malaysia:* Business in products such as air-conditioning systems, radiators, starter motors, alternators, wiper system, distributors, In-Vehicle Infotainment ("IVT") systems and other electrical parts; and developing Internet of Things ("IoT") telematics platform.
- *Marketing Division, Malaysia:* Trading and distribution of automotive components/parts manufactured by the Group for the replacement and export market.
- *Indonesia Operations:* Business in Indonesia
- *All other segments:* Business in Thailand, Vietnam, Myanmar, Australia, United States of America and Netherlands.
- *Non-reportable segment:* Operations related to the rental of investment properties in Malaysia; casting, machining and assembly of aluminium parts and components distribution of motor vehicles, provision of management services for companies within the Group, and provision of automotive research and development services. The manufacturing and distribution of automotive products within the Group are being managed by four different operating segments within the Group. These operating segments are aggregated to form a reportable segment due to the similar nature and economic characteristics of the products. The nature, production process and methods of distribution of the products for these divisions are similar. The type of customers for the products are similar, which consist of consumers and industrial customers.

Performance is measured based on segment revenue and profit before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence no disclosure is made on segment liabilities.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. OPERATING SEGMENTS (cont'd)

	Suspension	Interior and plastics	Electrical and heat exchange	Marketing	Indonesia	All other segments	Non-reportable segment	Eliminations	Total
	2016	2016	2016	2016	2016	2016	2016	2016	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment profit/(loss)</b>	23,171	35,784	14,626	8,553	(11,160)	9,870	2,071	292	83,207
<i>Included in the measure of segment profit are:</i>									
Revenue from external customers	85,579	650,138	151,605	190,429	31,051	116,141	11,687	-	1,236,630
Inter/Intra-segment revenue	124,145	180,282	23,601	22,905	7,101	15,239	44,391	(417,664)	-
Provisions for warranties	(224)	(3,774)	(344)	(399)	-	-	-	-	(4,741)
Reversal of warranties	-	387	137	-	-	133	-	-	657
Depreciation and amortisation	(6,739)	(26,123)	(2,028)	(222)	(5,110)	(11,601)	(3,511)	-	(55,334)
Inventories written off	(63)	(8,722)	(90)	(8)	-	-	-	-	(8,883)
Finance income	1,756	4,414	1,012	493	321	362	2,373	(1,528)	9,203
<i>Not included in the measure of segment profit but provided to CODM:</i>									
Income tax expense	(3,884)	(9,825)	(3,592)	(1,218)	(394)	(1,828)	(3,095)	-	(23,836)
<b>Segment assets</b>	<b>187,497</b>	<b>454,469</b>	<b>128,360</b>	<b>82,429</b>	<b>210,448</b>	<b>196,108</b>	<b>1,163,887</b>	<b>(837,418)</b>	<b>1,585,780</b>
<i>Included in the measure of segment are:</i>									
Additions to non-current assets other than financial instruments and deferred tax assets	4,407	33,117	2,604	107	14,201	31,397	20,405	(2,378)	103,860

# NOTES TO THE FINANCIAL STATEMENTS

## 34. OPERATING SEGMENTS (cont'd)

	Suspension	Interior and plastics	Electrical and heat exchange	Marketing	Indonesia	All other segments	Non-reportable segment	Eliminations	Total
	2015	2015	2015	2015	2015	2015	2015	2015	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment profit</b>	22,040	44,016	15,065	7,646	(4,721)	9,448	1,258	274	95,026
<i>Included in the measure of segment profit are:</i>									
Revenue from external customers	108,827	613,960	154,604	168,379	15,991	84,039	7,039	-	1,152,839
Inter/Intra-segment revenue	115,483	140,005	18,840	10,761	787	12,813	36,746	(335,435)	-
Provisions for warranties	(1,099)	(2,900)	(577)	(18)	-	(567)	-	-	(5,161)
Reversal of warranties	3,850	218	119	-	-	-	-	-	4,187
Depreciation and amortisation	(8,227)	(21,153)	(2,964)	(286)	-	(6,031)	(8,671)	1,190	(46,142)
Inventories written off	-	(5,914)	-	-	-	-	-	-	(5,914)
Finance income	1,714	5,900	1,508	388	541	273	2,771	(2,009)	11,086
<i>Not included in the measure of segment profit but provided to CODM:</i>									
Income tax expense	(3,688)	(5,733)	(4,039)	(1,434)	-	(6,518)	(1,701)	-	(23,113)
<b>Segment assets</b>	197,196	504,404	138,745	73,967	171,797	139,498	1,056,666	(731,867)	1,550,406
<i>Included in the measure of segment assets are:</i>									
Additions to non-current assets other than financial instruments and deferred tax assets	8,409	35,242	943	128	51,268	2,867	7,955	(894)	105,918



# NOTES TO THE FINANCIAL STATEMENTS

## 34. OPERATING SEGMENTS (cont'd)

### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information	Group	
	Revenue	Non-current assets
2016	RM'000	RM'000
Malaysia	987,851	441,718
Indonesia	32,278	187,138
Vietnam	38,950	12,168
Europe	35,704	831
America	24,334	372
Australia	79,689	13,608
Other countries	37,824	42,869
	1,236,630	698,704
<b>2015</b>		
Malaysia	965,605	471,224
Indonesia	16,794	134,332
Vietnam	26,714	12,372
Europe	27,331	929
America	22,787	292
Australia	63,424	11,207
Other countries	30,184	15,826
	1,152,839	646,182

### Major customers

The following are the top three customers with significant contribution to the Group's total revenue:

	Revenue		Segments
	2016	2015	
	RM'000	RM'000	
All common control companies of:			
- Company A	380,663	398,032	Suspension, Interior and Plastics and Electrical and Heat Exchange
- Company B	101,133	45,706*	Suspension, Interior and Plastics and Electrical and Heat Exchange
- Company C	81,154	55,485*	Suspension, Interior and Plastics and Electrical and Heat Exchange

\* In the previous year, this customer is not one of the top three customers.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS

### 35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL");  
- Held for trading ("HFT"); and
- (c) Other financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
<b>2016</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	101,547	-	101,547
Trade and other receivables, including derivatives	243,844	243,040	804
Cash and cash equivalents	229,479	229,479	-
	574,870	472,519	102,351
<b>Company</b>			
Other investments	10,285	-	10,285
Trade and other receivables, including derivatives	28,825	28,825	-
Cash and cash equivalents	1,251	1,251	-
	40,361	30,076	10,285
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(54,692)	(54,692)	-
Trade and other payables, including derivatives	(219,319)	(218,924)	(395)
	(274,011)	(273,616)	(395)
<b>Company</b>			
Loan and borrowings	(6,000)	(6,000)	-
Trade and other payables, including derivatives	(1,671)	(1,671)	-
	(7,671)	(7,671)	-
<b>2015</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	141,969	-	141,969
Trade and other receivables, including derivatives	210,218	209,898	320
Cash and cash equivalents	264,214	264,214	-
	616,401	474,112	142,289

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS *(cont'd)*

### 35.1 Categories of financial instruments *(cont'd)*

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
<b>2015</b>			
<b>Financial assets</b>			
<b>Company</b>			
Other investments	10,286	-	10,286
Trade and other receivables, including derivatives	36,680	36,680	-
Cash and cash equivalents	1,413	1,413	-
	48,379	38,093	10,286
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(56,194)	(56,194)	-
Trade and other payables, including derivatives	(208,787)	(208,728)	(59)
	(264,981)	(264,922)	(59)
<b>Company</b>			
Trade and other payables, including derivatives	(2,540)	(2,540)	-

### 35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Loans and receivables	6,920	10,477	1,274	1,985
Financial liabilities measured at amortised cost	(2,777)	(1,471)	(267)	(165)
Fair value through profit or loss	409	261	-	-
	4,552	9,267	1,007	1,820

### 35.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (cont'd)

### 35.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to a credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

#### **Receivables**

*Risk management objectives, policies and processes for managing the risk*

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers who wish to trade on credit terms.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Due to the nature of the industry, a significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Significant past due receivables, if deemed as high risks, are normally being monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	170,619	164,530
Asia	34,161	10,980
Europe	3,958	5,479
North America	1,624	3,655
Central America	2,336	660
South America	98	183
Oceania	15,115	9,562
Africa	-	190
Middle East	-	236
	<b>227,911</b>	<b>195,475</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (cont'd)

### 35.4 Credit risk (cont'd)

#### Receivables (cont'd)

##### Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment RM'000	Net RM'000
<b>2016</b>			
Not past due	183,383	-	183,383
Past due 0 - 90 days	40,572	-	40,572
Past due 91 - 180 days	3,804	-	3,804
Past due more than 180 days	705	(553)	152
	228,464	(553)	227,911
<b>2015</b>			
Not past due	146,050	-	146,050
Past due 0 - 90 days	42,161	-	42,161
Past due 91 - 180 days	3,028	-	3,028
Past due more than 180 days	4,782	(546)	4,236
	196,021	(546)	195,475

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2016 RM'000	2015 RM'000
At 1 January	546	593
Impairment loss recognised	45	57
Impairment loss reversed	-	(104)
Impairment loss written off	(38)	-
At 31 December	553	546

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### Inter-company balances

##### Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries and monitors the results of the subsidiaries regularly.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (cont'd)

### 35.4 Credit risk (cont'd)

#### *Inter-company balances (cont'd)*

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position.

##### *Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

#### **Other financial assets**

##### *Risk management objectives, policies and processes for managing the risk*

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund placement activities. These exposures are managed in accordance with the existing guidelines and procedures that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating additional returns above appropriate benchmarks within allowable risk parameters. Investments are only made with reputable licensed financial institutions with high creditworthiness.

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

### 35.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalent and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Certain treasury functions, particularly for wholly-owned subsidiaries, are managed centrally by Group Treasury to ensure sufficient cash to cover the expected cash demands. Surplus cash held by the subsidiaries over and above balances required for working capital management are placed in fixed deposits and money market deposits with appropriate maturities to provide sufficient liquidity to meet the Group's liabilities when they fall due.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS (cont'd)

#### 35.5 Liquidity risk (cont'd)

##### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2016	Carrying amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Under 1 year RM'000	1 -3 years RM'000
<b>Group</b>					
<i>Non-derivative financial liabilities</i>					
Bank borrowings	6,000	3.90 – 4.95	6,248	6,248	-
Unsecured revolving credit	15,000	3.20 – 4.09	15,245	15,245	-
Unsecured foreign currency loan	33,692	2.08 – 10.32	33,925	33,925	-
Trade and other payables, excluding derivatives	218,924	-	218,924	218,924	-
	273,616		274,342	274,342	-
<i>Derivative financial liabilities</i>					
Forward exchange contracts (gross settled):					
Outflow	45	-	57,532	57,532	-
Inflow	(454)	-	(57,941)	(57,941)	-
	273,207		273,933	273,933	-
<b>Company</b>					
<i>Non-derivative financial liabilities</i>					
Bank borrowings	6,000	3.90 – 4.95	6,248	6,248	-
Trade and other payables, excluding derivatives	1,671	-	1,671	1,671	-



# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (cont'd)

### 35.5 Liquidity risk (cont'd)

#### Maturity analysis (cont'd)

	Carrying amount	Contractual interest rate	Contractual cash flow	Under 1 year	1 -3 years
2015	RM'000	%	RM'000	RM'000	RM'000
<b>Group</b>					
<i>Non-derivative financial liabilities</i>					
Unsecured revolving credit	15,000	4.00	15,608	15,608	-
Unsecured foreign currency loan	41,194	4.23	42,936	42,936	-
Trade and other payables, excluding derivatives	208,728	-	208,728	208,728	-
	264,922		267,272	267,272	-
<i>Derivative financial liabilities</i>					
Forward exchange contracts (gross settled):					
Outflow	-	-	29,165	29,165	-
Inflow	(261)	-	(29,426)	(29,426)	-
	264,661		267,011	267,011	-
<b>Company</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables, excluding derivatives	2,540	-	2,540	2,540	-

### 35.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows. The Group is exposed to risk arising from foreign exchange rates and interest rates.

#### 35.6.1 Currency risk

The Group is exposed to foreign currency risk through normal trading activities on sales and purchases transactions that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. dollar ("USD"), Japanese Yen ("JPY"), Euro Dollar ("EURO"), Australian Dollar ("AUD"), Thai Baht ("THB") and Indonesia Rupiah ("IDR").

#### *Risk management objectives, policies and processes for managing the risk*

The Group monitors regularly its exchange exposures and may hedge its position selectively depending on the size of the exposure and the future outlook of the particular currency unit. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (cont'd)

### 35.6 Market risk (cont'd)

#### 35.6.1 Currency risk (cont'd)

##### Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group In thousands RM	USD	JPY	Denominated in			
			EURO	AUD	IDR	THB
<b>2016</b>						
Trade receivables	14,960	289	2,946	14,049	5,824	-
Trade payables	(8,759)	(22,086)	(52)	(253)	(197)	(6,644)
Forward exchange contracts	3,004	5,522	(45)	(209)	-	4,183
<b>Net exposure</b>	<b>9,205</b>	<b>(16,275)</b>	<b>2,849</b>	<b>13,587</b>	<b>5,627</b>	<b>(2,461)</b>
<b>2015</b>						
Trade receivables	11,278	170	4,438	9,132	3,240	-
Trade payables	(11,986)	(17,411)	(5)	(3,376)	(723)	(9,491)
Forward exchange contracts	2,991	8,090	(2,086)	(1,904)	-	5,810
<b>Net exposure</b>	<b>2,283</b>	<b>(9,151)</b>	<b>2,347</b>	<b>3,852</b>	<b>2,517</b>	<b>(3,681)</b>

As foreign currency risks arising from Group's operations is not material, sensitivity analysis is hence not presented.

#### 35.6.2 Interest rate risk

The Group's exposure to a risk of change in their fair value due to changes in interest rates relates primarily to the interest-bearing bank loans and borrowings, deposits placed with licensed banks and liquid investment with licensed financial institutions. The management considers interest rate risks on borrowings to be low as the level of borrowings are relatively insignificant.

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
<b>Financial asset</b>				
Deposits placed with licensed banks	122,409	172,494	87	629
<b>Financial liabilities</b>				
Bank borrowings	(6,000)	-	(6,000)	-
Unsecured foreign currency loan	(33,692)	(41,194)	-	-
Unsecured revolving credit	(15,000)	(15,000)	-	-
	<b>67,717</b>	<b>116,300</b>	<b>(5,913)</b>	<b>629</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS (cont'd)

### 35.6 Market risk (cont'd)

#### 35.6.2 Interest rate risk (cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Floating rate instruments</b>				
<b>Financial assets</b>				
Liquid investment with licensed financial institutions	101,547	141,969	10,285	10,286
Corporate management accounts	46,432	31,244	480	125
	147,979	173,213	10,765	10,411

As the Group does not fair value its fixed rate instruments, the Group is not exposed to fair value risk.

As cash flow risk arising from floating rate instruments is not material, sensitivity analysis is not presented.

### 35.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>										
Forward exchange contracts	-	804	-	804	-	-	-	-	804	804
Liquid investment with licensed financial institutions	-	101,547	-	101,547	-	-	-	-	101,547	101,547
	-	102,351	-	102,351	-	-	-	-	102,351	102,351
<b>Financial liabilities</b>										
Forward exchange contracts	-	(395)	-	(395)	-	-	-	-	(395)	(395)
<b>2015</b>										
<b>Financial assets</b>										
Forward exchange contracts	-	320	-	320	-	-	-	-	320	320
Liquid investment with licensed financial institutions	-	141,969	-	141,969	-	-	-	-	141,969	141,969
	-	142,289	-	142,289	-	-	-	-	142,289	142,289
<b>Financial liabilities</b>										
Forward exchange contracts	-	(59)	-	(59)	-	-	-	-	(59)	(59)

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL INSTRUMENTS *(cont'd)*

### 35.7 Fair value information *(cont'd)*

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>										
Liquid investment with licensed financial institutions	-	10,285	-	10,285	-	-	-	-	10,285	10,285
<b>2015</b>										
<b>Financial assets</b>										
Liquid investment with licensed financial institutions	-	10,286	-	10,286	-	-	-	-	10,286	10,286

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### *Liquid investment with licensed financial institution*

The fair value of the liquid investment with licensed financial institution are determined by reference to fair value quoted by counter-party.

#### *Derivatives*

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either directions).

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risks and by securing access to finance at a reasonable cost.

The Group reviews and manages its capital structure maintaining a balance between the expected risk against expected return and makes relevant adjustment to the capital structure in the light of changes in economic conditions. As at 31 December 2016 and 2015, the Group was in net cash position.

	Group	
	2016	2015
	RM'000	RM'000
Other investments (Note 12)	101,547	141,969
Cash and cash equivalents (Note 15)	229,479	264,214
Less: Loans and borrowings (Note 18)	(54,692)	(56,194)
Net cash	276,334	349,989

There were no changes in the Group's approach to capital management during the year.

## 37. SIGNIFICANT EVENTS

- (a) On 9 March 2016, McConnell Seats Australia Pty. Ltd., an indirectly wholly-owned subsidiary of the Company, completed the acquisition of assets associated with locomotive seat manufacturing and services business (known as "Locomotive Seats Australia") from RBC Bearings Pty Ltd, for a purchase consideration of AUD1,659,000.
- (b) On 31 May 2016, Auto Parts Holdings Sdn. Bhd. ("APH"), a wholly-owned subsidiary of the Company entered into a share acquisition agreement with IACG Holdings Lux S.A.R.L. to purchase its remaining 640,000 ordinary shares of RM3.00 each, representing 40% of the total issued and paid-up share capital of APM IAC Automotive Systems Sdn. Bhd. ("APM IAC") for a purchase consideration of USD612,800. Subsequent to the acquisition, APM IAC is now a wholly-owned subsidiary of APH.
- (c) On 4 July 2016, APM Thermal Systems Sdn. Bhd., a wholly-owned subsidiary of the Company entered into an agreement with TC Aluminium Castings Sdn. Bhd. ("TCAC") to acquire the assets of TCAC used for the casting, machining and assembly of aluminium parts and components, for a purchase price of RM5,701,000. The proposed acquisition was completed on 6 September 2016.
- (d) On 12 August 2016, APM Automotive IndoChina Ltd., an indirect wholly-owned subsidiary of the Company, entered into a Joint Venture Agreement with TACHI-S (Thailand) Co., Ltd., a wholly-owned subsidiary of TACHI-S Co., Ltd. to develop, manufacture, assemble and sale of automotive seats in Vietnam. The joint venture agreement was completed subsequent to 31 December 2016.
- (e) On 10 October 2016, APM Group established an Islamic Commercial Papers ("ICPs") Programme and Islamic Medium Term Notes ("IMTNs") Programme of up to RM1.5 billion in nominal value each, subject to a combined aggregate limit of up to RM1.5 billion under the Shariah principle of Murabahah. The ICP Programme and the IMTN Programme shall have a tenure of seven (7) years and twenty (20) years from the date of first issue from the respective programmes.
- (f) On 28 October 2016, Auto Parts Holding Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Joint Venture Agreement with Delta Kogyo Co., Ltd. to carry on the business of developing, manufacturing, assembling and sale of automobile seating system for automobiles of Mazda Motor Corporation. The joint venture agreement was completed subsequent to 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. SIGNIFICANT EVENTS *(cont'd)*

- (g) On 2 December 2016, Auto Parts Holdings Sdn Bhd ("APH"), a wholly-owned subsidiary of the Company entered into a Subscription Agreement with Raj Kissu A/L Rajandran of Watchtower & Friends Sdn. Bhd. to subscribe for 52% of the issued and paid-up share capital of Omnimatics Sdn. Bhd. ("Omnimatics") for a consideration of RM650,000. The subscription was completed on 28 December 2016, resulting Omnimatics become a subsidiary of APH.

### 38. SUBSEQUENT EVENT

There were no subsequent event after the financial year ended 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised profits	818,182	806,453	331,914	270,509
- unrealised profits	77,825	70,684	-	-
	896,007	877,137	331,914	270,509
Total share of retained earnings of associate:				
- realised profits	10,439	10,742	-	-
Total share of retained earnings of joint ventures:				
- realised profits	17,492	19,540	-	-
	923,938	907,419	331,914	270,509
Less: consolidation adjustments	(34,012)	(30,867)	-	-
Total retained earnings	889,926	876,552	331,914	270,509

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

## STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements as at 31 December 2016 set out on pages 63 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 39 on page 128 to the financial statements as at 31 December 2016 has been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**LOW SENG CHEE**

Director

**DATO' TAN ENG HWA**

Director

Selangor Darul Ehsan,

Date: 12 April 2017

## STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Khoo Peng Peng**, the officer primarily responsible for the financial management of APM Automotive Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 63 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above Khoo Peng Peng at Klang in the state of Selangor on 12 April 2017.

**Khoo Peng Peng**

Before me:

**Ng Say Hung**

No. B185

Commissioner for Oaths

Selangor Darul Ehsan



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD  
(Company No. 424838-D) (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of APM Automotive Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Provision for warranties</b> Refer to Note 19 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
We have identified provision for warranties as a key audit matters because any unanticipated claims may render the provision for warranties inadequate to cover losses. In addition, emerging claims are difficult to detect. Consequently, this is one of the key audit matters that we focus our audit on.	Our procedures included, amongst others: <ul style="list-style-type: none"> <li>We inspected claim records and interviewed appropriate personnel for unusual trend of claims or product defects;</li> <li>We assessed the adequacy of provision made by the Group by comparing with historical trends of actual claims; and</li> <li>For unanticipated defects, we inspected the basis of provision and determined that assumptions were reasonable and supportable based upon internal and external available data.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD  
(Company No. 424838-D) (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Key Audit Matters (cont'd)

<b>Accuracy of inventories</b> Refer to Note 11 and 24 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The Group has a high volume of inventories stored in both internal and external warehouses.</p> <p>The accuracy of inventories is a key audit matter as there were material inventories written off by the management of the Group during the year that arose from inaccuracies of inventory records as compared to physical count. Management implemented controls and processes to rectify the situation.</p> <p>We increased our audit effort in this area to detect errors in the inventory balances.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We tested the effectiveness of the design and implementation of internal controls during inventory count process; and</li> <li>• We selected samples of inventory items to re-perform physical counts on those items.</li> </ul>
<b>Cost of investment in subsidiaries</b> Refer to Note 6 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The return of cost of investment in subsidiaries is dependent on the profitability of the subsidiaries. Due to the market conditions faced by the automobile industry, impairment of the cost of investment in the subsidiary is a key audit matter because of the high level of judgment required of us to evaluate the recoverable amount of the investments.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We challenged management's assessment in identifying investments that were having impairment indicators by evaluating whether internal and external indicators had been considered;</li> <li>• We evaluated the impairment test model by comparing it with the requirements of the relevant accounting standard;</li> <li>• We assessed those significant and highly sensitive assumptions to determine if they are appropriate and supportable by comparing them with internal and external sources; and</li> <li>• We considered the adequacy of the disclosures on the impairment assessment for the assets which the assumptions applied are particularly sensitive, uncertain or require significant judgment.</li> </ul>

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD  
(Company No. 424838-D) (Incorporated in Malaysia)

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON *(cont'd)*

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD  
(Company No. 424838-D) (Incorporated in Malaysia)

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 32 to the financial statements.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD  
(Company No. 424838-D) (Incorporated in Malaysia)

## OTHER MATTERS

We draw attention to the fact that USD equivalent statement of financial position and statement of profit or loss and other comprehensive income on page 53 and page 56 do not form part of the audited financial statements. We have not audited these statements and accordingly, we do not express an opinion on these statements.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

Date: 12 April 2017

Petaling Jaya

**THONG FOO VUNG**  
Approval Number: 02867/08/2018 J  
Chartered Accountant

# GROUP PROPERTIES

As at 31 December 2016

Location	Description	Land Area (sq m)	Tenure/ Expiry Date	Net Book Value (RM'000)	Age of Building (years)	Date of Last Revaluation	Date of Acquisition
Lot 1 Jalan 6/3 Seri Kembangan Industrial Estate 43300 Serdang, Selangor	Factory, office, warehouse & vacant land	40,545	Leasehold/ 21.06.2092	44,190	19	2016	1984
Lot 3 Jalan 6/3 Seri Kembangan Industrial Estate 43300 Serdang, Selangor	Factory, office, warehouse & vacant land	42,046	Leasehold/ 21.06.2092	47,890	22	2016	1984
No. 23 & 25 Jalan Selat Selatan 21 Sobena Jaya, Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	2,358	Freehold	4,860	6	2016	2000
Lot 13 Lorong Durian 3 Kian Yap Industrial Estate Off KM 9, Jalan Tuaran 88300 Kota Kinabalu, Sabah	Light industrial building	195	Leasehold/ 16.11.2922	1,470	20	2016	1995
Lot 14 Lorong Durian 3 Kian Yap Industrial Estate Off KM 9, Jalan Tuaran 88300 Kota Kinabalu, Sabah	Light industrial building	195	Leasehold/ 16.11.2922	1,530	20	2016	2001
Lot 600 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	40,353	Leasehold/ 27.02.2076	49,005	30	2014	1977
Lot 601 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	20,234	Leasehold/ 19.10.2076	22,507	38	2014	1977
Lot 1622 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory & warehouse	16,186	Leasehold/ 06.04.2079	18,480	7	2014	2005
Lot 1621 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	22,573	Leasehold/ 06.04.2079	23,182	5-20	2014	1996
Lot 19712 - 19717 Persiaran Raja Muda Musa 42000 Port Klang, Selangor	Vacant industrial land	1,220	Freehold	2,300	-	2014	2011
PT 9, Block C, (CG05, C105, C205, and C305) Oasis Square No. 2 Jalan PJU 1A/7A Ara Damansara 47301 Petaling Jaya, Selangor	Office building, design, research & development centre	N/A	Freehold	8,196	3	2014	2013
PT 9, Block C, C3A05, C3A3A Oasis Square No. 2 Jalan PJU 1A/7A Ara Damansara 47301 Petaling Jaya, Selangor	Office building, design, research & development centre	N/A	Freehold	3,354	3	2016	2013

## GROUP PROPERTIES

As at 31 December 2016

Location	Description	Land Area (sq m)	Tenure/ Expiry Date	Net Book Value (RM'000)	Age of Building (years)	Date of Last Revaluation	Date of Acquisition
PT 9, Block C, (CG3A, C13A, C23A, C33A) Oasis Square No. 2 Jalan PJU 1A/7A Ara Damansara 47301 Petaling Jaya, Selangor	Office building, design, research & development centre	N/A	Freehold	5,202	3	2014	2013
HS(D) 45445, PT 16073 Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	32,326	Freehold	32,762	8-14	2014	2002
Lot 30081 Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office, warehouse & vacant land	32,354	Freehold	28,148	7-12	2014	2002
No. 5 Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory & Warehouse	16,172	Freehold	28,734	11	2014	2013
No.12 Lot 9378 Jalan Jasmine 4 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	7,418	17	2014	2012
Lots 17295, 17296, 17297 Proton City Vendors Park Tanjung Malim, Perak	Factory, office, warehouse and vacant land	39,882	Freehold	12,602	12	2014	2004
GM65, Lot 911 Padang Meha Pekan Sungai Karangan Daerah Kulim, Kedah	Vacant industrial land	35,429	Freehold	6,655	-	2014	2014
25 Dai Lo Tu Do Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Socialist Republic of Vietnam	Factory, office & warehouse	10,215	Leasehold/ 08.08.2054	3,992	12	2014	2004
25A Dai Lo Tu Do Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Socialist Republic of Vietnam	Factory, office & warehouse	9,777	Leasehold/ 08.08.2054	3,264	7	2014	2004

# GROUP PROPERTIES

As at 31 December 2016

Location	Description	Land Area (sq m)	Tenure/ Expiry Date	Net Book Value (RM'000)	Age of Building (years)	Date of Last Revaluation	Date of Acquisition
27 Dai Lo Tu Do Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Socialist Republic of Vietnam	Vacant industrial land	9,514	Leasehold/ 08.08.2054	2,840	-	2014	2010
Surya City of Industry Jl. Surya Utama Kav. I-15 A Ciampel, Karawang Jawa Barat 41361 Indonesia	Factory, office & warehouse	20,131	Leasehold/ 25.05.2025	9,831	9	2014	2008
Surya City of Industry, Jl. Surya Kencana Kav.1-MIJK, Ciampel Karawang 41361	Factory, office and land	37,516	Leasehold/ 25.05.2025	36,038	-	-	2012
Plot A215, Amata City Industrial Estate Rayong Province, Thailand	Vacant industrial land	56,404	Freehold	13,127	-	2014	2014
Trivium Terrace Apartments (South Tower) No. Unit TS-12A01, S620, S1709, S1810, TS-0519 & TS-12A17, TS-1101 Lippo Cilarang, Bekasi 17550	Apartments	-	Leasehold/ 11.01.2034	1,684	1	-	2016



# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

Total Number of Issued Shares	:	201,600,000 ordinary shares
Total Issued Share Capital	:	RM201,600,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per ordinary share

## ANALYSIS BY SIZE OF HOLDINGS

Size of shareholdings	No. of Holders	%	No. of Shares Held	%
1 – 99	447	7.795	14,465	0.007
100 – 1,000	3,251	56.696	1,330,132	0.680
1,001 – 10,000	1,651	28.793	5,869,040	3.000
10,001 – 100,000	301	5.249	8,273,061	4.229
100,001 – 9,779,274 (less than 5% of issued shares)	82	1.430	104,774,076	53.569
9,779,275 and above (5% and above of issued shares)	2	0.034	75,324,726	38.512
<b>Sub Total</b>	5,734	100.000	195,585,500	100.000
Treasury Shares	-	-	6,014,500	-
<b>Total</b>	5,734	100.000	201,600,000	100.000

## SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares Held	% <sup>(*)</sup>	No. of Shares Held	% <sup>(*)</sup>
Tan Chong Consolidated Sdn. Bhd.	73,382,326	37.52	-	-
Wealthmark Holdings Sdn. Bhd.	15,260,600	7.80	-	-
Employees Provident Fund Board	12,992,000	6.64	-	-
Dato' Tan Heng Chew	5,924,999	3.03	88,642,926	45.32 <sup>(1)</sup>
Tan Eng Soon	-	-	73,382,326	37.52 <sup>(2)</sup>

Notes:

<sup>(1)</sup> Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd ("TCC") and Wealthmark Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016 ("Act").

<sup>(2)</sup> Deemed interest by virtue of interest in TCC pursuant to Section 8(4) of the Act.

<sup>(\*)</sup> Percentage is based on issued shares less treasury shares.

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

## SHAREHOLDINGS OF DIRECTORS

Name of Directors	Direct		Indirect	
	No. of shares held	% <sup>(*)</sup>	No. of shares held	% <sup>(*)</sup>
Dato' Tan Heng Chew	5,924,999	3.03	92,157,784	47.12 <sup>(1)</sup>
Dato' Tan Eng Hwa	207,008	0.11	7,128 <sup>(2)</sup>	— <sup>(3)</sup>
Dato' Haji Kamaruddin@ Abas Bin Nordin	5,448	— <sup>(3)</sup>	—	—
Siow Tiang Sae	2,050	— <sup>(3)</sup>	—	—
Nicholas Tan Chye Seng	185,600	0.09	—	—

The other directors namely, Dato' N. Sadasivan s/o N.N. Pillay, Low Seng Chee, Sow Soon Hock, Lee Tatt Boon and Lee Min On do not have any shares, whether direct or indirect, in the Company.

<sup>(1)</sup> Deemed interest by virtue of interests in TCC and Wealthmark Holdings Sdn Bhd pursuant to Section 8(4) of the Act and interests of spouse and son by virtue of Section 59(11)(c) of the Act.

<sup>(2)</sup> Deemed interest by virtue of interests in Solomon House Sdn Bhd pursuant to Section 8(4) of the Act and interest of spouse by virtue of Section 59(11)(c) of the Act.

<sup>(3)</sup> Less than 0.01%.

<sup>(\*)</sup> Percentage is based on issued shares less treasury shares.

## LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	No. of Shares held	% <sup>(*)</sup>
1.	Tan Chong Consolidated Sdn Bhd	62,332,726	31.869
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	12,992,000	6.642
3.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Wealthmark Holdings Sdn Bhd	9,010,000	4.606
4.	Tan Kim Hor	8,847,451	4.523
5.	Tan Chong Consolidated Sdn Bhd	8,839,600	4.519
6.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	5,895,700	3.014
7.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)	4,250,000	2.172
8.	Amanahraya Trustees Berhad Public SmallCap Fund	3,487,100	1.782
9.	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (JPMEL AIF-UK)	3,178,900	1.625
10.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Heng Chew (MM1063)	3,049,300	1.559
11.	Pang Swe Ha @ Phang Sui Har	2,980,195	1.523
12.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Khor Swee Wah @ Koh Bee Leng (PB)	2,563,508	1.310

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

## LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS (cont'd)

No.	Name	No. of Shares held	% <sup>(*)</sup>
13.	Kumpulan Wang Persaraan (Diperbadankan)	2,540,800	1.299
14.	Amanahraya Trustees Berhad <i>Public Strategic SmallCap Fund</i>	2,353,300	1.203
15.	Tan Boon Pun	2,328,276	1.190
16.	Tan Chong Consolidated Sdn Bhd	2,210,000	1.129
17.	Tan Ban Leong	2,048,885	1.047
18.	Tan Beng Keong	2,048,885	1.047
19.	Tan Chee Keong	2,048,885	1.047
20.	Tan Hoe Pin	2,048,885	1.047
21.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew (E-KLC)</i>	1,960,600	1.002
22.	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Par)</i>	1,779,800	0.909
23.	ChinChoo Investment Sdn. Berhad	1,735,300	0.887
24.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	1,698,300	0.868
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank Ag Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)</i>	1,433,700	0.733
26.	CIMB Group Nominees (Asing) Sdn Bhd <i>Exempt AN for DBS Bank Ltd (SFS)</i>	1,404,900	0.718
27.	Amanahraya Trustees Berhad <i>Public Islamic Optimal Growth Fund</i>	1,390,700	0.711
28.	Gan Teng Siew Realty Sdn. Berhad	1,389,000	0.710
29.	Cartaban Nominees (Asing) Sdn Bhd <i>BBH (Lux) SCA for Fidelity Funds Asean</i>	1,288,400	0.658
30.	Wealthmark Holdings Sdn Bhd	1,272,200	0.650

Note:

<sup>(\*)</sup> Percentage is based on issued shares less treasury shares.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of APM AUTOMOTIVE HOLDINGS BERHAD ("Company") will be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia, on Wednesday, 24 May 2017 at 2:00 p.m. to transact the following businesses:

### Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. *(Resolution 1)*
2. To declare a final single tier dividend of 10 sen per share for the financial year ended 31 December 2016. *(Resolution 2)*
3. To re-elect Mr. Lee Tatt Boon who retires and being eligible, offers himself for re-election in accordance with Article 76 of the Company's Articles of Association, as a Director of the Company. *(Resolution 3)*
4. To re-elect Mr. Lee Min On who retires and being eligible, offers himself for re-election in accordance with Article 76 of the Company's Articles of Association, as a Director of the Company. *(Resolution 4)*
5. To re-elect Mr. Low Seng Chee who retires by rotation and being eligible, offers himself for re-election in accordance with Article 96 of the Company's Articles of Association, as a Director of the Company. *(Resolution 5)*
6. To re-elect Mr. Sow Soon Hock who retires by rotation and being eligible, offers himself for re-election in accordance with Article 96 of the Company's Articles of Association, as a Director of the Company. *(Resolution 6)*
7. To re-elect Dato' N. Sadasivan s/o N.N. Pillay who in accordance with the resolution passed at the Nineteenth Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965 holds office as Director of the Company until the conclusion of the Twentieth Annual General Meeting and being eligible, offers himself for re-election in accordance with Section 205(6) of the Companies Act, 2016, as a Director of the Company AND THAT he continues to be designated as an Independent Non-Executive Director of the Company. *(Resolution 7)*
8. To re-elect Dato' Haji Kamaruddin @ Abas Bin Nordin who in accordance with the resolution passed at the Nineteenth Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965 holds office as Director of the Company until the conclusion of the Twentieth Annual General Meeting and being eligible, offers himself for re-election in accordance with Section 205(6) of the Companies Act, 2016, as a Director of the Company AND THAT he continues to be designated as an Independent Non-Executive Director of the Company. *(Resolution 8)*
9. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Resolution 9)*

### Special Business

To consider and if thought fit, to pass the following resolutions:

#### 10. DIRECTORS' FEES

"THAT approval be hereby given for the Company to pay Directors' fees of up to an amount of RM595,000 in aggregate to the Independent Non-Executive Directors of the Company during the course of the period from 1 January 2017 until the next Annual General Meeting of the Company."

*(Resolution 10)*

#### 11. DIRECTORS' BENEFITS

"THAT approval be and is hereby given for the Company to pay Directors' benefits of up to an amount of RM140,000 in aggregate to the Independent Non-Executive Directors of the Company during the course of the period from 1 January 2017 until the next Annual General Meeting of the Company."

*(Resolution 11)*

# NOTICE OF ANNUAL GENERAL MEETING

## 12. PROPOSED GRANT OF AUTHORITY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

“THAT, subject always to the Companies Act, 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 75 of the Act to allot and issue shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares allotted and issued pursuant to this Resolution do not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being of the Company AND THAT in accordance with the provisions of Section 76 of the Act, such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

*(Resolution 12)*

## 13. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES

“THAT, subject to the Companies Act, 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that –

- (i) the aggregate number of shares purchased and/or held pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time of the purchase; and
- (ii) the Directors shall resolve at their discretion pursuant to Section 127 of the Act whether to cancel the shares so purchased, to retain the shares so purchased as treasury shares or to retain part of the shares so purchased as treasury shares and cancel the remainder of the shares as may be permitted and prescribed by the Act, rules, regulations, guidelines, requirements and/or orders pursuant to the Act and/or the rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force.

THAT an amount not exceeding the Company’s retained profits be allocated by the Company for the Proposed Share Buy-Back.

THAT the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will expire:

- (i) at the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) at the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authorities.”

*(Resolution 13)*

## NOTICE OF ANNUAL GENERAL MEETING

### 14. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG MOTOR HOLDINGS BERHAD AND ITS SUBSIDIARIES

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("APM Group") to enter into all arrangements and/or transactions with Tan Chong Motor Holdings Berhad and its subsidiaries involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group ("Related Parties") including those set out under section 3.2.1 of the Company's Circular to Shareholders dated 28 April 2017 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force –

- (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or
- (ii) at the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

(Resolution 14)

### 15. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH WARISAN TC HOLDINGS BERHAD AND ITS SUBSIDIARIES

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("APM Group") to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad and its subsidiaries involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group ("Related Parties") including those set out under section 3.2.2 of the Company's Circular to Shareholders dated 28 April 2017 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force –

- (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or
- (ii) at the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

(Resolution 15)

# NOTICE OF ANNUAL GENERAL MEETING

## 16. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG INTERNATIONAL LIMITED AND ITS SUBSIDIARIES

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("APM Group") to enter into all arrangements and/or transactions with Tan Chong International Limited and its subsidiaries involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group ("Related Parties") including those set out under section 3.2.3 of the Company's Circular to Shareholders dated 28 April 2017 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force –

- (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or
- (ii) at the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

*(Resolution 16)*

- 17. To transact any other business of the Company of which due notice shall have been received.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Twentieth Annual General Meeting of APM Automotive Holdings Berhad, a final single tier dividend of 10 sen per share for the financial year ended 31 December 2016 will be paid on 28 June 2017. The entitlement date shall be 8 June 2017.

A depositor shall qualify for the entitlement to the dividend only in respect of:

- (1) shares transferred into the depositor's securities account before 4:00 p.m. on 8 June 2017 in respect of ordinary transfers; and
- (2) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

By order of the Board

**KHOO PENG PENG** (MIA 19749)

**QUAH KHIAN KHOON** (MAICSA 7030264)

Company Secretaries

Kuala Lumpur

28 April 2017

### Notes:

1. A depositor whose name appears in the Record of Depositors of the Company as at 17 May 2017 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.
2. A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.
4. Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:
  - (i) the securities account number;
  - (ii) the name of the beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
  - (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.
6. Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies of the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.



# NOTICE OF ANNUAL GENERAL MEETING

7. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.
8. The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel: 03-2783 9299), or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting will be put to vote by poll.

## Explanatory Notes on Ordinary/Special Business:

### (1) Resolution 7 & 8 – Re-election of Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin as Directors and their designation as Independent Non-Executive Directors of the Company

Pursuant to Section 129(6) of the Companies Act, 1965, Dato' N. Sadasivan s/o N.N. Pillay ("Dato' N. Sadasivan") and Dato' Haji Kamaruddin @ Abas Bin Nordin ("Dato' Haji Kamaruddin"), who are over the age of 70 years were re-appointed as Directors of the Company at the 19th Annual General Meeting of the Company. Dato' N. Sadasivan and Dato' Haji Kamaruddin being eligible have offered themselves for re-election at the coming 20th Annual General Meeting of the Company. With the enforcement of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors. The proposed Resolution 7 and 8, if passed, mean that both Dato' N. Sadasivan and Dato' Haji Kamaruddin will continue to act as Directors of the Company and be subject to retirement by rotation pursuant to Section 205 of the Companies Act, 2016.

Pursuant to the Malaysian Code on Corporate Governance 2012, it is recommended that approval of the shareholders be sought in the event the Company intends to retain an independent director who has served in that capacity for more than nine (9) years.

Following an assessment and recommendation by the Nominating Committee, the Board recommended that Dato' N. Sadasivan and Dato' Haji Kamaruddin, who have served as Independent Non-Executive Directors ("INEDs") for a cumulative term of more than nine (9) years, to continue to be designated as INEDs of the Company based on the following key justifications:

- (a) they fulfill the criteria for definition of Independent Director under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, therefore, are able to bring independent and objective judgement to the Board's deliberations;
- (b) their experience and expertise in finance, economics and regulatory requirements as well as diverse business environment enable them to provide the Board and Board Committees, as the case may be, with pertinent and diverse set of expertise, skills and competence;
- (c) they have been with the Company long enough to develop valuable insights into the Company's business operations, which enable them to contribute actively and effectively during deliberations at Board and Board Committees, as the case may be; and
- (d) from their perfect attendance record at the Board and Board Committee meetings, it is demonstrable of their commitment towards the Company's needs, exercised due care as INEDs of the Company and carried out their duties in the interest of the Company and shareholders.

### (2) Resolution 9 – Re-appointment of KPMG PLT as Auditors

KPMG, a conventional partnership was converted to a limited liability partnership, KPMG PLT, pursuant to Section 29 of the Limited Liability Partnerships Act 2012 ("LLP Act") as from the date of registration on 27 December 2016. Under Section 29 of the LLP Act, a conventional partnership may be converted to a limited liability partnership if and only if the partners of the limited liability partnership to which the conventional partnership is to be converted, comprises all the partners of the conventional partnership and no one else.

Pursuant to Section 39 of the LLP Act, as from the date of registration of KPMG PLT, the re-appointment of KPMG as Auditors of the Company pursuant to a resolution passed at the 19th Annual General Meeting took effect and operated as if KPMG PLT were re-appointed Auditors of the Company instead of KPMG.

The Audit Committee has considered the re-appointment of KPMG PLT as Auditors of the Company based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements. KPMG PLT are approved company auditors and have consented in writing to act as Auditors of the Company as required under Section 264 of the Companies Act, 2016. Both the Audit Committee and the Board have accordingly recommended the re-appointment of KPMG PLT as Auditors of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## (3) Resolution 10 and 11 – Directors’ Fees and Benefits

In accordance with Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company pays Directors’ fees and benefits to the Independent Non-Executive Directors (“INEDs”). The Executive Directors do not receive any fees and benefits as Directors but they are remunerated with salary, benefits and other emoluments by virtue of their contract of service or employment which do not require approval by the shareholders.

The Board recommends that shareholders approve a maximum aggregate amount of RM595,000 for the payment of Directors’ fees to the INEDs of the Company during the course of the period from 1 January 2017 until the next Annual General Meeting of the Company.

The Board also recommends that shareholders approve a maximum aggregate amount of RM140,000 for the payment of benefits which mainly consist of meeting allowances (i.e. as Chairman of Meeting of RM1,500 per meeting and as Board/Board Committee member of RM1,200 per meeting) to the INEDs of the Company during the course from 1 January 2017 until the next Annual General Meeting of the Company.

## (4) Resolution 12 - Proposed Grant of Authority Pursuant to Sections 75 and 76 of the Companies Act, 2016

The Company continues to consider opportunities to broaden the operating base and earnings potential of the Company. If any of the expansion or diversification proposals involve the issue of new shares, the Directors of the Company, under normal circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the total number of issued shares (excluding treasury shares) of the Company.

To avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, the Directors of the Company had obtained the general mandate at the Company’s 19th Annual General Meeting held on 25 May 2016 to allot and issue shares in the Company up to an amount of not exceeding in total 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being, for such purpose. The Company has not issued any new shares under the general mandate granted to the Directors at the 19th Annual General Meeting which will lapse at the conclusion of the 20th Annual General Meeting to be held on 24 May 2017.

A renewal of the mandate is being sought at the 20th Annual General Meeting under proposed Resolution 12. The renewed mandate, unless revoked or varied at a general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

## (5) Resolution 13 – Proposed Renewal of Authority for the Company to Purchase its Own Ordinary Shares

The proposed Resolution 13, if passed, will empower the Directors of the Company to purchase and/or hold up to 10% of the total number of issued shares of the Company at any point in time of the purchase (“Proposed Share Buy-Back”) by utilising the funds allocated which shall not exceed the retained profits of the Company.

This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, at the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held or revoked or varied by an ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

Further information on Resolution 13 is set out in the Circular to Shareholders dated 28 April 2017 despatched together with the Company’s 2016 Annual Report.

## (6) Resolutions 14, 15 and 16 – Proposed Shareholders’ Mandate for Recurrent Related Party Transactions

The proposed Resolutions 14, 15 and 16 if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group’s day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on Resolutions 14, 15 and 16 are set out in the Circular to Shareholders dated 28 April 2017 despatched together with the Company’s 2016 Annual Report.

# NOTICE OF ANNUAL GENERAL MEETING

## Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 20th Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

<b>CDS Account No.</b>	
<b>Number of shares held</b>	

I/We \_\_\_\_\_ (name of shareholder, in capital letters)  
 NRIC No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_  
 \_\_\_\_\_ (full address)  
 telephone no. \_\_\_\_\_ being a member(s) of APM AUTOMOTIVE HOLDINGS BERHAD,  
 hereby appoint \_\_\_\_\_ (name of proxy as per NRIC, in capital letters)  
 NRIC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) and/or  
 \_\_\_\_\_ (name of proxy as per NRIC, in capital letters)  
 NRIC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) or failing him/her,  
 the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia, on Wednesday, 24 May 2017 at 2.00 p.m., and at any adjournment thereof, as indicated below:

No.	Resolutions	For	Against
Resolution 1	Audited Financial Statements and Reports of the Directors and Auditors thereon		
Resolution 2	Final single tier dividend of 10 sen per ordinary share		
Resolution 3	Re-election of Mr. Lee Tatt Boon as Director		
Resolution 4	Re-election of Mr. Lee Min On as Director		
Resolution 5	Re-election of Mr. Low Seng Chee as Director		
Resolution 6	Re-election of Mr. Sow Soon Hock as Director		
Resolution 7	Re-election of Dato' N. Sadasivan s/o N.N. Pillay and his designation as an Independent Non-Executive Director		
Resolution 8	Re-election of Dato' Haji Kamaruddin @ Abas Bin Nordin and his designation as an Independent Non-Executive Director		
Resolution 9	Re-appointment of KPMG PLT as Auditors		
Resolution 10	Directors' Fees		
Resolution 11	Directors' Benefits		
Resolution 12	Proposed Grant of Authority pursuant to Section 75 and 76 of the Companies Act, 2016		
Resolution 13	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Resolution 14	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong Motor Holdings Berhad and its subsidiaries		
Resolution 15	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries		
Resolution 16	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

		For the appointment of two (2) proxies, percentage of shareholdings to be represented by each proxy:	
		Number of shares	%
Signature/Common Seal		Proxy 1	_____
Date:		Proxy 2	_____
		Total	100%

**Notes:**

1. A depositor whose name appears in the Record of Depositors of the Company as at 17 May 2017 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.
2. A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.
4. Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:
  - (i) the securities account number;
  - (ii) the name of beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
  - (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.

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AFFIX  
STAMP

**Tricor Investor & Issuing House Services Sdn Bhd** (11324-H)  
Registrar for **APM AUTOMOTIVE HOLDINGS BERHAD** (424838-D)  
Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia

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6. Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies of the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.
7. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.
8. The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel: 03-2783 9299) or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

**Personal Data Privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 20th Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold this flap for sealing

## PERSONAL DATA PROTECTION NOTICE

This Personal Data Protection Notice ("Notice") is issued to all shareholders (including substantial shareholders) ("Shareholders") of APM AUTOMOTIVE HOLDINGS BERHAD ("Company", "APM", "we", "us" or "our") in accordance with the Personal Data Protection Act 2010 ("Act") which came into force on 15 November 2013. The Act regulates the processing of personal data and requires us to notify you on matters relating to your personal data that is being processed, or that is to be collected and further processed by us. For the purpose of this Notice, the terms "personal data" and "processing" used in this Notice shall have the meaning prescribed in the Act.

Bursa Malaysia Securities Berhad ("Bursa Malaysia") has also on 15 November 2013 amended the Main Market Listing Requirements ("Listing Requirements") consequential to the Act. Under Paragraph 2.14A of the Listing Requirements, any person who provides or has provided personal data to Bursa Malaysia should read and be aware of Bursa Malaysia's personal data notice available at Bursa Malaysia's website [www.bursamalaysia.com](http://www.bursamalaysia.com) ("Bursa Malaysia's personal data notice"). If the Company provides Bursa Malaysia with personal data of the Shareholders, the Company must notify the Shareholders of Bursa Malaysia's personal data notice.

As Shareholders of APM, your personal data which may include your name, national registration identity card number (NRIC no.), passport number, address, date of birth/age, contact details and number, email address, gender, nationality, shareholding in APM, bank account number, CDS account number and any other personal data required, may be processed by APM and its related companies ("APM Group") for the following purposes ("Purposes"):

- (a) Compliance with the Companies Act, 2016, Listing Requirements and applicable relevant laws, regulations and guidelines, as may be amended, from time to time;
- (b) Verification of information to authorities and governmental agencies;
- (c) Deliver, communicate and transmit to the Shareholders of APM's annual report, circular to shareholders, and any other information through modes of communication and delivery we deem appropriate;
- (d) Payment of dividends and giving of other benefits to you as shareholders, if applicable;
- (e) Maintain, upkeep and update our records regarding our Shareholders' information; and
- (f) Dealings with all matters in connection with your shareholding in APM; or such other purposes as may be related to the foregoing.

The personal data processed by us include all information you have provided to us as well as other information we may obtain about you.

Your personal data may be disclosed by us in connection with the Purposes to parties including but not limited to companies within APM Group (whether present or future), our professional advisers, insurance companies, auditors, lawyers, banks, share registrars and other service providers, governmental and/or quasi-governmental departments and/or agencies, regulatory and/or statutory bodies and third parties as may be required by law or arising from any legal obligations which is imposed on APM Group. Your personal data may be transferred to a place outside Malaysia.

If you fail to supply to us your personal data, we may not be able to process your personal data for any of the Purposes.

We are committed to ensuring that your personal data is stored securely. You are responsible for ensuring that the personal data you provide to us is accurate, complete and not misleading and that such personal data is kept up to date.

Please also be notified that you have the right to request access to and correction of your personal data and you have a choice to limit the consent of the processing of your personal data.

## PERSONAL DATA PROTECTION NOTICE

Your written requests or queries pertaining to your personal data should be addressed to:

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

Attention : Ms. Lim Lay Kiow, Senior Manager  
Tel No. : +603-2783 9299  
Fax No. : +603-2783 9222  
Email : lay.kiow.lim@my.tricorglobal.com

By providing to us your personal data, you hereby consent to the processing of your personal data in accordance with all of the foregoing. You shall also procure the consent of your proxy appointed to attend any general meeting of APM on your behalf whose personal data is provided to us by you for any purpose relating to the general meeting.

In accordance with the Act, the Notice is issued in both English and Bahasa Malaysia. In the event of inconsistency between the English version and the Bahasa Malaysia version, the English version shall prevail.

Issued by : APM Automotive Holdings Berhad  
28 April 2017

## NOTIS PERLINDUNGAN DATA PERIBADI

Notis Perlindungan Data Peribadi ini ("Notis") dikeluarkan kepada semua pemegang saham (termasuk pemegang-pemegang saham utama) ("Pemegang Saham") APM AUTOMOTIVE HOLDINGS BERHAD ("Syarikat", "APM" atau "kami") menurut Akta Perlindungan Data Peribadi 2010 ("Akta") yang berkuatkuasa pada 15hb November 2013. Akta ini mengawal selia pemprosesan data peribadi dan menghendaki kami untuk memaklumkan anda berkenaan perkara-perkara yang berkaitan dengan data peribadi anda yang sedang diproses, atau yang akan dikumpul dan diproses oleh kami. Untuk tujuan Notis ini, terma-terma "data peribadi" dan "pemprosesan" yang digunakan dalam Notis ini hendaklah membawa maksud sepertimana yang ditakrifkan dalam Akta tersebut.

Bursa Malaysia Securities Berhad ("Bursa Malaysia") telah membuat pindaan kepada Keperluan Penyenaraian Pasaran Utama ("Keperluan Penyenaraian") pada 15hb November 2013 akibat daripada Akta ini. Seperti yang tertakluk di bawah perenggan 2.14A Keperluan Penyenaraian, sesiapa yang memberi atau telah memberi data peribadi kepada Bursa Malaysia, haruslah membaca dan menyedari tentang notis data peribadi Bursa Malaysia yang terdapat di laman web Bursa Malaysia di [www.bursamalaysia.com](http://www.bursamalaysia.com) ("notis data peribadi Bursa Malaysia"). Sekiranya Syarikat membekalkan data peribadi Pemegang Saham kepada Bursa Malaysia, Syarikat mesti memaklumkan Pemegang Saham tentang notis data peribadi Bursa Malaysia.

Sebagai Pemegang Saham APM, data peribadi anda mungkin termasuk nama, nombor kad pengenalan, nombor pasport, alamat, tarikh lahir/umur, maklumat dan nombor perhubungan, alamat emel, jantina, kewarganegaraan, pegangan saham dalam APM, nombor akaun bank, nombor akaun Sistem Depositori Pusat (CDS) anda dan data peribadi lain yang dikehendaki, yang mungkin diproses oleh APM dan syarikat-syarikat yang berkaitan dengannya ("Kumpulan APM") untuk tujuan-tujuan berikut ("Tujuan"):

- (a) Mematuhi Akta Syarikat 2016, Keperluan Penyenaraian dan undang-undang, peraturan-peraturan dan garis panduan yang berkaitan yang mungkin dipinda dari semasa ke semasa;
- (b) Pengesahan maklumat kepada pihak berkuasa dan agensi kerajaan;
- (c) Menyampaikan, menghubungi dan menghantar laporan tahunan APM, pekeliling kepada Pemegang Saham, dan lain-lain maklumat melalui cara komunikasi dan penyampaian yang kami anggap sesuai;
- (d) Pembayaran dividen dan manfaat lain kepada anda sebagai Pemegang Saham, jika berkenaan;
- (e) Mengekal, menyelia dan mengemaskinikan rekod kami yang berkaitan dengan maklumat-maklumat Pemegang Saham; dan
- (f) Untuk berurusan dengan semua perkara yang berkaitan dengan pegangan saham anda dalam APM; atau bagi tujuan-tujuan lain yang mungkin berkaitan dengan perkara-perkara yang dinyatakan di atas.

Data peribadi anda yang diproses oleh kami merangkumi segala maklumat yang diberi oleh anda serta maklumat lain yang mungkin kami perolehi berkenaan anda.

Maklumat peribadi anda mungkin didedahkan oleh kami untuk Tujuan di atas kepada pihak lain termasuk dan tidak terhad kepada syarikat-syarikat dalam Kumpulan APM (sama ada pada masa kini atau masa depan), penasihat profesional, syarikat-syarikat insurans, juruaudit, peguam, bank, pendaftar saham dan pembekal perkhidmatan lain, semua jabatan dan/atau agensi kerajaan dan/atau kuasi-kerajaan, badan-badan penguatkuasa dan/atau berkanun dan sebarang pihak ketiga, sebagaimana yang dikehendaki undang-undang atau timbul daripada apa-apa kewajipan undang-undang yang dikenakan ke atas Kumpulan APM. Data peribadi anda mungkin akan dipindahkan ke suatu tempat di luar Malaysia.

Sekiranya anda gagal membekalkan data peribadi anda kepada kami, kami mungkin tidak dapat memproses data peribadi anda bagi mana-mana Tujuan tersebut.

Kami akan memastikan semua data peribadi anda disimpan dengan selamat. Anda bertanggungjawab untuk memastikan bahawa data peribadi yang anda berikan kepada kami adalah tepat, lengkap, tidak mengelirukan dan dikemaskini.

Adalah dimaklumkan bahawa anda mempunyai hak untuk meminta akses dan membetulkan data peribadi anda atau menghadkan pemprosesan data peribadi anda.



## NOTIS PERLINDUNGAN DATA PERIBADI

Setiap permintaan bertulis atau pertanyaan berkenaan data peribadi anda perlu disampaikan ke alamat di bawah:

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

Untuk Perhatian : Ms Lim Lay Kiow, Pengurus Kanan  
No. Tel : +603-2783 9299  
No. Fax : +603-2783 9222  
Emel : lay.kiow.lim@my.tricorglobal.com

Dengan membekalkan data peribadi anda kepada kami, bermaksud anda bersetuju membenarkan kami memproses data peribadi anda selaras dengan apa-apa yang dinyatakan di atas. Anda juga harus mendapatkan persetujuan proksi anda yang dilantik untuk menghadiri apa-apa mesyuarat agung APM bagi pihak anda sekiranya data peribadi mereka dibekalkan oleh anda kepada kami untuk apa-apa tujuan yang berkaitan dengan mesyuarat agung.

Mengikut Akta tersebut, Notis ini diterbitkan dalam Bahasa Inggeris dan Bahasa Malaysia. Sekiranya terdapat sebarang ketidakseragaman atau percanggahan di antara versi Bahasa Inggeris dan Bahasa Malaysia, versi Bahasa Inggeris akan diguna pakai.

Dikeluarkan oleh : APM Automotive Holdings Berhad  
28 April 2017

