



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



LAPORAN TAHUNAN | ANNUAL REPORT | 2006

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Corporate information

DIRECTORS

Dato' Tan Heng Chew JP, DJMK

Azman bin Badrillah

Dr. Fun Woh Peng

Tan Eng Hwa

Sow Soon Hock

Oei Kok Eong

Tan Eng Soon

Dato' N. Sadasivan DPMP, JSM, KMN

Dato' Haji Kamaruddin @ Abas bin Nordin
DSSA, KMN

Mohd. Sharif bin Haji Yusof

AUDIT COMMITTEE MEMBERS

Dato' N. Sadasivan DPMP, JSM, KMN
Chairman

Dato' Haji Kamaruddin @ Abas bin Nordin
DSSA, KMN

Mohd. Sharif bin Haji Yusof

Dr. Fun Woh Peng

COMPANY SECRETARIES

Lee Kwee Cheng

Chan Yoke-Lin

REGISTRARS

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20th Floor Plaza Permata Jalan Kampar
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Facsimile : (603) 4042 6352

REGISTERED OFFICE

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AUDITORS

KPMG
Wisma KPMG, Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

CORPORATE OFFICE

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Website : www.apm-automotive.com
E-mail : apmah@apm-automotive.com

Business divisions



APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)

PRODUCTS BY DIVISIONS

SUSPENSION DIVISION

- Leaf Springs
- Shock Absorbers
- Coil Springs
- Metal Parts
- Gas Springs

ELECTRICAL AND HEAT EXCHANGE DIVISION

- Starter Motors
- Alternators
- Wiper Systems
- Distributors
- Engine Management Systems
- Air-Conditioning Systems
- Condensers
- Evaporators
- Compressors
- Radiators

INTERIOR/PLASTIC DIVISION

- Automotive Seats
- Plastic Parts
- Body Side Mouldings
- Interior Trims
- Door Panels

MARKETING DIVISION

- Local Replacement Market
- Export Market

OVERSEAS OPERATIONS

- Australia
- USA
- Indonesia
- China
- Vietnam





The Largest Auto Parts Manufacturing Group in Malaysia

Celebrates

35 years
of Product Excellence

Manufacturers Sdn. Bhd.
Molton Mould Sdn. Bhd.
Horikiri Inc., Japan
Gheng Special Steel Works Co., Ltd
Kian Yip Industries

Matrix-Ed Engineering Sdn. Bhd.
Oriental Felt Industries (M) Sdn. Bhd.
Pacific Prospects Sdn. Bhd.
Pong Codan Rubber (M) Sdn. Bhd.
Standard Fashion Trading Sdn. Bhd.

Malta Precision Sdn. Bhd.
Muzipex Packaging Sdn. Bhd.
Pepayeh Home & Packaging Sdn. Bhd.
Perwahan South Asia
Precision Hydraulics
Quorum Innes Sdn. Bhd.
Roh-Rong Paper Products Sdn. Bhd.

Raw Industry Sdn. Bhd.
See Seng Family Works
Shawal Eng Hoe Shing Engineering
Agnes & Lark Transport Sdn. Bhd.
Sheng Lee Engineering Sdn. Bhd.
Shing Shin Industries Sdn. Bhd.
Shusho Corp., Japan

Urama P&E Sdn. Bhd.
Yoon Sun Zinc Works
YWE Precision Moulds (M) Sdn. Bhd.
Wingway Industrial Supplies Sdn. Bhd.
Wira Foam Industries Sdn. Bhd.
Wira Printing Sdn. Bhd.

Kah Hong Engineering Industries Sdn. Bhd.
Meirix-Ed Engineering Sdn. Bhd.

Manufacturing Group
aysia
ast To
porate Identity
on Your
35th Anniversary

PRECISION TOOLING SDN BHD
(286065-19)
NG INDUSTRIES CO. LTD. (TAIWAN)

Perusahaan Seri Kemahang, 43300 Seri Kemahang, Selangor Damai Ehsan, Malaysia.
+603-8946 3333 Fax: +603-8948 4400 Website: www.apm-automotive.com

Tahniah
APM AUTOMOTIVE HOLDINGS BERHAD
Kumpulan Pembastan Auto Parts Terbesar di Malaysia
Setinggi Tahniah Di Atas Kejayaan Anda
Dengan Identiti Korporat Baru
Ulang tahun ke - 35
Dangpa Pabrik Pengeluaran dan Kalkang.
APM
AUTO PARTS MARKETING SDN BHD
Lot 1, Jalan Raja Lumu,
PKNS Industrial Area, Pandamaran,
99 Port Klang, Selangor Darul Ehsan,
Port Klang, 42008 Port Klang,
Darul Ehsan, MALAYSIA.

Congratulations
APM AUTOMOTIVE HOLDINGS BERHAD
The Largest Auto Parts Manufacturing Group In Malaysia
A Toast To A New Corporate Identity On Your
35th Anniversary

LIEN IM ENTERPRISE CO. LTD. (TAIWAN)
LUVANA
MELEWAR INDUSTRIAL GROUP BERHAD
MORITA CO., JAPAN
NET LOGISTICS (M) SDN BHD
PRESTAR PRECISION TUBE SDN BHD
SCIENTEX POLYMER SDN BHD
THAMAM INDUSTRY SDN BHD
UNITED BOLT AND NUT SDN BHD
WORKWEAR DESIGNS & MFG
XAMEN CARELONG CO.

Chairman's statement

Penyata Pengerusi

35th
Anniversary

HIGHLIGHTS

2006 marked the 35th year the Group entered the automotive industry. Its first company, Auto Parts Manufacturers Co Sdn Bhd was registered in December 1971 and by end 1978 was producing leaf springs. Since then the Group has added many other auto parts to its list of products, setting up overseas manufacturing plants, establishing joint-ventures within Malaysia and overseas and gone on to acquire listing status in 1999.

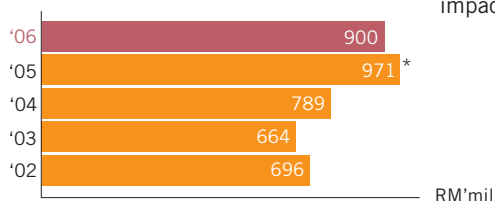
In conjunction with the 35th anniversary, we have reinforced our aspiration to be a global automotive component manufacturer with the launch of a new corporate identity at end December of 2006. The new logo has taken the form of the distinct and well-established reverse white APM within a red globe representing the world. The APM brand of auto parts products is set to making a bigger impact world wide.

SOROTAN PENTING

2006 menandakan tahun ke-35 Kumpulan ini menyertai industri otomotif. Syarikat pertamanya, Auto Parts Manufacturers Co. Sdn Bhd, didaftarkan pada bulan Disember 1971 dan menjelang penghujung tahun 1978, syarikat tersebut sudah pun mula mengeluarkan spring dedaun. Sejak itu, Kumpulan ini telah menambah lebih banyak jenis komponen otomotif ke dalam senarai produk keluarannya, mewujudkan kilang-kilang pengeluaran di luar negara, menjayakan usahasama di dalam Malaysia dan juga di luar negara, dan sejurusnya mendapat status penyenaraian pada tahun 1999.

Sempena menyambut ulang tahun ke-35, kami telah memperkukuhkan aspirasi untuk muncul sebagai pengeluar komponen otomotif global dengan pelancaran identiti korporat baru pada penghujung bulan Disember 2006. Logo baru tersebut menggunakan perkataan APM yang dikenali ramai, berwarna putih dan berlatarbelakangkan glob merah yang melambangkan dunia. Barangan berjenama APM kini bersedia menghasilkan impak yang lebih besar di seluruh pelosok dunia.

Revenue



* restated

Chairman’s statement

During the year, the Group entered into a second joint-venture project with our Indonesian partner, PT Mekar Armada Jaya, to manufacture suspension products in Indonesia for sale in the domestic and export markets. Expected to commence operations in the fourth quarter of 2007, the new venture would be ready to take advantage of the anticipated recovery of the Indonesian motor industry.

The Group’s spring plants in Port Klang - leaf and coil - have successfully converted to the use of liquefied natural gas during the year: a more environmentally friendly and cost efficient alternative to diesel.

Our commitment to quality is reflected by all our manufacturing subsidiaries having been awarded the TS 16949: 2002 certification.

FINANCIAL PERFORMANCE

Despite an increasingly challenging business environment, the Group managed to achieve a revenue of RM899.8 million for financial year-ended 31 December 2006, representing a 7% decline from the restated revenue of RM970.6 million in 2005. Correspondingly, profit before tax was 11% lower than 2005, at RM80 million. However, profit margin had been maintained at about 9%.

Pada tahun lepas, Kumpulan telah memasuki usahasama yang kedua dengan rakan kongsi Indonesia kami, PT Mekar Armada Jaya, untuk mengeluarkan barangan suspensi di Indonesia untuk jualan di pasaran domestik dan ekspot. Usahasama baru ini dijangka akan memulakan operasinya dalam suku tahunan keempat tahun 2007, dan diharap akan mengambil peluang dari pemulihan industri pemotoran di Indonesia.

Kilang-kilang spring milik Kumpulan di Pelabuhan Kelang - dedaun dan gegelung - telah berjaya bertukar kepada penggunaan gas asli cecair pada tahun lalu: suatu alternatif yang lebih mesra alam dan cekap dari segi kos berbanding dengan diesel.

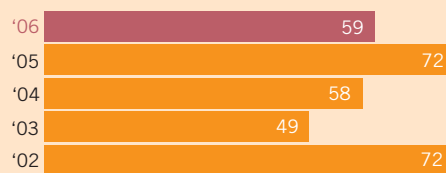
Komitmen kami terhadap kualiti dicerminkan oleh kesemua subsidiari pengilangan kami yang telah dianugerahkan pensijilan TS 16949: 2002.

PRESTASI KEWANGAN

Meskipun persekitaran perniagaan semakin mencabar, Kumpulan berjaya mencapai hasil jualan sebanyak RM899.8 juta untuk tahun kewangan berakhir 31 Disember 2006. Ini merupakan kemerosotan sebanyak 7% daripada hasil jualan tahun 2005 yang dinyatakan semula sebanyak RM970.6 juta. Seiringan dengan itu, keuntungan sebelum cukai adalah 11% lebih rendah daripada 2005, iaitu berjumlah RM80 juta. Namun begitu, margin keuntungan telah dikekalkan pada tahap lebih kurang 9%.



Profit After Tax



RM'mil

Penyata pengerasi



APM's new logo on highway advertisements
Papan iklan dilebuhraya dengan logo baru APM

Original Equipment (OE) Market

The decline in Group revenue was largely attributed to the drop in OE sales due to the lower production of new motor vehicles by motor manufacturers and assemblers. Demand for new motor vehicles had declined, resulting in sales dropping to 490,768 units from 551,045 units, a 11% drop from 2005 (source: Malaysian Automotive Association or MAA). Poor market values of used cars, tighter credit controls imposed by financial institutions on vehicle financing as well as rising interest rates were the main reasons for the holding back of new car purchases.

Replacement Equipment (RE) Market

RE sales in 2006 declined marginally from 2005 despite plans implemented to improve sales. Sales of coil springs, seats, shock absorbers and radiators were lower due to strong overseas competition and overstocked positions of local dealers which resulted in very difficult trading conditions. However, sales of electrical parts had increased during the year.

Pasaran Peralatan Asal (OE)

Kemerosotan hasil jualan Kumpulan dikaitkan terutamanya dengan penurunan jualan OE disebabkan oleh jumlah pengeluaran kenderaan bermotor baru yang lebih rendah oleh para pengilang dan pemasang. Permintaan untuk kenderaan bermotor baru telah merosot mengakibatkan jualan kenderaan menurun kepada 490,768 unit berbanding dengan 551,045 unit sebelumnya, satu penurunan sebanyak 11% daripada tahun 2005 (sumber: Persatuan Otomotif Malaysia atau MAA). Harga pasaran kereta terpakai yang rendah, penenaan kawalan kredit yang lebih ketat ke atas pembiayaan kenderaan oleh institusi-institusi kewangan dan juga peningkatan kadar faedah pinjaman merupakan sebab-sebab utama yang menyebabkan pembeli-pembeli mengurangkan pembelian kenderaan baru.

Pasaran Peralatan Gantian (RE)

Jualan RE pada tahun 2006 merosot sedikit berbanding dengan tahun 2005 walaupun rancangan untuk meningkatkan hasil jualan telah dilaksanakan. Jualan spring gegelung, tempat duduk, penyerap hentakan dan radiator adalah lebih rendah disebabkan persaingan sengit dari luar negara dan penyimpanan stok berlebihan oleh para pengedar tempatan, menyebabkan keadaan perniagaan yang sukar. Walau bagaimanapun, jualan alat-alat ganti elektrik telah menunjukkan peningkatan pada tahun tersebut.

Chairman’s statement

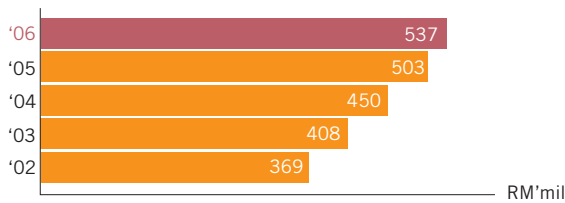
Export and Overseas Markets

Overall export sales declined by 3.4% compared with 2005. The increased sales of leaf springs, seats and radiators did not compensate for the lower sales recorded for air-conditioners and plastics. Our Australian subsidiary did reasonably well last year. Revenue from sales grew 19% from 2005 with profit before tax improving by 59%. Fair performance were seen from other overseas operations. The springs operation in Vietnam, in it’s first full year of production, recorded US\$2.2 million in revenue although there was still a loss incurred. Revenue and profit from the Indonesian company was reduced as a result of the increase in fuel costs.

DIVIDENDS

An interim dividend of 5% less 28% tax (2005 - 5% less 28% tax) amounting to RM7.2 million was paid to shareholders on 6 October 2006. The Directors recommend a final dividend payment of 8% less 27% tax (2005 - 8% less 28% tax) amounting to RM11.7 million. The amount, if approved at the forthcoming Annual General Meeting, would result in a total dividend payment of RM 18.9 million (2005 - RM18.8 million) for financial year ended 31 December 2006.

Total Equity Attributable to Shareholders of the Company



Pasaran-pasaran Ekspot dan Luar Negara

Jualan ekspot keseluruhan merosot 3.4% berbanding dengan tahun 2005. Peningkatan jualan spring dedaun, tempat duduk dan radiator tidak dapat mengimbangi jualan lebih rendah yang telah direkodkan untuk penyaman udara dan plastik. Subsidiari kami di Australia menunjukkan prestasi yang agak baik tahun lalu. Hasil jualannya meningkat sebanyak 19% berbanding dengan tahun 2005, dan keuntungan sebelum cukai naik 59%. Prestasi yang sederhana telah ditunjukkan oleh operasi-operasi luar negara yang lain. Operasi spring di Vietnam, dalam tahun penuh yang pertama pengeluarannya, merekodkan hasil sebanyak AS\$2.2 juta walaupun masih menanggung kerugian. Tahap keuntungan dan jualan syarikat kami di Indonesia pula telah menurun disebabkan oleh kenaikan kos tenaga.

DIVIDEN

Dividen interim sebanyak 5% ditolak cukai 28% (2005 - 5% ditolak cukai 28%) berjumlah RM7.2 juta telah dibayar kepada para pemegang saham pada 6 Oktober 2006. Para Pengarah mengesyorkan pembayaran dividen akhir sebanyak 8% ditolak cukai 27% (2005 - 8% ditolak cukai 28%) bernilai RM11.7 juta. Jika diluluskan oleh Mesyuarat Agung Tahunan yang bakal menjelang, jumlah agihan dividen akan mencecah RM18.9 juta (2005 - RM18.8 juta) untuk tahun kewangan berakhir 31 Disember 2006.

Penyata pengerasi

FUTURE PROSPECTS

MAA has forecasted vehicle sales in 2007 to grow a marginal 1.9% to 500,000 units as the industry is expected to recover only in the second half of 2007 after buyers have adjusted to the lower used car prices. However, the Group expects its OE sales to remain largely unchanged from that of 2006 as motor vehicle manufacturers and assemblers will be adjusting production levels in view of the current inventory overhang of unsold vehicles.

The RE and export markets will continue to face stiff competition. Our marketing team will continue its effort to push sales. In the pipeline is the setting up of more distribution network in the domestic and export markets carrying a wider range of APM products. Intensified efforts to seek out new export markets will be ongoing. Emphasis will be placed on active promotion of the APM brand, associated with quality and trusted products.

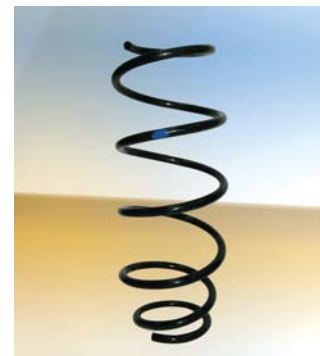
Our overseas subsidiaries in Australia and Vietnam are geared to increase sales in 2007. Radiators Australia (2000) Pty. Ltd has set up its latest branch in Sydney, the fourth in Australia after Perth, Melbourne and Adelaide. With wider distribution sales coverage and expanded product range, the subsidiary should do better. APM Springs (Vietnam) Co., Ltd is ready to increase production to cope with higher overseas demand.

PROSPEK MASA HADAPAN

MAA meramalkan jualan kenderaan akan meningkat hanya sebanyak 1.9% pada tahun 2007 kepada 500,000 unit, setelah para pembeli mula menyesuaikan diri dengan harga kenderaan terpakai yang rendah. Walau bagaimanapun, Kumpulan menjangka jualan OE nya akan tidak banyak berubah daripada tahun 2006 disebabkan para pengeluar dan pemasang kenderaan bermotor akan melaraskan tahap pengeluaran memandangkan lebih penganan stok kenderaan yang tidak terjual pada masa ini yang agak tinggi.

Pasaran RE dan juga pasaran eksport akan terus berhadapan dengan persaingan sengit. Pasukan pemasaran kami akan meneruskan usaha gigih mereka untuk meningkatkan jualan. Rancangan untuk meluaskan rangkaian pengedaran dalam pasaran domestik dan eksport yang menjual lebih banyak lagi jenis produk keluaran APM sedang diusahakan. Usaha berlipat ganda untuk mencari pasaran eksport yang baru akan berterusan. Penekanan akan diberi untuk mempromosikan jenama APM, yang dikaitkan dengan produk berkualiti dan diyakini, secara aktif.

Subsidiari-subsidiari luar negara kami, iaitu di Australia dan Vietnam, bersedia untuk meningkatkan jualan pada tahun 2007. Radiators Australia (2000) Pty. Ltd telah menubuhkan cawangan terkini di Sydney, iaitu yang keempat di Australia selepas Perth, Melbourne dan Adelaide. Dengan liputan pengedaran jualan yang lebih luas dan barisan produk yang diperkembangkan, prestasi subsidiari dijangka akan meningkat. APM Springs (Vietnam) Co., Ltd juga sedia untuk meningkatkan pengeluaran demi menampung permintaan luar negara yang lebih tinggi.



New range of L-shaped springs produced by APM Coil Springs Sdn Bhd.

Spring berbentuk L baru keluaran APM Coil Springs Sdn Bhd.

Chairman's statement

A continuing stabilized energy and raw material costs, especially of steel, should have a positive effect on the Group's cost of production. Increased competition however, will continue to squeeze selling prices. The Group will persist in its efforts to source for cheaper alternative suppliers of raw materials, increase production efficiency and reduce wastages in order to maintain profit margins.

ACKNOWLEDGMENT

The Board of Directors would like to thank the Management and staff for their continued dedication and contribution. We are confident that all staff will continue to work hard to increase productivity and reduce costs to ensure our continued success of the Group in the challenging times ahead. We are grateful to our valued customers, suppliers, bankers, business associates as well as shareholders for their continuing support and confidence in the Group.

The Board of Directors was saddened with the demise of Encik Ahmad Abdullah in 2006. The Board of Directors would like to express its heartfelt condolence to his family and also its appreciation for his past contribution to the Group.

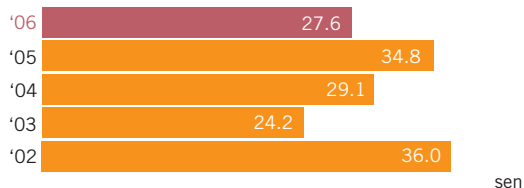
Kos-kos tenaga dan bahan mentah yang terus stabil, terutamanya harga keluli, sudah pasti akan memberi kesan positif terhadap kos pengeluaran Kumpulan. Namun begitu, persaingan sengit akan terus melembabkan harga jualan. Pihak Kumpulan akan tetap berusaha keras untuk mendapatkan bekalan bahan-bahan mentah alternatif yang lebih murah, meningkatkan kecekapan pengeluaran dan mengurangkan pembaziran agar margin keuntungan dapat dikekalkan.

PENGHARGAAN

Pihak Lembaga Pengarah ingin merakamkan ucapan ribuan terima kasih kepada Pengurusan dan semua kakitangan atas dedikasi dan sumbangan mereka yang berterusan. Kami yakin bahawa semua warga kerja akan terus gigih berusaha untuk meningkatkan produktiviti dan mengurangkan kos demi menjamin kejayaan berterusan Kumpulan kami ketika menghadapi masa hadapan yang kian mencabar. Kami juga amat menghargai sokongan dan keyakinan berterusan yang diberi oleh para pelanggan, pembekal, jurubank, rakan sekutu perniagaan dan juga para pemegang saham kepada Kumpulan.

Pihak Lembaga Pengarah berdukacita atas pemergian Encik Ahmad Abdullah pada tahun 2006. Pihak Lembaga Pengarah ingin menyampaikan ucapan takziah kepada keluarga beliau dan juga penghargaan kami terhadap sumbangan beliau kepada Kumpulan.

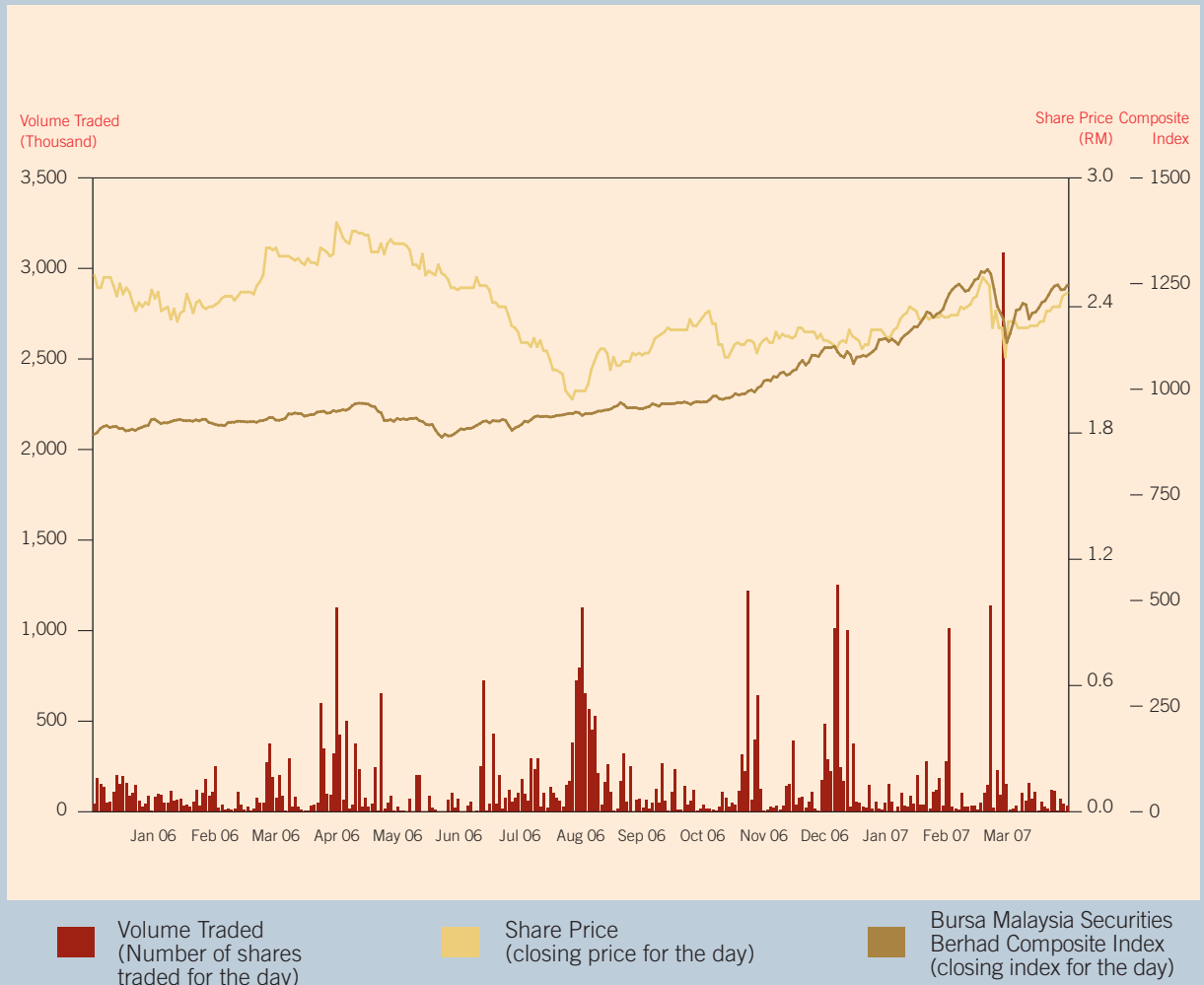
Earnings per Share



DATO' TAN HENG CHEW JP, DJMK
Chairman/Pengerusi

25 April 2007

Share price and volume trade



Corporate calendar 2006



March 2006

APM participates in Automotive Aftermarket Middle East (AAME) 2006 exhibition held at Dubai International Exhibition Centre, Dubai, United Arab Emirates.

April 2006

Auto Parts Marketing Sdn Bhd sponsors Sin Chew Online Quiz



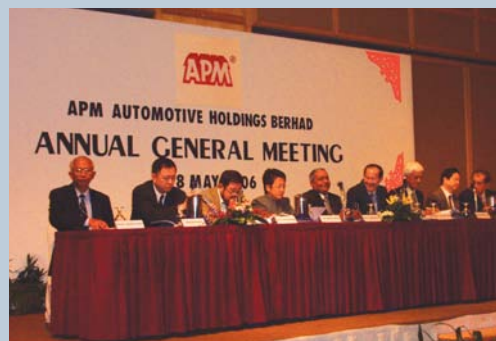
April 2006

Completion of new warehouse building in Bukit Beruntung, Selangor



May 2006

The Company's Ninth Annual General Meeting held at Grand Seasons Hotel, Kuala Lumpur



Corporate calendar 2006

June 2006

Signing of Collective Agreement in Jakarta, Indonesia



July 2006

Management seminar held with the theme "Growth and Challenge Ahead" for all management staff

September 2006

Corporate and Analysts Briefing held at Seri Pacific Hotel, Kuala Lumpur



December 2006

Long service awards presented to staff at the Annual Dinner 2006 (Suspension Division)

Profile of the board of directors

Dato' Tan Heng Chew, JP, DJMK, 60, a Malaysian, is a Non-Independent Non-Executive Director. He was the first director of the Company when it was incorporated on 26 March 1997 and was appointed the Chairman of the Board on 1 November 1999.

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

Dato' Tan sits on the Board of TCMH as Executive Deputy Chairman and is the Chairman of Warisan TC Holdings Berhad. He is also a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Dato' Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dr. Fun Woh Peng, 47, a Malaysian, was appointed to the Board on 15 January 2003 as an Executive Director. He is also a member of the Audit Committee.

Dr. Fun holds a PhD. in Electrical Engineering from the University of Texas in Austin, USA. He joined Auto Parts Holdings Sdn Bhd in 1997 as General Manager for business development of the APM Group of companies. His prior experience includes several years with the Ford Motor Company, Ford International Business Development Inc. and FMS Audio, a joint venture of Ford Motor Company, USA.

Encik Azman Badrillah, 59, a Malaysian, is an Executive Director. He was appointed to the Board on 1 November 1999.

Encik Azman graduated with a degree in Economics from the University of Malaya in 1971. He joined Bank of America and had risen to the position of Assistant Vice-President when he left 11 years later. His service with Bank of America included a period spent with the international operations of the bank. Encik Azman joined Tan Chong Motor Holdings Berhad (TCMH) group in 1983 as an Executive Director of its manufacturing division and was responsible for the overall performance of one of its key product groups. With the restructuring of the TCMH group resulting in the emergence of the Company in 1999, he was appointed an Executive Director of the Company.

Encik Azman sits on the board of TCMH and Eco Resources Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Mr. Tan Eng Hwa, 52, a Malaysian, is an Executive Director. He was first appointed to the Board on 1 November 1999 as a Non-Independent Non-Executive Director.

Mr. Tan graduated from the University of Birmingham with a Bachelor of Commerce degree. He was with the Tan Chong Motor Holdings Berhad group as Treasurer and was also involved in various departmental functions within the group.

Mr. Tan is a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself.

Mr. Sow Soon Hock, 49, a Malaysian, is a Director in charge of Marketing. He was appointed to the Board on 1 July 2006.

Mr. Sow holds a Graduate Diploma in Business Administration from the Institute of Professional Managers and Administrators, UK.

Mr. Sow has been with the Group for the past 28 years. He first joined the leaf spring plant in 1978 and subsequently held supervisory and managerial positions in the suspension companies of the Group before being transferred to Original Equipment Manufacturing (OEM) marketing for Port Klang in 1993. In 2005 he was promoted to Senior General Manager - Group OEM.

Mr. Oei Kok Eong, 53, a Malaysian, is an Executive Director appointed to the Board on 1 November 2006.

Mr. Oei has a Bachelors' Degree in Engineering (major in Mechanical Engineering) from the University of Singapore. He has more than 20 years experience in the automotive component industry, starting out as an Operations Manager in the Malaysian operations of an international Japanese group in the early 1980s and then rose to the position of director before leaving in 2004. Prior to joining the Group, Mr. Oei was Chief Operating Officer of an automotive component manufacturing company in Malaysia.

Profile of the board of directors

Mr. Tan Eng Soon, 58, a Singaporean and a Malaysian Permanent Resident, is a Non-Executive Non-Independent Director. He was appointed to the Board on 1 November 1999.

Mr. Tan has a degree in Civil Engineering from the University of New South Wales, Australia. He has been involved in the Tan Chong Motor Holdings Berhad (TCMH) group's operations since 1971.

Mr. Tan is the Group Managing Director of TCMH. He is also a director and shareholder of Tan Chong Consolidated Sdn Bhd, a 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' N. Sadasivan s/o N.N. Pillay, DPMP, JSM, KMN, 67, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1 November 1999 and is the Chairman of the Audit Committee.

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

Dato' Sadasivan is a director of Chemical Company of Malaysia Berhad, Petronas Gas Berhad, Leader Universal Holdings Berhad, Malaysian Airline System Berhad, Malaysian Industrial Development Finance Berhad and Yeo Hiap Seng (Malaysia) Berhad. He also sits on the board of Bank Negara Malaysia.

Dato' Haji Kamaruddin @ Abas Nordin, DSSA, KMN, 68, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1 November 1999 and is a member of the Audit Committee.

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 the 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 Tan Chong Motor Holdings Berhad and Lion Industries Corporation Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Encik Mohd. Sharif Haji Yusof, 67, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1 September 2001 and is a member of the Audit Committee.

Encik Mohd. Sharif is a Fellow Member of the Institute of Chartered Accountants, England and Wales, an Associate Member of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants. He has had more than 20 years experience in government and financial sectors, serving the Selangor State Government, Bumiputra Merchant Bankers Berhad and thereafter British American Life & General Insurance Co. Bhd (now known as Manulife Insurance (Malaysia) Berhad) where he held the position of Senior Vice President, Finance/Company Secretary at the time he retired.

Encik Mohd Sharif is a director of Amanah Short Deposit Berhad, Amanah General Asset Berhad, Asia Unit Trust Berhad, Ireka Corporation Berhad, Ann Joo Steel Berhad, Kemayan Corporation Berhad, Commerce Life Assurance Berhad and Commerce Takaful Berhad.

Except for Dato' Tan Heng Chew, Messrs. Tan Eng Soon and Tan Eng Hwa, who are brothers, none of the other Directors have any family relationship with any other Director and/or major shareholders of the Company.

None of the Directors have any conflict of interest in any business arrangement involving the Company, nor have any convictions for offences within the past 10 years.

A summary of the attendance of the Directors at board meetings held in 2006 is set out on page 16.

Statement on corporate governance

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards of good corporate governance set out in the Malaysian Code on Corporate Governance (the “Code”). The Board of Directors (“Board”) had seen and approved this Statement on Corporate Governance to report on the application of these principles in the Group.

APPLICATION OF PRINCIPLES

A. Directors

I. The Board

The business of the Company and the Group is managed by the Board, which is responsible for ensuring that the Group is properly managed to achieve expected long-term improvement in shareholders value.

The Board has a formal schedule of matters for discussion. It includes issues relating to broad policy decisions, quarterly and annual financial results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to Board Committees, officers and line management.

There were five board meetings held during the financial year and the attendance of directors at these meetings were as follows:

Name	Attendance
Dato’ Tan Heng Chew	5
Tan Eng Soon	5
Dr. Fun Woh Peng	5
Dato’ Kamaruddin @ Abas bin Nordin	4
Azman bin Badrillah	5
Mohd. Sharif bin Hj. Yusof	4
Tan Eng Hwa	5
Sow Soon Hock	2
Dato’ N. Sadasivan	5
Oei Kok Eong	1

Messrs. Sow Soon Hock and Oei Kok Eong were appointed during 2006 while the remaining directors held office throughout the year. All directors had complied with the requirement to attend more than 50% of the total meetings held during the year.

II. Board Composition

The Board comprises 10 members: 5 directors hold non-executive positions, including the Chairman and 3 independent directors, and the remaining 5 having executive functions. The composition of the Board is in compliance with the requirement that one-third of the directors must be independent directors.

No individual or group of individuals dominates the Board’s decision making. The roles of the Chairman and the executive directors are separate and clearly defined. The Chairman is responsible for the proper conduct of meetings and ensuring an effective Board whilst the executive directors are responsible for the operations of the business units and implementation of Board decisions and policies.

The directors have wide-ranging experiences, having had previously occupied or are currently occupying senior positions in the corporate and government sectors. The profiles of the Board members are set out on pages 14 to 15.

All the non-executive directors are independent of management and have no relationships which could materially interfere with the exercise of their independent judgement.

III. Supply of information

Board members are provided with appropriate documentation in advance of each Board and Committee meeting. For Board meetings, these documents may include reports on current trading and business issues, financial reports, proposal papers for capital expenditures, acquisitions and disposals from the executive directors, heads of operations and/or the group financial officer as well as proposals for senior executive appointments. In addition to formal Board meetings, the Chairman and executive directors also maintain regular contacts with all other directors and hold informal meetings with the non-executive directors to discuss issues affecting the Group.

There is an agreed procedure for directors to seek independent professional advice at the Company’s expense; directors also have direct access to the advice and services of the company secretaries who are responsible for ensuring that Board procedures are followed.

Statement on corporate governance

IV. Appointments to the Board

The Board is of the view that proposals for appointment of new directors and the assessment of the contribution of the existing directors are more effective by drawing on the experience and wisdom of all directors. As such, both functions are performed by the Board collectively when necessary and appropriate. Hence, there is no nomination committee required.

V. Re-election

The Company's Articles of Association provide that at every Annual General Meeting of the Company, one-third of the directors shall retire from office and that all directors shall retire from office once at least in each three years, but shall be eligible for re-election. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. Any director appointed by the Board shall hold office only until the following Annual General Meeting but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting. The Board may from time to time appoint one or more of its number to any executive office for such period and on such terms as it thinks fit.

Non-executive directors are not appointed for a specific term and are subject to re-election by shareholders at the next Annual General Meeting following their appointment, or to re-election in accordance with the Company's Articles of Association.

Directors who are due for re-election by rotation in accordance with Article 100 of the Articles of Association of the Company at the forthcoming Tenth Annual General Meeting are Encik Azman bin Badrillah, Dato' N. Sadasivan and Dato' Tan Heng Chew.

Messrs. Sow Soon Hock and Oei Kok Eong who were appointed to the Board during 2006 would hold office until this coming Annual General Meeting, and being eligible, have offered themselves for re-election pursuant to Article 79 of the Company's Articles of Association.

The profiles of the directors due for re-election are set out on pages 14 and 15.

VI Training

All directors, including those directors appointed in 2006, had fulfilled the Mandatory Accreditation Programme requirement as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The directors evaluate and determine their own training needs on a continuing basis, participating in seminars and education programmes during the year in keeping themselves abreast with the constant changes in regulatory authorities requirements and development in the business environment.

B. Directors' Remuneration

The Board is of the view that the present directors' remuneration based on guidelines formulated by drawing on the wealth of experience of all directors is more effective than guidelines that would have been formulated by a committee of the Board. Hence, a remuneration committee is not required as the role is performed by the Board as a whole as and when necessary or appropriate.

The remuneration policy of the Group which sets out the manner in remunerating executive employees below Board level seeks to attract and retain as well as to motivate employees to contribute positively to the Group's performance. Such key principles and procedures in rewarding employees also are applicable to the executive directors.

The guidelines on the quantum of bonus payments in 2006 and annual salary increment for 2007 for executive employees of the Group, recommended to the Board for its approval by committees, whose members included senior heads of operations below board level, were based on performance and depended on the operating results of the Group after taking into consideration the prevailing business environment. The same guidelines were applied to the executive directors.

The directors' fees paid to each of the non-executive directors is determined by the Board as a whole, subject to an aggregate sum not exceeding RM250,000 per annum as approved by the shareholders at the Fourth Annual General Meeting held in 2001. The non-executive directors do not participate in the discussion relating to their fees.

The directors' aggregate remuneration, paid and payable in 2006, with categorisation into appropriate components distinguishing between executive and non-executive directors, is set out as follows:

Statement on corporate governance

Category	Executive Directors RM'000	Non-executive directors RM'000
Directors' fees	-	144
Salaries and allowances	1,447	15
Bonuses	621	-
Benefits-in-kind	102	-
Total	2,170	159

The number of directors whose remuneration falls in the following successive bands of RM50,000 are as follows :

	Executive directors	Non-executive directors
RM50,001 to RM100,000	1	3
RM200,001 to RM250,000	1	-
RM400,001 to RM450,000	1	-
RM500,001 to RM550,000	1	-
RM850,001 to RM900,000	1	-
Total	5	3

C. Relations with Shareholders

I. Dialogue between Companies and Investors

During the year the Company held several group and individual meetings with institutional shareholders and investment communities with the view of fostering greater understanding of the Group's business.

The Group's announcements on its quarterly financial results and corporate exercises in the website of Bursa Malaysia serve to keep shareholders informed of its financial performance and activities on a timely basis.

II. The AGM

The Ninth Annual General Meeting ("AGM") of the Company was held on Thursday, 18 May 2006 at the Grand Ballroom, Grand Seasons Hotel in Kuala Lumpur. It was attended by shareholders comprising registered individuals, proxies and corporate representatives, with a total shareholding representing 62.5% of the issued share capital.

A forum was made available during the AGM for shareholders present to raise questions or issues regarding the Group's performance and financial position, which the directors addressed.

D. Accountability and Audit

I. Financial Reporting

The Board has presented a balanced and understandable assessment of the Group's financial position and prospects in the various reports and statements made in the Annual Report despatched to shareholders as well as in the quarterly financial results disseminated via the website of Bursa Malaysia.

The quarterly announcements on the financial results of the Group and statements contained in the Annual Report are reviewed by the Audit Committee prior to Board's approval and release to Bursa Malaysia and shareholders.

II. Internal Control

The Statement on Internal Control set out on page 21 of the Annual Report provides an overview of the state of internal control within the Group.

III. Audit Committee and Auditors

The Board of Directors established an Audit Committee on 1 November 1999. The present membership of the Committee, a summary of its terms of reference and its activities' are set out in the Audit Committee Report on pages 22 to 23.

The Board maintains a formal and transparent relationship with the Group's internal and external auditors.

Other statements and disclosures

Statement on Compliance with the Best Practices in Corporate Governance

The Board considers that the Company had substantially complied with the Best Practices in Corporate Governance set out in Part 2 of the Code in 2006, except for the formation of the remuneration and nomination committees, for which reasons have been given under the section "Application of Principles" in the Statement on Corporate Governance.

Statement on Directors' responsibility for preparing the annual audited financial statements

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 2006, the directors have:

1. adopted the appropriate accounting policies, which are consistently applied;
2. made judgments and estimates that are reasonable and prudent; and
3. ensured that the applicable approved accounting standards in Malaysia and provisions of the Act are complied with.

Share Buyback

During the financial year-ended 31 December 2006, the Company bought back a total of 1,106,000 shares from the open market for a total consideration of RM2,491,811. All shares purchased were held as treasury shares. There was no re-sale or cancellation of shares during the year.

The monthly breakdown of shares purchased in 2006 were as follows:

Month	Number of shares purchased	Highest price paid per share (RM)	Lowest price paid per share (RM)	Average price paid per share (RM)	Total consideration (RM)
February	15,400	2.39	2.39	2.39	37,078.57
July	72,000	2.39	2.35	2.38	172,069.81
August	189,800	2.19	2.11	2.16	413,201.80
September	318,500	2.29	2.11	2.21	708,712.99
October	124,200	2.32	2.29	2.30	288,030.35
November	99,100	2.30	2.25	2.27	226,377.51
December	287,000	2.27	2.20	2.24	646,339.76
Total	1,106,000				2,491,810.79

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 the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement on Material contracts

There were no material contracts of the Company and subsidiaries involving directors and substantial shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Statement on Revaluation Policy

The Group's policy on revaluation of landed properties is stated in Note 2(d) on page 40 of the financial statements.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm for the financial year-ended 31 December 2006 was RM171,000.

Other statements and disclosures

Disclosure on Corporate Social Responsibility

Environment

ENVIRONMENTAL POLICY

APM GROUP OF COMPANIES SHALL BE A RESPONSIBLE CORPORATE CITIZEN . . . COMPLYING WITH GOVERNMENTAL REGULATIONS ON POLLUTION AND WASTE . . . STRIVING TO BE ENVIRONMENTALLY FRIENDLY IN ALL WE DO

The Group is committed to comply with all applicable laws, regulations and established standards that will lead to the continuous improvement of the environment. Our manufacturing subsidiaries are awarded the ISO14001:2004 certification for establishing and applying an environmental management system in the manufacture of their products.

In complying with the waste disposal and management requirements under the Scheduled Waste Regulations 1989, all wastes are identified, stored and disposed of according to

requirements. Training on the handling of hazardous wastes are conducted regularly and wastes are appropriately disposed of by contractors licensed by the Department of Environment.

In year 2006, the Group converted most of its diesel processes to LNG as an effort toward a cleaner environment. The Group also promoted the 3-R programme with the aim to educate employees on ways to reduce, reuse and recycle our natural resources.

Occupational Safety and Health

OCCUPATIONAL SAFETY AND HEALTH POLICY

To provide and ensure a safe and healthy environment in the Company at all times by:

- ensuring the relevant occupational safety and health education be given to employees
- ensuring that a safe and healthy working environment is maintained
- providing adequate safety equipment at the work place
- ensuring that safety rules and regulations are observed by employees

THE COMPANY'S ULTIMATE AIM IS TO ACHIEVE A ZERO ACCIDENT RATE

Apart from our social responsibility toward our employees, the Group recognizes the benefits of having in place occupational safety and health programmes in improving productivity and product quality. As such, the Group is committed in its implementation of various safety, health and environmental programmes as stipulated in the Occupational Safety and Health Policy.

As part of the Group's continuous emphasis on the importance of safety and health at the work place, relevant safety training were organized by the various Health and Safety Committees at the subsidiaries' level throughout the year.

Community

During the year and for the 4th year running, the Group jointly sponsored with Sin Chew Daily an on-line quiz contest aimed at enhancing the knowledge of Malaysian secondary school students in the fields of current affairs, culture, education and technology.

For more than 10 years, the Group has organized, and its employees have donated to, yearly blood donation campaigns for the National Blood Centre.

Throughout the year, the Group also has given various donations and contributions to charitable programmes as well as community supported activities.

Statement on internal control

The Board of Directors conforms to the requirements of the Malaysian Code on Corporate Governance by maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments. The Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Group.

RESPONSIBILITY

The Board of Directors is ultimately responsible for maintaining as well as the reviewing the adequacy and integrity of a sound system of internal control of the Group. However, due to the limitations inherent in any system of internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of internal control in the Group. The Audit Committee is assisted by the Internal Audit department, which carries out regular and systematic reviews of the system of internal control of the Group and also the extent of compliance with the Group's operating policies and procedures. The findings are reported directly to the Audit Committee.

The membership of the Audit Committee, summary of its terms of reference and activities are set out on pages 22 to 23.

RISK MANAGEMENT

Risk Management is an integral part of the Group's business operations. The Group has implemented a comprehensive risk management framework and established a process for the identification, evaluation and reporting of the major risks within the Group. The process established is in accordance with the guidelines contained in the publication "Statement of Internal Control: Guidance for Directors of Public Listed Companies".

The Group Risk Management Committee is responsible for creating risk-awareness and monitoring major risks whilst the subsidiaries' management is responsible for managing risks, developing, implementing and monitoring the system of internal control.

During the year, the Group Risk Management Committee has met twice to assess and discuss additional significant risks identified by the Group and subsidiaries to ensure that appropriate actions were put in place to mitigate the risks. In addition, the Internal Audit department reviewed the progress of implementation of the subsidiaries' risks response plans and the effectiveness of existing controls in

managing the relevant risks. The results of the reviews were presented in the Group Risk Management Committee meetings. Internal Audit department also provided training support to subsidiaries upon requests or where necessary, to ensure that the established risk management process were carried out appropriately.

Continuous efforts will be made to monitor and re-assess the existing risk management framework in order to maintain a proper system of managing risks as well as the related control activities.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management activities, the other key elements of the internal control system of the Group are as follows:

- The executive directors actively manage the businesses and hold regular dialogues with senior management of the various subsidiaries;
- There are clearly defined delegation of responsibilities and appropriate limits of authority for different processes, decisions and commitments;
- 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 its 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 annual report and the announcements of quarterly results are reviewed by the Audit Committee before the Board's approval and release to Bursa Malaysia/public; 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.

The Board, with the assistance of the Audit Committee, constantly reviews the adequacy and integrity of the system of internal control. It is confident that no material losses were incurred during the current financial year as a result of weaknesses in internal control.

Audit committee report

AUDIT COMMITTEE

The Audit Committee (“Committee”) was formed on 1 November 1999. The present terms of reference of the Committee were adopted by the Board of Directors (“Board”) at a meeting held on 4 July 2001.

Composition and Meetings

The members of the Committee and their attendance at the four meetings held during the year were as follows:

Name	Attendance
Dato’ N. Sadasivan, Chairman <i>Independent Non-Executive</i>	4
Dato’ Haji Kamaruddin @ Abas bin Nordin <i>Independent Non-Executive</i>	4
Mohd. Sharif bin Haji Yusof <i>Independent Non-Executive</i>	3
Dr. Fun Woh Peng <i>Executive</i>	4

Terms of Reference

Membership

The Committee shall be appointed by the Board from amongst the directors and shall be composed of no fewer than three members, a majority of whom must be independent directors. The Committee shall include at least one director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least 3 years working experience and have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule. No alternate director shall be appointed a member of the Committee. The members of the Committee shall elect a Chairman from among their number who shall be an independent director. In the event of any vacancy in the Committee, which result in a breach in the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the vacancy must be filled within three months. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years.

Authority

The Committee is authorised by the Board, and at the cost of the Company, to:

- investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company or the Group;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- be able to obtain independent professional or other advice; and
- convene meetings with external auditors, excluding the attendance of the executive members.

Functions

The functions of the Committee shall be, amongst others –

- Review the following and report the same to the Board :
 - the audit plan, the evaluation of the system of internal control and the audit report with the external auditor, the assistance given by the employees of the Company / Group to the external auditor;
 - the adequacy of the scope and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - the results of the internal audit review or investigations undertaken and whether appropriate action is taken on the internal audit recommendations;
 - the quarterly results and year-end financial statements, prior to approval by the Board, focusing on
 - changes in or implementation of major accounting policy changes, significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - any letter of resignation from external auditor; and
 - whether there is reason to believe that the external auditor is not suitable for re-appointment;
- recommend the nomination of person or persons as external auditor;
- approve any appointment or termination of senior staff members of the internal audit function and review any appraisal or assessment of the performance of its members; and
- any other function as may be required by the Board from time to time.

Audit committee report

Conduct of Meetings

The Chairman shall call for meetings to be held not less than four times a year. Any member of the Committee may at any time, and the Company Secretaries shall on requisition of the member, summon a meeting. Except in the case of an emergency, seven days notice of meeting shall be given in writing to all members. A quorum of meetings shall be a majority of independent directors. Meetings shall be chaired by the Chairman, and in his absence, by an independent director. Decisions shall be made by a majority of votes.

The Head of Finance, Head of Internal Audit and the Company Secretaries shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Committee. A representative of the external auditor shall attend the meeting to consider the final financial statements and such other meetings determined by the Committee. The Chairman shall exercise 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.

Reporting Procedures

The Company Secretaries shall record the proceedings of meetings. Minutes shall be circulated to all members of the Board. The Committee shall prepare, for the Board and for inclusion in the Company's annual report, a summary of its activities in the discharge of its functions and duties for the financial year. The Committee may report to Bursa Malaysia a matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the year, the Audit Committee reviewed the Group's audit strategy plan with the external auditors before commencement of the audit for the financial year-end and thereafter the annual financial statements, as well as the quarterly financial results before recommending to the Board for release to Bursa Malaysia. The Audit Committee also reviewed related party transactions on a half-yearly basis, the internal audit plan for the year, all internal audit and the Group's risk management reports.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The principal role of the internal audit function is to undertake regular independent review and appraisal on the effectiveness of the Group's system of internal control. The annual audit plan is reviewed and approved by the Audit Committee.

During the year ended 31 December 2006, the department undertook audit visits to major subsidiaries of the Group aimed at providing reasonable assurance that the relevant control activities are operating satisfactorily. The internal audit also reviewed the extent of the compliance of the individual subsidiary with the Group's established policies and procedures as well as the applicable laws and regulations. The audit findings were reported to the Audit Committee and forwarded to the management for its attention. Audit reports also encompassed recommendations for improvements which were deemed practical and necessary. Follow-up reviews were carried out to ascertain that management action plans had been duly implemented.

In addition, internal audit also assisted the Group Risk Management Committee in discharging its responsibilities by ensuring that the on-going risk management process has been duly accomplished.

Directors' report

For the year ended 31 December 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

Principal activities

The Company is principally an investment holding company and also provides shared services to companies in the Group for which it charges management fees. The principal activities of the subsidiaries are as stated in Note 24 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	58,997	27,152

Reserves and provisions

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

Dividends

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

- a) a final ordinary dividend of 8 sen per share less tax at 28% totalling RM11,597,000 in respect of the year ended 31 December 2005 on 4 July 2006;
- b) an interim ordinary dividend of 5 sen per share less tax at 28% totalling RM7,237,000 in respect of the year ended 31 December 2006 on 6 October 2006.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2006 is 8 sen per share less tax at 27% totaling RM11,694,000.

Directors of the Company

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

Dato' Tan Heng Chew
 Azman bin Badrillah
 Dr. Fun Woh Peng
 Tan Eng Hwa
 Sow Soon Hock (appointed 1 July 2006)
 Oei Kok Eong (appointed 1 November 2006)
 Tan Eng Soon
 Dato' N. Sadasivan s/o N.N. Pillay
 Dato' Haji Kamaruddin @ Abas bin Nordin
 Mohd Sharif bin Haji Yusof
 Ahmad bin Abdullah (resigned on 8 June 2006)

Directors' report

For the year ended 31 December 2006

Directors' interest

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
<i>Shareholdings in which Directors have direct interests:</i>				
Interests in the Company:				
Dato' Tan Heng Chew	3,366,349	153,100	-	3,519,449
Azman bin Badrillah	1,537,000	-	-	1,537,000
Tan Eng Soon	210,000	-	-	210,000
Dato' Haji Kamaruddin @ Abas bin Nordin	448	-	-	448
Tan Eng Hwa	668,258*	-	-	668,258

Shareholdings in which Directors have deemed interests:

Interests in the Company:				
Dato' Tan Heng Chew	86,614,699	3,016,600	-	89,631,299
Tan Eng Soon	86,614,699	3,016,600	-	89,631,299
Tan Eng Hwa	656,350	3,016,600	-	3,672,950

* The shareholding of Tan Eng Hwa which had been disclosed inadvertently as 699,908 shares in previous years is now rectified.

Dato' Tan Heng Chew and Mr. Tan Eng Soon by virtue of their shareholdings in the Company are deemed interested in the shares of the subsidiaries during the financial year to the extent that APM Automotive Holdings Berhad has an interest. Details of their deemed shareholdings in non-wholly owned subsidiary are shown in Note 24 to the financial statements.

None of the other Directors holding office at 31 December 2006 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 of the Group, the Company and 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 the related party transactions disclosed in Note 23 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

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

Options granted over unissued shares

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

Directors' report

For the year ended 31 December 2006

Other statutory information

Before the income statement and balance sheets 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) all current assets have been stated at the lower of cost and net realisable value.

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 Group and in the Company financial statements 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 results of the operations of the Group and of the Company for the financial year ended 31 December 2006 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.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Dr Fun Woh Peng

Tan Eng Hwa

Kuala Lumpur,
30 March 2007

Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 29 to 67, except for pages 31 to 32 which are expressed in US\$ equivalent, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Dr Fun Woh Peng

Tan Eng Hwa

Kuala Lumpur,
30 March 2007

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Kwee Cheng, 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 29 to 67, except for pages 31 to 32 which are expressed in US\$ equivalent, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Kwee Cheng (MIA 9160) in Kuala Lumpur on 30 March 2007.

Before me:
Mohd Radzi bin Yasin
No. W327
Commissioner for Oaths
Kuala Lumpur

Report of the auditors

To the members of APM Automotive Holdings Berhad

We have audited the financial statements set out on pages 29 to 67 except for pages 31 to 32 which are expressed in US\$ equivalent. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 24 to the financial statements and we have considered their financial statements and the auditors' reports thereon, where applicable.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/07(J)

Kuala Lumpur,
30 March 2007

Balance sheets

At 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Assets					
Property, plant and equipment	3	211,104	203,435	1,183	673
Investment property	4	1,471	1,637	-	-
Investments in subsidiaries	5	-	-	224,213	224,289
Development expenditure	6	211	1,434	-	-
Deferred tax assets	7	8,036	7,810	725	663
Total non-current assets		220,822	214,316	226,121	225,625
Receivables, deposits and prepayments	8	201,522	204,912	42,173	37,314
Inventories	9	141,288	167,957	-	-
Tax recoverable		6,758	9,144	784	1,142
Cash and cash equivalents	10	145,470	119,954	12,430	13,942
Total current assets		495,038	501,967	55,387	52,398
Total assets		715,860	716,283	281,508	278,023
Equity					
Share capital		201,600	201,600	201,600	201,600
Reserves		337,988	301,919	79,169	70,851
Treasury shares		(3,044)	(552)	(3,044)	(552)
Total equity attributable to shareholders of the Company		536,544	502,967	277,725	271,899
Minority interest		11,976	8,492	-	-
Total equity	11	548,520	511,459	277,725	271,899
Liabilities					
Loans and borrowings	12	4,759	6,951	-	-
Employee benefits	13	12,149	11,575	1,039	1,042
Deferred grant income	14	287	415	-	-
Deferred tax liabilities	7	2,936	2,197	-	-
Total non-current liabilities		20,131	21,138	1,039	1,042
Provisions	15	8,624	7,773	-	-
Payables and accruals	16	125,089	138,647	2,744	5,082
Loans and borrowings	12	12,084	35,010	-	-
Taxation		1,412	2,256	-	-
Total current liabilities		147,209	183,686	2,744	5,082
Total liabilities		167,340	204,824	3,783	6,124
Total equity and liabilities		715,860	716,283	281,508	278,023

Income statements

For the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Revenue	17	899,817	970,645	43,926	49,122
Cost of sales		(746,362)	(796,488)	-	-
Gross profit		153,455	174,157	43,926	49,122
Other income		3,539	4,632	522	-
Distribution expenses		(36,285)	(40,384)	-	-
Administration expenses		(37,663)	(40,339)	(7,198)	(6,478)
Other expenses		(5,139)	(8,760)	(504)	(341)
Results from operating activities		77,907	89,306	36,746	42,303
Interest income		3,448	1,793	486	305
Finance costs		(1,277)	(1,178)	-	(18)
Profit before tax	18	80,078	89,921	37,232	42,590
Tax expense	19	(21,081)	(17,959)	(10,080)	(12,154)
Profit for the year		58,997	71,962	27,152	30,436
Attributable to :					
Shareholders of the Company		55,513	70,074	27,152	30,436
Minority interest		3,484	1,888	-	-
Profit for the year		58,997	71,962	27,152	30,436
Basic earnings per ordinary share (sen)	20	27.6	34.8		

Balance sheets

(In US\$ equivalent)
At 31 December 2006

	2006 US\$'000	Group 2005 US\$'000 Restated
Assets		
Property, plant and equipment	59,803	57,630
Investment property	417	464
Development expenditure	60	406
Deferred tax assets	2,276	2,212
Total non-current assets	62,556	60,712
Receivables, deposits and prepayments	57,088	58,049
Inventories	40,025	47,580
Tax recoverable	1,914	2,590
Cash and cash equivalents	41,210	33,981
Total current assets	140,237	142,200
Total assets	202,793	202,912
Equity		
Share capital	57,110	57,110
Reserves	95,747	85,529
Treasury shares	(862)	(156)
Total equity attributable to shareholders of the Company	151,995	142,483
Minority interest	3,393	2,406
Total equity	155,388	144,889
Liabilities		
Loans and borrowings	1,348	1,969
Employee benefits	3,442	3,279
Deferred grant income	81	117
Deferred tax liabilities	832	622
Total non-current liabilities	5,703	5,987
Provisions	2,443	2,202
Payables and accruals	35,436	39,277
Loans and borrowings	3,423	9,918
Taxation	400	639
Total current liabilities	41,702	52,036
Total liabilities	47,405	58,023
Total equity and liabilities	202,793	202,912

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

The figures were converted from RM into US\$ equivalent using the exchange rate of RM3.53 = US\$1.00 which approximates that prevailing on 31 December 2006

Income statements

(In US\$ equivalent)
for the year ended 31 December 2006

	Group	
	2006 US\$'000	2005 US\$'000 Restated
Revenue	254,906	274,970
Cost of sales	(211,434)	(225,634)
Gross profit	43,472	49,336
Other income	1,002	1,312
Distribution expenses	(10,279)	(11,440)
Administration expenses	(10,669)	(11,427)
Other expenses	(1,456)	(2,482)
Results from operating activities	22,070	25,299
Interest income	977	508
Finance costs	(362)	(334)
Profit before tax	22,685	25,473
Tax expense	(5,972)	(5,087)
Profit for the year	16,713	20,386
Attributable to :		
Shareholders of the Company	15,726	19,851
Minority interest	987	535
Profit for the year	16,713	20,386
Basic earnings per ordinary share (cent)	7.8	9.9

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

The figures were converted from RM into US\$ equivalent using the exchange rate of RM3.53 = US\$1.00 which approximates that prevailing on 31 December 2006

Consolidated statement of changes in equity

For the year ended 31 December 2006

Group	Note	Attributable to shareholders of the Company									Minority interest RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Non distributable			Distributable			Total RM'000		
				Share premium RM'000	Revaluation reserve RM'000	Exchange adjustment RM'000	Merger deficit RM'000	Retained profits RM'000				
At 1 January 2005		201,600	(552)	17,898	240	409	(42,339)	273,237	450,493	1,712	452,205	
Foreign exchange translation differences		-	-	-	-	(203)	-	-	(203)	-	(203)	
Realisation of revaluation reserve		-	-	-	(161)	-	-	161	-	-	-	
Net gains/(loss) recognised directly in equity		-	-	-	(161)	(203)	-	161	(203)	-	(203)	
Profit for the year		-	-	-	-	-	-	70,074	70,074	1,888	71,962	
Total recognised income and expenses for the year		201,600	(552)	17,898	79	206	(42,339)	343,472	520,364	3,600	523,964	
Acquisition of minority interest		-	-	-	-	-	-	-	-	4,892	4,892	
Dividends to shareholders												
- Final 2004 ordinary	21	-	-	-	-	-	-	(10,148)	(10,148)	-	(10,148)	
- Interim 2005 ordinary	21	-	-	-	-	-	-	(7,249)	(7,249)	-	(7,249)	
At 31 December 2005/ 1 January 2006		201,600	(552)	17,898	79	206	(42,339)	326,075	502,967	8,492	511,459	
Foreign exchange translation differences		-	-	-	-	(610)	-	-	(610)	-	(610)	
Realisation of revaluation reserve		-	-	-	(79)	-	-	79	-	-	-	
Net gains/(loss) recognised directly in equity		-	-	-	(79)	(610)	-	79	(610)	-	(610)	
Profit for the year		-	-	-	-	-	-	55,513	55,513	3,484	58,997	
Total recognised income and expenses for the year		201,600	(552)	17,898	-	(404)	(42,339)	381,667	557,870	11,976	569,846	
Treasury shares acquired		-	(2,492)	-	-	-	-	-	(2,492)	-	(2,492)	
Dividends to shareholders												
- Final 2005 ordinary	21	-	-	-	-	-	-	(11,597)	(11,597)	-	(11,597)	
- Interim 2006 ordinary	21	-	-	-	-	-	-	(7,237)	(7,237)	-	(7,237)	
At 31 December 2006		201,600	(3,044)	17,898	-	(404)	(42,339)	362,833	536,544	11,976	548,520	

Statement of changes in equity

For the year ended 31 December 2006

Company	Note	← Non distributable →			Distributable	Total RM'000
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2005		201,600	(552)	17,898	39,914	258,860
Profit for the year		-	-	-	30,436	30,436
Dividends to shareholders						
- Final 2004 ordinary	21	-	-	-	(10,148)	(10,148)
- Interim 2005 ordinary	21	-	-	-	(7,249)	(7,249)
At 31 December 2005/ 1 January 2006		201,600	(552)	17,898	52,953	271,899
Treasury shares acquired		-	(2,492)	-	-	(2,492)
Profit for the year		-	-	-	27,152	27,152
Dividends to shareholders						
- Final 2005 ordinary	21	-	-	-	(11,597)	(11,597)
- Interim 2006 ordinary	21	-	-	-	(7,237)	(7,237)
At 31 December 2006		201,600	(3,044)	17,898	61,271	277,725

Cash flow statements

For the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Cash flows from operating activities					
Profit before tax		80,078	89,921	37,232	42,590
Adjustments for					
Depreciation of property, plant and equipment	3	35,829	33,796	333	190
Depreciation of investment property	4	166	154	-	-
Impairment loss on property, plant and equipment	3	254	-	-	-
(Gain)/Loss on disposal of property, plant and equipment		(473)	(52)	-	1
Property, plant and equipment written off		58	14	-	-
Finance costs		1,277	1,178	-	18
Interest income		(3,448)	(1,793)	(486)	(305)
Retirement benefits charged	13	1,593	1,971	-	-
Allowance for diminution in value of investment		-	-	76	341
Amortisation of grant income		(128)	(302)	-	-
Amortisation of development expenditure	6	90	61	-	-
Development expenditure expensed off		1,133	204	-	-
Negative goodwill		-	(57)	-	-
Provisions made	15	4,525	4,202	-	-
Provisions reversed	15	(639)	(25)	-	-
Operating profit before changes in working capital		120,315	129,272	37,155	42,835
Inventories		26,669	967	-	-
Payables and accruals		(13,558)	1,659	(2,338)	1,959
Receivables, deposits and prepayment		3,390	12,038	(4,859)	(5,693)
Cash generated from operations		136,816	143,936	29,958	39,101
Interest received		3,448	1,793	486	305
Interest paid		(1,277)	(1,178)	-	(18)
Tax paid		(19,033)	(21,682)	(9,784)	(12,682)
Retirement benefits paid	13	(1,018)	(693)	(3)	(2)
Provisions paid	15	(3,035)	(4,967)	-	-
Development expenditure paid	6	-	(127)	-	-
Net cash from operating activities		115,901	117,082	20,657	26,704

Cash flow statements

For the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		(44,976)	(70,628)	(843)	(311)
Proceeds from disposal of property, plant and equipment		765	992	-	-
Acquisition of subsidiaries		-	(2,650)	-	(2,660)
Net cash used in investing activities		(44,211)	(72,286)	(843)	(2,971)
Cash flows from financing activities					
Dividends paid to shareholders of the Company		(18,834)	(17,397)	(18,834)	(17,397)
Repayment of foreign currency trade loan		(8,926)	(8,039)	-	-
Drawdown of revolving credit		5,000	-	-	-
(Repayment)/ Drawdown of term loan		(2,374)	7,805	-	-
Repurchase of treasury shares		(2,492)	-	(2,492)	-
Net cash used in financing activities		(27,626)	(17,631)	(21,326)	(17,397)
Net increase/(decrease) in cash and cash equivalents		44,064	27,165	(1,512)	6,336
Effect of exchange rate fluctuations on cash held		270	(5)	-	-
Cash and cash equivalents at 1 January	(i)	96,150	68,990	13,942	7,606
Cash and cash equivalents at 31 December	(i)	140,484	96,150	12,430	13,942

i) Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Cash and bank balances	10	26,531	26,239	606	957
Deposits placed with:					
Licensed bank	10	87,818	52,081	5,139	-
Other financial institutions and corporations	10	31,121	41,634	6,685	12,985
		145,470	119,954	12,430	13,942
Bills payable	12	(3,214)	(23,583)	-	-
Bank overdrafts	12	(1,772)	(221)	-	-
		(4,986)	(23,804)	-	-
		140,484	96,150	12,430	13,942

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 Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office

62-68, Jalan Ipoh
51200 Kuala Lumpur
Malaysia

Principal place of business

Lot 1, Jalan 6/3
Kawasan Perusahaan Seri Kembangan
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally an investment holding company and also provides shared services to companies in the Group for which it charges management fees. The principal activities of the subsidiaries are the manufacture and sale of automotive parts and accessories as stated in Note 24 to the financial statements.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued new and revised Financial Reporting Standards (FRSs) that are effective for accounting period beginning on or after 1 January 2006.

The MASB has also issued the following new and revised Financial Reporting Standards (FRSs) that are available for early adoption, and that have not been applied in preparing these financial statements.

Standard / Interpretation	Effective date
FRS117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 119 ₂₀₀₄ , Employee Benefits, Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007

Notes to the financial statements

1. Basis of preparation *(continued)*

(a) Statement of compliance *(continued)*

IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach Under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS	21 July 2007

The Group and Company plans to apply FRS 117, FRS 124 and the Amendment to FRS 119₂₀₀₄ initially for the annual period beginning 1 January 2007 and to apply the rest to the above-mentioned FRSs (except for FRS 6 as explained below and FRS 139 which effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124, FRS 139 and Amendment to FRS 119₂₀₀₄ on the financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 is not applicable to the Company. Hence, no further disclosure is warranted.

The effects of adopting the new/revised FRSs in 2006 are set out in note 27.

The financial statements were approved by the Board of Directors on 30 March 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires 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 estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Notes 15 - provisions.

Notes to the financial statements

2. Significant accounting policies

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

With the adoption of FRS 131, Interests in Joint Ventures, the Group has chosen to use the proportionate consolidation method to account for its interest in jointly controlled entities. Previously, interests in jointly controlled entities were accounted for using the equity method (see note 27).

In previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately [see Note 2(f)]

Certain comparative amounts have been reclassified to conform to the current year's presentation (see note 28).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(ii) Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using proportionate consolidation. The consolidated financial statements include the Group's share of assets, liabilities, income and expenses of the jointly controlled entities, after adjustments where necessary to align their accounting policies with those of the Group, from the date joint control commences until the date that joint control ceases.

Investments in jointly controlled entities are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Transactions eliminated on consolidation

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

Notes to the financial statements

2. Significant accounting policies *(continued)*

(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 transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies 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 the income statement.

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions.

The income and expenses of foreign operations, excluding operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and impairment losses.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1984 was carried out primarily for the purpose of issuing bonus shares then in the Company and was not intended to effect a change in the accounting policy to one of revaluation of properties.

In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") on the adoption of International Accounting Standards ("IAS") No.16 (Revised) on "Property, Plant and Equipment", the valuations of these assets have not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

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. The cost of self-constructed assets 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.

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.

Notes to the financial statements

2. Significant accounting policies *(continued)*

(d) Property, plant and equipment *(continued)*

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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:

* buildings	25 - 50 years
* plant, machinery and equipment	2 - 10 years
* furniture, fixtures and office equipment	3 - 10 years
* motor vehicles	5 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Intangible assets

(i) Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised may include the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the financial statements

2. Significant accounting policies *(continued)*

(e) Intangible assets *(continued)*

(iii) Amortisation

Development expenditure is amortised and charged to the income statement on a systematic basis over 3 to 5 years based on the pattern in which the related economic benefits accrue.

(f) Investment property

Investment properties are properties held to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by companies within the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(d).

In previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately. Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings. Freehold land is not depreciated.

The Directors estimate the fair value of investment property based on comparable market value of similar properties that could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling.

Cost of manufactured inventories, work-in-progress and raw materials are determined primarily at standard cost adjusted for variances, approximates actual cost on a first-in-first-out basis and include expenditure incurred in acquiring and bringing them to their existing location and condition.

Manufactured inventories and work-in-progress include direct materials, labour and an appropriate proportion of fixed and variable production overheads based on normal operating capacity.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with banks and other financial institutions and corporations and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts, bills payable and pledged deposits, if any.

Notes to the financial statements

2. Significant accounting policies *(continued)*

(j) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, unless the asset is carried at revalued amounts, in which case the impairment loss is recognized directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless the asset is carried at revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statement in the year in which the reversals are recognized, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where the impairment loss on the same revalued asset was previously recognized in the income statement, a reversal of the impairment loss is also recognized in the income statement.

(k) Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(m) 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 provision is recognised for the amount expected to be paid for bonus where 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 reliably estimated.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the financial statements

2. Significant accounting policies *(continued)*

(m) Employee benefits *(continued)*

(ii) Retirement benefits

The Group and Company's net obligation in respect of defined retirement plans is calculated based on the employees' terms of employment by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation was performed by an actuary using the projected unit credit method.

Any increase in benefits to employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group and Company's obligation to its employees, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the benefit obligation, that portion is recognised in the income statement over the expected average remaining working lives of the employees. Otherwise, the actuarial gain or loss is not recognised.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Benefits for mutually agreed terminations are recognised when the Group has made a formal offer to employees, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated.

(n) 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.

Product warranty/rectification

A provision for warranty and rectification is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

(ii) Services

Revenue from services rendered is recognised in the income statement as and when the services are performed.

Notes to the financial statements

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Rental income

Rental income from investment property is recognised in the income statement 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.

(v) Deferred grant income

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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 each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes, if any that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s) Earnings per share

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

(t) Segment reporting

Segmental information has not been presented as the Group predominantly manufacture and sale of automotive parts and accessories, and operates principally in Malaysia.

Notes to the financial statements

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Under construction RM'000	Total RM'000
Cost/valuation									
At 1 January 2005		8,571	43,395	57,718	231,179	20,828	8,209	8,217	378,117
Effect of proportionate consolidation		-	-	1,269	3,129	341	467	-	5,206
Transfer to investment property	4	-	-	(1,791)	-	-	-	-	(1,791)
At 1 January 2005, restated		8,571	43,395	57,196	234,308	21,169	8,676	8,217	381,532
Additions		13	3,942	9,488	38,285	1,495	2,126	15,279	70,628
Transfer		5,128	-	-	3,563	929	-	(9,620)	-
Acquisition of subsidiaries		-	-	896	846	73	132	-	1,947
Disposals		-	-	-	(888)	(412)	(1,822)	-	(3,122)
Written off		-	-	-	(808)	(209)	(23)	-	(1,040)
Foreign exchange adjustment		-	-	-	(111)	(9)	(40)	-	(160)
At 31 December 2005, restated		13,712	47,337	67,580	275,195	23,036	9,049	13,876	449,785
Additions		135	-	7,555	30,141	2,637	2,443	2,065	44,976
Transfer		-	-	6,637	6,260	29	-	(12,926)	-
Disposals		-	-	-	(2,058)	(840)	(1,194)	-	(4,092)
Written off		-	-	-	(381)	(146)	-	-	(527)
Foreign exchange adjustment		-	-	(262)	(597)	(9)	(6)	-	(874)
At 31 December 2006		13,847	47,337	81,510	308,560	24,707	10,292	3,015	489,268
Representing items at:									
Cost		13,847	30,245	74,860	308,560	24,707	10,292	3,015	465,526
1984 valuation		-	17,092	6,650	-	-	-	-	23,742
		13,847	47,337	81,510	308,560	24,707	10,292	3,015	489,268
Accumulated depreciation									
At 1 January 2005		-	5,995	13,201	175,652	14,650	4,776	-	214,274
Effect of proportionate consolidation		-	-	364	740	204	262	-	1,570
At 1 January 2005, restated		-	5,995	13,565	176,392	14,854	5,038	-	215,844
Charge for the year		-	741	5,113	24,108	2,452	1,382	-	33,796
Disposals		-	-	-	(294)	(354)	(1,534)	-	(2,182)
Written off		-	-	-	(802)	(207)	(17)	-	(1,026)
Transfer		-	-	-	12	(9)	(3)	-	-
Foreign exchange adjustments		-	-	-	(54)	(8)	(20)	-	(82)
At 31 December 2005, restated		-	6,736	18,678	199,362	16,728	4,846	-	246,350
Charge for the year		-	772	3,098	27,673	2,862	1,424	-	35,829
Disposals		-	-	-	(2,027)	(725)	(1,048)	-	(3,800)
Written off		-	-	-	(335)	(134)	-	-	(469)
Foreign exchange adjustment		-	-	(5)	(1)	4	2	-	-
Impairment loss		-	-	-	254	-	-	-	254
At 31 December 2006		-	7,508	21,771	224,672	18,735	5,224	-	277,910
Accumulated depreciation		-	-	-	254	-	-	-	254
Accumulated impairment loss		-	7,508	21,771	224,926	18,735	5,224	-	278,164
Carrying amounts									
At 1 January 2005, restated		8,571	37,400	43,631	57,916	6,315	3,638	8,217	165,688
At 31 December 2005/ 1 January 2006, restated		13,712	40,601	48,902	75,833	6,308	4,203	13,876	203,435
At 31 December 2006		13,847	39,829	59,739	83,634	5,972	5,068	3,015	211,104

Notes to the financial statements

3. Property, plant and equipment (continued)

Revaluation

The long term leasehold land and buildings are stated at Directors' valuation based on professional valuations on the existing use basis conducted in 1984.

The net book value of the revalued properties had they been stated at cost less accumulated depreciation calculated on original cost as required by the Financial Reporting Standards ("FRS") Standard No 116 on "Property, Plant and Equipment" is not shown as the records are not available since the revaluation was done in 1984.

Company	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2005	302	576	878
Additions	36	275	311
Disposals	(3)	-	(3)
At 31 December 2005/ 1 January 2006	335	851	1,186
Additions	601	242	843
At 31 December 2006	936	1,093	2,029
Accumulated depreciation			
At 1 January 2005	157	168	325
Charge for the year	49	141	190
Disposals	(2)	-	(2)
At 31 December 2005/ 1 January 2006	204	309	513
Charge for the year	215	118	333
At 31 December 2006	419	427	846
Carrying amounts			
At 1 January 2005	145	408	553
At 31 December 2005/ 1 January 2006	131	542	673
At 31 December 2006	517	666	1,183

Notes to the financial statements

4. Investment property

Group	Note	Building RM'000
Cost		
At 1 January 2005		-
Transfer from property, plant and equipment	3	1,791
At 1 January 2005/ 31 December 2005, restated		1,791
At 31 December 2006		1,791
Accumulated depreciation		
At 1 January 2005		-
Charge for the year	3	154
At 31 December 2005/1 January 2006, restated		154
Charge for the year		166
At 31 December 2006		320
Carrying amount		
At 1 January 2005, restated		1,791
At 31 December 2005/1 January 2006, restated		1,637
At 31 December 2006		1,471

The Directors estimate the fair value of investment property, based on comparable market value of similar property, at RM2.0 million.

5. Investments in subsidiaries

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	227,665	227,665
Less: Allowance for diminution in value	(3,452)	(3,376)
	<u>224,213</u>	<u>224,289</u>

Details of the subsidiaries are shown in Note 24.

Notes to the financial statements

6. Development expenditure

	Group RM'000
Cost	
At 1 January 2006	1,636
Written off	(1,167)
At 31 December 2006	<u>469</u>
Amortisation	
At 1 January 2006	202
Charge for the year	90
Written off	(34)
At 31 December 2006	<u>258</u>
Carrying Amount	
At 31 December 2005	<u>1,434</u>
At 31 December 2006	<u>211</u>

The amortization charge is recognized in cost of sales in the income statement.

7. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Property, plant and equipment						
- temporary differences	58	35	(8,289)	(5,954)	(8,231)	(5,919)
- revaluation	-	-	(1,860)	(2,396)	(1,860)	(2,396)
Unrealised foreign exchange gain	56	419	(9)	-	47	419
Provisions	14,590	11,743	-	-	14,590	11,743
Unabsorbed capital allowances	543	1,765	-	-	543	1,765
Unutilized tax losses	11	1	-	-	11	1
Tax assets/ (liabilities)	<u>15,258</u>	13,963	<u>(10,158)</u>	(8,350)	<u>5,100</u>	5,613
Set off of tax	<u>(7,222)</u>	(6,153)	<u>7,222</u>	6,153	-	-
Net tax assets/(liabilities)	<u>8,036</u>	7,810	<u>(2,936)</u>	(2,197)	<u>5,100</u>	5,613

Notes to the financial statements

7. Deferred tax assets and liabilities (continued)

Company	Assets		Liabilities		Net	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment						
- temporary differences	-	-	(117)	(47)	(117)	(47)
Provisions	570	573	-	-	570	573
Unabsorbed capital allowances	272	136	-	-	272	136
Unutilized tax losses	-	1	-	-	-	1
Tax assets/ (liabilities)	842	710	(117)	(47)	725	663

In recognizing the deferred tax assets attributable to unutilized tax losses and unabsorbed capital allowance, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilized. If there is substantial change in the shareholders, unabsorbed capital allowance and unutilized tax losses amounting to approximately RM2,011,000 and RM40,000 will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM554,000.

Unrecognised deferred tax assets

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

	Group	
	2006 RM'000	2005 RM'000 Restated
Unutilised tax losses	5,707	4,804
Unabsorbed capital allowances	114	113
Deductible temporary differences	1,914	1,374
	7,735	6,291

The deductible temporary differences do not expire under current tax legislation. 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. Except for unutilised tax losses of RM1,305,000 (VND5,942,828,000) which will expire in year 2010 and unutilised tax losses of RM1,501,459 (VND6,838,869,000) which will expire in year 2011, the unutilised tax losses, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation. Unutilized tax loss carry-forwards and unutilized capital allowance carry-forwards amounting to RM2,901,000 and RM114,000 respectively will not be available to the Group if there is substantial change in shareholders (more than 50%).

Notes to the financial statements

8. Receivables, deposits and prepayments

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Trade				
Trade receivables	167,062	172,177	-	-
Jointly controlled entities	257	1,198	-	-
Related parties	13,978	20,350	-	-
	181,297	193,725	-	-
Less: Allowance for doubtful debts	(4,848)	(5,288)	-	-
	176,449	188,437	-	-
Non-trade				
Other receivables, deposits and prepayments	25,985	17,428	762	499
Subsidiaries	-	-	41,392	36,797
Jointly controlled entities	86	20	19	18
Related parties	2	27	-	-
	26,073	17,475	42,173	37,314
Less: Allowance for doubtful debts	(1,000)	(1,000)	-	-
	25,073	16,475	42,173	37,314
	201,522	204,912	42,173	37,314

Group

Included in other receivables, deposits and prepayments is an amount of RM 4.2 million (2005 - RM3.6 million) incurred on product development which is recoverable from the Group's customer.

Group and Company

Except for RM1,200,000 (2005 - RM1,475,940) included in the non-trade amount due from subsidiaries, the trade and non trade amounts due from subsidiaries, jointly controlled entities and related parties are unsecured, interest free and have no fixed terms of repayments.

The non trade amount due from a subsidiary of RM1,200,000 (2005 - RM1,475,940) is unsecured, has no fixed term of repayment and subject to interest at 3% (2005 - 3%) per annum.

Notes to the financial statements

9. Inventories

	Group	
	2006 RM'000	2005 RM'000 Restated
At costs:		
Raw materials	62,016	67,500
Work-in-progress	14,130	17,101
Manufactured inventories and trading inventories	52,240	62,208
Spare parts and others	4,266	4,023
	132,652	150,832
At net realisable value:		
Raw materials	1,002	9,460
Work-in-progress	-	99
Manufactured inventories and trading inventories	7,549	6,897
Spare parts and others	85	669
	141,288	167,957

In 2006, inventories recognised as cost of sales amounted to RM678,561,000 (2005 - 729,917,000). In 2006, the write-down of inventories to net realisable value amounted to RM 3,204,000 (2005 - 6,275,000). The reversal of write-downs amounted to RM 196,000 (2005 - RM 133,000). The write-down and reversal are included in cost of sales.

10. Cash and cash equivalents

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Deposits are placed with:				
Licensed banks	87,818	52,081	5,139	-
Other financial institutions & corporations	31,121	41,634	6,685	12,985
	118,939	93,715	11,824	12,985
Cash and bank balances	26,531	26,239	606	957
	145,470	119,954	12,430	13,942

11. Capital and reserves

Share capital

	Group and Company	
	2006 RM'000	2005 RM'000
Authorised:		
Ordinary shares of RM1.00 each	300,000	300,000
Issued and fully paid:		
Ordinary shares of RM1.00 each	201,600	201,600

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.

Notes to the financial statements

11. Capital and reserves (continued)

Revaluation reserve

The revaluation reserve relates to the revaluation of long term leasehold land and buildings by the Directors based on professional valuations on the existing use basis conducted in 1984.

Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 18 May 2006, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

For the year ended 31 December 2006, the Company repurchased 1,106,000 (2005: Nil) of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.24 (2005: Nil) per share. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares. Cumulatively, the Company holds 1,356,000 (2005: 250,000) shares as treasury shares as at 31 December 2006.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2006 if paid out as dividends.

12. Loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see note 25.

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Non-current				
Unsecured term loans	4,759	6,951	-	-
Current				
Unsecured bills payables	3,214	23,583	-	-
Unsecured overdrafts	1,772	221	-	-
Unsecured foreign currency trade loan	176	9,102	-	-
Revolving credit	5,000	-	-	-
Unsecured term loans	1,922	2,104	-	-
	12,084	35,010	-	-

The borrowings of the Group are subject to interest at 3.00% to 6.75% (2005 - 2.90 % to 7.00%) per annum.

Term and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
2006					
Term loans-unsecured	2009-2010	6,681	1,922	1,956	2,803
2005					
Term loans-unsecured	2009-2010	9,055	2,104	2,075	4,876

Notes to the financial statements

13. Employee benefits

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Recognised liability for retirement benefits	12,149	11,575	1,039	1,042

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

Movement in the net liability recognised in the balance sheets

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Net liability at 1 January	11,575	10,312	1,042	1,044
Benefits paid	(1,018)	(693)	(3)	(2)
Expense recognised in the income statement	1,593	1,971	-	-
Foreign exchange adjustment	(1)	(15)	-	-
Net liability at 31 December	12,149	11,575	1,039	1,042

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
<i>Expense recognised in the income statement:</i>				
Current service cost	1,049	1,254	-	-
Interest on obligation	544	717	-	-
	1,593	1,971	-	-

The expense is recognised in the following line items in the income statements:

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Cost of sales	1,120	821	-	-
Distribution cost	128	31	-	-
Administration expenses	345	1,119	-	-
	1,593	1,971	-	-

Liability for retirement benefits

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	2006 %	2005 %
Discount rate	7.0	7.0
Future salary increases	6.5	6.5
Price inflation	3.5	3.5

Notes to the financial statements

14. Deferred grant income

	Group	
	2006 RM'000	2005 RM'000
At cost	3,563	3,563
Accumulated amortisation	(3,276)	(3,148)
	287	415

Grant income from the World Bank arise from the installation of machinery for environmental control purposes. This is amortised on a straight line basis over a period of 10 years in line with the depreciation of the related machinery.

15. Provisions

	Group	
	2006 RM'000	2005 RM'000 Restated
Balance at 1 January	7,773	8,563
Provision made during the year	4,525	4,202
Provision paid during the year	(3,035)	(4,967)
Provision reversed during the year	(639)	(25)
Balance at 31 December	8,624	7,773

The Group has an obligation to replace/rectify any product claimed by customers under warranty. The provision for product warranty/rectification is made based on the historical warranty claim trend by each subsidiary, ranging from 0.2% to 0.7% of sales revenue. This estimate has been consistently applied and reviewed every year.

16. Payables and accruals

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Trade				
Trade payables	72,342	82,988	-	-
Related parties	117	38	-	-
	72,459	83,026	-	-
Non-trade				
Other payables and accruals	51,707	54,505	1,225	2,369
Subsidiaries	-	-	1,519	2,708
Jointly controlled entities	64	32	-	-
Related parties	859	1,084	-	5
	125,089	138,647	2,744	5,082

Group and Company

The trade and non-trade amounts due to subsidiaries, jointly controlled entities and related parties are unsecured, interest free and have no fixed terms of repayment.

Notes to the financial statements

17. Revenue

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Sale of goods	899,644	970,616	-	-
Services rendered	-	-	5,186	4,110
Dividend income	-	-	38,740	45,012
Rental income from investment property	173	29	-	-
	899,817	970,645	43,926	49,122

18. Profit before tax

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	753	880	-	-
Allowance for diminution in value of investment	-	-	76	341
Amortisation of development expenditure	90	61	-	-
Audit fee				
-current year	238	251	26	30
-prior year	24	-	-	-
-other services	7	-	-	-
Development expenditure written off	1,133	204	-	-
Depreciation of property, plant and equipment	35,829	33,796	333	190
Depreciation of investment property	166	154	-	-
Directors of the Company:				
-fees	144	144	144	144
-emoluments	2,083	1,811	2,083	1,427
-benefit in kind	102	72	102	52
Net foreign exchange loss				
-realised	847	1,784	-	-
-unrealised	778	522	503	-
Inventories written down	3,204	6,275	-	-
Loss on disposal of property, plant and equipment	-	-	-	1
Operating lease rental	327	310	-	-
Product development cost charged off	83	4,825	-	-
Property, plant and equipment written off	58	14	-	-
Provisions made for warranties	4,525	4,202	-	-
Rental of premises	2,466	2,292	-	-
Royalties	7,563	7,175	-	-
Impairment of property, plant and equipment	254	-	-	-
Interest expense on :				
Bank overdraft	82	53	-	-
Other borrowings	745	1,063	-	-
Loans	450	62	-	-

Notes to the financial statements

18. Profit before tax (continued)

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Profit before tax is arrived at after charging:(continued)				
Personnel expenses :				
Retirement benefit	1,593	1,971	-	-
Contribution to Employees Provident Fund	7,688	7,981	496	453
Wages, salaries and others	100,265	98,149	5,327	5,061
Direct operating expenses of investment property	188	28	-	-
and after crediting:				
Allowance for doubtful debts written back	1,193	602	-	-
Amortisation of grant income	128	302	-	-
Gain on disposal of property, plant and equipment	473	52	-	-
Reversal of inventory write down	196	133	-	-
Reversal of provision for warranty	639	25	-	-
Rental income from investment property	173	29	-	-
Taxable dividends received from - unquoted subsidiaries	-	-	38,740	45,012

19. Tax expense

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Current tax expense				
Malaysia - current	19,081	19,362	10,780	12,305
- prior year	626	(2,742)	(638)	(16)
Overseas - current	822	417	-	-
- prior year	39	27	-	-
Overseas withholding tax - prior year	-	(318)	-	-
	20,568	16,746	10,142	12,289
Deferred tax expense				
- Origination and reversal of temporary differences	209	1,268	(56)	(112)
- Under/(over) provision in prior years	304	(55)	(6)	(23)
	513	1,213	(62)	(135)
	21,081	17,959	10,080	12,154

Notes to the financial statements

19. Tax expense (continued)

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Reconciliation of tax expense				
Profit before tax	80,078	89,921	37,232	42,590
Income tax using Malaysian tax rates	22,422	25,178	10,425	11,925
Effect of different tax rates in foreign jurisdictions	343	351	-	-
Non-deductible expenses	1,184	1,327	299	268
Tax exempt income	(555)	(523)	-	-
Tax incentives	(3,034)	(4,129)	-	-
Effect of utilisation of deferred tax benefit previously not recognised	(68)	(1,029)	-	-
Effect of deferred tax benefit not recognised	116	-	-	-
Other items	(324)	(128)	-	-
	20,084	21,047	10,724	12,193
Under/(over) provision in prior years				
- income tax	693	(2,715)	(638)	(16)
- deferred tax	304	(55)	(6)	(23)
Overseas withholding tax - prior year	-	(318)	-	-
Tax expense	21,081	17,959	10,080	12,154

20. Earnings per share

The calculation of earnings per share is based on the net profit attributable to ordinary shareholders of RM55,513,000 (2005 - RM70,074,000) and the weighted average number of outstanding ordinary shares in issue during the year of 201,092,908 (2005 - 201,350,000).

Basic earnings per share

The calculation of basic earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	Group	
	2006 RM'000	2005 RM'000 Restated
Issued ordinary shares at 1 January	201,600	201,600
Effect of treasury shares held	(507)	(250)
Weighted average number of ordinary shares at 31 December	201,093	201,350
Basic earnings per share	27.6	34.8

Notes to the financial statements

21. Dividends paid

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2006			
Interim 2006 ordinary	5	7,237	6 October 2006
Final 2005 ordinary	8	11,597	4 July 2006
Total amount		<u>18,834</u>	
2005			
Interim 2005 ordinary	5	7,249	7 October 2005
Final 2004 ordinary	7	10,148	6 July 2005
Total amount		<u>17,397</u>	

After the balance sheet date the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share	Group Total amount RM'000
Final ordinary	8	<u>11,694</u>

Other than the above, there is no amount of any cumulative preference dividends not recognised in the current financial year.

22. Capital and other commitments

	2006 RM'000	Group 2005 RM'000
Capital expenditure commitments		
Plant and equipment		
<i>Contracted but not provided for and payable:</i>		
Within one year	<u>739</u>	12,657
Joint venture commitments		
<i>Capital commitments of the Group to the joint venture:</i>		
Within one year	<u>-</u>	756

Notes to the financial statements

23. Related parties

Identity of related parties

Controlling related party relationships are as follows:

- i) The subsidiaries as disclosed in Note 24.
- ii) The substantial shareholders of the Company are Tan Chong Consolidated Sdn. Bhd. ("TCC") and Parasand Limited ("PL"). TCC and PL are also substantial shareholders of Warisan TC Holdings Berhad Group ("WTCH") whereas TCC is also a substantial shareholder of Tan Chong Motor Holdings Berhad Group ("TCMH Group") and Tan Chong International Limited Group ("TCIL Group").

The Directors of the Company, Dato' Tan Heng Chew and Tan Eng Soon, are deemed interested in the shares held by TCC and PL by virtue of Section 6A of the Companies Act, 1965.

Transactions with related parties

- i) Significant transactions with TCMH, TCIL and WTCH Groups are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<i>With TCMH Group</i>				
Sales	85,496	130,416	-	-
Purchases	2,110	1,890	257	21
Rental expenses	890	922	-	-
Management fees	20	20	20	20
Rental income	573	515	-	-
<hr/>				
<i>With TCIL Group</i>				
Sales	2,187	2,952	-	-
<hr/>				
<i>With WTCH Group</i>				
Sales	207	171	-	-
Purchases	2,898	2,049	93	-
<hr/>				

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

- ii) Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2006	2005
	RM'000	RM'000
Subsidiaries		
Management fees receivable	5,186	4,110
Dividends received	38,740	45,012
Interest expense	-	18
Interest income	47	75
Rental income	522	-
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These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Notes to the financial statements

24. Subsidiaries

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

Name of Subsidiary	Principal activities	Effective ownership interest	
		2006 %	2005 %
APM Air-Conditioners Sdn. Bhd.	Manufacture and sale of automotive air-conditioners	100	100
APM Auto Electrics Sdn. Bhd.	Manufacture and sale of automotive electrical components	100	100
APM Coil Springs Sdn. Bhd.	Manufacture and sale of automotive coil springs	100	100
APM Motorsport Sdn. Bhd.	Marketing and sale of automotive parts and accessories	100	100
APM Plastics Sdn. Bhd.	Manufacture and sale of plastic injection and extrusion moulded parts and components	100	100
APM Shock Absorbers Sdn. Bhd.	Manufacture and sale of shock absorbers and related component parts	100	100
APM Springs Sdn. Bhd.	Manufacture and sale of automotive leaf springs	100	100
APM Springs (Vietnam) Co., Ltd.*** (owned via 100% subsidiary, APM Automotive International Ltd, Labuan)	Manufacture and sale of automotive suspension parts	100	100
Auto Parts Marketing Sdn. Bhd.	Marketing and sale of automotive parts and accessories	100	100
Auto Parts Manufacturers Co. Sdn. Bhd.	Manufacture and sale of automotive seats and radiators	100	100
Radiators Australia (2000) Pty. Ltd. ** (owned via 100% subsidiary, Auto Parts Holdings Sdn. Bhd.)	Distribution and assembly of automotive radiators and other automotive components.	100	100
Anhui Winking Auto Parts Co. Ltd.** (owned via 100% owned subsidiary Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive seats, interior parts and seating components.	60	60
Fuji Seats (Malaysia) Sdn. Bhd.	Manufacture and sale of automotive seats and components	60	60
APM Auto Mechanisms Sdn. Bhd.	Property investment	100	100

Notes to the financial statements

24. Subsidiaries (continued)

Name of Subsidiary	Principal activities	Effective ownership interest	
		2006 %	2005 %
APM Seatings Sdn. Bhd.	Property investment	100	100
KAB Otomotif Sdn. Bhd.	Property investment	100	100
Perusahaan Tilam Kereta Sdn. Bhd.	Property investment	100	100
Auto Parts Holdings Sdn. Bhd.	Investment holding	100	100
APM Automotive International Ltd., Labuan*	Investment holding	100	100
APM Holdings Inc.* (owned via 100% subsidiary, Auto Parts Holdings Sdn. Bhd.)	Investment holding	100	100
APM Components America Inc.* (owned via 100% subsidiary, APM Holdings Inc.)	Dormant	100	100
APM Chalmers Suspensions Sdn. Bhd.	Dormant	100	100
APM Interiors Sdn. Bhd.	Dormant	100	100
APM Metal Industries Sdn. Bhd.	Dormant	100	100
APM Radiators 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
TC-Kinugawa Rubber Sdn. Bhd.	Dormant	100	100

APM Components America Inc. and APM Holdings Inc. are subsidiaries incorporated in Canada. Radiators Australia (2000) Pty. Ltd., APM Components (USA) Inc., APM Spring (Vietnam) Co., Ltd. and Anhui Winking Auto Parts Co. Ltd. are incorporated in Australia, United States of America, Vietnam and the People's Republic of China respectively. The other subsidiaries are incorporated in Malaysia.

* Subsidiaries not required to be audited and consolidated using management financial statements

** Audited by another firm of Public Accountants

*** Audited by other member firms of KPMG International.

Notes to the financial statements

25. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Certain customers requiring credit over a predetermined amount are subject to credit evaluation and approval.

The Group enters into forward foreign exchange contracts to hedge certain of its purchases in foreign currencies. These contracts are entered into with licensed banks and management does not expect any parties to fail to meet their obligations under these contracts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the interest bearing bank loans, borrowings and deposits placed with licensed banks and other financial institutions and corporations. The management considers interest rate risks on borrowings to be low as the level of borrowings are relatively insignificant.

The excess funds placed with licensed banks and other financial institutions and corporation are for certain periods during which the interest rates are fixed. The management reviews the rates at regular intervals.

Effective interest rates and repricing analysis

	Effective interest rate %	2006			Effective interest rate %	2005		
		Total RM'000	Within 1 year RM'000	1-5 years RM'000		Total RM'000 Restated	Within 1 year RM'000 Restated	1-5 years RM'000 Restated
Group								
Financial assets								
Short term deposits	3.02	118,939	118,939	-	2.56	93,715	93,715	-
Financial liabilities								
Unsecured bills payable	2.50	3,214	3,214	-	2.26	23,583	23,583	-
Unsecured overdrafts	6.75	1,772	1,772	-	6.52	221	221	-
Unsecured foreign currency trade loan	5.52	176	176	-	4.70	9,102	9,102	-
Unsecured term loans	5.26	6,681	1,922	4,759	5.26	9,055	2,104	6,951
Unsecured revolving credit	4.95	5,000	5,000	-	-	-	-	-
Company								
Financial assets								
Short term deposits	3.26	11,824	11,824	-	2.88	12,985	12,985	-
Amount due from subsidiary	3.00	1,200	1,200	-	3.00	1,476	1,476	-

Notes to the financial statements

25. Financial instruments (continued)

Foreign currency risk

The Group and Company incur foreign currency risk on sales, purchases and investment that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollars, Australian Dollars, Japanese Yen, Chinese Renmenbi, Indonesian Rupiah, Euro, Thai Baht and Vietnamese Dong.

Management practices selective hedging mainly on purchases that are denominated in currency other than Ringgit Malaysia as the management considers necessary and appropriate.

Liquidity risk

The Group and the company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Fair value

Recognised financial instruments

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of other financial liabilities carried on the balance sheet date are shown below :

	Group 2006		Group 2005	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Unsecured term loans	6,681	6,283	9,055	8,333

Estimation of fair value

Fair value of the above unsecured term loans are determined using the estimated cash flows discounted using market related rates for similar instruments at the balance sheet date.

The interest rate used to discount estimated cash flows are as follows:

	2006	2005
Loans and borrowings	5.26%	5.26%

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are:

	Group	
	2006 Carrying amount RM'000	2006 Fair value RM'000
Forward foreign exchange purchase contracts	7,307	7,164
Forward foreign exchange sales contracts	940	909

The fair value of the above forward exchange contracts is based on foreign currency contracts translated at year end rates. These foreign exchange contracts would all expire within a year from balance sheet date.

Notes to the financial statements

26. Jointly controlled entities

Details of jointly controlled entities are as follows:

Name of Subsidiary	Principal activities	Effective ownership interest	
		2006 %	2005 %
APM-Coachair Sdn. Bhd.*	Distribution of coach air-conditioners.	50	50
Auto Culture Supplies Sdn. Bhd.*	Manufacture and sale of seat covers and related products.	50	50
PT APM Armada Autoparts*	Manufacture and sale of automotive, bus and train seating products in Indonesia	50	50
Diversified Furniture Systems Sdn. Bhd.*	Dormant	50	50

* Owned via Auto Parts Holdings Sdn. Bhd, a wholly owned subsidiary

PT APM Armada Autoparts is incorporated in the Republic of Indonesia. The other jointly controlled entities are incorporated in Malaysia.

27. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS 131, Interests in Joint Ventures and FRS 140, Investment Property are summarised below.

FRS 131, Interests in Joint Ventures

With the adoption of FRS 131, Interests in Joint Ventures, effective 1 January 2006, the Group chose to use the proportionate consolidation method to account for its interest in jointly controlled entities. This reflects a change in accounting policy as the Group previously accounted for its interest in jointly controlled entities using the equity method.

Under proportionate consolidation the consolidated financial statements include the Group's share of assets, liabilities, income and expenses of the jointly controlled entities, after adjustments where necessary to align their accounting policies with those of the Group, from the date joint control commences until the date that joint control ceases.

Notes to the financial statements

27. Changes in accounting policies (continued)

The change in accounting policy had the following impact on the consolidated financial statements :

	2006 RM'000	Group 2005 RM'000 Restated
Income statement for the year ended 31 December		
Increase in revenue	14,946	27,643
Increase in cost of sales	13,380	22,983
Increase in gross profit	1,566	4,660
Increase in administrative expenses	1,454	2,468
Increase in distribution expenses	101	396
Increase in other expenses	-	123
Increase in other income	429	632
Increase in operating profit	440	2,305
Increase in finance costs	73	55
Increase in interest income	251	162
Increase in tax expenses	150	-
Decrease in share of profit of jointly controlled entities	468	2,412
	<hr/>	<hr/>
Balance sheet as at 31 December		
Increase in non-current assets	1,079	4,712
Increase in current assets	16,094	11,185
Increase in current liabilities	11,118	6,306
Increase in non-current liabilities	137	127
	<hr/>	<hr/>

FRS 140, Investment Property

The Group adopted the cost model to measure its investment properties. Under the cost model, investment property is measured at depreciated cost less any accumulated impairment loss.

Investment property previously classified under property, plant and equipment is now disclosed as a separate line item on the face of the consolidated balance sheet within non-current assets. In line with the revised requirements of FRS 101, the comparative is restated to conform with the current period's presentation. The effect on the Group arising from this change in accounting policy is as follow:

	As at 1 January 2005 RM'000
Increase in investment property	1,791
Decrease in property, plant and equipment	(1,791)
	<hr/>

Notes to the financial statements

28. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in note 27 and to conform with the presentation requirements of FRS 101, Presentation of Financial Statements.

	Group	
	As restated RM'000	As previously stated RM'000
Balance sheet		
Non-current assets		
Property, plant and equipment	203,435	204,096
Investments in jointly controlled entities	-	5,771
Investment property	1,637	-
Deferred tax assets	7,810	7,767
Current assets		
Inventories	167,957	164,534
Receivables, deposits and prepayments	204,912	200,722
Tax recoverable	9,144	8,927
Cash and cash equivalents	119,954	116,599
Current liabilities		
Payable and accruals	138,648	133,781
Loans and borrowings	35,010	33,753
Taxation	2,256	2,107
Provisions	7,773	7,739
Non-current liabilities		
Employee benefits	11,575	11,448
Income statements		
Revenue	970,645	943,002
Cost of sales	796,488	773,505
Gross profit	174,157	169,497
Administrative expenses	40,339	37,871
Distribution expenses	40,384	39,988
Other expenses	8,760	8,637
Other income	4,632	4,000
Operating profit	89,306	87,001
Finance costs	1,178	1,123
Interest Income	1,793	1,631
Share of profit of jointly controlled entities	-	2,412

Group properties

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	40,545	Leasehold/ 21.06.2092	9,656	9	1984	1984
Lot 3 Jalan 6/3 Seri Kembangan Industrial Estate 43300 Serdang, Selangor	Factory, office & warehouse	42,046	Leasehold/ 21.06.2092	9,799	12	1984	1984
Lot 600 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	40,354	Leasehold/ 19.10.2076	25,684	20	-	1999
Lot 601 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	20,234	Leasehold/ 19.10.2076	5,353	28	1984	1974
Lot 1621 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Vacant industrial land	16,186	Leasehold/ 19.10.2076	3,867	-	-	2005
Lot 162 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	22,573	Leasehold/ 06.04.2079	12,104	10	-	1996
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	259	10	-	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	319	10	-	2001
No. 2 (Lot 40) Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Vacant industrial land	8,094	Freehold	1,054	-	-	2002
No. 4 (Lot 41) Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	7,533	2	-	2002

Group properties

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
No. 6 (Lot 42) Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	4,703	4	-	2002
No. 8 (Lot 43) Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	5,534	4	-	2002
No. 7 (Lot 34) Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	5,679	2	-	2002
No. 9 (Lot 35) Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Vacant industrial land	8,094	Freehold	1,076	-	-	2002
No. 8 (Lot 26) Jalan Jasmine 4 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	4,704	-	-	2003
No. 10 (Lot 27) Jalan Jasmine 4 Bandar Bukit Beruntung 48300 Rawang, Selangor	Vacant industrial land	8,094	Freehold	1,076	-	-	2003
Lots 20A, 20B Proton City Vendors Park Tanjung Malim, Perak	Vacant industrial land	26,932	Freehold	3,555	-	-	2004
Lot 20C Proton City Vendors Park Tanjung Malim, Perak	Factory, office & warehouse	12,950	Freehold	8,381	2	-	2004
No. 23 & 25 Jalan Selat Selatan 21 Sobena Jaya, Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	2,358	Freehold	1,471	7	-	2000
25 Dai Lo Tu Do (Lot 342) Vietnam Singapore Industrial Park Thuan An District, Binh Duong Province Socialist Republic of Vietnam	Factory, office & warehouse	10,000	Leasehold 08.08.2054	3,051	2	-	2004

Shareholders' statistics

As at 30 March 2007

SHARE CAPITAL

Authorised	:	RM300,000,000
Issued & fully paid up	:	RM201,600,000
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	1 vote per ordinary share

THIRTY LARGEST SHAREHOLDERS

According to Register of Depositors

	No. of shares held	%
1 Parasand Limited	40,320,000	20.1455
2 Tan Chong Consolidated Sdn Bhd	34,539,999	17.2576
3 Employees Provident Fund Board	13,445,400	6.7179
4 Lembaga Tabung Haji	12,538,150	6.2646
5 Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	10,423,800	5.2082
6 Mayban Nominees (Tempatan) Sdn Bhd Tan Chong Consolidated Sdn Bhd (N14011984860)	6,750,000	3.3726
7 Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	6,000,000	2.9978
8 ECM Libra Avenue Nominees (Asing) Sdn Bhd DBS Vickers (Hong Kong) Limited For Platinum Global Dividend Fund Limited	4,035,800	2.0164
9 Pertubuhan Keselamatan Sosial	3,727,000	1.8622
10 CIMSEC Nominees (Tempatan) Sdn Bhd Allied Investment Limited for Tan Chong Consolidated Sdn Bhd	3,000,000	1.4989
11 Permodalan Nasional Berhad	2,365,200	1.1817
12 Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	2,150,000	1.0742
13 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Khor Swee Wah @ Koh Bee Leng (MM1208)	1,961,508	0.9800
14 Valuecap Sdn Bhd	1,916,700	0.9577
15 Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,786,800	0.8928

Shareholders' statistics

As at 30 March 2007

THIRTY LARGEST SHAREHOLDERS (cont'd)

	No. of shares held	%
16 Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Heng Chew (E-KLC)	1,721,300	0.8600
17 Wealthmark Holdings Sdn Bhd	1,702,400	0.8506
18 Quek Leng Chan	1,696,000	0.8474
19 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Heng Chew (MM1063)	1,579,600	0.7892
20 Wealthmark Holdings Sdn Bhd	1,572,000	0.7854
21 Azman bin Badrillah	1,500,000	0.7495
22 Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Prudential Assurance Malaysia Berhad	1,483,700	0.7413
23 Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	1,483,000	0.7410
24 Tan Boon Hooi	1,433,113	0.7160
25 Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	1,390,400	0.6947
26 Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)	1,350,000	0.6745
27 Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Amanah SSCM Nominees (Tempatan) Sdn Bhd (Account 1)	1,336,700	0.6679
28 Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional	1,146,000	0.5726
29 Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	1,024,700	0.5120
30 HSBC Nominees (Asing) Sdn Bhd HSBC-FS for The Navis Asia Navigator Master Fund	930,200	0.4648
	166,309,470	83.0949

Shareholders' statistics

As at 30 March 2007

ANALYSIS BY SIZE OF HOLDINGS

According to the Record of Depositors

Size of Holdings	No of Holders	%	No of Shares Held	%
Less than 100	306	3.4604	14,920	0.0074
100-1,000	5,767	65.2154	2,378,228	1.1797
1,001-10,000	2,417	27.3324	7,627,550	3.7835
10,001-100,000	272	3.0759	7,563,194	3.7516
100,001-10,079,999	76	0.8594	71,292,759	35.3635
10,080,000 and above	5	0.0565	111,267,349	55.1921
	8,843	100.0000	200,144,000	99.2778
Treasury Shares			1,456,000	0.7222
Total			201,600,000	100.0000

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders

	No. of Shares Held	%
1. Parasand Limited	40,320,000*	20.1455
2. Tan Chong Consolidated Sdn Bhd	45,639,999*	22.8036
3. Employees Provident Fund Board	16,129,400	8.0589
4. Lembaga Tabung Haji	12,538,150	6.2646
5. Skim Amanah Saham Bumiputera	10,423,800	5.2082

* Dato' Tan Heng Chew, Tan Eng Soon, Dato' Tan Kim Hor, Dr. Tan Ban Leong, Tan Beng Keong, Dato' Tan Boon Pun, Dato' Tan Hoe Pin, Dr. Tan Kang Leong, Tan Kheng Leong and Tan Chee Keong are deemed interested in the shares held by Tan Chong Consolidated Sdn Bhd and Parasand Limited by virtue of Section 6A of the Companies Act, 1965 and consequently, are substantial shareholders of APM Automotive Holdings Berhad.

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings

	Direct	%	Deemed	%
Dato' Tan Heng Chew	3,739,899	1.87	89,684,899	44.81 ⁽¹⁾
Azman bin Badrillah	1,537,000	0.77	-	-
Tan Eng Soon	210,000	0.10	89,684,899	44.81 ⁽¹⁾
Tan Eng Hwa	634,508	0.32	3,726,550	1.86 ⁽²⁾
Dato' Haji Kamaruddin @ Abas bin Nordin	448	- ⁽³⁾	-	-

None of the other directors, namely Dr. Fun Woh Peng, Sow Soon Hock, Oei Kok Eong, Dato' N Sadasivan and Mohd Sharif bin Haji Yusof have shares, whether direct or deemed, in the Company.

Notes :

⁽¹⁾ Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd, Parasand Limited and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

⁽²⁾ Deemed interest by virtue of interests in Solomon House Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

⁽³⁾ Less than 0.01%

Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of APM Automotive Holdings Berhad (“Company”) will be held at 3rd Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Malaysia on Thursday, 17 May 2007 at 11:00 a.m. to transact the following businesses:

Ordinary Business:

1. To receive and consider the Financial Statements for the financial year-ended 31 December 2006 together with the Reports of the Directors and Auditors thereto. *Resolution 1*
2. To declare a final dividend of 8% less income tax for the financial year-ended 31 December 2006. *Resolution 2*
3. To re-elect the following Directors, who are eligible and have offered themselves for re-election, in accordance with Article 100 of the Company’s Articles of Association.
 - i Azman bin Badrillah *Resolution 3*
 - ii Dato’ N. Sadasivan *Resolution 4*
 - iii Dato’ Tan Heng Chew *Resolution 5*
4. To re-elect the following Directors, who are eligible and have offered themselves for re-election, in accordance with Article 79 of the Company’s Articles of Association.
 - i Sow Soon Hock *Resolution 6*
 - ii Oei Kok Eong *Resolution 7*
5. To re-appoint the Auditors and authorise the Directors to fix their remuneration. *Resolution 8*

Special Business:

6. To consider and if thought fit, pass the following resolution as an ordinary resolution:

PROPOSED GRANT OF AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

“THAT, subject always to the Companies Act, 1965 (“Act”), the Articles of Association of the Company and approvals and requirements of the relevant governmental/regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM1.00 each 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 issued pursuant to this resolution does not exceed 10 per centum of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.” *Resolution 9*

7. To consider and if thought fit, pass the following resolution as an ordinary resolution:

PROPOSED GRANT OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES

“THAT, subject to the Companies Act, 1965 (“Act”), the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) 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 of RM1.00 each in the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed 10 per centum of the issued and paid-up share capital of the Company.

THAT an amount not exceeding the Company’s share premium and retained profits be allocated by the Company for the Proposed Share Buy-Back.

notice of annual general meeting

THAT authority be and is hereby given to the Directors of the Company to do all acts and things to give effect to the Proposed Share Buy-Back and to decide at their discretion to retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and/or to resell them and/or to deal with the shares so purchased in such other manner 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 Malaysia and any other relevant authorities for the time being in force.

THAT the authority conferred by this resolution will be effective immediately upon the passing of this ordinary resolution and will expire at:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the authority shall 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) the expiration of the period within which the 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 Malaysia and/or any other relevant governmental and/or regulatory authorities (if any).

THAT the Directors of the Company be and are hereby 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 authority.”

Resolution 10

8. To consider and if thought fit, pass the following resolution as an ordinary resolution:

PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG MOTOR HOLDINGS BERHAD GROUP

“THAT, subject to the Companies Act, 1965 (“Act”), the Memorandum and Articles of Association of the Company and the 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 Group involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group including those set out under section 3.2.1 of the circular to shareholders dated 25 April 2007 (“Related Parties”) 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 (the “Shareholders’ Mandate”).

THAT such approval shall continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at a general meeting, the authority of the Shareholders’ Mandate is renewed or the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) or revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is earlier.

THAT the Directors of the Company be and are hereby 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 11

notice of annual general meeting

9. To consider and if thought fit, pass the following resolution as an ordinary resolution:

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG INTERNATIONAL LIMITED GROUP

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the 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 Group involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group including those set out under section 3.2.2 of the circular to shareholders dated 25 April 2007 ("Related Parties") 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 (the "Shareholders' Mandate").

THAT such approval shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at a general meeting, the authority of the Shareholders' Mandate is renewed or the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) or revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is earlier.

THAT the Directors of the Company be and are hereby 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 12

10. To consider and if thought fit, pass the following resolution as an ordinary resolution:

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH WARISAN TC HOLDINGS BERHAD GROUP

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the 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 Group involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group including those set out under section 3.2.3 of the circular to shareholders dated 25 April 2007 ("Related Parties") 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 (the "Shareholders' Mandate").

THAT such approval shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at a general meeting, the authority of the Shareholders' Mandate is renewed or the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) or revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is earlier.

THAT the Directors of the Company be and are hereby 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 13

notice of annual general meeting

11. To transact any other business of the Company of which due notice shall have been received.

By order of the Board

LEE KWEE CHENG

CHAN YOKE-LIN

Company Secretaries

Kuala Lumpur

25 April 2007

Notes:

1. A member entitled to vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote for him. A proxy need not be a member of the Company, and, where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. In the case of a corporation, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.
3. An authorised nominee may appoint one proxy in respect of each securities account the authorised nominee holds in the Company standing to the credit of such securities account. Each appointment of proxy shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
4. The form of proxy must be deposited at the Registered Office of the Company, 62 - 68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.
5. Explanatory Statement on Special Businesses in relation to:

Resolution 9

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 present 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 issued share capital of the Company.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company of up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purpose. This authority, 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.

Resolution 10

The proposed resolution, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and share premium account of the Company. This authority, 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.

Resolutions 11, 12 and 13

Proposed resolutions 11, 12 and 13, 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 10, 11, 12 and 13 are set out in the circular to shareholders dated 25 April 2007, despatched together with the Company's 2006 Annual Report.

Statement accompanying notice of tenth annual general meeting

The profiles of the Directors standing for re-election pursuant to Article 100 and Article 79 are set out on pages 14 and 15 in the Annual Report.

The Directors' interest in the shares of the Company as at 30 March 2007 are as follows:

	Direct interest	Indirect interest
Azman bin Badrillah	1,537,000	-
Dato' Tan Heng Chew	3,739,899	89,684,899

The other Directors who are standing for re-election do not have interest in the shares of the Company.

None of the Directors standing for re-election has interest in the shares of the subsidiaries of the Company except for Dato' Tan Heng Chew, who by virtue of his shareholdings in the Company, is deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

Notice of dividend entitlement

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Tenth Annual General Meeting of APM Automotive Holdings Berhad, a final dividend of 8% less income tax for the financial year-ended 31 December 2006 will be paid on 14 June 2007 to shareholders whose names appear in the Register of Members on 23 May 2007.

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 23 May 2007 in respect of ordinary transfers;
- (2) shares deposited into the depositor's securities account before 12:30 p.m. on 21 May 2007 in respect of shares exempted from mandatory deposit; and
- (3) 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

LEE KWEE CHENG
CHAN YOKE-LIN
Company Secretaries

Kuala Lumpur
 25 April 2007

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FORM OF PROXY

APM AUTOMOTIVE HOLDINGS BERHAD

(424838-D)

(Incorporated in Malaysia)

CDS Account No.	
Number of shares held	

I/We ^(Note 1)

(Name of shareholder as in NRIC in capital letters, NRIC no.(new and old)/company number)

of

(full address)

being a member of APM AUTOMOTIVE HOLDINGS BERHAD, hereby appoint as proxy ^(Note 2)

(Name of Proxy/Corporate Representative ^(Note 3) as in NRIC in capital letters, NRIC no.(new and old))

or failing him/her

(Name of Proxy/Corporate Representative ^(Note 3) as in NRIC in capital letters, NRIC no.(new and old))

or failing them, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at 3rd Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Malaysia on Thursday, 17 May 2007 at 11:00 a.m., and at any adjournment thereof, as indicated below:

		For	Against
Resolution 1	Financial Statements and Reports of the Directors and Auditors		
Resolution 2	Final dividend		
Resolution 3	Re-election of Azman bin Badrillah		
Resolution 4	Re-election of Dato' N. Sadasivan		
Resolution 5	Re-election of Dato' Tan Heng Chew		
Resolution 6	Re-election of Sow Soon Hock		
Resolution 7	Re-election of Oei Kok Eong		
Resolution 8	Re-appointment of Auditors		
Resolution 9	Proposed grant of authority pursuant to Section 132D of the Companies Act, 1965		
Resolution 10	Proposed grant of authority for the Company to purchase its own ordinary shares		
Resolution 11	Proposed renewal of shareholders' mandate for recurrent related party transactions with Tan Chong Motor Holdings Berhad Group		
Resolution 12	Proposed renewal of shareholders' mandate for recurrent related party transactions with Tan Chong International Limited Group		
Resolution 13	Proposed renewal of shareholders' mandate for recurrent related party transactions with Warisan TC Holdings Berhad Group		

(If you wish to instruct your proxy how to vote, insert a "✓" or a "x" in the appropriate box. Subject to any voting instructions so given, the proxy will vote, or may abstain from voting, on any resolution as he may think fit.)

Signature/Common Seal

Date : _____

For appointment of 2 proxies, percentage of shareholdings to be represented by each proxy is as follows:		
	No. of shares	%
Proxy 1		
Proxy 2		
Total		100%

Notes:

^{Note 1} An authorised nominee may appoint one proxy in respect of each securities account the authorised nominee holds in the Company standing to the credit of such securities account. Each appointment of proxy shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.

^{Note 2} A member entitled to vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote for him. A proxy need not be a member of the Company, and, where there are two proxies, the number of shares to be represented by each proxy must be stated.

^{Note 3} In the case of a corporation, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.

The Form of Proxy must be deposited at the Registered Office of the Company, 62 - 68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.

Affix stamp here

Company Secretaries
APM AUTOMOTIVE HOLDINGS BERHAD
62-68 Jalan Ipoh
51200 Kuala Lumpur

APM AUTOMOTIVE HOLDINGS BERHAD
(424838-D)

Lot 1, Jalan 6/3
Kawasan Perusahaan Sri Kembangan
43300 Sri Kembangan
Selangor Darul Ehsan
Malaysia

Tel : (603) 8946 3333
Fax : (603) 8948 4400
Email : apmah@apm-automotive.com