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**APM AUTOMOTIVE HOLDINGS BERHAD**

(Company No. 424838-D)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**SECTION A**

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

**SECTION B**

**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF  
A REVENUE OR TRADING NATURE**

**SECTION C**

**PROPOSED ACQUISITION OF THE ASSETS OF TC ALUMINIUM CASTINGS SDN BHD (AN  
INDIRECT WHOLLY-OWNED SUBSIDIARY OF TAN CHONG MOTOR HOLDINGS BERHAD) BY  
APM THERMAL SYSTEMS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF APM AUTOMOTIVE  
HOLDINGS BERHAD) FOR A TOTAL CASH CONSIDERATION OF RM5,701,318**

The ordinary resolutions in respect of the above proposals will be tabled at the Nineteenth Annual General Meeting of the Company. Notice of the said Meeting, together with the form of proxy, are set out in the 2015 Annual Report despatched with this Circular.

The form of proxy should be completed and returned in accordance with the instructions therein.

Last date and time for lodging the form of proxy : Monday, 23 May 2016 at 11.00 a.m.

Date and time of the Annual General Meeting : Wednesday, 25 May 2016 at 11.00 a.m.

Venue of Annual General Meeting : Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur  
Jalan Putra, 50350 Kuala Lumpur, Malaysia

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## DEFINITIONS

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Unless where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 1965
AGM	:	Annual General Meeting
APM or Company	:	APM Automotive Holdings Berhad
APM Group	:	APM and its subsidiaries
APM Shares	:	Ordinary shares of RM1.00 each in the Company
APMTS	:	APM Thermal Systems Sdn Bhd
Assets	:	The Core Assets, Other Fixed Assets and Stock together with certain records relating to the goods and services supplied by TCAC
Articles	:	Articles of Association of the Company
Audit Committee	:	Audit Committee of APM, comprising Dato' N Sadasivan s/o N.N. Pillay, Dato' Haji Kamaruddin @ Abas Bin Nordin and Dato' Heng Ji Keng, all of whom are Independent Non-Executive Directors
Bursa Malaysia	:	Bursa Malaysia Securities Berhad
Board	:	Board of Directors of APM
CMSA	:	Capital Markets and Services Act 2007
Code	:	Malaysian Code on Take-Overs and Mergers, 2010
Core Assets	:	The plant and machinery of TCAC used for the casting, machining and assembly of aluminium parts and components
Director	:	As defined in Section 2(1) of CMSA.  In relation to the Proposed Shareholders' Mandate, a director includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, (i) a director of APM, its subsidiary or holding company; (ii) a chief executive of APM, its subsidiary or holding company.
EPS	:	Earnings per share
Listing Requirements	:	Main Market Listing Requirements of Bursa Malaysia
Major Shareholder	:	A person who has an interest or interests in one or more voting shares in a corporation (as defined in Section 2(1) of CMSA) and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is : (i) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (ii) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation.

For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act.

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**DEFINITIONS** *(Cont'd)*

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		In relation to the Proposed Shareholders' Mandate, a Major Shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of APM or any other company which is its subsidiary or holding company.
NA	:	Net assets defined as net assets attributable to ordinary equity holders of the listed issuer
Other Fixed Assets	:	Other fixed assets of TCAC besides the Core Assets comprising moulds, tools, furniture and fittings, factory equipment and office equipment
Proposals	:	The Proposed Share Buy-Back, Proposed Shareholders' Mandate and Proposed Acquisition collectively
Proposed Acquisition	:	Proposed acquisition of the Assets of TCAC by APMTS at the Proposed Acquisition Price
Proposed Acquisition Price	:	A total cash consideration of RM5,701,318 which may be subject to price adjustment after stock taking and verification and determination of the net book value of the Other Fixed Assets and Stock based on agreed valuation principles
Proposed Share Buy-Back	:	Proposed renewal of authority for the Company to purchase its own ordinary shares of up to ten per centum (10%) of the issued and paid-up share capital of the Company
Proposed Shareholders' Mandate	:	Proposed renewal of Shareholders' Mandate for recurrent related party transaction of a revenue or trading nature with TCMH Group, WTCH Group and TCIL Group
Related Party (ies)	:	Director, Major Shareholder or person connected with such Director or Major Shareholder
RM and sen	:	Ringgit Malaysia and sen respectively
RRPT	:	Recurrent Related Party Transactions means a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for the day-to-day operations of APM or its subsidiaries. A related party transaction is a transaction entered into by APM or its subsidiaries which involves the interest, direct or indirect, of a Related Party
Shareholders' Mandate	:	Shareholders' general mandate pursuant to Paragraph 10.09 (2) of the Listing Requirements in respect of RRPT
SH	:	Solomon House Sdn Bhd
Stock	:	Raw materials which TCAC uses to cast, machine and assemble aluminium parts and components, work in progress and finished goods
TCAC	:	TC Aluminium Castings Sdn Bhd
TCC	:	Tan Chong Consolidated Sdn Bhd

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**DEFINITIONS** *(Cont'd)*

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TCIL	:	Tan Chong International Limited
TCIL Group	:	TCIL and its subsidiaries
TCMan	:	TC Manufacturing Holdings Sdn Bhd
TCMH	:	Tan Chong Motor Holdings Berhad
TCMH Group	:	TCMH and its subsidiaries
Valuation Report	:	The valuation report dated 26 November 2015 on the Core Assets by Henry Butcher Malaysia Sdn Bhd
WH	:	Wealthmark Holdings Sdn Bhd
WTCH	:	Warisan TC Holdings Berhad
WTCH Group	:	WTCH and its subsidiaries

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**APM AUTOMOTIVE HOLDINGS BERHAD**

(Company No. 424838-D)

(Incorporated in Malaysia)

**Registered Office:**

62-68 Jalan Sultan Azlan Shah  
51200 Kuala Lumpur  
Malaysia

29 April 2016

**Board of Directors:**

Dato' Tan Heng Chew (*President*)

Low Seng Chee (*Chief Executive Officer*)

Dato' Tan Eng Hwa (*Chief Operating Officer*)

Sow Soon Hock (*Executive Vice President*)

Siow Tiang Sae (*Chief Business Development Officer*)

Dato' N. Sadasivan s/o N.N. Pillay (*Senior Independent Non-Executive Director*)

Dato' Haji Kamaruddin @ Abas Bin Nordin (*Independent Non-Executive Director*)

Dato' Heng Ji Keng (*Independent Non-Executive Director*)

Nicholas Tan Chye Seng (*Non-Independent Non-Executive Director*)

Dear Shareholders:

**APM AUTOMOTIVE HOLDINGS BERHAD**

**SECTION A – PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES (“PROPOSED SHARE BUY-BACK”)**

**SECTION B – PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)**

**SECTION C - PROPOSED ACQUISITION OF THE ASSETS OF TC ALUMINIUM CASTINGS SDN BHD (AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF TAN CHONG MOTOR HOLDINGS BERHAD) BY APM THERMAL SYSTEMS SDN BHD (A WHOLLY-OWNED SUBSIDIARY OF APM AUTOMOTIVE HOLDINGS BERHAD) FOR A TOTAL CASH CONSIDERATION OF RM5,701,318 (“PROPOSED ACQUISITION”)**

**1. INTRODUCTION**

The purpose of this Circular is to provide the information on the Proposed Share Buy-Back and the Proposed Shareholders’ Mandate announced on 26 February 2016 and the Proposed Acquisition announced on 27 April 2016, all of which will be tabled at the forthcoming AGM of the Company. The Notice of AGM and the form of proxy are included in the 2015 Annual Report of the Company.

**2. SECTION A - PROPOSED SHARE BUY-BACK**

**2.1 Details**

The Board proposes to seek from its shareholders the authority to purchase and/or hold up to ten per centum (10%) of its issued and paid-up share capital through its appointed stockbrokers as the authority for the Company to purchase and/or hold up to 20,160,000 APM shares, representing up to ten per centum (10%) of the issued and paid-up share capital of APM, subject to the prevailing laws and relevant regulations, rules and guidelines as may be issued by the relevant authorities and the availability of retained profits and/or share premium in the Company conferred by the shareholders of the Company at the Eighteenth AGM of the Company held on 27 May 2015 will expire at the conclusion of the forthcoming AGM of the Company.

The Company's issued and paid-up share capital as at 31 March 2016 was RM201,600,000 comprising 201,600,000 APM shares less 6,012,500 APM shares already purchased and held as treasury shares.

The renewal of authority for the Proposed Share Buy-Back, if approved by the shareholders, would be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the forthcoming AGM and shall be valid until:

- (i) the conclusion of the next AGM of the Company (being the Nineteenth AGM of the Company) following the forthcoming AGM at which the Proposed Share Buy-Back was passed, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the Nineteenth AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

The shareholders' approval for the Proposed Share Buy-Back does not impose an obligation on the Company to purchase its own shares but will allow the Board to exercise the power of the Company to purchase its own ordinary shares at any time within the abovementioned time period using the internal funds of the Company.

The amount of internal funds to be utilised will only be determined later depending on the availability of internally generated funds, actual number of APM shares to be purchased and other cost factors. The actual number of APM shares to be purchased will depend on the market conditions as well as the retained profits, share premium and financial resources available to the Company.

The Board proposes to allocate up to the amount available under the retained profits and share premium of the Company for the purchase of the APM shares subject to compliance with Section 67A of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase. The audited retained profits and share premium of the Company as at 31 December 2015 were RM270.51 million and RM17.90 million respectively.

The purchased shares may be cancelled or retained as treasury shares or a combination of both. An announcement will be made to Bursa Malaysia on whether the purchased shares will be cancelled or retained as treasury shares or a combination of both in due course. The purchased shares held as treasury shares, may either be cancelled, distributed as share dividends or resold by the Company on Bursa Malaysia, or a combination of the above, depending on the availability of, amongst others, the retained profits and/or share premium of the Company. The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits and/or the share premium of the Company.

The Board may decide to hold the purchased shares as treasury shares if it is of the opinion that in the foreseeable future, there is strong potential for these shares to be resold at a gain, thus adding value for the shareholders. Conversely, the Company may decide to cancel the purchased shares if it is of the opinion that it no longer requires the funds. The Company may also distribute the treasury shares as share dividends, which can serve to reward shareholders.

While the purchased shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions and otherwise are suspended. The treasury shares shall also not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purpose including substantial shareholding, takeovers, notices, requisition of meetings, quorum for a meeting and result of a vote on a resolution at a meeting.

In accordance with Paragraph 12.09 of the Listing Requirements, APM will not purchase its own shares or hold any of its own shares as treasury shares if this will result in the aggregate shares purchased or held exceed 10% of the issued and paid-up share capital of the Company.

APM shall only purchase its own ordinary shares at a price which is not more than fifteen per centum (15%) above the weighted average market price for the five (5) market days immediately before the purchase. The Company may only resell the purchased shares held as treasury shares at a price which is not less than the weighted average market price for the APM shares for the five (5) market days immediately before the resale or a discounted price of not more than five per centum (5%) to the weighted average market price for the APM shares for the five (5) market days immediately before the resale provided that (i) the resale takes place not earlier than thirty (30) days from the date of the purchase and (ii) the resale price is not less than the cost of purchase of the APM shares being resold.

As at 31 March 2016, the public shareholding spread of the Company was approximately 49.72% of the paid-up capital less treasury shares.

For the purpose of illustration, if the Company purchases up to the maximum number of APM shares as allowed under the Proposed Share Buy-Back and assuming the purchases will not reduce the number of APM shares currently held by the Directors, the substantial shareholders or persons connected with the Directors and/or substantial shareholders, the public shareholding spread of the Company as at 31 March 2016 is 45.80%.

## **2.2 Rationale/Potential Advantages**

The Proposed Share Buy-Back will enable APM to utilise its surplus financial resources to purchase APM shares as and when the Board deems fit, during the tenure in which the authority granted is in effect. The Proposed Share Buy-Back is expected to stabilise the supply and demand as well as the prices of APM Shares. In addition, the purchased shares may be held as treasury shares and resold on Bursa Malaysia with the opportunity of realising potential capital gains. Alternatively, the treasury shares may also be distributed as share dividends to reward shareholders.

## **2.3 Risk Factors/Potential Disadvantages**

The Proposed Share Buy-Back may result in the APM Group foregoing other investment opportunities that may emerge in the future and may also reduce the amount of resources available for distribution in the form of dividends to shareholders of APM. However, the financial resources of the APM Group may recover and increase upon the reselling of the purchased shares held as treasury shares.

Nevertheless, the Board will be mindful of the interests of APM and its shareholders in undertaking the Proposed Share Buy-Back.

## **2.4 Effects**

In the event that the Company purchases 20,160,000 APM shares as described in paragraph 2.1, and the shares so purchased are cancelled or alternatively retained as treasury shares, or both, the effects of the Proposed Share Buy-Back on the share capital, NA, working capital, earnings and substantial shareholders' and Directors' shareholdings as well as the implications relating to the Code are as set out below:

### **(a) Share capital**

In the event that the maximum number of shares authorised under the Proposed Share Buy-Back are purchased and cancelled, the issued and paid-up share capital of APM as at 31 March 2016 will decrease from RM201,600,000 comprising 201,600,000 APM shares to RM181,440,000 comprising 181,440,000 APM shares. However, if all the APM shares so purchased are retained as treasury shares, the share capital of APM would not be affected, although substantially all rights attached to the shares held as treasury shares would be suspended.

### **(b) NA**

The effect of the Proposed Share Buy-Back on the NA per share of the APM Group is dependent on the purchase prices of the APM shares. The shares purchased would reduce the NA per share of the APM Group if the purchase price exceeds the NA per share at the relevant point in time. Conversely, the NA per share of the APM Group would increase if the purchase price is less than the NA per share at the relevant point in time. Based on the audited financial statements of for the financial year ended 31 December 2015, the NA per share of APM Group is RM6.05.



**(c) Working capital**

The Proposed Share Buy-Back will result in an outflow of cash and thereby reduce the working capital of the APM Group, the quantum of which is dependent on the purchase prices of the APM shares and the number of APM shares purchased. Nevertheless, the Board is mindful of the interests of the shareholders when undertaking the Proposed Share Buy-Back and will assess the working capital needs of the APM Group prior to any purchase of APM Shares. In the event the Company purchases its own shares using external borrowings, the Company will ensure that it has sufficient funds to repay the external borrowings.

**(d) Earnings**

The effect of the Proposed Share Buy-Back on the EPS of the APM Group is dependent on the purchase prices of the shares and the effective funding cost and/or interest income foregone to the Company thereof. For instance, the share buy-back will increase the EPS of the APM Group if the effective funding cost and/or interest income foregone to the Company attributable to every purchased share is lower than the EPS of the APM Group and vice versa.

**(e) Dividends**

Assuming that the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at the previous financial years' dividend quantum, the share buy-back will have the effect of increasing the dividend rate of APM as a result of a decrease in the number of shares in APM which are entitled to participate in the dividends.

**(f) Substantial shareholders' and Directors' shareholdings**

The effects of the Proposed Share Buy-Back on the shareholdings of substantial shareholders and Directors based on the Register of Substantial Shareholders and the Register of Directors' Shareholdings respectively as at 31 March 2016 are as follows:

Substantial shareholders	No. of APM shares held							
	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
TCC	73,382,326	37.52	-	-	73,382,326	40.44	-	-
WH	15,260,600	7.80	-	-	15,260,600	8.41	-	-
Dato' Tan Heng Chew	5,924,999	3.03	88,642,926	45.32 <sup>1</sup>	5,924,999	3.27	88,642,926	48.86 <sup>1</sup>
Tan Eng Soon	-	-	88,642,926	45.32 <sup>1</sup>	-	-	88,642,926	48.86 <sup>1</sup>
Tan Kheng Leong	30,000	0.02	73,382,326	37.52 <sup>2</sup>	30,000	0.02	73,382,326	40.44 <sup>2</sup>

Directors *	No. of APM shares held							
	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Dato' Tan Heng Chew	5,924,999	3.03	92,157,784	47.12 <sup>3</sup>	5,924,999	3.27	92,157,784	50.79 <sup>3</sup>
Dato' Tan Eng Hwa	207,008	0.11	15,267,728	7.81 <sup>4</sup>	207,008	0.11	15,267,728	8.41 <sup>4</sup>
Dato' Haji Kamaruddin @ Abas Bin Nordin	5,448	-. <sup>5</sup>	-	-	5,448	-. <sup>5</sup>	-	-
Siow Tiang Sae	2,050	-. <sup>5</sup>	-	-	2,050	-. <sup>5</sup>	-	-
Nicholas Tan Chye Seng	185,600	0.09	-	-	185,600	0.10	-	-

\*The remaining Directors, Dato' N. Sadasivan s/o N.N. Pillay, Low Seng Chee, Dato' Heng Ji Keng and Sow Soon Hock do not have any APM shares, whether direct or indirect, in the Company.

Notes:

<sup>1</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act.

<sup>2</sup> Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.

<sup>3</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interest held by spouse and son by virtue of Section 134(12)(c) of the Act.

<sup>4</sup> Deemed interest by virtue of interests in WH and SH pursuant to Section 6A of the Act and interest held by spouse by virtue of Section 134(12)(c) of the Act.

<sup>5</sup> Less than 0.01%.

### (g) Implication Relating to the Code

The Proposed Share Buy-Back, if carried out in full, will result in the equity interest of TCC in APM increasing from 37.52% as at 31 March 2016 to 40.44%.

If the Proposed Share Buy-Back results in the equity interest of TCC in APM to increase by more than 2% in any six (6) months period, pursuant to Part II of the Code, TCC and persons acting in concert with it may be obliged to undertake a mandatory offer for all the APM shares not held by them collectively. However, a waiver may be granted by the Securities Commission under the provisions of the Code to TCC and persons acting in concert with it.

## 2.5 Share Prices

The monthly highest and lowest prices of APM shares traded on Bursa Malaysia for the last twelve (12) months from April 2015 to March 2016 are as follows:

	High (RM)	Low (RM)
<b>2015</b>		
April	5.30	4.65
May	5.25	4.90
June	4.95	4.55
July	4.66	4.23
August	4.42	4.00
September	4.20	3.99
October	4.45	4.00
November	4.12	3.78
December	4.09	3.81
<b>2016</b>		
January	4.00	3.73
February	4.04	3.73
March	4.08	3.80

The last transacted price of APM Shares on 22 April 2016 being the latest practicable date prior to the printing of this Circular	RM3.91
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(Source: New Straits Times)

## 2.6 Purchases, resale and cancellation of APM shares in the previous 12 months

The Company bought back 96,800 APM shares in the previous 12 months (i.e. from April 2015 to March 2016), the details of which are set out hereunder:

Purchase Date	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)
May 2015	50,000	5.00	5.00	5.00	251,074.50
June 2015	24,700	4.95	4.64	4.85	119,909.66
July 2015	20,100	4.50	4.49	4.53	91,095.19
August 2015	1,000	4.20	4.20	4.20	4,248.74
March 2016	1,000	4.00	4.00	4.00	4,047.67
<b>Total</b>	<b>96,800</b>				<b>470,375.76</b>

The total number of shares bought back as at 31 March 2016 was 6,012,500 APM shares, all of which were held as treasury shares. APM did not cancel or re-sell any of its treasury shares during the period.

## **2.7 Directors' and substantial shareholders' interests**

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as the shareholders of the Company, pursuant to the Proposed Share Buy-Back, none of the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Share Buy-Back and the resale of the treasury shares. In addition, none of the persons connected to the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Share Buy-Back and the resale of the treasury shares.

## **2.8 Directors' Recommendation**

The Board is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and therefore recommends that you vote in favour of the ordinary resolution in relation to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

### **3. SECTION B - PROPOSED SHAREHOLDERS' MANDATE**

APM is principally an investment holding company. The principal activities of the subsidiaries are mainly manufacturing and distribution of a wide-range of automotive products and components ranging from suspension systems, heat exchange systems, electrical systems, plastic components to car interiors and seating.

As the mandate to allow the Company and its subsidiaries to enter into RRPT approved at the Eighteenth AGM of the Company held on 27 May 2015 will expire at the conclusion of the AGM to be held in 2016, the Board wishes to seek the approval of the shareholders of APM for the Proposed Shareholders' Mandate to enable the APM Group to continue to enter into RRPT, provided that such transactions are entered into in the ordinary course of business and undertaken at arm's length, on normal commercial terms of the APM Group which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

#### **3.1 Listing Requirements**

Under Paragraph 10.09(2) of the Listing Requirements, a listed issuer may seek a Shareholders' Mandate subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;
- (b) the Shareholders' Mandate is subject to annual renewal and disclosure being made in the Annual Report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year;
- (c) issuance of a Circular to shareholders by the listed issuer;
- (d) the interested Director, interested Major Shareholder or interested person connected with a Director or Major Shareholder and where it involves the interest of a person connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolutions to approve the transactions. An interested Director or interested Major Shareholder must ensure that persons connected with him abstain from voting on the resolution to approve the transactions; and
- (e) the listed issuer immediately announces to Bursa Malaysia when the actual value of a RRPT entered into by the listed issuer exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more and must include the information as may be prescribed by Bursa Malaysia in its announcement.

The definitions for "Director", "Major Shareholder" and "Related Party" under the Listing Requirements are set out in the Definitions section.

The estimated annual transaction values as set out in section 3.2 are based on the actual transaction values for the year ended 31 December 2015 and the projected business volume for the current period. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed.

Nevertheless, disclosures will be made in accordance with the Listing Requirements in the Annual Report of the Company for the financial year ending 31 December 2015 of a breakdown of the aggregate value of the RRPT entered into pursuant to the Proposed Shareholders' Mandate during the financial year including, amongst others, the following information:

- (i) The types of RRPT; and
- (ii) The names of the Related Parties involved in each type of the RRPT entered into and their relationship with the APM Group.

### 3.2 Proposed Shareholders' Mandate

The classes of Related Parties with whom the RRPT are carried out are as follows:

#### 3.2.1 TCMH Group

The TCMH Group is principally involved in the assembly and distribution of motor vehicles, provision of after-sales services, provisions of financial services such as hire purchase, leasing, insurance agency services and money lending.

The Directors and Major Shareholders of the APM Group who are interested in the RRPT with the TCMH Group and the nature of their interests as at 31 March 2016 are as follows:

Related Party	APM					TCMH				
	Directorship in the APM Group	Shareholding in APM				Directorship in the TCMH Group	Shareholding in TCMH			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	73,382,326	37.52	-	-	-	263,828,240	40.42	-	-
Dato' Tan Heng Chew	Director	5,924,999	3.03	92,157,784	47.12 <sup>1</sup>	Director	26,985,362	4.13	286,399,230	43.88 <sup>2</sup>
Dato' Tan Eng Hwa	Director	207,008	0.11	15,267,728	7.81 <sup>3</sup>	Director <sup>6</sup>	1,380,058	0.21	11,001,124	1.69 <sup>3</sup>
Tan Eng Soon	-	-	-	88,642,926	45.32 <sup>4</sup>	-	-	-	274,781,840	42.10 <sup>4</sup>
Tan Kheng Leong	-	30,000	0.02	73,382,326	37.52 <sup>5</sup>	-	200,000	0.03	263,828,240	40.42 <sup>5</sup>
Nicholas Tan Chye Seng	Director	185,600	0.09	-	-	Director <sup>6</sup>	100,000	0.02	-	-

Notes:

<sup>1</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interests held by spouse and son by virtue of Section 134(12)(c) of the Act

<sup>2</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interests held by spouse and children by virtue of Section 134(12)(c) of the Act

<sup>3</sup> Deemed interest by virtue of interests in WH and SH pursuant to Section 6A of the Act and interest held by spouse by virtue of Section 134(12)(c) of the Act

<sup>4</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act.

<sup>5</sup> Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.

<sup>6</sup> Director of the subsidiaries of TCMH to which the relevant RRPT relate.

The RRPT between the APM Group and the TCMH Group, which are carried out at arm's length, on normal commercial terms of the APM Group which are not more favourable to the TCMH Group than those generally available to the public and are not to the detriment of the minority shareholders, are as detailed as follows:

Types of transaction	Details	Estimated value as disclosed in the preceding year's circular (RM' 000)	<sup>(1)</sup> Actual value transacted from 28 May 2015 to 31 March 2016 (latest practicable date) (RM'000)	Estimated value from the forthcoming AGM to the next AGM (RM'000)
<b>Income</b>				
Sale of goods	Parts and components supplied to the TCMH Group for the following: (a) To be installed in motor vehicles sold by the TCMH Group; and (b) To be sold to the TCMH Group's customers as replacement parts.	162,000	90,089	162,000
Rental income (received on a monthly basis; the tenure of the rental agreements are for varying durations of not more than 3 years)	Office and factory premises at Lot 1 and Lot 3 Jalan 6/3, Kawasan Perusahaan Seri Kembangan, 43300 Seri Kembangan, Selangor rented to the TCMH Group.	3,500	1,700	3,500
<b>Expenses</b>				
Insurance agency services	Insurance products such as property, motor and marine policies acquired through the TCMH Group.	5,000	2,108	6,000
Rental expense (paid on a monthly basis; the tenure of the rental agreements are for varying durations of not more than 3 years)	Renting of office space at Pending Industrial Estate, Kuching, Sarawak and Berkeley Town Centre, Klang, Selangor from TCMH Group.	50	81	100
Purchase of goods and services	Purchase of components, motor vehicles, motor workshop services and other products from the TCMH Group.	48,000	12,578	30,000
Administrative, consultancy and corporate services	Administrative, consultancy and corporate services such as payroll processing, human resources development, information technology, tax consultancy services, training and other supports etc. provided by the TCMH Group.	890	452	2,000
<b>Total</b>		<b>219,440</b>	<b>107,008</b>	<b>203,600</b>

Notes :

- (1) The actual value of the RRPT (for the period from 28 May 2015 to 31 March 2016, being the latest practicable date prior to printing of this circular) did not exceed 10% or more of the estimated value approved under the previous shareholders' mandate granted to the Company at the Eighteenth AGM held on 27 May 2015.

The abovementioned RRPT with the TCMH Group occur as and when the transactions are required.

### Outstanding RRPT Receivables

The breakdown of the total outstanding amount due under the RRPT with TCMH Group which exceeded the credit term as at 31 December 2015 are as follows:

Exceeded Credit Term For :	Amount of Outstanding RRPT Receivables as at 31 December 2015 (RM'000)	Amount Collected as at 31 March 2016 (RM'000)
a period of 1 year or less	10,960	10,495
a period of more than 1 to 3 years	10	1
a period of more than 3 to 5 years	-	-
a period of more than 5 years	-	-

There is no late payment interest imposed on the overdue trade receivables as they were trade in nature and the terms and conditions of the contract does not include a late payment interest. Continuous and assertive efforts are taken by Management to meet with the debtors for early settlement of the outstanding amounts.

The Board is of the opinion that the outstanding amounts were trade in nature and there was no recoverability issue as the debtors are long trading partners and have sound credit standing.

### **3.2.2 WTCH Group**

WTCH Group is principally involved in the distribution and rental of industrial machinery and equipment, manufacturing and/or assembly and distribution of commercial and passenger vehicles, provision of used vehicles auction services, provision of travel and air ticketing services as well as rental of cars and coaches.

The Directors and Major Shareholders of the APM Group who are interested in the RRPT with the WTCH Group and the nature of their interests as at 31 March 2016 are as follows:

Related Party	APM					WTCH				
	Directorship in the APM Group	Shareholding in APM				Directorship in the WTCH Group	Shareholding in WTCH			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	73,382,326	37.52	-	-	-	23,446,509	36.01	-	-
Dato' Tan Heng Chew	Director	5,924,999	3.03	92,157,784	47.12 <sup>1</sup>	Director	4,278,633	6.57	30,639,928	47.06 <sup>2</sup>
Tan Eng Soon	-	-	-	88,642,926	45.32 <sup>3</sup>	-	-	-	27,844,509	42.77 <sup>3</sup>
Tan Kheng Leong	-	30,000	0.02	73,382,326	37.52 <sup>4</sup>	-	10,000	0.02	23,446,509	36.01 <sup>4</sup>

Notes:

<sup>1</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interest held by spouse and son by virtue of Section 134(12)(c) of the Act

<sup>2</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interest of spouse by virtue of Section 134(12)(c) of the Act.

<sup>3</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act.

<sup>4</sup> Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.

The RRPT between the APM Group and the WTCH Group, which are carried out at arm's length, on normal commercial terms of the APM Group which are not more favourable to the WTCH Group than those generally available to the public and are not to the detriment of the minority shareholders, are as detailed below:

Types of transaction	Details	Estimated value as disclosed in the preceding year's circular (RM' 000)	<sup>(1)</sup> Actual value transacted from 28 May 2015 to 31 March 2016 (latest practicable date) (RM'000)	Estimated value from the forthcoming AGM to the next AGM (RM'000)
<b>Income</b>				
Sale of goods	Parts and components supplied to the WTCH Group to be sold to the WTCH Group's customers as replacement parts or to be installed in motor vehicles sold by the WTCH Group.	200	12	100
Rental (received on a monthly basis; the tenure of the rental agreements are for varying durations of not more than 3 years)	Office and factory premises at Lot 3 Jalan 6/3, Kawasan Perusahaan Seri Kembangan, 43300 Seri Kembangan, Selangor rented to the WTCH Group.	54	42	637
<b>Expenses</b>				
Purchase of goods and services	Purchase and renting of heavy equipment and industrial machinery and motor vehicles as well as related workshop services from the WTCH Group.  Rental of heavy equipment, industrial machinery and motor vehicles are paid monthly.	2,000	1,078	3,300
Air tickets and tour expenses	Air ticketing and tour packages purchased from the WTCH Group.	3,500	1,562	2,500
Total		5,754	2,694	6,537

Notes:

- <sup>(1)</sup> The actual value of the RRPT (for the period from 28 May 2015 to 31 March 2016, being the latest practicable date prior to printing of this circular) did not exceed 10% or more of the estimated value approved under the previous shareholders' mandate granted to the Company at the Eighteenth AGM held on 27 May 2015.

The abovementioned RRPT with the WTCH Group occur as and when the transactions are required.

#### Outstanding RRPT Receivables

The breakdown of the total outstanding amount due under the RRPT with WTCH Group which exceeded the credit term as at 31 December 2014 are as follows:

Exceeded Credit Term For :	Amount of Outstanding RRPT Receivables as at 31 December 2015 (RM'000)	Amount Collected as at 31 March 2016 (RM'000)
a period of 1 year or less	4	4
a period of more than 1 to 3 years	-	-
a period of more than 3 to 5 years	-	-
a period of more than 5 years	-	-

There is no late payment interest imposed on the overdue trade receivables as they were trade in nature and the terms and conditions of the contract does not include a late payment interest. Continuous and assertive efforts are taken by Management to meet with the debtors for early settlement of the outstanding amounts.

The Board is of the opinion that the outstanding amounts were trade in nature and there was no recoverability issue as the debtors are long trading partners and have sound credit standing.

### 3.2.3 TCIL Group

TCIL's principal activity is investment holding. The businesses of its principal subsidiaries consist of distribution of motor vehicles in Singapore, Hong Kong, China, Thailand, Taiwan, Philippines, Malaysia, Indonesia, Vietnam and Cambodia, industrial equipment distribution in Singapore, China, Vietnam and Thailand, property development and rental in Singapore, Macau and Hong Kong and vehicles seat manufacturing in China.

The Directors and Major Shareholders of the APM Group who are interested in the RRPT with the TCIL Group and the nature of their interests as at 31 March 2016 are as follows:

Related Party	APM					TCIL				
	Directorship in the APM Group	Shareholding in APM				Directorship in the TCIL Group	Shareholding in TCIL			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	73,382,326	37.52	-	-	-	705,819,720	35.06	-	-
Dato' Tan Heng Chew	Director	5,924,999	3.03	92,157,784	47.12 <sup>1</sup>	-	28,990,986	1.44	743,995,890	36.95 <sup>2</sup>
Tan Eng Soon	-	-	-	88,642,926	45.32 <sup>3</sup>	Director	100,460,000	4.99	1,188,746,392	59.04 <sup>4</sup>
Tan Kheng Leong	-	30,000	0.02	73,382,326	37.52 <sup>5</sup>	Director	2,205,000	0.11	706,029,720	35.07 <sup>6</sup>

Notes:

<sup>1</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interest held by spouse and son by virtue of Section 134(12)(c) of the Act.

<sup>2</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interest held by spouse.

<sup>3</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act.

<sup>4</sup> Deemed interest by virtue of interests in TCC and WH and corporations controlled by him pursuant to Section 6A of the Act, including deemed interest pursuant to Section 6A(7) of the Act.

<sup>5</sup> Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.

<sup>6</sup> Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act and interest held by spouse.

The RRPT between the APM Group and the TCIL Group, which are carried out at arm's length, on normal commercial terms of the APM Group which are not more favourable to the TCIL Group than those generally available to the public and are not to the detriment of the minority shareholders, are as detailed below:

Types of transaction	Details	Estimated value as disclosed in the preceding year's circular (RM' 000)	<sup>(1)</sup> Actual value transacted from 28 May 2015 to 31 March 2016 (latest practicable date) (RM'000)	Estimated value from the forthcoming AGM to the next AGM (RM'000)
<b>Income</b>				
Provision of services	Provision of engineering, design & development services from APM Engineering & Research Sdn Bhd to Nanjing Tan Chong Automotive Co., Ltd.	10,000	-	200
Sale of goods	Parts and components supplied to TCIL Group for the following : (a) To be installed in the motor vehicles sold by TCIL Group; and (b) To be sold to TCIL Group's customers as replacement parts	50,000	19,823	80,000



Types of transaction	Details	Estimated value as disclosed in the preceding year's circular (RM' 000)	<sup>(1)</sup> Actual value transacted from 28 May 2015 to 31 March 2016 (latest practicable date) (RM'000)	Estimated value from the forthcoming AGM to the next AGM (RM'000)
Purchase of goods and services	Purchased of motor vehicles from TCIL Group	500	-	0
Total		60,500	19,823	80,200

Notes:

- <sup>(1)</sup> The actual value of the RRPT (for the period from 28 May 2015 to 31 March 2016, being the latest practicable date prior to printing of this circular) did not exceed 10% or more of the estimated value approved under the previous shareholders' mandate granted to the Company at the Eighteenth AGM held on 27 May 2015.

The abovementioned RRPT with the TCIL Group occur as and when the transactions are required.

#### Outstanding RRPT Receivables

The breakdown of the total outstanding amount due under the RRPT with TCIL Group which exceeded the credit term as at 31 December 2015 are as follows:

Exceeded Credit Term For :	Amount of Outstanding RRPT Receivables as at 31 December 2015 (RM'000)	Amount Collected as at 31 March 2016 (RM'000)
a period of 1 year or less	1,365	1,365
a period of more than 1 to 3 years	2,823	-
a period of more than 3 to 5 years	-	-
a period of more than 5 years	-	-

There is no late payment interest imposed on the overdue trade receivables as they were trade in nature and the terms and conditions of the contract does not include a late payment interest. Continuous and assertive efforts are taken by Management to meet with the debtors for early settlement of the outstanding amounts.

The Board is of the opinion that the outstanding amounts were trade in nature and there was no recoverability issue as the debtors have sound credit standing.

### **3.3 Pricing of the RRPT**

Consistent with the APM Group's business pricing practices and policies, the RRPT are entered into at arm's length and on normal commercial terms. The RRPT pricing are based on prevailing market rates/prices with regular comparisons made with at least two other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable.

In the event that the quotation or comparative pricing from third party/unrelated party suppliers cannot be obtained, the Group's pricing of RRPT will be determined in accordance with the Group's usual business pricing practices and policies for the same or substantially similar type of transactions made by the Group with unrelated third parties. This will ensure that the pricing of RRPT is not more favorable to the Related Parties than to the public and not to the detriment of the minority shareholders of APM.

### **3.4 Rationale**

All transactions with Related Parties are entered into for the long-term benefit of the APM Group. The Related Parties represent an existing market with reliable payment terms for APM Group's products and provide a good source for certain components purchased by the APM Group. Sales to Related Parties also contribute to overall higher sales for the APM Group thus increasing trading volume, higher production efficiency and better bargaining power when negotiating with vendors. This is consistent with APM Group's objectives of brand building and maintaining a competitive edge.

The RRPT are carried out in a manner similar to other business activities which the APM Group conducts with parties other than the Related Parties. The RRPT are in the ordinary course of business and undertaken at arm's length, on normal commercial terms of the APM Group which are not more favorable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to make regular announcements to Bursa Malaysia and to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the making of such announcements or the convening of such meetings, without compromising the corporate objectives of the APM Group or adversely affecting the business opportunities available to the APM Group.

### **3.5 Disclosures and review procedures**

#### **3.5.1 Disclosures**

Disclosures will be made in accordance with the Listing Requirements in the Annual Report of the Company of the breakdown of the aggregate value of RRPT entered into pursuant to the Proposed Shareholders' Mandate during the financial year ending 31 December 2016. The disclosures will include, amongst others, the following information:

- (i) The types of RRPT; and
- (ii) The names of the Related Parties involved in each type of the RRPT entered into and their relationship with the APM Group.

#### **3.5.2 Review procedures for the RRPT**

To supplement existing internal procedures, the APM Group has implemented the following procedures to ensure that the RRPT of the APM Group are undertaken at arm's length, on normal commercial terms of the APM Group, which are not more favorable to the Related Parties than those generally available to the public and are not to the detriment of minority shareholders:

- (a) A list of Related Parties has been circulated to the subsidiaries of APM and to notify them that all RRPT are required to be undertaken at arm's length, on normal commercial terms of the APM Group which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders;
- (b) APM and each of its subsidiaries are to record all RRPT which are entered into pursuant to the Shareholders' Mandate;
- (c) Each of the subsidiaries of APM is to submit reports of RRPT to the internal audit department of APM on a periodical basis;
- (d) The internal audit team will monitor and verify the reports to ensure that the review procedures and Listing Requirements in respect of the RRPT are adhered to. The internal audit team will report their findings to the Audit Committee;
- (e) The Audit Committee will periodically review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPT have been complied with.
- (f) The Audit Committee, having reviewed the procedures, will continue to review the procedures as and when required, with the authority to sub-delegate the review process to individuals or committees within the APM Group as they deemed appropriate. If a member of the Audit Committee has an interest in the transaction to be reviewed, he shall abstain from participating in the deliberation and voting in respect of that transaction.

The APM Group has in place internal approving procedures and levels of authority limits governing day-to-day business transactions. There is no specific threshold for the approval of RRPT within the Group. All RRPT are subject to the same procedures and levels of authority limits as that established by the senior management of the respective business units, the subcommittees of the Board and/or the Board from time to time.

### **3.6 Audit Committee's statement**

The Audit Committee has reviewed the terms of the Proposed Shareholders' Mandate and is satisfied that the review procedures for RRPT as well as the periodic reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the RRPT are undertaken in the ordinary course of business and at arm's length, on normal commercial terms of the APM Group which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The APM Group has in place adequate procedures and processes to monitor track and identify RRPT on a timely and orderly manner. The review of these procedures and processes are conducted at least once every twelve months and whenever the need arises.

### **3.7 Effects**

The Proposed Shareholders' Mandate is not expected to have any effect on the issued and paid-up share capital of APM and substantial shareholders' shareholding in APM but is expected to have a positive effect on the earnings and net tangible assets of the APM Group as a result of the increase in business volume and revenue.

### **3.8 Directors' and Major Shareholders' Interests**

Save as disclosed below, none of the other Directors, Major Shareholders and/or persons connected with the Directors and/or Major Shareholders of APM have any interest, direct or indirect, in the Proposed Shareholders' Mandate.

The Directors, having equity interest in APM (namely Dato' Tan Heng Chew, Dato' Tan Eng Hwa and Nicholas Tan Chye Seng)("Interested Directors") where applicable, are directors and/or have equity interest as described in section 3.2 in the relevant companies involved in the RRPT with the APM Group and hence are deemed interested in the Proposed Shareholders' Mandate. The Interested Directors had abstained and will continue to abstain from deliberating and voting on the resolutions in respect of the Proposed Shareholders' Mandate which involve their respective interests at the relevant meetings of the Board.

The Major Shareholders (namely TCC, Dato' Tan Heng Chew, Tan Eng Soon and Tan Kheng Leong) have equity interest (as set out in section 3.2) in the relevant companies involved in the RRPT with the APM Group and therefore are deemed interested in the Proposed Shareholders' Mandate.

The Interested Directors and Major Shareholders had undertaken both to abstain and to ensure that persons connected with them will abstain from voting in respect of their direct and indirect shareholdings, in the Company on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

### **3.9 Directors' Recommendation**

The Board (with the exception of the interested Directors as disclosed in Section 3.8) is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and therefore recommends that shareholders vote in favour of the ordinary resolutions in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

## **4. SECTION C – PROPOSED ACQUISITION**

On 27 April 2016, the Board announced its intention to seek the approval of shareholders of APM at the forthcoming AGM for the proposed acquisition ("Proposed Acquisition") by APMTS, a wholly-owned subsidiary of APM, of the Assets of TCAC, a wholly-owned subsidiary of TCMan, which in turn is a wholly-owned subsidiary of TCMH, for a total cash consideration of RM5,701,318, which is subject to price adjustment and conditional upon the fulfilment of the Conditions Precedent (as defined in paragraph 4.1(iii)(b) below).

The Proposed Acquisition is a related party transaction which falls within the ambit of Section 132E of the Act in view of the disclosure of interest set out in Section 4.5 below and hence requires the prior approval of the shareholders of APM at a general meeting.

Section 132E of the Act provides that a company shall not carry into effect any arrangement or transaction where a director or a substantial shareholder of the company or its holding company or a person connected with either of them acquires or disposes of any non-cash assets of the “requisite value” unless there is prior approval of the arrangement or transaction by a resolution of the company at a general meeting, or of its holding company at a general meeting, if the arrangement or transaction is in favour of a director or substantial shareholder of its holding company or person connected with either of them. A non-cash asset is considered to be of the “requisite value” for the purposes of Section 132E of the Act if, at the time of the transaction, its value exceeds RM250,000 or if its value does not exceed RM250,000, exceeds 10% of the company’s asset value and is not less than RM10,000.

#### **4.1 Details of the Proposed Acquisition**

APMTS, proposes to acquire the Assets of TCAC, at the Proposed Acquisition Price. The Core Assets are valued based on the market value as stated in the Valuation Report. The basis of valuation of the Other Fixed Assets and the Stock are set out in Section 4.1(iv).

##### **(i) Information on APMTS**

APMTS was incorporated in Malaysia as a private limited company under the Act on 14 June 2011.

The authorised share capital of APMTS is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of APMTS is RM2.00 comprising 2 ordinary shares of RM1.00 each. APMTS is a wholly-owned subsidiary of the Company and is currently dormant.

The directors of APMTS are Low Seng Chee and Siow Tiang Sae.

##### **(ii) Information on TCAC**

TCAC was incorporated in Malaysia as a private limited company under the Act on 4 July 2006.

The authorised share capital of TCAC is RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of TCAC is RM4,500,000.00 comprising 4,500,000 ordinary shares of RM1.00 each. TCAC is a wholly-owned subsidiary of TC Manufacturing Holdings Sdn Bhd (“TCMan”), which in turn is the wholly-owned subsidiary of Tan Chong Motor Holdings Berhad (“TCMH”). The principal activity of TCAC is casting, machining and assembly of aluminium parts and components.

The directors of TCAC are Teong Seng Kiang, Christopher Tan Kok Leong, Lim Sew Chan and Lee Jiunn Shyan.

##### **(iii) Principal Terms of the Proposed Acquisition**

APMTS and TCAC have on 27 April 2016 agreed to the principal terms and conditions of the sale and purchase of the Assets set out in the Principal Terms Sheet which are summarised as follows:

- (a) The Assets shall be sold and purchased free from all encumbrances.
- (b) The completion of the Proposed Acquisition is conditional upon satisfaction of the following conditions precedent (collectively referred to as “Conditions Precedent”):
  - (i) the obtaining of the approvals of the shareholders of APMTS, APM, TCAC, TCMan and TCMH (the “Shareholders’ Approvals”);
  - (ii) the obtaining of all authorisations, registrations, statutory licences and permits including work permits (if applicable);
  - (iii) due diligence which confirms that the Assets are free from encumbrances and on the value of the Assets;

- (iv) TCAC not being in breach of any of the warranties relating to the Assets including its title to the Assets; and
  - (v) TCAC not being the subject matter of any pending or threatened litigation that have a material adverse effect on the value of the Assets or the sale and purchase of the Assets.
- (c) The Proposed Acquisition Price shall be satisfied in the following manner:-
- (i) Upon the execution of the contract of sale of assets (“CSA”) after the obtaining of the Shareholders’ Approvals, APMTS will pay 10% of the Proposed Acquisition Price of RM570,000 (“Deposit”);
  - (ii) Another 10% of the Proposed Acquisition Price of RM570,000 (the “Escrow Amount”) will be held in an escrow account for three (3) months from completion date and will be released upon the satisfaction of all warranty claims, if any; and
  - (iii) The balance of the Proposed Acquisition Price after any adjustment to be made upon stock taking, the determination of the value of the Other Fixed Assets and Stock and the verification of the Assets (the “Balance Sum”) shall be paid within five (5) business days after completion date, the date on which TCAC will hand over the Assets to APMTS.
- (d) The Assets shall be verified by physical sighting and stock taking. The stock take and verification will be carried out within five (5) business days prior to the completion of the Proposed Acquisition.
- (e) Within thirty (30) working days or such other period as the parties may agree upon of obtaining the last of the Shareholders’ Approvals, the parties will enter into the CSA on arm’s length basis and commercially acceptable terms and conditions.
- (f) TCAC shall after the completion of the Proposed Acquisition for a transitional period of up to six (6) months, which may be extended by mutual agreement, provide such training, assistance and support at arm’s length and commercial rate basis to the employees of APMTS in the operation and maintenance of the fixed assets and the different processes relating to the casting, machining and assembly of aluminium parts and components as may be required by APMTS.

**(iv) Basis of the Proposed Acquisition Price**

The Proposed Acquisition Price, which is subject to price adjustment in accordance with the basis of valuation stated below, was arrived at on a willing-buyer willing-seller basis, after taking into consideration of the following:-

	Description	Value as at 31 December 2015 RM’000	Basis of valuation
(1)	Core Assets	4,643	Market value *
(2)	Other Fixed Assets	465	Net book value^
(3)	Stock	593	Percentage of the cost by reference to the age of the Stock
	<b>TOTAL</b>	<b>5,701</b>	

\* Market value based on the Valuation Report.

^ Net book value as at the completion date of the Proposed Acquisition which shall be determined by reference to the audited financial statements of TCAC as at 31 December 2015.

**(v) Source of Funding**

The Proposed Acquisition is to be funded via internally generated funds.

**(vi) Estimated time frame for completion of the Proposed Acquisition**

The Proposed Acquisition is estimated to be completed by the last quarter of 2016.

## **4.2 Rationale and Prospects for the Proposed Acquisition**

The rising strength of aluminium die-castings in recent years is mostly traceable to the automotive industry. An emerging trend in the automotive industry is to continuously seek for better ways to increase the fuel economy by replacing steel parts of the automobile with aluminium parts to achieve reduction in the vehicle weight. Lightweight and highly precise in manufacturability, aluminium casting products are widely used in heat dissipation applications and structural applications such as lightweight aircraft seats. The ongoing trend for lightweight vehicles will also enhance the use of such aluminium components.

Against this backdrop, the Proposed Acquisition would create an opportunity for the APM Group to expand its product base and strengthen its overseas presence. Additional products can be marketed to other countries by the APM Group, leveraging on the Group's existing export network. The prospects for exporting aluminium castings are good, in particular to European and the US markets that have demand for heat dissipation applications. Aluminium castings are also widely used in the oil and gas industry.

In addition, TCAC is one of the main suppliers to the Electrical & Heat Exchange Division of the APM Group. The Proposed Acquisition is therefore part of the APM Group's strategy to improve efficiency by cost rationalization and having a complete supply chain management.

## **4.3 Risks Factors**

The Board does not envisage any specific risks to be associated with the Proposed Acquisition other than operational risks and risks inherent in the automotive industry of which the APM Group is operating.

### **4.4. Effect**

#### **(i) Share capital**

The Proposed Acquisition will have no effect on the issued and paid-up share capital of the Company.

#### **(ii) Earnings**

The Proposed Acquisition will not have any material effect on the consolidated earnings and EPS of the Group for the financial year ending 31 December 2016.

#### **(iii) NA and Gearing**

The Proposed Acquisition will not have any material effect on the consolidated NA, consolidated NA per share and gearing of the Group for the financial year ending 31 December 2016.

#### **(iv) Substantial shareholders' shareholdings**

The Proposed Acquisition will have no effect on the shareholdings of the substantial shareholders of APM.

## **4.5 Disclosure Of Interest**

TCAC is an indirect subsidiary of TCMH. TCC is a substantial shareholder of TCMH and APM. By virtue of their respective shareholdings in TCC, pursuant to Section 6A of the Act, Dato' Tan Heng Chew, a director of APM and TCMH, Tan Eng Soon, brother of Dato' Tan Heng Chew and Tan Kheng Leong are substantial shareholders of TCMH and APM.

Apart from Tan Eng Soon, the persons deemed connected with Dato' Tan Heng Chew by virtue of Section 122A of the Act are as follows:

- (a) his spouse, Dato' Khor Swee Wah @ Koh Bee Leng, who is a Director of TCMH;
- (b) his brother, Dato' Tan Eng Hwa, who is a Director of APM;
- (c) his son, Nicholas Tan Chye Seng, who is a Director of APM;
- (d) his son, Christopher Tan Kok Leong, who is a Director of TCAC; and
- (e) WH.

Dato' Tan Eng Hwa and WH are also persons deemed to be connected with Mr. Tan Eng Soon.

The shareholdings of the Directors, substantial shareholders and persons connected with them, namely, TCC, Dato' Tan Heng Chew, Tan Eng Soon, Tan Kheng Leong, Dato' Khor Swee Wah @ Koh Bee Leng, Dato' Tan Eng Hwa, Nicholas Tan Chye Seng, Christopher Tan Kok Leong and WH in APM and TCMH as at 31 March 2016 are as follows:

Related Party	APM					TCMH				
	Directorship in APM Group	Shareholding in APM				Directorship in TCMH Group	Shareholding in TCMH			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	73,382,326	37.52	-	-	-	263,828,240	40.42	-	-
Dato' Tan Heng Chew	Director	5,924,999	3.03	92,157,784	47.12 <sup>(1)</sup>	Director	26,985,362	4.13	286,399,230	43.88 <sup>(5)</sup>
Tan Eng Soon	-	-	-	88,642,926	45.32 <sup>(2)</sup>	-	-	-	274,781,840	42.10 <sup>(2)</sup>
Tan Kheng Leong	-	30,000	0.02	73,382,326	37.52 <sup>(3)</sup>	-	200,000	0.03	263,828,240	40.42 <sup>(3)</sup>
Dato' Tan Eng Hwa	Director	207,008	0.11	15,267,728	7.81 <sup>(4)</sup>	Director	1,380,058	0.21	11,001,124	1.69 <sup>(4)</sup>
Dato' Khor Swee Wah @ Koh Bee Leng	-	3,329,258	1.70	-	-	Director	9,867,390	1.51	303,517,202	46.50 <sup>(6)</sup>
Nicholas Tan Chye Seng	Director	185,600	0.09	-	-	Director	100,000	0.02	-	-
Christopher Tan Kok Leong	-	-	-	-	-	Director	200,000	0.03	-	-

Note:

<sup>(1)</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interests of spouse and son by virtue of Section 134(12)(c) of the Act.

<sup>(2)</sup> Deemed interest by virtue of interest in TCC and WH pursuant to Section 6A of the Act.

<sup>(3)</sup> Deemed interest by virtue of interests in TCC pursuant to Section 6A of the Act.

<sup>(4)</sup> Deemed interest by virtue of interests in WH and Solomon House Sdn Bhd pursuant to Section 6A of the Act and interest of spouse by virtue of Section 134(12)(c) of the Act.

<sup>(5)</sup> Deemed interest by virtue of interests in TCC and WH pursuant to Section 6A of the Act and interests of spouse and children by virtue of Section 134(12)(c) of the Act.

<sup>(6)</sup> Interests of spouse and children by virtue of Section 134(12)(c) of the Act.

The Directors of APM who are interested in the Proposed Acquisition (namely Dato' Tan Heng Chew, Dato' Tan Eng Hwa and Nicholas Tan Chye Seng) have abstained and will continue to abstain from deliberation and voting on the resolution in respect of the Proposed Acquisition at the relevant meetings of the Board of APM.

The Directors and substantial shareholders who are interested in the Proposed Acquisition shall abstain from voting and have undertaken that they will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in APM on the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming AGM.

Dato' Haji Kamaruddin @ Abas bin Nordin is a director of APM and TCMH and his shareholdings in APM and TCMH as at 31 March 2016 are as follow:



Related Party	APM				TCMH					
	Directorship in APM Group	Shareholding in APM				Directorship in TCMH Group	Shareholding in TCMH			
		Direct	%	Indirect	%		Direct	%	Indirect	%
Dato' Haji Kamaruddin @ Abas bin Nordin	Director	5,448	-( <sup>1</sup> )	-	-	Director	4,992	-( <sup>1</sup> )	-	-

Note: (<sup>1</sup>) Less than 0.01%

Due to Dato' Haji Kamaruddin @ Abas bin Nordin's common directorship in APM and TCMH, even though he is not interested in the Proposed Acquisition for the purposes of Section 132E of the Act, he has abstained and will continue to abstain from deliberation and voting on the resolutions in respect of the Proposed Acquisition at the relevant meetings of the Board as well as the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming AGM.

Saved as disclosed above, none of the other Directors, substantial shareholders and/or persons connected with such Directors or substantial shareholders of APM has any interest, direct or indirect, in the Proposed Acquisition.

#### 4.6 Directors' Recommendation

Having considered the rationale and effect of the Proposed Acquisition, the Board of APM (with the exception of the interested Directors as disclosed in Section 4.5 above), is of the opinion that the Proposed Acquisition is in the best interest of the Group and therefore recommends that you vote in favour of the proposed resolution in relation to the Proposed Acquisition to be tabled at the forthcoming AGM.

#### 5. APPROVALS REQUIRED

The Proposed Acquisition is subject to the approval of the shareholders of APM at the forthcoming AGM.

Further, the Proposed Acquisition is also subject to the prior approvals of the shareholders of APMTS, TCAC, TCMAN and TCMH and all authorisations, registrations, statutory licences and permits (if applicable) being obtained. The applications for all relevant authorisations, registrations and statutory licences and permits are anticipated to be submitted within one (1) month of the execution of the CSA.

#### 6. AGM

The Nineteenth AGM of the Company, the Notice of which is enclosed in the 2015 Annual Report of the Company, will be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Wednesday, 25 May 2016 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions on the Proposals.

Shareholders who are unable to attend the AGM in person are to complete the form of proxy provided and forward it to the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel: 03-2783 9299), so as to arrive not less than 48 hours before the time fixed for the holding the AGM or any adjournment thereof. The form of proxy should be completed strictly in accordance with the instructions contained therein. The lodging of the form of proxy will not preclude the shareholder from attending and voting in person at the AGM should he/she subsequently find that he/she is able to do so.



**7. FURTHER INFORMATION**

Shareholders are requested to refer to Appendix I attached for further information.

Yours faithfully  
For and on behalf of the Board of  
**APM AUTOMOTIVE HOLDINGS BERHAD**

Dato' N. Sadasivan s/o N.N. Pillay  
Senior Independent Non-Executive Director

**ADDITIONAL INFORMATION****1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of APM and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquires and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

**2. MATERIAL LITIGATION**

Neither APM nor its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Board of APM is not aware of any proceedings, pending or threatened, against APM or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of APM or its subsidiaries.

**3. MATERIAL CONTRACTS**

Save as disclosed below, neither APM nor its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years up to 31 March 2016 (being the latest practicable date before the finalisation of this Circular) :

- (a) Contract of Sale of Business dated 16 July 2014 between McConnell Seats Australia Pty Ltd and APM Auto Components (Australia) Pty. Ltd for acquisition of the public sector mass transit seating manufacturing business including all goodwill and assets associated with the business free from encumbrances for a cash consideration of AUD4,700,000.
- (b) Sale & Purchase Agreement dated 26 November 2014 between Auto Parts Manufacturers Co. Sdn Bhd and Fuji Seats (Malaysia) Sdn Bhd for the disposal of all that piece of freehold land held under title no. HSD 47672, PT 16201, Town of Serendah, District of Ulu Selangor, Selangor, measuring approximately 3.996 acres together with a 2-storey office with an annexed single storey factory and another single storey factory with warehouse erected thereon at a consideration of RM18,100,000.
- (c) Sale & Purchase Agreement dated 2 September 2014 between Auto Parts Manufacturers Co. Sdn Bhd and Meha Land Sdn Bhd for the acquisition of all that piece of freehold land known as GM65, Lot 911, Pekan Sungai Karang, Daerah Kulim, Kedah Darul Aman, measuring approximately 35,428 sq. meter at a consideration of RM6,101,664.
- (d) Sale & Purchase Agreement dated 18 January 2016 between Auto Parts Manufacturers Co. Sdn Bhd and Hicom Indungan Sdn Bhd for the acquisition of all that three (3) parcels of freehold industrial lands held under HS(D) 23111 PT 2224, HS(D) 23112 PT 2225 and HS(D) 23113 PT 2226 of Mukim Pegoh, District of Alor Gajah, Malacca, measuring approximately 16.58 acres at a consideration of RM19,500,070.
- (e) Asset Sale Agreement dated 10 February 2016 between McConnell Seats Australia Pty Ltd and RBC Bearings Pty Ltd for the acquisition of all the assets associated with its locomotive seat manufacturing and services business known as Locomotive Seats Australia including goodwill free from encumbrances for a cash consideration of AUD1,659,578.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company following the publication of this Circular, during normal hours, from Mondays to Fridays (except public holidays) up to and including the date of the AGM:

- (a) Memorandum and Articles of Association of APM;
- (b) Audited financial statements of APM for the two (2) financial years ended 31 December 2014 and 31 December 2015; and
- (c) Material contracts referred to in section 3 of this Appendix.

Copies of the following documents are available for inspection during normal hours, from Mondays to Fridays (except public holidays) at the registered office of the Company for a period of three (3) months from the date of the Company's announcement relating to the Proposed Acquisition, made on 27 April 2016:

- (a) the Principal Terms Sheet agreed between APMTS and TCAC on the principal terms and conditions of the sale and purchase of the Assets as set out in Section 4.1 (iii); and
- (b) the Valuation Report and the letter of consent of Henry Butcher Malaysia Sdn Bhd to the reference of the Valuation Report being made in this Circular.