



**APM AUTOMOTIVE HOLDINGS BERHAD**

(Company No. 424838-D)



## **Transforming For Future Growth**

| Annual Report 2013



# CONTENTS

02	<b>Corporate Information</b>
03	<b>Business Divisions</b>
04	<b>Chairman's Statement</b>
10	<b>Profile of the Board of Directors</b>
14	<b>5 Years Financial Highlights</b>
16	<b>Corporate Governance Statement</b>
24	<b>Other Statements and Disclosures</b>
25	<b>Internal Control Statement</b>
27	<b>Audit Committee Report</b>
30	<b>Directors' Responsibility Statement</b>
31	<b>Financial Statements</b>
103	<b>Group Properties</b>
105	<b>Analysis of Shareholdings</b>
108	<b>Notice of Annual General Meeting</b>
	<b>Form of Proxy</b>

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Dato' Tan Heng Chew JP, DJMK**  
Executive Chairman

**Heng Ji Keng**  
Independent Non-Executive Director

**Low Seng Chee**  
Executive Director and Chief Executive Officer

**Siow Tiang Sae**  
Executive Director

**Dato' Tan Eng Hwa DIMP**  
Executive Director and Chief Operating Officer

**Nicholas Tan Chye Seng**  
Non Independent Non Executive Director

**Dato' N Sadasivan DPMP, JSM, KMN**  
Senior Independent Non-Executive Director

**Sow Soon Hock**  
Executive Director

**Dato' Haji Kamaruddin @ Abas Nordin**  
DSSA, KMN  
Independent Non-Executive Director

### AUDIT COMMITTEE

**Dato' N Sadasivan**  
DPMP, JSM, KMN  
Senior Independent Non-Executive Director  
Chairman of the Audit Committee

**Dato' Haji Kamaruddin @ Abas Nordin**  
DSSA, KMN  
Independent Non-Executive Director

**Heng Ji Keng**  
Independent Non-Executive Director

### NOMINATING COMMITTEE

**Heng Ji Keng**  
Independent Non-Executive Director  
Chairman of the Nominating Committee

**Dato' Haji Kamaruddin @ Abas Nordin**  
DSSA, KMN  
Independent Non-Executive Director

**Dato' N Sadasivan**  
DPMP, JSM, KMN  
Senior Independent Non-Executive Director

### COMPANY SECRETARIES

**Lee Yuen Lin** (MIA 16484)  
**Lee Kwee Cheng** (MIA 9160)  
**Ang Lay Bee** (MAICSA 7000388)

### REGISTERED OFFICE

62 - 68 Jalan Ipoh  
51200 Kuala Lumpur, Malaysia  
T : 603 - 4047 8888  
F : 603 - 4047 8636

### CORPORATE OFFICE

Lot 600, Pandamaran Industrial Estate  
Locked Bag No. 218  
42009 Port Klang  
Selangor Darul Ehsan, Malaysia  
T : 603 - 3161 8888  
F : 603 - 3161 8833  
Website :  
www.apm.com.my  
Email address:  
apmah@apm.com.my

### REGISTRARS

Tricor Investor Services Sdn Bhd  
Level 17  
The Gardens North Tower  
Mid Valley City,  
Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia  
T : 603 - 2264 3883  
F : 603 - 2282 1886

### AUDITORS

KPMG  
Level 10 KPMG Tower  
8 First Avenue  
Bandar Utama  
48700 Petaling Jaya  
Selangor Darul Ehsan,  
Malaysia

### STOCK EXCHANGE LISTING

Main Market of Bursa  
Malaysia Securities Berhad  
Stock Code : 5015

**BUSINESS DIVISIONS****SUSPENSION DIVISION**

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

01

**INTERIOR &  
PLASTICS DIVISION**

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

02

**ELECTRICAL & HEAT  
EXCHANGE DIVISION**

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

03

**MARKETING DIVISION**

- Local Replacement Market
- Export Market

04

**OVERSEAS OPERATIONS**

- Indonesia
- USA
- Vietnam

05

## CHAIRMAN'S STATEMENT



• APM IAC Automotive Systems Sdn. Bhd. Headlining Manufacturing

### HIGHLIGHTS

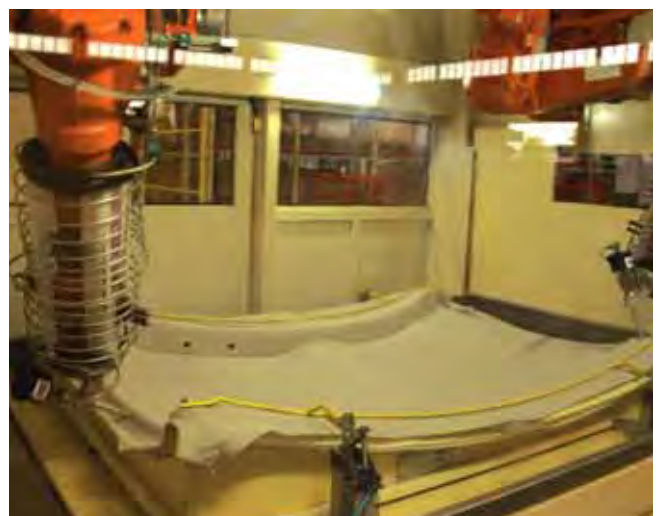
On behalf of the Board of Directors, I am pleased to report that in 2013 we have once again continued to deliver consistent value to our shareholders. Against the backdrop of a tough economic environment, the improvement in the Group's key performance parameters highlights the strong foundation established through the hard work and dedication of the staffs. The efforts that have been put into realigning the organization in terms of cost, operational efficiency and technology are all beginning to take effect.

In 2013, the total industry volume ("TIV") in the country grew by 5.6% from 2012 to 601,407 units [Source: Malaysian Automotive Association] as result of higher demand for new vehicle models launched by original equipment manufacturing ("OEM").

Group revenue rose 12.1% to RM1.259 billion while profit before tax correspondingly increased by 11.3% to RM177.5 million. As a result, earnings per share was up 9.0% to 63.3sen. Additionally, Net Assets per Share has increased to RM4.68 (2012: RM4.54), with the total shareholders' fund of RM943.0 million (2012: RM908.5 million).

The Board is recommending a net of tax final dividend under single tier system of 12sen in addition to the interim dividend net of tax of 30sen paid in September 2013. The interim dividend paid in 2013 plus the final dividend recommended by the Board, brings the total 2013 annual dividend net of tax to 42sen per share, up 75% against total dividend paid for 2012.

On behalf of the Board of Directors, I am pleased to report that in 2013 we have once again continued to deliver consistent value to our shareholders.



• APM IAC Automotive Systems Sdn. Bhd. Waterjet Cell



## CHAIRMAN'S STATEMENT

### SUSPENSION DIVISION, MALAYSIA

The successful commissioning of a new state-of-the-art parabolic leaf spring manufacturing line in 2013 has further progressed our plan to become a regional OEM manufacturer. Complementing this important milestone, the company has also started supplying leaf springs to a global truck maker for their regional production. This is an important step toward achieving our objective to be global supplier.

The division's revenue increased by 6.3% from RM226.3 million in 2012 to RM240.5 million in 2013. Profit before tax, however, decreased by 32.0% to RM11.5 million compared to RM16.9 million in 2012 mainly due to additional provision for products warranty.

The division's revenue increased by 6.3% from RM226.3 million in 2012 to RM240.5 million in 2013.



The interior and plastics division accounts for almost 56.4% of the group's total gross revenue and is the largest contributor to the group in terms of revenue and profit

### INTERIOR AND PLASTICS DIVISION, MALAYSIA

The interior and plastics division accounts for almost 56.4% of the group's total gross revenue and is the largest contributor to the group in terms of revenue and profit. Having its main operations in the Bukit Beruntung area the division manufactures products that include seating system, plastic injection & extrusion components, instrument panel modules and others. In 2013, revenue increased by 28.9%, mainly due to higher production of new vehicle models in Malaysia. With the increase in revenue, the division's profit before tax increased by 21.4%.

The transition from components manufacturing to system supplier has gained traction in 2013 through the supply of Interior Modules to two major OEM's; one in the Klang Valley and the other in the North. Both of these businesses have added positively to the group.



• Exhibition Booth at Automac Brazil 2013



## CHAIRMAN'S STATEMENT

### ELECTRICAL & HEAT EXCHANGE DIVISION, MALAYSIA

In keeping up with the increasing demand for higher performance components that weight lighter and cost less, a new range of condensers and evaporators have been launched. These new products have been developed using cutting edge simulations to optimize important performance parameters. New processes have been introduced to support further operational enhancements.

Designs of new engine cooling modules and wiper systems are in the second stage of development. With their completion in 2014, these new products will bring us one step closer to becoming a tier one integrator.



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- Certificate of Appreciation from Inokom to APM Auto Electrics Sdn. Bhd. Top 5 Best Performance Vendor



- Certificate of Appreciation from Inokom to APM Plastics Sdn. Bhd



- Best Quality Improvement Year 2013 to APM Auto Electrics Sdn. Bhd.

## CHAIRMAN'S STATEMENT



*"Top Sales and Million Dollar Award, Year 2013"*

The main business of this division is the distribution of automotive components manufactured by the group for domestic and export markets.

### MARKETING DIVISION, MALAYSIA

The main business of this division is the distribution of automotive components manufactured by the group for domestic and export markets.

In the domestic market, APM's strong name has enabled us to be the dominant player in the aftermarket with over 380 dealers. Efforts are underway to further solidify our top position, through a stronger product portfolio and an enhanced marketing strategy which is strongly focused on meeting the changing expectation of customers.

With the establishment of an export-focused company, APM Auto Parts Marketing (Malaysia) Sdn Bhd and the appointment of an experience and new export marketing head, plans are underway to create the "APM" success regionally in the short term and globally in the longer term.

The gross turnover for this division accounted for about 16.0% of the group's revenue. The pretax profit decreased by 4.7% from RM12.7 million to RM12.1 million, mainly due to more competitive pricing and the challenges faced in the Euro Zone.



• APM IAC Automotive Systems Sdn. Bhd. Substrate Press



## CHAIRMAN'S STATEMENT



### OPERATIONS OUTSIDE MALAYSIA

We have established a strong presence in Malaysia and can humbly claim that APM is the largest independent automotive components manufacturer. For the continuing growth of the company, we recognize a need to venture into distant shores. APM is proud to announce our manufacturing presence in Indonesia and Vietnam.

Our leaf spring manufacturing plant in Vietnam saw significant improvements in operational efficiencies. Over 49.0% of the products manufactured are exported through the APM network.

In 2013, our Joint Venture, PT APM Armada Autoparts, divested shares in PT Armada Johnson Controls as part of the group's reorganization exercise.

Our wholly-owned suspension company, PT APM Armada Suspension, has commenced supply of coil springs to a local OEM in 2013. With the added volume, the plant was able to further improve operational efficiencies and is close to making positive contribution to profits. Discussions are underway to obtain contracts from other car makers.

Revenue from Operations Outside Malaysia for 2013 was RM39.5 million, decreased slightly by 1.5% from RM40.1 million in 2012. Pretax profit improved by 40.6% from RM6.9 million in 2012 to RM9.8 million in 2013.

We have established a strong presence in Malaysia and can humbly claim that APM is the largest independent automotive components manufacturer.

## CHAIRMAN'S STATEMENT

### PROSPECTS

The Malaysian Automotive Association (MAA) has forecasted a total industry volume of 670,000 units in 2014 which is a growth of 2.2% above the 655,793 units achieved in 2013.

The success of APM, both the OEM and REM Market is well documented. Currently about 75% of the group's turnover is contributed by local OEM's, about 10% by REM and the rest from export and overseas operations.

The group is seeking to aggressively grow businesses outside Malaysia. New production facilities will be added in Vietnam to increase product portfolio and coverage. In the coming year, a new manufacturing plant to manufacture leaf springs will be added in Indonesia. Products will be initially for the export markets, with the ultimate aim to establish a strong domestic foothold.

Dedicated teams have been formed to spearhead overseas new business development and export market growth.

Activities in Thailand are also progressing well. A subsidiary was incorporated with a licence to manufacture plastic injection and extrusion products. In addition, the company has purchased a piece of land for this operation and construction of the plant will commence soon.

Although still very much in its infancy, Myanmar could prove to be a strong engine of growth for the group. A wholly-owned subsidiary was established and a manufacturing licence for seating, suspension parts & interior systems was granted by the Myanmar authority. The company is in the process of acquiring land for housing the manufacturing plant.

The transformation, which was initiated a few years ago, from a component centric manufacturer to a tier one system provider, has taken root. The company that has been tasked to spearhead this effort, APM Engineering & Research Sdn Bhd, will have a new permanent home in Oasis Square, Ara Damansara of over 24,000 sq ft in 4th quarter 2014. Activities of this group include: Design & Development with the latest cutting edge simulation tools, technical training & talent development and realignment of manufacturing operations. With these efforts, the group will be in a better position to support growth for both the local and overseas operations. I am confident that our efforts and emphasis on technology will enable the group to exceed the success we have enjoyed so far.

### DIVIDENDS

An interim ordinary dividend of 40 sen per share less tax at 25% (2012: 10 sen less tax at 25%) amounting to RM58.71 million was paid to the shareholders on 30 September 2013.

The Board has recommended a final ordinary dividend of 12 sen per share under single tier system for the year ended 31 December 2013 (2012: 12 sen less tax at 25% and a special final ordinary dividend of 10 sen less tax at 25%) amounting to RM23.48 million based on the total number of ordinary shares outstanding as at 31 December 2013.

The amounts, if approved at the forthcoming Annual General Meeting, will result in a total dividend payment of RM82.19 million (2012: RM46.97 million) for the financial year ended 31 December 2013.

### *Acknowledgement*

The Board would like to express its appreciation to all our valued shareholders, customers, bankers and business partners for their resolute confidence in and support to the Group.

To the members of management and staff, sincere thanks for their continued dedication and commitment in sustaining the Group's performance.

Executive Chairman

## PROFILE OF THE BOARD OF DIRECTORS

### Dato' Tan Heng Chew

JP, DJMK, 67, a Malaysian

**Dato' Tan Heng Chew**, JP, DJMK, 67, a Malaysian, was the first director of the Company when it was incorporated on 26 March 1997. He was appointed the Chairman of the Board on 1 November 1999. Dato' Tan has been re-designated as Executive Chairman effective 1 January 2011.

Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and has a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong Motor Holdings Berhad ("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 Group Managing Director and also the Executive 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.

### Mr. Low Seng Chee

54, a Malaysian

**Mr. Low Seng Chee**, 54, a Malaysian, is an Executive Director appointed to the Board on 1 July 2010. He was re-designated as Executive Director and Chief Executive Officer on 1 June 2013.

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

Mr. Low has more than 25 years of working experience in high volume semiconductor production, automotive component manufacturing, vehicle assembly as well as vehicle retailing. Senior management positions held by Mr. Low included heading the operations of automotive assembly plants of several global marques in Malaysia and an Aluminum foundry supplying to the automotive and motorcycle industries.

## PROFILE OF THE BOARD OF DIRECTORS

### Dato' Tan Eng Hwa

DIMP, 59, a Malaysian

**Dato' Tan Eng Hwa**, DIMP, 59, a Malaysian, is an Executive Director. He was first appointed to the Board on 1 November 1999 as a Non-Independent Non-Executive Director. Dato' Tan was re-designated as Executive Director on 23 March 2004 and as Executive Director and Chief Operating Officer on 1 June 2013.

Dato' 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.

Dato' Tan is 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, 74, a Malaysian

**Dato' N. Sadasivan s/o N.N. Pillay**, DPMP, JSM, KMN, 74, 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 and a member of Nominating Committee. Dato' was re-designated as Senior Independent Non-Executive Director on 22 January 2013.

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 Malaysian Investment Development Authority (previously known as Malaysian Industrial Development Authority) ("MIDA") in 1968. He was with MIDA for a total of 27 years and became its Director-General in 1984. He retired from MIDA in 1995.

Dato' Sadasivan is a director of Petronas Gas Berhad. He also sits on the board of Bank Negara Malaysia.

### Dato' Haji Kamaruddin @ Abas Nordin

DSSA, KMN, 75, a Malaysian

**Dato' Haji Kamaruddin @ Abas Nordin**, DSSA, KMN, 75, a Malaysian, is an Independent Non-Executive Director. He has been a member of the Board and the Audit Committee since 1 November 1999. He was appointed as member of the Nominating Committee on 22 January 2013.

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

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



## PROFILE OF THE BOARD OF DIRECTORS

### Mr. Heng Ji Keng

66, a Malaysian

**Mr. Heng Ji Keng**, 66, a Malaysian, is an Independent Director. He joined the Board and the Audit Committee on 1 January 2011. He was appointed Chairman of the Nominating Committee on 22 January 2013.

Mr. Heng has a Bachelor of Economics (Honours) degree in Accounting from University of Malaya and a Master of Commerce from the University of New South Wales, Australia. He qualified as a chartered accountant when he was with Price Waterhouse & Co, Sydney in 1976. In 1982, he co-founded Monteiro & Heng, a public accounting firm, now known as Baker Tilly Monteiro Heng. He is also the co-founder of Ferrier Hodgson MH, the corporate recovery arm of Baker Tilly Monteiro Heng. Mr. Heng is now the Executive Chairman of Baker Tilly Monteiro Heng group, which provides a wide range of professional services such as audit and taxation, corporate advisory, forensic investigation and corporate recovery, restructuring and insolvency.

Mr. Heng is the Chairman of the Institute of Chartered Accountants in Australia (Malaysian Chapter), a Council Member of the Malaysian Institute of Accountants, a Council Member of the Malaysian Institute of Chartered Secretaries and Administrators, a Panel Member of the Disciplinary Committee of CPA Australia and a Panel Member of the Disciplinary Committee, Advocates & Solicitors Disciplinary Board.

### Mr. Siow Tiang Sae

56, a Malaysian

**Mr. Siow Tiang Sae**, 56, a Malaysian, is an Executive Director. He was appointed to the Board on 1 June 2013.

Mr. Siow graduated from Tunku Abdul Rahman College and is a member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants.

Mr. Siow has more than 28 years of experience in audit, accounting, procurement, logistic, information technology and marketing.

Mr. Siow joined Tan Chong Motor Holdings Berhad in May 1982 as Senior Internal Auditor for about three (3) years and later joined APM Automotive Holdings Berhad (APM") Group in January 1985 where he was the Accountant for certain subsidiaries of APM. He is the Senior General Manager of the Company in charge of new business development for APM Group since August 2011. Prior to this, senior positions held by Mr Siow included heading the operations of interior division and APM Auto Components USA Inc. in USA.

## PROFILE OF THE BOARD OF DIRECTORS

### Mr. Nicholas Tan Chye Seng

40, a Malaysian

**Mr. Nicholas Tan Chye Seng**, 40, a Malaysian, is a Non-Independent Non-Executive Director. He was appointed to the Board on 1 June 2013.

Mr. Nicholas Tan graduated from Boston University School of Management with a Bachelor of Science Degree. He joined Tan Chong Motor Holdings Berhad Group ("TCMH Group") in 2006 and formed the Corporate Planning and Strategic Investments Division of TCMH Group. He is an Executive Director of various operating companies involved in manufacturing, distribution, trading, retailing and financial services. He was formerly an Executive Director and Vice-President in research in investment banking prior of joining TCMH Group.

Mr. Nicholas Tan is the son of Dato' Tan Heng Chew, a director and major shareholder of the Company.

### Mr. Sow Soon Hock

56, a Malaysian

**Mr. Sow Soon Hock**, 56, a Malaysian, is an Executive Director. He was appointed to the Board on 22 November 2013.

Mr. Sow graduated from United Business Institute, Brussels with an Executive MBA. He started his career with the APM Group in 1978, rising from supervisory and managerial positions in the Suspension Division until his transfer to OEM Marketing as Senior General Manager.

In July 2006, Mr. Sow was appointed Executive Director of Marketing of APM, being responsible for the Sales and Marketing function of the Group.

Mr. Sow was re-designated as Non-Executive Director of APM in July 2009. However, he did not seek re-election at the Annual General Meeting of APM in May 2010.

Subsequent thereto, Mr. Sow was the Head of TC Manufacturing (Sabah) Sdn Bhd ("TCMS"), a subsidiary of TCMH. He joined TCMS since July 2011 and was assigned to head the Sabah new project.

#### Notes

Except for Dato' Tan Heng Chew, Dato' Tan Eng Hwa and Mr. Nicholas Tan Chye Seng, 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 convictions for offences within the past 10 years. Except as disclosed above, none of the Directors have any conflict of interest in any business arrangement involving the Company.

A summary of the attendance of the Directors at board meetings held in 2013 is set out on page 20

## 5 YEARS FINANCIAL HIGHLIGHTS

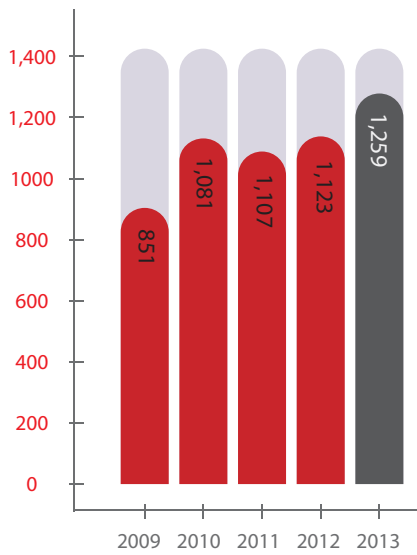
<b>RESULTS</b>	<b>2013</b> <b>(RM'000)</b>	<b>2012<sup>1</sup></b> <b>(RM'000)</b>	<b>2011<sup>1</sup></b> <b>(RM'000)</b>	<b>2010<sup>1</sup></b> <b>(RM'000)</b>	<b>2009<sup>1</sup></b> <b>(RM'000)</b>
<b>Revenue</b>	1,259,020	1,123,147	1,107,305	1,081,441	850,867
Profit before tax	177,502	159,524	172,843	179,495	98,643
Taxation	(40,634)	(34,337)	(36,959)	(39,161)	(16,365)
<b>Profit for the financial year</b>	<b>136,868</b>	<b>125,187</b>	<b>135,884</b>	<b>140,334</b>	<b>82,278</b>
Attributable to :					
Equity holders of the Company	123,789	113,602	118,093	124,489	72,651
Minority interest	13,079	11,585	17,791	15,845	9,627
<b>BALANCE SHEET</b>					
<b>Assets</b>					
Property, plant & equipments	234,123	212,477	232,968	234,247	216,768
Prepaid lease payments	14,586	15,286	6,052	6,320	4,043
Investment properties	16,617	17,002	1,177	1,217	1,257
Equity accounted investees	41,106	30,956	28,684	30,256	18,529
Intangible asset	873	474	799	936	1,549
Deferred tax assets	15,683	12,801	14,951	18,990	13,801
<b>Total non-current assets</b>	<b>322,988</b>	<b>288,996</b>	<b>284,631</b>	<b>291,966</b>	<b>255,947</b>
Current assets	891,139	831,111	771,913	698,746	588,309
<b>Total assets</b>	<b>1,214,127</b>	<b>1,120,107</b>	<b>1,056,544</b>	<b>990,712</b>	<b>844,256</b>
<b>Equity</b>					
Share capital	201,600	201,600	201,600	201,600	201,600
Reserves	727,960	698,840	640,949	556,088	453,663
Treasury shares	(12,806)	(12,796)	(12,786)	(12,776)	(12,733)
Total equity attributable to equity holders of the Company	916,754	887,644	829,763	744,912	642,530
Non-controlling interest	26,200	20,821	25,298	30,359	20,806
<b>Total equity</b>	<b>942,954</b>	<b>908,465</b>	<b>855,061</b>	<b>775,271</b>	<b>663,336</b>
Non-current liabilities	12,311	14,531	16,969	18,459	18,078
Current liabilities	258,862	197,111	184,514	196,982	162,842
<b>Total equity and liabilities</b>	<b>1,214,127</b>	<b>1,120,107</b>	<b>1,056,544</b>	<b>990,712</b>	<b>844,256</b>
<b>FINANCIAL STATISTICS</b>					
Basic earning per share(sen)	63.26	58.05	60.30	63.60	36.90
Gross dividend per share (sen)	52.00	32.00	32.00	20.00	16.00
Net assets per share (RM)	4.68	4.54	4.24	3.81	3.28
Return on shareholders equity (%)	13.72	13.23	15.00	17.95	11.78

1. Comparative figures have been restated to take into account the effects of:

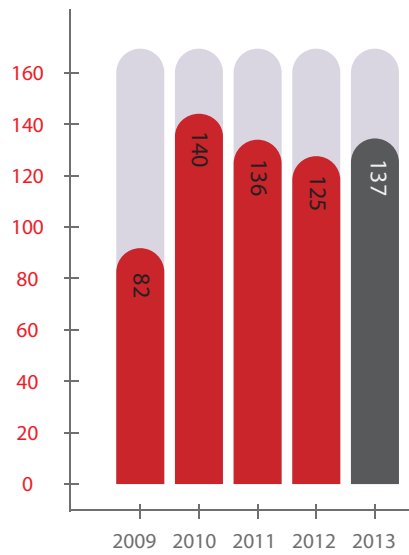
- i. Adoption of MFRS 10 Consolidated Financial Statement, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities on 1 January 2013.
- ii. Interests in some of the joint ventures are deconsolidated to the equity method.

## 5 YEARS FINANCIAL HIGHLIGHTS

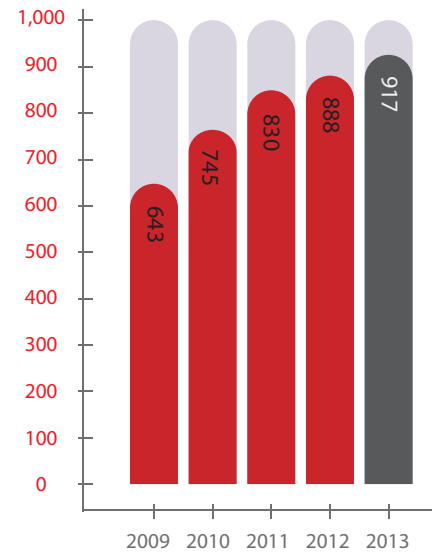
**Revenue**  
RM' million



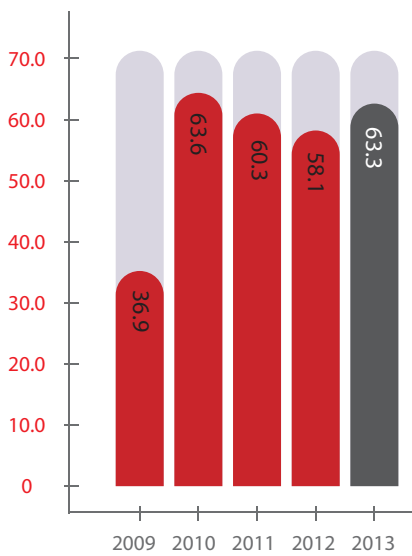
**Profit For The Financial Year**  
RM' million



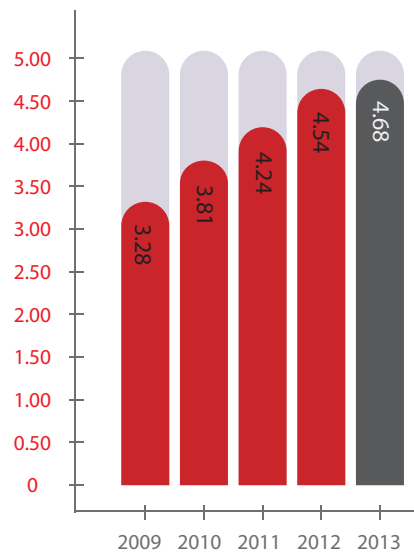
**Net Assets**  
RM' million



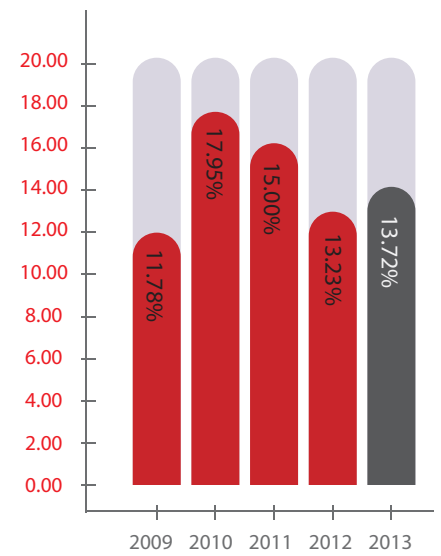
**Basic Earning Per Share**  
Sen



**Net Assets Per Share**  
RM



**Return On Equity holders**  
Percentage





## CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee and Nominating Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

#### *(i) Board Charter*

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

Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestitures, as well as monitoring of the Group’s financial and operating performance. Such delineation of roles is clearly set out in the Board Charter, which serves as a reference point for Board activities. The Board Charter provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. The salient features of the Board Charter are publicly available on the Company’s website at [www.apm.com.my](http://www.apm.com.my) in line with Recommendation 1.7 of the MCCG 2012.

## CORPORATE GOVERNANCE STATEMENT

### (ii) Code of Ethics

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

The Board has also formalized a Special Complaint Policy, which is equivalent to whistle-blowing policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

### (iii) Sustainability of Business

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

The Group's activities on corporate social responsibility for the financial year under review are disclosed on page 24 of this Annual Report.

### (iv) Access to Information and Advice

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

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

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

## Principle 2 - Strengthen Composition of the Board

During the financial year under review, the Board consisted of nine (9) members, comprising one (1) Executive Chairman, four (4) Executive Directors and four (4) Non-Executive Directors of which three (3) are Independent Directors. This composition fulfills the requirements as set out under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out on pages 10 to 13 of this Annual Report. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as engineering, finance; accounting and audit; and marketing and operations.

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

On 22 January 2013, the Board established a Nominating Committee as it recognizes the importance of the roles the Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Committee can assist the Board to discharge its fiduciary and leadership functions. The Nominating Committee comprises the following members:

- Heng Ji Keng (Chairman of Committee and Independent Non-Executive Director).
- Dato' N. Sadasivan s/o N.N. Pillay (Senior Independent Non-Executive Director);
- Dato' Haji Kamaruddin@Abas bin Nordin (Independent Non-Executive Director);

## CORPORATE GOVERNANCE STATEMENT

The Board has stipulated specific terms of reference for the Nominating Committee, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programs for the Board. The terms of reference require the Nominating Committee to review annually the required mix of skills and experience of Directors; succession plans and board diversity, including gender diversity; training courses for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Committee is also entrusted to assess annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director. Insofar as board diversity is concerned, the Board does not have a specific policy on setting target number for women candidates. The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

The Nominating Committee shall meet at least once (1) a year or more frequently as deemed necessary by the Chairman. During the financial year under review, the Nominating Committee held six (6) meetings including a meeting that considered and recommended the extension of service contract of the Executive Chairman. All members attended the meetings.

On 19 November 2013, the Nominating Committee met to review and assess the effectiveness of the Board as a whole, the Board Committee and the performance of individual Directors as well as to assess the independence of the Independent Directors based on the self and peer assessment approach. In assessing the Individual Directors' performance, the Nominating Committee considered, inter-alia, the contribution, performance, competency, personality, integrity and time commitment of each Director to effectively discharge his role as a Director of the Company. From the results of the assessment, including the mix of skills and experience possessed by the Directors, and based on the Nominating Committee's recommendation, the Board recommended the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting. The Nominating Committee also assessed the training needs of each Director of the Company and recommended suitable training courses for the Directors.

### (ii) Directors' Remuneration

The Board is of the view that the existing remuneration guidelines formulated by drawing upon the wealth of experience of all the Directors on the Board would be more effective and therefore, a Remuneration Committee is currently not required. The Board, as a whole, determines and recommends the remuneration packages of Independent Non-Executive Directors subject to an aggregate amount not exceeding RM350,000 per annum, the sum of which was approved by shareholders at the 13th Annual General Meeting of the Company in 2010 and Executive Directors with the Directors concerned abstaining from discussions on their individual remuneration.

The remuneration policy of the Group essentially seeks to attract, retain and motivate employees of all levels, including Executive Directors, to contribute positively towards the Group's performance.

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

The aggregate remuneration of the Directors for the financial year ended 31 December 2013 are as follows:

	<b>Fees</b>	<b>Salaries and allowances</b>	<b>Bonus</b>	<b>Benefits-in-kind</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Executive Directors	-	4,970,742.19	1,809,672.00	212,410.37
Non-Executive Directors	255,850.00	49,400.00	-	-

## CORPORATE GOVERNANCE STATEMENT

The number of Directors of the Company [including former Directors who resigned/retired from the Company during the year] whose total remuneration including benefits-in-kind for the financial year ended 31 December 2013 which fall within the required disclosure bands are as follows:

Range of Remuneration	Executive	Non-Executive
RM50,000.00 and below	-	4
RM50,001 to RM100,000	-	3
RM600,001 to RM650,000	1	-
RM1,200,001 to RM1,250,000	2	-
RM1,450,001 to RM1,500,000	1	-
RM2,450,001 to RM2,500,000	1	-

### Principle 3 – Reinforce Independence of the Board

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

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

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

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

The Nominating Committee assesses the independence of the Independent Non-Executive Directors based on criteria set out in the Listing Requirements of Bursa. The Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director and thereafter he may be re-designated as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nominating Committee is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence adopted by the Board.

Following an assessment and recommendation by the Nominating Committee, the Board recommended that Dato' N Sadasivan and Dato' Haji Kamaruddin @ Abas Nordin whom have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as at the end of the financial year under review, be retained as an Independent Non-Executive Director, subject to shareholders' approval at the forthcoming Annual General Meeting. Key justifications for retaining them as Independent Non-Executive Director are as follows:

- they fulfill the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa and, therefore, is able to bring independent and objective judgment to the Board;
- their experience in the relevant industries enable them to provide the Board and Audit Committee, as the case may be, with pertinent and a diverse set of expertise, skills and competence; and
- they have been with the Company long and therefore understands the Company's business operations which enable them to contribute actively and effectively during deliberations or discussions at Audit Committee and Board meetings, as the case may be.



## CORPORATE GOVERNANCE STATEMENT

### Principle 4 – Foster commitment of Directors

The Board ordinarily meets at least five (5) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members at least seven (7) days before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings. During the financial year under review, the Board convened seven (7) Board meetings and the Directors' attendance at the Board Meetings were as follows:-

Name	Attendance
Dato' Tan Heng Chew	6/7
Dato' Tan Eng Hwa	7/7
Low Seng Chee	7/7
Dato' N Sadasivan	7/7
Dato' Haji Kamaruddin @ Abas Nordin	7/7
Heng Ji Keng	6/7
Siow Tiang Sae ( <i>Appointed on 1 June 2013</i> )	2/3
Nicholas Tan Chye Seng ( <i>Appointed on 1 June 2013</i> )	3/3
Sow Soon Hock ( <i>Appointed on 11 November 2013</i> )	1/1

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

#### *Directors' Training – Continuing Education Programmes*

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

All Directors have completed the Mandatory Accreditation Programme. During the financial year under review, all Directors attended development and training programmes. The continuous education programmes attended by the Directors during the financial year ended 31 December 2013 include the following:-

Name	Training Attended
Dato' Tan Heng Chew	KPMG: Malaysian Financial Reporting Standards (MFRS) Updates 2013 Seminar Tan Chong Group: Highlights of 2014 Budget and GST Briefing
Dato' Tan Eng Hwa	<ul style="list-style-type: none"> <li>• Updates on Relevant Acts &amp; Practical Issues #3</li> <li>• Compliance Issues &amp; Common Offences under the Companies Act, 1965</li> <li>• The 9th Tricor Tax and Corporate Seminar</li> </ul>
Low Seng Chee	<ul style="list-style-type: none"> <li>• Malaysian Financial Reporting Standard (MFRS Update)</li> <li>• The 9th Tricor Tax and Corporate Seminar</li> </ul>
Dato' N Sadasivan	<ul style="list-style-type: none"> <li>• Audit Committee Conference 2013 – Powering for Effectiveness</li> <li>• Breakfast Session with Board Chairman: Discussion on Corporate Governance Practices</li> <li>• Corporate Integrity Advocacy Programme – themed “Designing Corruption Out of the Business Eco-System”</li> </ul>

## CORPORATE GOVERNANCE STATEMENT

Name	Training Attended
Dato' Haji Kamaruddin @Abas bin Nordin	<ul style="list-style-type: none"> <li>• Director Duties, Regulatory Updates &amp; Governance Seminar for Directors of PLCs 2013</li> <li>• Corporate Directors Advanced programme (CDAP) 2013: Strategy &amp; Risks</li> <li>• Goods and Service Tax (GST) Briefing Session</li> <li>• Sustainability Training for Directors &amp; Practitioners</li> <li>• Corporate Governance / Enterprise Risk Management</li> <li>• Personal Data Protection Act, 2010</li> <li>• Competition Act 2010</li> <li>• Nominating Committee Programme</li> <li>• Audit Committee Seminar 2013 – “Improving Audit Committee Effectiveness”</li> <li>• Future of Corporate Reporting</li> <li>• ASEAN CG Scorecard (Special Session)</li> <li>• Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers</li> <li>• Khazanah Megatrends Forum 2013</li> <li>• World Capital Markets Symposium 2013</li> <li>• The 9th Tricor Tax and Corporate Seminar</li> </ul>
Heng Ji Keng	<ul style="list-style-type: none"> <li>• Financial Reporting Frameworks in Malaysia &amp; MASB Exposure Draft 72</li> <li>• Updates of Standards Related to Consolidation, Fair Value Measurement &amp; Other MFRSs effective on 1 Jan 2013</li> <li>• Malaysian Financial Reporting Standards 2013 A Technical Brief</li> <li>• MAICSA Annual Conference 2013</li> <li>• 2013 World Conference</li> <li>• Baker Tilly Monteiro Heng Tax Budget Seminar</li> <li>• CTIM Tax Budget Seminar</li> <li>• MIA Conference</li> </ul>
Siow Tiang Sae	<ul style="list-style-type: none"> <li>• Personal Data Protection Act 2010</li> <li>• GST – Goods and Service Tax for Malaysia</li> <li>• Work Ethics for Effective Management</li> <li>• Mandatory Accreditation Programme</li> </ul>
Nicholas Tan Chye Seng	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> </ul>
Sow Soon Hock	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> </ul>

The Company Secretaries normally circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference. The Group Financial Controller and External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programs to further enhance their skills and knowledge in the discharge of their stewardship role.

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

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Executive Chairman's statement and review of the Group's operations in the Annual Report, where relevant.

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

## CORPORATE GOVERNANCE STATEMENT

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Dato N Sadasivan as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report on pages 27 to 29 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 1965, as the case may be. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

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

In assessing the independence of external auditors, the Audit Committee received a written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

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

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 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. The Group has, however, established a Group Risk Management Committee ("GRMC"), which functions to create risk awareness and examine the identified risks. The risk responses and internal controls that Management has taken and/ or is taking are documented in the minutes of the GRMC meetings.

The identified risks are periodically reviewed by the Board through the Audit Committee, which informs the Board on the progress of the mitigation plans for each key business risks identified.

In line with the MCGG 2012 and the Listing Requirements of Bursa, the Company has in place a Systems & Internal Audit ("SIA") function, which reports directly to the Audit Committee on the effectiveness of the current system of internal controls from the perspectives of governance, risks and controls. All internal audits carried out are guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc, a globally recognised professional body for internal auditors. The in-house SIA function is independent of the activities it audits and the scope of work covered by the SIA during the financial year under review is provided in the Audit Committee Report set out on pages 27 to 29 of this Annual Report.

### **Principle 7 – Ensure timely and high quality disclosure**

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board is taking steps to formalise pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

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

## CORPORATE GOVERNANCE STATEMENT

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

#### (i) *Shareholder participation at general meeting*

The Annual General Meeting (“AGM”), which is the principal forum for shareholder dialogue, allows shareholders to review the Group’s performance via the Company’s Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group’s operations in general. At the last AGM, a question & answer session was held where the Chairman invited shareholders to raise questions with responses from the Board and Senior Management.

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day.

#### (ii) *Communication and engagement with shareholders and investors*

The Board recognises the importance of being transparent and accountable to the Company’s investors. The Company will hold group and individual discussions with analysts, institutional shareholders, and investment communities, at their request, with the view to fostering greater understanding of the business of the Group. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group’s website at [www.apm.com.my](http://www.apm.com.my) where shareholders can access corporate information, annual reports, press releases, financial information, and company announcements. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. [apmah@apm.com.my](mailto:apmah@apm.com.my) to which stakeholders can direct their queries or concerns.

This Statement is dated 8 April 2014

## OTHER STATEMENTS AND DISCLOSURES

### 1. Share Buy-Back

During the financial year ended 31 December 2013, 2,000 ordinary shares of RM1.00 each were repurchased as treasury shares at a total consideration of RM10,675.18. All the said repurchased shares were retained as treasury shares and none of the repurchased shares was resold or cancelled during the financial year ended 31 December 2013.

The details of the shares bought back during the financial year ended 31 December 2013 are 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)
March 2013	1,000	5.00	5.00	5.00	5,046.50
August 2013	1,000	5.58	5.58	5.58	5,628.68
Total	2,000				10,675.18

### 2. Internal Audit Function

The Group has an in-house Internal Audit and management fees charged to subsidiaries for performing this function for financial year ended 31 December 2013 was RM420,345.00.

### 3. Non-Audit Fees

The amount of non-audit fees paid by the Company to its external auditors or a firm or company affiliate to the external auditors during the financial year ended 31 December 2013 was RM1,244,887.00.

### 4. Material Contracts

There were no material contracts of the Company and its subsidiaries involving directors' and major shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year ended 31 December 2013.

### 5. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The details of related party transactions undertaken by the Group during the financial year ended 31 December 2013 as stated in note 31 of the financial statements on page 79 to 81 of this Annual Report.

### Disclosure on Corporate Social Responsibility ("CSR")

The Group is aware of its corporate social responsibilities and has always made CSR an integral part of the way it conducts its businesses. The various activities carried out during the year reflect the Group's commitment towards CSR, in particular the environment, occupational safety and health as well as welfare of its employees and the community.

The APM Education Awards for 2013 benefited employees whose children secured places in institutions of higher learning in Malaysia. As for the community, the Group continued to donate to several children and welfare homes.

Full compliance with the requirements of applicable laws and regulations related to the environment has always been an important policy of the Group. The Group will continue to strive to be environmental friendly in conducting its business.

The Group is committed to provide and ensure a safe and healthy environment at all times. It continues to implement various ongoing safety and health programmes and to educate employees on the various aspects of safety practices. The Group will continue to emphasise on the importance of safety and health at the work place.

## INTERNAL CONTROL STATEMENT

The Board of Directors recognises the importance of the Principles and Recommendations promulgated by the Malaysian Code on Corporate Governance 2012. As such, the Board is committed to maintaining a sound system of risk management and internal control to safeguard the Group's assets and shareholders' investments. As required under Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), the Board is pleased to provide the Internal Control Statement which outlines the nature and scope of internal control of the Group for 2013.

### BOARD'S RESPONSIBILITY

The Board of Directors acknowledges its ultimate responsibility for maintaining as well as reviewing the adequacy and integrity of the Group's risk management and internal control system. 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 risk management and internal control in the Group. The Audit Committee is assisted by the Group's in-house Internal Audit department, which carries out systematic reviews of the system of risk management and internal control of the Group and also the extent of compliance with the Group's operating policies and procedures. Audit reports and plan status are submitted to Audit Committee for review on a quarterly basis. Included in the reports are recommended corrective measures on findings identified for implementation by Management.

The membership of the Audit Committee, summary of its terms of reference and activities are set out on pages 27 to 29 of the Annual Report.

### RISK MANAGEMENT

Risk management is an integral part of the Group's business operations. The Group has implemented a risk management framework and established a process for the identification, evaluation and reporting of the major risks within the Group.

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. The Internal Audit department reviews 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 are presented in the Group Risk Management Committee meetings. In addition, Internal Audit department also provides training support to subsidiaries upon request or where necessary, to ensure that the established risk management process is carried out.

Continuous efforts are taken 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.

Business continuity management is regarded as an integral part of the Group's risk management process. In order to minimise potential disruption to business and operations, certain business units have been identified to implement business continuity plans.



## INTERNAL CONTROL STATEMENT

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- The executive directors manage the businesses and hold dialogues with senior management of the various subsidiaries;
- There are defined delegation of responsibilities and 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 the EMC’s limits of authority are referred to the Board for approval;
- The Board meets at least quarterly to discuss the performance of the Group and other major issues. The year end financial statements and the announcements of the quarterly results are reviewed by the Audit Committee before the Board’s approval and release to Bursa Malaysia; 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.

This Risk Management and Internal Control System has not dealt with associate companies and jointly controlled entities where the Group does not have full management over them. However, the Group’s interest is served through representations on the Board of the respective associate companies and jointly controlled entities.

The Board, with the assistance of the Audit Committee reviews the adequacy and integrity of the system of risk management and internal control. The Board is of the view that there have been no material losses incurred during the financial year under review as a result of weaknesses in the risk management and internal control system.

Management has also provided the relevant assurance to the Board, stating that the Group’s risk management and internal control system is operating adequately and effectively in all material aspects. The Board is of the view that the risk management and internal control system is sound and sufficient to provide reasonable assurance in safeguarding the interests of shareholders investment and the Group’s assets.

## AUDIT COMMITTEE REPORT

The Audit Committee ("**AC**") was formed on 1 November 1999. The current terms of reference of the AC, were adopted by the Board of Directors at a meeting held on 22 January 2013.

### Composition and Meetings

The members of the AC and their attendance at the AC Committee meetings held during the financial year ended 31 December 2013 were as follows:

Name	Attendance
<b>Dato' N Sadasivan, Chairman</b> , <i>Senior Independent Non-Executive</i>	7/7
<b>Dato' Haji Kamaruddin @ Abas Nordin</b> , <i>Independent Non-Executive</i>	6/7
<b>Heng Ji Keng</b> , <i>Independent Non-Executive</i>	7/7

### Terms of Reference

#### Membership

The AC shall be appointed by the Board from amongst the directors and must be composed of no fewer than three (3) members. All AC members must be non-executive directors with a majority of them being independent directors. The AC 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 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

No alternate director shall be appointed a member of the AC. The members of the AC shall elect a Chairman from among their number who shall be an independent director. In the event of any vacancy in the AC, which results in a breach in the Main Market Listing Requirements of Bursa Malaysia ("**Listing Requirements**"), the vacancy must be filled within three (3) months. The term of office and performance of the AC and each of its members shall be reviewed by the Board at least once every three (3) years.

#### Authority

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

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

## AUDIT COMMITTEE REPORT

### **Functions**

The functions of the AC shall be, amongst others, to –

1. review the following and report the same to the Board:
  - a) the audit plan, the evaluation of the system of internal control and the audit report with the external auditor as well as the assistance given by the employees of the Company/Group to the external auditor;
  - b) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - c) the internal audit programme and processes, ensuring adoption of standards established by professional bodies, and the results of the same or investigations undertaken and whether appropriate action is taken on the recommendations of the internal audit function;
  - d) 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;
  - e) 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;
  - f) assess, review and monitor the suitability and independence of the external auditors, including obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
  - g) policy on non-audit services which may be provided by the external auditors and conditions and procedures which must be adhered by the external auditors in the provision of such services;
  - h) any letter of resignation from external auditor; and
  - i) whether there is reason to believe that the external auditor is not suitable for re-appointment;
2. recommend the nomination of person or persons as external auditor;
3. 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;
4. approval of non-audit services provided by external auditors; and
5. any other function as may be required by the Board from time to time.

### **Conduct of Meetings**

The Chairman shall call for meetings to be held not less than four times a year. Any member of the AC 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 (7) 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 AC. 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.

## AUDIT COMMITTEE REPORT

### Reporting Procedures

The company secretaries shall record the proceedings of meetings. Minutes shall be circulated to all members of the Board. The AC 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 AC must promptly 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 AC 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 AC also reviewed related party transactions on quarterly basis, the internal audit plan for the year, all the Group's internal audit and risk management reports.

### SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The principal role of the internal audit function, which is performed in-house, is to undertake regular independent review and appraisal on the effectiveness of the Group's system of internal control. It reports directly to the AC, which reviews and approves its annual audit plan.

During the year ended 31 December 2013, the internal audit function undertook audit visits to major subsidiaries of the Group aimed at providing reasonable assurance that the relevant internal control activities were operating satisfactorily and that the subsidiaries had complied with the Group's established policies and procedures. In addition, it also performed ad hoc investigations as well as routine year end reviews such as annual stock takes, recurrent related party transactions and its pricing reviews. The audit findings were reported to the AC and forwarded to 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.

Lastly, the internal audit function assisted the Group Risk Management Committee in discharging its responsibilities by ensuring that the on-going risk management process had been duly accomplished.

## DIRECTORS' RESPONSIBILITY STATEMENT

for the 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 2013, 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.

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

# Financial Statements

**32**

**DIRECTORS'  
REPORT**

**36**

**STATEMENTS OF  
FINANCIAL  
POSITION**

**38**

**STATEMENTS OF PROFIT  
OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**40**

**CONSOLIDATED  
STATEMENT OF  
CHANGES IN EQUITY**

**41**

**STATEMENT OF  
CHANGES IN EQUITY**

**42**

**STATEMENTS  
OF CASH FLOWS**

**44**

**NOTES TO THE  
FINANCIAL  
STATEMENTS**

- 100 **Statement by Directors**
- 100 **Statutory Declaration**
- 101 **Independent Auditors' Report**



## DIRECTORS' REPORT

for the year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

### 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 32 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	123,789	136,377
Non-controlling interests	13,079	-
	136,868	136,377

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial 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 12 sen per ordinary share less tax at 25% totalling RM17,612,000 (9.00 sen net per ordinary share) in respect of the financial year ended 31 December 2012 on 28 June 2013;
- b) a special final ordinary dividend of 10 sen per ordinary share less tax at 25% totalling RM14,677,000 (7.50 sen net per ordinary share) in respect of the financial year ended 31 December 2012 on 28 June 2013;
- c) an interim ordinary dividend of 10 sen per ordinary share less tax at 25% totalling RM14,677,000 (7.50 sen net per ordinary share) in respect of the financial year ended 31 December 2013 on 30 September 2013; and
- d) a special interim ordinary dividend of 30 sen per ordinary share less tax at 25% totalling RM44,030,000 (22.50 sen net per ordinary share) in respect of the financial year ended 31 December 2013 on 30 September 2013.

The directors now recommend the declaration of final ordinary dividend of 12 sen per ordinary share under single-tier system totalling RM23,483,000 in respect of the financial year ended 31 December 2013. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

**DIRECTORS' REPORT**

for the year ended 31 December 2013

**Directors of the Company**

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

Dato' Tan Heng Chew  
 Dato' Tan Eng Hwa  
 Low Seng Chee  
 Dato' N. Sadasivan s/o N.N. Pillay  
 Dato' Haji Kamaruddin @ Abas Nordin  
 Heng Ji Keng  
 Siow Tiang Sae (appointed on 1.6.2013)  
 Nicholas Tan Chye Seng (appointed on 1.6.2013)  
 Sow Soon Hock (appointed on 11.11.2013)  
 Tan Eng Soon (resigned on 22.5.2013)  
 Dr. Fun Woh Peng (resigned on 1.6.2013)  
 Azman Badrillah (resigned on 1.6.2013)

**Directors' interests in shares**

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

	Number of ordinary shares of RM1 each			At 31.12.2013
	At 1.1.2013/ date of appointment	Bought	Sold	
<i>Shareholdings in which Directors have direct interests:</i>				
Interest in the Company:				
Dato' Tan Heng Chew	5,359,999	565,000	-	5,924,999
Dato' Tan Eng Hwa	207,008	-	-	207,008
Dato' Haji Kamaruddin @ Abas Nordin	5,448	-	-	5,448
Nicholas Tan Chye Seng (appointed on 1.6.2013)	-	163,000	-	163,000
Siow Tiang Sae (appointed on 1.6.2013)	2,050	-	-	2,050

*Shareholdings in which Directors have deemed interest in the Company*

Interest in the Company:

Dato' Tan Heng Chew	99,034,290*	2,163,000	(4,656,555)	96,540,735
Dato' Tan Eng Hwa	15,267,728*	-	-	15,267,728

\* Including interests of spouse and child by virtue of Section 134(12)(c) of the Companies Act, 1965.

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

None of the other Directors holding office at 31 December 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' REPORT

for the year ended 31 December 2013

### Directors' benefits

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

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

### Issue of shares and debentures

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

### Treasury shares

During the financial year, the Company repurchased 2,000 of its issued ordinary shares from the open market at an average price of RM5.34 per ordinary share. The total consideration paid for the repurchase including transaction costs was RM10,675. The ordinary shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2013, the Company held as treasury shares a total of 5,912,000 of its 201,600,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM12,806,000 and further relevant details are disclosed in Note 16 to the financial statements.

### Options granted over unissued shares

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

### Other statutory information

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

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

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

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

**DIRECTORS' REPORT**

for the year ended 31 December 2013

**Other statutory information (continued)**

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, except for the provision of warranties as disclosed in Note 24 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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:

.....  
**Low Seng Chee**

.....  
**Dato' Tan Eng Hwa**

Kuala Lumpur,  
Date: 8 April 2014

## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

	Note	31.12.2013 RM'000	Group 31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated	Company 31.12.2013 RM'000	31.12.2012 RM'000
<b>Assets</b>						
Property, plant and equipment	3	234,123	212,477	232,968	842	1,348
Prepaid lease payments	4	14,586	15,286	6,052	-	-
Investment properties	5	16,617	17,002	1,177	-	-
Investments in subsidiaries	6	-	-	-	355,745	342,439
Investment in an associate	7	8,455	-	-	-	-
Investments in joint ventures	8	32,651	30,956	28,684	-	-
Intangible assets	9	873	474	799	-	-
Deferred tax assets	10	15,683	12,801	14,951	73	159
<b>Total non-current assets</b>		<b>322,988</b>	<b>288,996</b>	<b>284,631</b>	<b>356,660</b>	<b>343,946</b>
Inventories	11	229,062	167,627	156,110	-	-
Current tax assets		3,527	4,492	5,036	647	1,171
Trade and other receivables, including derivatives	12	277,755	216,287	201,382	48,140	40,633
Deposits and prepayments	13	74,379	17,796	14,376	73	820
Cash and cash equivalents	14	306,416	424,909	385,531	3,215	3,136
Assets classified as held for sale	15	-	-	9,478	-	-
<b>Total current assets</b>		<b>891,139</b>	<b>831,111</b>	<b>771,913</b>	<b>52,075</b>	<b>45,760</b>
<b>Total assets</b>		<b>1,214,127</b>	<b>1,120,107</b>	<b>1,056,544</b>	<b>408,735</b>	<b>389,706</b>
<b>Equity</b>						
Share capital		201,600	201,600	201,600	201,600	201,600
Reserves		727,960	698,840	640,949	213,195	167,879
Treasury shares		(12,806)	(12,796)	(12,786)	(12,806)	(12,796)
<b>Total equity attributable to owners of the Company</b>		<b>916,754</b>	<b>887,644</b>	<b>829,763</b>	<b>401,989</b>	<b>356,683</b>
<b>Non-controlling interests</b>		<b>26,200</b>	<b>20,821</b>	<b>25,298</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	16	<b>942,954</b>	<b>908,465</b>	<b>855,061</b>	<b>401,989</b>	<b>356,683</b>
<b>Liabilities</b>						
Employee benefits	17	10,301	13,187	14,204	615	1,257
Deferred tax liabilities	10	2,010	1,344	2,765	-	-
<b>Total non-current liabilities</b>		<b>12,311</b>	<b>14,531</b>	<b>16,969</b>	<b>615</b>	<b>1,257</b>
Loans and borrowings	18	12,847	20,570	18,467	-	-
Provisions	19	23,547	9,364	8,854	-	-
Trade and other payables, including derivatives	20	215,851	163,609	153,767	6,131	31,766
Current tax liabilities		6,617	3,568	3,426	-	-
<b>Total current liabilities</b>		<b>258,862</b>	<b>197,111</b>	<b>184,514</b>	<b>6,131</b>	<b>31,766</b>
<b>Total liabilities</b>		<b>271,173</b>	<b>211,642</b>	<b>201,483</b>	<b>6,746</b>	<b>33,023</b>
<b>Total equity and liabilities</b>		<b>1,214,127</b>	<b>1,120,107</b>	<b>1,056,544</b>	<b>408,735</b>	<b>389,706</b>

The notes on pages 44 to 99 are an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

(In US\$ Equivalent) as at 31 December 2013

	31.12.2013 US\$'000	Group 31.12.2012 US\$'000 Restated	1.1.2012 US\$'000 Restated
<b>Assets</b>			
Property, plant and equipment	71,346	64,750	70,994
Prepaid lease payments	4,445	4,658	1,844
Investment properties	5,064	5,181	359
Investment in an associate	2,577	-	-
Investment in joint ventures	9,950	9,434	8,741
Intangible assets	266	144	244
Deferred tax assets	4,779	3,901	4,556
<b>Total non-current assets</b>	<b>98,427</b>	<b>88,068</b>	<b>86,738</b>
Inventories	69,804	51,083	47,573
Current tax assets	1,075	1,369	1,535
Trade and other receivables, including derivatives	84,643	65,911	61,369
Deposits and prepayments	22,666	5,423	4,381
Cash and cash equivalents	93,377	129,486	117,486
Assets classified as held for sale	-	-	2,888
<b>Total current assets</b>	<b>271,565</b>	<b>253,272</b>	<b>235,232</b>
<b>Total assets</b>	<b>369,992</b>	<b>341,340</b>	<b>321,970</b>
<b>Equity</b>			
Share capital	61,435	61,435	61,435
Reserves	221,838	212,963	195,322
Treasury shares	(3,902)	(3,899)	(3,896)
<b>Total equity attributable to equity holders of the Company</b>	<b>279,371</b>	<b>1,270,499</b>	<b>252,861</b>
<b>Non-controlling interest</b>	<b>7,984</b>	<b>6,345</b>	<b>7,709</b>
<b>Total equity</b>	<b>287,355</b>	<b>276,844</b>	<b>260,570</b>
<b>Liabilities</b>			
Employee benefits	3,139	4,019	4,328
Deferred tax liabilities	613	410	843
<b>Total non-current liabilities</b>	<b>3,752</b>	<b>4,429</b>	<b>5,171</b>
Loans and borrowings	3,915	6,268	5,628
Provisions	7,176	2,854	2,698
Trade and other payables, including derivatives	65,778	49,858	46,859
Current tax liabilities	2,016	1,087	1,044
<b>Total current liabilities</b>	<b>78,885</b>	<b>60,067</b>	<b>56,229</b>
<b>Total liabilities</b>	<b>82,637</b>	<b>64,496</b>	<b>61,400</b>
<b>Total equity and liabilities</b>	<b>369,992</b>	<b>341,340</b>	<b>321,970</b>

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

The figure are converted from RM into US\$ equivalent using the exchange rate of RM 3.2815 = US\$ 1.00 which approximates that prevailing on 31 December 2013.



## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Revenue	21	1,259,020	1,123,147	141,521	19,302
Cost of sales		(992,476)	(893,959)	-	-
<b>Gross profit</b>		266,544	229,188	141,521	19,302
Other income		8,732	8,887	39	96
Distribution expenses		(40,953)	(25,382)	-	-
Administration expenses		(71,801)	(62,847)	(4,965)	(11,651)
Other expenses		(4,408)	(5,395)	(80)	-
<b>Results from operating activities</b>		158,114	144,451	136,515	7,747
Finance costs	22	(339)	(597)	(151)	(63)
Finance income	23	10,311	11,388	993	1,159
<b>Net finance income</b>		9,972	10,791	842	1,096
Share of profit of associate, net of tax		448	-	-	-
Share of profit of joint ventures, net of tax		8,968	4,282	-	-
<b>Profit before tax</b>	24	177,502	159,524	137,357	8,843
Income tax expense	26	(40,634)	(34,337)	(980)	(2,201)
<b>Profit for the year</b>		136,868	125,187	136,377	6,642
<b>Other comprehensive (expense)/income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of defined benefit liability/(asset)		1,635	-	(65)	-
<b>Items that will be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		(5,308)	(5,991)	-	-
<b>Other comprehensive expense for the year</b>	27	(3,673)	(5,991)	(65)	-
<b>Total comprehensive income for the year</b>		133,195	119,196	136,312	6,642
<b>Profit attributable to:</b>					
Owners of the Company		123,789	113,602	136,377	6,642
Non-controlling interests		13,079	11,585	-	-
<b>Profit for the year</b>		136,868	125,187	136,377	6,642
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		120,116	107,711	136,312	6,642
Non-controlling interests		13,079	11,485	-	-
<b>Total comprehensive income for the year</b>		133,195	119,196	136,312	6,642
Basic earnings per ordinary share (sen)	28	63.3	58.1		

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In US\$ Equivalent ) for the year ended 31 December 213)

	Group	
	2013 US\$'000	2012 US\$'000 Restated
Revenue	383,672	3 42,266
Cost of sales	(302,446)	(272,424)
<b>Gross profit</b>	81,226	69,842
Other income	2,661	2,708
Distribution expenses	(12,480)	(7,734)
Administration expenses	(21,881)	(19,152)
Other expenses	(1,343)	(1,644)
<b>Results from operating activities</b>	48,183	44,020
Finance costs	(103)	(182)
Finance income	3,142	3,470
<b>Net finance income</b>	3,039	3,288
Share of profit of associate, net of tax	137	-
Share of profit of joint ventures, net of tax	2,733	1,305
<b>Profit before tax</b>	54,092	48,613
Income tax expense	(12,383)	(10,464)
<b>Profit for the year</b>	41,709	38,149
<b>Other comprehensive (expense)/income, net of tax</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability/(asset)	498	-
<b>Items that will be reclassified subsequently to profit or loss</b>		
Foreign currency translation differences for foreign operations	(1,617)	(1,826)
<b>Other comprehensive expense for the year</b>	(1,119)	(1,826)
<b>Total comprehensive income, for the year</b>	40,590	36,323
<b>Profit attributable to :</b>		
Owners of the Company	37,723	34,619
Non-controlling interests	3,986	3,530
<b>Profit for the year</b>	41,709	38,149
<b>Total comprehensive income attributable to :</b>		
Owners of the Company	36,604	32,823
Non-controlling interests	3,986	3,500
<b>Total comprehensive income for the year</b>	40,590	36,323
Basic earnings per ordinary share (cent)	19.3	17.7

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

The figure are converted from RM into US\$ equivalent using the exchange rate of RM 3.2815 = US\$ 1.00 which approximates that prevailing on 31 December 2013.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Group	Note	← Attributable to the owners of the Company →					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Shares premium RM'000	Translation reserve RM'000	Retained earnings RM'000			
<b>At 1 January 2012</b>		201,600	(12,786)	17,898	(943)	623,994	829,763	25,298	855,061
Foreign currency translation differences for foreign operations		-	-	-	(5,891)	-	(5,891)	(100)	(5,991)
Profit for the year		-	-	-	-	113,602	113,602	11,585	125,187
<b>Total comprehensive income for the year</b>		-	-	-	(5,891)	113,602	107,711	11,485	119,196
Own shares acquired		-	(10)	-	-	-	(10)	-	(10)
Subscription of shares in a subsidiary by non-controlling interest		-	-	-	-	-	-	1,920	1,920
Dividends to owners of the Company									
- Final 2011 ordinary	29	-	-	-	-	(17,612)	(17,612)	-	(17,612)
- Special final 2011 ordinary	29	-	-	-	-	(14,677)	(14,677)	-	(14,677)
- Interim 2012 ordinary	29	-	-	-	-	(14,677)	(14,677)	-	(14,677)
Dividends to non-controlling interest		-	-	-	-	-	-	(15,166)	(15,166)
<b>Total transactions with owners of the Company</b>		-	(10)	-	-	(46,966)	(46,976)	(13,246)	(60,222)
Acquisition of non-controlling interest in a subsidiary		-	-	-	-	(2,854)	(2,854)	(2,716)	(5,570)
<b>At 31 December 2012</b>		201,600	(12,796)	17,898	(6,834)	687,776	887,644	20,821	908,465
<b>At 1 January 2013</b>		201,600	(12,796)	17,898	(6,834)	687,776	887,644	20,821	908,465
Foreign currency translation differences for foreign operations		-	-	-	(5,308)	-	(5,308)	-	(5,308)
Remeasurement of defined benefit liability		-	-	-	-	1,635	1,635	-	1,635
Profit for the year		-	-	-	-	123,789	123,789	13,079	136,868
<b>Total comprehensive income for the year</b>		-	-	-	(5,308)	125,424	120,116	13,079	133,195
Own shares acquired		-	(10)	-	-	-	(10)	-	(10)
Dividends to owners of the Company									
- Final 2012 ordinary	29	-	-	-	-	(17,612)	(17,612)	-	(17,612)
- Special final 2012 ordinary	29	-	-	-	-	(14,677)	(14,677)	-	(14,677)
- Interim 2013 ordinary	29	-	-	-	-	(14,677)	(14,677)	-	(14,677)
- Special interim 2013 ordinary	29	-	-	-	-	(44,030)	(44,030)	-	(44,030)
Dividends to non-controlling interest		-	-	-	-	-	-	(7,700)	(7,700)
<b>Total transactions with owners of the Company</b>		-	(10)	-	-	(90,996)	(91,006)	(7,700)	(98,706)
<b>At 31 December 2013</b>		201,600	(12,806)	17,898	(12,142)	722,204	916,754	26,200	942,954
		Note 16	Note 16	Note 16	Note 16	Note 16			

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Company	Note	Attributable to the owners of the Company				Total RM'000
		Share capital RM'000	Non-distributable Treasury shares RM'000	Distributable Share premium RM'000	Retained earnings RM'000	
<b>At 1 January 2012</b>		201,600	(12,786)	17,898	190,305	397,017
Profit/Total comprehensive income for the year		-	-	-	6,642	6,642
Own shares acquired		-	(10)	-	-	(10)
- Final 2011 ordinary	29	-	-	-	(17,612)	(17,612)
- Special final 2011 ordinary	29	-	-	-	(14,677)	(14,677)
- Interim 2012 ordinary	29	-	-	-	(14,677)	(14,677)
<b>Total transactions with owners of the Company</b>		-	(10)	-	(46,966)	(46,976)
<b>At 31 December 2012/ 1 January 2013</b>		201,600	(12,796)	17,898	149,981	356,683
Profit for the year		-	-	-	136,377	136,377
Remeasurement of defined benefit liability		-	-	-	(65)	(65)
<b>Total comprehensive income for the year</b>		-	-	-	136,312	136,312
Own shares acquired		-	(10)	-	-	(10)
Dividends to owners of the Company		-	-	-	-	-
- Final 2012 ordinary	29	-	-	-	(17,612)	(17,612)
- Special final 2012 ordinary	29	-	-	-	(14,677)	(14,677)
- Interim 2013 ordinary	29	-	-	-	(14,677)	(14,677)
- Special interim 2013 ordinary	29	-	-	-	(44,030)	(44,030)
<b>Total transactions with owners of the Company</b>		-	(10)	-	(90,996)	(91,006)
<b>At 31 December 2013</b>		201,600	(12,806)	17,898	195,297	401,989
		Note 16	Note 16	Note 16	Note 16	

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		177,502	159,524	137,357	8,843
<i>Adjustments for:</i>					
Amortisation of intangible assets	9	412	443	-	-
Amortisation of prepaid lease payments	4	96	157	-	-
Depreciation of investment properties	5	747	714	-	-
Depreciation of property, plant and equipment	3	24,886	31,384	270	259
Employee benefits	17	1,458	214	321	152
Finance costs	22	339	597	151	63
Impairment loss on property, plant and equipment written back	3	-	(254)	-	-
Interest income	23	(10,311)	(11,388)	(993)	(1,159)
(Gain)/Loss on disposal of property, plant and equipment		(134)	(484)	80	-
Gain on disposal of asset held for sale		-	(461)	-	-
Provision of warranties	19	19,328	5,333	-	-
Provision of warranties reversed	19	(441)	(933)	-	-
Property, plant and equipment written off		88	28	-	-
Share of profit of associate, net of tax		(448)	-	-	-
Share of profit of joint ventures, net of tax		(8,968)	(4,282)	-	-
Operating profit before changes in working capital		204,554	180,592	137,186	8,158
Deposits and prepayments		(56,583)	(3,420)	747	21
Inventories		(59,388)	(4,146)	-	-
Trade and other payables, including derivatives		50,799	(14,905)	(25,635)	26,469
Trade and other receivables, including derivatives		(57,098)	9,842	(7,507)	10,114
<b>Cash generated from operations</b>		<b>82,284</b>	<b>167,963</b>	<b>104,791</b>	<b>44,762</b>
Employee benefits paid	17	(2,435)	(1,215)	(1,050)	(480)
Interest received	23	10,311	11,388	993	1,159
Interest paid	22	(339)	(597)	(151)	(63)
Warranties paid	19	(4,859)	(3,881)	-	-
Income tax paid		(39,642)	(34,526)	(348)	(2,717)
<b>Net cash generated from operating activities</b>		<b>45,320</b>	<b>139,132</b>	<b>104,235</b>	<b>42,661</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(48,968)	(28,934)	-	(276)
Addition of intangible assets	9	(811)	(118)	-	-
Acquisition of non-controlling interest in a subsidiary		-	(5,570)	-	-
Acquisition of subsidiary, net of cash and cash equivalents acquired		(2,150)	-	-	-
Investment in subsidiaries		-	-	(13,306)	(37,731)
Lease payment for leasehold land	4	(932)	(9,708)	-	-
Proceeds from disposal of property, plant and equipment		648	686	156	-
Proceeds from disposal of asset held for sale		-	2,509	-	-
Subscription of shares in joint ventures		(4,117)	-	-	-
<b>Net cash used in investing activities</b>		<b>(56,330)</b>	<b>(41,135)</b>	<b>(13,150)</b>	<b>(38,007)</b>

**STATEMENTS OF CASH FLOWS**

for the year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from financing activities</b>					
Dividends paid to non-controlling interest		(7,700)	(15,166)	-	-
Dividends paid to owners of the Company	29	(90,996)	(46,966)	(90,996)	(46,966)
Repayment of revolving credit		-	(2,858)	-	-
(Repayment)/Drawdown of bankers' acceptances		(13,912)	5,715	-	-
Drawdown/(Repayment) of foreign currency trade loan		6,189	(754)	-	-
Purchase of Company's own shares		(10)	(10)	(10)	(10)
Subscription of shares in a subsidiary by non-controlling interest		-	1,920	-	-
<b>Net cash used in financing activities</b>		<b>(106,429)</b>	<b>(58,119)</b>	<b>(91,006)</b>	<b>(46,976)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>					
Effect of exchange rate fluctuations on cash held		(1,054)	(500)	-	-
Cash and cash equivalents at 1 January	(i)	424,909	385,531	3,136	45,458
<b>Cash and cash equivalents at 31 December</b>	(i)	<b>306,416</b>	<b>424,909</b>	<b>3,215</b>	<b>3,136</b>

i) *Cash and cash equivalents*

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

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits placed with licensed banks	14	242,463	329,425	-	-
Corporate management accounts	14	45,267	75,648	1,706	2,266
Cash and bank balances	14	18,686	19,836	1,509	870
		<b>306,416</b>	<b>424,909</b>	<b>3,215</b>	<b>3,136</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

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

### Principal place of business

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

### Registered office

62-68, Jalan Ipoh  
51200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprised the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associate and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2013 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 as stated in Note 32 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 8 April 2014.

## 1. Basis of preparation

### (a) Statement of compliance

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

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

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

##### *MFRSs, Interpretations and amendments effective for a date yet to be confirmed*

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- *Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the above mentioned accounting standards, amendments and interpretations:

- from the annual period beginning 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 except for IC Interpretation 21 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

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

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") 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 estimates are revised and in any future periods affected.

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

- Note 5 - Valuation of investment properties
- Note 10 - Recognition of deferred tax assets
- Note 19 - Provisions for warranties and contingent liabilities

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. There is no effect from the adoption of MFRS 10.

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

##### (ii) Business combinations

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

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

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

##### (iv) Loss of control

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

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

##### (v) Associates

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (vi) Joint arrangements

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

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint ventures" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For joint ventures, the Group accounted for its interest using the proportionate accounting method.
- For jointly controlled asset or jointly controlled operation, the Group accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The effects from the adoption of MFRS 11 are disclosed in Note 38.

##### (vii) Non-controlling interests

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

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

##### (viii) Transactions eliminated on consolidation

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

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

## 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 transactions.

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

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

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

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

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

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

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

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

#### (c) Financial instruments

##### (i) Initial recognition and measurement

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

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

The Group and the Company categorise financial instruments as follows:

##### *Financial assets*

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

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

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

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

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

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

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

##### *Financial liabilities*

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

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

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

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

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

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

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