



APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

Expanding the Horizon
Growth & Beyond

Annual Report 2017





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CORPORATE INFORMATION

DIRECTORS

Dato' Tan Heng Chew
President

Low Seng Chee
Chief Executive Officer

Dato' Tan Eng Hwa
Chief Operating Officer

Sow Soon Hock
Executive Vice President

Siow Tiang Sae
Chief Business Development Officer

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

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

Nicholas Tan Chye Seng
Non-Independent Non-Executive Director

Lee Tatt Boon
Independent Non-Executive Director

Lee Min On
Independent Non-Executive Director

AUDIT COMMITTEE

Lee Min On (*Chairman*)
Dato' N. Sadasivan s/o N.N. Pillay
Dato' Haji Kamaruddin @ Abas Bin Nordin
Lee Tatt Boon

NOMINATING AND REMUNERATION COMMITTEE

Dato' N. Sadasivan s/o N.N. Pillay (*Chairman*)
Dato' Haji Kamaruddin @ Abas Bin Nordin
Lee Tatt Boon
Lee Min On

COMPANY SECRETARY

Khoo Peng Peng (*MIA 19749*)

REGISTERED OFFICE

62-68, Jalan Sultan Azlan Shah
51200 Kuala Lumpur, Malaysia
Tel : (603) 4047 8888
Fax : (603) 4047 8636

CORPORATE OFFICE

Lot 600
Pandamaran Industrial Estate
Locked Bag No. 218
42009 Port Klang
Selangor Darul Ehsan, Malaysia
Tel : (603) 3161 8888
Fax : (603) 3161 8833
E-mail : apmah@apm.com.my

REGISTRARS

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(11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : (603) 2783 9299
Fax : (603) 2783 9222

AUDITORS

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

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Code : 5015

CORPORATE WEBSITE

www.apm.com.my

BUSINESS DIVISIONS



APM

SUSPENSION DIVISION

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

INTERIOR & PLASTICS DIVISION

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

ELECTRICAL & HEAT EXCHANGE DIVISION

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

MARKETING DIVISION

- Local Replacement Market
- Export Market
- ASEAN Market

INDONESIA DIVISION

- Indonesia Operation
- Joint Venture
- Associate

ALL OTHER SEGMENTS

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

OTHERS

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



RECOGNITION & ACHIEVEMENT

01



02



06



04



07



05

03



08

1. HR Asia Best Companies To Work for in Asia 2017
2. The BrandLaureate Best Brands Awards 2016/2017 Most Sustainable Brand
3. PROTON Suppliers Award 2017 Quality Award Rank A
4. Outstanding Quality Performance 2017
5. Superior Quality & Delivery Award 2016/2017
6. Continuous Rank-A Performance 2017
7. Quality Environment Management System
8. Perodua Excellent Safety President Award (PESPA) 2017



PROFILE OF THE BOARD OF DIRECTORS

DATO' TAN HENG CHEW *JP, DJMK*

President

Dato' Tan Heng Chew, aged 71, a Malaysian, was the first director of the Company when it was incorporated on 26 March 1997. He was appointed the Chairman of the Board on 1 November 1999 and was re-designated as Executive Chairman on 1 January 2011. His corporate title has been changed to President effective 1 January 2015.

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

Dato' Tan is the President of TCMH and Warisan TC Holdings Berhad. He is also a major shareholder of the Company.

Dato' Tan is a brother of Dato' Tan Eng Hwa and the father of Mr. Nicholas Tan Chye Seng, both of whom are Directors of the Company, and a brother of Mr. Tan Eng Soon, a major shareholder of the Company. Dato' Tan is also a director and shareholder of Tan Chong Consolidated Sdn. Bhd., which is 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.

Dato' Tan attended all the six (6) Board Meetings held in 2017.

MR. LOW SENG CHEE

Chief Executive Officer

Mr. Low Seng Chee, aged 58, a Malaysian, was appointed to the Board of the Company as an Executive Director on 1 July 2010. He was re-designated as Executive Director and Chief Executive Officer on 1 June 2013.

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

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

Mr. Low attended all the six (6) Board Meetings held in 2017.

DATO' TAN ENG HWA *DIMP*

Chief Operating Officer

Dato' Tan Eng Hwa, also known as Dato' Robert Tan, aged 63, a Malaysian, was first appointed to the Board of the Company as a Non-Independent Non-Executive Director on 1 November 1999. Dato' Robert Tan was re-designated as Executive Director on 23 March 2004 and was subsequently re-designated as Executive Director and Chief Operating Officer on 1 June 2013.

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

He is a brother of Dato' Tan Heng Chew, a Director of the Company and Mr. Tan Eng Soon, both are major shareholders of the Company, and an uncle of Mr. Nicholas Tan Chye Seng, a Director of the Company. Dato' Tan Heng Chew, Mr. Tan Eng Soon and himself are the directors and shareholders of Tan Chong Consolidated Sdn Bhd, which is a major shareholder of the Company. Dato' Robert Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Robert Tan attended five (5) out of the six (6) Board Meetings held in 2017.

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

DPMP, JSM, KMN

Senior Independent Non-Executive Director

Dato' N. Sadasivan s/o N.N. Pillay, aged 78, a Malaysian, was appointed to the Board of the Company as an Independent Non-Executive Director on 1 November 1999. He was re-designated as Senior Independent Non-Executive Director on 22 January 2013.

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

Dato' Sadasivan graduated from the University of Malaya with a Bachelor of Arts (Honours) degree majoring in Economics in 1963. In the same year, Dato' Sadasivan commenced working for the Singapore Economic Development Board and was Head of the Industrial Facilities Division when he left to join 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 Bank Negara Malaysia.

Dato' Sadasivan attended all the six (6) Board Meetings held in 2017.

PROFILE OF THE BOARD OF DIRECTORS

cont'd

DATO' HAJI KAMARUDDIN @ ABAS BIN NORDIN

DSSA, KMN

Independent Non-Executive Director

Dato' Haji Kamaruddin @ Abas Bin Nordin, aged 79, 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 (now known as Nominating and Remuneration 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.

Dato' Haji Kamaruddin attended all the six (6) Board Meetings held in 2017.

MR. SIOW TIANG SAE

Chief Business Development Officer

Mr. Siow Tiang Sae, aged 60, a Malaysian, was appointed to the Board of the Company as Executive Director on 1 June 2013. His corporate title has been changed to Chief Business Development Officer effective 1 January 2015.

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

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

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

Mr. Siow attended all the six (6) Board Meetings held in 2017.

MR. NICHOLAS TAN CHYE SENG

Non-Independent Non-Executive Director

Mr. Nicholas Tan Chye Seng, aged 44, a Malaysian, was appointed to the Board of the Company as Non-Independent Non-Executive Director on 1 June 2013.

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

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

Mr. Nicholas Tan attended all the six (6) Board Meetings held in 2017.

MR. SOW SOON HOCK

Executive Vice President

Mr. Sow Soon Hock, aged 60, a Malaysian, was appointed to the Board of the Company as Executive Director on 11 November 2013. His corporate title has been changed to Executive Vice President effective 1 January 2015.

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

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

Mr. Sow attended all the six (6) Board Meetings held in 2017.

PROFILE OF THE BOARD OF DIRECTORS

cont'd

MR. LEE TATT BOON

Independent Non-Executive Director

Mr. Lee Tatt Boon, aged 68, a Malaysian, was appointed to the Board as an Independent Non-Executive Director on 30 November 2016. He is a member of the Audit Committee and Nominating and Remuneration Committee.

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

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

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

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

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

Mr. Lee attended all the six (6) Board Meetings held in 2017.

MR. LEE MIN ON

Independent Non-Executive Director

Mr. Lee Min On, aged 58, a Malaysian, was appointed to the Board as an Independent Non-Executive Director on 30 November 2016. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee.

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

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

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

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

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

Mr. Lee attended all the six (6) Board Meetings held in 2017.

Notes:

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT

Key Senior Management of APM Automotive Holdings Berhad (“APM”) Group comprises Dato’ Tan Heng Chew – President, Mr. Low Seng Chee – Chief Executive Officer, Dato’ Tan Eng Hwa – Chief Operating Officer, Mr. Siow Tiang Sae – Chief Business Development Officer, Mr. Sow Soon Hock - Executive Vice President, whose profiles are included in the Profile of Board of Directors on pages 5 to 7 in the Annual Report 2017, and the following senior management personnel:

MS. KHOO PENG PENG

(Chief Financial Officer)

Ms. Khoo Peng Peng, aged 43, a Malaysian, was appointed as Chief Financial Officer of APM on 1 June 2014.

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

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

MR. NG BOON HOOI

(Head of Suspension Division)

Mr. Ng Boon Hooi, aged 55, a Malaysian, has been with APM for more than 30 years. He was appointed as the Head of Suspension Division in 2014.

Mr. Ng graduated with a Master of Business Administration from Charles Sturt University in Australia and a Graduate Diploma from Chartered Institute of Purchasing & Supply (UK).

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

MR. KHO KIAT SENG

(Head of Interior and Plastics Division)

Mr. Kho Kiat Seng, aged 60, a Malaysian, joined APM in May 2006 as General Manager. He was promoted to Senior General Manager in July 2012 and was subsequently appointed to head the Interior and Plastics Division in 2014.

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

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

MR. TAN AH SWEE

(Head of Engineering and Research Division)

Mr. Tan Ah Swee, aged 64, a Malaysian, joined APM in August 1985 and was appointed as the Head of APM Engineering & Research in January 2015.

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

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

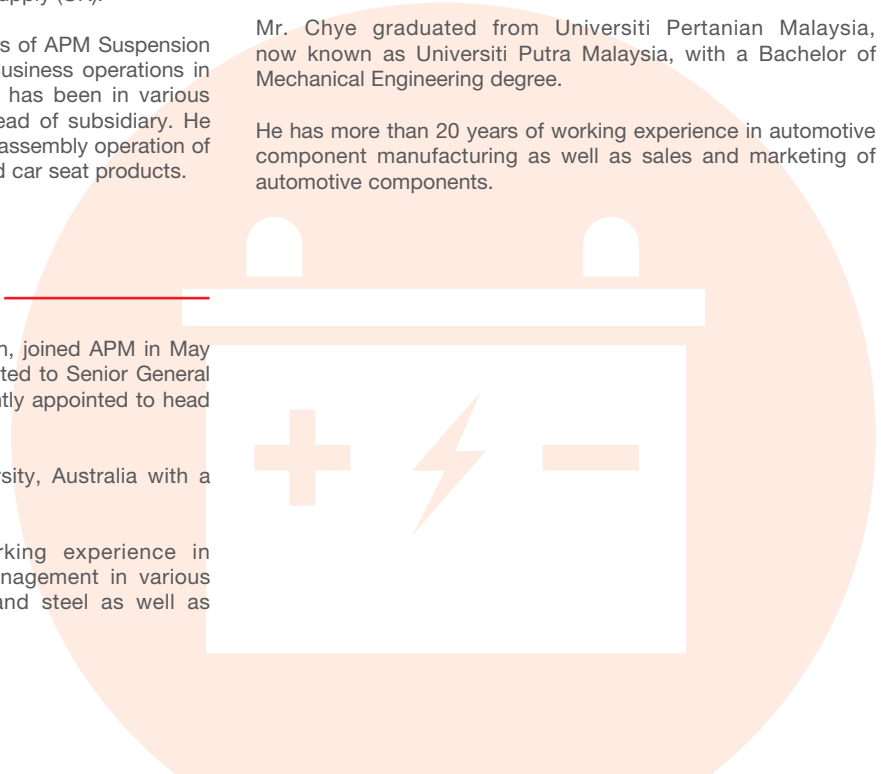
MR. CHYE MUN HENG

(Head of Electrical and Heat Exchange Division)

Mr. Chye Mun Heng, aged 54, a Malaysian, was appointed as the Head of Electrical and Heat Exchange Division in 2014. He is in charge of the companies within the APM Group which manufacture products such as air-conditioning systems, radiators, starter motors, alternators, wiper system, distributors and other electrical parts. In addition, Mr. Chye is also in charge of a company that develops Internet of Things telematics platform and In-vehicle Infotainment systems.

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

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



PROFILE OF KEY SENIOR MANAGEMENT

cont'd

MR. NG KOK BOON

(Head of Sales and Marketing –
Local Replacement Market)

Mr. Ng Kok Boon, aged 49, Malaysian, joined APM in October 1993. He was promoted as General Manager in January 2015 and was appointed as the Head of Sales & Marketing for the Local Replacement Market.

Mr. Ng graduated from University Tunku Abdul Rahman with a Bachelor of Commerce Accounting (Hons) Degree.

He has more than twenty five (25) years of working experience in finance, accounting, marketing, and sales operation. Prior to joining APM, he worked in a steel manufacturing company as well as in a transport and forwarding company.

MR. DAVID HASWELL BROWN

(General Manager -
Overseas Marketing & Business Development)

Mr. David Haswell Brown, aged 44, a British citizen, joined APM in July 2013 as General Manager Overseas Marketing & Business Development.

Mr. Brown graduated from London Guildhall University, Moorgate Business School in 1995 with a BA Economics degree (Hons). In 1996, Mr. Brown graduated from London Westminster University Business School with a Master of Arts in International Business and Management.

Mr. Brown has worked in the international automotive industry for over 20 years, formerly as Regional Director – Asia Pacific for a major European Original Equipment Automotive component manufacturer. His experience includes Automotive Aftermarket sales & business development, strategic planning and marketing strategy management, original equipment sales and motorsport industry experience.

MR. CHIN SZE CHEON

(Country Head, Indonesia)

Mr. Chin Sze Cheon, aged 44, a Malaysian, joined APM in May 2006 and was assigned to Indonesia as Head of Finance in August 2008. He was appointed as Country Head, Indonesia in 2015.

Mr. Chin graduated from University of Western Australia with a Bachelor of Commerce (Finance and Accounting) degree in 1996.

Mr. Chin has more than 20 years of working experience in finance, manufacturing and management in automotive components industry.

MR. TAN CHENG CHAI

(Head of Asean Sales and Marketing)

Mr. Tan Cheng Chai, aged 61, a Malaysian, was appointed as Head of Asean Sales and Marketing in 2016.

Mr. Tan graduated from Swansea College of Higher Education with an Advance Diploma in Sales and Marketing.

He has more than 35 years of working experience in Sales and Marketing in the Automotive Parts Industry. Prior to his present position, he was previously helming the Local REM sales division and was instrumental in the establishment and development of our export sales to the International market.



Notes:

Save as disclosed above, none of the key senior management has:-

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

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

PRESIDENT'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of APM Automotive Holdings Berhad (the "Company") and its group of companies (the "Group"), I am honoured and privileged to be given this opportunity to present the Company's Annual Report for the financial year ended 31 December 2017.

2017 was slated by many to be a challenging year for the automotive industry. After six consecutive years of growth, including the highest ever total industry volume (TIV) in 2015, Malaysian auto sales finally saw a downturn in 2016, when registrations fell 13% to 580,124 units. Vehicle registration continued to fall in 2017 with only 576,635 vehicles registered (Source: Malaysian Automotive Association).

While there may be a variety of factors that may have contributed towards such decline but I believe among them would undeniably be the sluggish economy and the weak Ringgit.

However, with the continued strengthening of the Ringgit against the US Dollar from the 4th quarter of 2017 onwards, Malaysia's economy is expected to continue growing at faster pace with GDP growth for 2017 expected to expand from 5.2% to 5.7% compared with 4.3% to 4.8% as previously estimated (Source: Malaysia Budget 2018).

The environment in which the Group operates is competitive with constant downward pressure on its bottom line. Whilst overall business conditions in 2017 have been nothing short of challenging, APM's robust and resilient foundation built around its core values has enabled it to safely circumnavigate pass the murky waters and obstacles of 2017.



This foundation is what APM believes to be one of the keys to its success.

In 2017, we focused on the enhancement of productivity, process improvement, manufacturing automation and intensification of research and development ("R&D") activities. The Suspension Division broadened its production line to include the cold coiling manufacturing process. Our R&D team has successfully developed our owned shock absorber.

As testament to our commitment to excellence, the Group received several prestigious awards including the Most Sustainable Brand Award for 2016/2017 by The Brand Laureate, Proton Quality Award Rank A for 2017, Superior Quality & Delivery Performance and Continuous Rank-A by Astra Daihatsu (Indonesia), Perodua Excellent Safety President Award and Most Improved Vendor for Sales Part Delivery and Quality Performance by Perodua and Outstanding Quality Performance by Toyota.

Without wanting to rest on our laurels, we will continuously strive to improve ourselves in delivering outstanding performance, products and services.

PRESIDENT'S STATEMENT

cont'd

GROUP VISION AND MISSION

APM Group's success as one of the largest automotive Original Equipment Manufacturer ("OEM") in Malaysia was founded on the continued fulfilment of its vision statement that is **"To be a global automotive systems supplier, providing one-stop Tier-One service to OEM's"**. APM recognizes that change is constant and has to be embraced. This has resulted in APM embarking on the transformation for growth since year 2014. The primary goals of the Group is to focus on regional market expansion, revenue diversification and prioritising R&D. Moving forward, the Group revised its vision statement to, **"A globally preferred innovative mobility solutions provider"** to emphasize on its ambition.

The Group then went on to renew its mission statement and to present the Group's strategic approach in empowering its employees to nurture and establish a culture of team spirit by **"Forging Ahead Together"**. These are clearly demonstrated in the following Mission Statement:-

- i) Cultivate a sustainable team-oriented culture involving employees through leadership & accountability; and
- ii) Value creation through operational excellence, innovation and exemplary customer service.



Brandlaureate Award

SUSTAINABILITY

While focusing on achieving strong financial performance, APM recognises the importance of social and environment sustainability. Implementation of the Group's sustainability framework commenced in 2017.

The Group's flagship investment and building of a solar power facility for power generation demonstrates its commitment towards environment sustainability.

On the social front, recognising performance, creating a safe place to work, increasing employee engagement, providing community aids and so on, are some of the approaches that APM has adopted to illustrate its commitment as a responsible organisation.

The details of the Group's sustainability journey is captured in the "Sustainability Statement" section of the Annual Report.

GROUP FINANCIAL PERFORMANCE REVIEW

The financial year ended 31 December 2017 was marked down by the massive slowdown in the local automotive industry following the continued weakening of Ringgit against the US Dollar, softened domestic demand for motor vehicles and more stringent hire purchase approval. New vehicle production in Malaysia suffered a 8% drop whereby the Total Production Volume ("TPV") of new vehicles fell from 545,253 units in 2016 to 499,639 units in 2017 and this invariably impacted the Group's revenue from OEM's segment.

The Group registered a revenue of RM1,188.5 million and profit before tax of RM71.4 million for the year, representing a decrease of 3.9% and 14.2% respectively compared to 2016. However, operation in Indonesia recorded impressive revenue growth. This is largely due to the extensive sale and take up of the Group's leaf springs in the local replacement market.

On the other hand, lower demands for OEM parts and the phasing out of certain vehicle models have severely affected the Electrical and Heat Exchange Division's bottom line.

The Interior & Plastics Division remains as one of the largest contributors to the Group's top-line, at 52.8% of the Group's revenue.

A more detailed version of the Group's financial performances and business segments performance review can be seen in the "Management Discussion and Analysis" section of the annual report.

DIVIDENDS

The Board recommends the payment of a single-tier final dividend of 8.5 sen per ordinary shares for the financial year ended 31 December 2017 (2016: 10 sen per ordinary share) for shareholders' approval at the forthcoming Annual General Meeting. Combined with the earlier interim single-tier dividend of 4.5 sen per ordinary share paid on 29 September 2017, the total dividend for the year is 13 sen per ordinary share (2016: 15 sen per ordinary share), if the proposed final dividend is approved by the shareholders.

PRESIDENT'S STATEMENT

cont'd

As far as circumstances permit, the Board endeavours to maintain a consistent dividend payout. For the past 3 years (2015 to 2017), the Group has declared dividend representing a dividend payout ratio of approximately 60% to 65% of its net profit attributable to the owners of the Company.

OUTLOOK

The World Bank projects Malaysia's economy to remain strong into 2018 with a growth of 5.2%, though slightly slower compared with the expected 5.8% growth in 2017, supported by both the domestic and external demand (Source : The World Bank – Malaysia Economic Monitor Report – December 2017). The increase in the Overnight Policy Rate by 25 basis points in 25 January 2018 by the Bank Negara Malaysia indicated the economy is firmly on a steady growth path.

2018 may prove to be an exciting year for the Malaysian automotive sector, particularly in view of Zhejiang Geely Holding Group Co Ltd's ("Geely") substantial stake in Proton which will provide the Chinese giant carmaker with a springboard into the Asean car market. This may lead to other car makers to amplify their respective vehicle line and production as they would not wish to relinquish any market share. While such anticipated activities will be welcomed by auto parts suppliers like APM but in reality, it may be offset by the continued rising of operating costs.

Perhaps the Malaysian Automotive Association ("MAA") did take such rise of operating cost into account when they forecasted only marginal growth in Total Industry Volume ("TIV") by 2.3% in 2018 to 590,000 units compared to 576,635 units achieved in the year 2017. Higher cost of imported material especially steel price, the recent hike in the natural gas tariff by 23% as well as increase in manpower cost arising from the implementation of the Employment Insurance Scheme ("EIS"), shift of foreign worker levy burden to employers and the review of minimum wage levels will potentially weigh into our margins.



McConnell Seat Australia Pty Ltd's new building at Melbourne, Australia

The future of the automotive industry appears to be shifting towards alternative and disruptive technology with carmakers intensifying their focus on research and development on the lowering of emissions and the reduction of carbon footprint, development of substitute fuel source, investing in-car technology and adapting to changing patterns of vehicle use.

Despite the challenges in the operating environment, we remain steadfast in pursuing our 5-year transformation plan with clear strategies in advancement of technology, process improvement, regional expansion and branding priorities. We believe these strategies will sustain our business and emerge stronger.



4x4 Suspension Kits

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our heartfelt appreciation to the management and staff for their effort and contribution to the Group's progress, as well as our shareholders for their support and confidence. I would also like to thank all our business partners, suppliers and distributors for their commitment in working with us and loyalty over the years. In concluding, I express my sincere gratitude to my fellow Board members for their valuable advices and guidance in shaping the Group strategies to secure sustainability.

On behalf of the Board,

Dato' Tan Heng Chew

President

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL PERFORMANCE REVIEW

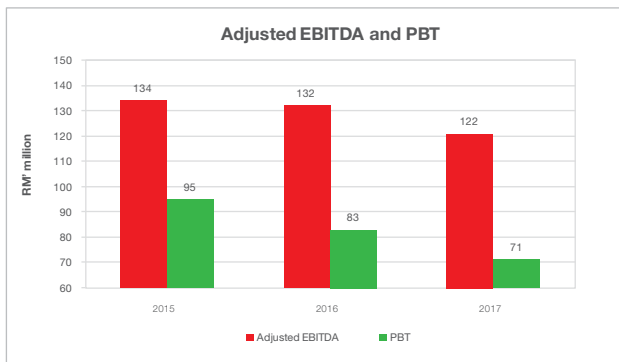
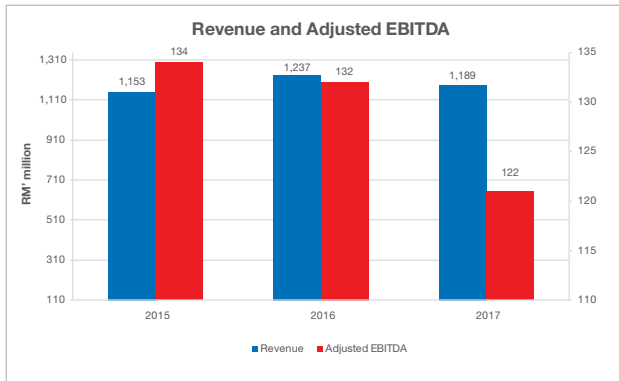
For the financial year ended 31 December 2017, the Group's revenue decreased marginally by 3.9% to RM1,188.5 million, compared to the preceding year of RM1,236.6 million. The weaker revenue was mainly caused by lower demand for certain Original Equipment Manufacturer ("OEM") parts which has affected mainly the Interior & Plastics and Electrical & Heat Exchange divisions. Nonetheless, the reduction in local OEM sales was partly mitigated by and to an extent offset by the impressive revenue growth of 39% recorded by the Indonesia Operations.

We consider earnings before interest, taxes, depreciation and amortisation ("EBITDA") a useful financial metric to assess and determine the Group's operating performance as it provides a clearer account of the impacts of the financial and accounting decision. EBITDA shows the cash earnings of the business. In addition, we have adjusted the EBITDA to exclude the fair value gain on the investment property ("Adjusted EBITDA"), to provide a more accurate measure of ongoing core operating results and to facilitate year on year comparison.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



From the analysis shown in these two charts, for the past three years from 2015 to 2017, the decline in the Adjusted EBITDA was lower compared to the drop in profit before tax ("PBT"). This can essentially be translated to the profitability of the Group being offset by the higher gestation of costs in respect of new business entered into and new manufacturing plants and facilities built in recent years.

Notwithstanding the Adjusted EBITDA, the Group's bottom-line invariably came under pressure amidst lower revenue. Profit before tax was down by 14% to RM71.4 million, from RM83.2 million in the preceding financial year owing to the depressed margin experienced in the Electrical & Heat Exchange Division attributed to higher cost for raw materials arising from a weaker Ringgit Malaysia. The higher margin recorded last year for this Division was due to positive price adjustment in relation to the foreign exchange fluctuation from its OEM customers. The start-up losses which comprised mainly staff costs and depreciation for Thailand operation has also contributed to the decline of the Group's profit.

STATEMENT OF FINANCIAL POSITION

The Group's financial stability was reflected in net assets per share which grew from RM6.14 in 2016 to RM6.29 in 2017 with cash and cash equivalents including other investments totalling RM343.5 million in 2017 (2016: RM331.0 million).

The Group undertook a revaluation exercise of its properties to reflect their current market value during the year. The exercise is conducted every 3 years with the first being in 2014. The revaluation surplus (net of deferred tax) of RM34.1 million has been incorporated into the consolidated financial statements for the year ended 31 December 2017, of which RM28.7 million, RM0.9 million and RM4.5 million being recognised in revaluation reserve, non-controlling interests and other income respectively. Accordingly, the net asset per share has increased by 17 sen.

Non-current assets increased significantly by 8.6% or RM60.8 million predominantly from the revaluation reserve and the acquisition of land and building by our Australia operation.

Current assets were sustained at RM874.6 million, marginally decreased from RM875.4 million. Meanwhile, current liabilities were at RM297.7 million, up RM3.2 million from the preceding year mainly due to drawdown of bank loan for purchase of properties in Australia during the year. Despite higher bank borrowings, APM Group still has net cash (including other investments) position of RM274.6 million as at 31 December 2017.

The Group will continue to maintain a prudent capital management framework to ensure that our financial position will provide us sufficient flexibility in the pursuit of our growth and expansion plans ahead.

CAPITAL EXPENDITURES AND CASH FLOWS POSITION

The capital expenditure for the year was at 7.9% of revenue, or RM93.4 million. This capital investment include the construction cost for our Thailand manufacturing plant, properties acquisition costs in Australia and tooling investments to cater for new models. Besides that, the Group has contracted capital expenditures of RM44.9 million mainly for upgrading of plants facilities and setting up of new production lines. These capital expenditures were funded via internal generated funds and bank borrowings.

Cash flows generated from operating activities registered increase of 43.9% to RM112.8 million was primarily attributable to net cash inflows in respect of changes in working capital. Drawdown of bank borrowings of RM22.9 million to fund the purchase of properties in Australia and subscription of shares in subsidiaries by Non-Controlling Interest's partner of RM12.4 million have resulted in lower net cash used in financing activities. Net cash used in financing activities was at RM9.8 million as compared to RM45.3 million spent last year.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

BUSINESS DIVISIONS - PERFORMANCE REVIEW, PROSPECT AND STRATEGIES

The Group's operating businesses are organised into seven divisions, each offering different group of products or activities, namely Suspension, Interior & Plastics, Electrical & Heat Exchange, Marketing, Non-reportable segment, Indonesia Operations and All Other Segments ("Operations Outside Malaysia").

SUSPENSION DIVISION

Backed by our years of experiences and having a comprehensive range of suspension products coupled with our own in-house design and Research & Development ("R&D") capabilities, we pride ourselves in being recognised as a quality manufacturer.

Revenue for the Suspension Division in 2017 decreased marginally by 1.5% to RM206.6 million from RM209.7 million a year ago. The Division saw a reduction in revenue as many of its local OEM shock absorbers reached the end of product life cycle in second half of 2016. The revenue reduction was however mitigated by the growth in export revenue for the leaf spring products.

The Division's profit before tax for the year registered a decrease of 6% to RM21.8 million despite such growth gained from the export of its suspension products. The decrease was a result of the reduction of production volume at shock absorber and coil spring plants while production overheads remained relatively fixed and unfavourable product mix. The reversal of over provision for product warranty claims of RM5.8 million during the year has improved the Division's bottom-line.



Suspension products

During the year and with the assistance from our technology partner, we have successfully developed 4x4 Suspension kits for the pick-up truck segment. The development of this product commenced 2 years ago and is now ready for launch. A dedicated workshop for installation, tuning and testing of the products will soon be established. The success of this product signified a key milestone for our journey to evolve from a component manufacturer to a full-fledged system provider.

Looking forward, we will continue to invest in highly automated manufacturing process and technology. The Division's main focus is developing high quality products, products with differential functions, converged products and services, allowing us to compete more effectively.

INTERIOR AND PLASTICS DIVISION

As the Division's revenue is primarily derived from local OEM, the drop in Total Industry Production ("TIP") of production of new vehicles will have significant impact on the Division's performance.



Seat Assembly

Revenue in 2017 totalled RM791.0 million, lower than the RM830.4 million recorded in 2016, reflecting a reduction of 4.7%. The fall in the Division's revenue was primarily caused by lower demand for OEM parts and end of product life cycle for certain vehicle models during the year.

Despite the revenue drop, profit before tax climbed to RM39.5 million compared to RM35.8 million in 2016. The low profit recorded last year was caused by the one-off inventory adjustment which resulted from the Division's action to tighten up its inventory management policies whereby slow moving and obsolete inventories were prudently identified and written off. Excluding the inventory adjustments, the Division's 2017 profit was lower. The unfavourable products mix continues to aggravate the performance of the Division for the year.

The Division continues to thrive in its R&D capabilities in designing innovative seats. Following the success of securing the contract for the supply of our luxury coach seats to Korea's public transportation market, we went on to secure more seat supply contracts including the one involving the supply of train seats for the Electric Train Service 2 ("ETS2") project and KTM train seats refurbishment project during the year. Both projects are expected to complete by end of 2018. The ETS2 project was awarded by CRRC Zhuzhou Locomotive Co. Ltd., which is a reputable electric locomotives and the leading enterprise among China rail transportation industry.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Moving forward, the Division's key goals for the year ahead are to leverage on our manufacturing and R&D capabilities to broaden the products ranges with emphasis on public transportation such as coach and train seats. As our products such as luxury coach seats and train seats are well accepted by global customers, the Division is well positioned to expand the business regionally



Coach/Train Seats

ELECTRICAL AND HEAT EXCHANGE DIVISION

On a year-to-year basis, the Electrical & Heat Exchange Division's revenue has dropped to RM143.0 million, a dip of 18.4% from RM175.2 million in the last year. The decrease was caused by lower off-take from OEM customers and the production phase out for certain car models during the third quarter of 2016 and in the second half of the year.



Electrical and Heat Exchange Products

The Division experienced greater reduction on the profitability. Profit before tax was hampered by the continuing negative impact of the foreign exchange rate on raw material costs. The higher margin recorded last year was due to positive price adjustment in relations to the foreign exchange fluctuation from its OEM customers.

Our strategies in 2017 for the Electrical & Heat Exchange remained unchanged i.e. focusing its market expansion and penetration in the Replacement Markets ("REM") for all vehicle models. To see greater progress in REM, the Division instilled a stronger cost awareness culture, which include direct cost optimisation, multi-sourcing for lower material costs and enhance production efficiency.

Our recent investment in technology includes our participation in Omnimatics Sdn Bhd ("Omnimatics"), a developer of the CARDio™ system - an IoT telematics platform that enables users to conduct "vehicle health check" where connection can be carried out remotely and messages that are transmitted include vehicle health, fuel economy and driver behaviour.

Omnimatics will initially focus its business on customers who own, operate or manages vehicle fleet and thereafter progress to more specialized areas such as insurance companies and aggregators where the CARDio™ can be customised and white labelled in accordance with the needs of these customers.



CARDIO
making cars smarter

IoT connectivity module

The Group is confident that this business will generate a reasonable return in good time and is in tandem with the revolutionary introduction of IoT applications in the automobile industry. This IoT business can be expanded regionally into the ASEAN region where APM has its presence.

MARKETING DIVISION

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



Million Dollar Achiever

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

The Marketing Division continued to achieve remarkable performance with revenue growth by double digit for both 2017 and 2016. For 2017, the Division's revenue grew by 13.8% to RM242.8 million compared to growth of 19.1% to RM213.3 million in the previous year. The revenue growth was boosted by our innovative promotional and market-driven campaigns and the strong export sales which benefited from the stronger US Dollar. In addition, APM has also developed a range of high quality products to serve a wider customer base. The division's active regional presence in the ASEAN region has contributed to the revenue growth. The growth in revenue has in turn translated to an improved profitability. The favourable product mix also contributed to the better result of the Division.

On the domestic replacement market, the Division's vast distribution network is a key strength and has served as a platform for growth. Developing in house proprietary products and expanding the products offering through trading of other complementing related products will enable the Division to become a one-stop centre for better customer experience.



AAPEX Exhibition in Las Vegas



Automechanika KL

Our export marketing arm will continue to leverage on APM's plant operations in the ASEAN region to establish a strong global geographic footprint. The Division participated in several major international exhibitions as part of its continuous effort in promoting and marketing the APM brand and broadening its customer base.

Overall, the Division needs to leverage on the rapidly growing and highly-profitable web-based direct sale channel to end customers. Another key initiative will be cost containment and improve total inventory management to accelerate the fulfilment of customers' orders.

NON-REPORTABLE SEGMENT, MALAYSIA

This segment comprises mainly operations relating to the rental of properties in Malaysia, provision of management services, and engineering and research services for companies within the Group. The revenue from these services formed part of inter-segment elimination for the total Group's results. In addition, this segment also comprises the business of casting, machining and assembly of aluminium parts and components and distribution of motor vehicle to internal and external customers.

The revenue grew by 6.2% in the non-reportable, Malaysia segment to RM59.6 million from RM56.1 million. The increase was mainly due to revenue contribution from the acquisition of aluminium casting business on September 2016. This segment recorded a higher profit of RM3.9 million compared to RM2.1 million in the previous year mainly due to recognition of fair value gain on investment properties of RM4.7 million (2016: RM2.1 million).

After operating for 16 months' post acquisition, the aluminium casting business has secured contracts from non-automotive customer and is well positioned to turnaround. We are optimistic that this business will be profitable in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

INDONESIA OPERATIONS

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

In 2017, the Indonesia Operations posted a revenue of RM53.2 million, representing a surge of 39.3% from RM38.2 million recorded in 2016 thanks to higher leaf spring sales. The high quality of APM globally acceptable leaf spring is starting to gain market acceptance in the Indonesia local replacement market. In tandem with the higher revenue, the segmental loss has narrowed by 29% compared to loss of RM11.2 million in the corresponding year. The results of our operations in Indonesia was aggravated by the gestation costs consisting mainly of depreciation charges on plant and machinery and higher initial operating cost for its new manufacturing plants which have commenced operations in 2016 and second quarter of 2017.

Indonesia is presently regarded by many as one of the fastest growing markets for automobiles in view of its growing economy and the growing middle class and low vehicle ownership. Indonesia Government reforms to increase the attractiveness of Indonesia as a Foreign Direct Investment ("FDI") destination are expected to primarily benefit the manufacturing and automotive, construction, and hospitality sectors. APM sees these opportunities and has strengthened our footprint in Indonesia. APM has since invested more than RM100 million in Indonesia, the largest overseas investments so far.

In line with APM's road map to replicate the business model of Malaysia's suspension division, our operation in Indonesia will need to build a diverse set of major OEM and aftermarket customers across various end markets. The manufacturing team will focus on cost improvement. Opportunities include vacating excess space, substantially right sizing the over cost base, refocusing and streamlining production and distribution activities, improving quality management and better leverage the operational capabilities from its Malaysia's sister companies.



Instrument Panel

ALL OTHER SEGMENTS ("Operations Outside Malaysia")

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

Revenue from Operations Outside Malaysia has slowed down, registering a decline of 8.5%, year-on-year to RM120.2 million. The revenue reduction was mainly caused by lower revenue in Vietnam's seat division following the transfer of business to the newly established joint venture, namely APM TACHI-S Seating Systems Vietnam Co. Ltd ("ATSV") in the first quarter of 2017. On 12 August 2016, the Group entered into a Joint Venture Agreement with TACHI-S (Thailand) Co., Ltd ("TACHI-S") to carry on the business of designing, developing, manufacturing, assembling and sale of automotive seats in Vietnam for the Original Equipment Manufacturers. The joint venture agreement was subsequently completed on January 2017. Consequently, the Group's consolidated financial statements included only the Group's share of profit or loss of ATSV.



Extrusion Line in Thailand

In addition, the reduction in revenue was also due to unfulfilled deliveries by the coach's seat business in Australia during the first half of the year due to relocation of plant following its acquisition of land and building situated at 130 Northcorp Boulevard, Broadmeadows, Victoria.

The decline in revenue coupled with higher operating cost resulting from shifting of plant has caused the Division's profit to decrease by 79.3% to RM2.0 million compared to RM9.9 million recorded in last year. Higher operating cost which comprised mainly staff costs and depreciation resulted from the completion of plant for Thailand operation has also contributed to the decline of the Segment's profit. The pre-operating cost amounting to RM1.4 million (in particular related to land and staff cost expenses) incurred in Myanmar had further lowered the profitability of the segment.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

The Thailand automotive industry like any other automotive industry in the region is highly competitive, with many established automotive cluster of component suppliers, giving customers a wide choice of suppliers. Established over 50 years ago, Thailand's automotive sector has developed into the biggest automotive hub in Southeast Asia and one of the largest in the world.

Thailand - Production and Sales of new vehicles (units)

	Jan-Dec 2017	Growth Y-T-D (%)
Production	1,988,823	2.3%
Domestic Sales	871,644	13.4%
Export (CBU)	1,139,696	-4.1%

Source: FTI (Federation of Thai Industries), Toyota Motor Thailand Co., Ltd. (TMT), various media reports

The Federation of Thai Industries ("FTI") forecasts that Thai domestic vehicle sales are expected to rise 3.3% to 900,000 units in 2018. FTI estimates that vehicle exports will decrease 3.5% to 1.1 million units in 2018, and Thai vehicle production will grow 0.6% to 2 million units.

As a new operation, it is crucial for the Thailand team to focus on building the APM brand name and network to drive sale. Internally, we will continue our emphasis on efficient resource management, cost containment as well as increase technical training for workers to improve production efficiency. We are cautiously optimistic about the prospects of our Thailand operations.



Sport Seat

KEY RISK FACTORS

Business Risk

The automotive market is highly competitive. APM, the largest Original Equipment Manufacturer ("OEM") of automotive parts supplier in Malaysia faces intense competition from both existing part manufacturer and cars assemblers in the market in which it operates. In addition, competition is likely to further intensify in light of further continuing globalization in the worldwide automotive industry, possibly resulting in further industry reorganization. Factors affecting competition include product quality and features, the amount of time required for innovation and development and pricing.



Ingress and egress machine

An effective strategy for managing these risks are to intensify research and development activities to offer new innovative competitive priced products that meet customer demand on a timely basis and continuous efficiency improvements that focus on the optimisation of our manufacturing processes via standardisation and automation to achieve a lean and efficient operating cost base.

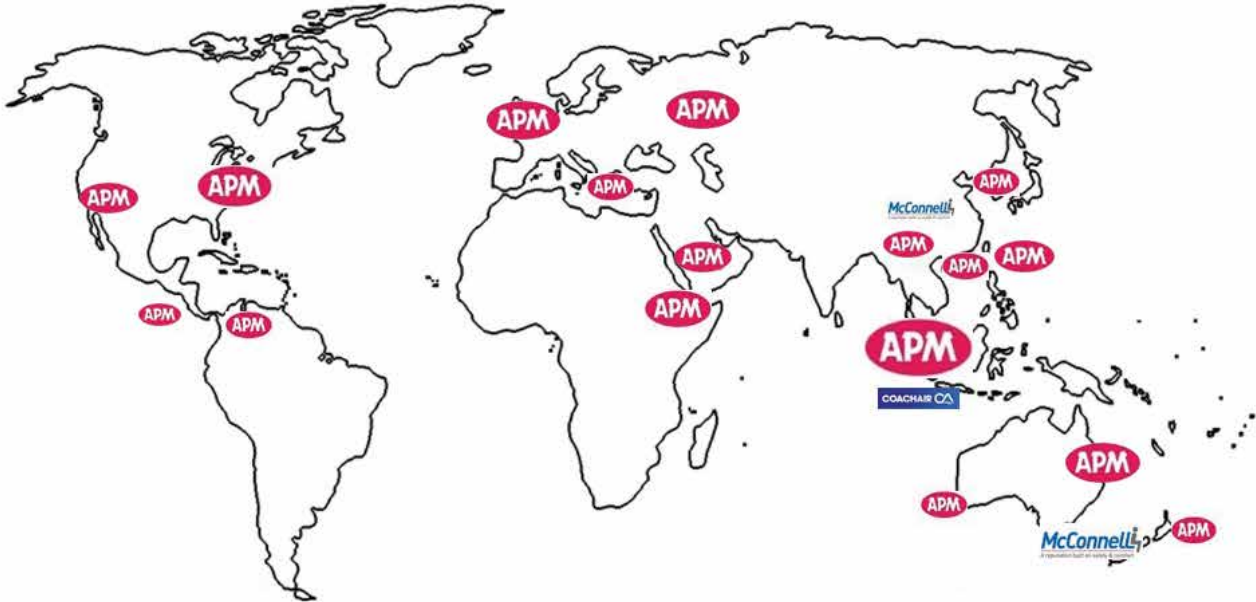
As APM Group's revenue is primarily derived from local OEM sales, strategies on expanding to regional markets, upstream and downstream businesses and developing new products are critical for business sustainability.

Financial Risk

Due to the nature of the Group's business, currency fluctuation has always been a key factor in determining its profitability. Recognizing such threat, the Group mitigates itself against losses by hedging and locking in its payables denominated in foreign currencies. Forward exchange contracts are entered into to hedge certain portion of the Group's purchases from exchange rate movements. In addition, with the increased localization of product content and the adoption of price adjustment mechanism with OEM customers due to currency fluctuation, the Group has managed to largely insulate itself from the ill effects of currency exchange rate fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



MOVING FORWARD

We anticipate the automotive industry outlook for 2018 to remain challenging. The notable challenges faced by the automotive sector under the current wave of innovation is not so much the speed with which it has emerged, rather how much it is altering the basic contours and features of the traditional automobile and amplifying the difficulty and cost of manufacturing cars. Electronics devices, a variety of digital services and connectivity systems are much sought after.

We foresee, via our 5-year strategy plan which emphasizes on expansion, cost effective operations, research and development and branding enhancement activities, APM will be well positioned to take advantage of these developments.

Research and Development

APM believes that innovation is one of the keys to success and has not allowed the current challenging economic climate to be a deterrent in its pursuit of the same. In this respect, APM has invested in and established a fully functional research and development company that houses more than 80 engineers. APM's engineers have been carefully selected and are capable of handling a range of tasks including product design and development as well as manufacturing process and technology improvement.

The central testing laboratory situated in Port Klang which houses advanced technologies and cutting-edge facilities and equipment such as Headrest testing system, Multipurpose Test Bed, Damper Module Tester,

2 Axis Seat System Vibration Machine, KUKA Occubot etc. was certified to ISO 9001 – Quality Management. Providing independent testing and development services to external customers will be another revenue stream for APM Group.



Seat & Seat Belt Anchorage Test



Head Restraint Test

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

APM believes that the collaboration with institutes of higher learning and global technology consulting firm are the right strategies to enhance and accelerate our engineering capabilities. During the year, our R&D company collaborated with a global technology provider in digital mobility solutions by setting up a dedicated Off-shore Development Center (“ODC”) at our R&D center located in Oasis Square, Ara Damansara. The dedicated engineers from our technical partner will be assigned to the ODC to support APM for specific projects in aspect of design, validation, value engineering, cost optimisation and etc. This company is a global technology company that specializes in providing IT Consulting and Product Engineering solutions and services to key focus industries.

In addition and in an attempt to participate in the wave of electric vehicle development, our R&D team has recently embarked on the development of a revolutionary air conditioning technology for buses. Our R&D activities are centered on the provision of continuous innovative development to our products. Such development will help to ensure that our products remain relevant and contemporary at all times.

Expansion

Our plans and journey of expansion continued despite not having any major joint venture or acquisition in 2017. During the year under review, our expansion strategies were focused on market penetration and development via product development and diversification. Integration of supply-chain and modernisation of manufacturing facilities are also part of the expansion programs.

Nevertheless, we continue to drive growth through mergers, acquisitions, partnerships and joint-ventures with the aim of developing and conveying products and services that are not only beneficial and in line with the APM’s vision but also provides synergistic value to the APM’s business and customer base.



PT APM Automotive Indonesia



Klang Billboard

Our People

Our people are behind every aspect of our strategy and execution. Our commitment to diversification and inclusion are embedded in every level of every business. We believe a diverse workforce can increase productivity and creativity, and gain the reputation of an employer that hires talented people without regard to race, ethnicity or gender. This approach is essential for APM’s expansion strategy as global player with regional presence.

Our focus in the year has been on the cultivation of team spirit and bonding. APM engaged a human management consulting company to organise and execute a group wide team building event over 3 days for over 500 employees. The theme of the event was “Forging Ahead Together”. Subsequently, we have planned and organised several training and development programs to further strengthen commitment to team goal, improving cross functional team communication and employees’ mind-set of accepting changes.

Increasing employee engagement has always been one of our top priorities in human capital management. Engagement activities take many forms, from formal and structured conference and meeting through direct dialogue, coaching and mentoring.

We recognise that ethical conduct is just as important as high performance. Our “Code of Conduct” outlines the behaviours we expect from our employees. APM’s core values, together with the code of conduct and governance principles are the foundations of how we conduct business.

In conclusion, we are proud to announce APM as one of the winners of the HR Asia Best Companies to Work For in Asia 2017 for three consecutive years.

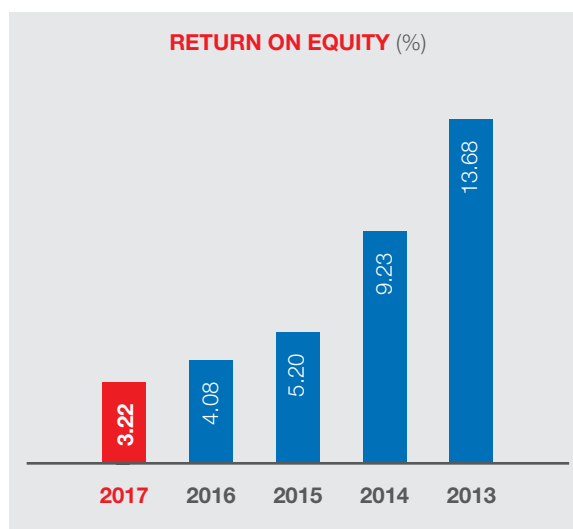
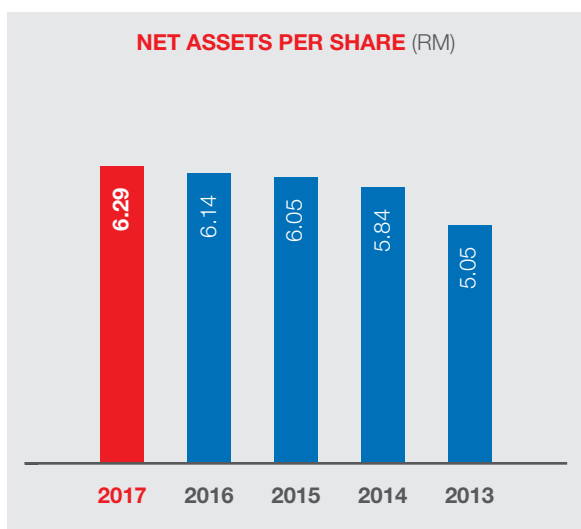
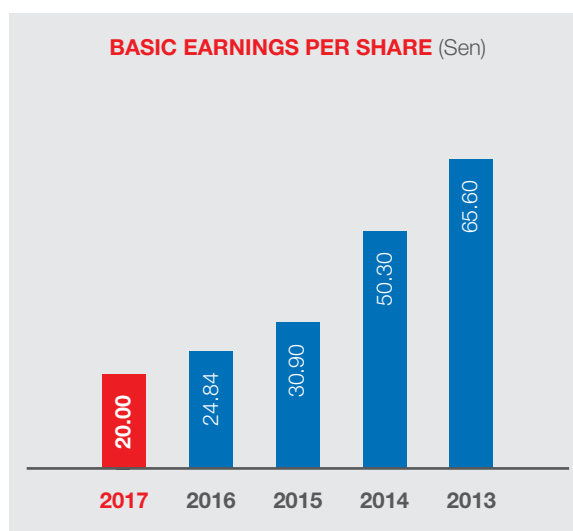
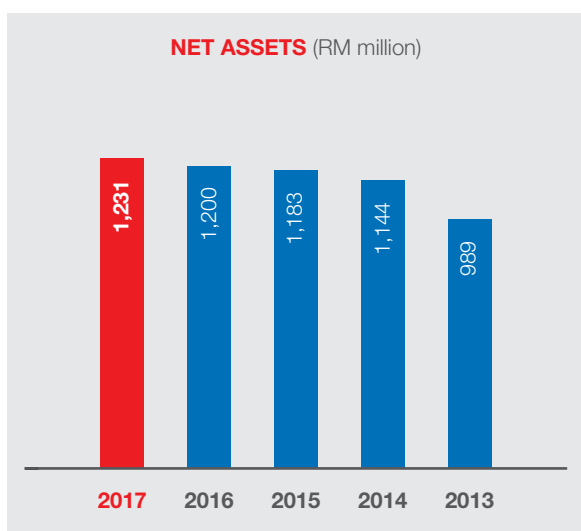
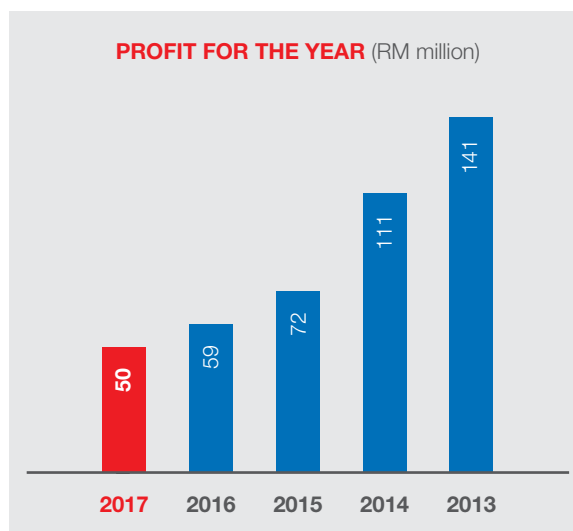
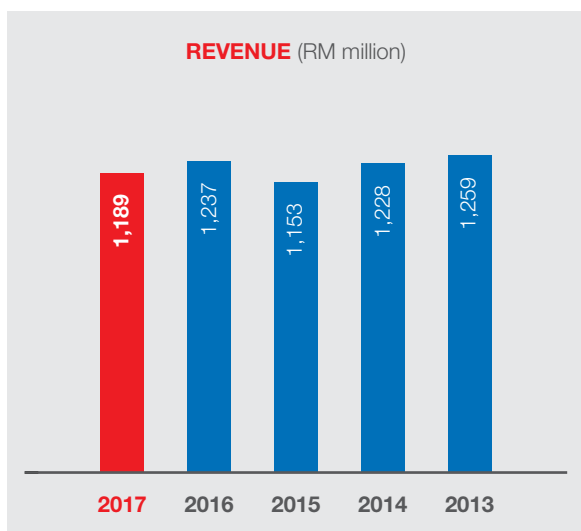
5-YEAR FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013 ¹
	RM'000	RM'000	RM'000	RM'000	RM'000
RESULTS					
Revenue	1,188,519	1,236,630	1,152,839	1,227,870	1,259,020
Profit before tax	71,384	83,207	95,026	145,285	182,004
Taxation	(21,420)	(23,836)	(23,113)	(34,133)	(40,635)
Profit for the year	49,964	59,371	71,913	111,152	141,369
Attributable to:					
Equity holders of the Company	39,095	48,582	60,490	98,403	128,290
Non-controlling interests	10,869	10,789	11,423	12,749	13,079
STATEMENT OF FINANCIAL POSITION					
Assets					
Property, plant & equipments	572,577	510,972	466,610	406,103	234,123
Prepaid lease payments	16,005	17,888	16,926	14,869	14,586
Investment properties	108,000	103,294	97,854	97,290	91,917
Equity-accounted investees	42,612	41,949	41,411	43,388	41,106
Intangible assets	19,966	24,601	23,381	11,632	873
Deferred tax assets	12,113	11,712	11,101	14,731	15,683
Total non-current assets	771,273	710,416	657,283	588,013	398,288
Current assets	874,597	875,364	893,123	910,589	891,139
Total assets	1,645,870	1,585,780	1,550,406	1,498,602	1,289,427
Equity					
Share capital	219,498	201,600	201,600	201,600	201,600
Reserves	1,024,463	1,011,871	995,091	954,774	799,718
Treasury shares	(13,305)	(13,297)	(13,289)	(12,818)	(12,806)
Equity attributable to owners	1,230,656	1,200,174	1,183,402	1,143,556	988,512
Non-controlling interests	53,934	37,772	37,220	32,949	26,200
Total equity	1,284,590	1,237,946	1,220,622	1,176,505	1,014,712
Non-current liabilities	63,625	53,412	45,577	39,694	15,853
Current liabilities	297,655	294,422	284,207	282,403	258,862
Total equity and liabilities	1,645,870	1,585,780	1,550,406	1,498,602	1,289,427
FINANCIAL STATISTICS					
Basic earnings per share (sen)	20.00	24.84	30.90	50.30	65.60
Gross dividend per share (sen)	13.00	15.00	19.50	19.50	52.00
Net assets per share (RM)	6.29	6.14	6.05	5.84	5.05
Return on shareholders equity (%)	3.22	4.08	5.20	9.23	13.68

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

5-YEAR FINANCIAL HIGHLIGHTS

cont'd



SUSTAINABILITY STATEMENT

Sustainability from the business perspective has often been described as a process by which companies manage their economic, social and environmental risks, obligations and opportunities.

Sustainability is recognized as a fundamental component in the preservation of APM's future and has always been entrenched in the core of APM's business. The Group is committed to its development and conservation by prioritizing conscientious development and management on the Economic, Environmental and Social ("EES") fore.

This Sustainability Statement has been prepared based on Bursa Malaysia's Sustainability Reporting Guide and its accompanying toolkits in response to the Listing Requirements on sustainability reporting.

SCOPE & METHODOLOGY

This is APM's inaugural Sustainability Statement and it underlines APM's commitment in ensuring that its business undertakings are accomplished sustainably and responsibly through the Group's Economic, Environmental and Social or EES performance. The Group is confident that this can be accomplished through the implementation of the sustainability initiatives which it has developed. These initiatives will be driven by its Risk Management and Sustainability Committee ("RMSC").

APM will produce this Sustainability Statement annually and it will encompass business sustainability activities carried out by the various components of the Group.



SUSTAINABILITY STATEMENT

cont'd

IMPLEMENTATION STATUS

While initiatives on sustainability have long been embraced and practiced by the Group but the development of a formal framework and the implementation thereof began only in 2017 with the Group's subsidiaries taking the fore. Subsidiaries located abroad are at the initial stage of the operation and we anticipate the full roll-out of such initiatives to be completed by the end of 2018.

APPROACH TO SUSTAINABILITY

Sustainability Governance

APM's approach to sustainability is based on its core values and principles around its Mission and Vision.

Vision Statement

A globally preferred innovative mobility solutions provider

Mission Statement

Cultivate a sustainable team-oriented culture involving employees through leadership & accountability and
Value creation through operational excellence, innovation and exemplary customer service

Core Values

- CUSTOMERS** : We will strive to continuously surpass customer's expectations.
- LEADERSHIP** : We will inspire and lead by example.
- EXCELLENCE** : We will continuously strive to better ourselves in delivering outstanding performance, products and services.
- RESPECT** : We will value, care and respect each other and our diversity.
- INTEGRITY** : We will uphold our core values of Professionalism including Honesty, Consistency, Respect, Responsibility and Honouring our Word without compromise, no matter what.
- TEAMWORK** : We are one team sharing one vision.
- INNOVATION** : We will continuously find ways to excite and entice our customers through breakthrough thinking and innovation.

SUSTAINABILITY STATEMENT

cont'd

Methodology

In formalizing its sustainability framework, APM restructured its management organization by integrating sustainability into its risk management system where sustainability is treated as one of the key discussion points in all its meetings.

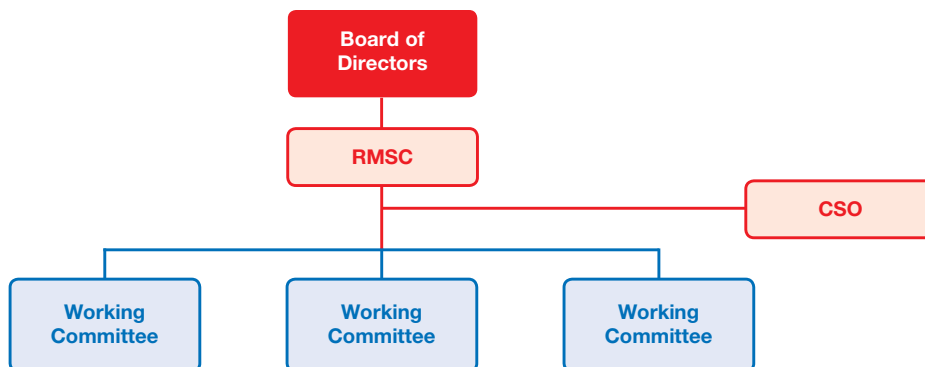
Approach

This integration resulted in the RMSC which reports to the Board of Directors through the Audit Committee, having to play a more enhanced role as it is now tasked with responsibilities that include the establishment of a sustainability framework, review of the adequacy of the sustainability processes, ensuring effectiveness in identification, management and reporting of Material Sustainability Matters in Economic, Environmental and Social aspects of the Group, monitoring and overseeing all sustainable strategies and initiatives of the Group. With such new auxiliary responsibilities, the RMSC plays a vital and fundamental role in ensuring the success of APM's sustainability framework.

The RMSC is supported by the various Working Committees ("WC") established from within the Group. These WCs are responsible for the implementation of sustainability initiatives, led by the relevant Heads of Subsidiary. A Chief Sustainability Officer ("CSO") has been appointed to oversee and monitor the progress of these activities. For the time being, the CSO's responsibilities are assumed by the Chief Executive Officer.

Sustainability Framework Structure

The following illustrates the current structure of APM's sustainability framework:



Aim

The aim and ultimate goal here is to ensure that the sustainability initiatives and practices generated from the framework will become part and parcel of our daily operation and agenda.

SUSTAINABILITY STATEMENT

cont'd

STAKEHOLDER ENGAGEMENT

In carrying out such sustainability initiatives and practices, we believe pro-active stakeholder engagement is fundamental, especially to the preservation of sustainability on the EES front. Stakeholders have been identified and profiled based on their influence on the Group or how they are impacted by the Group. Our approach is briefly illustrated in the Stakeholder Engagement Matrix below:

Stakeholders	Description	Engagement Method	Sustainability Issues
Customers	Our customers are OEM Manufacturer, REM parts distributors & end users.	Monthly Meeting, Project Tracking, Customer Feedback and Customer Satisfaction Survey.	Product Quality, Cost & Delivery Warranty Services, Product Safety.
Employees	Our employees are key enablers of all our business activities and provide value added along the value chain.	Morning Briefing, Morning Market, Training, Representative Meeting, Management Seminar, Trip and Function.	Learning & Development, Prompt Salary Payment, Performance Management, Work-Life Balance, Teamwork, Empowerment & Accountability, Industrial Harmony, Compensation & Benefits.
Shareholders	They are the owners of the Company.	Annual General Meeting, Regular updates and communication.	Profitability, Sales Performance, Financial & volume performance, Compliance.
Regulators	Government bodies that provide compliance needs.	Income Tax Filing, GST Reporting, License Renewal, Meeting, Regular Updates and communication.	Compliance with Legal Requirements, Financial Reporting, Environmental Compliance, Occupational Safety & Health, Local Council Regulations.
Principle Partners	They are our business partners who we have engaged with in joint venture or other partnership/agreements.	Principle Engagement, Meeting.	Profitability, Intellectual Property & Loyalty.
Competitor	They are rival of the company.	Regular Update.	Anti-Competitive Practices, Business Strategy & Plan, Product Innovation & Development.
Supply Chain Partners	Partners in our value chain to minimise risks and to ensure sustainable economic growth and environmental protection.	Monthly Meeting, Training & Meeting, Audit & Feedback.	Fair Procurement, Staying connected with the company.
Local Community	They are the owners of the Company.	Programmes through Corporate Social Responsibility.	Social & Environmental Issues, Local Community development.

SUSTAINABILITY STATEMENT

cont'd

MATERIAL SUSTAINABILITY CORE FOCUS AREAS

Materiality, in sustainability terms and in so far as APM is concerned, is not limited to matters that may have financial impact to our organization but also includes matters that may impinge on our ability to meet present and future needs. Our definition of materiality is essentially derived from material issues that are defined as those which:

- Reflect an organization's significant EES impacts; or
- Substantively influence the assessment and decisions of the stakeholders.

APM has completed a materiality analysis at Group level and this resulted in the identification of the following as key focus areas which may have a direct or indirect impact on the Group's ability to create, preserve or erode EES value.

ECONOMIC

BUSINESS STRATEGY

APM is committed towards the preservation of continuous improvement of its direction and initiative to ensure sustainable growth of its core business segment which is automotive parts manufacturing.

Our vast experience in the automotive parts manufacturing sector coupled with the know-how and technology acquired from our strategic alliances with our partners over the years has to a large extent facilitated the transformation of APM from its humble beginnings to one of the largest automotive parts manufacturing facilities in Malaysia.

APM constantly strives to achieve economic sustainability by using its assorted assets efficiently to allow it to continue functioning profitably over time. As this is APM's maiden Sustainability Statement where the implementation of all its sustainability initiatives are pending full roll out, the measure of success can only be demonstrated at the next reporting cycle.

ENVIRONMENT

Environment Conservation

APM prioritises environmental conservation and is conscious about its sustainability. In operating its businesses, the Group is committed to the protection of the environment and this commitment can be seen in the various initiatives that have been put in place.

We aim to improve our process by deploying environment-friendly processes and products in our manufacturing facilities. Our initiatives in carbon footprint reduction and renewable energy have not only alleviated the environmental impact but also boosted economic benefits.

Environmental Management System



Environmental Management System of ISO 14001:2015

ISO 14001 is the international standard that specifies requirements for an effective environmental management system. It provides a framework that an organization can follow, and establishes environmental performance requirements. In this respect, APM is proud to announce that most of our manufacturing facilities have been ISO 14001 certified.

Renewable energy and carbon footprint reduction

In 2016 APM obtained the approval for the provision of feed-in supply of renewable energy to Tenaga Nasional Berhad and has since completed the construction of a state of the art solar power facility to generate solar power from within its premises in Port Klang.



Solar Panel

With the ultimate aim of reducing the consumption of fuel and water and thereby conserving precious natural resources and contributing to a greener and healthier environment, this project has enabled APM to monetize idle or vacant spaces located within its premises. In addition, this renewable energy initiative is expected to contribute to CO₂ avoidance up to 286 tonnes per year.

APM initiated changes in its manufacturing process to reduce carbon footprint. In this respect, the change from hot coiling to cold coiling in one of its manufacturing processes had resulted an estimated CO₂ reduction by 150 tonnes per year.

SUSTAINABILITY STATEMENT

cont'd

Evaporative Water Cooling System



Evaporative Cooling System

In addition to the solar power facility project, APM has also incorporated the use of Evaporative Water Cooling System in one of its manufacturing facilities to generate cool air for the comfort and enjoyment of its personnel and reduce reliance on air conditioning which emits ozone depleting refrigerants, reduces energy consumption and creates a healthier environment. This system essentially involves the use of suction fans and water to encourage the in-flow of cool air into the premises thus eliminating the need for air-conditioning.

Environmentally Friendly Initiatives

It is often stated that “Recycling is everybody’s responsibility”. APM recognizes the need to leave a sustainable legacy for the next generation and places a great deal of importance on the recycling of used materials. In 2017, we increased our efforts to contribute towards a greener environment by implementing several environmentally friendly initiatives.

Recycling bins were introduced and placed at various APM premises to ease the waste sorting process. APM went on to discourage the use of plastic drinking water bottles within its premises and also urged stakeholders to promote and use more recyclable materials in their day-to-day activities. In an effort to increase the efficiency of paper usage, double sided printing is encouraged and done only when necessary.

SOCIAL

Employee Commitment

APM is an equal opportunity employer and prides itself with its high level of employee engagement and excellent workplace culture where employees of different backgrounds, gender, age, creed, ethnicity and religion are given equal opportunity for career development and progression. This has resulted in APM being recognized as one of best employers to work for in 2017 by HR Asia for the third year running.



Teambuilding

Achievement Recognition



Long Service Award 2017

APM recognizes the value of dedicated and long serving employees. Their dedication, loyalty and contributions throughout the years have made APM what it is today. On 17 November 2017, the Group presented 67 employees who have been with APM for 10 years or more with its Long Service Award.

SUSTAINABILITY STATEMENT

cont'd

Occupational Safety and Health

Due to the nature of APM's business as one of the largest auto parts manufacturers in Malaysia, the presence of health risks and hazards is inevitable and can sometimes be significant if unchecked. Accordingly, APM has, over the years, developed a series of manufacturing processes that are designed to ensure and promote employee safety. Known simply as the APM Manufacturing System or AMS, this system of processes ensures that APM remain in compliance with all applicable laws, regulations and policies on occupational health and safety.

Training and Development

Continuous skill development and knowledge improvement remain one of the Group's key focus areas and this can be seen in the training and development programs which APM implemented for its employees in 2017. These programs include the IPMA UK Certified Leadership Management, IPMA UK Certified Supervisory Development and the Certified Professional in Strategic Human Resource Management.



Meister Program

APM also went on to organize a team building event with the following program objectives: "Breaking the Silo Mentality, Achieving Team Spirit and Integration of Group Mind-set" at the Lexis in Port Dickson over 3 days for over 500 employees. This event was primarily aimed at improving the bond between employees and management and promoting better working relationship.

SKIP Level Management Meeting



SKIP Level Meeting

Skip-level meeting provides additional insight to one's organization from the non-management perspective. At such meetings, the upper level management bypasses mid-level management to talk directly to non-managerial employees. APM had its first skip meeting in 2017 and the outcome allowed the management team to better understand events surrounding its organization and develop more employee-centric policies. After all, at APM we believe an organization is only as good as its people.

Inter-Personnel Relationship

APM believes that strong inter-personnel relationship will provide a solid foundation for growth and advancement. Accordingly, APM's newly formed Sports Club has from time to time organized various activities to promote and advance inter-personnel relationship from amongst its employees. These activities include golfing and bowling sessions.

Healthcare

In APM, we believe that the "Greatest wealth is health". Accordingly, Zumba sessions were introduced to encourage and promote healthy living. In this respect, APM is proud to announce that Zumba participation has been nothing short of inspiring.

APM's Sports Club is also in the process of establishing a fully functional gymnasium with equipment and facilities to match within its premises in Port Klang. The Sports Club has installed a multi-station gym station for employee use.



APM Zumba Class

Yearly employee health screening is also another initiative driven by APM to promote healthy living where employees of a certain age are entitled to free health screening at any BP Labs branch.

SUSTAINABILITY STATEMENT

cont'd

COMMUNITY

Road Safety Campaign



Safety Campaign

In conjunction with the Road Safety Campaign, Majlis Keselamatan Jalanraya (District of Klang), the Royal Malaysian Police and APM jointly organized a campaign to promote road safety awareness which was attended by over 200 persons from the local community.

Community Aid



Back to School Aid 2017



Charity Event

APM's efforts to support, contribute and improve the living standards of the underprivileged continued in 2017 with cash donations made to the "Gerakan Ihsan Selangor dan Majlis Kebajikan Kanak-kanak Malaysia", "Kesatuan Pekerja Bomba Dan Penyelamat" and the "Penduduk Kategori Fakir & Miskin Kampung Raja Uda Pelabuhan Klang". APM also went on to provide financial aid and school bags to 34 local needy school children.

Blood Donation Campaign



Blood Donation

APM facilitated the replenishment of blood banks in various hospitals by organizing a blood donation drive with the National Blood Centre towards the end of 2017.

BUILDING A SUSTAINABLE FUTURE

The Group is conscious of the need for sustainability and will do all it can to embed and integrate such imperative into its work culture. APM remains unwavering and steadfast in its efforts to bring balance between business and responsible EES sustainability.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of APM Automotive Holdings Berhad (the “Company”) recognises the importance of having high standards of corporate governance in the Company for the purposes of safeguarding the interest of its stakeholders and enhancement of the Company’s perception in the eyes of the public. 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 is aimed at delivering a balance between conformance requirements with the need to deliver long-term strategic success through performance, without compromising on personal or corporate ethics and integrity.

This Statement provides an overview of the Company’s application of the Principles and Practices set out in the Malaysian Code on Corporate Governance (“MCCG”) and the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) during the financial year under review. The details on how the Company has applied each Practice as set out in the MCCG during the financial year 2017 are disclosed in the Corporate Governance Report, which is available for viewing on the Company’s website at www.apm.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board is collectively responsible to the Company’s shareholders for the long-term success of the Group for its overall strategic direction, its values and its governance. They are led by experienced and knowledgeable Board members whom provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives and goals of the Group.

All members of the Board are aware of their responsibility to take decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders. The role and responsibilities of the Board are clearly set out in the Board Charter, which is available on the Company’s website at www.apm.com.my. The Board Charter is periodically reviewed by the Board to be in line with the regulatory changes and to reflect the recent changes made to the terms of reference of the Board Committees.

The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementations of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

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

The Executive Team (as defined in the Board Charter) comprising the President (as the leader), Chief Executive Officer, Chief Operating Officer, Executive Vice President, Chief Business Development Officer and other Senior Management Personnel, is responsible to the Board in accordance with their respective roles, positions, functions and responsibilities which include, inter-alia, the achievement of the Company’s goals and observance of Management authorities delegated by the Board, developing business plans which are aligned to the Company’s requirements for growth, profitability and return on capital to be achieved, ensuring cost effectiveness in business operations, overseeing development of human capital and ensuring members of the Board have the information necessary to perform their fiduciary duties and other governance responsibilities.

The Executive Team serves as a conduit between the rest of the Management and the Board and is responsible for the effective implementation of the strategic plans and policies of the Group established by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

I. BOARD RESPONSIBILITIES *(cont'd)*

The positions of the Chairman and the Chief Executive Officer are held by different individuals to ensure an appropriate balance of roles, responsibilities and accountability. The President, who is also assumes the position of the Chairman, is primarily 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, while the Chief Executive Officer is responsible for managing and supervising the day-to-day business operations in accordance with the Group's strategies, policies and business plans approved by the Board.

The Independent Non-Executive Directors are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and also to ensure effective checks and balances on the Board. Independent Non-Executive Directors are essential for protecting the interests of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

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

Delegation of authorities have also been put in place to ensure that there is a balance between operational efficiency and control over corporate and financial governance. Various management committees have been formed such as Group Risk Management and Sustainability Committee and Executive Management Committee etc, with the aim to achieve optimum structure for efficient and effective decision-making in the Group. They are reviewed regularly by the Board and Management to ensure that it is adhered by the delegates, based on the level of approving authority limits for various aspects of the business.

The Board has also developed a Directors' Code of Ethics which essentially set the standards of conduct expected from all the Directors. The Directors' Code of Ethics is contained in Appendix A of the Board Charter which is published on the Company's website at www.apm.com.my. To inculcate good ethical conduct, the Group has also developed and imposed Code of Conduct on its employees. Additionally, the Company has in place a Special Complaint Policy, which is equivalent to whistle-blowing policy, that serves as an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

The Board members have full access to the Company Secretary to obtain advisory services, particularly on corporate governance issue and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to the administrative matters.

Board Meetings

For the financial year under review, the Board had convened six (6) Board meetings and the attendances of the Directors are as follows:

Name	No. of Board Meetings attended	Percentage of Attendance (%)
Dato' Tan Heng Chew	6/6	100
Dato' Tan Eng Hwa	5/6	83
Low Seng Chee	6/6	100
Dato' N. Sadasivan s/o N.N. Pillay	6/6	100
Dato' Haji Kamaruddin @ Abas Bin Nordin	6/6	100
Siow Tiang Sae	6/6	100
Nicholas Tan Chye Seng	6/6	100

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Board Meetings (cont'd)

Name	No. of Board Meetings attended	Percentage of Attendance (%)
Sow Soon Hock	6/6	100
Lee Tatt Boon	6/6	100
Lee Min On	6/6	100

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

Continuous Professional Development

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

All Directors have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa Securities. During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows:

Directors	Training/Seminar/Conference/Workshop
Dato' Tan Heng Chew	<ul style="list-style-type: none"> CG Breakfast Series for Directors - Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World CG Breakfast Series for Directors - Integrating an Innovation Mindset with Effective Governance 2018 Budget Briefing by Mr. Tang Chin Fook
Low Seng Chee	<ul style="list-style-type: none"> 2017 Global Transformation Forum In-House Sustainability Reporting Workshop In-House Cyber Security Briefing CG Breakfast Series for Directors - Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World Mergers and Acquisitions
Dato' Tan Eng Hwa	<ul style="list-style-type: none"> Bursa Malaysia Sustainability Forum 2017: The Velocity of Global Change & Sustainability - The New Business Model 2017 Global Transformation Forum In-House Sustainability Reporting Workshop CG Breakfast Series: Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability In-House Cyber Security Briefing CG Breakfast Series for Directors - Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World Company Secretary Training Program (Essential 1) by SSM CG Breakfast Series: Integrating an Innovation Mindset with Effective Governance

CORPORATE GOVERNANCE OVERVIEW STATEMENT cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Continuous Professional Development (cont'd)

Directors	Training/Seminar/Conference/Workshop
Dato' N. Sadasivan s/o N.N. Pillay	<ul style="list-style-type: none"> • Management Discussion and Analysis Statement: What and How to Disclose (by Lee Min On) • In-House Sustainability Reporting Workshop • Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • In-House Cyber Security Briefing
Dato' Haji Kamaruddin @ Abas Bin Nordin	<ul style="list-style-type: none"> • In-House Sustainability Reporting Workshop • Directors Risk Management Programme: I Am Ready To Manage Risks • CG Breakfast Series for Directors - Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World
Siow Tiang Sae	<ul style="list-style-type: none"> • In-House Sustainability Reporting Workshop • Workshop - Engines Running on Thin Air - How a Simple Invention Has Turned Energy On Its Head - Professor Toby Peters • Mergers and Acquisitions: Strategic Rationales, Deal Valuation and Negotiation – Wong Kah Teck • FutureTech Banking & Enterprise Conference – Kevin Chong • Understanding IoT Needs of Businesses In Malaysia • In-House Cyber Security Briefing • KPMG Tax and Business Summit 2017 • Mergers and Acquisitions
Nicholas Tan Chye Seng	<ul style="list-style-type: none"> • CG Breakfast Series: Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability • Dato' Tan Heng Chew Distinguished Speaker Series: Disruption in the E-World • CG Breakfast Series: Integrating An Innovation Mindset with Effective Governance
Sow Soon Hock	<ul style="list-style-type: none"> • Bursa Malaysia Sustainability Forum 2017: The Velocity of Global Change & Sustainability - The New Business Model • Sustainability Engagement Series for Directors and CEO • In-House Sustainability Reporting Workshop • In-House Cyber Security Briefing
Lee Min On	<ul style="list-style-type: none"> • Sustainability Forum for Directors/CEOs: The Velocity of Global Change & Sustainability – The New Business Model • In-House Sustainability Reporting Workshop (participated as speaker) • Mandatory Accreditation Programme for Directors of Public Listed Companies • Fraud Risk Management Workshop • Warisan TC Holdings Berhad - Sustainability Training for Directors and Head of Departments (participated as speaker) • Tan Chong Motor Holdings Berhad - Sustainability Training for Directors and Head of Departments (participated as speaker) • Dato' Tan Heng Chew Distinguished Speaker Series: Disruption in the E-World • Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • 2017 National Conference - Audit Committee Leadership Track • 2018 Budget Briefing by Mr. Tang Chin Fook

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)**I. BOARD RESPONSIBILITIES** (cont'd)**Continuous Professional Development** (cont'd)

Directors	Training/Seminar/Conference/Workshop
Lee Tatt Boon	<ul style="list-style-type: none"> • Mandatory Accreditation Programme for Directors of Public Listed Companies • Fraud Risk Management Workshop

II. BOARD COMPOSITION

The Company's Constitution provides for the Board to compose of not more than ten (10) Directors. The Board currently consists of ten (10) members, comprising five (5) Executive Directors and five (5) Non-Executive Directors, of whom four (4) are Independent Non-Executive Directors. The composition of the Board exceeds the requirements as set out in the Listing Requirements of Bursa Securities, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

Practice 4.1 of the MCCG states that at least half of the Board comprise Independent Directors. The Board is aware that its current composition is not in line with the desired practice and strongly believes that the goal of independence and objectivity in such practice is not compromised as a result of such composition. In fact the Board is certain that independence and objectivity is present and preserved with the present set of Directors in view of the weight given to the opinions of its four (4) Independent Non-Executive Directors which brings balance into its overall decisions. Nevertheless, the Board remains guided by the Principles and Practices of the MCCG in adhering to the best corporate governance practices.

The ten (10) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of business strategy and planning, marketing and sales, business operations and development, finance and risk management. The profile of each Director is set out on pages 5 to 7 of the Company's Annual Report 2017.

Nominating and Remuneration Committee ("NRC")

The NRC is entrusted to assess the adequacy and appropriateness of the Board composition, identifying and recommending suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity including gender, age and ethnicity diversity, training courses for Directors and other qualities of the Board including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility of delivering the final decision on the appointment of new Directors.

Based on the annual assessment conducted in February 2018, the NRC was satisfied with the existing Board composition and concluded that each Director has the requisite competence and capability to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review, and recommended to the Board for the re-election of the retiring Directors at the Company's forthcoming Annual General Meeting ("AGM"). All assessments and evaluations carried out by the NRC in discharging of its functions were duly documented.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

II. BOARD COMPOSITION *(cont'd)*

Nominating and Remuneration Committee (“NRC”) *(cont'd)*

The NRC has conducted an assessment on the independence of Independent Directors for the financial year 2017 based on the criteria on independence adopted by the Board. Following an assessment and recommendation by the NRC, the Board was of the opinion that the independence of the existing Independent Directors remain unimpaired and their judgement over business dealings of the Company were not influenced by the interest of the other Directors or substantial shareholders.

Dato’ N. Sadasivan s/o N.N. Pillay and Dato’ Haji Kamaruddin @ Abas Bin Nordin have each served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. Following an assessment and recommendation by the NRC, the Board recommended to the shareholders for approval at the forthcoming AGM for Dato’ N. Sadasivan s/o N.N. Pillay and Dato’ Haji Kamaruddin @ Abas Bin Nordin to continue acting as Independent Non-Executive Directors of the Company.

The Company has formalised a Board Diversity Policy and such policy is contained in the Board Charter which is published on the Company’s website. In accordance with the Board Diversity Policy on gender, the Board shall comprise at least a female Director at any time. Evaluation of suitability of candidates is based on the candidates’ competency, character, time availability, integrity and experience in meeting the Company’s needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre.

For the year under review, the Board has taken steps to pursue female candidates based on meritocracy with the optimum mix of skills, knowledge and experience to fill the Board positions. The Board remains committed to have at least one female director by end of the year.

A summary of key activities undertaken by the NRC in discharging of its duties during the financial year under review is set out below:

- Reviewed and assessed the independence of Independent Directors;
- Reviewed and recommended re-election of Directors who were due for re-appointment and retirement by rotation, and continuation in office as Independent Non-Executive Directors who have served for a cumulative period of more than nine (9) years for shareholders’ approval at the forthcoming AGM;
- Assessed Directors’ training needs and noted the training programmes attended by Directors;
- Reviewed the size and composition of the Board based on the required mix of skills, experience, knowledge and diversity;
- assessed the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual Director;
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members; and
- Reviewed the terms of reference of the NRC.

III. REMUNERATION

On 20 November 2017, the Nominating Committee was renamed as “Nominating and Remuneration Committee” and its duties and responsibilities have been expanded to assist the Board in implementing policies and procedures on matters relating to the remuneration of the Board and Senior Management.

The NRC is entrusted by the Board to implement the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations on the same to the Board for approval.

The Board has on 28 February 2018 adopted the said policies and procedures to determine the remuneration of Directors and Senior Management to align with business strategy and long-term objectives of the Group. The remuneration package of Executive Directors and Senior Management are linked to their performance, qualifications, experience and scope of responsibility and geographic location where the personnel are based and is periodically benchmarked to the market/ industry surveys conducted by human resource consultants.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

The level of remuneration of Independent Non-Executive Directors reflects the scope of responsibilities and commitments undertaken by them. The Board would ensure that the remuneration for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at the Board meetings.

The Directors concerned abstain from deliberation and voting on their own remuneration at the Board meetings.

The aggregate remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2017 is as follows:

Category	Fees (RM)	Salaries (RM)	Bonus (RM)	Benefits -in-kind (RM)	Allowances (RM)	Total (RM)
Company:						
<u>Executive Directors*</u>						
Dato' Tan Heng Chew (<i>President</i>)	-	1,342,320	631,680	39,600	-	2,013,600
<u>Non-Executive Directors</u>						
Dato' N. Sadasivan s/o N. N. Pillay	102,000	-	-	-	19,800	121,800
Dato' Haji Kamaruddin @ Abas bin Nordin	102,000	-	-	-	16,800	118,800
Lee Min On	110,500	-	-	-	22,200	132,700
Lee Tatt Boon	110,500	-	-	-	16,800	127,300
Nicholas Tan Chye Seng	-	-	-	-	-	-
Group:						
<u>Executive Directors*</u>						
Dato' Tan Heng Chew (<i>President</i>)	-	1,342,320	631,680	39,600	-	2,013,600
Dato' Tan Eng Hwa	-	1,237,224	463,958	90,883	-	1,792,065
Low Seng Chee	-	1,232,856	462,320	25,490	-	1,720,666
Sow Soon Hock	-	664,627	168,427	25,723	-	858,777
Siow Tiang Sae	-	728,844	217,989	25,872	-	972,705
<u>Non-Executive Directors</u>						
Dato' N. Sadasivan s/o N. N. Pillay	102,000	-	-	-	19,800	121,800
Dato' Haji Kamaruddin @ Abas bin Nordin	102,000	-	-	-	16,800	118,800
Lee Min On	110,500	-	-	-	22,200	132,700
Lee Tatt Boon	110,500	-	-	-	16,800	127,300
Nicholas Tan Chye Seng	-	-	-	-	-	-

* The remuneration paid to the Executive Directors were in respect of their employment with the Company/Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee which comprises four (4) members, all of whom are Independent Non-Executive Directors, with Mr. Lee Min On as the Committee Chairman. The members of the Audit Committee collectively are financially literate and are qualified to discharge their duties and responsibilities. They constantly keep abreast of relevant changes to the accounting standards and issues which have a significant impact on the financial statements through regular updates from the external auditors and Chief Financial Officer.

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 2016, as the case may be. A summary of the activities carried out in 2017 by the Audit Committee are set out in the Audit Committee Report included in this Annual Report.

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

The Audit Committee has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee and such policy was incorporated in the terms of reference of the Audit Committee on 28 February 2018.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The Audit Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The Group Risk Management and Sustainability Committee is responsible to oversee the risk management framework and policies while the subsidiaries' Management is tasked to manage business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels.

Details of the Group's Enterprise Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Risk Management and Internal Control Statement included in this Annual Report.

The Company has established an in-house Internal Audit function led by the Head of Systems and Internal Audit ("SIA") who reports directly to the Audit Committee. All internal audits carried out are guided by the International Professional Practices Framework of the Institute of Internal Auditors, a globally recognized professional body for internal audit. The SIA is independent of the activities it audits and the scope of works covered by the SIA during the financial year under review is set out in the Audit Committee Report included in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and also acknowledges that the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensure the supply of clear, comprehensive and timely information to their stakeholders via various disclosures and announcements including quarterly and annual financial results which provides investors with up-to-date financial information of the Group. All these announcements and other information about the Company are available on the Company's website at www.apm.com.my which shareholders, investors and public may access.

In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the AGM to better understand their needs and obtain their feedback.

II. CONDUCT OF GENERAL MEETINGS

The AGM 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 20th AGM held on 24 May 2017, all the directors (including the chair of the Board Committees) were present in person to engage directly with, and to be accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders. A summary of key matters discussed at the AGM is made available on the Company's website.

The Board has also adopted electronic voting at the last AGM to facilitate greater shareholders' participation, enable efficiency in the voting process as well as to ensure transparency and accuracy of the voting results.

This Statement is dated 3 April 2018.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa”), the Board of Directors (“Board”) of a listed issuer is required to include in its annual report, a statement about the state of risk management and internal control of the listed issuer as a group. Accordingly, the Board is pleased to furnish the Risk Management and Internal Control Statement (“Statement”), which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2017 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this Statement has considered the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers” (“Guidelines”), a publication of Bursa, in particular the requirements under paragraphs 41 and 42 of the said Guidelines and the Malaysian Code on Corporate Governance (“MCCG”).

BOARD'S RESPONSIBILITY

The Board acknowledges and assumes its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets, including the need to review the adequacy and operating effectiveness of this system in meeting the Group's objectives. The Board is cognizant of the need to objectively discharge its duties and responsibilities at all times as fiduciary in the interests of the Group in line with Guidance 1.1 of the MCCG, in particular, its principal responsibilities on risk management and internal control as outlined in the Guidance with respect to the following:

- to ensure there is a sound framework of internal controls and risk management;
- to understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks; and
- to set risk appetite which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

The Board is also mindful of its role in establishing a sound framework to manage risk as stipulated in Practice 9.1 of the MCCG. Accordingly, the Board has formalized in writing a Risk Management Framework (“RMF” or “Framework”), which incorporates, amongst others, a structured risk management process to identify and evaluate business risks, comprising strategic, financial, operational and compliance risks as well as a system of internal control to mitigate such risks.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives. The system can, therefore, only provide reasonable, but not absolute assurance, against any material misstatement, financial loss or fraudulent practices. This system is reviewed at least bi-annually by the Board in terms of its continuing adequacy and operating effectiveness in all material aspects. The Audit Committee, which has been entrusted by the Board to oversee risk management and internal control activities, assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group.

RISK MANAGEMENT SYSTEM

As risk management is an integral activity that undergirds the Group's business operations, the Group's RMF includes, inter-alia, a methodical process to identify, evaluate, control, report and monitor business risks faced by the Group in its business operations. Individual business risks as identified are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix deploying parameters established for each key business unit or function in the Group.

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

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

Whilst the Group Risk Management and Sustainability Committee (“GRMSC”), which comprises the respective heads of division and with the participation of an independent director to oversee the risk management framework and policies, is tasked with the responsibility of creating risk-awareness amongst personnel in the Group and monitoring key risks faced in the Group’s operations, the subsidiaries’ Management is responsible for managing business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels. As part of its remit, the System and Internal Audit Department reviews the process on how risks are identified and evaluated by process owners, the progress of implementation of the subsidiaries’ risks response plans and assesses the effectiveness of controls in managing the relevant risks. The results of the reviews are presented at GRMSC meetings for further deliberations as needed.

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

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

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

Under the said Policies, a hotline is made available for employees to report any alleged or suspected fraud, corruption or non-compliance with the Code of Conduct for employees, laws and regulations directly to APM Group’s Compliance Officer. The team from the investigative functions is tasked to commence investigations upon receiving a mandate from APM Group’s Compliance Officer. Investigative reports, if any, will be tabled at Audit Committee meetings for deliberation and decision, particularly on the next course of action to be taken.

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

INTERNAL CONTROL SYSTEM

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

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

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

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

INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by the Group’s in-house System and Internal Audit Department, an integral part of the Group’s monitoring system. The System and Internal Audit Department, which is independent of the activities it audits, reports functionally to Audit Committee and administratively to the Chief Executive Officer. As the System and Internal Audit Department adopts the definition of internal auditing as promulgated by the International Professional Practices Framework of the Institute of Internal Auditors, its primary role is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Group.

System and Internal Audit Department consists of 4 personnel and they carry out reviews of the Group’s system of risk management and internal control, including the extent of compliance with the Group’s operating policies and procedures as well as laws and regulations. System and Internal Audit Department is currently headed by Mr. Chong Choon Ket, a Deputy General Manager. He is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow Member of Association of Chartered Certified Accountants and a Chartered Member of The Institute of Internal Auditors, Malaysia.

The System and Internal Audit Department submits its annual plan to the Audit Committee for approval well before commencement of the Group’s financial year. The internal audit coverage takes into consideration the significance of the business units within the Group as well as their respective risk profiles. Internal audit reports, which highlight issues of concern, their implications, recommended corrective measures and Management’s comments, including the status of completion of internal audit vis-à-vis the annual plan, are submitted to the Audit Committee for review on a quarterly basis. The System and Internal Audit Department also follows up on the status of implementation of corrective actions by Management on issues raised by Internal Audit for onward reporting to the Audit Committee. For the financial year ended 31 December 2017, the System and Internal Audit Department covered the following business units/departments and business processes in its audits:

Business unit/department selected for internal audit	Business processes (including risks covered)
APM Plastics Sdn. Bhd.	Inventory management; Cash and bank balance management; Trade receivable review; Balance sheet review; Loose parts control procedures; Manual journal adjustment; and Effectiveness of risk management.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

Business unit/department selected for internal audit	Business processes (including risks covered)
APM Shock Absorbers Sdn. Bhd.	Revenue management; Production order management; Expenses management; Cash and bank balance management; Online banking review; Trade receivable review; Manual journal adjustment; Balance sheet review; Surprise physical inventory count; and Effectiveness of risk management.
APM Auto Electrics Sdn. Bhd.	Revenue management; Inventory management; Cash and bank balance management; Online banking review; Trade receivable review; Balance sheet review; Surprise physical inventory count; Manual journal adjustment; and Effectiveness of risk management.
PT. APM Leaf Spring Indonesia	Revenue management; Inventory management; Production order management; Expenses management; Cash and bank balance management; Trade receivable review; Balance sheet review; Surprise physical inventory count; and Manual journal adjustment.
APM Auto Parts Marketing Sdn. Bhd.	Revenue management; Credit control management; Pricing and discount policies; Online banking control procedures; Surprise physical inventory count; Cash and bank balance management; Trade receivable review; Balance sheet review; Manual journal adjustment; and Effectiveness of risk management.
Auto Parts Manufacturers Co. Sdn. Bhd.	Inventory management; Manual documents management; Manual journal adjustment; Validity of work permit of foreign worker; Trade receivable review; Cash and bank balance management; and Balance sheet review.
APM Group of Companies	Recurrent Related Party Transactions review; and Stock variances review.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

For the financial year under review, there was no restriction placed upon the scope of the System and Internal Audit Department's work and internal audit personnel were allowed unrestricted access to the records and relevant personnel of the Group. The Audit Committee reviewed the work of the System and Internal Audit Department, its observations and recommendations as well as Management' comments as a means to obtain assurance on the adequacy and operating effectiveness of the Group's risk management and internal control system. The Audit Committee also completed a set of questionnaire obtained from the Corporate Governance Guide – Pull-out II Guidance on Effective Audit and Risk Management 3rd edition, a publication of Bursa, to assess the competency of the Head of System and Internal Audit Department and sufficiency of resources available to the System and Internal Audit Department to carry out its responsibilities.

The costs incurred on the System and Internal Audit Department for the financial year ended 31 December 2017 amounted to approximately RM533,000 (2016:RM490,000).

BOARD'S COMMENTS AND ASSURANCE BY THE MANAGEMENT

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

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

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

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

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Group, in all material respect:

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

AAPG 3 does not require the external auditors to consider whether the Directors' Risk Management and Internal Control Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and opinion by the Board of Directors and Management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement is dated 3 April 2018.

AUDIT COMMITTEE REPORT

The Board of Directors of APM Automotive Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

The Audit Committee (“AC”) was established on 1 November 1999. The revised terms of reference of the AC were adopted by the Board of Directors at a meeting held on 28 February 2018.

COMPOSITION AND MEETINGS

The AC comprises the following directors and their attendances at the six (6) meetings held during the financial year ended 31 December 2017 are as follows:

Name	Attendance
Lee Min On <i>Chairman</i> <i>Independent Non-Executive Director</i>	6/6
Dato’ N. Sadasivan s/o N.N. Pillay <i>Member</i> <i>Senior Independent Non-Executive Director</i>	6/6
Dato’ Haji Kamaruddin @ Abas Bin Nordin <i>Member</i> <i>Independent Non-Executive Director</i>	6/6
Lee Tatt Boon <i>Member</i> <i>Independent Non-Executive Director</i>	6/6

The AC meetings are structured through the use of agendas and relevant meeting papers which are distributed to the AC members seven (7) days prior to such meetings. This enables the Committee members to study the items on the agenda, including relevant materials that support the items and, where appropriate, provides an opportunity for them to seek additional information or clarification from Management.

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

The Chief Executive Officer, Chief Financial Officer and Head of Internal Audit, including other Board members attend the meetings upon invitation of the AC to facilitate discussion of matters on the agenda. A representative of the external auditors is required to attend the meeting to consider the final audited financial statements and such other meetings as determined by the AC.

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

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

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), details of the Terms of Reference of the AC are uploaded on, and are available for reference by the public, at the Company’s website at www.apm.com.my

AUDIT COMMITTEE REPORT
cont'd**SUMMARY OF ACTIVITIES CARRIED OUT BY THE AC**

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

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

Financial Reporting

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

External and Internal Auditors

- (1) Reviewed the audit findings for the financial year ended 31 December 2017, highlighted by the External Auditors as well as weaknesses in the internal control systems of companies in the Group that required improvements. The AC also deliberated on the responses from Management and evaluated the improvement action plans proposed by Management to ensure that the areas of concern would be adequately mitigated;
- (2) Reviewed the External Auditors' Audit Plan for the Group for the financial year ended 31 December 2017, including the scope of work and audit approach adopted by the External Auditors, the risk areas emphasised by the External Auditors (including potential key audit matters that might be included in their report), the engagement team, audit materiality and audit timetable. Key changes to financial reporting standards, auditing standards as well as Listing Requirements of Bursa Securities and the consequential impacts thereon were deliberated and noted.
- (3) Assessed the suitability, objectivity and independence of the External Auditors by evaluating, among others, the adequacy of their technical knowledge, experience, skills, independence, objectivity, audit engagement and the supervisory ability and competency of the engagement team assigned to the Group. Moreover, the External Auditors have confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conducts and Practice) of the Malaysian Institute of Accountants via their presentation deck to the AC as well as the engagement letter. The AC was satisfied that the External Auditors had the ability to meet the audit requirements and statutory obligations of the Company as well as their independence and objectivity as External Auditors of the Company. Following such an assessment, the AC recommended, and the Board has accepted, the re-appointment of KPMG PLT as External Auditors of the Company at the forthcoming Annual General Meeting;
- (4) Assessed the audit scope of the External Auditors and thereafter recommended the external audit fees to the Board for approval;
- (5) Reviewed and approved the nature of, and fees for, non-audit services provided by the External Auditors and their affiliates in accordance with the Group's Policy on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the External Auditors. Details of non-audit fees incurred by the Company and Group for financial year ended 31 December 2017 are stated in the Other Statements and Disclosures of the Annual Report;
- (6) Private sessions were held with the External Auditors without the presence of executive Board members and Management personnel to discuss the audit findings and any other observations or concerns noted by the External Auditors during the course of their audit;

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF ACTIVITIES CARRIED OUT BY THE AC *cont'd*

External and Internal Auditors *(cont'd)*

- (7) Reviewed and approved the annual Internal Audit Plan to ensure adequacy of scope and coverage of the auditable areas, i.e. high risk areas were audited on a regular basis;
- (8) Reviewed the outcome of internal audit, focusing on the adequacy and operating effectiveness of risk management and internal controls that addressed strategic, operational, financial, compliance and information technology processes and their associated risks relating to the Group based on the approved annual Internal Audit Plan;
- (9) Discussed major findings, weaknesses and significant internal audit matters raised by the Internal Auditors and Management's response and follow-up actions thereto. Management of the respective business units concerned was requested to rectify and improve internal control procedures and workflow processes based on the Internal Auditors' recommendations;
- (10) Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority and manpower to carry out its work as planned;
- (11) Reviewed the Group Risk Management & Sustainability Committee Meeting ("GRMSC") minutes, especially on matters that might impact upon the financial reporting process;
- (12) Reviewed the recurrent related party transactions ("RRPTs") of the Group on a quarterly basis to ensure that the transactions entered into by the Group were within the shareholders' mandate in relation to the nature, terms and value limits of the transactions. In the case of related party transactions entered into by the Group, the AC reviewed these transactions to ensure that they were on terms which were not more favourable than those generally available to the public and to comply with the Listing Requirements of Bursa Securities.

Other Matters

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

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

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

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

It reports directly to the AC, which reviews and approves its annual audit plan. The Internal Audit function is independent of the activities it audits and carries out its work in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, enshrined in the Internal Audit Charter. The Internal Audit function performed audit reviews of major subsidiaries of the Group as well as ad hoc reviews or investigations. In addition, routine year end reviews such as annual stock takes, recurrent related party transactions and their pricing reviews were also conducted.

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

On quarterly basis, Internal Auditors submit the audit reports and status of internal audit plan for review and approval by the AC. The internal audit reports will also encompass recommendations for improvements to address and rectify the weaknesses identified, which are deemed practical and necessary for implementation by Management. Follow-up reviews will also be carried out to ascertain that management action plans have been duly implemented.

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

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

This Report is dated 3 April 2018.

OTHER STATEMENTS AND DISCLOSURES

1. Material Contracts Involving Directors and Major Shareholders' Interest

There were no material contracts (not being contracts entered in the ordinary course of business) entered into by the Company and its subsidiaries involving directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, KPMG PLT, to the Company and the Group respectively for the financial year ended 31 December 2017 were as follows:

	Group	Company
	2017	2017
	RM	RM
Statutory audit fees	455,000	57,000
Non-audit fees*	290,447	49,400

Note:

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

3. Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year which shall give a true and fair view of the state of affairs of the Company and the Group, and their results and cash flows for the financial year.

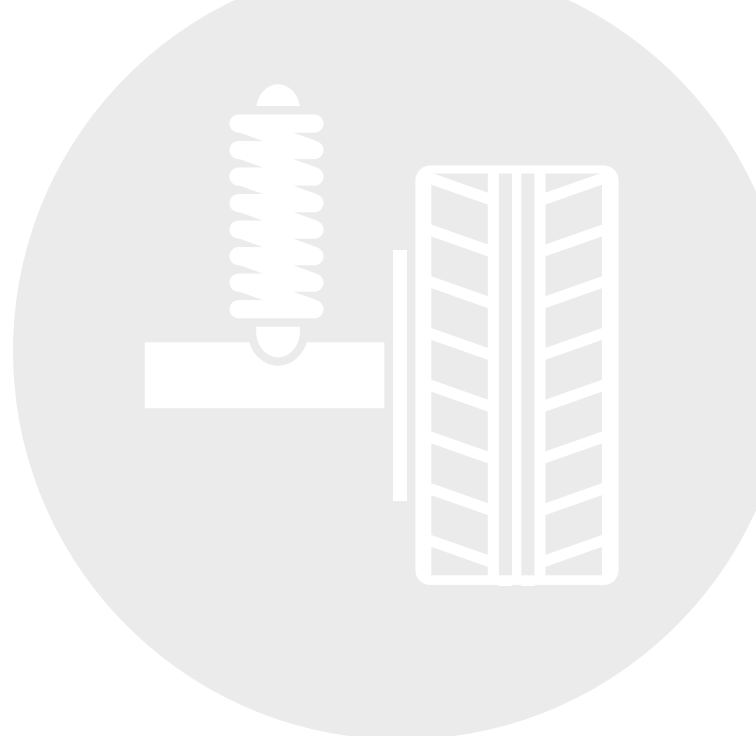
In preparing the financial statements for the year ended 31 December 2017, the Directors have:

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

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

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FINANCIAL STATEMENTS



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company whilst 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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 32 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	39,095	49,034
Non-controlling interests	10,869	-
	49,964	49,034

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amounts of dividends paid by the Company were as follows:

- a) a final ordinary dividend of 10 sen per ordinary share totalling RM19,559,000 in respect of the financial year ended 31 December 2016 declared on 27 April 2017 and paid on 28 June 2017; and
- b) an interim ordinary dividend of 4.5 sen per ordinary share totalling RM8,801,000 in respect of the financial year ended 31 December 2017 declared on 21 August 2017 and paid on 29 September 2017.

The Directors propose a final ordinary dividend of 8.5 sen per ordinary share totalling RM16,625,000 in respect of the financial year ended 31 December 2017. This dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Tan Heng Chew
Dato' Tan Eng Hwa*
Dato' N. Sadasivan s/o N.N. Pillay*
Dato' Haji Kamaruddin @ Abas Bin Nordin*
Low Seng Chee*
Siow Tiang Sae*
Nicholas Tan Chye Seng*
Sow Soon Hock*
Lee Min On
Lee Tatt Boon

* *These Directors are also Directors of the Company's subsidiaries.*

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Interests in the Company:				
Dato' Tan Heng Chew	5,924,999	-	-	5,924,999
Dato' Tan Eng Hwa	207,008	-	-	207,008
Dato' Haji Kamaruddin @ Abas Bin Nordin	5,448	-	-	5,448
Nicholas Tan Chye Seng	185,600	-	-	185,600
Siow Tiang Sae	2,050	-	-	2,050
Deemed interests in the Company:				
Dato' Tan Heng Chew	92,157,784 ⁽¹⁾	-	-	92,157,784
Dato' Tan Eng Hwa	7,128 ⁽²⁾	-	-	7,128

(1) *Deemed interest by virtue of interests in Tan Chong Consolidated Sdn. Bhd. and Wealthmark Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and interests held by spouse and son by virtue of Section 59(11) of the Companies Act 2016.*

(2) *Deemed interest by virtue of interest in Solomon House Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and interest held by spouse by virtue of Section 59(11) of the Companies Act 2016.*

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

None of the other Directors holding office at 31 December 2017 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 2017
 cont'd

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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

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

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report are as follows:-

Director	Alternate
Dato' Tan Eng Hwa	
Dato' Haji Kamaruddin @ Abas Bin Nordin	
Dato' Cheah Sam Kip	
Dato' N. Sadasivan s/o N.N. Pillay	
Akira Fujita	
Albert Mun Chang	
Cheah Kee Hee	
Chin Sze Cheon	
Chye Mun Heng	
Dr. Fun Woh Peng	
Hitoshi Fujita	
Hideo Takeda (appointed 1 April 2017)	
Jun Kutomi	Hiroaki Yamada
Kho Kiat Seng	
Khoo Peng Peng	
Kim Kyounggho	
Low Seng Chee	
Lim Kuan Lock	
Nicholas Tan Chye Seng	
Ng Boon Hooi	
Raasi Ureeeya A/P Rajandran	
Raj Kissu A/L Rajandran	
Siow Tiang Sae	
Sow Soon Hock	
Tan Ah Swee	
Tan Chin Yew	
Taro Nakayama	
Teo Ha Seng	
Thong Chee Kuan	
Yeoh Lam Guan	
Kam Sim Kwang (resigned on 15 December 2017)	
Kohei Ogawa (resigned on 1 April 2017)	

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

ISSUE OF SHARES AND DEBENTURES

There were no changes in the 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 RM3.58 per ordinary share. The total consideration paid for the repurchase including transaction costs was RM7,264. The ordinary shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2017, the Company held as treasury shares a total of 6,015,500 of its 201,600,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM13,305,000 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.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for Directors and Officers of the Group in respect of Directors' and Officers' insurance indemnity coverage is RM28,000.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

OTHER STATUTORY INFORMATION (cont'd)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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.

SIGNIFICANT EVENTS

Significant events during the financial year ended 31 December 2017 are disclosed in Note 37 to the financial statements.

SUBSEQUENT EVENT

Subsequent event after the financial year ended 31 December 2017 is disclosed in Note 38 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 24 to the financial statements.

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

LOW SENG CHEE

Director

DATO' TAN ENG HWA

Director

Selangor Darul Ehsan,

Date: 3 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	572,577	510,972	-	-
Prepaid lease payments	4	16,005	17,888	-	-
Investment properties	5	108,000	103,294	-	-
Investments in subsidiaries	6	-	-	532,949	506,408
Investment in an associate	7	11,338	11,763	-	-
Investments in joint ventures	8	31,274	30,186	-	-
Intangible assets	9	19,966	24,601	-	-
Deferred tax assets	10	12,113	11,712	-	-
Total non-current assets		771,273	710,416	532,949	506,408
Inventories	11	242,236	229,492	-	-
Other investments	12	110,662	101,547	-	10,285
Current tax assets		22,393	25,887	-	23
Trade and other receivables, including derivatives	13	232,726	247,558	24,527	28,825
Deposits and prepayments	14	33,771	41,401	63	7
Cash and cash equivalents	15	232,809	229,479	3,692	1,251
Total current assets		874,597	875,364	28,282	40,391
Total assets		1,645,870	1,585,780	561,231	546,799
Equity					
Share capital		219,498	201,600	219,498	201,600
Reserves		1,024,463	1,011,871	352,588	349,812
Treasury shares		(13,305)	(13,297)	(13,305)	(13,297)
Equity attributable to owners	16	1,230,656	1,200,174	558,781	538,115
Non-controlling interests		53,934	37,772	-	-
Total equity		1,284,590	1,237,946	558,781	538,115
Liabilities					
Employee benefits	17	19,715	17,252	1,145	1,013
Deferred tax liabilities	10	43,910	36,160	-	-
Total non-current liabilities		63,625	53,412	1,145	1,013
Loans and borrowings	18	68,826	54,692	-	6,000
Provisions	19	12,566	19,020	-	-
Trade and other payables, including derivatives	20	212,465	219,319	1,243	1,671
Current tax liabilities		3,798	1,391	62	-
Total current liabilities		297,655	294,422	1,305	7,671
Total liabilities		361,280	347,834	2,450	8,684
Total equity and liabilities		1,645,870	1,585,780	561,231	546,799

The notes on pages 68 to 134 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (IN USD EQUIVALENT)

	Group	
	31.12.2017	31.12.2016
	USD'000	USD'000
Assets		
Property, plant and equipment	140,959	113,903
Prepaid lease payments	3,941	3,988
Investment properties	26,588	23,025
Investment in an associate	2,791	2,623
Investments in joint ventures	7,700	6,729
Intangible assets	4,915	5,484
Deferred tax assets	2,982	2,611
Total non-current assets	189,876	158,363
Inventories	59,635	51,157
Other investments	27,244	22,636
Current tax assets	5,513	5,771
Trade and other receivable, including derivatives	57,294	55,184
Deposits and prepayments	8,314	9,229
Cash and cash equivalents	57,314	51,155
Total current assets	215,314	195,132
Total assets	405,190	353,495
Equity		
Share capital	54,037	46,971
Reserves	252,207	223,531
Treasury shares	(3,276)	(2,965)
Equity attributable to owners	302,968	267,537
Non-controlling interests	13,278	8,420
Total Equity	316,246	275,957
Liabilities		
Employee benefits	4,854	3,846
Deferred tax liabilities	10,810	8,061
Total non-current liabilities	15,664	11,907
Loans and borrowings	16,944	12,191
Provisions	3,094	4,240
Trade and other payables, including derivatives	52,306	48,889
Current tax liabilities	936	311
Total current liabilities	73,280	65,631
Total liabilities	88,944	77,538
Total equity and liabilities	405,190	353,495

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

The audited figures are converted into USD equivalent using the exchange rate of RM4.062 = USD1.00 (2016 - RM4.486 = USD1.00) which approximates the prevailing rate on 31 December 2017.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	21	1,188,519	1,236,630	52,008	101,011
Cost of sales		(1,002,037)	(1,026,002)	-	-
Gross profit		186,482	210,628	52,008	101,011
Other income		18,096	12,800	-	456
Distribution expenses		(23,137)	(32,124)	-	-
Administrative expenses		(106,266)	(101,996)	(3,206)	(3,079)
Other expenses		(8,912)	(10,172)	(316)	(4,001)
Results from operating activities		66,263	79,136	48,486	94,387
Finance costs	22	(4,198)	(2,777)	(248)	(267)
Finance income	23	9,795	9,203	1,067	1,079
Net finance income		5,597	6,426	819	812
Share of profit/(loss) of equity-accounted associate, net of tax		154	(302)	-	-
Share of loss of equity-accounted joint ventures, net of tax		(630)	(2,053)	-	-
Profit before tax	24	71,384	83,207	49,305	95,199
Income tax expense	26	(21,420)	(23,836)	(271)	(147)
Profit for the year		49,964	59,371	49,034	95,052
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		882	(1,959)	-	(398)
Revaluation of properties		29,648	-	-	-
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(5,574)	513	-	-
Share of (loss)/profit of equity-accounted investees		(4,291)	2,893	-	-
Other comprehensive income for the year, net of tax	27	20,665	1,447	-	(398)
Total comprehensive income for the year		70,629	60,818	49,034	94,654

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit attributable to:					
Owners of the Company		39,095	48,582	49,034	95,052
Non-controlling interests		10,869	10,789	-	-
Profit for the year		49,964	59,371	49,034	95,052
Total comprehensive income attributable to:					
Owners of the Company		58,850	50,029	49,034	94,654
Non-controlling interests		11,779	10,789	-	-
Total comprehensive income for the year		70,629	60,818	49,034	94,654
Basic earnings per ordinary share (sen)	28	20.0	24.8		

**STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017 (IN USD EQUIVALENT)**

	Group	
	31.12.2017 USD'000	31.12.2016 USD'000
Revenue	292,595	275,665
Cost of sales	(246,686)	(228,712)
Gross Profit	45,909	46,953
Other income	4,455	2,854
Distribution expenses	(5,696)	(7,161)
Administrative expenses	(26,162)	(22,737)
Other expenses	(2,194)	(2,268)
Results from operating activities	16,312	17,641
Finance costs	(1,034)	(620)
Finance income	2,412	2,052
Net finance income	1,378	1,432
Share of profit/(loss) of equity-accounted associate, net of tax	39	(67)
Share of loss of equity-accounted joint ventures, net of tax	(155)	(457)
Profit before tax	17,574	18,549
Income tax expense	(5,274)	(5,314)
Profit for the year	12,300	13,235
Other comprehensive income, net of tax		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	218	(437)
Revaluation of properties	7,299	-
Items that will be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(1,373)	115
Share of (loss)/profit of equity-accounted investees	(1,057)	645
Other comprehensive income for the year, net of tax	5,087	323
Total comprehensive income for the year	17,387	13,558
Profit attributable to:		
Owners of the Company	9,625	10,830
Non-controlling interests	2,675	2,405
Profit for the year	12,300	13,235
Total comprehensive income attributable to:		
Owners of the Company	14,488	11,153
Non-controlling interests	2,899	2,405
Total comprehensive income for the year	17,387	13,558
Basic earnings per ordinary share (sen)	5.0	6.0

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

The audited figures are converted into USD equivalent using the exchange rate of RM4.062 = USD1.00 (2016 - RM4.486 = USD1.00) which approximates the prevailing rate on 31 December 2017.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

Group	Note	← Attributable to the owners of the Group →					← Non-distributable → Distributable			
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017		201,600	(13,297)	17,898	92,395	11,652	889,926	1,200,174	37,772	1,237,946
Transfer in accordance with Section 618(2) of the Companies Act 2016		17,898	-	(17,898)	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	27	-	-	-	-	(5,574)	-	(5,574)	-	(5,574)
Remeasurement of defined benefit liability	27	-	-	-	-	-	882	882	-	882
Revaluation of properties	27	-	-	-	28,738	-	-	28,738	910	29,648
Share of loss of equity-accounted investees	27	-	-	-	-	(4,291)	-	(4,291)	-	(4,291)
Transfer of revaluation surplus on properties	16	-	-	-	(11,883)	-	11,883	-	-	-
Total other comprehensive income for the year		-	-	-	16,855	(9,865)	12,765	19,755	910	20,665
Profit for the year		-	-	-	-	-	39,095	39,095	10,869	49,964
Total comprehensive income for the year		-	-	-	16,855	(9,865)	51,860	58,850	11,779	70,629
Own shares acquired		-	(8)	-	-	-	-	(8)	-	(8)
Subscription of shares in a subsidiary by non-controlling interests		-	-	-	-	-	-	-	3,185	3,185
Increase in non-controlling interests through business combination		-	-	-	-	-	-	-	9,200	9,200
Dividends to owners of the Company										
- Final 2016 ordinary	29	-	-	-	-	-	(19,559)	(19,559)	-	(19,559)
- Interim 2017 ordinary	29	-	-	-	-	-	(8,801)	(8,801)	-	(8,801)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(8,002)	(8,002)
Total transactions with owners of the Group		-	(8)	-	-	-	(28,360)	(28,368)	4,383	(23,985)
At 31 December 2017		219,498	(13,305)	-	109,250	1,787	913,426	1,230,656	53,934	1,284,590
		Note 16	Note 16	Note 16	Note 16	Note 16				

The notes on pages 68 to 134 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Note	← Attributable to the owners of the Company →				Total equity
		Share capital	Treasury shares	Share premium	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016		201,600	(13,289)	17,898	270,509	476,718
Remeasurement of defined benefit liability	27	-	-	-	(398)	(398)
Profit for the year		-	-	-	95,052	95,052
Total comprehensive income for the year		-	-	-	94,654	94,654
Own shares acquired		-	(8)	-	-	(8)
Dividends to owners of the Company						
- Final 2015 ordinary	29	-	-	-	(23,470)	(23,470)
- Interim 2016 ordinary	29	-	-	-	(9,779)	(9,779)
Total transactions with owners of the Company		-	(8)	-	(33,249)	(33,257)
At 31 December 2016/ 1 January 2017		201,600	(13,297)	17,898	331,914	538,115
Transfer in accordance with Section 618(2) of the Companies Act 2016		17,898	-	(17,898)	-	-
Profit for the year		-	-	-	49,034	49,034
Total comprehensive income for the year		-	-	-	49,034	49,034
Own shares acquired		-	(8)	-	-	(8)
Dividends to owners of the Company						
- Final 2016 ordinary	29	-	-	-	(19,559)	(19,559)
- Interim 2017 ordinary	29	-	-	-	(8,801)	(8,801)
Total transactions with owners of the Company		-	(8)	-	(28,360)	(28,368)
At 31 December 2017		219,498	(13,305)	-	352,588	558,781
		Note 16	Note 16	Note 16		

The notes on pages 68 to 134 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		71,384	83,207	49,305	95,199
<i>Adjustments for:</i>					
Amortisation of intangible assets	9	8,650	7,948	-	-
Amortisation of prepaid lease payments	4	116	113	-	-
Change in fair value of investment properties	5	(4,706)	(2,086)	-	-
Depreciation of property, plant and equipment	3	51,229	47,273	-	-
Inventories written down		1,270	4,602	-	-
Inventories written off		570	8,883	-	-
Impairment in subsidiary		-	-	-	4,000
Impairment of intangible assets	9	-	787	-	-
Impairment loss on trade receivables		402	45	-	-
Employee benefits	17	2,938	2,716	132	-
Finance costs	22	4,198	2,777	248	267
Interest income	23	(9,795)	(9,203)	(1,067)	(1,079)
Gain on disposal of property, plant and equipment		(137)	(125)	-	-
Loss on acquisition of non-controlling interest		-	3	-	-
Provision for warranties	19	2,864	4,741	-	-
Provision for warranties reversed	19	(7,073)	(657)	-	-
Property, plant and equipment written off		1,232	230	-	-
Reversal of impairment loss on trade receivables		(5)	(38)	-	-
Share of (profit)/loss of associate, net of tax		(154)	302	-	-
Share of loss of joint ventures, net of tax		630	2,053	-	-
Operating profit before changes in working capital		123,613	153,571	48,618	98,387
Deposits and prepayments		7,630	(10,410)	(56)	(2)
Inventories		(14,590)	(19,550)	-	-
Trade and other payables, including derivatives		(6,854)	10,372	(428)	(869)
Trade and other receivables, including derivatives		15,163	(36,108)	4,298	7,855
Cash generated from operations		124,962	97,875	52,432	105,371

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (cont'd)					
Cash generated from operations		124,962	97,875	52,432	105,371
Employee benefits paid	17	(550)	(1,042)	-	-
Interest received	23	9,795	9,203	1,067	1,079
Interest paid	22	(4,198)	(2,777)	(248)	(267)
Provision for warranties utilised	19	(2,245)	(2,596)	-	-
Income tax refund		941	1,595	-	18
Income tax paid		(15,909)	(23,893)	(186)	(238)
Net cash generated from operating activities		112,796	78,365	53,065	105,963
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(93,434)	(88,923)	-	-
Addition of intangible assets	9	(4,260)	(5,324)	-	-
Acquisition of operation, net of cash and cash equivalent acquired		-	(11,089)	-	-
Net (increase)/decrease in other investments		(9,115)	40,422	10,285	1
Investments in subsidiaries		-	-	(26,541)	(78,869)
Government grant received		5,654	1,058	-	-
Proceeds from disposal of property, plant and equipment		438	2,590	-	-
Investment in joint venture	8	(5,430)	-	-	-
Net cash used in investing activities		(106,147)	(61,266)	(16,256)	(78,868)
Cash flows from financing activities					
Acquisition of shares in a subsidiary from non-controlling interest		-	(2,503)	-	-
Dividends paid to non-controlling interest		(8,002)	(8,002)	-	-
Dividends paid to owners of the Company	29	(28,360)	(33,249)	(28,360)	(33,249)
Drawdown of loans and borrowings		58,306	19,833	-	6,000
Repayment of loans and borrowings		(44,172)	(21,335)	(6,000)	-
Own shares acquired		(8)	(8)	(8)	(8)
Subscription of shares in subsidiaries by non-controlling interests		12,385	-	-	-
Net cash used in financing activities		(9,851)	(45,264)	(34,368)	(27,257)
Net (decrease)/increase in cash and cash equivalents		(3,202)	(28,165)	2,441	(162)
Effect of exchange rate fluctuations		6,532	(6,570)	-	-
Cash and cash equivalents at beginning of year		229,479	264,214	1,251	1,413
Cash and cash equivalents at end of year	(i)	232,809	229,479	3,692	1,251

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
cont'd

(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	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	15	104,060	122,409	541	87
Corporate management accounts	15	48,126	46,432	124	480
Cash and bank balances	15	80,623	60,638	3,027	684
		232,809	229,479	3,692	1,251

The notes on pages 68 to 134 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

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

Registered office

62-68, Jalan Sultan Azlan Shah
51200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in an associate and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 3 April 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (cont'd)

- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan amendment, Curtailment and Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 4, which are not applicable to the Group; and
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

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

MFRS 15, Revenue from Contracts with Customers

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

Currently, the Group recognises revenue from contracts with customers on the basis that persuasive evidence exists, usually in the form of an executed sales agreement, and that the significant risks and rewards of ownership have been transferred to the customer. Upon adoption of MFRS 15, the Group will recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. The Group will apply MFRS 15 retrospectively.

In the implementation of MFRS 15, the Group has done its assessment by reviewing the contracts with major customers.

Based on the assessments undertaken to date, the Group estimated the impact to its retained earnings by approximately RM1.0 million. The Group intends to adopt MFRS 15 in accordance with the partial retrospective application for annual periods beginning on 1 January 2018 and the comparatives will not be restated.

The initial application of MFRS 15 is not expected to have any significant financial impacts to the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. BASIS OF PREPARATION (cont'd)**(a) Statement of compliance** (cont'd)**MFRS 9 Financial Instruments**

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

In the implementation of MFRS 9, the Group assesses the impact of MFRS 9 by estimating the loss rate using flow rate method.

Currently, the Group classifies and measures financial assets and liabilities based on MFRS 139 requirements. Upon adoption of MFRS 9, the Group will classify and measure financial assets and liabilities depending on the Group's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 as below:

Group	As reported at 31 December 2017 RM'000	Estimated adjustments due to application of MFRS 9 RM'000	Estimated adjusted opening balance at 1 January 2018 RM'000
Trade and other receivables	232,726	(1,500)	231,226
Retained earnings	913,426	(1,500)	911,926

The initial application of MFRS 9 is not expected to have any significant financial impacts to the financial statements of the Company.

MFRS 16, Leases

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(d) Use of estimates and judgements

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

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

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

- Note 3 - Valuation of property, plant and equipment
- Note 5 - Valuation of investment properties
- Note 19 - Provision for warranties

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

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

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

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 remeasured. 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

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) **Loans and receivables**

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

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

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

Financial liabilities

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iii) Regular way purchase or sale of financial assets (cont'd)

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

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

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Recognition and measurement (cont'd)

Property under the revaluation model

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

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. An appropriate amount of the revaluation surplus will be transferred directly to retained earnings as and when the surplus is realised through the depreciation of the revalued properties or when the revalued properties are disposed of.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(e) Leased assets

(i) Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets (cont'd)

(i) Finance leases (cont'd)

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

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

(ii) Operating leases

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Development expenditure

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

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

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

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

(iii) Technical know-how

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (cont'd)

(iii) Technical know-how (cont'd)

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

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

(iv) Other intangible assets

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

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

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

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

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

(g) Investment properties

(i) Investment properties carried at fair value

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investment properties (cont'd)

(i) Investment properties carried at fair value (cont'd)

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

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

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment (cont'd)

(i) Financial assets (cont'd)

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

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

(ii) Other assets

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Equity instruments

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

(i) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

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

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

(m) Provisions

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

Warranties

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

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

(n) Revenue and other income

(i) Goods sold

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

(ii) Services

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

(iii) Rental income

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

(iv) Dividend income

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

(v) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Borrowing costs

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

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

(p) Income tax

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

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

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

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

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

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

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

(q) Earnings per ordinary share

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Operating segments

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

(s) Fair value measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Long term leasehold land	Buildings	Plant, machinery and equipment	Furniture, fittings and office equipment	Motor vehicles	Renovation	Under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
At 1 January 2016	63,756	55,500	175,728	475,570	36,016	10,445	1,889	57,373	876,277
Acquisition through business combinations	-	-	-	5,109	30	-	-	-	5,139
Additions	305	-	3,478	45,187	1,880	779	190	37,104	88,923
Government grant	-	-	-	(1,058)	-	-	-	-	(1,058)
Disposals	-	-	-	(3,166)	(612)	(1,064)	-	-	(4,842)
Written off	-	-	-	(573)	(49)	-	-	-	(622)
Transfer	-	-	25,763	37,735	109	-	-	(63,607)	-
Transfer to investment properties	-	-	(3,660)	-	-	-	-	-	(3,660)
Effect of movement in exchange rates	616	-	663	1,048	112	56	-	3,914	6,409
At 31 December 2016/ 1 January 2017	64,677	55,500	201,972	559,852	37,486	10,216	2,079	34,784	966,566
Additions	25,451	-	35,887	25,270	1,458	869	1,242	3,257	93,434
Revaluation surplus	11,124	9,079	16,016	-	-	-	-	-	36,219
Government grant	-	-	-	(5,654)	-	-	-	-	(5,654)
Disposals	-	-	-	(1,794)	(46)	(1,200)	-	-	(3,040)
Written off	-	-	-	(1,819)	(125)	-	-	-	(1,944)
Transfer	-	-	26,337	8,479	70	-	100	(34,986)	-
Effect of movement in exchange rates	(80)	-	(4,133)	(7,499)	(385)	(85)	(9)	(994)	(13,185)
At 31 December 2017	101,172	64,579	276,079	576,835	38,458	9,800	3,412	2,061	1,072,396
Accumulated depreciation									
At 1 January 2016	-	905	10,640	364,906	28,021	5,146	49	-	409,667
Charge for the year	-	903	11,632	29,723	3,365	1,556	94	-	47,273
Disposals	-	-	-	(1,321)	(320)	(736)	-	-	(2,377)
Written off	-	-	-	(345)	(47)	-	-	-	(392)
Offset of accumulated depreciation on property transferred to investment properties	-	-	(306)	-	-	-	-	-	(306)
Effect of movement in exchange rates	-	-	296	1,303	96	34	-	-	1,729
At 31 December 2016/ 1 January 2017	-	1,808	22,262	394,266	31,115	6,000	143	-	455,594
Charge for the year	-	893	14,952	30,543	2,822	1,521	498	-	51,229
Disposals	-	-	-	(1,794)	(46)	(899)	-	-	(2,739)
Written off	-	-	-	(587)	(125)	-	-	-	(712)
Reclass	-	-	-	-	(6)	-	6	-	-
Effect of movement in exchange rates	-	-	(735)	(2,404)	(349)	(62)	(3)	-	(3,553)
At 31 December 2017	-	2,701	36,479	420,024	33,411	6,560	644	-	499,819
Carrying amounts									
At 1 January 2016	63,756	54,595	165,088	110,664	7,995	5,299	1,840	57,373	466,610
At 31 December 2016/ 1 January 2017	64,677	53,692	179,710	165,586	6,371	4,216	1,936	34,784	510,972
At 31 December 2017	101,172	61,878	239,600	156,811	5,047	3,240	2,768	2,061	572,577

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

The Group adopted the revaluation model on its properties comprising freehold land, long term leasehold land and buildings in 2014. Had the revalued properties been carried under the cost model, the net carrying amount of the properties that would have been included in the financial statements of the Group are as follows:

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
2017				
Cost	70,071	26,968	250,029	347,068
Accumulated depreciation	-	(8,555)	(88,012)	(96,567)
	70,071	18,413	162,017	250,501
2016				
Cost	44,701	26,968	191,938	263,607
Accumulated depreciation	-	(7,662)	(73,794)	(81,456)
	44,701	19,306	118,144	182,151

Fair value information

The fair values of the freehold land, long term leasehold land and buildings in 2017 were categorised as Level 3 fair value.

Level 3 fair value

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

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

Valuation process applied by the Group for Level 3 fair value

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation companies provide the fair value of the Group's land and buildings portfolio every 3 years.

NOTES TO THE FINANCIAL STATEMENTS

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4. PREPAID LEASE PAYMENTS

Group	Unexpired lease period less than or equal to 50 years RM'000
Cost	
At 1 January 2016	17,638
Effect of movement in exchange rates	1,110
At 31 December 2016/1 January 2017	18,748
Effect of movement in exchange rates	(1,851)
At 31 December 2017	16,897
Accumulated amortisation	
At 1 January 2016	712
Charge during the year	113
Effect of movement in exchange rates	35
At 31 December 2016/1 January 2017	860
Charge during the year	116
Effect of movement in exchange rates	(84)
At 31 December 2017	892
Carrying amounts	
At 1 January 2016	16,926
At 31 December 2016/1 January 2017	17,888
At 31 December 2017	16,005

5. INVESTMENT PROPERTIES

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 January 2016	3,476	82,688	11,690	97,854
Change in fair value	23	1,706	357	2,086
Transfer from property, plant and equipment	-	-	3,354	3,354
At 31 December 2016/1 January 2017	3,499	84,394	15,401	103,294
Change in fair value	191	4,506	9	4,706
At 31 December 2017	3,690	88,900	15,410	108,000

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INVESTMENT PROPERTIES *(cont'd)*

5.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	Level 1	Level 2	Level 3	Total
2017	RM'000	RM'000	RM'000	RM'000
Freehold land	-	-	3,690	3,690
Long term leasehold land	-	-	88,900	88,900
Buildings	-	-	15,410	15,410
	-	-	108,000	108,000
<hr/>				
2016				
Freehold land	-	-	3,499	3,499
Long term leasehold land	-	-	84,394	84,394
Buildings	-	-	15,401	15,401
	-	-	103,294	103,294

Level 3 fair value

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

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

Valuation processes applied by the Group for Level 3 fair value

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

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	546,488	519,947
Less: Accumulated impairment losses	(13,539)	(13,539)
	532,949	506,408

Details of the subsidiaries are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

6.1 Non-controlling interests in subsidiaries

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

- (i) Fuji Seats (Malaysia) Sdn. Bhd. ("FSM")
- (ii) APM Delta Seating Systems Sdn. Bhd. ("APM DSS")

	FSM	APM DSS	Other subsidiaries with immaterial NCI	Total
2017	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	40%	40%		
Carrying amount of NCI	39,709	11,551	2,674	53,934
Profit/(Loss) allocated to NCI	10,391	1,808	(420)	11,779

Summarised financial information before intra-group elimination

	FSM	APM DSS
As at 31 December 2017	RM'000	RM'000
Non-current assets	46,054	6,626
Current assets	111,115	64,963
Non-current liabilities	(1,407)	(29)
Current liabilities	(56,490)	(42,682)
Net assets	99,272	28,878
Year ended 31 December 2017	RM'000	RM'000
Revenue	300,422	52,207
Profit for the year	25,978	4,521
Total comprehensive income	25,978	4,521
	RM'000	RM'000
Cash flows from operating activities	27,686	2,114
Cash flows used in investing activities	(25,525)	(7,623)
Cash flows (used in)/ from financing activities	(20,007)	23,000
Net (decrease)/increase in cash and cash equivalents	(17,846)	17,491
Dividends paid to NCI	8,002	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

6.1 Non-controlling interests in subsidiaries *(cont'd)*

	FSM RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2016			
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	37,227	545	37,772
Profit/(Loss) allocated to NCI	11,225	(436)	10,789

Summarised financial information before intra-group elimination

	FSM RM'000
As at 31 December 2016	
Non-current assets	43,913
Current assets	100,692
Non-current liabilities	(1,278)
Current liabilities	(50,260)
Net assets	93,067
Year ended 31 December 2016	RM'000
Revenue	313,823
Profit for the year	28,063
Total comprehensive income	28,063
	RM'000
Cash flows from operating activities	30,489
Cash flows used in investing activities	(46,144)
Cash flows used in financing activities	(20,007)
Net decrease in cash and cash equivalents	(35,662)
Dividends paid to NCI	8,002

6.2 Restriction imposed by shareholders' agreement

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN AN ASSOCIATE

	Group	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	5,048	5,048
Share of post-acquisition reserves	6,290	6,715
	11,338	11,763

Details of the associate are as follows:

Name of entity	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2017	2016
P.T. Adient Automotive Indonesia (formerly known as P.T. Armada Johnsons Controls)	Indonesia	Manufacturing and supplying automotive products to the Group	12.5%	12.5%

8. INVESTMENTS IN JOINT VENTURES

	Group	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	30,614	25,184
Share of post-acquisition reserves	660	5,002
	31,274	30,186

Details of joint ventures are as follows:

Name of entity	Nature of the relationship	Effective ownership interest	
		2017	2016
Incorporated in Vietnam			
APM TACHI-S Seating Systems Vietnam Co. Ltd. (held via 100% owned subsidiary, APM Automotive IndoChina Ltd.)	Develop, manufacture, assemble and sales of automotive seats in Vietnam	49%	-
Incorporated in Indonesia			
P.T. APM Armada Autoparts (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture of interior products and is one of the strategic partnerships to develop Indonesia's automotive market.	50%	50%

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

Details of joint ventures are as follows: *(cont'd)*

Name of entity	Nature of the relationship	Effective ownership interest	
		2017	2016
Incorporated in Thailand			
IAC APM Automotive Systems Ltd. (held via 100% owned subsidiary, APM Automotive International Ltd.)	Manufacture of interior plastic components and is one of the strategic partnerships to develop Thailand's automotive market.	40%	40%
Incorporated in Malaysia			
Diversified Furniture Systems Sdn. Bhd.(held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant.	50%	50%

On 19 January 2017, the Group subscribed for 49% equity interest in APM TACHI-S Seating Systems Vietnam Co., Ltd. at a total cash consideration of RM5,430,000. The company develops, manufactures, assembles and sells automotive seats in Vietnam. The subscription of APM TACHI-S Seating Systems Vietnam Co., Ltd. has no material impact to the Group.

Net cash outflow arising from acquisition of joint venture

Group 2017 RM'000
Purchase consideration settled in cash and cash equivalents
(5,430)

9. INTANGIBLE ASSETS

Group	Trademarks and design RM'000	Development expenditure RM'000	Goodwill RM'000	Technical know-how RM'000	Total RM'000
Cost					
At 1 January 2016	5,759	8,336	7,318	9,728	31,141
Additions	-	117	-	5,207	5,324
Acquisition through business combination	3,273	-	1,201	-	4,474
Effect of movement in exchange rates	303	-	258	-	561
At 31 December 2016/ 1 January 2017	9,335	8,453	8,777	14,935	41,500
Additions	957	2,802	-	501	4,260
Effect of movement in exchange rates	(215)	-	(210)	-	(425)
At 31 December 2017	10,077	11,255	8,567	15,436	45,335

NOTES TO THE FINANCIAL STATEMENTS

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9. INTANGIBLE ASSETS (cont'd)

Group	Trademarks and design RM'000	Development expenditure RM'000	Goodwill RM'000	Technical know-how RM'000	Total RM'000
Amortisation and impairment loss					
At 1 January 2016	3,336	4,299	-	125	7,760
Amortisation for the year	1,970	1,766	-	4,212	7,948
Impairment loss	-	-	-	787	787
Effect of movement in exchange rates	404	-	-	-	404
At 31 December 2016/ 1 January 2017					
Accumulated amortisation	5,710	6,065	-	4,337	16,112
Accumulated impairment loss	-	-	-	787	787
	5,710	6,065	-	5,124	16,899
Amortisation for the year	1,798	2,874	-	3,978	8,650
Effect of movement in exchange rates	(180)	-	-	-	(180)
At 31 December 2017					
Accumulated amortisation	7,328	8,939	-	8,315	24,582
Accumulated impairment loss	-	-	-	787	787
	7,328	8,939	-	9,102	25,369
Carrying amounts					
At 1 January 2016	2,423	4,037	7,318	9,603	23,381
At 31 December 2016/ 1 January 2017	3,625	2,388	8,777	9,811	24,601
At 31 December 2017	2,749	2,316	8,567	6,334	19,966

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9. INTANGIBLE ASSETS *(cont'd)*

Amortisation

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

Impairment testing for cash-generating units containing goodwill

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

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Manufacturing of transportation seating	7,395	7,577
Unit without significant goodwill	1,172	1,200
	8,567	8,777

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

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

- There will be no material change in structure and principal activities of the cash-generating unit.
- The earnings before interest, taxes, depreciation and amortisation ("EBITDA") is based on growth rate of 3% (2016: 3%)
- A pre-tax discount rate of 7% (2016: 7%) was applied in determining the recoverable amount of the unit.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits	2,162	1,888	-	-	2,162	1,888
Property, plant and equipment	5,130	1,164	(44,459)	(40,817)	(39,329)	(39,653)
Investment properties	-	-	(21)	(4,426)	(21)	(4,426)
Provisions and others	11,250	19,493	(5,859)	(1,750)	5,391	17,743
Tax assets/(liabilities)	18,542	22,545	(50,339)	(46,993)	(31,797)	(24,448)
Set off of tax	(6,429)	(10,833)	6,429	10,833	-	-
Net tax assets/(liabilities)	12,113	11,712	(43,910)	(36,160)	(31,797)	(24,448)

Movement in temporary differences during the financial year

Group	At 1.1.2016	Recognised in profit or loss (Note 26)	Recognised in other comprehensive income (Note 27)	At 31.12.2016/ 1.1.2017	Recognised in profit or loss (Note 26)	Recognised in other comprehensive income (Note 27)	At 31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Employee benefits	731	539	618	1,888	(608)	882	2,162
Property, plant and equipment	(34,289)	(5,364)	-	(39,653)	6,895	(6,571)	(39,329)
Investment properties	(3,477)	(949)	-	(4,426)	4,405	-	(21)
Provisions and others	15,560	2,183	-	17,743	(12,352)	-	5,391
	(21,475)	(3,591)	618	(24,448)	(1,660)	(5,689)	(31,797)

Unrecognised deferred tax assets

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

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	60,405	42,822
Unabsorbed capital allowances	7,335	6,900
Deductible temporary differences	13,361	2,504
	81,101	52,226

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation except for the unutilised tax losses of RM10,731,673 [IDR33,578,452,000] (2016: RM13,555,000 [IDR40,585,283,000]) which will expire in financial year 2018 - 2021 (2016: 2017 - 2021) for the subsidiary in Indonesia. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

11. INVENTORIES

	Group	
	2017	2016
	RM'000	RM'000
Raw materials	142,437	141,420
Work-in-progress	9,357	11,385
Manufactured inventories and trading inventories	83,792	70,012
Spare parts and others	6,650	6,675
	242,236	229,492

	Group	
	2017	2016
	RM'000	RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	867,098	880,241
Inventories written off	570	8,883
Inventories written down to net realisable value	1,270	4,602

12. OTHER INVESTMENTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss				
- Investments with licensed financial institutions	110,662	101,547	-	10,285

NOTES TO THE FINANCIAL STATEMENTS

cont'd

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade receivables		208,185	202,548	-	-
Less: Impairment losses		(950)	(553)	-	-
		207,235	201,995	-	-
Related parties	13.1	13,240	25,916	-	-
Joint ventures	13.1	389	-	-	-
		220,864	227,911	-	-
Non-trade					
Other receivables	13.2	10,265	18,843	37	60
Subsidiaries	13.3	-	-	24,490	28,765
Derivatives held for trading at fair value through profit or loss					
- Forward exchange contracts		1,597	804	-	-
		11,862	19,647	24,527	28,825
		232,726	247,558	24,527	28,825

13.1 The trade amounts due from related parties and joint ventures are subject to 30 - 60 days (2016: 30 - 60 days) trade credit term.

13.2 Included in other receivables is an amount of RM7,849,000 (2016: RM3,714,000) Goods and Services Tax ("GST") receivable from the Royal Malaysian Custom Department ("RMCD") in relation to input tax paid by the Group.

13.3 The non-trade amount due from subsidiaries is unsecured, interest free and repayable on demand except for an amount due from subsidiaries amounting to RM23,189,000 (2016: RM24,654,000) which is subject to interest ranging from 3.2% to 3.4% (2016: 3.2% to 3.5%) per annum.

14. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits	8,371	8,007	5	5
Prepayments	25,400	33,394	58	2
	33,771	41,401	63	7

NOTES TO THE FINANCIAL STATEMENTS

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15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	104,060	122,409	541	87
Corporate management accounts	48,126	46,432	124	480
Cash and bank balances	80,623	60,638	3,027	684
	232,809	229,479	3,692	1,251

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

16. CAPITAL AND RESERVES

Share capital

	Note	Group and Company			
		Amount	Number of shares	Amount	Number of shares
		2017	2017	2016	2016
		RM'000	'000	RM'000	'000
Ordinary shares, issued and fully paid:					
At 1 January		201,600	201,600	201,600	201,600
Transfer from share premium pursuant to Section 618(2) of the Companies Act 2016	16.1	17,898	-	-	-
At 31 December	16.2	219,498	201,600	201,600	201,600

16.1 Pursuant to Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of a company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

16.2 Included in the share capital is share premium amounting to RM17,898,000 that is available to be utilised pursuant to Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Companies Act 2016).

Ordinary shares

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

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 24 May 2017, approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

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16. CAPITAL AND RESERVES (cont'd)

Treasury shares (cont'd)

During the financial year, the Company repurchased 2,000 (2016: 2,000) of its issued ordinary share capital from the open market at an average price of RM3.58 (2016: RM3.76) per ordinary share. The purchase transactions were financed by internally generated funds. The ordinary shares purchased are retained as treasury shares.

Details of the repurchase of treasury shares were as follows:

	Average repurchase price RM	Highest repurchase price RM	Lowest repurchase price RM	Number of treasury shares repurchased	Total consideration paid RM
2017					
Feb	3.518	3.518	3.518	1,000	3,566
August	3.650	3.650	3.650	1,000	3,698
2016					
March	4.000	4.000	4.000	1,000	4,048
August	3.510	3.510	3.510	1,000	3,558

At 31 December 2017, the Company held 6,015,500 (2016: 6,013,500) of the Company's shares.

Share premium

The reserve comprises the premium paid on subscription of shares in the Company over and above par value of the shares. In the current financial year, the amount has been transferred and become part of the Company's share capital as disclosed in Note 16.1 to the financial statements.

Revaluation reserve

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

Translation reserve

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

17. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Defined benefit liability	19,715	17,252	1,145	1,013

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

NOTES TO THE FINANCIAL STATEMENTS

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17. EMPLOYEE BENEFITS (cont'd)

Movement in defined benefit liability

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

Group	Defined benefit liability	
	2017 RM'000	2016 RM'000
Balance at 1 January	17,252	13,001
Remeasurement of defined benefit liability	-	2,577
Included in profit or loss		
Current service cost	2,755	1,605
Past service credit	110	554
Interest cost	73	557
	2,938	2,716
Others		
Benefits paid	(550)	(1,042)
Effect of movement in exchange rates	75	-
	(475)	(1,042)
Balance at 31 December	19,715	17,252
Company		
Balance at 31 December	1,145	1,013

Defined benefit obligation

Actuarial assumptions

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

	Group and Company	
	2017	2016
Discount rate	5.0% - 6.0%	5.0% - 6.0%
Future salary growth	5.5%	5.5%
Future pension growth	12% - 13%	12% - 13%

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

At 31 December 2017, the weighted-average duration of the defined benefit liability was 9.9 years for senior management and 13 years for other covered employees (2016: 9.9 years for senior management and 13 years for other covered employees).

NOTES TO THE FINANCIAL STATEMENTS

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18. LOANS AND BORROWINGS

	Note	2017 RM'000	2016 RM'000
Group			
Sukuk Murabahah	18.1	-	6,000
Unsecured foreign currency loans		50,926	33,692
Unsecured revolving credit		17,900	15,000
		68,826	54,692
Company			
Sukuk Murabahah	18.1	-	6,000

The borrowings of the Group are subject to interest at 2.55% to 8.60% (2016: 2.08% to 10.32%) per annum.

18.1 Sukuk Murabahah

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

18.2 Reconciliation of movement of loans and borrowings to cash flows arising from financing activities

	At 1 January 2017 RM'000	Net changes from financing cash flows RM'000	At 31 December 2017 RM'000
Group			
Sukuk Murabahah	6,000	(6,000)	-
Unsecured foreign currency loans	33,692	17,234	50,926
Unsecured revolving credit	15,000	2,900	17,900
	54,692	14,134	68,826
Company			
Sukuk Murabahah	6,000	(6,000)	-

NOTES TO THE FINANCIAL STATEMENTS

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19. PROVISIONS

	Warranties RM'000
At 1 January 2016	17,532
Provisions made during the year	4,741
Provisions utilised during the year	(2,596)
Provisions reversed during the year	(657)
<hr/>	
At 31 December 2016/1 January 2017	19,020
Provisions made during the year	2,864
Provisions utilised during the year	(2,245)
Provisions reversed during the year	(7,073)
<hr/>	
At 31 December 2017	12,566

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

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

20. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables		107,629	112,074	-	-
Related parties	20.1	1,396	6,498	-	-
		109,025	118,572	-	-
<hr style="border-top: 1px dashed black;"/>					
Non-trade					
Other payables and accruals		102,427	99,580	846	1,495
Subsidiaries	20.2	-	-	397	176
Joint ventures	20.2	-	84	-	-
Related parties	20.2	935	688	-	-
Derivatives held for trading at fair value through profit or loss					
- Forward exchange contracts		78	395	-	-
		103,440	100,747	1,243	1,671
		212,465	219,319	1,243	1,671

20.1 The trade amount due to related parties is subject to 30 - 60 days (2016: 30 - 60 days) trade credit term.

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

NOTES TO THE FINANCIAL STATEMENTS

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21. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,188,519	1,236,630	-	-
Dividend income	-	-	52,008	101,011
	1,188,519	1,236,630	52,008	101,011

22. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities measured at amortised cost	4,198	2,777	248	267

23. FINANCE INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income received from deposits, investments and corporate management accounts with licensed financial institutions and banks	9,795	9,203	272	199
Interest income received from subsidiaries	-	-	795	880
	9,795	9,203	1,067	1,079

24. PROFIT BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Non-executive Directors:				
- Fees	425	298	425	298
- Benefits	76	52	76	52
Amortisation of intangible assets	8,650	7,948	-	-
Auditors' remuneration:				
Audit fees				
- KPMG Malaysia	455	437	57	43
- Other auditors	273	282	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging: (cont'd)				
Non-audit fees				
- KPMG Malaysia	43	42	43	38
- Local affiliates of KPMG Malaysia	156	346	6	-
- Overseas affiliates of KPMG Malaysia	92	52	-	-
- Other auditors	54	41	-	-
Amortisation of prepaid lease payments	116	113	-	-
Depreciation of property, plant and equipment	51,229	47,273	-	-
Impairment loss				
- trade receivables	402	45	-	-
- intangible assets	-	787	-	-
- investment in subsidiary	-	-	-	4,000
Inventory written down	1,270	4,602	-	-
Inventory written off	570	8,883	-	-
Net foreign exchange loss				
- realised	-	5,030	-	-
- unrealised	3,630	-	798	-
Personnel expenses (including key management personnel)				
- Employee benefits	3,297	2,840	-	-
- Contributions to state plans	12,452	11,302	196	199
- Wages, salaries and others	159,402	158,430	1,280	1,106
Property, plant and equipment written off	1,232	230	-	-
Provision for warranties	2,864	4,741	-	-
Rental of premises	3,309	2,757	-	-
Royalties	9,808	9,731	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	137	125	-	-
Net foreign exchange gain				
- realised	4,054	-	504	164
- unrealised	-	2,754	-	31
Rental income from investment properties	2,662	1,885	-	-
Reversal of impairment loss				
- trade receivables	5	38	-	-
Provision for warranties reversed	7,073	657	-	-
Dividends received from subsidiaries	-	-	52,008	101,011
Fair value adjustment on investment properties	4,706	2,086	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive Directors				
- Remuneration	7,150	6,750	1,974	1,850
- Other short-term employee benefits	208	157	40	-
Total short-term employee benefits	7,358	6,907	2,014	1,850
Other key management personnel				
Remuneration and other short-term employee benefits	5,109	5,760	-	-
	5,109	5,760	-	-
	12,467	12,667	2,014	1,850

Remuneration paid to the Executive Directors were in respect of their employment with the Group and the Company.

Included in other short-term employee benefits are estimated monetary value of benefit-in-kind of the Group amounted RM124,000 (2016: RM113,000).

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

26. INCOME TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Recognised in profit or loss				
Income tax expense	21,420	23,836	271	147
Share of tax of associate	37	188	-	-
Share of tax of joint ventures	57	-	-	-
	21,514	24,024	271	147

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. INCOME TAX EXPENSE (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian				
- Current year	17,872	18,831	289	154
- Under/(Over) provision in prior year	220	(472)	(18)	(33)
Overseas				
- Current year	1,621	1,601	-	-
Total current tax recognised in profit or loss	19,713	19,960	271	121
Others	47	285	-	26
Deferred tax expense				
- Origination and reversal of temporary differences	973	2,184	-	-
- Under provision in prior year	687	1,407	-	-
Total deferred tax recognised in profit or loss	1,660	3,591	-	-
Share of tax of associate	37	188	-	-
Share of tax of joint ventures	57	-	-	-
Total income tax expense	21,514	24,024	271	147
Reconciliation of tax expense				
Profit for the year	49,964	59,371	49,034	95,052
Total income tax expense	21,514	24,024	271	147
Profit excluding tax	71,478	83,395	49,305	95,199
Income tax using Malaysian tax rate of 24% (2016: 24%)	17,155	20,015	11,833	22,848
Non-deductible expenses	961	1,783	938	1,591
Tax exempt income	(220)	(326)	(12,482)	(24,243)
Tax incentives	(4,487)	(5,227)	-	-
Effect of deferred tax asset not recognised	5,784	5,388	-	-
Other items	1,414	1,456	-	(16)
	20,607	23,089	289	180
Malaysian				
Under/(Over) provision of tax expense in prior year	220	(472)	(18)	(33)
Under provision of deferred tax expense in prior year	687	1,407	-	-
Total income tax expense	21,514	24,024	271	147

NOTES TO THE FINANCIAL STATEMENTS

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27. OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	-	882	882	(2,577)	618	(1,959)
Revaluation of properties	36,219	(6,571)	29,648	-	-	-
Items that will be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	(5,574)	-	(5,574)	513	-	513
Share of (loss)/profit of equity-accounted investees	(4,291)	-	(4,291)	2,893	-	2,893
	26,354	(5,689)	20,665	829	618	1,447
Company						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	-	-	-	(524)	126	(398)
	-	-	-	(524)	126	(398)

NOTES TO THE FINANCIAL STATEMENTS

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28. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017	2016
Profit for the year attributable to ordinary shareholders (RM'000)	39,095	48,582
Weighted average number of ordinary shares ('000 units)		
Issued ordinary shares at 1 January	201,600	201,600
Effect of treasury shares held	(6,015)	(6,013)
Weighted average number of ordinary shares at 31 December	195,585	195,587
Basic earnings per ordinary share (sen)	20.0	24.8

29. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Interim 2017 ordinary	4.5	8,801	29 September 2017
Final 2016 ordinary	10.0	19,559	28 June 2017
		28,360	
2016			
Interim 2016 ordinary	5.0	9,779	29 September 2016
Final 2015 ordinary	12.0	23,470	24 June 2016
		33,249	

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

	Sen per share	Total amount RM'000
Final 2017 ordinary	8.5	16,625

NOTES TO THE FINANCIAL STATEMENTS

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30. COMMITMENTS

(a) Capital commitments

	Group	
	2017	2016
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	14,571	42,773
Authorised but not contracted for	30,337	46,030

(b) Non-cancellable operating lease

Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:

Not later than 1 year	1,026	1,089
More than 1 year but not later than 5 years	4,106	5,446
More than 5 years	64,382	67,296
Authorised but not contracted for	69,514	73,831

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

31. RELATED PARTIES

Identity of related parties

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

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

Controlling related party relationships are as follows:

- i) The subsidiaries as disclosed in Note 32.
- ii) The substantial shareholders of the Company are Tan Chong Consolidated Sdn. Bhd. ("TCC") and Wealthmark Holdings Sdn. Bhd. ("WH"). TCC and WH are also substantial shareholders of Warisan TC Holdings Berhad Group ("WTCH Group"). TCC is also a substantial shareholder of Tan Chong Motor Holdings Berhad Group ("TCMH Group") and Tan Chong International Limited Group ("TCIL Group").
- iii) The Director of the Company, Dato' Tan Heng Chew is deemed interested by virtue of interests in TCC and WH pursuant to Section 8 of the Companies Act 2016 and interests held by spouse and son by virtue of Section 59(11) of the Companies Act 2016.
- iv) The Director of the Company, Dato' Tan Eng Hwa is deemed interested by virtue of interest in Solomon House Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and interest held by spouse by virtue of Section 59(11) of the Companies Act 2016.
- v) For the purpose of related parties transactions and balances disclosure, the Group and the Company treat TCC as the ultimate controlling shareholder.

NOTES TO THE FINANCIAL STATEMENTS

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31. RELATED PARTIES (cont'd)

Identity of related parties (cont'd)

Significant related party transactions with TCMH, WTCH and TCIL Groups are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
With TCMH Group				
Sales	75,525	119,353	-	-
Provision of services	40	-	-	-
Purchases	(8,673)	(11,212)	(85)	(2)
Administrative and consultancy services	(292)	(197)	-	-
Insurance	(3,451)	(3,036)	(29)	(44)
Rental expenses	(292)	(143)	-	-
Rental income	1,386	1,687	-	-
With WTCH Group				
Sales	208	300	-	-
Purchases	(253)	(167)	-	-
Administrative and consultancy services	(1,941)	(1,805)	-	-
Rental income	444	279	-	-
Rental expenses	(1,288)	(1,240)	-	-
With TCIL Group				
Sales	5,301	39,998	-	-
Purchases	(2)	-	-	-
Provision of consultancy services	(35)	(58)	-	-

These transactions have been entered into in the normal course of business and have been established under 30 - 60 days (2016: 30 - 60 days) trade credit term.

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

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

There are no allowances for impairment losses made and no bad or doubtful receivables recognised for the financial year ended 31 December 2017 and 31 December 2016 in respect of related party balances.

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32. SUBSIDIARIES

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

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
Auto Parts Manufacturers Co. Sdn. Bhd.	Manufacture and sale of automotive seats	100	100
APM Plastics Sdn. Bhd.	Manufacture and sale of plastic injection and extrusion moulded parts and components	100	100
APM Seatings Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive seats	100	100
APM Automotive Modules Sdn. Bhd.	Assembly and sale of door trim module and instrument panel module parts	100	100
APM Auto Safety Systems Sdn. Bhd.	Manufacture and sale of automotive seat belt	100	100
Fuji Seats (Malaysia) Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive seats and components	60	60
APM Automotive Systems Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive interior plastic component and systems	100	100
APM TACHI-S Seating Systems Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture, assembly and sale of automotive and industrial seats	51	51
APM Delta Seating Systems Sdn. Bhd. # (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture and sale of automotive seats	60	-
APM Coil Springs Sdn. Bhd.	Manufacture and sale of automotive coil springs	100	100
APM Springs Sdn. Bhd.	Manufacture and sale of automotive leaf springs	100	100
APM Shock Absorbers Sdn. Bhd.	Manufacture and sale of shock absorbers and related component parts	100	100
APM Climate Control Sdn. Bhd.	Manufacture and sale of automotive air-conditioners and radiators	100	100
APM Auto Electrics Sdn. Bhd.	Manufacture and sale of automotive electrical components	100	100

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia: (cont'd)			
APM-Coachair Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Distribution and provision of after sales service for bus-coach air conditioning	100	100
APM Tinnos Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Develop, manufacture and supply automotive In-vehicle Infotainment systems and Internet of Things products	60	60
Omnimatics Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Provide solution for Internet of Things	52	52
APM Auto Parts Marketing (Malaysia) Sdn. Bhd.	Marketing and sale of automotive parts and accessories	100	100
APM Auto Parts Marketing Sdn. Bhd.	Marketing and sale of automotive parts and accessories	100	100
APM Engineering & Research Sdn. Bhd.	Provision of engineering research, design and development services	100	100
APM Corporate Services Sdn. Bhd.	Provision of management services	100	100
Able Motor Sdn. Bhd.	Distribution of motor vehicles	100	100
APM Aluminium Castings Sdn. Bhd. (previously known as APM Thermal Systems Sdn. Bhd.)	Casting, machining, and assembly of aluminium parts and components	100	100
APM Auto Mechanisms Sdn. Bhd.	Property investment holding	100	100
KAB Otomotif Sdn. Bhd.	Property investment holding	100	100
Perusahaan Tilam Kereta Sdn. Bhd.	Property investment holding	100	100
Auto Parts Holdings Sdn. Bhd.	Investment holding	100	100
APM Automotive International Ltd.	Investment holding	100	100
APM Automotive Global Ltd. ^Δ	Investment holding	100	100
APM Automotive Indonesia Ltd. ^Δ	Investment holding	100	100
APM Automotive IndoChina Ltd. ^Δ (held via 100% owned subsidiary, APM Automotive International Ltd.)	Investment holding	100	100
APM Automotive Thailand Ltd. ^Δ (held via 100% owned subsidiary, APM Automotive IndoChina Ltd.)	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia: (cont'd)			
APM Automotive Myanmar Ltd. ^Δ (held via 100% owned subsidiary, APM Automotive IndoChina Ltd.)	Investment holding	100	100
APM Chalmers Suspensions Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant	100	100
APM Interiors Sdn. Bhd.	Dormant	100	100
APM Metal Industries Sdn. Bhd.	Dormant	100	100
APM Chemicals Sdn. Bhd. (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Dormant	100	100
APM Tooling Centre Sdn. Bhd.	Dormant	100	100
Atsugi Parts Manufacturing Sdn. Bhd.	Dormant	100	100
Pandamaran Special Steel Sdn. Bhd.	Dormant	100	100
APM Suspension Systems Sdn. Bhd.	Dormant	100	100
Incorporated in Canada:			
APM Holdings Inc. ^Δ (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Investment holding	100	100
APM Components America Inc. ^Δ (held via 100% owned subsidiary, APM Holdings Inc.)	Dormant	100	100
Incorporated in Vietnam:			
APM Springs (Vietnam) Co., Ltd.* (held via 100% owned subsidiary, APM Automotive International Ltd.)	Manufacture and sale of automotive suspension parts	100	100
APM Auto Components (Vietnam) Co., Ltd.* (held via 100% owned subsidiary, APM Automotive International Ltd.)	Manufacture and sale of automotive seats and its components, shock absorbers, radiators and air-conditioner parts for automobiles	100	100
Incorporated in Thailand:			
APM Auto Components (Thailand) Ltd.* (held via 100% owned subsidiaries, APM Automotive Thailand Ltd., APM Automotive IndoChina Ltd. and APM Automotive International Ltd.)	Manufacture of automotive plastic parts and components and carrying out the business of import and export of automotive parts and components	100	100

NOTES TO THE FINANCIAL STATEMENTS

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32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in the United States of America:			
APM Auto Components (USA) Inc. ^A (held via 100% owned subsidiary, APM Automotive International Ltd.)	Marketing and sale of automotive parts and accessories	100	100
Incorporated in Australia:			
McConnell Seats Australia Pty. Ltd.* (held via 100% owned subsidiary, Auto Parts Holdings Sdn. Bhd.)	Manufacture of transportation seating for trains, buses and trams	100	100
Incorporated in Indonesia:			
P.T. APM Auto Components Indonesia* (held via 100% owned subsidiaries, Auto Parts Holdings Sdn. Bhd. and APM Automotive International Ltd.)	Manufacture and sale of automotive heat exchange products	100	100
P.T. APM Armada Suspension* (held via 100% owned subsidiaries, Auto Parts Holdings Sdn. Bhd. and APM Automotive International Ltd.)	Manufacture and distribution of coil springs and leaf springs	100	100
P.T. APM Automotive Indonesia* (held via 100% owned subsidiaries, APM Automotive Indonesia Ltd. and APM Automotive International Ltd.)	Provision of management services	100	100
P.T. APM Leaf Springs Indonesia* (held via 100% owned subsidiaries, P.T. APM Automotive Indonesia and P.T. APM Auto Components Indonesia)	Manufacture and sale of automotive leaf springs	100	100
P.T. APM Shock Absorbers Indonesia* (held via 100% owned subsidiaries, P.T. APM Automotive Indonesia and P.T. APM Auto Components Indonesia)	Manufacture and sale of shock absorbers and related component parts	100	100
Incorporated in Myanmar:			
APM Auto Components Myanmar Co., Ltd.* (held via 100% owned subsidiaries, APM Automotive Myanmar Ltd. and APM Automotive IndoChina Ltd.)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32. SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Netherlands:			
APM Auto Components Europe B.V. ^Δ (held via 100% owned subsidiary, APM Automotive Global Ltd.)	Investment holding	100	100
APM-TS B.V. ^Δ (held via 100% owned subsidiary, APM Auto Components Europe B.V.)	Develop springs, absorbers and coilovers for the automotive markets	80	80

Δ Subsidiaries are not required to be audited and consolidation is based on the management financial statements.

* Not audited by member firms of KPMG International

Subsidiary incorporated during the year

33. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS

2017

Acquisition of subsidiary via joint venture agreement – APM Delta Seating Systems Sdn. Bhd.

On 28 October 2016, the Group entered into a Joint Venture Agreement with Delta Kogyo Co., Ltd. to carry on business of developing, manufacturing, assembling and sales of automobile seating system for automobiles. APM Delta Seatings Sdn. Bhd. has been incorporated on 5 January 2017 with total issued and paid-up share capital of RM23 million. The Group subscribed for 60% of the equity interest for a total cash consideration of RM13.8 million. The company is deemed subsidiary by virtue of the Group's control over the company.

Net cash outflow arising from acquisition of subsidiary

	Group 2017 RM'000
Purchase consideration settled in cash and cash equivalents	(13,800)

2016

Acquisition of non-controlling interests – APM Automotive Systems Sdn. Bhd. (formerly known as APM IAC Automotive Systems Sdn. Bhd.)

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

NOTES TO THE FINANCIAL STATEMENTS

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

2016 *(cont'd)*

Acquisition of non-controlling interests – APM Automotive Systems Sdn. Bhd. (formerly known as APM IAC Automotive Systems Sdn. Bhd.) *(cont'd)*

The following summarises the effect of changes in the equity interest in APM AS that is attributable to owners of the Company:

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

Acquisition of subsidiary – Omnimatics Sdn. Bhd.

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

Net cash outflow arising from acquisition of subsidiary

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

Acquisition of an operation – APM Aluminium Casting Sdn. Bhd. (formerly known as TC Aluminium Castings Sdn. Bhd.)

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

Net cash outflow arising from acquisition an operation

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

NOTES TO THE FINANCIAL STATEMENTS

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

2016 (cont'd)

Acquisition of an operation – RBC Bearings Pty. Ltd.

On 9 March 2016, the Group acquired the business and assets of RBC Bearings Pty. Ltd. at a price of RM5,381,000 satisfied via cash. The company is the exclusive importer and distributor of the products of Seats Inc. in Australia and also manufacturer and supplier of railroad wall mounted folding seats, railroad drive/guard and observer seats and sugar cane locomotive driver seats. The following summarises the major classes of consideration transferred and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred

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

Identifiable assets acquired and liabilities assumed

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

Goodwill

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

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

Net cash outflow arising from acquisition of an operation

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

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34. OPERATING SEGMENTS

The Group has seven divisions, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, the Chief Operating Decision Makers ("CODM"), which in this case are the Executive Directors of the Group, review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's division:

- *Suspension Division, Malaysia:* Business in products such as leaf springs, parabolic springs, coil springs, shock absorbers, gas springs, U-bolts and metal parts.
- *Interior & Plastics Division, Malaysia:* Business in products such as plastics parts, interiors, seatings for motor vehicles, buses, auditoriums, cinemas and rails and light rails system.
- *Electrical & Heat Exchange Division, Malaysia:* Business in products such as air-conditioning systems, radiators, starter motors, alternators, wiper system, distributors, In-Vehicle Infotainment ("IVT") systems and other electrical parts; and development of Internet of Things ("IoT") telematics platform.
- *Marketing Division, Malaysia:* Trading and distribution of automotive components/parts manufactured by the Group for the replacement and export market.
- *Indonesia Operations:* Business in Indonesia
- *All other segments:* Business in Thailand, Vietnam, Myanmar, Australia, United States of America and Netherlands.
- *Non-reportable segment:* Operations related to the rental of investment properties in Malaysia; casting, machining and assembly of aluminium parts and components distribution of motor vehicles, provision of management services for companies within the Group, and provision of automotive research and development services. The manufacturing and distribution of automotive products within the Group are being managed by four different operating segments. These operating segments are aggregated to form a reportable segment due to the similar nature and economic characteristics of the products. The nature, production process and methods of distribution of the products for these divisions are similar. The type of customers for the products are similar, which consist of consumers and industrial customers.

Performance is measured based on segment revenue and profit before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34. OPERATING SEGMENTS (cont'd)

	Suspension RM'000	Interior and plastics RM'000	Electrical and heat exchange RM'000	Marketing RM'000	Indonesia RM'000	All other segments RM'000	Non- reportable segment RM'000	Eliminations RM'000	Total RM'000
2017									
Segment profit/(loss)	21,774	39,537	3,275	9,539	(7,921)	2,048	3,865	(733)	71,384
<i>Included in the measure of segment profit are:</i>									
Revenue from external customers	67,233	627,350	121,824	212,897	41,088	103,317	14,810	-	1,188,519
Inter/Intra-segment revenue	139,348	163,642	21,184	29,906	12,078	16,886	44,784	(427,828)	-
Provision for warranties	(454)	(1,557)	(293)	(411)	-	(149)	-	-	(2,864)
Provisions for warranties reversed	5,804	1,016	-	-	-	253	-	-	7,073
Depreciation and amortisation	(7,909)	(25,155)	(1,652)	(108)	(8,578)	(6,029)	(10,564)	-	(59,995)
Inventories written down	(55)	(1,096)	(119)	-	-	-	-	-	(1,270)
Inventories written off	(66)	(442)	-	(19)	-	(43)	-	-	(570)
Finance income	1,752	4,388	1,355	527	30	436	1,307	-	9,795
<i>Not included in the measure of segment profit but provided to CODM:</i>									
Income tax expense	(4,046)	(8,871)	(4,003)	(953)	(294)	(1,546)	(1,707)	-	(21,420)
Segment assets	130,065	487,930	110,394	153,780	221,138	246,352	1,242,552	(946,341)	1,645,870
<i>Included in the measure of segment assets are:</i>									
Investment in joint ventures	-	-	-	-	-	5,430	-	-	5,430
Additions to non- current assets other than financial instruments and deferred tax assets	5,246	30,281	729	158	3,636	35,250	22,394	-	97,694

NOTES TO THE FINANCIAL STATEMENTS

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34. OPERATING SEGMENTS (cont'd)

	Suspension RM'000	Interior and plastics RM'000	Electrical and heat exchange RM'000	Marketing RM'000	Indonesia RM'000	All other segments RM'000	Non- reportable segment RM'000	Eliminations RM'000	Total RM'000
2016									
Segment profit/(loss)	23,171	35,784	14,626	8,553	(11,160)	9,870	2,071	292	83,207
<i>Included in the measure of segment profit are:</i>									
Revenue from external customers	85,579	650,138	151,605	190,429	31,051	116,141	11,687	-	1,236,630
Inter/Intra-segment revenue	124,145	180,282	23,601	22,905	7,101	15,239	44,391	(417,664)	-
Provision for warranties	(224)	(3,774)	(344)	(399)	-	-	-	-	(4,741)
Provisions for warranties reversed	-	387	137	-	-	133	-	-	657
Depreciation and amortisation	(6,739)	(26,123)	(2,028)	(222)	(5,110)	(11,601)	(3,511)	-	(55,334)
Inventories written down	(312)	(4,122)	(168)	-	-	-	-	-	(4,602)
Inventories written off	(63)	(8,722)	(90)	(8)	-	-	-	-	(8,883)
Finance income	1,756	4,414	1,012	493	321	362	2,373	(1,528)	9,203
<i>Not included in the measure of segment profit but provided to CODM:</i>									
Income tax expense	(3,884)	(9,825)	(3,592)	(1,218)	(394)	(1,828)	(3,095)	-	(23,836)
Segment assets	187,497	454,469	128,360	82,429	210,448	196,108	1,163,887	(837,418)	1,585,780
<i>Included in the measure of segment assets are:</i>									
Additions to non-current assets other than financial instruments and deferred tax assets	4,407	33,117	2,604	107	14,201	31,397	20,405	(2,378)	103,860

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34. OPERATING SEGMENTS (cont'd)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information	Group	
	Revenue	Non-current assets
2017	RM'000	RM'000
Malaysia	926,185	488,886
Indonesia	41,747	164,188
Vietnam	26,227	20,859
Europe	41,258	756
America	24,186	326
Australia	82,033	37,087
Other countries	46,883	47,058
	1,188,519	759,160
2016		
Malaysia	987,851	441,718
Indonesia	32,278	187,138
Vietnam	38,950	12,168
Europe	35,704	831
America	24,334	372
Australia	79,689	13,608
Other countries	37,824	42,869
	1,236,630	698,704

Major customers

The following are the top three customers with significant contribution to the Group's total revenue:

	Revenue		Segments
	2017	2016	
	RM'000	RM'000	
All common control companies of:			
- Company A	369,713	380,663	Suspension, Interior and Plastics and Electrical and Heat Exchange
- Company B	109,340	76,356*	Suspension, Interior and Plastics and Electrical and Heat Exchange
- Company C	104,961	81,154	Suspension, Interior and Plastics and Electrical and Heat Exchange

* In the previous financial year, this customer was not one of the top three customers.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”);
- (b) Fair value through profit or loss (“FVTPL”);
- Held for trading (“HFT”); and
- (c) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL - HFT RM'000
2017			
Financial assets			
Group			
Other investments	110,662	-	110,662
Trade and other receivables, including derivatives*	224,877	223,280	1,597
Deposits	8,371	8,371	-
Cash and cash equivalents	232,809	232,809	-
	576,719	464,460	112,259
Financial assets			
Company			
Trade and other receivables, including derivatives	24,527	24,527	-
Deposits	5	5	-
Cash and cash equivalents	3,692	3,692	-
	28,224	28,224	-
Financial liabilities			
Group			
Loans and borrowings	(68,826)	(68,826)	-
Trade and other payables, including derivatives	(212,465)	(212,387)	(78)
	(281,291)	(281,213)	(78)
Company			
Trade and other payables, including derivatives	(1,243)	(1,243)	-
2016			
Financial assets			
Group			
Other investments	101,547	-	101,547
Trade and other receivables, including derivatives*	243,844	243,040	804
Deposits	8,007	8,007	-
Cash and cash equivalents	229,479	229,479	-
	582,877	480,526	102,351

* Excludes Goods and Services Tax (“GST”) receivable.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL -HFT RM'000
2016			
Financial assets			
Company			
Other investments	10,285	-	10,285
Trade and other receivables, including derivatives	28,825	28,825	-
Deposits	5	5	-
Cash and cash equivalents	1,251	1,251	-
	40,366	30,081	10,285
Financial liabilities			
Group			
Loans and borrowings	(54,692)	(54,692)	-
Trade and other payables, including derivatives	(219,319)	(218,924)	(395)
	(274,011)	(273,616)	(395)
Company			
Loan and borrowings	(6,000)	(6,000)	-
Trade and other payables, including derivatives	(1,671)	(1,671)	-
	(7,671)	(7,671)	-

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Loans and receivables	9,822	6,920	566	1,274
Financial liabilities measured at amortised cost	(4,198)	(2,777)	(248)	(267)
Fair value through profit or loss – held for trading	1,519	409	-	-
	7,143	4,552	318	1,007

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

35.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, related parties and joint ventures. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers, related parties and joint ventures who wish to trade on credit terms.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Due to the nature of the industry, a significant portion of these receivables are regular customers, related parties and joint ventures that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Significant past due receivables, if deemed as high risks, are normally being monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2017	2016
	RM'000	RM'000
Malaysia	178,200	170,619
Asia	17,608	34,161
Europe	6,664	3,958
North America	4,542	1,624
Central America	621	2,336
South America	62	98
Oceania	13,167	15,115
	220,864	227,911

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.4 Credit risk (cont'd)

Receivables (cont'd)*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment RM'000	Net RM'000
2017			
Not past due	195,330	-	195,330
Past due 0 - 90 days	18,822	-	18,822
Past due 91 - 180 days	5,595	-	5,595
Past due more than 180 days	2,067	(950)	1,117
	221,814	(950)	220,864
2016			
Not past due	183,383	-	183,383
Past due 0 - 90 days	40,572	-	40,572
Past due 91 - 180 days	3,804	-	3,804
Past due more than 180 days	705	(553)	152
	228,464	(553)	227,911

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2017 RM'000	2016 RM'000
At 1 January	553	546
Impairment loss recognised	402	45
Impairment loss reversed	(5)	(38)
At 31 December	950	553

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Inter-company balances*Risk management objectives, policies and processes for managing the risk*

The Company provides loans and advances to subsidiaries and monitors the results of the subsidiaries regularly.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.4 Credit risk (cont'd)

Inter-company balances (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to subsidiaries are not recoverable.

Other financial assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund placement activities. These exposures are managed in accordance with the existing guidelines and procedures that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating additional returns above appropriate benchmarks within allowable risk parameters. Investments are only made with reputable licensed financial institutions with high creditworthiness.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

35.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Certain treasury functions, particularly for wholly-owned subsidiaries, are managed centrally by Group Treasury to ensure sufficient cash to cover the expected cash demands. Surplus cash held by the subsidiaries over and above balances required for working capital management are placed in fixed deposits and money market deposits with appropriate maturities to provide sufficient liquidity to meet the Group's liabilities when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2017	Carrying amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Under 1 year RM'000	1 -3 years RM'000
Group					
<i>Non-derivative financial liabilities</i>					
Unsecured foreign currency loans	50,926	2.55 - 8.60	51,174	51,174	-
Unsecured revolving credit	17,900	3.50 - 4.09	18,197	18,197	-
Trade and other payables, excluding derivatives	212,387	-	212,387	212,387	-
	<u>281,213</u>		<u>281,758</u>	<u>281,758</u>	<u>-</u>
<i>Derivative financial liabilities</i>					
Forward exchange contracts (gross settled):					
Outflow	27	-	50,024	50,024	-
Inflow	(1,546)	-	(51,543)	(51,543)	-
	<u>279,694</u>		<u>280,239</u>	<u>280,239</u>	<u>-</u>
Company					
<i>Non-derivative financial liabilities</i>					
Trade and other payables, excluding derivatives	1,243	-	1,243	1,243	-
	<u>1,243</u>		<u>1,243</u>	<u>1,243</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

2016	Carrying amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Under 1 year RM'000	1 -3 years RM'000
Group					
<i>Non-derivative financial liabilities</i>					
Sukuk Murabahah	6,000	3.90 - 4.95	6,248	6,248	-
Unsecured foreign currency loans	33,692	2.08 - 10.32	33,925	33,925	-
Unsecured revolving credit	15,000	3.20 - 4.09	15,245	15,245	-
Trade and other payables, excluding derivatives	218,924	-	218,924	218,924	-
	<u>273,616</u>		<u>274,342</u>	<u>274,342</u>	<u>-</u>
<i>Derivative financial liabilities</i>					
Forward exchange contracts (gross settled):					
Outflow	45	-	57,532	57,532	-
Inflow	(454)	-	(57,941)	(57,941)	-
	<u>273,207</u>		<u>273,933</u>	<u>273,933</u>	<u>-</u>
Company					
<i>Non-derivative financial liabilities</i>					
Sukuk Murabahah	6,000	3.90 - 4.95	6,248	6,248	-
Trade and other payables, excluding derivatives	1,671	-	1,671	1,671	-
	<u>1,671</u>		<u>1,671</u>	<u>1,671</u>	<u>-</u>

35.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. The Group is exposed to risk arising from foreign exchange rates and interest rates.

35.6.1 Currency risk

The Group is exposed to foreign currency risk through normal trading activities on sales and purchases transactions that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Japanese Yen ("JPY"), Euro Dollar ("EURO"), Australian Dollar ("AUD"), Thai Baht ("THB") and Indonesia Rupiah ("IDR").

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.6 Market risk (cont'd)

35.6.1 Currency risk (cont'd)

Risk management objectives, policies and processes for managing the risk

The Group monitors regularly its foreign currency exposures and may hedge its position selectively depending on the size of the exposure and the future outlook of the particular currency unit. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currencies of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group In RM'000	Denominated in					
	USD	JPY	EURO	AUD	THB	IDR
2017						
Trade receivables	14,718	107	4,739	11,049	6	7,578
Trade payables	(4,361)	(17,126)	(194)	(2,865)	(3,998)	(303)
Forward exchange contracts	936	2	265	201	(12)	-
Net exposure	11,293	(17,017)	4,810	8,385	(4,004)	7,275
2016						
Trade receivables	14,960	289	2,946	14,049	-	5,824
Trade payables	(8,759)	(22,086)	(52)	(253)	(6,644)	(197)
Forward exchange contracts	3,004	5,522	(45)	(209)	4,183	-
Net exposure	9,205	(16,275)	2,849	13,587	(2,461)	5,627

As foreign currency risks arising from Group's operations is not material, sensitivity analysis is hence not presented.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.6 Market risk (cont'd)

35.6.2 Interest rate risk

The Group's exposure to a risk of change in their fair value due to changes in interest rates relates primarily to the interest-bearing bank loans and borrowings, deposits placed with licensed banks and investments with licensed financial institutions. The management considers interest rate risks on loans and borrowings to be low as the level of loans and borrowings are relatively insignificant.

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial asset				
Deposits placed with licensed banks	104,060	122,409	541	87
Corporate management accounts	48,126	46,432	124	480
	152,186	168,841	665	567
Financial liabilities				
Sukuk Murabahah	-	(6,000)	-	(6,000)
Unsecured foreign currency loans	(50,926)	(33,692)	-	-
Unsecured revolving credit	(17,900)	(15,000)	-	-
	(68,826)	(54,692)	-	(6,000)
Floating rate instruments				
Financial assets				
Investments with licensed financial institutions	110,662	101,547	-	10,285

As the Group does not fair value its fixed rate instruments, the Group is not exposed to fair value risk.

As cash flow risk arising from floating rate instruments is not material, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (cont'd)

35.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term loans and borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017										
Financial assets										
Forward exchange contracts	-	1,597	-	1,597	-	-	-	-	1,597	1,597
Investments with licensed financial institutions	-	110,662	-	110,662	-	-	-	-	110,662	110,662
	-	112,259	-	112,259	-	-	-	-	112,259	112,259
Financial liabilities										
Forward exchange contracts	-	(78)	-	(78)	-	-	-	-	(78)	(78)
2016										
Financial assets										
Forward exchange contracts	-	804	-	804	-	-	-	-	804	804
Investments with licensed financial institutions	-	101,547	-	101,547	-	-	-	-	101,547	101,547
	-	102,351	-	102,351	-	-	-	-	102,351	102,351
Financial liabilities										
Forward exchange contracts	-	(395)	-	(395)	-	-	-	-	(395)	(395)
Company										
2017										
Financial assets										
Investments with licensed financial institutions	-	-	-	-	-	-	-	-	-	-
2016										
Financial assets										
Investments with licensed financial institutions	-	10,285	-	10,285	-	-	-	-	10,285	10,285

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the Group can access at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS *(cont'd)*

35.7 Fair value information *(cont'd)*

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Investments with licensed financial institutions

The fair value of the investments with licensed financial institutions are determined by reference to fair value quoted by counter-party.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

36. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risks and by securing access to finance at a reasonable cost.

The Group reviews and manages its capital structure by maintaining a balance between the expected risk against expected return and makes relevant adjustment to the capital structure in the light of changes in economic conditions. As at 31 December 2017 and 2016, the Group was in net cash position.

	Group	
	2017	2016
	RM'000	RM'000
Other investments (Note 12)	110,662	101,547
Cash and cash equivalents (Note 15)	232,809	229,479
Less: Loans and borrowings (Note 18)	(68,826)	(54,692)
Net cash	274,645	276,334

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

37. SIGNIFICANT EVENTS

- (a) On 28 October 2016, Auto Parts Holding Sdn. Bhd. ("APH"), a wholly-owned subsidiary of the Company entered into a Joint Venture Agreement with Delta Kogyo Co., Ltd. to carry on the business of developing, manufacturing, assembling and sale of automobile seating system for automobiles.

APM Delta Seating Systems Sdn. Bhd. has been incorporated on 5 January 2017 with total issued and paid-up share capital for RM23 million. The Group subscribed for 60% of the equity interest in the company for a total cash consideration of RM13.8 million. The company is deemed subsidiary by virtue of the Group's control over the company.

- (b) On 12 August 2016, APM Automotive IndoChina Ltd. ("AAIL"), a wholly-owned subsidiary of the Company entered into a Joint Venture Agreement with TACHI-S Thailand Co., Ltd., a wholly-owned subsidiary of TACHI-S Co., Ltd. to carry on the business of developing, manufacturing, assembling and sale of automobile seating system for automobiles in Vietnam.

APM TACHI-S Seating Systems Vietnam Co., Ltd. has been incorporated on 19 January 2017 with total issued and paid-up share capital of USD2.5 million. The Group has subscribed for 49% of equity interest in the company for a total cash consideration of USD1,275,000 (approximately RM5,430,000).

38. SUBSEQUENT EVENT

On 22 February 2018, APM Automotive Global Ltd. ("AAGL") and APM Automotive International Limited ("AAIL"), two wholly-owned subsidiaries of the Company, have jointly incorporated a new subsidiary in the State of Maharashtra under the jurisdiction of the Registrar of Companies, Pune, India by the name of APM Motors India Private Limited ("AMI") and subscribed for the entire issued and paid-up capital of AMI, representing 7,000 shares of Rs 100 each for a total cash consideration of Rs 700,000 (approximately RM42,490). AMI was incorporated to carry out business of tooling & mould design, fabrication, repair and automotive parts manufacturing.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 57 to 134 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

Low Seng Chee
Director

Dato' Tan Eng Hwa
Director

Selangor Darul Ehsan,
Date: 3 April 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Khoo Peng Peng**, the officer primarily responsible for the financial management of APM Automotive Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 134 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Khoo Peng Peng, MIA:CA19749, at Petaling Jaya in the State of Selangor on 3 April 2018.

Khoo Peng Peng

Before me:
Lawrence Low Kok Leong
No.B484
Commissioner for Oaths
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD (COMPANY NO. 424838-D) (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of APM Automotive Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 134 (except for pages 58 and 61 that do not form part of the financial statements).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for warranties Refer to Note 19 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
We have identified provision for warranties as a key audit matter because any unanticipated claims may render the provision for warranties inadequate to cover losses. In addition, emerging claims are difficult to detect.	Our procedures included, amongst others: <ul style="list-style-type: none"> • Inspected claim records and interviewed appropriate personnel for unusual trend of claims or product defects; • Assessed the adequacy of provision made by the Group by comparing with historical trends of actual claims; and • For unanticipated defects, inspected the basis of provision and determined that assumptions were reasonable and supportable based upon internal and external available data.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD
 (COMPANY NO. 424838-D) (INCORPORATED IN MALAYSIA)
 cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key Audit Matters (cont'd)

Cost of investments in subsidiaries Refer to Note 6 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
Investment in subsidiaries may be overstated as impairment loss may not be adequate. The return of cost of investment in subsidiaries is dependent on the profitability of the subsidiaries. Due to the market conditions faced by the automobile industry, impairment of the cost of investment in the subsidiary is a key audit matter because of the high level of judgement required of us to evaluate the recoverable amount of the investments.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Challenged management's assessment in identifying investments that were having impairment indicators by evaluating whether internal and external indicators had been considered; • Evaluated the impairment test model by comparing it with the requirements of the relevant accounting standard; • Assessed the appropriateness of the discount rate used by comparing it with management's expectations based on management's knowledge of the industry in which the affected subsidiary operates; • Assessed those significant and highly sensitive assumptions to determine if they are appropriate and supportable by comparing them with internal and external sources; and • Considered the adequacy of the disclosures on the impairment assessment for the investments which the assumptions applied are particularly sensitive, uncertain or require significant judgement.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD
(COMPANY NO. 424838-D) (INCORPORATED IN MALAYSIA)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Responsibilities of the Directors for the Financial Statements (cont'd)

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF APM AUTOMOTIVE HOLDINGS BERHAD
(COMPANY NO. 424838-D) (INCORPORATED IN MALAYSIA)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Auditors' Responsibilities for the Audit of the Financial Statements *(cont'd)*

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 32 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Chee Keong
Approval Number: 03175/04/2019 J
Chartered Accountant

Petaling Jaya
Date: 3 April 2018

GROUP PROPERTIES

AS AT 31 DECEMBER 2017

Location	Description	Land Area (sq m)	Tenure/ Expiry Date	Net Book Value (RM'000)	Age of Building (years)	Date of Last Revaluation	Date of Acquisition
Lot 1 Jalan 6/3 Seri Kembangan Industrial Estate 43300 Serdang, Selangor	Factory, office, warehouse & vacant land	40,545	Leasehold/ 21.06.2092	46,290	20	2017	1984
Lot 3 Jalan 6/3 Seri Kembangan Industrial Estate 43300 Serdang, Selangor	Factory, office, warehouse & vacant land	42,046	Leasehold/ 21.06.2092	50,190	23	2017	1984
No. 23 & 25 Jalan Selat Selatan 21 Sobena Jaya, Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	2,358	Freehold	4,860	7	2017	2000
Lot 13 Lorong Durian 3 Kian Yap Industrial Estate Off KM 9, Jalan Tuaran 88300 Kota Kinabalu, Sabah	Light industrial building	195	Leasehold/ 16.11.2922	1,540	21	2017	1995
Lot 14 Lorong Durian 3 Kian Yap Industrial Estate Off KM 9, Jalan Tuaran 88300 Kota Kinabalu, Sabah	Light industrial building	195	Leasehold/ 16.11.2922	1,610	21	2017	2001
Lot 600 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	40,353	Leasehold/ 27.02.2076	48,800	31	2017	1977
Lot 601 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	20,234	Leasehold/ 19.10.2076	24,400	39	2017	1977
Lot 1622 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory & warehouse	16,186	Leasehold/ 06.04.2079	20,500	8	2017	2005
Lot 1621 Jalan Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang, Selangor	Factory, office & warehouse	22,573	Leasehold/ 06.04.2079	25,300	6-21	2017	1996
Lot 19712 - 19717 Persiaran Raja Muda Musa 42000 Port Klang, Selangor	Vacant industrial land	1,220	Freehold	2,300	-	2017	2011
PT 9, Block C (CG05, C105, C205, and C305) Oasis Square No. 2 Jalan PJU 1A/7A Ara Damansara 47301 Petaling Jaya, Selangor	Office building, design, research & development centre	N/A	Freehold	9,260	4	2017	2013

GROUP PROPERTIES
AS AT 31 DECEMBER 2017
cont'd

Location	Description	Land Area (sq m)	Tenure/ Expiry Date	Net Book Value (RM'000)	Age of Building (years)	Date of Last Revaluation	Date of Acquisition
PT 9, Block C, C3A05, C3A3A Oasis Square No. 2 Jalan PJU 1A/7A Ara Damansara 47301 Petaling Jaya, Selangor	Office building, design, research & development centre	N/A	Freehold	3,510	4	2017	2013
PT 9, Block C (CG3A, C13A, C23A, C33A) Oasis Square No. 2 Jalan PJU 1A/7A Ara Damansara 47301 Petaling Jaya, Selangor	Office building, design, research & development centre	N/A	Freehold	6,690	4	2017	2013
HS(D) 45445, PT 16073 Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	32,326	Freehold	35,600	9-15	2017	2002
Lot 30081 Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office, warehouse & vacant land	32,354	Freehold	30,000	8-13	2017	2002
No. 5 Jalan Jasmine 3 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory & Warehouse	16,172	Freehold	24,000	12	2017	2013
No.12 Lot 9378 Jalan Jasmine 4 Bandar Bukit Beruntung 48300 Rawang, Selangor	Factory, office & warehouse	8,094	Freehold	8,700	18	2017	2012
Lots 17295, 17296,17297 Proton City Vendors Park Tanjung Malim, Perak	Factory, office, warehouse and vacant land	39,882	Freehold	11,900	13	2017	2004
GM65, Lot 911 Padang Meha Pekan Sungai Karangan Daerah Kulim, Kedah	Factory, office, warehouse and land	35,429	Freehold	30,500	-	2017	2014
Lot No 15594, 15595 & 15596 Mukim Of Pegoh District of Alor Gajah Melaka	Vacant Land	67,098	Freehold	19,920	-	2017	2017

GROUP PROPERTIES
AS AT 31 DECEMBER 2017
 cont'd

Location	Description	Land Area (sq m)	Tenure/ Expiry Date	Net Book Value (RM'000)	Age of Building (years)	Date of Last Revaluation	Date of Acquisition
25 Dai Lo Tu Do Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Socialist Republic of Vietnam	Factory, office & warehouse	10,215	Leasehold/ 08.08.2054	4,081	13	2017	2004
25A Dai Lo Tu Do Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Socialist Republic of Vietnam	Factory, office & warehouse	9,777	Leasehold/ 08.08.2054	3,985	8	2017	2004
27 Dai Lo Tu Do Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Socialist Republic of Vietnam	Vacant industrial land	9,514	Leasehold/ 08.08.2054	2,513	-	2017	2010
No. 159, Ha Noi Highway Thao Dien, District 2 Ho Chi Minh City, Vietnam	Apartment	-	Leasehold/ 08.05.2066	1,368	-	2017	2017
Suryacipta City of Industry Jl. Surya Utama Kav. I-15 A Ciampel, Karawang Jawa Barat 41361 Indonesia	Factory, office & warehouse	20,131	Leasehold/ 25.05.2025	8,584	10	2017	2008
Suryacipta City of Industry Jl. Surya Kencana Kav.1-MIJK Ciampel Karawang 41361	Factory, office and land	37,516	Leasehold/ 25.05.2025	33,152	1	2017	2012
Plot A215 Amata City Industrial Estate Rayong Province, Thailand	Vacant industrial land	56,404	Freehold	40,896	1	2017	2014
Trivium Terrace Apartments (South Tower) No. Unit TS-12A01, S620, S1709 S1810, TS-0519 & TS-12A17 TS-1101 Lippo Cilarang, Bekasi 17550	Apartments	-	Leasehold/ 11.01.2034	2,516	1	2017	2016
130 Northcorp Boulevard Broadmeadows VIC 3047 Melbourne CDB	Factory, office, warehouse & land	15,000	Freehold	23,730	-	2017	2017

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total Number of Issued Shares : 201,600,000 ordinary shares
 Class of Shares : Ordinary Shares
 Voting Rights : One (1) vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of shareholdings	No. of Holders	%	No. of Shares Held	%
1 - 99	453	7.983	14,264	0.007
100 – 1,000	3,221	56.767	1,329,372	0.679
1,001 - 10,000	1,604	28.269	5,662,095	2.894
10,001 – 100,000	310	5.463	8,355,268	4.271
100,001 – 9,779,174 (less than 5% of issued shares)	84	1.480	106,908,075	54.661
9,779,175 and above (5% and above of issued shares)	2	0.035	73,314,426	37.484
Sub Total	5,674	100.000	195,583,500	100.000
Treasury Shares	-	-	6,016,500	-
Total	5,674	100.000	201,600,000	100.000

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares Held	% ^(*)	No. of Shares Held	% ^(*)
Tan Chong Consolidated Sdn Bhd	73,382,326	37.52	-	-
Wealthmark Holdings Sdn Bhd	15,260,600	7.80	-	-
Employees Provident Fund Board	10,981,700	5.61	-	-
Dato' Tan Heng Chew	6,002,299	3.07	88,642,926	45.32 ⁽¹⁾
Tan Eng Soon	-	-	73,382,326	37.52 ⁽²⁾

Notes:

⁽¹⁾ Deemed interested by virtue of interests in Tan Chong Consolidated Sdn. Bhd. ("TCC") and Wealthmark Holdings Sdn. Bhd. ("WH") pursuant to Section 8(4) of the Companies Act, 2016 ("Act").

⁽²⁾ Deemed interested by virtue of interest in TCC pursuant to Section 8(4) of the Act.

^(*) Percentage is based on issued shares less treasury shares.

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

cont'd

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

Name of Directors	Direct		Indirect	
	No. of shares held	% ^(*)	No. of shares held	% ^(*)
Dato' Tan Heng Chew	6,002,299	3.07	92,157,784	47.12 ⁽¹⁾
Dato' Tan Eng Hwa	207,008	0.11	7,128 ⁽²⁾	-(³)
Dato' Haji Kamaruddin@ Abas bin Nordin	5,448	-(³)	-	-
Siow Tiang Sae	2,050	-(³)	-	-
Nicholas Tan Chye Seng	185,600	0.09	-	-

The other directors namely, Dato' N. Sadasivan s/o N.N. Pillay, Low Seng Chee, Sow Soon Hock, Lee Tatt Boon and Lee Min On do not have any interests, whether direct or indirect, in the Company.

⁽¹⁾ Deemed interested by virtue of interests in TCC and WH pursuant to Section 8(4) of the Act and interests of spouse and son by virtue of Section 59(11)(c) of the Act.

⁽²⁾ Deemed interested by virtue of interests in Solomon House Sdn. Bhd. pursuant to Section 8(4) of the Act and interest of spouse by virtue of Section 59(11)(c) of the Act.

⁽³⁾ Less than 0.01%.

^(*) Percentage is based on issued shares less treasury shares.

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	No. of Shares held	% ^(*)
1.	Tan Chong Consolidated Sdn Bhd	62,332,726	31.870
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	10,981,700	5.614
3.	Tan Chong Consolidated Sdn Bhd	8,839,600	4.519
4.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for The Scottish Oriental Smaller Companies Trust PLC	6,134,900	3.136
5.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Wealthmark Holdings Sdn Bhd	6,010,000	3.072
6.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	5,895,700	3.014
7.	Pang Sew Ha @ Phang Sui Har	5,214,277	2.666
8.	Cartaban Nominees (Tempatan) Sdn Bhd ICapital.Biz Berhad	4,347,300	2.222
9.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)	4,250,000	2.172
10.	Tan Boon Pun	3,631,490	1.856
11.	Amanahraya Trustees Berhad Public SmallCap Fund	3,487,100	1.782
12.	Tan Ban Leong	3,165,926	1.618
13.	Tan Beng Keong	3,165,926	1.618
14.	Wealthmark Holdings Sdn Bhd	3,105,200	1.587
15.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Heng Chew (MM1063)	3,049,300	1.559

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018
cont'd

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS (cont'd)

No.	Name	No. of Shares held	% ^(*)
16.	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Khor Swee Wah @ Koh Bee Leng (PB)</i>	2,563,508	1.310
17.	Amanahraya Trustees Berhad <i>Public Strategic SmallCap Fund</i>	2,353,300	1.203
18.	Tan Chong Consolidated Sdn Bhd	2,210,000	1.129
19.	Tan Chee Keong	2,048,885	1.047
20.	Tan Hoe Pin	2,048,885	1.047
21.	Lee Lang	2,048,354	1.047
22.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew (E-KLC)</i>	1,960,600	1.002
23.	Amanahraya Trustees Berhad <i>PB SmallCap Growth Fund</i>	1,902,500	0.972
24.	ChinChoo Investment Sdn. Berhad	1,735,300	0.887
25.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	1,698,300	0.868
26.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)</i>	1,575,000	0.805
27.	Gan Teng Siew Realty Sdn. Berhad	1,389,000	0.710
28.	Tan Hoe Pin	1,308,214	0.668
29.	Wealthmark Holdings Sdn Bhd	1,272,200	0.650
30.	Tan Chee Keong	1,117,041	0.571

Note :

^(*) Percentage is based on issued shares less treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of APM AUTOMOTIVE HOLDINGS BERHAD (“Company”) will be held at the Grand Ballroom, Level 9, Sunway Putra Hotel Kuala Lumpur, 100 Jalan Putra, 50350 Kuala Lumpur, Malaysia, on Wednesday, 23 May 2018 at 10.30 a.m. to transact the following businesses:

Ordinary Business

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note 1)*
2. To declare a final single tier dividend of 8.5 sen per share for the financial year ended 31 December 2017. *(Ordinary Resolution 1)*
3. To re-elect Dato’ Tan Heng Chew who retires by rotation and being eligible, offers himself for re-election in accordance with Article 96 of the Company’s Articles of Association, as a Director of the Company. *(Ordinary Resolution 2)*
4. To re-elect Dato’ Tan Eng Hwa who retires by rotation and being eligible, offers himself for re-election in accordance with Article 96 of the Company’s Articles of Association, as a Director of the Company. *(Ordinary Resolution 3)*
5. To re-elect Mr. Siow Tiang Sae who retires by rotation and being eligible, offers himself for re-election in accordance with Article 96 of the Company’s Articles of Association, as a Director of the Company. *(Ordinary Resolution 4)*
6. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 5)*

Special Business

To consider and if thought fit, to pass the following resolutions:

7. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**
 - 7.1 “THAT authority be and is hereby given to Dato’ N. Sadasivan s/o N.N. Pillay, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company.” *(Ordinary Resolution 6)*
 - 7.2 “THAT authority be and is hereby given to Dato’ Haji Kamaruddin @ Abas bin Nordin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company.” *(Ordinary Resolution 7)*
8. **DIRECTORS’ FEES**

“THAT approval be hereby given for the Company to pay Directors’ fees of up to an amount of RM408,000 in aggregate to the Independent Non-Executive Directors of the Company during the course of the period from 24 May 2017 until the next Annual General Meeting of the Company.” *(Ordinary Resolution 8)*
9. **DIRECTORS’ BENEFITS**

“THAT approval be and is hereby given for the Company to pay Directors’ benefits of up to an amount of RM100,000 in aggregate to the Independent Non-Executive Directors of the Company during the course of the period from 24 May 2017 until the next Annual General Meeting of the Company.” *(Ordinary Resolution 9)*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

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

“THAT, subject to the Companies Act, 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that –

- (i) the aggregate number of shares purchased and/or held pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time of the purchase; and
- (ii) the Directors shall resolve at their discretion pursuant to Section 127 of the Act whether to cancel the shares so purchased, to retain the shares so purchased as treasury shares or to retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the treasury shares or otherwise as may be permitted and prescribed by the Act, rules, regulations, guidelines, requirements and/or orders pursuant to the Act and/or the rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force.

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

THAT the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the said authority will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authorities.”

(Ordinary Resolution 10)

NOTICE OF ANNUAL GENERAL MEETING

cont'd

11. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG MOTOR HOLDINGS BERHAD AND ITS SUBSIDIARIES

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("APM Group") to enter into all arrangements and/or transactions with Tan Chong Motor Holdings Berhad and its subsidiaries involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group ("Related Parties") including those set out under section 5.1 of Part B of the Company's Circular to Shareholders dated 25 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force until –

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

(Ordinary Resolution 11)

12. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH WARISAN TC HOLDINGS BERHAD AND ITS SUBSIDIARIES

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("APM Group") to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad and its subsidiaries involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group ("Related Parties") including those set out under section 5.2 of Part B of the Company's Circular to Shareholders dated 25 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not to the detriment of the minority shareholders ("Shareholders' Mandate").

NOTICE OF ANNUAL GENERAL MEETING cont'd

THAT such approval shall continue to be in force until –

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders’ Mandate is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

(Ordinary Resolution 12)

13. **PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

“THAT, subject to the Companies Act, 2016 (“Act”), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“APM Group”) to enter into all arrangements and/or transactions with Tan Chong International Limited and its subsidiaries involving the interest of Directors, major shareholders or persons connected with Directors and/or major shareholders of the APM Group (“Related Parties”) including those set out under section 5.3 of Part B of the Company’s Circular to Shareholders dated 25 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (“Shareholders’ Mandate”).

THAT such approval shall continue to be in force until -

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders’ Mandate is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

(Ordinary Resolution 13)

NOTICE OF ANNUAL GENERAL MEETING

cont'd

14. Proposed Alteration and Amendment of the Constitution of the Company

"THAT approval be and is hereby given for the Company to alter and amend the existing Constitution of the Company by the deletion of its memorandum of association in its entirety and the adoption of a new Constitution as set out in Part C of the Circular to Shareholders dated 25 April 2018 which shall take effect on the date of the passing of this special resolution AND THAT the Directors and/or Company Secretary of the Company be and are hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary in relation to or in connection with the notification and lodgment of the Constitution of the Company as altered and amended."

(Special Resolution)

15. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Twenty-First Annual General Meeting of APM Automotive Holdings Berhad, a final single tier dividend of 8.5 sen per share for the financial year ended 31 December 2017 will be paid on 25 June 2018. The entitlement date shall be 8 June 2018.

A depositor shall qualify for the entitlement to the dividend only in respect of:

- (1) shares transferred into the Depositor's Securities Account before 4:00 p.m. on 8 June 2018 in respect of ordinary transfers; and
- (2) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

By order of the Board
KHOO PENG PENG (MIA 19749)
Company Secretary

Kuala Lumpur
25 April 2018

Notes:

1. A depositor whose name appears in the Record of Depositors of the Company as at 16 May 2018 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.
2. A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

4. Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:
 - (i) the securities account number;
 - (ii) the name of the beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
 - (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.
6. Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies of the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.
7. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.
8. The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel: 03-2783 9299), or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting will be put to vote by poll.

Explanatory Notes on Ordinary/Special Business:

(1) Audited Financial Statements for the financial year ended 31 December 2017

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, this Agenda item will not be put for voting.

(2) Ordinary Resolutions 6 and 7 – Continuing in Office as Independent Non-Executive Director

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of the shareholders be sought in the event the Company intends to retain an independent director who has served in that capacity for more than nine (9) years.

Following an assessment and recommendation by the Nominating and Remuneration Committee, the Board recommended that Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas bin Nordin, who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years, to continue to be designated as Independent Non-Executive Directors of the Company based on the following key justifications:

- (a) they fulfill the criteria for definition of Independent Director under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore, are able to bring independent and objective judgement to the Board's deliberations;
- (b) their experience and expertise in finance, economics and regulatory requirements as well as diverse business environment enable them to provide the Board and Board Committees, as the case may be, with pertinent and diverse set of expertise, skills and competence;
- (c) their long service with the Company enhance their knowledge and developed valuable insights of the business operations of the Group, which enable them to contribute actively and effectively during deliberations at the Board and Board Committees meetings, as the case may be; and
- (d) they have devoted sufficient time and exercised due care as Independent Directors of the Company and carry out their duties in the interest of the Company and shareholders.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

(3) Ordinary Resolutions 8 and 9 – Directors' Fees and Benefits

In accordance with Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company pays Directors' fees and benefits to the Independent Non-Executive Directors. The Executive Directors do not receive any fees and benefits as Directors but they are remunerated with salary, benefits and other emoluments by virtue of their contract of service or employment which do not require approval by the shareholders.

The Board recommends that shareholders approve a maximum aggregate amount of RM408,000 for the payment of Directors' fees to the Independent Non-Executive Directors of the Company during the course of the period from 24 May 2017 until the next Annual General Meeting.

The Board also recommends that shareholders approve a maximum aggregate amount of RM100,000 for the payment of benefits which mainly consist of meeting allowances (i.e. as Chairman of meeting of RM1,500 per meeting and as Board/Board Committee member of RM1,200 per meeting) to the Independent Non-Executive Directors of the Company during the course of the period from 24 May 2017 until the next Annual General Meeting.

(4) Ordinary Resolution 10 – Proposed Renewal of Authority for the Company to Purchase its Own Ordinary Shares

The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to purchase and/or hold up to 10% of the total number of issued shares of the Company at any point in time of the purchase ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the retained profits of the Company.

This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or at the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, or revoked or varied by an ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

Further information on proposed Ordinary Resolution 10 is set out in Part A of the Statement/ Circular to Shareholders dated 25 April 2018 despatched together with the Company's 2017 Annual Report.

(5) Ordinary Resolutions 11, 12 and 13 – Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Ordinary Resolutions 11, 12 and 13 if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on proposed Ordinary Resolutions 11, 12 and 13 are set out in Part B of the Statement/Circular to Shareholders dated 25 April 2018 despatched together with the Company's 2017 Annual Report.

(6) Special Resolution – Proposed Alteration and Amendment of the Constitution of the Company ("Proposed Alteration and Amendment")

The proposed Special Resolution, if passed, will alter and amend the Company's Constitution so that the provisions of the new Constitution will be consistent with the provisions of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As the Constitution of the Company will no longer comprise the Memorandum of Association and the Articles of Association, the existing Memorandum of Association will be deleted in its entirety. Provisions previously found in the Memorandum of Association of the Company with modifications are proposed to be incorporated in the new Constitution, in which the existing Articles of Association with or without modifications have been retained to the extent permitted or not prohibited by the Companies Act, 2016 and the Main Market Listing Requirements.

The Proposed new Constitution is set out in Appendix III of the Statement/Circular to Shareholders dated 25 April 2018 despatched together with the Company's 2017 Annual Report.

A soft copy of the Proposed Alteration and Amendment showing the tracked changes made to the existing Articles of Association have been uploaded on the Company's website at www.apm.com.my for reference.

Further information on the proposed Special Resolution is also set out in Part C of the Statement/ Circular to Shareholders dated 25 April 2018.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 21st Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CDS Account No.	
Number of shares held	

I/We _____ (name of shareholder, in capital letters)

NRIC No./Company No. _____ (new) _____ (old)

of _____

_____ (full address)

telephone no. _____ being a member(s) of APM AUTOMOTIVE HOLDINGS BERHAD,

hereby appoint _____ (name of proxy as per NRIC, in capital letters)

NRIC No. _____ (new) _____ (old) and/or

_____ (name of proxy as per NRIC, in capital letters)

NRIC No. _____ (new) _____ (old) or failing him/her,

the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held at the Grand Ballroom, Level 9, Sunway Putra Hotel Kuala Lumpur, 100 Jalan Putra, 50350 Kuala Lumpur, on Wednesday, 23 May 2018 at 10.30 a.m., and at any adjournment thereof, as indicated below:

No.	Resolutions	For	Against
Ordinary Resolution 1	Final single-tier dividend of 8.5 sen per share		
Ordinary Resolution 2	Re-election of Dato' Tan Heng Chew as Director		
Ordinary Resolution 3	Re-election of Dato' Tan Eng Hwa as Director		
Ordinary Resolution 4	Re-election of Mr. Siow Tiang Sae as Director		
Ordinary Resolution 5	Re-appointment of KPMG PLT as Auditors		
Ordinary Resolution 6	Continuing in Office for Dato' N. Sadasivan s/o N.N. Pillay as Independent Non-Executive Director		
Ordinary Resolution 7	Continuing in Office for Dato' Haji Kamaruddin @ Abas bin Nordin as Independent Non-Executive Director		
Ordinary Resolution 8	Directors' Fees		
Ordinary Resolution 9	Directors' Benefits		
Ordinary Resolution 10	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Ordinary Resolution 11	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong Motor Holdings Berhad and its subsidiaries		
Ordinary Resolution 12	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries		
Ordinary Resolution 13	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		
Special Resolution	Proposed Alteration and Amendment of the Constitution of the Company		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

	For the appointment of two (2) proxies, percentage of shareholdings to be represented by each proxy:	
	Number of shares	%
Signature/Common Seal	Proxy 1 _____	
	Proxy 2 _____	
Date:	Total _____	100%

Notes:

1. A depositor whose name appears in the Record of Depositors of the Company as at 16 May 2018 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.
2. A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.
4. Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:
 - (i) the securities account number;
 - (ii) the name of beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
 - (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.

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AFFIX
STAMP

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Registrar for **APM AUTOMOTIVE HOLDINGS BERHAD** (424838-D)
Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Then fold here

6. Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies of the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.
7. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.
8. The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel: 03-2783 9299) or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 21st Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold this flap for sealing

PERSONAL DATA PROTECTION NOTICE

This Personal Data Protection Notice (“Notice”) is issued to all shareholders (including substantial shareholders) (“Shareholders”) of APM AUTOMOTIVE HOLDINGS BERHAD (“Company”, “APM”, “we”, “us” or “our”) in accordance with the Personal Data Protection Act 2010 (“Act”) which came into force on 15 November 2013. The Act regulates the processing of personal data and requires us to notify you on matters relating to your personal data that is being processed, or that is to be collected and further processed by us. For the purpose of this Notice, the terms “personal data” and “processing” used in this Notice shall have the meaning prescribed in the Act.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has also on 15 November 2013 amended the Main Market Listing Requirements (“Listing Requirements”) consequential to the Act. Under Paragraph 2.14A of the Listing Requirements, any person who provides or has provided personal data to Bursa Securities should read and be aware of Bursa Securities’ personal data notice available at Bursa Securities’ website www.bursamalaysia.com (“Bursa Securities’ personal data notice”). If the Company provides Bursa Securities with personal data of the Shareholders, the Company must notify the Shareholders of Bursa Securities’ personal data notice.

As Shareholders of APM, your personal data which may include your name, national registration identity card number (NRIC no.), passport number, address, date of birth/age, contact details and number, email address, gender, nationality, shareholding in APM, bank account number, CDS account number and any other personal data required, may be processed by APM and its related companies (“APM Group”) for the following purposes (“Purposes”):

- (a) Compliance with the Companies Act, 2016, Listing Requirements and applicable relevant laws, regulations and guidelines, as may be amended, from time to time;
- (b) Verification of information to authorities and governmental agencies;
- (c) Deliver, communicate and transmit to the Shareholders of APM’s annual report, circular to shareholders, and any other information through modes of communication and delivery we deem appropriate;
- (d) Payment of dividends and giving of other benefits to you as shareholders, if applicable;
- (e) Maintain, upkeep and update our records regarding our Shareholders’ information; and
- (f) Dealings with all matters in connection with your shareholding in APM; or such other purposes as may be related to the foregoing.

The personal data processed by us include all information you have provided to us as well as other information we may obtain about you.

Your personal data may be disclosed by us in connection with the Purposes to parties including but not limited to companies within APM Group (whether present or future), our professional advisers, insurance companies, auditors, lawyers, banks, share registrars and other service providers, governmental and/or quasi-governmental departments and/or agencies, regulatory and/or statutory bodies and third parties as may be required by law or arising from any legal obligations which is imposed on APM Group. Your personal data may be transferred to a place outside Malaysia.

If you fail to supply to us your personal data, we may not be able to process your personal data for any of the Purposes.

We are committed to ensuring that your personal data is stored securely. You are responsible for ensuring that the personal data you provide to us is accurate, complete and not misleading and that such personal data is kept up to date.

Please also be notified that you have the right to request access to and correction of your personal data and you have a choice to limit the consent of the processing of your personal data.

PERSONAL DATA PROTECTION NOTICE

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Your written requests or queries pertaining to your personal data should be addressed to:

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

Attention : Ms. Lim Lay Kiow, Senior Manager
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222
Email : lay.kiow.lim@my.tricorglobal.com

By providing to us your personal data, you hereby consent to the processing of your personal data in accordance with all of the foregoing. You shall also procure the consent of your proxy appointed to attend any general meeting of APM on your behalf whose personal data is provided to us by you for any purpose relating to the general meeting.

In accordance with the Act, the Notice is issued in both English and Bahasa Malaysia. In the event of inconsistency between the English version and the Bahasa Malaysia version, the English version shall prevail.

Issued by : APM Automotive Holdings Berhad
25 April 2018

NOTIS PERLINDUNGAN DATA PERIBADI

Notis Perlindungan Data Peribadi ini (“Notis”) dikeluarkan kepada semua pemegang saham (termasuk pemegang-pemegang saham utama) (“Pemegang Saham”) APM AUTOMOTIVE HOLDINGS BERHAD (“Syarikat”, “APM” atau “kami”) menurut Akta Perlindungan Data Peribadi 2010 (“Akta”) yang berkuatkuasa pada 15hb November 2013. Akta ini mengawal selia pemrosesan data peribadi dan menghendaki kami untuk memaklumkan anda berkenaan perkara-perkara yang berkaitan dengan data peribadi anda yang sedang diproses, atau yang akan dikumpul dan diproses oleh kami. Untuk tujuan Notis ini, terma-terma “data peribadi” dan “pemrosesan” yang digunakan dalam Notis ini hendaklah membawa maksud sepertimana yang ditakrifkan dalam Akta tersebut.

Bursa Malaysia Securities Berhad (“Bursa Securities”) telah membuat pindaan kepada Keperluan Penyenaraian Pasaran Utama (“Keperluan Penyenaraian”) pada 15hb November 2013 akibat daripada Akta ini. Seperti yang tertakluk di bawah perenggan 2.14A Keperluan Penyenaraian, sesiapa yang memberi atau telah memberi data peribadi kepada Bursa Securities, haruslah membaca dan menyedari tentang notis data peribadi Bursa Securities yang terdapat di laman web Bursa Securities di www.bursamalaysia.com (“notis data peribadi Bursa Securities”). Sekiranya Syarikat membekalkan data peribadi Pemegang Saham kepada Bursa Securities, Syarikat mesti memaklumkan Pemegang Saham tentang notis data peribadi Bursa Securities.

Sebagai Pemegang Saham APM, data peribadi anda mungkin termasuk nama, nombor kad pengenalan, nombor pasport, alamat, tarikh lahir/umur, maklumat dan nombor perhubungan, alamat emel, jantina, kewarganegaraan, pegangan saham dalam APM, nombor akaun bank, nombor akaun Sistem Depositori Pusat (CDS) anda dan data peribadi lain yang dikehendaki, yang mungkin diproses oleh APM dan syarikat-syarikat yang berkaitan dengannya (“Kumpulan APM”) untuk tujuan-tujuan berikut (“Tujuan”):

- (a) Mematuhi Akta Syarikat 2016, Keperluan Penyenaraian dan undang-undang, peraturan-peraturan dan garis panduan yang berkaitan yang mungkin dipinda dari semasa ke semasa;
- (b) Pengesahan maklumat kepada pihak berkuasa dan agensi kerajaan;
- (c) Menyampaikan, menghubungi dan menghantar laporan tahunan APM, pekeliling kepada Pemegang Saham, dan lain-lain maklumat melalui cara komunikasi dan penyampaian yang kami anggap sesuai;
- (d) Pembayaran dividen dan manfaat lain kepada anda sebagai Pemegang Saham, jika berkenaan;
- (e) Mengekal, menyelia dan mengemaskinikan rekod kami yang berkaitan dengan maklumat-maklumat Pemegang Saham; dan
- (f) Untuk berurusan dengan semua perkara yang berkaitan dengan pegangan saham anda dalam APM; atau bagi tujuan-tujuan lain yang mungkin berkaitan dengan perkara-perkara yang dinyatakan di atas.

Data peribadi anda yang diproses oleh kami merangkumi segala maklumat yang diberi oleh anda serta maklumat lain yang mungkin kami perolehi berkenaan anda.

Maklumat peribadi anda mungkin didedahkan oleh kami untuk Tujuan di atas kepada pihak lain termasuk dan tidak terhad kepada syarikat-syarikat dalam Kumpulan APM (sama ada pada masa kini atau masa depan), penasihat profesional, syarikat-syarikat insurans, juruaudit, peguam, bank, pendaftar saham dan pembekal perkhidmatan lain, semua jabatan dan/atau agensi kerajaan dan/atau kuasi-kerajaan, badan-badan penguatkuasa dan/atau berkanun dan sebarang pihak ketiga, sebagaimana yang dikehendaki undang-undang atau timbul daripada apa-apa kewajipan undang-undang yang dikenakan ke atas Kumpulan APM. Data peribadi anda mungkin akan dipindahkan ke suatu tempat di luar Malaysia.

Sekiranya anda gagal membekalkan data peribadi anda kepada kami, kami mungkin tidak dapat memproses data peribadi anda bagi mana-mana Tujuan tersebut.

Kami akan memastikan semua data peribadi anda disimpan dengan selamat. Anda bertanggungjawab untuk memastikan bahawa data peribadi yang anda berikan kepada kami adalah tepat, lengkap, tidak mengelirukan dan dikemaskini.

Adalah dimaklumkan bahawa anda mempunyai hak untuk meminta akses dan membetulkan data peribadi anda atau menghadkan pemrosesan data peribadi anda.

NOTIS PERLINDUNGAN DATA PERIBADI

samb.

Setiap permintaan bertulis atau pertanyaan berkenaan data peribadi anda perlu disampaikan ke alamat di bawah:

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Emel : lay.kiow.lim@my.tricorglobal.com

Dengan membekalkan data peribadi anda kepada kami, bermaksud anda bersetuju membenarkan kami memproses data peribadi anda selaras dengan apa-apa yang dinyatakan di atas. Anda juga harus mendapatkan persetujuan proksi anda yang dilantik untuk menghadiri apa-apa mesyuarat agung APM bagi pihak anda sekiranya data peribadi mereka dibekalkan oleh anda kepada kami untuk apa-apa tujuan yang berkaitan dengan mesyuarat agung.

Mengikut Akta tersebut, Notis ini diterbitkan dalam Bahasa Inggeris dan Bahasa Malaysia. Sekiranya terdapat sebarang ketidakseragaman atau percanggahan di antara versi Bahasa Inggeris dan Bahasa Malaysia, versi Bahasa Inggeris akan diguna pakai.

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