



APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

CONTENTS

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES TO THE QUARTERLY FINANCIAL REPORT	5-18



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2016 – unaudited**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30-Jun-16	Corresponding Quarter Ended 30-Jun-15	Cumulative Year to Date 30-Jun-16	Corresponding Year to Date 30-Jun-15
<i>In thousands of RM</i>				
Revenue	306,493	305,763	582,628	624,018
Results from operating activities	14,169	23,892	26,463	55,281
Finance costs	(545)	(200)	(1,122)	(502)
Finance income	2,307	2,947	4,844	4,927
Share of profit/(loss) of equity-accounted investee, net of tax	557	418	(61)	679
Profit before tax	16,488	27,057	30,124	60,385
Income tax expense	(7,918)	(5,608)	(10,864)	(17,771)
Profit for the period	8,570	21,449	19,260	42,614
Other comprehensive income/(expense), net of tax				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	5,553	(3,104)	(7,674)	357
Share of foreign currency translation differences of equity-accounted investees	1,260	(29)	(663)	145
Other comprehensive (expense) / income for the period, net of tax	6,813	(3,133)	(8,337)	502
Total comprehensive income for the period	15,383	18,316	10,923	43,116
Profit attributable to :				
Owners of the Company	6,376	18,300	15,719	36,127
Non-controlling interests	2,194	3,149	3,541	6,487
Profit for the period	8,570	21,449	19,260	42,614
Total comprehensive income attributable to :				
Owners of the Company	13,189	15,167	7,382	36,629
Non-controlling interests	2,194	3,149	3,541	6,487
Total comprehensive income for the period	15,383	18,316	10,923	43,116
Earnings per share				
Basic (sen)	3.26	9.36	8.04	18.47
Diluted (sen)	N/A	N/A	N/A	N/A

The above condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016 – unaudited

<i>In thousands of RM</i>	As at 30-Jun-16	As at 31-Dec-15
Assets		
Property, plant & equipment	471,165	466,610
Prepaid lease payments	17,028	16,926
Investment properties	97,854	97,854
Investment in an associate	12,185	11,463
Investments in joint ventures	28,502	29,948
Intangible assets	25,590	23,381
Deferred tax assets	10,011	11,101
Total non-current assets	662,335	657,283
Inventories	220,721	221,793
Trade and other receivables, including derivatives	310,719	265,147
Other investments	87,782	141,969
Cash and cash equivalents	221,376	264,214
Total current assets	840,598	893,123
Total assets	1,502,933	1,550,406
Equity		
Share capital	201,600	201,600
Reserves	979,006	995,091
Treasury shares	(13,293)	(13,289)
Total equity attributable to owners of the Company	1,167,313	1,183,402
Non-controlling interests	36,259	37,220
Total equity	1,203,572	1,220,622
Liabilities		
Employee benefits	13,796	13,001
Deferred tax liabilities	33,431	32,576
Total non-current liabilities	47,227	45,577
Trade and other payables, including derivatives	209,529	226,319
Short term borrowings	39,675	56,194
Current tax liabilities	2,930	1,694
Total current liabilities	252,134	284,207
Total liabilities	299,361	329,784
Total equity and liabilities	1,502,933	1,550,406
Net assets per share attributable to owners of the Company (RM)	5.97	6.05

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2016 - unaudited**

	<----- Attributable to the owners of the Company ----->						Total	Non- controlling interests	Total equity
	<----- Non-Distributable ----->			Distributable					
<i>In thousands of RM</i>	Share capital	Treasury shares	Share premiums	Revaluation reserve	Translation reserve	Retained profits			
At 1-Jan-15	201,600	(12,818)	17,898	92,395	(9,725)	854,206	1,143,556	32,949	1,176,505
Foreign currency translation differences for foreign operations	-	-	-	-	357	-	357	-	357
Share of gain of equity-accounted investees	-	-	-	-	145	-	145	-	145
Profit for the period	-	-	-	-	-	36,127	36,127	6,487	42,614
Total comprehensive income for the year	-	-	-	-	502	36,127	36,629	6,487	43,116
Own shares acquired	-	(376)	-	-	-	-	(376)	-	(376)
Dividends to owners of the Company	-	-	-	-	-	(23,475)	(23,475)	-	(23,475)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(2,002)	(2,002)
Total transactions with owners of the Group	-	(376)	-	-	-	(23,475)	(23,851)	(2,002)	(25,853)
At 30-Jun-2015	201,600	(13,194)	17,898	92,395	(9,223)	866,858	1,156,334	37,434	1,193,768
At 1-Jan-16	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	-	-	-	-	(7,674)	-	(7,674)	-	(7,674)
Share of loss of equity-accounted investees	-	-	-	-	(663)	-	(663)	-	(663)
Profit for the period	-	-	-	-	-	15,719	15,719	3,541	19,260
Total comprehensive income for the year	-	-	-	-	(8,337)	15,719	7,382	3,541	10,923
Own shares acquired	-	(4)	-	-	-	-	(4)	-	(4)
Acquisition of remaining shares of a subsidiary from non-controlling interests	-	-	-	-	-	-	-	(2,500)	(2,500)
Dividends to owners of the company	-	-	-	-	-	(23,467)	(23,467)	(2,002)	(25,469)
Total transactions with owners of the Group	-	(4)	-	-	-	(23,467)	(23,471)	(4,502)	(27,973)
At 30-Jun-2016	201,600	(13,293)	17,898	92,395	(91)	868,804	1,167,313	36,259	1,203,572

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2016 – unaudited

<i>In thousands of RM</i>	For the 6 months period ended 30-Jun-16	For the 6 months period ended 30-Jun-15
Cash flows from operating activities		
Profit before tax and non-controlling interests	30,124	60,385
Adjustments for non-cash items	24,270	20,203
Changes in working capital	(57,834)	8,707
Cash (used in) / generated from operations	(3,440)	89,295
Interest/Tax/Employee benefits/provision	(9,677)	(13,294)
Net cash (used in) / generated from operating activities	(13,117)	76,001
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	150	356
Acquisition of property, plant and equipment	(29,743)	(51,912)
Net decrease in other investments	54,187	14,282
Additions of intangible assets	(5,242)	(720)
Net cash generated from / (used in) investing activities	19,352	(37,994)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(2,002)	(2,002)
Dividends paid to owners of the Company	(23,467)	(23,475)
Dividend received from joint ventures	-	1,200
Acquisition of remaining shares of a subsidiary	(2,500)	-
Net repayment of short-term borrowings	(16,519)	2,199
Purchase of treasury shares	(4)	(376)
Net cash used in financing activities	(44,492)	(22,454)
Net (decrease) / increase in cash and cash equivalents	(38,257)	15,553
Effect of exchange rate fluctuations	(4,581)	1,358
Cash and cash equivalents at 1 January	264,214	279,384
Cash and cash equivalents at the end of period	221,376	296,295

Cash and cash equivalents at the end of financial period comprise the following:

Cash and bank balances	49,372	78,096
Deposits and corporate management account with licensed banks	172,004	218,199
	221,376	296,295

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

This condensed consolidated interim financial statement (Condensed Report) has been prepared in accordance with MFRS134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the condensed report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2015.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations that are applicable to the Group:

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sales and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)*

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted by the Group:-

Effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statements of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for 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 initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group except as mentioned below:

MFRS 9, Financial Instruments

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

The Group is currently assessing the financial impact of adopting MFRS 9.

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 131, *Revenue – Barter Transactions Involving Advertising Services*.

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

Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

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

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 new standard requires lessees to present right-of-use assets and lease liabilities on the statement of financial position and to recognise the following for leases at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The Group is currently assessing the financial impact of adopting MFRS 16.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A3. AUDIT QUALIFICATIONS

There were no audit qualifications in the annual financial statements for the year ended 31 December 2015.

A4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The operations of the Group were not affected by any seasonal or cyclical factors, other than the general economic environment in which the Group operates.

A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flows for the period.

A6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial year.

A7. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases, resale or repayment of debts and equity securities in the current interim period and financial year to date, other than the following repurchase of shares by the Company:

In thousands of RM

<u>Month</u>	<u>No. of shares repurchased</u>	<u>Total consideration</u>
Mar-16	1,000	4

A8. DIVIDENDS PAID

A final ordinary dividend of 12 sen per ordinary share (2014: 12 sen per ordinary share) totalling RM23.47 million (2014: RM23.48 million) in respect of the financial year ended 31 December 2015 was paid on 24 June 2016.

A9. SEGMENTAL INFORMATION

The Group's operating structure comprises the following strategic business divisions, each offering different groups of products or activities as described below:

- *Suspension Division, Malaysia:* comprises business in products such as leaf springs, parabolic springs, coil springs, shock absorbers, Gas Springs, U-bolts and metal parts.
- *Interior & Plastics Division, Malaysia:* comprises 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:* comprises business in products such as air-conditioning systems, radiators, starter motors, alternators, wiper system, distributors and other electrical parts.
- *Marketing Division, Malaysia:* main activity is that of trading and distribution of automotive components/parts manufactured by the Group for the replacement and export market.
- *Non-reportable segment, Malaysia:* comprises mainly operations related to the rental of investment properties in Malaysia, distribution of motor vehicle, provision of management services for companies within the Group and provision of automotive research and development services.
- *Indonesia operations:* comprises business in Indonesia.
- *All other segment:* comprises businesses in Vietnam, Australia, United States of America and Netherlands.

The manufacturing and distribution of automotive products within the Group are being managed by four different operating segments within the Group. These operating segments are aggregated to form a reportable segment due to the similar nature and economic characteristics of the products. The nature, production process and methods of distribution of the products for these divisions are similar. The type of customers for the products are similar for both replacement markets and Original Equipment Manufacturer ("OEM") markets.

Performance is measured based on segment revenue and profit before tax, as included in the internal management reports that are reviewed by the Chief Operating Decision Makers ("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.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. SEGMENTAL INFORMATION (CONT'D)

	INDIVIDUAL QUARTER			
	30-Jun-16		30-Jun-15	
	Segment Revenue	Profit/(loss) before tax	Segment Revenue	Profit / (loss) before tax
Suspension	55,743	5,658	59,293	5,302
Interior & Plastics	200,455	834	200,789	15,707
Electricals & Heat Exchange	38,397	5,332	43,713	3,753
Marketing	52,809	2,890	50,178	2,304
Non-reportable segment	14,083	476	5,523	(2,809)
Indonesia Operations	7,576	(1,707)	4,034	(224)
All Other Segments	31,843	2,838	21,105	2,465
	400,906	16,321	384,635	26,498
Eliminations	(94,413)	167	(78,872)	559
	306,493	16,488	305,763	27,057

	CUMULATIVE QUARTER			
	30-Jun-16		30-Jun-15	
	Segment Revenue	Profit/(loss) before tax	Segment Revenue	Profit / (loss) before tax
Suspension	107,616	9,038	114,349	9,012
Interior & Plastics	375,098	7,948	430,885	38,626
Electricals & Heat Exchange	80,663	9,227	89,590	7,945
Marketing	100,157	4,128	83,144	2,896
Non-reportable segment	27,905	(1,721)	17,454	(2,334)
Indonesia Operations	13,887	(2,950)	7,699	(909)
All Other Segments	56,745	4,424	40,788	4,683
	762,071	30,094	783,909	59,919
Eliminations	(179,443)	30	(159,891)	466
	582,628	30,124	624,018	60,385

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The valuation of property, plant and equipment and investment properties were brought forward without amendment from the annual financial statements for the year ended 31 December 2015.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A11. RELATED PARTY DISCLOSURES

The following are significant related party transactions:-

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended	Corresponding Quarter Ended	Cumulative Year To Date	Corresponding Year To Date
<u>With TCMH Group</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>
Sales	26,659	13,352	53,380	25,722
Purchases	(3,492)	(3,301)	(5,835)	(4,493)
Administrative and consultancy services	-	(122)	(197)	(248)
Insurance	(121)	(175)	(1,301)	(3,475)
Rental expenses	(11)	(12)	(21)	(14)
Rental income	466	531	932	1,062

The above transactions had been entered into in the ordinary course of business on normal commercial terms with Tan Chong Motor Holdings Berhad and its subsidiaries (“TCMH Group”).

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended	Corresponding Quarter Ended	Cumulative Year To Date	Corresponding Year To Date
<u>With WTCH Group</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>
Purchases	(53)	(35)	(77)	(39)
Administrative and consultancy services	(798)	(964)	(1,419)	(1,145)
Rental income	54	5	94	16
Rental expenses	(303)	(341)	(661)	(711)

The above transactions had been entered into in the ordinary course of business on normal commercial terms with Warisan TC Holdings Berhad and its subsidiaries (“WTCH Group”).

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended	Corresponding Quarter Ended	Cumulative Year To Date	Corresponding Year To Date
<u>With TCIL Group</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>
Sales	19,144	3,801	30,233	7,924
Provision of consultancy services	-	(175)	-	-

The above transactions had been entered into in the ordinary course of business on normal commercial terms with Tan Chong International Limited and its subsidiaries (“TCIL Group”).

A12. MATERIAL SUBSEQUENT EVENT

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A13. CHANGES IN COMPOSITION OF THE GROUP

On 31 May 2016, the Group has via its wholly-owned investment holding subsidiary, Auto Parts Holdings Sdn. Bhd., completed the acquisition of 640,000 ordinary shares of par value RM3.00 each, representing 40% of the total issued and paid-up share capital of APM IAC Automotive Systems Sdn Bhd ("APM IAC") held by IACG Holdings Lux S.A.R.L. for a cash consideration of USD612,800.00 (equivalent to RM2,661,392.00). Consequential to this, APM IAC has now become a wholly-owned subsidiary of the Company. APM IAC has subsequently changed the name to APM Automotive Systems Sdn. Bhd.

Save for the above, there were no other changes to the composition of the Group for the current quarter under review.

A14. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liability as at 30 June 2016.

A15. CAPITAL COMMITMENTS

<i>In thousands of RM</i>	30-Jun-16	30-Jun-15
Authorized but not contracted for	58,178	60,274
Contracted but not provided for	50,584	27,177
Total	108,762	87,451

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW

Analysis of Performance of All Operating Segments

2Q16 vs. 2Q15

The Group registered a total revenue of RM306.5 million in the current quarter under review, a marginal increase of 0.2% compared to 2Q15 of RM305.8 million driven by improved sales from operations outside Malaysia.

The Group's profit before tax on the other hand reduced by 39.1% to RM16.5 million in 2Q16 as opposed to RM27.1 million achieved in the same quarter last year mainly due to the higher raw material cost from weakened Ringgit against major trading currencies such as US Dollar and Japanese Yen, foreign currency translation losses arising from trade debtors/creditors for overseas and inventory variance adjustment for Interior and Plastic Division.

Year-to-date 2016 vs. Year-to-date 2015

On a year to date basis, the Group's revenue declined by 6.6% to RM582.6 million from RM624.0 million in the same period of the previous year due to generally lower contribution from OEM customers. Total Industry Volume (TIV") for the first half of 2016 reduced to 275,472 units from 322,184 units in 2Q15 and Total Production Volume ("TIP") decreased to 262,963 units from 327,664 units in in the same period of the preceding year. (Source: Malaysian Automotive Association).

The Group's profit before tax also reduced by 50.2% from RM60.4 million in the six month period of last year to RM30.1 million as a result of lower sales and reasons mentioned earlier.

Segmentation Review

Suspension Division

Revenue for the Suspension Division declined by 6.1% to RM55.7 million in the current quarter compared to RM59.3 million in 2Q15 due to lower off-take by OEM customers. Despite the drop in revenue, the segment's profit before tax grew by 7.5% to RM5.7 million from RM5.3 million in the same quarter of the previous year from better product mix with higher margins. The Division also benefited from a stronger US Dollar and Euro as more than half of leaf spring products were exported.

For the six months period ended 30 June 2016, the Suspension Division saw its revenue decline by 5.9% to RM107.6 million compared to RM114.3 million in the same period last year on the back of lower demand for OEM parts. In spite of the lower sales, profit before tax was maintained at RM9.0 million. The higher profitability was bolstered by the favorable product mix and the growth in the export market.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW (CONT'D)

Interior & Plastics Division

For the current quarter under review, revenue was flat at RM200.5 million when compared to 2Q15 of RM200.8 million. However, profit before tax was down by RM14.9 million, or 94.9% to RM0.8 million. The segment was burdened by the higher trend of operating costs and raw material costs from the unfavourable foreign exchange rate. In addition, the lower earning was caused by inventory variance adjustment recorded in the current year.

Year-to-date 2016, the revenue for Interior and Plastics Division has declined 12.9% to RM375.1 million compared to RM430.9 million in the same period last year. Profit before tax has also worsened 79.5% to RM7.9 million when compared to RM38.6 million last year. The reduction in both top and bottom-line was due to lower demand for OEM parts, which is in line with the lower TIP by 20% as explained earlier, unfavourable product-mix as certain vehicle models have a lower sales value and margin, inventory variance adjustment and unfavourable foreign exchange rate.

Electrical & Heat Exchange Division

The Electrical & Heat Exchange Division saw its revenue drop 12.1% to RM38.4 million for the second quarter ended 30 June 2016 compared with RM43.7 million in the previous corresponding quarter. Lower sales activities and demand by OEM customers are the key contributing factors to the lower revenue. Profit before tax in 2Q16 increased 39.5% to RM5.3 million from RM3.8 million in 2Q15 from the favourable price adjustment from OEM customers.

For the six months period, the Division posted a revenue of RM80.7 million against RM89.6 million recorded in the same period last year. The Division's profit before tax improved to RM9.2 million from RM7.9 million in the same period of the preceding year, which was attributed to the favourable price adjustment as mentioned above.

Marketing Division

Marketing division recorded RM52.8 million in revenue for the current quarter 2016, an increase of 5.2% from RM50.2 million for the corresponding quarter in prior year. The increase was mainly recorded in export sales which grew by 20.5%, due mainly to higher demand from an OEM customer in Thailand.

Likewise, marketing division recorded RM100.2 million in revenue for first half of 2016, an increase of 20.5% from RM83.1 million in the same period previous year. The stronger growth of 55.9% in export sales to the ASEAN and Europe coupled with the higher margin product mix have lifted the sales for the six months period under review. Hence, the segment's profit before tax grew to RM4.1 million from RM2.9 million in the same period.

Non-reportable segment, Malaysia

This segment comprises mainly operations relating to the rental of properties in Malaysia, provision of management services, engineering and research services for companies within the Group. The revenue streams were mainly rental and services fee charged within the Group and formed part of inter-segment elimination for the total Group's results (as depicted in Note A9).

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW (CONT'D)

Non-reportable segment, Malaysia (continued)

The non-reportable segment, Malaysia for the current quarter and two quarters of 2016 recorded a profit of RM0.5 million and loss of RM1.7 million respectively, compared to loss of RM2.8 million in second quarter of 2015 and RM2.3 million in the same corresponding two quarters of 2015. The loss has narrowed due to higher billing of service fee.

Indonesia Operations

Our Indonesia Operations refers to the Group's wholly-owned subsidiaries operations producing suspension products such as coil spring and U-bolts as well as the Group's investment in joint venture and associate in Indonesia.

The Indonesia Operations posted higher revenue of RM7.6 million for the second quarter of 2016, an increase of 90.0% from RM4.0 million recorded in the corresponding quarter last year. The hike in revenue was largely contributed by higher off-take from OEMs and launch of new models.

However, the Indonesia Operation's loss has widened to RM1.7 million compared to a loss of RM0.2 million in the same quarter last year. Higher loss in the segment was due to the higher depreciation, and operating cost for a new plant manufacturing leaf spring which has commenced operation in June 2016 coupled with higher loss from the joint venture i.e. P.T. Armada Autoparts.

Consistent with the current quarter review, the revenue in Indonesia Operation for the first half of 2016 increased by 80.5%, or RM6.2 million to RM13.9 million while loss before taxation increased to RM3.0 million from RM0.9 million in the six months period of the preceding year.

All Other Segments

This business segment refers to our operations in Thailand, Vietnam, Australia, the United States of American and Netherlands ("Operations Outside Malaysia").

Operations Outside Malaysia continued to achieve strong revenue growth of 50.7% for the second quarter of 2016 at RM31.8 million compared to RM21.1 million recorded in corresponding quarter last year. The revenue contribution from the coach's seat business in Australia was 52%, followed by Vietnam operations which constituted 36% of the 2Q16's segment revenue. Higher revenue was also due to revenue of RM2.2 million recognised from the acquisition of locomotive coach seats manufacturing and services business in Australia. The acquisition was completed on 9 March 2016. A new venture in Netherlands has contributed RM1.4 million to the segment revenue for the current quarter.

Profit before tax for the second quarter of 2016 was RM2.8 million as compared to RM2.5 million in 2Q2015. The segment profit was marked down by the pre-operating cost (mainly land related expenses) incurred for Myanmar operation.

Year-to-date, revenue grew for this segment by RM15.9 million, or 38.9% to RM56.7 million while its profit before tax weakened to RM4.4 million compared to RM4.7 million in the same period last year, which was in tandem with the current year's performance.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

B2. MATERIAL CHANGE IN PERFORMANCE OF OPERATING SEGMENTS OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

There was no material change to the Group's performance compared to first quarter of 2016. The Group's revenue of RM306.5 million recorded in second quarter of 2016 was 11.0% higher than that of RM276.1 million recorded in preceding quarter. The Group's current quarter profit before tax of RM16.5 million on the other hand was higher by 21.3% compared to preceding quarter of RM13.6 million mainly due to improved performance recorded in the Suspension and Heat Exchange Division as detailed earlier.

B3. COMMENTARY ON PROSPECTS AND TARGETS

The outlook for the second half of 2016 remains challenging for the domestic automotive industry with continuing weak demand in new vehicle sales consequent upon the current economic climate and weakening consumers' confidence.

Increased raw material costs coupled with currency weakness has affected our Group's earning. Nevertheless, the Group's financial position remained healthy with shareholders' fund exceeding RM1 billion. However, the Group will remain vigilant and cautious to this uncertain market conditions and hold steadfast in its effort in expanding to regional markets and new business, engaging new customers overseas and intensifying development of new products.

B4. INCOME TAX EXPENSE

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
(RM'000)	Current Quarter Ended <u>30-Jun-16</u>	Corresponding Quarter Ended <u>30-Jun-15</u>	Cumulative Year To Date <u>30-Jun-16</u>	Corresponding Year To Date <u>30-Jun-15</u>
<u>Current tax</u>				
- Current year	5,755	6,214	8,733	14,299
- Prior year	493	(2,285)	(325)	(1,520)
<u>Deferred tax</u>				
- Current year	(143)	662	516	927
- Prior year	1,706	1,010	1,794	4,058
Withholding Tax	107	7	146	7
	<u>7,918</u>	<u>5,608</u>	<u>10,864</u>	<u>17,771</u>

The Group's effective tax rate is higher than the statutory tax rate mainly due to the absence of full group relief.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

B5. CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the reporting date, except for the proposed acquisition of assets of TC Aluminium Castings Sdn Bhd (“TCAC”), an indirect wholly-owned subsidiary of Tan Chong Motor Holdings Berhad by APM Thermal Systems Sdn Bhd, a wholly-owned subsidiary of the Company for a total cash consideration of RM5,701,318.00 (“Proposed Acquisition”), which is subject to price adjustment and conditional upon the fulfilment of conditions precedent as set out in our announcement dated 27 April 2016 to Bursa Malaysia Securities Berhad.

The Proposed Acquisition has obtained the approval of the shareholders of the Company at the Annual General Meeting scheduled on 25 May 2016 and is expected to be completed in the third quarter of the year.

B6. FINANCIAL INSTRUMENTS AND REALISED AND UNREALISED PROFITS

a) Derivatives

The outstanding forward foreign currency contracts entered as at 30 June 2016 are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets / (Liabilities) RM'000	Maturity
Forward foreign exchange contracts	26,171	222	Less than 1 year

Derivative financial instruments entered into by the Group are similar to those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2015. There is no change to the Group’s financial risk management policies in managing these derivative financial instruments and its related accounting policies.

b) RETAINED EARNINGS

(RM'000)	As At 30-Jun-16	As At 31-Dec-15
Total retained earnings of the Company and its subsidiaries		
- realised profits	817,543	806,453
- unrealised profits	60,083	70,684
	877,626	877,137
Total share of retained profits of associate:		
- realised profits	11,472	10,742
Total share of retained profits of joint ventures		
- realised profits	18,707	19,540
	907,805	907,419
Consolidation adjustments	(39,001)	(30,867)
Total group retained earnings	868,804	876,552

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued by Malaysian Institute of Accountants on 20 December 2010.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

B7. BORROWINGS AND DEBT SECURITIES

Group borrowings as at the end of reporting period are as follow:

<i>In thousands of RM</i>	30-Jun-16
Unsecured - Foreign currency loans	24,675
- Revolving credit	15,000
	<u>39,675</u>
Amount due within the next 12 months	39,675
	<u>39,675</u>

Group borrowings breakdown by currencies.

<i>In thousands of RM</i>		
Functional	Denominated	
<u>Currency</u>	<u>In</u>	30-Jun-16
RM	RM	15,000
IDR	IDR	13,900
IDR	USD	2,819
USD	AUD	1,514
USD	USD	6,442
		<u>39,675</u>

B8. CHANGES IN MATERIAL LITIGATION

There was no material litigation against the Group as at the reporting date.

B9. DIVIDEND

The Board has proposed an interim single-tier dividend of 5 sen per ordinary share (2015: 7.5 sen per ordinary share) for the financial year ending 31 December 2016 to be paid on 29 September 2016 to shareholders whose names appear in the Record of Depositors on 8 September 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:

- shares transferred into the depositor's securities account before 4.00 p.m. on 8 September 2016 in respect of ordinary transfers; and
- shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance to the Rules of Bursa Malaysia Securities Berhad

The interim dividend is lower than previous corresponding period and is reflective of the Group's performance in the first half of 2016.

APM AUTOMOTIVE HOLDINGS BERHAD (424838-D)
PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

B10. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the periods as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
Profit attributable to the owners of the Company (RM'000)	6,376	18,300	15,719	36,127
Weighted average number of ordinary shares in issue ('000)	195,588	195,610	195,588	195,610
Basic EPS (sen)	3.26	9.36	8.04	18.47

B11. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

Profit before tax is arrived at after charging / (crediting) the following items:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Current	Corresponding	Cumulative	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
<i>In thousands of RM</i>	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
(a) Interest income	(2,307)	(2,947)	(4,844)	(4,927)
(b) Other income including investment income	(811)	(611)	(1,395)	(2,499)
(c) Interest expense	545	200	1,122	502
(d) Depreciation and Amortization	13,189	12,381	24,909	22,738
(e) Provision / (reversal) for and write off of receivables	(8)	68	(8)	24
(f) Provision / (reversal) and write off of inventories	5,701	743	5,787	2,948
(g) Gain on disposal of property, plant and equipment	(36)	(12)	(46)	(41)
(h) Net Foreign exchange (gain) / loss	2,563	(1,923)	4,233	265
(i) Loss/ (gain) on derivatives	(1,546)	176	527	(1,973)

BY ORDER OF THE BOARD

KHOO PENG PENG
 QUAH KHIAN KHOON

Company Secretaries
 Kuala Lumpur
 23 August 2016