



APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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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 2017 – unaudited**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30-Jun-17	Corresponding Quarter Ended 30-Jun-16	Cumulative Year to Date 30-Jun-17	Cumulative Year to Date 30-Jun-16
<i>In thousands of RM</i>				
Revenue	275,536	306,493	569,611	582,628
Results from operating activities	10,141	14,169	27,436	26,463
Finance costs	(1,257)	(545)	(2,137)	(1,122)
Finance income	2,417	2,307	4,562	4,844
Share of (loss)/profit of associates and joint ventures accounted for using the equity method, net of tax	(614)	557	(683)	(61)
Profit before tax	10,687	16,488	29,178	30,124
Income tax expense	(6,775)	(7,918)	(12,117)	(10,864)
Profit for the period	3,912	8,570	17,061	19,260
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	4,840	5,553	7,256	(7,674)
Remeasurement of defined benefit liability/(asset)	882	-	882	-
Share of foreign currency translation differences of equity-accounted investees	(1,356)	1,260	(1,520)	(663)
Other comprehensive income/(expense) for the period, net of tax	4,366	6,813	6,618	(8,337)
Total comprehensive income for the period	8,278	15,383	23,679	10,923
Profit attributable to :				
Owners of the Company	2,511	6,376	13,063	15,719
Non-controlling interests	1,401	2,194	3,998	3,541
Profit for the period	3,912	8,570	17,061	19,260
Total comprehensive income attributable to :				
Owners of the Company	6,877	13,189	19,681	7,382
Non-controlling interests	1,401	2,194	3,998	3,541
Total comprehensive income for the period	8,278	15,383	23,679	10,923
Earnings per share				
Basic (sen)	1.28	3.26	6.68	8.04

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 2016 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 2017 - unaudited**

<i>In thousands of RM</i>	As at 30-Jun-17	As at 31-Dec-16
Assets		
Property, plant & equipment	529,994	510,972
Prepaid lease payments	17,166	17,888
Investment properties	103,293	103,294
Investment in an associate	11,405	11,763
Investments in joint ventures	33,601	30,186
Intangible assets	22,425	24,601
Deferred tax assets	9,949	11,712
Total non-current assets	727,833	710,416
Inventories	209,549	229,492
Trade and other receivables, including derivatives	269,050	314,846
Other investments	116,168	101,547
Cash and cash equivalents	240,541	229,479
Total current assets	835,308	875,364
Total assets	1,563,141	1,585,780
Equity		
Share capital	219,498	201,600
Reserves	994,095	1,011,871
Treasury shares	(13,301)	(13,297)
Total equity attributable to owners of the Company	1,200,292	1,200,174
Non-controlling interests	52,153	37,772
Total equity	1,252,445	1,237,946
Liabilities		
Employee benefits	17,725	17,252
Deferred tax liabilities	36,592	36,160
Total non-current liabilities	54,317	53,412
Trade and other payables, including derivatives	175,904	238,339
Loans and borrowings	77,750	54,692
Current tax liabilities	2,725	1,391
Total current liabilities	256,379	294,422
Total liabilities	310,696	347,834
Total equity and liabilities	1,563,141	1,585,780
Net assets per share attributable to owners of the Company (RM)	6.14	6.14

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017 - unaudited**

<i>In thousands of RM</i>	<----- Attributable to the owners of the Company ----->								
	<----- Non-Distributable ----->					Distributable			
	Share capital	Treasury shares	Share premiums *	Revaluation reserve	Translation reserve	Retained profits	Total	Non- controlling interests	Total equity
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 period	-	-	-	-	(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 non-controlling interests	-	-	-	-	-	(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
At 1-Jan-17	201,600	(13,297)	17,898	92,395	11,652	889,926	1,200,174	37,772	1,237,946
Adjustments for effects of Companies Act 2016*	17,898	-	(17,898)	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	-	-	7,256	-	7,256	-	7,256
Remeasurement of defined benefit liabilities	-	-	-	-	-	882	882	-	882
Share of loss of equity-accounted investees	-	-	-	-	(1,520)	-	(1,520)	-	(1,520)
Profit for the period	-	-	-	-	-	13,063	13,063	3,998	17,061
Total comprehensive income for the period	-	-	-	-	5,736	13,945	19,681	3,998	23,679
Own shares acquired	-	(4)	-	-	-	-	(4)	-	(4)
Subscription of shares in subsidiary by non-controlling interests	-	-	-	-	-	-	-	12,385	12,385
Dividends to owners of the company	-	-	-	-	-	(19,559)	(19,559)	(2,002)	(21,561)
Total transactions with owners of the Group	-	(4)	-	-	-	(19,559)	(19,563)	10,383	(9,180)
At 30-Jun-2017	219,498	(13,301)	-	92,395	17,388	884,312	1,200,292	52,153	1,252,445

* Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, within 24 months upon commencement of the CA 2016, the Group may use the amount standing to the credit of the share premium account of RM17,898,000 as stipulated in Section 618(3) of the CA 2016.

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 2016 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 2017 – unaudited**

<i>In thousands of RM</i>	For the 6 months period ended 30-Jun-17	For the 6 months period ended 30-Jun-16
Cash flows from operating activities		
Profit before tax and non-controlling interests	29,178	30,124
Adjustments for non-cash items	29,649	24,270
Changes in working capital	3,068	(57,834)
Cash generated from/(used in) operations	61,895	(3,440)
Interest/Tax/Employee benefits/provision	(4,136)	(9,677)
Net cash generated from/(used in) operating activities	57,759	(13,117)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	358	150
Acquisition of property, plant and equipment	(49,400)	(29,743)
Net (increase)/decrease in other investments	(14,621)	54,187
Additions of intangible assets	(2,699)	(5,242)
Investment in Joint Venture Company	(5,430)	-
Net cash (used in)/generated from investing activities	(71,792)	19,352
Cash flows from financing activities		
Subscription of shares in subsidiary by non-controlling interests	12,385	-
Dividends paid to non-controlling interests	(2,002)	(2,002)
Dividends paid to owners of the Company	(19,559)	(23,467)
Acquisition of remaining shares of a subsidiary	-	(2,500)
Net drawdown/(repayment) of loans and borrowings	23,059	(16,519)
Purchase of treasury shares	(4)	(4)
Net cash generated from/(used in) financing activities	13,879	(44,492)
Net decrease in cash and cash equivalents	(154)	(38,257)
Effect of exchange rate fluctuations	11,216	(4,581)
Cash and cash equivalents at 1 January	229,479	264,214
Cash and cash equivalents at the end of period	240,541	221,376

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

Cash and bank balances	65,730	49,372
Deposits and corporate management account with licensed banks	174,811	172,004
	240,541	221,376

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

A1. BASIS OF PREPARATION

These condensed consolidated interim financial statements (Condensed Report) have 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 2016. 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 2016.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, including the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations that are applicable to the Group with effect from 1 January 2017:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 107, *Statements of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 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, *Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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*

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance contracts*

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 financial reporting 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*, and 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.

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 of adopting MFRS 16.

A3. AUDIT QUALIFICATIONS

There were no audit qualifications in the annual financial statements for the year ended 31 December 2016.

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.

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

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 period to date, other than the following repurchase of shares by the Company:

<u>Month</u>	<u>No. of shares repurchased</u>	<i>In thousands of RM</i>	
		<u>Total consideration</u>	
Feb-17	<u>1,000</u>	<u>4</u>	

A8. DIVIDENDS PAID

A final ordinary dividend of 10 sen per ordinary share (2015: 12 sen per ordinary share) totalling RM19.6 million (2015: RM23.47 million) in respect of the financial year ended 31 December 2016 was paid on 28 June 2017.

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 plastic parts, interiors, seatings for motor vehicles, buses, auditoriums, cinemas, and rails and light rails system.
- *Electrical & Heat Exchange Division, Malaysia:* comprises business in manufacturing products such as air-conditioning systems, radiators, starter motors, alternators, wiper system, distributors and other electrical parts; developing Internet of Things ("IoT") telematics platform; and manufacturing and supplying In-vehicle Infotainment ("IVI") systems.
- *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; casting, machining and assembly of aluminum parts and components; distribution of motor vehicles; 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, Netherlands, Thailand and Myanmar.

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

A9. SEGMENTAL INFORMATION (CONT'D)

The manufacturing and distribution of automotive products within the Group are 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 (“REM”) 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.

In thousands of RM

INDIVIDUAL QUARTER

	30-Jun-17		30-Jun-16	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit / (loss) before tax</u>
Suspension	47,810	5,315	55,743	5,658
Interior & Plastics	178,424	6,596	200,455	834
Electricals & Heat Exchange	33,703	63	38,397	5,332
Marketing	61,681	1,890	52,809	2,890
Non-reportable segment	15,434	3	14,083	476
Indonesia Operations	10,999	(3,210)	7,576	(1,708)
All Other Segments	30,667	(219)	31,843	2,839
	378,718	10,438	400,906	16,321
Eliminations	(103,182)	249	(94,413)	167
	275,536	10,687	306,493	16,488

In thousands of RM

CUMULATIVE QUARTER

	30-Jun-17		30-Jun-16	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit / (loss) before tax</u>
Suspension	97,097	10,212	107,616	9,038
Interior & Plastics	374,537	16,855	375,098	7,948
Electricals & Heat Exchange	71,252	627	80,663	9,227
Marketing	119,367	4,805	100,157	4,128
Non-reportable segment	31,344	138	27,905	(1,721)
Indonesia Operations	24,709	(5,284)	13,887	(2,950)
All Other Segments	60,725	1,744	56,745	4,424
	779,031	29,097	762,071	30,094
Eliminations	(209,420)	81	(179,443)	30
	569,611	29,178	582,628	30,124

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

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 2016.

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-17</u>	<u>30-Jun-16</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Sales	21,608	26,659	41,124	53,380
Provision of services	40	-	40	-
Purchases	(3,258)	(3,492)	(5,551)	(5,835)
Administrative and consultancy services	(36)	-	(300)	(197)
Insurance	(184)	(121)	(1,771)	(1,301)
Rental expenses	(74)	(11)	(146)	(21)
Rental income	326	466	652	932

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-17</u>	<u>30-Jun-16</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Sales	154	-	154	-
Purchases	(129)	(53)	(151)	(77)
Administrative and consultancy services	(823)	(798)	(1,411)	(1,419)
Rental income	126	54	219	94
Rental expenses	(252)	(303)	(569)	(661)

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-17</u>	<u>30-Jun-16</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Sales	1,423	19,144	3,880	30,233
Rental expenses	(18)	-	(18)	-

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”).

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

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.

A13. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the interim period.

A14. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities as at 30 June 2017.

A15. CAPITAL COMMITMENTS

<i>In thousands of RM</i>	30-Jun-17	30-Jun-16
Authorized but not contracted for	42,607	58,178
Contracted but not provided for	14,288	50,584
Total	56,895	108,762

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

2Q17 vs. 2Q16

Total Industry Production (“TIP”) in the second quarter of 2017 decreased by 12% to reach a total of 117,303 units compared to 133,372 units in the same period last year. (Source: Malaysian Automotive Association). The drop in the production volume was mainly due to shorter working days for celebration of festive season in June 2017.

The Group’s revenue fell in tandem to RM275.5 million for the current quarter, compared to 2Q16 of RM306.5 million largely due to lower demand from OEMs.

Group’s profit before tax came in at RM10.7 million as compared with RM16.5 million in the corresponding quarter of last year due to lower revenue and higher operating costs from the newly completed plants overseas.

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

On a year to date basis, the Group’s revenue declined by 2.2% to RM569.6 million from RM582.6 million in the same period of the previous year due to generally lower contribution from OEM customers as certain OEM parts have reached the end of product life cycle in second half of 2016 and shorter working days in Q217.

Correspondingly, the Group’s profit before tax also reduced by 3.0% from RM30.1 million in the six month period of last year to RM29.2 million as a result of lower sales and reasons mentioned earlier.

Segmentation Review

Suspension Division

The Suspension Division’s revenue declined by 14.2% to RM47.8 million in the current quarter compared to RM55.7 million in 2Q16 mainly caused by lower off-take from OEM as certain models had reached end of model life cycle in 2016. The decrease in revenue has resulted in lower profit before tax. Profit before tax was RM5.3 million, which was 5.4% lower compared to same quarter last year of RM5.6 million. The impact of the reduction of revenue to the bottom-line was mitigated by the reversal of provision for product warranty claims during the current quarter.

Likewise, the Suspension Division’s revenue for the first half of 2017 decreased by 9.8% to RM97.1 million compared to RM107.6 million in the same period last year. Despite the decrease in revenue, profit before tax increased by 13.0% to RM10.2 million. The improved earning was attributed to the reversal of provision for product warranty claims and lower foreign currency translation losses arising from trade receivables/payables and bank balances.

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

Revenue for Interior and Plastics Division registered a decrease of 11.0% to RM178.4 million in 2Q17 on the back of lower demand for OEM parts resulting from production shut-down due to the festive season in June 2017. However, the profit before tax was higher by RM5.8 million to RM6.6 million. This was mainly due to inventory loss variance adjustment recorded in the 2Q16.

For year-to-date 2017, revenue for the Interior and Plastics Division was relatively flat at RM374.5 million compared to RM375.1 million in the same period last year. The low revenue in the current quarter was mitigated by the higher revenue in the first quarter of 2017, thanks to the new models launches and higher localization content for certain OEM parts in the second half of 2016.

The segment's profit before tax, on the other hand, has improved 112.1% to RM16.8 million when compared to RM7.9 million in the same period last year. The increase in bottom-line was due to inventory loss variance adjustment as explained earlier and reversal of staff related cost provision in the first quarter of 2017.

Electrical & Heat Exchange Division

Electrical & Heat Exchange division saw its revenue drop 12.2% to RM33.7 million for the second quarter ended 30 June 2017 compared with RM38.4 million in the previous corresponding quarter. Lower sales activities and demand by OEM customers are the key contributing factors to the lower revenue. However, the profit before tax registered a significant drop of 98.8% to RM0.06 million compared to RM5.3 million in the same quarter last year. The decrease was due to lower sales and favourable price adjustment from OEM customers recognized in the same quarter last year.

Consistent with the above quarterly review, revenue for the six months period of 2017 has decreased from RM80.7 million to RM71.2 million. The Division's profit before tax also deteriorated to RM0.6 million from RM9.2 million in the same period of the preceding year, which was due to the reasons mentioned above.

Marketing Division

Marketing division increased its revenue by RM8.8 million or 16.8% quarter on quarter to RM61.7 million in 2Q17. The higher sale activities were fueled by the aggressive promotional campaigns particularly on leaf spring for local REM and stronger export sales to Korea and Thailand. Despite the higher revenue, the segment's profit before tax decreased to RM1.9 million from RM2.9 million in the same quarter last year. This was mainly due to translation losses arising from trade receivables/payables and bank balances.

For year-to-date of 2017, this Division recorded revenue of RM119.3 million, representing an increase of 19.2% from RM100.1 million in the same period last year. The growth was attributed to the increase of 19.0% in export sales to Asia and Australia which in turn translated to better profit before tax of RM4.8 million as compared to RM4.1 million in the same period of last year.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

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 (as depicted in Note A9). In addition, this segment also comprises business of casting, machining and assembly of aluminum parts and components and distribution of motor vehicle to internal and external customers.

The non-reportable segment, Malaysia for the current quarter recorded a profit before tax of RM3,000 as compared to pre-tax profit of RM0.5 million in second quarter of 2016 mainly due to higher forex gain arising from the balances due from the Group's overseas operations in the 2Q16.

For the six months period, the Division posted a profit of RM0.1 million against a loss of RM1.7 million in the same period last year. The better performance was mainly due to higher billing of service fee.

Indonesia Operations

Our Indonesia Operations refers to the manufacture of suspension products such as coil spring and leaf spring and the Group's investment in joint venture and associate in Indonesia.

The Indonesia Operations posted higher revenue of RM11.0 million for the current quarter of 2017, an increase of 44.7% from RM7.6 million recorded in the corresponding quarter last year. The growth in revenue was largely contributed by the sale of leaf spring upon commencement of its production in June 2016. The Indonesia Operations closed the quarter with a loss of RM3.2 million against a loss of RM1.7 million in the same quarter last year. The higher losses in the segment were owing to depreciation charges from plant and machineries, lower profit contributed by associate and unfavourable product mix.

Consistent with the above-mention factors, the revenue in Indonesia Operations for the six months of 2017 increased by 77.7% to RM24.8 million while loss before taxation widened to RM5.3 million from loss before tax of RM3.0 million in the same period of the preceding year.

All Other Segments

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

Operations Outside Malaysia revenue decreased by 3.5% for its second quarter of 2017 at RM30.7 million compared to RM31.8 million recorded in corresponding quarter last year. The decrease was mainly due to unfulfilled deliveries by the coach's seat business in Australia during the quarter 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 to record a loss before tax of RM0.2 million compared to a profit before tax of RM2.8 million in the same quarter last year. Higher operating cost which comprised mainly staff costs and depreciation for Thailand operation has also contributed to the Segment's current quarter loss.

Likewise, year to date, revenue grew for this segment by RM4.0 million, or 7.1% to RM60.7 million while profit before tax weakened to RM1.7 million compared to RM4.4 million in the same period last year.

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

Total Industry Production (“TIP”) for the current quarter fell 15% to 117,303 units from 138,015 units in first quarter of 2017 (Source : Malaysian Automotive Association).

The Group’s revenue fell in tandem to RM275.5 million for the second quarter of 2017, compared to preceding quarter of RM294.1 million largely due to lower off-take from OEMs as a result of shorter working days in current quarter.

The Group’s current quarter profit before tax of RM10.7 million was lower by 42.2% compared to preceding quarter of RM18.5 million mainly due to lower sales. The profit before tax for the current quarter was also marked down by the losses registered by Australia operations arising from relocation of its plants and delayed deliveries. The preceding quarter profitability also included reversal of staff related cost provision.

B3. COMMENTARY ON PROSPECTS AND TARGETS

The Malaysian Automotive Association (“MAA”) has maintained its original forecast for the 2017 Total Industry Volume (“TIV”) of 590,000 units on the back of a more favourable economic outlook for the second half of 2017. According to Bank Negara Malaysia, the global growth is expected to expand at a faster pace in 2017, supported by improvements in both advanced and emerging markets economies. Meanwhile, the Malaysian economy is on track to register higher growth in 2017. (Source : MAA Market Review for 1st Half 2017 dated 24 July 2017)

Nevertheless, the outlook for second half 2017 is likely to remain challenging for the Group. The Group’s profitability will be pressured by higher operating costs from the new overseas operations such as Thailand and Indonesia. These operations will focus on driving sales with an internal emphasis on efficient resource management, cost containment and increased technical training of workers to improve production efficiency.

Further, the Group’s level of investment will not be curbed in the face of declining profitability. The Group will continue to expand its product range and to diversify geographically its reliance on one market.

B4. INCOME TAX EXPENSE

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
(RM'000)	Current Quarter Ended <u>30-Jun-17</u>	Corresponding Quarter Ended <u>30-Jun-16</u>	Cumulative Year To Date <u>30-Jun-17</u>	Corresponding Year To Date <u>30-Jun-16</u>
<u>Current tax</u>				
- Current year	5,917	5,755	9,593	8,733
- Prior year	(12)	493	(252)	(325)
<u>Deferred tax</u>				
- Current year	(392)	(143)	211	516
- Prior year	1,254	1,706	2,537	1,794
Withholding Tax	8	107	28	146
	<u>6,775</u>	<u>7,918</u>	<u>12,117</u>	<u>10,864</u>

The Group’s effective tax rate is higher than the statutory tax rate mainly due to current period losses of certain subsidiaries for which no deferred tax asset was recognized.

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B5. CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the reporting date.

B6. FINANCIAL INSTRUMENTS AND REALISED AND UNREALISED PROFITS

a) Derivatives

The outstanding forward foreign currency contracts entered as at 30 June 2017 are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets / (Liabilities) RM'000	Maturity
Forward foreign exchange contracts	45,508	(235)	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 2016. 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-17	As At 31-Dec-16
Total retained earnings of the Company and its subsidiaries		
- realised profits	814,770	818,182
- unrealised profits	69,091	77,825
	883,861	896,007
Total share of retained profits of associate:		
- realised profits	10,280	10,439
Total share of retained profits of joint ventures		
- realised profits	16,954	17,492
	911,095	923,938
Consolidation adjustments	(26,783)	(34,012)
Total group retained earnings	884,312	889,926

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B7. BORROWINGS AND DEBT SECURITIES

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

<i>In thousands of RM</i>	30-Jun-17
Unsecured - Foreign currency loans	59,350
- Revolving credit	13,400
- Islamic Medium Term Notes	5,000
	<hr/>
	77,750
	<hr/>
Amount due within the next 12 months	77,750
	<hr/>
	77,750
	<hr/>

Group borrowings breakdown by currencies.

<i>In thousands of RM</i>		
Functional	Denominated	
<u>Currency</u>	<u>In</u>	30-Jun-17
RM	RM	18,400
AUD	AUD	24,485
IDR	IDR	24,897
IDR	USD	3,006
USD	USD	6,962
		<hr/>
		77,750
		<hr/>

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 4.5 sen per ordinary share (2016: 5.0 sen per ordinary share) for the financial year ending 31 December 2017 to be paid on 29 September 2017 to shareholders whose names appear in the Record of Depositors on 8 September 2017.

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

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 8 September 2017 in respect of ordinary transfers; and
- (b) 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 2017.

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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-17	30-Jun-16	30-Jun-17	30-Jun-16
Profit attributable to the owners of the Company (RM'000)	2,511	6,376	13,063	15,719
Weighted average number of ordinary shares in issue ('000)	195,586	195,588	195,586	195,588
Basic EPS (sen)	1.28	3.26	6.68	8.04

B11. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Current	Corresponding	Cumulative	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
(a) Interest income	(2,417)	(2,307)	(4,562)	(4,844)
(b) Other income including investment income	(881)	(811)	(1,825)	(1,395)
(c) Interest expense	1,257	545	2,137	1,122
(d) Depreciation and Amortization	15,392	13,189	30,796	24,909
(e) Impairment loss on trade receivables	-	(8)	68	(8)
(f) (Reversal)/provision of slow moving stock	(45)	5,701	(392)	5,787
(g) Gain on disposal of property, plant and equipment	(54)	(36)	(80)	(46)
(h) Net Foreign exchange loss	325	2,563	971	4,233
(i) (Gain)/ loss on derivatives	650	(1,546)	292	527

BY ORDER OF THE BOARD

KHOO PENG PENG
 QUAH KHIAN KHOON

Company Secretaries
 Kuala Lumpur
 21 August 2017