



# **APM AUTOMOTIVE HOLDINGS BERHAD**

(Company No. 424838-D)

*(Incorporated in Malaysia)*

## **INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 2017 – unaudited**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter Ended 30-Sep-17	Corresponding Quarter Ended 30-Sep-16	Change	Cumulative Year to Date 30-Sep-17	Cumulative Year to Date 30-Sep-16	Change
<i>In thousands of RM</i>						
<b>Revenue</b>	291,370	313,289	-7%	860,981	895,917	-4%
<b>Results from operating activities</b>	18,948	26,006	-27%	46,384	52,469	-12%
<b>Finance costs</b>	(982)	(864)	14%	(3,119)	(1,986)	57%
<b>Finance income</b>	2,601	2,219	17%	7,163	7,063	1%
<b>Share of the loss of associates and joint ventures accounted for using the equity method, net of tax</b>	(238)	(666)	-64%	(921)	(727)	27%
<b>Profit before tax</b>	20,329	26,695	-24%	49,507	56,819	-13%
<b>Income tax expense</b>	(5,573)	(5,375)	4%	(17,690)	(16,239)	9%
<b>Profit for the period</b>	14,756	21,320	-31%	31,817	40,580	-22%
<b>Items that will be reclassified subsequently to profit or loss</b>						
Foreign currency translation differences for foreign operations	(3,185)	9,480	-134%	4,071	1,806	125%
Remeasurement of defined benefit liability/(asset)	-	-	0%	882	-	0%
Share of foreign currency translation differences of equity-accounted investees	(963)	1,690	-157%	(2,483)	1,027	-342%
<b>Other comprehensive income/(expense) for the period, net of tax</b>	(4,148)	11,170	-137%	2,470	2,833	-13%
<b>Total comprehensive income for the period</b>	10,608	32,490	-67%	34,287	43,413	-21%
<b>Profit attributable to :</b>						
Owners of the Company	12,934	17,457	-26%	25,997	33,176	-22%
Non-controlling interests	1,822	3,863	-53%	5,820	7,404	-21%
<b>Profit for the period</b>	14,756	21,320	-31%	31,817	40,580	-22%
<b>Total comprehensive income attributable to :</b>						
Owners of the Company	8,786	28,627	-69%	28,467	36,009	-21%
Non-controlling interests	1,822	3,863	-53%	5,820	7,404	-21%
<b>Total comprehensive income for the period</b>	10,608	32,490	-67%	34,287	43,413	-21%
<b>Earnings per share</b>						
Basic (sen)	6.61	8.92	-26%	13.29	16.96	-22%

*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 SEPTEMBER 2017 - unaudited**

<i>In thousands of RM</i>	<b>As at 30-Sep-17</b>	<b>As at 31-Dec-16</b>
<b>Assets</b>		
Property, plant & equipment	529,343	510,972
Prepaid lease payments	16,750	17,888
Investment properties	103,294	103,294
Investment in an associate	11,275	11,763
Investments in joint ventures	32,700	30,186
Intangible assets	20,176	24,601
Deferred tax assets	10,857	11,712
<b>Total non-current assets</b>	<b>724,395</b>	<b>710,416</b>
Inventories	226,611	229,492
Trade and other receivables, including derivatives	293,330	314,846
Other investments	118,771	101,547
Cash and cash equivalents	219,146	229,479
<b>Total current assets</b>	<b>857,858</b>	<b>875,364</b>
<b>Total assets</b>	<b>1,582,253</b>	<b>1,585,780</b>
<b>Equity</b>		
Share capital	219,498	201,600
Reserves	994,080	1,011,871
Treasury shares	(13,305)	(13,297)
<b>Total equity attributable to owners of the Company</b>	<b>1,200,273</b>	<b>1,200,174</b>
<b>Non-controlling interests</b>	<b>53,975</b>	<b>37,772</b>
<b>Total equity</b>	<b>1,254,248</b>	<b>1,237,946</b>
<b>Liabilities</b>		
Employee benefits	18,102	17,252
Deferred tax liabilities	37,201	36,160
<b>Total non-current liabilities</b>	<b>55,303</b>	<b>53,412</b>
Trade and other payables, including derivatives	195,200	238,339
Loans and borrowings	73,455	54,692
Current tax liabilities	4,047	1,391
<b>Total current liabilities</b>	<b>272,702</b>	<b>294,422</b>
<b>Total liabilities</b>	<b>328,005</b>	<b>347,834</b>
<b>Total equity and liabilities</b>	<b>1,582,253</b>	<b>1,585,780</b>
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 SEPTEMBER 2017 - 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			
<b>At 1-Jan-16</b>	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	-	-	-	-	1,806	-	1,806	-	1,806
Share of loss of equity-accounted investees	-	-	-	-	1,027	-	1,027	-	1,027
Profit for the period	-	-	-	-	-	33,176	33,176	7,404	40,580
<b>Total comprehensive income for the period</b>	-	-	-	-	2,833	33,176	36,009	7,404	43,413
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	-	-	-	-	-	(33,252)	(33,252)	(2,002)	(35,254)
<b>Total transactions with owners of the Group</b>	-	(4)	-	-	-	(33,252)	(33,256)	(4,502)	(37,758)
<b>At 30-Sep-2016</b>	201,600	(13,293)	17,898	92,395	11,079	876,476	1,186,155	40,122	1,226,277
<b>At 1-Jan-17</b>	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	-	-	-	-	4,071	-	4,071	-	4,071
Remeasurement of defined benefit liabilities	-	-	-	-	-	882	882	-	882
Share of loss of equity-accounted investees	-	-	-	-	(2,483)	-	(2,483)	-	(2,483)
Profit for the period	-	-	-	-	-	25,997	25,997	5,820	31,817
<b>Total comprehensive income for the period</b>	-	-	-	-	1,588	26,879	28,467	5,820	34,287
Own shares acquired	-	(8)	-	-	-	-	(8)	-	(8)
Subscription of shares in subsidiary by non-controlling interests	-	-	-	-	-	-	-	12,385	12,385
Dividends to owners of the company	-	-	-	-	-	(28,360)	(28,360)	(2,002)	(30,362)
<b>Total transactions with owners of the Group</b>	-	(8)	-	-	-	(28,360)	(28,368)	10,383	(17,985)
<b>At 30-Sep-2017</b>	219,498	(13,305)	-	92,395	13,240	888,445	1,200,273	53,975	1,254,248

\* 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 SEPTEMBER 2017 – unaudited**

<i>In thousands of RM</i>	<b>For the 9 months period ended 30-Sep-17</b>	<b>For the 9 months period ended 30-Sep-16</b>
<b>Cash flows from operating activities</b>		
Profit before tax and non-controlling interests	49,507	56,819
Adjustments for non-cash items	41,433	44,229
Changes in working capital	(17,668)	(106,925)
<b>Cash generated from/(used in) operations</b>	<b>73,272</b>	<b>(5,877)</b>
Interest/Tax/Employee benefits/provision	(6,983)	(17,127)
<b>Net cash generated from/(used in) operating activities</b>	<b>66,289</b>	<b>(23,004)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	462	3,641
Acquisition of property, plant and equipment	(62,797)	(55,738)
Net (increase)/decrease in other investments	(17,225)	58,547
Additions of intangible assets	(2,161)	(12,803)
Investment in Joint Venture Company	(5,430)	-
<b>Net cash used in investing activities</b>	<b>(87,151)</b>	<b>(6,353)</b>
<b>Cash flows from financing activities</b>		
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	(28,360)	(33,252)
Acquisition of remaining shares of a subsidiary	-	(2,500)
Net drawdown/(repayment) of loans and borrowings	18,764	8,021
Purchase of treasury shares	(8)	(4)
<b>Net cash generated from/(used in) financing activities</b>	<b>779</b>	<b>(29,737)</b>
Net decrease in cash and cash equivalents	(20,083)	(59,094)
Effect of exchange rate fluctuations	9,750	(446)
Cash and cash equivalents at 1 January	229,479	264,214
<b>Cash and cash equivalents at the end of period</b>	<b>219,146</b>	<b>204,674</b>

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

Cash and bank balances	62,766	76,104
Deposits and corporate management account with licensed banks	156,380	128,570
	<b>219,146</b>	<b>204,674</b>

*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.*

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

**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	1,000		4
Aug-17	1,000		4
	<u>2,000</u>		<u>8</u>

**A8. DIVIDENDS PAID**

An interim ordinary dividend of 4.5 sen per ordinary share (2016: 5.0 sen per ordinary share) totalling RM8.8 million (2016: RM9.78 million) in respect of the financial year ending 31 December 2017 was paid on 29 September 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-Sep-17		30-Sep-16	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>
Suspension	54,052	4,061	51,747	6,659
Interior & Plastics	186,287	9,371	213,002	14,793
Electricals & Heat Exchange	37,936	1,481	40,977	2,720
Marketing	64,489	2,852	57,956	2,398
Non-reportable segment	15,328	2,053	12,991	782
Indonesia Operations	14,879	(1,510)	7,601	(3,289)
All Other Segments	33,801	2,058	35,800	2,834
	406,772	20,366	420,074	26,897
Eliminations	(115,402)	(37)	(106,785)	(202)
	291,370	20,329	313,289	26,695

*In thousands of RM*

**CUMULATIVE QUARTER**

	30-Sep-17		30-Sep-16	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>
Suspension	151,149	15,569	159,363	15,697
Interior & Plastics	560,824	26,226	588,100	22,741
Electricals & Heat Exchange	109,188	2,108	127,894	11,947
Marketing	183,856	7,657	158,113	6,526
Non-reportable segment	46,672	895	40,896	(939)
Indonesia Operations	39,588	(6,794)	21,488	(6,239)
All Other Segments	94,526	3,802	92,545	7,258
	1,185,803	49,463	1,188,399	56,991
Eliminations	(324,822)	44	(292,482)	(172)
	860,981	49,507	895,917	56,819

**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>	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Quarter Ended 30-Sep-17</b>	<b>Corresponding Quarter Ended 30-Sep-16</b>	<b>Cumulative Year To Date 30-Sep-17</b>	<b>Corresponding Year To Date 30-Sep-16</b>
<b><u>With TCMH Group</u></b>				
Sales	19,537	23,345	60,661	76,725
Provision of services	-	-	40	-
Purchases	(1,626)	(3,942)	(7,177)	(9,777)
Administrative and consultancy services	8	-	(292)	(197)
Insurance	(102)	(125)	(1,873)	(1,426)
Rental expenses	(73)	(10)	(219)	(31)
Rental income	359	429	1,011	1,361

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>	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Quarter Ended 30-Sep-17</b>	<b>Corresponding Quarter Ended 30-Sep-16</b>	<b>Cumulative Year To Date 30-Sep-17</b>	<b>Corresponding Year To Date 30-Sep-16</b>
<b><u>With WTCH Group</u></b>				
Sales	34	2	188	2
Purchases	(20)	(42)	(171)	(119)
Administrative and consultancy services	(294)	(189)	(1,705)	(1,608)
Rental income	112	76	331	170
Rental expenses	(401)	(283)	(970)	(944)

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>	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Quarter Ended 30-Sep-17</b>	<b>Corresponding Quarter Ended 30-Sep-16</b>	<b>Cumulative Year To Date 30-Sep-17</b>	<b>Corresponding Year To Date 30-Sep-16</b>
<b><u>With TCIL Group</u></b>				
Sales	850	5,348	4,730	35,581
Rental expenses	(8)	-	(26)	-

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 September 2017.

**A15. CAPITAL COMMITMENTS**

<i>In thousands of RM</i>	<u>30-Sep-17</u>	<u>30-Sep-16</u>
Authorized but not contracted for	30,503	48,120
Contracted but not provided for	14,630	59,886
<b>Total</b>	<b>45,133</b>	<b>108,006</b>

**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**

**Statement of Financial Position**

The Group's financial stability was reflected in net assets per share and cash and cash equivalents with other investments which remain constant at RM6.14 (2016: RM6.14) and RM337.9 million (2016: RM331.0 million) respectively.

Total current assets had decreased by 2.0%, to RM857.8 million which is mainly due to better management of trade receivables. Meanwhile, total non-current assets had increased by 2.0% to RM724.4 million. The increase was mainly due to the purchase of land and building in Australia. The increase in non-current assets is offset by the depreciation of intangible assets.

Current liabilities had decreased by 7.3% to RM272.7 million. The decrease is mainly due to lower trade and other payables where, lesser purchases were made during the quarter as compared to Q4 2016. The decrease in lower trade and other payables is partially negated by the increase in loans and borrowings where the increase was used to finance the purchase of land and building in Australia.

Total non-current liabilities is relatively similar to last year at RM55.3 million (2016: RM53.4 million; an increase of 3.5%.

Looking ahead, the Group's strong cash and cash equivalents provide flexibility in pursuit of growth and expansion. This is further strengthened with the availability of the Islamic Commercial Papers ("ICPs") Programme and Islamic Medium Term Notes ("IMTNs") of up to RM1.5 billion in nominal value.

**Capital Expenditure and Cash Flow Position**

Capital expenditure for the year was 7.3% of revenue, or RM62.8 million. The purchase was mainly on the building in Kulim, Kedah and purchase of land and building in Australia. In addition, the Group has contracted capital expenditure of RM30.5 million mainly for the tooling of new models.

Cash and cash equivalent as at 30 September 2017 were RM219 million, up RM14.5 million from preceding year same quarter mainly due to capital injection of RM12.4 million by the joint venture partner in respect of a newly incorporated joint venture company during the year.

**Analysis of Performance of All Operating Segments**

**3Q17 vs. 3Q16**

The Group's recorded revenue of RM291.4 million in the current quarter, representing a decrease of 7% compared to 3Q16 of RM313.3 million. The Interior and Plastics registered higher reduction in revenue in view of lower demand from OEM parts for certain car models.

Likewise, Group's profit before tax was down by 23.9% to RM20.3 million compared to previous year same quarter of RM26.7 million. The lower profit before tax was also attributed to lower production volume while production overheads remained fixed, coupled by rising material cost due to a weaker Ringgit.

## **B2. OPERATING SEGMENTS REVIEW**

### **Analysis of Performance of All Operating Segments (cont'd)**

#### **Year-to-date 2017 vs Year-to-date 2016**

Revenue YTD 2017 of RM861.0 million was marginally lower by 3.9% compared to YTD 2016's revenue of RM896.0 million. The reduction in revenue was in tandem with lower off take from OEMs as explained earlier. The decrease in local operation's revenue was mitigated by higher sales from Indonesia operation which registered double digit (84.2%) revenue growth.

The Group's profit before tax decreased by 12.9% to RM49.5 million compared to RM56.8 million as a result of lower revenue, higher raw material prices arising from a weak Ringgit and reduction in production volume with production overheads which remained relatively fixed. The pre-operating cost in Thailand operations had further reduced the Group's bottom-line.

#### **Segment Review**

##### **Suspension Division**

The Suspension Division's revenue grew by 4.6% to RM54.1 million in 3Q17 compared to RM51.7 million in 3Q16 due to higher export sales for leaf spring products. Profit before tax for 3Q17 on the other hand reduced to RM5.4 million from RM6.7million a year ago. The decrease was a result of higher steel prices and reduction of production volume at shock absorber and coil spring plants with production overheads which remained relatively fixed.

Unlike the growth in current quarter under review, the Suspension Division's revenue for the three quarters of 2017 decreased by 5.2% to RM151.2 million from RM159.4 million in the same period last year. The lower revenue was mainly due to lower demand from OEM customers, especially for shock absorber products as it has reached the end of product life cycle in the second half of 2016. The profit before tax was however relatively flat at RM15.6 million compared to RM15.7 million in YTD 3Q16 due mainly to reversal of over provision for product warranty claims.

##### **Interior & Plastics Division**

Interior and Plastics Division's revenue recorded RM186.3 million in the current quarter, a decline of 12.5% compared to RM213.0 million for the corresponding quarter in the previous year. Profit before tax slipped to RM9.4 million, a decrease of 36.5% compared to RM14.8 million for the same quarter last year. The reduction in both top and bottom-line was in tandem with the lower demand from OEM markets.

In the first nine months, Interior and Plastics posted RM560.8 million in revenue against RM588.1 million a year ago. The decrease in revenue was attributed to lower demand of vehicle seats from OEM customers. Total Industry Production Volume ("TIP") for the nine months of 2017 decreased by 1.5% from 386,965 units to 381,171 units in the same period last year. [Source: Malaysian Automotive Association].

Despite lower revenue, the segment's profit before tax increased by 15.4% from RM22.7 million in previous corresponding period to RM26.2 million due to inventory variance adjustment recorded last year.

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**B2. OPERATING SEGMENTS REVIEW (CONT'D)**

**Electrical & Heat Exchange Division**

The Electrical & Heat Exchange Division achieved revenue of RM37.9 million in 3Q17, a decrease of 7.5% from RM41.0 million compared to the same quarter of preceding year. Profit before tax stood at RM1.5 million, a decrease of 44.4% from RM2.7million in 3Q16. The production phase-outs for certain car models during the third quarter of 2016 and lower demands from OEM parts have resulted in the reduction of revenue and profitability for this division.

On a year-to-date basis, the revenue has decreased 14.6% to RM109.2 million from RM127.9 million in previous corresponding period. Similarly, profit before tax was also lowered to RM2.1 million from RM11.9 million in the corresponding period in 2016. The higher margin recorded last year was due to positive price adjustment in relation to the foreign exchange fluctuation from its OEM customers.

**Marketing Division**

The Marketing division continued to achieve double digit revenue growth since beginning of the year. Its revenue rose 11.2% to RM64.5 million from RM58.0 million same quarter last year. The division also saw an improvement in profit before tax of RM2.9 million in 3Q17 compared to RM2.4 million in the same period of the previous year. The higher sales were attributed to the aggressive promotional campaigns and the launch of new products for the local replacement markets. Strong export sales for leaf spring product to Europe markets also contributed to the increase in revenue.

For the first nine months of 2017, the division registered revenue of RM183.9 million, representing an improvement of 16.3% from RM158.1 million in the same period last year. The growth was attributed to the reasons mentioned above, coupled with the strong export sales to OEM customers in Thailand. Accordingly, profit before tax has increased by 17.3% to RM7.7 million.

**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 the business of casting, machining and assembly of aluminum parts and components and distribution of motor vehicle to internal and external customers.

For the current quarter of 2017, the non-reportable, Malaysia segment's profit before tax maintained at RM0.8 million despite the higher revenue. This was mainly due to higher foreign currency translation losses arising from debtors.

For year-to-date of 2017, this segment recorded a profit of RM0.9 million compared to a loss of RM0.9 million in the previous year same period, which was in line with the higher billing of service fee.

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**B2. OPERATING SEGMENTS REVIEW (CONT'D)**

**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 registered impressive revenue growth with increase of 96.1% for the third quarter of 2017 at RM14.9 million compared to RM7.6 million recorded in the corresponding quarter last year. The revenue from the sale of leaf spring in the local replacement market contributed largely to the increase in revenue. In tandem with the higher revenue, the segmental loss has narrowed by 54.5% compared to loss of RM3.3 million in the same quarter of 2016.

Consistent with the current quarter review, the revenue in Indonesia Operation for the three quarters of 2017 increased by 84.2%, or RM21.5 million to RM39.6 million, mainly contributed by higher off-take from OEMs and sale of leaf spring.

However, the Indonesia Operation continued to suffer losses of RM6.8 million compared to a loss of RM6.2 million in the same quarter last year. The loss in the segment was due to the higher depreciation, and operating cost for a new plant manufacturing shock absorber which has commenced operation in second quarter of 2017.

**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 posted revenue of RM33.8 million for its third quarter of 2017, a decrease of 5.6% from RM35.8 million recorded in the corresponding quarter last year. The revenue reduction was mainly caused by lower revenue in Vietnam's seat division. Correspondingly, profit before tax has decreased to RM2.1 million from RM2.8 million in the same quarter last year.

Revenue for the nine months of 2017 grew slightly to RM94.5 million from RM92.5 million in previous corresponding period, mainly due to stronger foreign currency against Ringgit Malaysia. The venture in Australia continued to be the main contributor of the total segment revenue with contribution of 49.2% for the nine months period of 2017.

Profit before tax on the other hand decreased by 47.9% to RM3.8 million from RM7.3 million in YTD 3Q16. The segment profit was marked down by the higher operating cost resulting from shifting of plant for Australia operations. The higher operating cost which comprised mainly staff costs and depreciation for Thailand operation has also contributed to the decline of the Segment's profit.

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**B3. MATERIAL CHANGE IN PERFORMANCE OF OPERATING SEGMENTS OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER**

	<b>Current Quarter 30-Sep-17</b>	<b>Preceding Quarter 30-Jun-17</b>	<b>Changes</b>
Revenue	291,370	275,536	6%
Profit before tax	20,329	10,687	90%

Quarter on quarter (QoQ): revenue increased by 5.8% from RM275.5 million to RM291.4 million and profit before tax by 90.2% (from RM10.6 million to RM20.3 million).

The increase in revenue for operations in Malaysia was in tandem with the higher demand from OEM parts. Total Industry Production (“TIP”) for the current quarter increased by 7.3% to 125,853 units from 117,303 units in immediate preceding quarter of 2017 as a result of shorter working days in second quarter (Source: Malaysian Automotive Association). Higher sales of leaf spring in Indonesia operations and resumption of the coach’s seat operation in Australia after completion of the relocation of plant had also contributed to higher revenue.

Likewise, the higher profit before tax for the current quarter was due to improved performance recorded mainly in the Interior & Plastics Division, Indonesia and Australia operations as mentioned earlier.

**B4. COMMENTARY ON STRATEGIES AND RISKS, PROSPECTS AND TARGETS**

APM is primarily engaged in the design, manufacturing and supply of automotive parts with a reach that extends not only throughout Malaysia but internationally as well. Currently, APM has active presence in the United States of America, Netherlands, Australia and many countries in the ASEAN region including Thailand, Vietnam and the Republic of Indonesia.

The performance of APM may be affected by regulatory and policy changes, unfavorable economic, social and political conditions in countries where it operates, currency fluctuation and the rapid changes of technologies.

In mitigating these risks and for sustainable growth, APM has created and embarked on a 5-year transformation plan since 2015 that emphasizes on five strategic priorities, i.e. expansion, efficient and cost effective operations, research and development and branding enhancement activities.



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**B4. COMMENTARY ON PROSPECTS AND TARGETS, STRATEGIES AND RISKS (CONT'D)**

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 centre that houses more than 80 engineers. This centre is equipped with some of the latest cutting edge technologies and a central testing laboratory. 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.

Having the credentials that include over 30 years of manufacturing experience have enabled APM to remain competitive over the years but APM is aware that it cannot rest on its laurels and rely on past successes to drive it forward. APM aims to further improve on its competitiveness and market share through the gradual introduction of automation into its manufacturing processes, the continued adoption of forward transactions based on actual commitments rather than leveraging on derivatives and speculative hedging to curb losses associated with currency fluctuation and the increased focus on the export market for its products.

Continued drive for growth will be effected 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 provide synergistic value to the APM's business and customer base.

Malaysia economy is expected to continue growing at faster pace with GDP growth for the 2017 expected to expand ranging 5.2% to 5.7% compared with 4.3% to 4.8% estimated earlier (Source: Malaysia Budget 2018). Nevertheless, the automotive industry is seen to be operating in challenging environment following the continued weakening of Ringgit Malaysia against the US Dollar, softened domestic demand for motor vehicles and more stringent hire purchase approval.

On the backdrop of the tough environment, the Group's results for the year remain challenging and affected by the economy. Nonetheless, the Group is looking to sustain its long-term earnings by pursuing Group wide strategies as mentioned earlier.

**B5. INCOME TAX EXPENSE**

<i>In thousands of RM</i>	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
<b>(RM'000)</b>	<b>Current Quarter Ended <u>30-Sep-17</u></b>	<b>Corresponding Quarter Ended <u>30-Sep-16</u></b>	<b>Cumulative Year To Date <u>30-Sep-17</u></b>	<b>Corresponding Year To Date <u>30-Sep-16</u></b>
<b><u>Current tax</u></b>				
- Current year	5,475	6,445	15,068	15,178
- Prior year	459	(1,039)	207	(1,364)
<b><u>Deferred tax</u></b>				
- Current year	(732)	(178)	(521)	338
- Prior year	360	83	2,897	1,877
Withholding Tax	11	64	39	210
	<u>5,573</u>	<u>5,375</u>	<u>17,690</u>	<u>16,239</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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**B6. CORPORATE PROPOSALS**

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

**B7. TRADE RECEIVABLES**

	<b>Gross RM'000</b>	<b>Impairment RM'000</b>	<b>Net RM'000</b>
<b><u>Sep-17</u></b>			
Not past due	132,716	-	132,716
Past due 0 - 90 days	55,389	-	55,389
Past due 91 - 180 days	3,347	-	3,347
Past due more than 180 days	2,247	(622)	1,625
	193,699	(622)	193,077
<b><u>2016</u></b>			
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 trade amounts due from related parties and non-related parties are subject to 30-60 days trade credit term.

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realizable values. Due to the nature of the industry, a significant portion of these receivables are Companies regular customers 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 monitored individually

**B8. FINANCIAL INSTRUMENTS AND REALISED AND UNREALISED PROFITS**

**a) Derivatives**

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

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets / (Liabilities) RM'000	Maturity
Forward foreign exchange contracts	47,100	201	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.

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**B8. FINANCIAL INSTRUMENTS AND REALISED AND UNREALISED PROFITS (CONT'D)**

**b) Retained Earnings**

<b>(RM'000)</b>	<b>As At 30-Sep-17</b>	<b>As At 31-Dec-16</b>
Total retained earnings of the Company and its subsidiaries		
- realised profits	821,846	818,182
- unrealised profits	68,601	77,825
	<u>890,447</u>	<u>896,007</u>
Total share of retained profits of associate:		
- realised profits	10,281	10,439
Total share of retained profits of joint ventures		
- realised profits	16,729	17,492
	<u>917,457</u>	<u>923,938</u>
Consolidation adjustments	(29,012)	(34,012)
Total group retained earnings	<u>888,445</u>	<u>889,926</u>

**B9. BORROWINGS AND DEBT SECURITIES**

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

<i>In thousands of RM</i>	<b>30-Sep-17</b>	<b>31-Dec-16</b>
Unsecured - Foreign currency loans	52,255	33,692
- Revolving credit	16,200	15,000
- Islamic Medium Term Notes	5,000	6,000
	<u>73,455</u>	<u>54,692</u>
Amount due within the next 12 months	<u>73,455</u>	<u>54,692</u>
	<u>73,455</u>	<u>54,692</u>

Group borrowings breakdown by currencies.

<i>In thousands of RM</i>			
<u>Currency</u>	<u>Denominated In</u>	<b>30-Sep-17</b>	<b>31-Dec-16</b>
RM	RM	21,200	21,000
AUD	AUD	23,873	1,776
IDR	IDR	17,200	21,579
IDR	USD	4,291	3,140
USD	USD	6,891	7,197
		<u>73,455</u>	<u>54,692</u>

In 2017, the drawdown of bank borrowing was to finance the purchase of land and building.

Foreign currency loans were not hedged to Ringgit Malaysia as the drawdowns were done by overseas subsidiaries in their local currency respectively.

The Group borrowings are subject to interest ranging from 2.33% to 9.00% (2016: 2.08% to 10.32%) per annum.

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**B10. CHANGES IN MATERIAL LITIGATION**

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

**B11. DIVIDEND**

No dividend has been proposed for the current quarter ended 30 September 2017.

**B12. 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-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
Profit attributable to the owners of the Company (RM'000)	12,934	17,457	25,997	33,176
Weighted average number of ordinary shares in issue ('000)	195,585	195,587	195,585	195,587
<b>Basic EPS (sen)</b>	<b>6.61</b>	<b>8.92</b>	<b>13.29</b>	<b>16.96</b>

**B13. 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 Quarter Ended	Corresponding Quarter Ended	Cumulative Year To Date	Corresponding Year To Date
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
(a) Interest income	(2,601)	(2,219)	(7,163)	(7,063)
(b) Other income including investment income	(1,407)	(580)	(3,232)	(1,975)
(c) Interest expense	982	864	3,119	1,986
(d) Depreciation and Amortization	14,273	18,080	45,069	42,989
(e) (Reversal)/Impairment loss on trade receivables	-	(30)	68	(38)
(f) (Reversal)/provision of slow moving stock	(380)	(204)	(772)	5,583
(g) Gain on disposal of property, plant and equipment	(40)	(69)	(120)	(115)
(h) Net Foreign exchange loss	(329)	(51)	642	4,182
(i) (Gain)/ loss on derivatives	(229)	138	63	665

**BY ORDER OF THE BOARD**

KHOO PENG PENG  
 QUAH KHIAN KHOON

Company Secretaries  
 Kuala Lumpur  
 20 November 2017