



APM AUTOMOTIVE HOLDINGS BERHAD

Registration No. 199701009342 (424838-D)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

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APM AUTOMOTIVE HOLDINGS BERHAD

Registration No. 199701009342 (424838-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2020 – unaudited**

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		
	Current Quarter Ended 31-Mar-20	Corresponding Quarter Ended 31-Mar-19	Change
Revenue	279,548	367,609	-24%
Results from operating activities	(1,219)	20,527	-106%
Finance costs	(1,426)	(1,446)	1%
Finance income	2,584	2,325	11%
Share of the profit/(loss) of equity-accounted associates and joint ventures, net of tax	365	(997)	137%
Profit before tax	304	20,409	-99%
Income tax expense	(2,611)	(5,093)	49%
(Loss)/profit for the period	(2,307)	15,316	-115%
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(14,081)	(1,229)	-1046%
Share of foreign currency translation differences for equity-accounted associate and joint ventures	(2,875)	(76)	-3683%
Other comprehensive loss for the period, net of tax	(16,956)	(1,305)	-1199%
Total comprehensive (loss)/income for the period	(19,263)	14,011	-237%
Profit attributable to :			
Owners of the Company	(6,200)	9,779	-163%
Non-controlling interests	3,893	5,537	-30%
(Loss)/profit for the period	(2,307)	15,316	-115%
Total comprehensive income attributable to :			
Owners of the Company	(23,156)	8,474	-373%
Non-controlling interests	3,893	5,537	-30%
Total comprehensive (loss)/income for the period	(19,263)	14,011	-237%
(Loss)/Earnings per share			
Basic (sen)	(3.17)	5.00	-163%

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

APM AUTOMOTIVE HOLDINGS BERHAD

Registration No. 199701009342 (424838-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020 – unaudited

<i>In thousands of RM</i>	As at 31-Mar-20	As at 31-Dec-19 (Audited)
Assets		
Property, plant & equipment	596,677	617,304
Prepaid lease payments	-	-
Investment properties	112,560	112,560
Investment in an associate	938	898
Investments in joint ventures	29,172	31,723
Intangible assets	17,224	18,527
Deferred tax assets	18,728	17,659
Total non-current assets	775,299	798,671
Inventories	255,969	269,906
Trade and other receivables, including derivatives	256,833	321,314
Other investments	189,844	169,195
Cash and cash equivalents	196,195	179,772
Total current assets	898,841	940,187
Total assets	1,674,140	1,738,858
Equity		
Share capital	219,498	219,498
Reserves	1,044,231	1,067,387
Treasury shares	(13,506)	(13,312)
Total equity attributable to owners of the Company	1,250,223	1,273,573
Non-controlling interests	75,071	75,179
Total equity	1,325,294	1,348,752
Liabilities		
Employee benefits	25,948	25,383
Lease liabilities	12,861	13,204
Deferred tax liabilities	49,975	51,082
Total non-current liabilities	88,784	89,669
Trade and other payables, including derivatives	183,565	221,838
Lease liabilities	4,625	3,456
Loans and borrowings	67,584	71,696
Current tax liabilities	4,288	3,447
Total current liabilities	260,062	300,437
Total liabilities	348,846	390,106
Total equity and liabilities	1,674,140	1,738,858
Net assets per share attributable to owners of the Company (RM)	6.40	6.51

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

APM AUTOMOTIVE HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2020 – unaudited**

<i>In thousands of RM</i>	<----- Attributable to the owners of the Company ----->							Non- controlling interests	Total equity
	<----- Non-Distributable ----->			Distributable		Total			
	Share capital	Treasury shares	Revaluation reserve	Translation reserve	Retained profits				
At 1-Jan-19	219,498	(13,312)	104,341	(5,701)	929,247	1,234,073	67,948	1,302,021	
Foreign currency translation differences for foreign operations	-	-	-	(1,229)	-	(1,229)	-	(1,229)	
Share of foreign currency translation differences for equity-accounted associate and joint ventures	-	-	-	(76)	-	(76)	-	(76)	
Transfer of revaluation surplus on properties	-	-	(1,227)	-	1,227	-	-	-	
Profit for the period	-	-	-	-	9,779	9,779	5,537	15,316	
Total comprehensive income for the year	-	-	(1,227)	(1,305)	11,006	8,474	5,537	14,011	
Dividends to owners of the company	-	-	-	-	-	-	(2,002)	(2,002)	
At 31-Mar-19	219,498	(13,312)	103,114	(7,006)	940,253	1,242,547	71,483	1,314,030	
At 1-Jan-20	219,498	(13,312)	131,159	(146)	936,374	1,273,573	75,179	1,348,752	
Foreign currency translation differences for foreign operations	-	-	-	(14,081)	-	(14,081)	-	(14,081)	
Share of foreign currency translation differences for equity-accounted associate and joint ventures	-	-	-	(2,875)	-	(2,875)	-	(2,875)	
Transfer of revaluation surplus on properties	-	-	(1,227)	-	1,227	-	-	-	
(Loss)/Profit for the period	-	-	-	-	(6,200)	(6,200)	3,893	(2,307)	
Total comprehensive income for the year	-	-	(1,227)	(16,956)	(4,973)	(23,156)	3,893	(19,263)	
Own shares acquired	-	(194)	-	-	-	(194)	-	(194)	
Dividends to owners of the company	-	-	-	-	-	-	(4,001)	(4,001)	
At 31-Mar-20	219,498	(13,506)	129,932	(17,102)	931,401	1,250,223	75,071	1,325,294	

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

APM AUTOMOTIVE HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 MARCH 2020 – unaudited**

<i>In thousands of RM</i>	For the 3 months period ended 31-Mar-20	For the 3 months period ended 31-Mar-19
Cash flows from operating activities		
Profit before tax and non-controlling interests	304	20,409
Adjustments for non-cash items	12,987	18,168
Changes in working capital	41,036	(37,063)
Cash generated from operations	54,327	1,514
Interest/Tax/Employee benefits/provision	(3,007)	(4,955)
Net cash generated from/(used in) operating activities	51,320	(3,441)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	103	419
Acquisition of property, plant and equipment	(4,312)	(7,875)
Net (increase)/decrease in other investments	(20,649)	62,894
Additions of intangible assets	(159)	(1,150)
Net cash (used in)/generated from investing activities	(25,017)	54,288
Cash flows from financing activities		
Dividends paid to non-controlling interests	(4,001)	(2,002)
Net (repayment)/drawdown of loans and borrowings	(4,112)	3,617
Payment of lease liabilities	(310)	(357)
Own shares acquired	(194)	-
Net cash (used in)/generated from financing activities	(8,617)	1,258
Net increase in cash and cash equivalents	17,686	52,105
Effect of exchange rate fluctuations	(1,263)	(601)
Cash and cash equivalents at 1 January	179,772	225,789
Cash and cash equivalents at the end of period	196,195	277,293

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

Cash and bank balances	54,051	51,663
Deposits and corporate management account with licensed banks	142,144	225,630
	196,195	277,293

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 Malaysian Financial Reporting Standards (“MFRS”) 134: 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 2019. The explanatory notes attached to the condensed report provide explanations 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 2019.

A2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Group have been prepared in accordance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021 (IASB has deferred the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023; MASB has yet announce the change of date)

- MFRS 17, *Insurance contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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

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

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020;
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and
- The Group does not plan to apply MFRS 17, *Insurance Contracts* and Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* that is effective for annual periods beginning on 1 January 2021 and 1 January 2022 respectively as they are not applicable to the Group.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

A3. AUDIT QUALIFICATIONS

There were no audit qualifications in the annual financial statements for the year ended 31 December 2019.

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 quarter ended 31 March 2020.

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:

<u>Month</u>	<i>In thousands of RM</i>	
	<u>No. of shares repurchased</u>	<u>Total consideration</u>
Jan-20	<u>88,200</u>	<u>194</u>

A8. DIVIDENDS PAID

No dividends were paid during the quarter ended 31 March 2020.

A9. SEGMENTAL INFORMATION

The Group's operating structure comprises the following strategic business divisions, with 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; and 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 segments:* comprises businesses in Vietnam, Australia, United States of America, Netherlands, Thailand and Myanmar.

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 types 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. Segmental 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.

A9. SEGMENTAL INFORMATION (CONT'D)

In thousands of RM

	INDIVIDUAL QUARTER			
	31-Mar-20		31-Mar-19	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>
Suspension	35,408	(3,245)	50,102	(269)
Interior & Plastics	197,662	10,875	282,496	24,072
Electrical & Heat Exchange	19,747	(1,444)	29,207	399
Marketing	43,150	326	63,079	2,509
Non-reportable segment	16,739	(1,970)	19,279	(1,352)
Indonesia Operations	13,386	(4,859)	12,142	(4,297)
All Other Segments	34,925	457	26,768	(1,112)
	361,017	140	483,073	19,950
Eliminations	(81,469)	164	(115,464)	459
	279,548	304	367,609	20,409

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

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 2019.

A11. RELATED PARTY DISCLOSURES

Significant transactions with Tan Chong Motor Holdings Berhad (“TCMH Group”), Warisan TC Holdings Berhad (“WTCH Group”) and Tan Chong International Limited (“TCIL Group”), companies in which Directors of the Company namely Dato’ Tan Heng Chew and Dato’ Tan Eng Hwa, are deemed to have substantial financial interests, are as follows:

In thousands of RM

	INDIVIDUAL QUARTER	
	Current Quarter Ended	Corresponding Quarter Ended
	<u>31-Mar-20</u>	<u>31-Mar-19</u>
<u>With TCMH Group</u>		
Sales	7,882	22,218
Provision of services	34	40
Purchases	(2,667)	(12,964)
Administrative and consultancy services	(220)	(18)
Insurance	(4,118)	(4,556)
Rental expenses	(17)	(89)
Rental income	386	386

The above transactions had been entered into in the ordinary course of business on normal commercial terms.

A11. RELATED PARTY DISCLOSURES (CONT'D)

In thousands of RM

	INDIVIDUAL QUARTER	
	Current	Corresponding
	Quarter Ended	Quarter Ended
<u>With WTCH Group</u>	<u>31-Mar-20</u>	<u>31-Mar-19</u>
Sales	125	112
Purchases	(18)	(11)
Administrative and consultancy services	(166)	(640)
Rental income	129	93
Rental expenses	(304)	(329)

The above transactions had been entered into in the ordinary course of business on normal commercial terms.

In thousands of RM

	INDIVIDUAL QUARTER	
	Current	Corresponding
	Quarter Ended	Quarter Ended
<u>With TCIL Group</u>	<u>31-Mar-20</u>	<u>31-Mar-19</u>
Sales	12	37
Purchases	(68)	-
Rental expenses	(21)	(19)

The above transactions had been entered into in the ordinary course of business on normal commercial terms.

In thousands of RM

	INDIVIDUAL QUARTER	
	Current	Corresponding
	Quarter Ended	Quarter Ended
<u>Key management personnel</u>	<u>31-Mar-20</u>	<u>31-Mar-19</u>
Director		
Rental expenses	14	14

The above transactions had been entered into in the ordinary course of business on normal commercial terms

A12. MATERIAL SUBSEQUENT EVENT

1. Since the outbreak of COVID-19, many countries had introduced unprecedented measures to contain the pandemic such as travel restriction and movement control.

As at the date this interim financial report is authorised for issuance, the COVID-19 infection rate in Malaysia was under control and the country is entering the recovery phase. However, the COVID-19 pandemic globally is still evolving and unpredictable. As such, the Group does not consider it practicable to provide a quantitative estimate of the potential impact the pandemic has on the economic conditions of the Group.

A12. MATERIAL SUBSEQUENT EVENT (CONT'D)

Nevertheless, the Group is monitoring and taking the necessary measures to minimise any impacts that may have been caused by the COVID-19 pandemic on the Group's operations.

2. On 26 June 2020, PT. APM Automotive Indonesia ("PTAAI"), an indirect wholly-owned subsidiary of the Company, had entered a joint venture with Hyundai Transys Inc. ("TRANSYS") to manufacture and supply automobile seats and its related parts and components ("Products") to PT. Hyundai Motor Manufacturing Indonesia through PT. Hyundai Transys Indonesia ("HTI").

In connection with the above, PTAAI agreed to acquire 50% of all the issued and paid-up share capital of HTI and sell a piece of land to HTI and PTAAI entered into the following agreements:

- (a) Joint Venture and Shareholders' Agreement with TRANSYS and HTI;
- (b) Shares Sale and Purchase Agreement with TRANSYS and Hyundai M.Seat Co., Ltd. ("MSEAT"), where PTAAI shall acquire at par value 499 shares from TRANSYS and 1 share from MSEAT, which in the aggregate comprise 500 shares amounting to 50% of all the issued and paid-up share capital of HTI at a total cash consideration of USD500,000 (equivalent to RM2,174,000); and
- (c) Conditional Land Sale Agreement with HTI at a cash consideration of IDR76,920,360,000, including Value Added Tax (equivalent to RM22,538,000), to HTI for the purposes of establishing a plant for manufacturing the Products.

Save for the above, there were no other material events subsequent to the end of the reporting period and up to the date of issuance of this report.

A13. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the quarter under review except for the incorporation of APM Automotive International (UK) Ltd ("APMUK") on 18 March 2020. APMUK is a wholly owned subsidiary of APM Automotive International Ltd, which in turn is 100% owned by APM Automotive Holdings Bhd. APMUK, which has an issued and paid-up share capital of GBP50,000 has an intended principal activity to provide marketing services.

A14. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities as at 31 March 2020.

A15. CAPITAL COMMITMENTS

In thousands of RM

	<u>31-Mar-20</u>	<u>31-Mar-19</u>
Contracted but not provided for	19,573	16,847

Upon adoption of MFRS 16 *Leases*, the Group recognizes the right-of-use assets and corresponding lease liabilities for those non-cancellable operating leases. As a result, disclosure on the non-cancellable operating lease commitment is no longer required.

APM AUTOMOTIVE HOLDINGS BERHAD (Registration No. 199701009342 (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 position remains robust as at 31 March 2020 with shareholders' funds settling at RM1.3 billion, cash and cash equivalents together with other investments amounting to RM386.0 million and net cash position (i.e. cash and cash equivalents, plus other investments and deducting bank borrowings) of RM318.5 million.

The net assets per share of the Company slipped by 1.8% from RM6.51 to RM6.40 in the first quarter of 2020, mainly due to the adverse foreign currency translation differences on foreign operations, especially those in Indonesia and Australia.

Statement of Cash Flows and Capital Expenditure

Net cash generated from operating activities of the Group amounted to RM51.3 million, mainly due to higher collection from customers (in line with the higher revenue in the last quarter of 2019). Prompt payment to suppliers and longer credit period given to customers have resulted in a decline in cash from operating activities of RM3.4 million as compared to the corresponding quarter of last year.

In first quarter of 2020, the Group increased its investment in unit trusts by RM20.6 million compared to the withdrawal of RM62.9 million a year before, resulting in net cash used in investing activities of RM25.0 million for the first quarter of 2020. The withdrawal of investment in unit trust (which is a money market fund) last year was mainly due to the removal of tax exemption on interest income derived from wholesale funds with effect from 1 January 2019.

During the quarter under review, the Group repaid borrowings of RM4.1 million compared to the drawdown of RM3.6 million in Q1 2019, resulting in net cash used in financing activities.

As at 31 March 2020, the Group's capital commitment stood at RM104.2 million, mainly for investments in tooling, machineries/equipment and development costs for the supply of parts for new car models and upgrade of production facilities. The capital commitments will be funded by internally generated funds and/or bank borrowings.

The Group recognizes that sufficient cash reserves is essential in the pursuit of growth and expansion. Thus, the Group's liquidity remains intact as the Islamic Commercial Papers Programme and Islamic Medium Term Notes of up to RM1.5 billion in nominal value can be utilized for future capital investment, if and when required.

Analysis of Performance of All Operating Segments

Q1'20 vs. Q1'19

The Group's revenue declined by 24.0% in Q1'20 from RM367.6 million to RM279.5 million mainly due to the impacts of COVID-19 pandemic in Malaysia and globally. No revenue was earned during the plant closures and export activities were reduced after the implementation of Movement Control Orders ("MCO") in Malaysia and others part of the world.

With lower revenue and production overheads and administrative expenses which remained relatively fixed, the Group's Profit Before Tax ("PBT") plummeted to RM0.3 million from RM20.4 million in the same quarter of last year.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

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

Suspension Division

The Suspension Division's revenue declined 29.3% to RM35.4 million in the current quarter compared to RM50.1 million in 1Q'19 mainly due to lower export and lower demand from local OEM as the world economies experienced slowdown due to the COVID-19 pandemic. Lower revenue and production overheads and administrative expenses which remained relatively fixed are the main contributors to the increase in loss before taxation ("LBT") of RM3.2 million compared to RM0.3 million same quarter of last year.

Interior & Plastics Division

According to the Malaysian Automotive Association's statistic, Total Industry Production ("TIP") in Q1'20 declined by 33% from 144,383 units to 108,444 units compared to same quarter of last year.

The Interior & Plastics Division's revenue is generally from local carmakers. As such, the lower revenue by 30.0% at RM197.7 million is clearly reflective of the lower TIP. This caused the PBT to decline by 54.8% to RM10.9 million in 1Q'20 against RM24.1 million in 1Q'19.

Electrical & Heat Exchange Division

Falling demand from certain OEM customers impaired the performance of Electrical & Heat Exchange Division. As a result of 32.4% reduction in revenue, the Division ended the quarter at a LBT of RM1.4 million compared to a PBT of RM0.4 million reported in Q1'19.

Marketing Division

The Marketing Division's revenue and PBT dropped by 31.6% to RM43.2 million and 87.0% to RM0.3 million respectively. The reduced economic activities locally and globally, caused by the COVID-19 pandemic, contributed to a slowdown in local REM demand and export market.

Non-reportable segment, Malaysia

This segment comprises mainly operations relating to revenue received from sources that include rental of properties in Malaysia, provision of management services, and engineering and research services for companies within the Group. Revenue from these services and sources form part of inter-segment elimination for the total Group's results (as depicted in Note A9). This segment also comprises the business of casting, machining and assembly of aluminum parts and components and distribution of motor vehicles to internal and external customers.

Non-reportable segment's revenue dropped by 13.2% to RM16.7 million and LBT further increased to RM2.0 million from RM1.4 million last year. Lower sales of motor vehicles and inter-group billings of services have impacted the segment's revenue and profitability.

Indonesia Operations

Indonesia Operations refer to the manufacture of suspension products such as coil springs, shock absorber and leaf springs as well as the Group's investment and participation in joint ventures and associate in Indonesia.

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PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW (CONT'D)

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

Indonesia Operations (cont'd)

The Indonesia Operations reported a 10.2% growth in revenue at RM13.4 million mainly due to higher demand for shock absorbers from OEM customers (for their spare parts centre). Unfortunately, the division's bottom line continued to take a hit from rising material cost and higher fixed overheads. Indonesia Operations LBT increased further to RM4.9 million from RM4.3 million same quarter of last year.

All Other Segments

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

Operations Outside Malaysia achieved revenue growth of 30.5% for the first quarter of 2020 at RM34.9 million compared to RM26.8 million recorded in the corresponding quarter last year. The revenue contribution from the coach and train seats business in Australia was 56%, followed by Vietnam operations that constituted 28% of the 1Q'20 segment revenue. Our Australia operations benefited from the increase in public transport projects in Australia while the start of supply of air-conditioning products in Vietnam in 2Q'19 contributed to the higher revenue. With improved revenue, the Division posted PBT of RM0.5 million compared to LBT of RM1.1 million in same quarter of last year.

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

<i>In Thousands of RM</i>	Segment Revenue				Segment Profit Before Tax			
	31-Mar-20	31-Dec-19	Changes		31-Mar-20	31-Dec-19	Changes	
			Amount	%			Amount	%
Suspension	35,408	43,365	(7,957)	-18.3%	(3,245)	(1,357)	(1,888)	-139.1%
Interior & Plastics	197,662	294,306	(96,644)	-32.8%	10,875	25,463	(14,588)	-57.3%
Electricals & Heat Exchange	19,747	32,194	(12,447)	-38.7%	(1,444)	1,511	(2,955)	-195.6%
Marketing	43,150	50,703	(7,553)	-14.9%	326	2,135	(1,809)	-84.7%
Non-reportable segment	16,739	19,107	(2,368)	-12.4%	(1,970)	(709)	(1,261)	-177.9%
Indonesia Operations	13,386	14,242	(856)	-6.0%	(4,859)	(8,753)	3,894	44.5%
All Other Segments	34,925	30,199	4,726	15.6%	457	(2,025)	2,482	122.6%
	361,017	484,116	(123,099)	-25.4%	140	16,265	(16,125)	-99.1%
Eliminations	(81,469)	(97,814)	16,345	16.7%	164	597	(433)	-72.5%
	279,548	386,302	(106,754)	-27.6%	304	16,862	(16,558)	-98.2%

The Group's revenue declined by 27.6% in Q1'20 to RM279.5 million from RM386.3 million in Q4'19 mainly due to shorter working days in Q1'20 as a result of festive seasons, coupled with the impact of COVID-19 pandemic in Malaysia and globally. Affected by the lower revenue, the Group's PBT declined to RM0.3 million from RM16.9 million reported in Q4'19.

The COVID-19 pandemic and soft global economy affected the performance of Operations within Malaysia (including Suspension, Interior & Plastics, Electrical & Heat Exchange and Marketing Divisions). Divisional revenue and profitability declined substantially during the quarter under review.

In contrast, the Operations outside Malaysia performed better in the quarter under review, as explained earlier in Section B1.

B3. COMMENTARY ON PROSPECTS AND TARGETS, STRATEGIES AND RISKS

APM is principally involved in the design, manufacturing, assembly and production of automotive and mobility components. APM's main operation is located in Malaysia but it is also present in various other jurisdictions, including the United States of America, the Netherlands, Australia, Thailand, Vietnam and the Republic of Indonesia.

The Covid-19 pandemic affected both the Malaysian economy as well as the economic welfare of the rakyat with significant pay cuts and job losses to be expected.

The International Labour Organization (ILO) anticipates that 1.25 billion workers around the world, representing 38% of the global workforce, would face a high risk of a pay cut or layoff.

From where we stand, the primary sources of economic damage in Malaysia appear to be twofold with the first being the direct impact from the global pandemic and the second being movement control orders issued by the Government which essentially impeded production and sales activities.

The Group (like many other organizations) is not immune to the impact of the MCO and the measures introduced by the Government to curb the spread of the virus. With meaningful business conducted during the MCO, dwindling orders from our customers and with Bank Negara's projection of between -2.0 per cent and 0.5 per cent for Malaysia's gross domestic product (GDP) for 2020, we expect our prospects for the rest of the year to be acutely challenging even with counter measures to preserve cash flow that we have already put in motion (including deferred capital expenditure, salary reductions, hiring freeze and participating in the Government's Prihatin program).

However, the Government's move to exempt sales tax up to 100 per cent for completely-knocked down (CKD) passenger vehicles and 50 per cent on completely built up cars (CBU) from June 15, 2020 to December 31, 2020 as a short-term Economic Recovery Plan to boost the automotive market is certainly welcomed, especially if it is accompanied with further easing of hire purchase terms.

We do not see a complete recovery in the next 2 to 3 years but we remain optimistic in view of the efforts undertaken by the Government thus far to revive the economy.

The Group will continue to focus on long term strategies for business sustainability and strive for growth through mergers, acquisition, strategic partnership, joint ventures and alliances.

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B4. INCOME TAX EXPENSE

<i>In thousands of RM</i>	INDIVIDUAL QUARTER	
	Current Quarter Ended <u>31-Mar-20</u>	Corresponding Quarter Ended <u>31-Mar-19</u>
<u>Current tax</u>		
- Current year	4,511	5,766
- Prior year	(154)	(77)
<u>Deferred tax</u>		
- Current year	(2,062)	(584)
- Prior year	313	(24)
Withholding Tax	3	12
	<u>2,611</u>	<u>5,093</u>

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

B5. CORPORATE PROPOSAL

There was no corporate proposal announced but not completed as at the reporting date.

B6. TRADE RECEIVABLES

<i>In thousands of RM</i>	Gross	Impairment	Net
<u>31-Mar-20</u>			
Not past due	157,896	(1)	157,895
Past due 0 - 90 days	11,893	(29)	11,864
Past due 91 - 180 days	1,444	(88)	1,356
	<u>171,233</u>	<u>(118)</u>	<u>171,115</u>
Credit impaired			
Past due more than 180 days	1,909	(981)	928
Individually impaired	4,051	(4,051)	-
	<u>177,193</u>	<u>(5,150)</u>	<u>172,043</u>
<u>31-Dec-19</u>			
Not past due	234,751	(57)	234,694
Past due 0 - 90 days	16,507	(552)	15,955
Past due 91 - 180 days	728	(436)	292
	<u>251,986</u>	<u>(1,045)</u>	<u>250,941</u>
Credit impaired			
Past due more than 180 days	1,006	(1,006)	-
Individually impaired	3,889	(3,889)	-
	<u>256,881</u>	<u>(5,940)</u>	<u>250,941</u>

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B6. TRADE RECEIVABLES (CONT'D)

The trade receivables from both related parties and non-related parties are given 30 to 90 days 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 comprises regular customers who 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.

B7. FINANCIAL INSTRUMENTS AND REALISED AND UNREALISED PROFITS

Derivatives

The outstanding forward foreign currency contracts entered as at 31 March 2020 are as follows:

In thousands of RM

Type Derivatives	Nominal Amount	Net Fair Value Assets / (Liabilities)	Maturity
Forward foreign exchange contracts	42,845	(395)	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 2019. There is no change to the Group's financial risk management policies in managing these derivative financial instruments and their related accounting policies.

B8. BORROWINGS AND DEBT SECURITIES

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

<i>In thousands of RM</i>	31-Mar-20	31-Dec-19
Unsecured - Foreign currency loans	51,052	53,796
- Revolving credit	16,532	17,900
	<u>67,584</u>	<u>71,696</u>
<u>Amount due within the next 12 months</u>	<u>67,584</u>	<u>71,696</u>

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B8. BORROWINGS AND DEBT SECURITIES (CONT'D)

Group borrowings breakdown by currencies.

In thousands of RM

<u>Functional Currency</u>	<u>Denominated In</u>	31-Mar-20	31-Dec-19
RM	RM	16,532	17,900
EUR	EUR	3,441	1,171
AUD	AUD	21,081	22,773
IDR	IDR	23,146	26,066
IDR	USD	3,384	3,786
		<hr/>	<hr/>
		67,584	71,696

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

The Group borrowings are subject to interest ranging from 0.25% to 7.65% (2019: 0.26% to 8.15%) per annum.

B9. CHANGES IN MATERIAL LITIGATION

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

B10. DIVIDEND

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board recommends a final dividend of 5.0 sen per ordinary share for the year ended 31 December 2019 (2018 – 7.0 sen per ordinary share) which will be paid on 26 August 2020. The entitlement date shall be 13 August 2020.

The net amount payable is RM 9.8 million (2018 – RM13.7 million).

B11. (LOSS)/EARNINGS PER SHARE

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

	INDIVIDUAL QUARTER	
	31-Mar-20	31-Mar-19
Profit attributable to the owners of the Company (RM'000)	(6,200)	9,779
Weighted average number of ordinary shares in issue ('000)	195,502	195,583
Basic EPS (sen)	(3.17)	5.00

The total number of ordinary shares issued by the Company as at 31 March 2020 was 195,494,300 (31 December 2019: 195,582,500).

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B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

<i>In thousands of RM</i>	INDIVIDUAL QUARTER	
	(Unaudited) Current Quarter Ended 31-Mar-20	(Unaudited) Corresponding Quarter Ended 31-Mar-19
(a) Interest income	(2,584)	(2,325)
(b) Other income including investment income	(1,077)	(1,727)
(c) Interest expense	1,426	1,446
(d) Depreciation and Amortization	14,576	13,645
(e) Impairment loss on trade receivables	71	44
(f) Write back of impairment loss on trade receivables	(224)	(653)
(g) Write back for slow moving stock	(117)	(279)
(h) Gain on disposal of property, plant and equipment	(71)	(339)
(i) Net foreign exchange loss	2,574	14
(j) Loss/(gain) on derivatives	328	(546)

B13. AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements have been authorized for issue by the Board of Directors in accordance with its resolution on 29 June 2020.

BY ORDER OF THE BOARD

KHOO PENG PENG
 SOO SHIOW FANG

Company Secretaries
 Kuala Lumpur
 Dated: 29 June 2020