APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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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 2019 – unaudited

In thousands of RM	INDIVIDUAL QUARTER Current Quarter Ended 30-Jun-19	Corresponding Quarter Ended 30-Jun-18	Change	CUMULATIVE QUARTER Cumulative Year to Date 30-Jun-19	Cumulative Year to Date 30-Jun-18	Change
Revenue	358,369	295,481	21%	725,978	615,790	18%
Results from operating activities	15,750	8,773	80%	36,277	34,810	4%
Finance costs	(1,462)	(705)	-107%	(2,908)	(1,539)	-89%
Finance income	2,432	2,791	-13%	4,757	5,042	-6%
Share of the profit/(loss) of equity-accounted associates and joint ventures, net of tax	949	(304)	412%	(48)	1,080	-104%
Profit before tax	17,669	10,555	67%	38,078	39,393	-3%
Income tax expense	(4,028)	(4,522)	11%	(9,121)	(12,191)	25%
Profit for the period	13,641	6,033	126%	28,957	27,202	6%
Other comprehensive income, net of tax						
Items that will be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	5,851	1,553	277%	4,622	(10,620)	144%
Share of foreign currency translation differences of equity-accounted investees	1,352	168	705%	1,276	(2,128)	160%
Other comprehensive expense for the period, net of tax	7,203	1,721	319%	5,898	(12,748)	146%
Total comprehensive income for the period	20,844	7,754	169%	34,855	14,454	141%
Profit attributable to :						
Owners of the Company	8,560	1,548	453%	18,339	17,758	3%
Non-controlling interests	5,081	4,485	13%	10,618	9,444	12%
Profit for the period	13,641	6,033	126%	28,957	27,202	6%
Total comprehensive income attributable to :						
Owners of the Company	15,763	3,269	382%	24,237	5,010	384%
Non-controlling interests	5,081	4,485	13%	10,618	9,444	12%
Total comprehensive income for the period	20,844	7,754	169%	34,855	14,454	141%
Earnings per share						
Basic (sen)	4.38	0.79	453%	9.38	9.08	3%

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 2018 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 2019 – unaudited

In thousands of RM	As at 30-Jun-19	As at 31-Dec-18 (Audited)
Assets		
Property, plant & equipment	558,837	559,853
Prepaid lease payments	-	15,275
Investment properties	111,520	111,520
Investment in an associate	9,579	9,952
Investments in joint ventures	33,765	32,165
Intangible assets	18,809	18,392
Right-of-use assets	32,706	-
Deferred tax assets	16,477	16,799
Total non-current assets	781,693	763,956
Inventories	266,659	277,798
Trade and other receivables, including derivatives	268,055	297,058
Other investments	158,471	140,078
Cash and cash equivalents	214,223	225,789
Total current assets	907,408	940,723
Total assets	1,689,101	1,704,679
Equity		
Share capital	219,498	219,498
Reserves	1,038,430	1,027,887
Treasury shares	(13,312)	(13,312)
Total equity attributable to owners of the Company	1,244,616	1,234,073
Non-controlling interests	76,564	67,948
Total equity	1,321,180	1,302,021
Liabilities		
Employee benefits	21,731	21,730
Lease liabilities	13,481	-
Deferred tax liabilities	40,059	40,591
Total non-current liabilities	75,271	62,321
Trade and other payables, including derivatives	206,352	252,610
Lease liabilities	3,841	-
Loans and borrowings	76,364	81,495
Current tax liabilities	6,093	6,232
Total current liabilities	292,650	340,337
Total liabilities	367,921	402,658
Total equity and liabilities	1,689,101	1,704,679
Net assets per share attributable to owners of the Company (RM)	6.36	6.31

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019 – unaudited

	<---------------- Attributable to the owners of the Company -------------->							
	<---------- Non-Distributable ---------->				Distributable			
In thousands of RM	Share capital	Treasury shares	Revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1-Jan-18	219,498	(13,305)	109,250	1,787	913,426	1,230,656	53,934	1,284,590
Adjustment on initial application of MFRS9, net of tax	-	-	-	-	(1,122)	(1,122)	-	(1,122)
At 1 Jan 2018, restated	219,498	(13,305)	109,250	1,787	912,304	1,229,534	53,934	1,283,468
Foreign currency translation differences for foreign operations	-	-	-	(10,620)	-	(10,620)	-	(10,620)
Share of foreign currency translation differences of equity-accounted investees	-	-	-	(2,128)	-	(2,128)	-	(2,128)
Transfer of revaluation surplus on properties	-	-	(2,454)	-	2,454	-	-	-
Profit for the period	-	-	-	-	17,758	17,758	9,444	27,202
Total comprehensive income for the period	-	-	(2,454)	(12,748)	20,212	5,010	9,444	14,454
Own shares acquired	-	(4)	-	-	-	(4)	-	(4)
Dividends to owners of the company	-	-	-	-	(16,628)	(16,628)	(2,002)	(18,630)
Total transactions with owners of the Group	-	(4)	-	-	(16,628)	(16,632)	(2,002)	(18,634)
At 30-Jun-18	219,498	(13,309)	106,796	(10,961)	915,888	1,217,912	61,376	1,279,288
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	-	-	-	4,622	-	4,622	-	4,622
Share of foreign currency translation differences of equity-accounted investees	-	-	-	1,276	-	1,276	-	1,276
Transfer of revaluation surplus on properties	-	-	(2,454)	-	2,454	-	-	-
Profit for the period	-	-	-	-	18,339	18,339	10,618	28,957
Total comprehensive income for the period	-	-	(2,454)	5,898	20,793	24,237	10,618	34,855
Dividends to owners of the company	-	-	-	-	(13,694)	(13,694)	(2,002)	(15,696)
At 30-Jun-19	219,498	(13,312)	101,887	197	936,346	1,244,616	76,564	1,321,180

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019 – unaudited

In thousands of RM	**For the 6 months period ended 30-Jun-19**	**For the 6 months period ended 30-Jun-18**
Cash flows from operating activities		
Profit before tax and non-controlling interests	38,078	39,393
Adjustments for non-cash items	29,999	26,946
Changes in working capital	(6,801)	(29,792)
Cash generated from operations	61,276	36,547
Interest/Tax/Employee benefits/provision	(9,702)	(5,795)
Net cash generated from operating activities	51,574	30,752
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	574	598
Acquisition of property, plant and equipment	(21,228)	(23,905)
Net (increase)/decrease in other investments	(18,393)	1,612
Additions of intangible assets	(2,573)	(5,745)
Net cash used in investing activities	(41,620)	(27,440)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(2,002)	(2,002)
Dividends paid to owners of the Company	(13,694)	(16,628)
Net drawdown of loans and borrowings	(5,131)	(88)
Repayment of lease liabilities	(1,606)	-
Own shares acquired	-	(4)
Net cash used in financing activities	(22,433)	(18,722)
Net increase in cash and cash equivalents	(12,479)	(15,410)
Effect of exchange rate fluctuations	913	(1,690)
Cash and cash equivalents at 1 January	225,789	232,809
Cash and cash equivalents at the end of period	**214,223**	**215,709**

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

Cash and bank balances	55,620	49,568
Deposits and corporate management account with licensed banks	158,603	166,141
	214,223	**215,709**

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2018. 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 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance contracts*

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

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

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

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020; and

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

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in Accounting Policies

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 Transaction Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be reclassified as finance or operating lease.

The Group has applied MFRS 16 using the partial retrospective application for annual periods beginning on 1 January 2019 and the comparatives will not be restated – i.e. it is presented, as previously reported, under MFRS 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

1. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lease, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment whether the lease transferred substantially all of the risks and rewards of ownership. Under MFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and liabilities for some leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

a) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at 1 January 2019. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at 1 January 2019, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as this discount rate.

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in Accounting Policies (Cont'd)

MFRS 16 *Leases* (Cont'd)

2. As a lessee (Cont'd)

a) Significant accounting policies (Cont'd)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lease that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use asset recognised.

b) Transition

Previously, the Group classifies property leases as operating leases under MFRS 117.

At transition, for leases classified as operating leases under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if MFRS 16 has been applied on the outstanding lease, discounted using the lessee's incremental borrowing rate at the effective date of MFRS 16.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating leases under MFRS 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs for measuring the right-of-use asset at the date of initial application; and
- Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under MFRS 117. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset

The Group is not required to make any adjustments on transition to MFRS 16 for leases in which it acts as a lessor. However, the Group has applied MFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in Accounting Policies (Cont'd)

MFRS 16 *Leases* (Cont'd)

4. Impact on financial statements

a) Impact on transition

The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position of the Group as at 1 January 2019. There are no changes to the comparatives in the statements of profit or loss and statement of cash flows of the Group. A reconciliation of these changes is summarized in the following table:-

	31 December 2018	Remeasurement	Reclassification	1 January 2019
	RM'000	RM'000	RM'000	RM'000
Assets				
Prepaid lease payments	15,275	-	(15,275)	-
Right-of-use assets	-	17,511	15,275	32,786
Liabilities				
Lease liabilities - NCL	-	15,587	-	15,587
Lease liabilities - CL	-	1,924	-	1,924

b) Impact for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RM32,706,000 of right-of-use assets and RM17,322,000 of lease liabilities as at 30 June 2019.

Also, in relation to those leases under MFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognized RM1,738,000 of depreciation charges and RM734,000 of interest costs from these leases.

A3. AUDIT QUALIFICATIONS

There were no audit qualifications in the annual financial statements for the year ended 31 December 2018.

A4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

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

A6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases, resale or repayment of debts and equity securities in the current interim period and financial year to date.

A8. DIVIDENDS PAID

A final single tier dividend of 7.0 sen per ordinary share (2017: 8.5 sen per ordinary share) totalling RM13.7 million (2017: RM16.6 million) in respect of financial year ended 31 December 2018 was paid on 26 June 2019.

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.

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 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. 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-19		30-Jun-18	
	Segment Revenue	Profit/(loss) before tax	Segment Revenue	Profit/(loss) before tax
Suspension	50,364	(214)	52,167	1,204
Interior & Plastics	262,129	19,263	194,757	9,664
Electrical & Heat Exchange	27,598	373	29,028	285
Marketing	61,918	1,501	64,590	3,099
Non-reportable segment	21,830	(126)	20,116	(1,210)
Indonesia Operations	11,668	(2,172)	11,258	(3,143)
All Other Segments	33,035	(894)	31,162	120
	468,542	17,731	403,078	10,019
Eliminations	(110,173)	(62)	(107,597)	536
	358,369	17,669	295,481	10,555

In thousands of RM **CUMULATIVE QUARTER**

	30-Jun-19		30-Jun-18	
	Segment Revenue	Profit/(loss) before tax	Segment Revenue	Profit/(loss) before tax
Suspension	100,466	(483)	108,907	5,345
Interior & Plastics	544,625	43,335	412,683	26,444
Electrical & Heat Exchange	56,805	772	62,803	3,949
Marketing	124,997	4,010	131,311	6,674
Non-reportable segment	41,109	(1,478)	36,298	(1,669)
Indonesia Operations	23,810	(6,469)	25,968	(3,727)
All Other Segments	59,803	(2,006)	60,155	1,257
	951,615	37,681	838,125	38,273
Eliminations	(225,637)	397	(222,335)	1,120
	725,978	38,078	615,790	39,393

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

The valuation of property, plant and equipment and investment properties was brought forward without amendment from the annual financial statements for the year ended 31 December 2018.

A11. RELATED PARTY DISCLOSURES

Significant transactions with Tan Chong Motor Holdings Berhad, Warisan TC Holdings Berhad and Tan Chong International Limited Groups, 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**		**CUMULATIVE QUARTER**	
	Current Quarter Ended	**Corresponding Quarter Ended**	**Cumulative Year To Date**	**Corresponding Year To Date**
With TCMH Group	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
Sales	25,545	16,427	47,763	34,846
Provision of services	252	-	292	40
Purchases	(6,255)	(8,406)	(19,219)	(11,450)
Administrative and consultancy services	-	-	(18)	-
Insurance	(143)	(553)	(4,699)	(2,831)
Rental expenses	(90)	(76)	(179)	(150)
Rental income	403	387	789	790

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").

In thousands of RM	**INDIVIDUAL QUARTER**		**CUMULATIVE QUARTER**	
	Current Quarter Ended	**Corresponding Quarter Ended**	**Cumulative Year To Date**	**Corresponding Year To Date**
With WTCH Group	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
Sales	194	138	306	288
Purchases	(112)	(118)	(123)	(161)
Administrative and consultancy services	(676)	(779)	(1,316)	(1,275)
Rental income	92	112	185	225
Rental expenses	(282)	(288)	(611)	(551)

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").

In thousands of RM	**INDIVIDUAL QUARTER**		**CUMULATIVE QUARTER**	
	Current Quarter Ended	**Corresponding Quarter Ended**	**Cumulative Year To Date**	**Corresponding Year To Date**
With TCIL Group	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
Sales	52	948	89	1,751
Purchases	(7)	(15)	(7)	(15)
Rental expenses	(15)	(9)	(34)	(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").

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 changes in the composition of the Group for the quarter under review.

A14. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities as at 30 June 2019.

A15. CAPITAL COMMITMENTS

(i) Capital Commitment

In thousands of RM	**30-Jun-19**	**30-Jun-18**
Authorized but not contracted for	44,746	57,246
Contracted but not provided for	15,408	25,526
Total	**60,154**	**82,772**

(ii) Non-cancellable operating lease commitment

	30-Jun-19	**30-Jun-18**
In thousands of RM		
Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:-		
Not later than 1 year	-	980
More than 1 year but not later than 5 years	-	3,922
More than 5 years	-	60,433
TOTAL	-	65,335

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

B1. OPERATING SEGMENTS REVIEW

Statement of Financial Position

The Group's financial stability is reflected in its net assets per share, which grew from RM6.31 in 2018 to RM6.36 in the second quarter of the year. Likewise, the Group's Current Ratio improved from 2.8 times to 3.1 times (Current Ratio = Current Assets / Current Liabilities) as trade and other payables reduced by 18.3% or RM46.3 million compared to 31 December 2018. The Group's financial position remains relatively healthy with a net cash position (=cash and cash equivalent + other investment – bank borrowing) of RM296.3 million.

Statement of Cash Flow and Capital Expenditure

Apart from prompt payment to supplier, the Group is constantly monitoring customer collection and inventory holding period in order to maintain a healthy cash flow. Hence, the Group's operating activities generated a net cash of RM51.6 million or an increase of 67.7% compared to the corresponding 6-month period ended 30 June 2018.

Cash surplus from the operating activities were invested in unit trust. As a result, the investing activities recorded a negative cashflow of RM41.6 million for the current period.

As at 30 June 2019, the Group's capital commitments stood at RM60.2 million. The capital commitments will be funded by internally generated funds and/or bank borrowings.

The Group recognizes that sufficient cash reserves are 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

Q2'19 vs. Q2'18

Total Industry Production ("TIP") for the Q2'19 has increased by 12.8% from 124,733 units to 140,645 units compared to Q2'18. (Source : Malaysian Automotive Association ("MAA"))

The Group's revenue rose 21.3% in the second quarter of the year, from RM295.5 million to RM358.4 million mainly due to higher demands from OEM customers of the Interior and Plastic Division.

In tandem with the revenue growth, the Group's Profit Before Tax ("PBT") increased by 67.4% to RM17.7 million in the Q2'19. Both the Suspension and Marketing Divisions which experienced lower export sales and higher operational costs during the second quarter of the year, recorded lower PBT.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

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

Year-to-date 2019 vs. Year-to-date 2018

On a year-to-date basis, revenue increased by 17.9% to RM726.0 million from RM615.8 million a year ago. The Interior and Plastics Division remains as the top revenue contributor with continued strong demand from certain OEM customers.

Despite the revenue growth, the Group's PBT was lower by 3.3% from RM39.4 million to RM38.1 million in the first half of 2019. This was mainly due to lower export sales coupled with rising production costs (especially raw material price and energy cost) in the Suspension Division. Higher operating costs incurred by our Operations Outside Malaysia and Indonesia Operations also contributed to a lower Group's PBT.

Suspension Division

The ongoing uncertainty and instability of the global economy impacted our export sales. The Suspension Division continued to experience lower export sales, which resulted in its revenue dropping by 3.5% to RM50.4 million in the current quarter from RM52.2 million in Q2'18. Unfavourable product mix, higher imported raw material (mainly steel) and energy costs, lower revenue and production volume were factors that contributed to the Division's loss before tax ("LBT") of RM0.2 million compared to a PBT of RM1.2 million in the same quarter of last year.

For the first six months, the Suspension Division posted RM100.5 million in revenue which was 7.7% lower than RM108.9 million registered last year. Similar to the quarterly review, the Division experienced lower export sales and LBT increased to RM0.5 million compared to a PBT of RM5.3 million a year ago.

Interior & Plastics Division

The Interior & Plastics Division continued to achieve double digit revenue and PBT growth since beginning of the year. Its revenue rose by 34.5% to RM262.1 million from RM194.8 million same quarter last year, whilst its PBT of RM19.3 million in Q2'19 registered a growth rate of 99.0% compared to RM9.7 million in Q2'18. The higher sales were attributed to higher demands from certain OEM customers following the supply of new parts for localization content and new model launches since the end of 2018.

This Division's revenue is primarily sourced from local car manufacturers. Consequently, the performance of the local car manufacturers to a large extent will affect the performance of this Division. TIP for the first half of the year increased by 4,081 units to 285,028 units (Source : MAA). Hence, the revenue and PBT of the Division had increased from RM412.7 million to RM544.6 million and RM26.4 million to RM43.3 million respectively, largely due to the reasons mentioned earlier.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

Segmental Review (Cont'd)

Electrical & Heat Exchange Division

The Electrical & Heat Exchange Division revenue fell by 4.8% to RM27.6 million from RM29.0 million in the current quarter due to lower demands from OEM customers. Despite lower sales, the Division's PBT remained relatively constant (Q2'19: RM373,000 ; Q2'18: RM285,000) largely due to favourable product mix in the current quarter.

For the first six months of 2019, the Electrical & Heat Exchange Division registered revenue of RM56.8 million, a reduction of 9.6% from RM62.8 million in the same period last year. Lower revenue is mainly due to the reasons explained earlier. Similarly, PBT was also lowered to RM0.8 million from RM3.9 million in the corresponding period in 2018. The weakening of Ringgit especially against Thai Baht impacted the Division's profitability for the year. Moreover, the higher margin recorded last year was due to positive price adjustment from its OEM customers.

Marketing Division

The Marketing Division's revenue decreased by RM2.7 million or 4.2% quarter-on-quarter to RM61.9 million in Q2'19, largely due to lower export sales. Uncertainties in connection with "Brexit", the ongoing trade tension between the US and China and the slowing global economy have undoubtedly affected the export sales. Local REM especially in East Malaysia has experienced decreasing demands resulting from slowdown in infrastructure projects and logging activities. Likewise, the Division's PBT decreased from RM3.1 million to RM1.5 million. The lower PBT was also caused by unfavorable product mix, higher distribution costs and branding expenses.

Similar to the quarterly review, the Marketing Division recorded revenue and PBT of RM125.0 million and RM4.0 million, representing a decrease of 4.8% and 39.9% respectively against the same period of last year, largely due to the reasons mentioned earlier.

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.

The Non-reportable segment's revenue increased by 8.5% to RM21.8 million from RM20.1 million in the current quarter. Improved motor vehicle retail sales remained the key driver to the revenue growth. With the improved revenue growth, the Division's loss narrowed to RM0.1 million against RM1.2 million in Q2'18. Losses sustained in Q2'18 was primarily due to higher one-off administrative expenses.

Consistent with the above quarterly results, trading of motor vehicles was the main contributor for the revenue increase. Revenue for the six-month period of 2019 increased from RM36.3 million to RM41.1 million. In line with the improved revenue, the Division's loss improved by 11.4%.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

Segmental Review (Cont'd)

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.

For the current quarter, the Indonesia Operations' revenue rose marginally by 3.5% to RM11.7 million from RM11.3 million recorded in Q2'18 mainly due to the supply of leaf spring to OEM customers which commenced in January and May 2019. While the share of the associate's higher profit (caused by recovery of claims from OEM customers) improved the Division's bottom-line, in Q2'18, the associate suffered losses due to low sales. Hence, the Indonesia Operations recorded lower loss by 29.0% to RM2.2 million from loss of RM3.1 million in corresponding quarter of last year.

On year-to-date basis, the Indonesia Operations' revenue declined by 8.5% to RM23.8 million mainly due to lower off-take of coil spring from certain OEM customers. The bottom-line of the Group's Indonesia Operations was also affected by the rising cost of raw materials, low production volumes and higher operating costs especially depreciation and interest expense.

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").

The All Other Segments' revenue grew by 5.8% (Q2'19: RM33.0 million ; Q2'18: RM31.2 million) mainly due to higher sales registered in the USA, Australia and Vietnam. Despite the higher revenue, our Australia operations was affected by increased staff costs whilst Vietnam operations suffered higher production costs (for raw material and energy costs). In addition, our joint venture business in Vietnam registered a loss in the current quarter compared to a profit in Q2'18 due to low off-take from OEM customers. As a result, the Division reported a LBT of RM0.9 million compared to a PBT of RM0.1 million same quarter of last year.

In the first half 2019, the All Other Segments posted RM59.8 million in revenue which was marginally lower than RM60.2 million in same period of last year mainly due to lower export sales experienced by the Vietnam operations. Similar to the quarterly review, the Division reported a LBT of RM2.0 million compared to PBT of RM1.3 million a year ago mainly due to the reasons explained earlier. The higher operating costs incurred by our USA unit (caused mainly by higher staff costs and rental of warehouse) also contributed to the loss.

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

			Changes				Changes	
In Thousands of RM	**30-Jun-19**	**31-Mar-19**	**Amount**	**%**	**30-Jun-19**	**31-Mar-19**	**Amount**	**%**
Suspension	50,364	50,102	262	0.5%	(214)	(269)	55	-20.4%
Interior & Plastics	262,129	282,496	(20,367)	-7.2%	19,263	24,072	(4,809)	-20.0%
Electricals & Heat Exchange	27,598	29,207	(1,609)	-5.5%	373	399	(26)	-6.5%
Marketing	61,918	63,079	(1,161)	-1.8%	1,501	2,509	(1,008)	-40.2%
Non-reportable segment	21,830	19,279	2,551	13.2%	(126)	(1,352)	1,226	-90.7%
Indonesia Operations	11,668	12,142	(474)	-3.9%	(2,172)	(4,297)	2,125	-49.5%
All Other Segments	33,035	26,768	6,267	23.4%	(894)	(1,112)	218	-19.6%
	468,542	483,073	(14,531)	-3.0%	17,731	19,950	(2,219)	-11.1%
Eliminations	(110,173)	(115,464)	5,291	-4.6%	(62)	459	(521)	-113.5%
	358,369	367,609	(9,240)	-2.5%	17,669	20,409	(2,740)	-13.4%

Revenue and PBT of the Group were lower by 2.5% and 13.4% respectively as compared to the preceding quarter.

The Interior & Plastics and Electricals & Heat Exchange Divisions experienced slower sales due to lower demand from certain OEM customers. Correspondingly, these divisions' PBT had decreased.

The Marketing Division experienced lower export sales and margin pressure since early of the year. The Division's PBT went down by 40.2% to RM1.5 million from RM2.5 million in the first quarter.

Our associate and joint venture business in Indonesia generated higher share of profits that contributed to a lower LBT for the Indonesia Operations despite registering lower revenue for reasons explained in Section B1 above. In addition, the Indonesia Operation's losses in the immediate preceding quarter was also attributable to higher share of associates' loss (due to provision for stock obsolescence).

All other Segment (Operations Outside Malaysia) recorded higher revenue mainly driven by higher sales in Australia and Vietnam operations. The division's loss reduced correspondingly by 19.6% compared to immediate preceding quarter.

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 with presence in various other jurisdictions, covering USA, Netherlands, Australia, Thailand, Vietnam and the Republic of Indonesia.

In view of the nature of APM's business, changes in policies and regulations as well as economic, governmental, territorial and currency uncertainties are the primary factors that could affect APM's performance.

According to the MAA's market report of 18 July 2019, the Total Industry Volume (TIV) for new motor vehicles in Malaysia increased by 2.3%, representing a slight departure from MAA's initial anticipated growth of just 0.21% at the beginning of 2019. Growth in the Passenger Vehicles segment contributed towards such increase whilst the Commercial Vehicle segment experienced a decline by approximately 11.2%. Economic uncertainties regionally and internationally such as the protracted trade tensions between China and the USA is seen as a factor in the decline.

Cautious consumer and business spending further compounded this decline as economic uncertainties may continue in the second half of 2019.

MAA's sentiments is shared by Frost and Sullivan as they opine that growth in the automotive sector is expected to remain moderate for the rest of 2019, with the commercial vehicle segment expected to experience better traction driven by growth in foreign direct investments, improvements in bank lending rates and positive growth in the key contributing sectors (the Star, 10 June 2019). However, fluctuations in the Ringgit Malaysia may hinder such growth.

On the bright side, Bank Negara Malaysia has projected growth of the Malaysian economy to be between the range of 4.3% and 4.8%. This projection provides a timely boost to an otherwise gloomy market.

In Thailand where APM is present, the automotive industry seems to experience more pressure in the coming months due to slower economic activities and tighter lending (The Economist, 22 July 2019).

Meanwhile, APM's operations in Europe remains challenging in view of the uncertainties linked to "Brexit" as a significant portion of APM's customers are from Britain.

As always, APM will continue to pursue other markets and businesses aggressively to mitigate and hedge against the decline.

Overall, the current downtrend is not something that is new or unexpected. APM has put in place measures to mitigate the risks associated with such downtrend as it aims to continue with its 5-year expansion plan prudently and cautiously. Going forward, APM remains optimistic and believes that its expansion plan can and will yield positive results for the Group.

B4. INCOME TAX EXPENSE

In thousands of RM	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30-Jun-19	**Corresponding Quarter Ended 30-Jun-18**	**Cumulative Year To Date 30-Jun-19**	**Corresponding Year To Date 30-Jun-18**
Current tax				
- Current year	4,829	3,840	10,595	10,659
- Prior year	(1,192)	247	(1,269)	230
Deferred tax				
- Current year	297	417	(287)	1,284
- Prior year	88	-	64	-
Withholding Tax	6	18	18	18
	4,028	4,522	9,121	12,191

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

In thousands of RM	Gross	Impairment	Net
30-Jun-19			
Not past due	170,774	-	170,774
Past due 0 - 90 days	23,425	(16)	23,409
Past due 91 - 180 days	2,105	(1,084)	1,021
	196,304	(1,100)	195,204
Credit impaired			
Past due more than 180 days	726	(726)	-
Individually impaired	3,530	(3,530)	-
	200,560	**(5,356)**	**195,204**
31-Dec-18			
Not past due	205,374	(108)	205,266
Past due 0 - 90 days	22,670	(555)	22,115
Past due 91 - 180 days	991	(524)	467
	229,035	(1,187)	227,848
Credit impaired			
Past due more than 180 days	732	(732)	-
Individually impaired	3,735	(3,735)	-
	233,502	**(5,654)**	**227,848**

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 30 June 2019 are as follows:

In thousands of RM

Type Deriavatives	Nominal Amount	Net Fair Value Assets / (Liabilities)	Maturity
Forward foreign exchange contracts	76,779	374	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 2018. 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:

In thousands of RM		**30-Jun-19**	**31-Dec-18**
Unsecured	- Foreign currency loans	52,164	52,240
	- Revolving credit	24,200	29,255
		76,364	81,495
Amount due within the next 12 months		76,364	81,495

Group borrowings breakdown by currencies.

In thousands of RM

Functional Currency	Denominated In	**30-Jun-19**	**31-Dec-18**
RM	RM	24,200	29,255
EUR	EUR	1,207	1,339
AUD	AUD	23,213	23,832
IDR	IDR	26,253	25,579
IDR	USD	1,491	1,490
		76,364	81,495

B8. BORROWINGS AND DEBT SECURITIES (CONT'D)

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

The Group borrowings are subject to interest ranging from 0.87% to 9.15% (2018: 2.55% to 8.60%) per annum.

B9. CHANGES IN MATERIAL LITIGATION

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

B10. DIVIDEND

The Board has declared an interim single-tier dividend of 5 sen per ordinary share (2018: 5.0 sen per ordinary share) for the financial year ending 31 December 2019 to be paid on 8 October 2019 to shareholders whose names appear in the Record of Depositors on 19 September 2019.

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

a) Shares transferred into the depositor's securities account before 4.30 p.m. on 19 September 2019 in respect of ordinary transfers; and
b) Shares brought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance to the Rules of Bursa Malaysia Securities Berhad

B11. 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-19	30-Jun-18	30-Jun-19	30-Jun-18
Profit attributable to the owners of the Company (RM'000)	8,560	1,548	18,339	17,758
Weighted average number of ordinary shares in issue ('000)	195,583	195,583	195,583	195,583
Basic EPS (sen)	**4.38**	**0.79**	**9.38**	**9.08**

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

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current	Corresponding	Cumulative	Corresponding
	In thousands of RM	Quarter Ended	Quarter Ended	Year To Date	Year To Date
		30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
(a)	Interest income	(2,432)	(2,791)	(4,757)	(5,042)
(b)	Other income including investment income	(1,122)	(998)	(2,849)	(2,415)
(c)	Interest expense	1,462	705	2,908	1,539
(d)	Depreciation and Amortization	13,842	15,326	27,487	29,407
(e)	Impairment loss on trade receivables	31	-	75	-
(f)	Impairment loss/(write back) on trade receivables	280	(38)	(373)	(38)
(g)	Provision for slow moving stock	1,102	1,856	823	1,022
(h)	Gain on disposal of property, plant and equipment	(69)	(75)	(408)	(166)
(i)	Inventory written off	-	-	-	1,300
(j)	Net Foreign exchange loss/(gain)	1,461	(1,027)	1,475	305
(k)	(Gain)/loss on derivatives	(54)	465	(600)	(1,296)

B13. AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements has been authorized for issue by the Board of Directors in accordance with their resolution on 27 August 2019.

BY ORDER OF THE BOARD

KHOO PENG PENG
SOO SHIOW FANG

Company Secretaries
Kuala Lumpur
Dated: 27 August 2019