APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 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 31 MARCH 2019 – unaudited

	INDIVIDUAL QUARTER		
In thousands of RM	**Current Quarter Ended 31-Mar-19**	**Corresponding Quarter Ended 31-Mar-18**	**Change**
Revenue	367,609	320,309	15%
Results from operating activities	20,527	26,037	-21%
Finance costs	(1,446)	(834)	73%
Finance income	2,325	2,251	3%
Share of the (loss)/profit of equity-accounted associates and joint ventures, net of tax	(997)	1,384	-172%
Profit before tax	20,409	28,838	-29%
Income tax expense	(5,093)	(7,669)	-34%
Profit for the period	15,316	21,169	-28%
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(1,229)	(12,173)	-90%
Share of foreign currency translation differences of equity-accounted investees	(76)	(2,296)	-97%
Other comprehensive expense for the period, net of tax	(1,305)	(14,469)	-91%
Total comprehensive income for the period	14,011	6,700	109%
Profit attributable to :			
Owners of the Company	9,779	16,210	-40%
Non-controlling interests	5,537	4,959	12%
Profit for the period	15,316	21,169	-28%
Total comprehensive income attributable to :			
Owners of the Company	8,474	1,741	387%
Non-controlling interests	5,537	4,959	12%
Total comprehensive income for the period	14,011	6,700	109%
Earnings per share			
Basic (sen)	5.00	8.29	-40%

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 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 31 MARCH 2019 – unaudited

In thousands of RM	**As at 31-Mar-19**	**As at 31-Dec-18** (Audited)
Assets		
Property, plant & equipment	554,222	559,853
Prepaid lease payments	-	15,275
Investment properties	111,520	111,520
Investment in an associate	8,413	9,952
Investments in joint ventures	32,630	32,165
Intangible assets	18,510	18,392
Right-of-use assets	31,330	-
Deferred tax assets	17,104	16,799
Total non-current assets	773,729	763,956
Inventories	270,113	277,798
Trade and other receivables, including derivatives	314,965	297,058
Other investments	77,184	140,078
Cash and cash equivalents	277,293	225,789
Total current assets	939,555	940,723
Total assets	1,713,284	1,704,679
Equity		
Share capital	219,498	219,498
Reserves	1,036,361	1,027,887
Treasury shares	(13,312)	(13,312)
Total equity attributable to owners of the Company	1,242,547	1,234,073
Non-controlling interests	71,483	67,948
Total equity	1,314,030	1,302,021
Liabilities		
Employee benefits	22,437	21,730
Lease liabilities	13,342	-
Deferred tax liabilities	40,183	40,591
Total non-current liabilities	75,962	62,321
Trade and other payables, including derivatives	228,569	252,610
Lease liabilities	3,064	-
Loans and borrowings	85,111	81,495
Current tax liabilities	6,548	6,232
Total current liabilities	323,292	340,337
Total liabilities	399,254	402,658
Total equity and liabilities	1,713,284	1,704,679
Net assets per share attributable to owners of the Company (RM)	6.35	6.31

The above condensed consolidated statements 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 31 MARCH 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	-	-	-	(12,173)	-	(12,173)	-	(12,173)
Share of foreign currency translation differences of equity-accounted investees	-	-	-	(2,296)	-	(2,296)	-	(2,296)
Transfer of revaluation surplus on properties	-	-	(1,227)	-	1,227	-	-	-
Profit for the period	-	-	-	-	16,210	16,210	4,959	21,169
Total comprehensive income for the period	-	-	(1,227)	(14,469)	17,437	1,741	4,959	6,700
Own shares acquired	-	(4)	-	-	-	(4)	-	(4)
Dividends to owners of the company	-	-	-	-	-	-	(2,002)	(2,002)
Total transactions with owners of the Group	-	(4)	-	-	-	(4)	(2,002)	(2,006)
At 31-Mar-18	219,498	(13,309)	108,023	(12,682)	929,741	1,231,271	56,891	1,288,162
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 of equity-accounted investees	-	-	-	(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 period	-	-	(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

The above condensed consolidated statements 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 31 MARCH 2019 – unaudited

In thousands of RM	**For the 3 months period ended 31-Mar-19**	**For the 3 months period ended 31-Mar-18**
Cash flows from operating activities		
Profit before tax and non-controlling interests	20,409	28,838
Adjustments for non-cash items	18,168	10,322
Changes in working capital	(37,063)	(13,794)
Cash generated from operations	1,514	25,366
Interest/Tax/Employee benefits/provision	(4,955)	(3,259)
Net cash (used in)/generated from operating activities	(3,441)	22,107
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	419	354
Acquisition of property, plant and equipment	(7,875)	(7,653)
Net decrease in other investments	62,894	3,298
Additions of intangible assets	(1,150)	(2,129)
Repayment of lease liabilities	(357)	-
Net cash generated from/(used in) investing activities	53,931	(6,130)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(2,002)	(2,002)
Net drawdown of loans and borrowings	3,617	(9,738)
Own shares acquired	-	(4)
Net cash generated from/(used in) financing activities	1,615	(11,744)
Net increase in cash and cash equivalents	52,105	4,233
Effect of exchange rate fluctuations	(601)	(3,094)
Cash and cash equivalents at 1 January	225,789	232,809
Cash and cash equivalents at the end of period	**277,293**	**233,948**

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

Cash and bank balances	51,663	55,974
Deposits and corporate management account with licensed banks	225,630	177,974
	277,293	**233,948**

The above condensed consolidated statements 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 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 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 Malaysian Financial Reporting Standards ("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 and a lease liability at 1 January 2019. The right-of-use asset is initially measured at costs, 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 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 RM31,330,000 of right-of-use assets and RM16,406,000 of lease liabilities as at 31 March 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 three months ended 31 March 2019, the Group recognized RM708,000 of depreciation charges and RM339,000 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

No dividends were paid during the quarter ended 31 March 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 ("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**			
	31-Mar-19		**31-Mar-18**	
	Segment Revenue	**Profit/(loss) before tax**	**Segment Revenue**	**Profit/(loss) before tax**
Suspension	50,102	(269)	56,740	4,141
Interior & Plastics	282,496	24,072	217,926	16,780
Electrical & Heat Exchange	29,207	399	33,775	3,664
Marketing	63,079	2,509	66,721	3,575
Non-reportable segment	19,279	(1,352)	16,182	(459)
Indonesia Operations	12,142	(4,297)	14,710	(584)
All Other Segments	26,768	(1,112)	28,993	1,137
	483,073	19,950	435,047	28,254
Eliminations	(115,464)	459	(114,738)	584
	367,609	20,409	320,309	28,838

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	
	Current Quarter Ended	**Corresponding Quarter Ended**
With TCMH Group	**31-Mar-19**	**31-Mar-18**
Sales	22,218	18,419
Provision of services	40	40
Purchases	(12,964)	(3,044)
Administrative and consultancy services	(18)	-
Insurance	(4,556)	(2,278)
Rental expenses	(89)	(74)
Rental income	386	403

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	
	Current Quarter Ended	**Corresponding Quarter Ended**
With WTCH Group	**31-Mar-19**	**31-Mar-18**
Sales	112	150
Purchases	(11)	(43)
Administrative and consultancy services	(640)	(496)
Rental income	93	113
Rental expenses	(329)	(263)

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	
	Current Quarter Ended	**Corresponding Quarter Ended**
With TCIL Group	**31-Mar-19**	**31-Mar-18**
Sales	37	803
Rental expenses	(19)	(9)

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 31 March 2019.

A15. CAPITAL COMMITMENTS

(i) Capital Commitment

In thousands of RM	**31-Mar-19**	**31-Mar-18**
Authorized but not contracted for	43,306	57,552
Contracted but not provided for	16,527	22,070
Total	**59,833**	**79,622**

(ii) Non-cancellable operating lease commitment

	31-Mar-19	**31-Mar-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	-	938
More than 1 year but not later than 5 years	-	3,751
More than 5 years	-	57,657
TOTAL	-	62,346

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, 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 was reflected in net assets per share which grew from RM6.31 in 2018 to RM6.35 in the first quarter of 2019 ("1Q'19"). Likewise, the Group's Current Ratio had improved from 2.8 times to 2.9 times (Current Ratio = Current Assets / Current Liabilities) as trade and other payables reduced by 9.5% or RM24 million in 1Q'19 compared to 31 December 2018. The Group's financial position remains healthy with a net cash position (=cash and cash equivalent + other investment – bank borrowing) of RM269.4 million.

Statement of Cash Flow and Capital Expenditure

Prompt payment to suppliers and longer credit period given to customers have resulted in a shortfall in cash from operating activities of RM3.5 million, representing a decrease of 115.7% compared to corresponding quarter of last year.

Cash flow from investing activities generated RM54 million as at 31 March 2019. This was mainly due to the withdrawal of investment in unit trust which is a money market fund following the removal of tax exempt on the interest income derived from the wholesale fund with effect from 1 January 2019.

Malaysia is slowly advancing towards Industry 4.0. Local industries are urged to increase productivity, efficiency, quality, and to also develop new skills and talent with human capital. As such, the Group has taken the initiative to upgrade its production facilities and strived for process improvement. As at 31 March 2019, the Group's capital commitments stood at RM59.8 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 ("**ICPs**") Programme and Islamic Medium Term Notes ("**IMTNs**") 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

1Q'19 vs. 1Q'18

The Group recorded revenue of RM367.6 million for the 1Q'19, an increase of 14.8% compared to the first quarter of 2018 ("1Q'18") of RM320.3 million mainly due to higher sales from Interior and Plastic Division.

However, the Group's Profit Before Tax ("PBT") declined by 29.2% or RM8.4 million (1Q'19: RM20.4 million; 1Q'18: RM28.8 million). Loss from Indonesia operations had worsened while the Suspension division also experienced lower export sales and higher production costs during the first quarter of the year.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

Suspension Division

The Suspension Division's revenue declined by 11.7% to RM50.1 million in the current quarter compared to RM56.7 million in 1Q'18 due to lower export to the Russian and Australian markets as their economies are experiencing slowdown. 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 of RM0.3 million compared to a PBT of RM4.1 million for the same period last year.

Interior & Plastics Division

The Interior & Plastics division experienced impressive growth in both revenue and PBT. Revenue increased by 29.6% to RM282.5 million in 1Q'19 against RM217.9 million in 1Q'18, backed mainly by higher demand from OEM customers following the supply of new parts for localization content and new model launch in the fourth quarter of 2018 ("4Q'18").

In line with the revenue growth, the Division's PBT improved by 43.4% to RM24.1 million from RM16.8 million recorded in corresponding quarter of last year. Favourable product mix that generated higher margin contributed to the improved profitability.

Electrical & Heat Exchange Division

The Electrical & Heat Exchange division generated quarterly revenue of RM29.2 million, a decrease of 13.6% from RM33.8 million in the same quarter of last year. In tandem with reduced in revenue, PBT decreased from RM3.7 million to RM0.4 million, mainly attributed to lower call-in from certain OEM models. Included in the corresponding period of last year, the division received favourable price adjustment from one of its key OEM customers.

Marketing Division

The Marketing Division experienced lower export sales for its leaf spring products during the first three months of the year. As a result, revenue declined by 5.4% to RM63.1 million from RM66.7 million. Likewise, the Division's PBT decreased from RM3.6 million to RM2.5 million. The lower PBT was also caused by unfavourable product mix, higher distribution costs and branding expenses.

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 forms 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 revenue of the 1Q'19 increased to RM19.3 million from RM16.2 million recorded in the same quarter of last year. Improved motor vehicle trade and retail was the primary driver and main contributor to the revenue increase. Notwithstanding this, the Division had incurred higher loss of RM1.4 million from RM0.5 million mainly due to higher administrative expenses.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

Segmental Review (Cont'd)

Indonesia Operations

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

The Division reported lower revenue by 17.7% (1Q'19: RM12.1 million; 1Q'18: RM14.7 million), mainly due to lower demand from OEM customers. The profitability of our Indonesia operations was affected by the rising cost of raw materials and low production volume. In addition, higher share of associate's loss (caused by provision for stock obsolescence) also contributed to the Division's loss of RM4.3 million for the current quarter.

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").

Revenue for the Operations outside Malaysia reduced by 7.6% (1Q'19: RM26.8 million; 1Q'18: RM29.0 million) mainly due to lower export sales experienced by the Vietnam operations. In the first 3-month of 2019, this Division posted loss before tax of RM1.1 million compared to a profit of RM1.1 million recorded in the same quarter of last year. The higher operating costs incurred by our USA (caused mainly by higher staff costs and rental of warehouses) and Myanmar Operation (resulting from the impact of adoption of MFRS16) are the main contributors to the loss. Moreover, our seats operations in Australia experienced lower profitability due to higher staff costs and material usages.

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

	Segment Revenue				Segment Profit Before Tax			
			Changes				Changes	
In Thousands of RM	31-Mar-19	31-Dec-18	Amount	%	31-Mar-19	31-Dec-18	Amount	%
Suspension	50,102	55,995	(5,893)	-10.5%	(269)	1,961	(2,230)	-113.7%
Interior & Plastics	282,496	280,057	2,439	0.9%	24,072	21,628	2,444	11.3%
Electricals & Heat Exchange	29,207	35,379	(6,172)	-17.4%	399	2,000	(1,601)	-80.1%
Marketing	63,079	60,140	2,939	4.9%	2,509	1,146	1,363	118.9%
Non-reportable segment	19,279	18,205	1,074	5.9%	(1,352)	3,407	(4,759)	-139.7%
Indonesia Operations	12,142	13,000	(858)	-6.6%	(4,297)	(3,901)	(396)	10.2%
All Other Segments	26,768	29,128	(2,360)	-8.1%	(1,112)	(2,025)	913	-45.1%
	483,073	491,904	(8,831)	-1.8%	19,950	24,216	(4,266)	-17.6%
Eliminations	(115,464)	(109,319)	(6,145)	5.6%	459	222	237	106.8%
	367,609	382,585	(14,976)	-3.9%	20,409	24,438	(4,029)	-16.5%

Revenue and PBT of the Group were lower by 3.9% and 16.5% respectively compared to preceding quarter.

B2. MATERIAL CHANGE IN PERFORMANCE OF OPERATING SEGMENTS OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (CONT'D)

Suspension, Electricals & Heat Exchange and Indonesia Operations experienced slower sales due to lower demand from OEM as most of OEM customers have shorter production period due to festive session in 1Q'19. Correspondingly, these divisions' PBT had decreased.

On the other hand, Interior and Plastics Division recorded higher revenue and profitability mainly due to higher demand from OEM customers following the supply of new parts for localization content and new model launch in 4Q'18.

The Non-reportable segment recorded a loss of RM1.4 million compared to preceding quarter's profit of RM3.4 million mainly due to higher staff costs recognized in the current quarter and the recognition of fair value gain on investment properties of RM3.5 million in the 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 United States of America, 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.

On the local front, the Malaysian Automotive Association (MAA) anticipates growth of just 0.21% in Total Industry Volume (TIV) for 2019 as the local automotive industry for 2019 is expected to stagnate.

In Thailand, where APM is present, the delays and uncertainty in the results of Thailand's General Election have caused added uncertainties in a slowing economy.

According to Forbes, the outlook for Australian automotive market, where APM is also active and present, appears grim. Economic indicators are pointing to contraction for the entire auto industry, which can be magnified if trade conditions worsen.

Meanwhile, on the European front, APM continues to push towards further market penetration into the UK and the rest of Europe but the outcome remains unclear in light of the underlying uncertainties away from the final outcome and direction of "Brexit". The current decline in export sales volume is unsurprising and anticipated. In recognizing such a trend, APM has and will continue to pursue other markets in Europe aggressively to mitigate the decline.

The ongoing trade tensions between the US and China with Beijing signaling that it would retaliate with "necessary countermeasures" if the US raised tariffs on Chinese products, has also contributed towards the instability in the global automotive industry.

While the downside risks to global growth remain, the lowering of the Overnight Policy Rate (OPR) to 3% and the growth projection between the range of 4.3% and 4.8% by Bank Negara Malaysia have provided some level of comfort and boost.

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 to the Group.

B4. INCOME TAX EXPENSE

In thousands of RM	INDIVIDUAL QUARTER	
	Current Quarter Ended 31-Mar-19	**Corresponding Quarter Ended 31-Mar-18**
Current tax		
- Current year	5,766	6,819
- Prior year	(120)	(17)
Deferred tax		
- Current year	(584)	867
- Prior year	19	-
Withholding Tax	12	-
	5,093	7,669

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**
31-Mar-19			
Not past due	209,709	(29)	209,680
Past due 0 - 90 days	25,262	(290)	24,972
Past due 91 - 180 days	1,723	(884)	839
	236,694	(1,203)	235,491
Credit impaired			
Past due more than 180 days	302	(302)	-
Individually impaired	3,530	(3,530)	-
	240,526	**(5,035)**	**235,491**
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 31 March 2019 are as follows:

In thousands of RM

Type Deriavatives	Nominal Amount	Net Fair Value Assets / (Liabilities)	Maturity
Forward foreign exchange contracts	80,843	1,103	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		31-Mar-19	31-Dec-18
Unsecured	- Foreign currency loans	50,056	52,240
	- Revolving credit	35,055	29,255
		85,111	81,495
Amount due within the next 12 months		85,111	81,495

Group borrowings breakdown by currencies.

In thousands of RM

Functional Currency	Denominated In	31-Mar-19	31-Dec-18
RM	RM	35,055	29,255
EUR	EUR	1,310	1,339
AUD	AUD	22,889	23,832
IDR	IDR	24,388	25,579
IDR	USD	1,469	1,490
		85,111	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: 0.87% to 9.15%) per annum.

B9. CHANGES IN MATERIAL LITIGATION

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

B10. DIVIDEND

No dividend has been proposed for the current quarter ended 31 March 2019.

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the Board recommends a final single-tier dividend of 7.0 sen per ordinary share for the year ended 31 December 2018 (2017 – 8.5 sen per ordinary share) which will be paid on 26 June 2019. The entitlement date shall be on 12 June 2019.

The net amount payable is RM13.7 million (2017 – RM16.6 million).

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	
	31-Mar-19	**31-Mar-18**
Profit attributable to the owners of the Company (RM'000)	9,779	16,210
Weighted average number of ordinary shares in issue ('000)	195,583	195,583
Basic EPS (sen)	**5.00**	**8.29**

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

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

	In thousands of RM	**INDIVIDUAL QUARTER (Unaudited) Current Quarter Ended 31-Mar-19**	**(Unaudited) Corresponding Quarter Ended 31-Mar-18**
(a)	Interest income	(2,325)	(2,251)
(b)	Other income including investment income	(1,727)	(1,417)
(c)	Interest expense	1,446	834
(d)	Depreciation and Amortization	13,645	14,081
(e)	Impairment loss on trade receivables	44	-
(f)	Reversal of impairment loss on trade receivables	(653)	-
(g)	Net reversal of slow moving stock	(279)	(834)
(h)	Gain on disposal of property, plant and equipment	(339)	(91)
(i)	Inventory written off	-	1,300
(j)	Net Foreign exchange loss	14	1,332
(k)	Gain on derivatives	(546)	(1,761)

B13. AUTHORISATION FOR ISSUANCE

The condensed consolidated interim financial statements have been authorized for issuance by the Board of Directors in accordance with their resolution on 24 May 2019.

BY ORDER OF THE BOARD

KHOO PENG PENG
SOO SHIOW FANG

Company Secretaries
Kuala Lumpur
Dated: 24 May 2019