



# **APM AUTOMOTIVE HOLDINGS BERHAD**

Registration No. 199701009342 (424838-D)

*(Incorporated in Malaysia)*

## **INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022**

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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 30 JUNE 2022 – unaudited**

<i>In thousands of RM</i>	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current	Corresponding	Change	Cumulative	Cumulative	Change
	Quarter Ended	Quarter Ended		Year to Date	Year to Date	
	30-Jun-22	30-Jun-21		30-Jun-22	30-Jun-21	
<b>Revenue</b>	397,941	250,808	58.7%	802,396	634,477	26%
<b>Results from operating activities</b>	8,944	(13,236)	167.6%	23,030	15,359	50%
<b>Finance costs</b>	(1,228)	(1,144)	-7.3%	(2,329)	(2,382)	2%
<b>Finance income</b>	1,344	1,251	7.4%	2,585	2,674	-3%
<b>Share of the (loss)/profit of equity-accounted associates and joint ventures, net of tax</b>	(982)	359	-373.5%	(893)	161	-655%
<b>Profit/(loss) before tax</b>	8,078	(12,770)	163.3%	22,393	15,812	42%
<b>Income tax expense</b>	(2,417)	(1,876)	-28.8%	(5,476)	(9,930)	45%
<b>Profit/(loss) for the period</b>	5,661	(14,646)	138.7%	16,917	5,882	188%
<b>Other comprehensive income/(expense), net of tax</b>						
<b>Items that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of defined benefit liability for equity-accounted associate and joint ventures	64	541	-88.2%	64	541	-88%
<b>Items that will be reclassified subsequently to profit or loss</b>						
Foreign currency translation differences for consolidated subsidiaries	1,076	(1,199)	189.7%	3,642	926	293%
Foreign currency translation differences for equity-accounted associate and joint ventures	861	421	104.5%	920	153	501%
<b>Other comprehensive income/(expense) for the period, net of tax</b>	2,001	(237)	944.3%	4,626	1,620	186%
<b>Total comprehensive income/(loss) for the period</b>	7,662	(14,883)	151.5%	21,543	7,502	187%
<b>Profit/(loss) attributable to :</b>						
Owners of the Company	2,976	(16,359)	118.2%	10,169	(2,007)	607%
Non-controlling interests	2,685	1,713	56.7%	6,748	7,889	-14%
<b>Profit/(loss) for the period</b>	5,661	(14,646)	138.7%	16,917	5,882	188%
<b>Total comprehensive income attributable to :</b>						
Owners of the Company	4,977	(16,596)	130.0%	14,795	(387)	3923%
Non-controlling interests	2,685	1,713	56.7%	6,748	7,889	-14%
<b>Total comprehensive income/(loss) for the period</b>	7,662	(14,883)	151.5%	21,543	7,502	187%
<b>Earnings/(Loss) per ordinary share</b>						
Basic (sen)	1.52	(8.37)	118.2%	5.20	(1.03)	607%

*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 2021 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 30 JUNE 2022 – unaudited**

<i>In thousands of RM</i>	<b>As at 30-Jun-22</b>	<b>As at 31-Dec-21 (Audited)</b>
<b>Assets</b>		
Property, plant and equipment	631,191	649,390
Investment properties	106,660	106,660
Investments in joint ventures	76,834	72,159
Intangible assets	21,007	24,364
Deferred tax assets	23,055	22,325
<b>Total non-current assets</b>	<b>858,747</b>	<b>874,898</b>
Inventories	335,709	359,878
Trade and other receivables, including derivatives	317,709	300,171
Current tax assets	5,649	6,682
Other investments	8,179	8,027
Cash and cash equivalents	309,637	298,992
<b>Total current assets</b>	<b>976,883</b>	<b>973,750</b>
<b>Total assets</b>	<b>1,835,630</b>	<b>1,848,648</b>
<b>Equity</b>		
Share capital	219,498	219,498
Reserves	1,088,942	1,087,832
Treasury shares	(13,506)	(13,506)
<b>Total equity attributable to owners of the Company</b>	<b>1,294,934</b>	<b>1,293,824</b>
Non-controlling interests	70,445	70,148
<b>Total equity</b>	<b>1,365,379</b>	<b>1,363,972</b>
<b>Liabilities</b>		
Employee benefits	32,775	31,788
Lease liabilities	17,694	16,314
Deferred tax liabilities	62,120	64,506
<b>Total non-current liabilities</b>	<b>112,589</b>	<b>112,608</b>
Trade and other payables, including derivatives	276,495	284,902
Lease liabilities	2,661	3,079
Loans and borrowings	74,244	79,483
Current tax liabilities	4,262	4,604
<b>Total current liabilities</b>	<b>357,662</b>	<b>372,068</b>
<b>Total liabilities</b>	<b>470,251</b>	<b>484,676</b>
<b>Total equity and liabilities</b>	<b>1,835,630</b>	<b>1,848,648</b>
Net assets per share attributable to owners of the Company* (RM)	6.62	6.62

*\*Net assets per share is calculated based on total share capital in issue less treasury shares of 6,105,700.*

*The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 CASH FLOWS  
FOR THE QUARTER ENDED 30 JUNE 2022 – unaudited**

<i>In thousands of RM</i>	<b>For the 6 months year ended 30-Jun-22</b>	<b>For the 6 months year ended 30-Jun-21</b>
<b>Cash flows from operating activities</b>		
Profit before tax and non-controlling interests	22,393	15,812
Adjustments for non-cash items	42,022	32,639
<b>Operating profit before working capital changes</b>	<b>64,415</b>	<b>48,451</b>
Deposits and prepayments	(7,913)	(8,207)
Inventories	22,265	(38,655)
Trade and other payables, including derivatives	(8,781)	(89,044)
Trade and other receivables, including derivatives	(9,443)	112,155
<b>Cash generated from operations</b>	<b>60,543</b>	<b>24,700</b>
Employee benefits paid	(727)	(398)
Interest received	2,585	2,674
Interest paid	(2,328)	(2,382)
Warranties paid	(884)	(1,066)
Net income tax paid	(7,883)	(9,639)
<b>Net cash generated from operating activities</b>	<b>51,306</b>	<b>13,889</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	238	158
Acquisition of property, plant and equipment	(7,905)	(6,080)
Net (increase)/decrease in other investments	(152)	54,387
Additions of intangible assets	(3,012)	(1,432)
Investment in joint ventures	(4,647)	(16,343)
<b>Net cash (used in)/generated from investing activities</b>	<b>(15,478)</b>	<b>30,690</b>
<b>Cash flows from financing activities</b>		
Dividends paid to non-controlling interests	(4,001)	(4,001)
Dividends paid to owners of the Company	(13,685)	(13,685)
Net repayment of loans and borrowings	(5,239)	(13,526)
Payment of lease liabilities	(1,787)	(493)
Payment of reduction of share capital in subsidiary to non-controlling interest	(2,450)	-
<b>Net cash used in financing activities</b>	<b>(27,162)</b>	<b>(31,705)</b>
Net cash increase in cash and cash equivalents	8,666	12,874
Effect of exchange rate fluctuations	1,979	1,290
Cash and cash equivalents at 1 January	298,992	203,837
<b>Cash and cash equivalents at the end of period</b>	<b>309,637</b>	<b>218,001</b>

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

Cash and bank balances	56,678	64,771
Deposits and corporate management account with licensed banks	252,959	153,230
	<b>309,637</b>	<b>218,001</b>

*The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2021. 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 2021.

## **A2. SIGNIFICANT ACCOUNTING POLICIES**

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

During the financial period the Group has adopted the following interpretations and amendments issued by the Malaysian Accounting Standards Board (“MASB”), which became effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*.
- 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 116, *Property, Plant and Equipment – Proceeds before Intended Use*; and
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*.

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

The following are accounting standards, interpretations and amendments to 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 January 2023***

- MFRS 17, *Insurance Contracts*;
- Amendments to MFRS17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*;
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*;
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*; and
- Amendments to MFRS 112, *Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*.

## **A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*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 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts*, Amendments to MFRS 17 *Insurance Contracts* and Amendments to *Initial Application of MFRS 17 and MFRS 9—Comparative Information* (Amendment to MFRS 17 *Insurance Contracts*) which 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 and prior year financial statements of the Group.

## **A3. AUDIT QUALIFICATIONS**

There were no audit qualifications in the annual financial statements of the Group for the year ended 31 December 2021.

## **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 had a material effect on the assets, liabilities, equity, net income or cash flows for the quarter ended 30 June 2022.

## **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 (2020: 7.0 sen) totalling RM13.7 million (2020: RM13.7 million) in respect of the financial year ended 31 December 2021 was paid on 11 May 2022.

## **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;
- *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; provision of management services for companies within the Group and provision of automotive research and development services;
- *Indonesia operations:* comprises business in Indonesia; and
- *All other segments:* comprises businesses in Vietnam, Australia, India, Canada, the United States of America, the Netherlands, Thailand, Myanmar and the United Kingdom.

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 segmental 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**

	30-Jun-22		30-Jun-21	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>
Suspension	57,681	1,170	34,766	(4,106)
Interior & Plastics	295,448	12,286	156,782	(4,994)
Electrical & Heat Exchange	25,864	(1,356)	19,961	(2,217)
Marketing	76,255	2,951	49,226	529
Non-reportable segment	13,087	(924)	11,221	(2,494)
Indonesia Operations	21,474	(5,328)	17,087	(2,832)
All Other Segments	35,183	(476)	40,847	3,005
	524,992	8,323	329,890	(13,109)
Eliminations	(127,051)	(245)	(79,082)	339
	397,941	8,078	250,808	(12,770)

*In thousands of RM*

**CUMULATIVE QUARTER**

	30-Jun-22		30-Jun-21	
	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>	<u>Segment Revenue</u>	<u>Profit/(loss) before tax</u>
Suspension	114,048	1,518	85,143	(2,476)
Interior & Plastics	575,610	28,157	427,050	18,144
Electrical & Heat Exchange	52,255	(2,080)	46,628	(2,418)
Marketing	162,581	5,911	118,259	3,824
Non-reportable segment	26,172	(3,659)	24,907	(3,831)
Indonesia Operations	48,041	(6,964)	36,055	(5,160)
All Other Segments	74,099	(449)	85,370	7,048
	1,052,806	22,434	823,412	15,131
Eliminations	(250,410)	(41)	(188,935)	681
	802,396	22,393	634,477	15,812

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

The valuations of properties, right-of-use assets and investment properties were brought forward without amendment from the annual financial statements for the year ended 31 December 2021.

**APM AUTOMOTIVE HOLDINGS BERHAD (Registration No. 199701009342 (424838-D))**  
**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**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 certain 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	Corresponding	Cumulative	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
<u>With TCMH Group</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Sales	8,495	2,699	17,608	6,995
Provision of services	125	98	287	255
Purchases	(1,024)	(423)	(2,675)	(709)
Administrative and consultancy services	(278)	(302)	(431)	(970)
Insurance	(1,852)	(64)	(5,054)	(4,523)
Rental expenses	(4)	(17)	(9)	(31)
Rental income	450	567	900	909

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

*In thousands of RM*

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Corresponding	Cumulative	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
<u>With WTCH Group</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Sales/(Sales return)	141	21	323	(127)
Purchases	(209)	(102)	(232)	(119)
Administrative and consultancy services	(141)	(17)	(175)	(79)
Rental income	129	129	258	258
Rental expenses	(338)	(332)	(655)	(636)

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

*In thousands of RM*

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Corresponding	Cumulative	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
<u>With TCIL Group</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Sales	13	27	54	30
Purchases	-	(6)	-	(6)
Rental expenses	(16)	(15)	(36)	(30)

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

**A11. RELATED PARTY DISCLOSURES (CON'T)**

<i>In thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Corresponding	Cumulative	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
<u>Key management personnel</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Director				
Rental expenses	-	(4)	-	(18)

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

**A12. MATERIAL SUBSEQUENT EVENT**

On 15<sup>th</sup> August 2022, the Group had completed the issuance of RM50.0 million in nominal value of Islamic Medium Term Notes (“IMTN”) under the Group’s IMTN Programme. Proceeds from the issuance of the IMTN would be utilised for working capital requirements.

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 dissolution of two subsidiaries.

APM Chemicals Sdn. Bhd. (“APM CHEM”) and APM Suspension Systems Sdn. Bhd. (“APM SUS”), both wholly-owned subsidiaries of the Group had been struck off from the Register of the Companies Commission of Malaysia following publication of the names of APM CHEM and APM SUS pursuant to Section 551(3) of the Companies Act, 2016 in the Gazette on 20 April 2022.

The striking off has no material financial or operational effects in the Group for the quarter ended 30 June 2022.

**A14. CONTINGENT ASSETS AND LIABILITIES**

There were no contingent assets or contingent liabilities as at 30 June 2022.

**A15. CAPITAL COMMITMENTS**

*In thousands of RM*

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Contracted but not provided for	13,015	11,997

## **B1. OPERATING SEGMENTS REVIEW**

### **Statement of Financial Position**

The financial position of the Group is stable as its net assets per share of RM6.62 as at the end of Q2 2022, remain unchanged from 31 December 2021. The Group's Current Ratio improved notably from 2.62 times to 2.73 times (Current Ratio = Current Assets / Current Liabilities) as inventories saw a reduction of 6.7% or RM24.2 million in Q2 2022 compared to 31 December 2021. Overall, the Group's financial position remains robust with a net cash position (i.e. cash and cash equivalents plus other investments and deduct bank borrowings) of RM243.6 million. Its current financial position is primarily driven by net profits earned during the 1st half of the year.

### **Statement of Cash Flows and Capital Expenditure**

Net cash generated from the Group's operating activities for the 6-month period ended 30 June 2022 increased to RM51.3 million or 269.4%, compared to corresponding period of the previous year at RM13.9 million. This increase was largely due to a decrease in inventories caused mainly by material usage for production and sales purposes in first half of the year and an increase in trade and other receivables (due to higher sales in Q2 2022). For the same period of last year, net cash generated from operating activities were lower due to the implementation of measures designed to mitigate the impact of the pandemic which included an increase in material purchases, prompt payment to suppliers, longer credit period given to customers and billing deferments in June 2021 due to closure of the Group's plants in Malaysia.

During the period under review, the Group subscribed for the new issuance of shares by one of its joint venture at RM4.6 million to facilitate the acquisition of machineries and equipment for RM7.9 million. Consequently, the use of Group's net cash for investing activities now stands at RM15.5 million as opposed to net cash of RM30.7 million generated in the corresponding period of the previous year due primarily to the withdrawal of the Group's investment in unit trust of RM54.4 million.

Net cash used in financing activities was lower at RM27.2 million compared to RM31.7 million in the same period of last year. This was mainly due to lower repayment of bank loan in the first half of the year of RM5.2 million by the Group compared to RM13.5 million in the corresponding period.

As at 30 June 2022, the Group's capital commitment stood at RM13.0 million, arising from its investment in tooling, machineries/equipment and development costs for the supply of parts for new car models and upgrading of production facilities. These capital commitments will be funded by internally generated funds and/or bank borrowings. As part of its short to medium term risk aversion measures to conserve resources and cash during these uncertain times, the Group decided to continue with its strategy to defer some of its planned capital expenditure.

The Group recognises 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 utilised for future capital investment, if and when required.

## **B1. OPERATING SEGMENTS REVIEW (CONT'D)**

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

#### **Q2 2022 vs. Q2 2021**

The Group's revenue increased by 58.7% in Q2 2022 from RM250.8 million to RM397.9 million mainly due to sustained and longer operating period. In the corresponding quarter of 2021, many businesses and operations in Malaysia (including those of the Group) were closed in compliance with lockdown protocols imposed by the Government due to the spread of the Covid-19 virus at the time where no revenue was generated.

With the increase in revenue, the Group registered Profit Before Tax ("PBT") of RM8.0 million for the quarter under review compared to Loss Before Tax ("LBT") of RM12.8 million in the same quarter last year.

#### **Year-to-date 2022 ("YTD 2022") vs Year-to-date 2021 ("YTD 2021")**

The Group's revenue registered a growth of 26.5% to RM802.4 million from RM634.5 million a year ago, due to higher demands from its domestic and international Original Equipment Manufacturing ("OEM") and Replacement Market ("REM") customers, propelled by recovery in the global economy following the softening of pandemic impact. Despite headwinds from the Russian invasion of Ukraine, labour shortages and semi-conductor chipset scarcity, the local automotive industry is set on the road to recovery from the economic impact of the pandemic at the start of 2022, largely due to the Government's decision to extend the sales exemption period for the purchase of new vehicles

In line with higher revenue, the Group's pre-tax profit improved significantly by 42% to RM22.4 million for the 1<sup>st</sup> half of the year.

#### **Suspension Division**

The Suspension Division's revenue for the current quarter and YTD 2022 increased 65.9% and 33.9% to RM57.7 million and RM114.1 million respectively. This increase was due to higher sales recorded from all segments i.e. export, local Original Equipment Manufacturer ("OEM") and Replacement Market ("REM"), as the domestic and global market seemingly began to improve.

Comparatively, lower revenue was chalked by the Division in the corresponding period of last year due mainly to closure of the Group's plants from 1 June 2021 because of Covid 19 lockdown measures imposed by the Government as explained earlier.

On the back of higher revenue, the Suspension Division turned around from a LBT of RM4.1 million in last year's corresponding quarter to PBT of RM1.2 million for the current quarter under review. The LBT of RM4.1 million in the same quarter of last year was mainly due to the Division's inability to generate revenue in view of Covid-19 lockdown measures imposed by the Government at the time whilst production overheads and administrative expenses remained relatively fixed.

Combined with PBT of RM0.3 million in Q1 2022, the YTD 2022 PBT increased to RM1.5 million compared to a loss of RM2.5 million reported in YTD 2021, for the same reasons as explained earlier.

**B1. OPERATING SEGMENTS REVIEW (CONT'D)**

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

**Interior & Plastics Division**

According to the Malaysian Automotive Association's statistics, illustrated in table below, the Total Industry Production ("TIP") in Q2 2022 and 1<sup>st</sup> half of the year increased by 74% and 32% respectively for the reasons as explained earlier (i.e. longer operating period and sale tax exemption) coupled with new model launches in first half of 2022.

<b>Total Industry Production ("TIP") Volume</b>				
			<b>Variance</b>	
	<b>Year 2022</b>	<b>Year 2021</b>	<b>Units</b>	<b>%</b>
<b>1st Quarter</b>	154,160	147,086	7,074	5%
<b>2nd Quarter</b>	163,773	94,202	69,571	74%
<b>Total</b>	<b>317,933</b>	<b>241,288</b>	<b>76,645</b>	<b>32%</b>

The Group's Interior & Plastics Division revenue source is largely derived from the local carmakers. As such, the higher revenue by 88.4% at RM295.4 million represents a clear reflection of the higher TIP. With a higher revenue base, this Division recorded a PBT of RM12.3 million in Q2 2022 as compared to the LBT of RM5.0 million in Q2 2021.

Likewise, for the first two quarters of the year, revenue and PBT of the Division increased significantly from RM427.1 million and RM18.2 million to RM575.6 million and RM28.2 million respectively, mainly due to the reasons mentioned earlier.

**Electrical & Heat Exchange Division**

Revenue for the Group's Electrical & Heat Exchange Division saw an increase of 29.5% from RM20.0 million in the previous corresponding quarter to RM25.9 million – this was made possible by the longer operating period as explained earlier to fulfill higher demand from certain OEM customers. In tandem with higher revenue, this Division ended the quarter at lower LBT of RM1.4 million compared to LBT of RM2.2 million reported in Q2 2021.

Consistent with the above, this Division also experienced higher demands from certain OEM customers beginning of the year, resulting in YTD 2021's revenue increasing to RM52.3 million from RM46.6 million a year ago. This Division registered year-to-date LBT of RM2.1 million, lower by 14.0% compared to the LBT of RM2.4 million in YTD 2021 on the back of higher revenue.

**B1. OPERATING SEGMENTS REVIEW (CONT'D)**

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

**Marketing Division**

The Marketing Division's revenue and pre-tax profit increased by 54.9% to RM76.3 million and 457.8% to RM3.0 million respectively. The higher revenue was facilitated by higher export demands (especially from America and Australia) and improved local REM sales. The surge in revenue from local REM segment was due largely to the shortage of imported parts caused by supply chain disruption to competitors (especially those from Vietnam and China) augmented by the longer operating period as explained earlier. Export sales were also boosted by improvements to the global economy and shipment availability. Consequently, the above translated into higher profitability. The above outcome was also contributed by favourable net foreign exchange gains (realised and unrealised) on trade receivables/creditors and favourable product mix also contributed to higher PBT.

Consistently, the Marketing Division's revenue for the first six months of 2022 increased by 37.5% to RM162.6 million and this Division recorded higher PBT of RM5.9 million, compared to a PBT of RM3.8 million in the same period of last year.

**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 to internal and external customers.

Non-reportable segment's revenue for Q2 2022 increased by 16.6% to RM13.1 million, mainly due to higher inter-group billing of services resulted from the longer operating period as explained earlier. The higher billing translated into lower LBT by RM1.6 million to record a LBT of RM0.9 million for the current quarter.

Consistent with the above, revenue in this Segment for the first six months of 2022 increased by 5.1% to RM26.2 million and recorded a lower LBT of RM3.7 million compared to RM3.8 million in the same period of last year.

## **B1. OPERATING SEGMENTS REVIEW (CONT'D)**

### **Analysis of Performance of All Operating Segments (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 in Indonesia.

Indonesia Operations managed to maintain its growth in revenue, especially from the manufacturing and supply of coil and leaf springs products for export and local REM market coupled with higher selling prices. Revenue for this segment increased by 25.7 % year-on-year ("YoY") (Q2 2022 : RM21.5 million; Q2 2021 : RM17.1 million). Despite higher revenue, the segment's LBT doubled to RM5.3 million in the current quarter from RM2.8 million in the same quarter of last year. The higher loss was mainly due to higher losses in shares of results from one of the joint-ventures and forex losses resulted from the depreciation of Indonesia Rupiah. The losses sustained by this segment's joint venture was mainly because of the commencement of its operation where revenue was insufficient to cover fixed overheads and administrative expenses; while in the same quarter of last year, this joint venture was at the factory construction stage where lesser expenses were incurred.

Consistent with the current quarter, the Indonesia Operations' YTD revenue increased by 33.2% to RM48.1 million and YTD LBT increased by 34.9% to RM7.0 million.

#### **All Other Segments**

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

Revenue for the Operations Outside of Malaysia experienced a slight contraction of RM5.7 million with decrease of 13.9% YoY. All territories in this segment experienced slower demand, especially in Australia, USA and Vietnam. The Group's seat business in Australia was largely affected by the subdued demand for new buses, disruption of supply chain and the lack of government spending. The Group's Operations in the USA was a casualty of disruption in the logistics industry which caused a dip in its sales, while the reduction of revenue in our Vietnam Operations was caused by the End-of Production ("EOP") of air-conditioner product in March 2022.

On the back of lower revenue, this Division registered LBT of RM0.5 million during the quarter under review compared to PBT of RM3.0 million in the same quarter of last year. Higher operating costs such as staff and new products development expenses, coupled with expenses incurred on the delay in commencement of the Group's Australia Operations in Perth had affected the profitability of this Division. The increase in material prices, especially that of steel, caused a dent in the financial performance of the Group's Vietnam Operations. Moreover, the Covid-19 financial assistance offered by the Government of USA to our operations in the USA helped improve the results of this Division in the same quarter of last year.

Similar to commentary for the quarterly review, the segment revenue decreased from RM85.4 million to RM74.1 million on year-to-date basis, registering a LBT of RM0.7 million compared to PBT of RM7.0 million a year ago.



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

In Thousands of RM	Segment Revenue				Segment Profit/(Loss) Before Tax			
	30-Jun-22	31-Mar-22	Changes		30-Jun-22	31-Mar-22	Changes	
			Amount	%			Amount	%
Suspension	57,681	56,367	1,314	2.3%	1,170	348	822	236.2%
Interior & Plastics	295,448	280,162	15,286	5.5%	12,286	15,871	(3,585)	-22.6%
Electricals & Heat Exchange	25,864	26,391	(527)	-2.0%	(1,356)	(724)	(632)	-87.3%
Marketing	76,255	86,326	(10,071)	-11.7%	2,951	2,960	(9)	-0.3%
Non-reportable segment	13,087	13,085	2	0.0%	(924)	(2,735)	1,811	66.2%
Indonesia Operations	21,474	26,567	(5,093)	-19.2%	(5,328)	(1,636)	(3,692)	-225.7%
All Other Segments	35,183	38,916	(3,733)	-9.6%	(476)	27	(503)	-1863.0%
	524,992	527,814	(2,822)	-0.5%	8,323	14,111	(5,788)	-41.0%
Eliminations	(127,051)	(123,359)	(3,692)	-3.0%	(245)	204	(449)	-220.1%
	397,941	404,455	(6,514)	-1.6%	8,078	14,315	(6,237)	-43.6%

The Group's revenue declined slightly quarter-on-quarter ("QoQ") by 1.6% in Q2 2022 from RM404.5 million to RM397.9 million, mainly due to lower revenue in the Marketing Division and Indonesia Operations. Correspondingly, the Group's PBT narrowed to RM8.1 million from RM14.3 million reported in Q1 2022. Foreign exchange losses suffered by the Indonesia Operations (as explained earlier in B1) and higher operating costs, especially material prices and staff costs (due to increase in minimum wages with effect from 1 May 2022) had negatively impacted the Group's profitability.

For the quarter under review, the Marketing Division, Indonesia Operations and Operations Outside Malaysia registered lower revenue compared to the preceding quarter. The Marketing Division, especially export market, registered higher sales in the Q1 2022. This was mainly attributable to the delivery of unfulfilled orders due to the unavailability of shipments since the last quarter of 2021. Indonesia's REM experienced slower sales activities in current quarter due to prolonged festival holidays in May 2022. The lower revenue recorded by the Operations Outside Malaysia was mainly due to EOP of air-conditioner supplied by our Vietnam operations in March 2022, as explained in Section B1.

The lower revenue gave rise to lower profitability in these three divisions, aggravated by higher material costs and staff related expenses. For Indonesia Operations, higher losses experienced by this segment were also attributable to foreign exchange loss (due to the depreciation of the IDR against US Dollar) which was incurred in the Q2 2022 compared to foreign exchange gain recorded in Q1 2022. Favourable product mix, adjustment of selling price and reversal of over provision of costs had mitigated the negative impact due to lower revenue in the Marketing Division. Hence, its PBT only reduced by RM9,000 despite a drop in revenue by RM10.0 million.

On the other hand, the Interior and Plastics Division registered a higher revenue of 5.5% compared to RM280.2 million in Q1 2022 due mainly to higher call-in from OEM customers, which was reflective of higher TIP in Q2 2022 vs Q1 2022 as shown in Section B1. However, higher operating costs (as explained earlier) adversely affected the performance of this segment resulting in the PBT contraction, i.e, this segment's PBT decreased by 22.6% to RM12.3 million compared to RM15.9 million in the preceding quarter.

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**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 United States of America, Netherlands, Australia, Thailand, Vietnam, the Republic of Indonesia and recently, the United Kingdom.

Despite the ongoing protracted Russo-Ukraine war, looming global recession (see: [Gloomy and More Uncertain](#)), shortage of labour in Malaysia and rise in the cost of doing business, e.g, the hike in material cost, the recent increase of minimum wages (which has impacted the Group's bottom line) and the increase in inflation rate of 3.4% (see: <https://www.dosm.gov.my>), the Group remains optimistic about Malaysia's automotive industry going into the next quarter, backed by Malaysian Automotive Association's (MAA) revision of its Total Industry Volume (TIV) forecast for 2022 from 600,000 to 630,000 units (please refer to MAA's half yearly report for key assumptions supported the revision upward).

The Group, through its subsidiaries, is presently engaging in negotiations with its customers to negotiate for upward selling price adjustments. It is also pursuing opportunities to automate and mechanise its production processes.

The Group will also undertake other measures to mitigate the rising cost of doing business including the relocation of certain labour-intensive processes to its low-cost bases abroad and increase its supplier base as well to explore alternative sourcing.

Notwithstanding the above, the Group continues to exercise prudence and caution in its approach towards business in light of the prevailing uncertainty surrounding its operating environment. The Group will maintain its focus on long-term strategies for business sustainability and towards this end, it will explore feasible mergers, acquisitions, strategic partnerships, joint ventures and alliances, as a way forward to create value for shareholders.

**B4. INCOME TAX EXPENSE**

<i>In thousands of RM</i>	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Quarter Ended <u>30-Jun-22</u></b>	<b>Corresponding Quarter Ended <u>30-Jun-21</u></b>	<b>Cumulative Year To Date <u>30-Jun-22</u></b>	<b>Corresponding Year To Date <u>30-Jun-21</u></b>
<b><u>Current tax</u></b>				
- Current year	4,436	2,103	8,154	10,690
- Prior year	(110)	60	390	508
<b><u>Deferred tax</u></b>				
- Current year	(1,851)	(1,551)	(2,710)	(2,296)
- Prior year	(84)	1,211	(402)	968
Withholding Tax	26	53	44	60
	<u>2,417</u>	<u>1,876</u>	<u>5,476</u>	<u>9,930</u>

The Group's effective tax rate for the financial period ended 30 June 2022 is higher than the statutory tax rate due to current year losses of certain subsidiaries for which no deferred tax asset was recognized.

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**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>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
<b><u>30-Jun-22</u></b>			
Not past due	240,669	(5)	240,664
Past due 1 - 90 days	17,343	(205)	17,138
Past due 91 - 180 days	1,455	(165)	1,290
	<b>259,467</b>	<b>(375)</b>	<b>259,092</b>
<b>Credit impaired</b>			
Past due more than 180 days	3,764	(3,419)	345
Individually impaired	1,332	(1,332)	-
	<b>264,563</b>	<b>(5,126)</b>	<b>259,437</b>
<b><u>31-Dec-21</u></b>			
Not past due	252,809	(211)	252,598
Past due 1 - 90 days	8,060	(168)	7,892
Past due 91 - 180 days	1,051	(204)	847
	<b>261,920</b>	<b>(583)</b>	<b>261,337</b>
<b>Credit impaired</b>			
Past due more than 180 days	3,725	(3,725)	-
Individually impaired	1,000	(1,000)	-
	<b>266,645</b>	<b>(5,308)</b>	<b>261,337</b>

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 realisable 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 2022 are as follows:

*In thousands of RM*

<b>Type Derivatives</b>	<b>Nominal Amount</b>	<b>Net Fair Value Assets / (Liabilities)</b>	<b>Maturity</b>
Forward foreign exchange contracts	38,063	(1,096)	Less than 1 year

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**B7. FINANCIAL INSTRUMENTS AND REALISED AND UNREALISED PROFITS (CONT'D)**

Derivative financial instruments entered into by the Group are similar to those disclosed in the consolidated annual financial statements for the year ended 31 December 2021. 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>		<b>30-Jun-22</b>	<b>31-Dec-21</b>
Unsecured	- Foreign currency borrowings	58,118	56,117
	- Local currency borrowings	16,126	23,366
		<u>74,244</u>	<u>79,483</u>
Amount due within the next 12 months		<u>74,244</u>	<u>79,483</u>

*In thousands of RM*

Functional Currency	Denominated In	<b>30-Jun-22</b>	<b>31-Dec-21</b>
RM	RM	16,126	23,366
RM	USD	-	1,092
EUR	EUR	1,886	1,794
AUD	AUD	12,903	12,873
IDR	IDR	28,065	24,841
IDR	USD	15,356	15,517
		<u>74,244</u>	<u>79,483</u>

The borrowings are mainly bank trade facilities utilized for working capital purposes.

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 0.699% to 6.95% (2021: 0.56% to 6.95%) 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 30 June 2022.

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**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-22	30-Jun-21	30-Jun-22	30-Jun-21
Profit attributable to the owners of the Company (RM'000)	2,976	(16,359)	10,169	(2,007)
Weighted average number of ordinary shares in issue ('000)	195,494	195,494	195,494	195,494
<b>Basic EPS/(LPS) (sen)</b>	<b>1.52</b>	<b>(8.37)</b>	<b>5.20</b>	<b>(1.03)</b>

The total number of ordinary shares issued by the Company as at 30 June 2022 was 195,494,300 (30 June 2021: 195,494,300).

**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		CUMULATIVE QUARTER	
	(Unaudited) Current Quarter Ended 30-Jun-22	(Unaudited) Corresponding Quarter Ended 30-Jun-21	(Unaudited) Cumulative Year To Date 30-Jun-22	(Unaudited) Corresponding Year To Date 30-Jun-21
(a) Interest income	(1,344)	(1,251)	(2,585)	(2,674)
(b) Interest expense	1,228	1,144	2,329	2,382
(c) Depreciation and Amortization	15,258	15,197	36,716	30,467
(d) Net impairment gain on trade receivables	(159)	427	(198)	(50)
(e) Provision/(write back) for slow moving stock	1,445	(351)	1,761	71
(f) Net gain on disposal of property, plant and equipment	(65)	(5)	(36)	(83)
(g) Net foreign exchange (gain)/loss	(2,991)	447	(4,412)	(661)
(h) Loss/(gain) on derivatives	844	(358)	1,048	(86)

**B13. AUTHORISATION FOR ISSUE**

The condensed consolidated interim financial statements have been authorised for issue by the Board of Directors in accordance with its resolution on 30 August 2022.

**BY ORDER OF THE BOARD**

SOO SHIOW FANG  
 Company Secretary  
 Kuala Lumpur  
 Dated: 30 August 2022