APM AUTOMOTIVE HOLDINGS BERHAD

(Company No. 424838-D)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 2019 – unaudited

In thousands of RM	INDIVIDUAL QUARTER Current Quarter Ended 30-Sep-19	Corresponding Quarter Ended 30-Sep-18	Change	CUMULATIVE QUARTER Cumulative Year to Date 30-Sep-19	Cumulative Year to Date 30-Sep-18	Change
Revenue	384,660	335,997	14%	1,110,638	951,787	17%
Results from operating activities	18,143	12,238	48%	54,420	47,048	16%
Finance costs	(1,520)	(829)	-83%	(4,428)	(2,368)	-87%
Finance income	2,308	2,587	-11%	7,065	7,629	-7%
Share of the (loss)/profit of equity-accounted associates and joint ventures, net of tax	(5,095)	(386)	-1220%	(5,143)	694	-841%
Profit before tax	13,836	13,610	2%	51,914	53,003	-2%
Income tax expense	(6,310)	(4,700)	-34%	(15,431)	(16,891)	9%
Profit for the period	7,526	8,910	-16%	36,483	36,112	1%
Other comprehensive income, net of tax						
Items that will be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	1,265	1,970	-36%	5,887	(8,650)	168%
Share of foreign currency translation differences of equity-accounted investees	(145)	(79)	-84%	1,131	(2,207)	151%
Other comprehensive expense for the period, net of tax	1,120	1,891	-41%	7,018	(10,857)	165%
Total comprehensive income for the period	8,646	10,801	-20%	43,501	25,255	72%
Profit attributable to :						
Owners of the Company	2,385	3,348	-29%	20,724	21,106	-2%
Non-controlling interests	5,141	5,562	-8%	15,759	15,006	5%
Profit for the period	7,526	8,910	-16%	36,483	36,112	1%
Total comprehensive income attributable to :						
Owners of the Company	3,505	5,239	-33%	27,742	10,249	171%
Non-controlling interests	5,141	5,562	-8%	15,759	15,006	5%
Total comprehensive income for the period	8,646	10,801	-20%	43,501	25,255	72%
Earnings per share						
Basic (sen)	1.22	1.71	-29%	10.60	10.79	-2%

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 SEPTEMBER 2019 – unaudited

In thousands of RM	**As at 30-Sep-19**	**As at 31-Dec-18** (Audited)
Assets		
Property, plant & equipment	551,484	559,853
Prepaid lease payments	-	15,275
Investment properties	111,520	111,520
Investment in an associate	4,601	9,952
Investments in joint ventures	33,504	32,165
Intangible assets	15,760	18,392
Right-of-use assets	34,568	-
Deferred tax assets	16,282	16,799
Total non-current assets	767,719	763,956
Inventories	275,985	277,798
Trade and other receivables, including derivatives	305,186	297,058
Other investments	40,531	140,078
Cash and cash equivalents	300,209	225,789
Total current assets	921,911	940,723
Total assets	1,689,630	1,704,679
Equity		
Share capital	219,498	219,498
Reserves	1,041,935	1,027,887
Treasury shares	(13,312)	(13,312)
Total equity attributable to owners of the Company	1,248,121	1,234,073
Non-controlling interests	75,705	67,948
Total equity	1,323,826	1,302,021
Liabilities		
Employee benefits	22,338	21,730
Lease liabilities	14,125	-
Deferred tax liabilities	39,054	40,591
Total non-current liabilities	75,517	62,321
Trade and other payables, including derivatives	213,037	252,610
Lease liabilities	5,409	-
Loans and borrowings	69,412	81,495
Current tax liabilities	2,429	6,232
Total current liabilities	290,287	340,337
Total liabilities	365,804	402,658
Total equity and liabilities	1,689,630	1,704,679
Net assets per share attributable to owners of the Company (RM)	6.38	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 SEPTEMBER 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	-	-	-	(8,650)	-	(8,650)	-	(8,650)
Share of foreign currency translation differences of equity-accounted investees	-	-	-	(2,207)	-	(2,207)	-	(2,207)
Transfer of revaluation surplus on properties	-	-	(3,751)	-	3,751	-	-	-
Profit for the period	-	-	-	-	21,106	21,106	15,006	36,112
Total comprehensive income for the period	-	-	(3,751)	(10,857)	24,857	10,249	15,006	25,255
Own shares acquired	-	(7)	-	-	-	(7)	-	(7)
Dividends to owners of the company	-	-	-	-	(16,628)	(16,628)	(2,002)	(18,630)
Total transactions with owners of the Group	-	(7)	-	-	(16,628)	(16,635)	(2,002)	(18,637)
At 30-Sep-18	219,498	(13,312)	105,499	(9,070)	920,533	1,223,148	66,938	1,290,086
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	-	-	-	5,887	-	5,887	-	5,887
Share of foreign currency translation differences of equity-accounted investees	-	-	-	1,131	-	1,131	-	1,131
Transfer of revaluation surplus on properties	-	-	(3,681)	-	3,681	-	-	-
Profit for the period	-	-	-	-	20,724	20,724	15,759	36,483
Total comprehensive income for the period	-	-	(3,681)	7,018	24,405	27,742	15,759	43,501
Dividends to owners of the company	-	-	-	-	(13,694)	(13,694)	(8,002)	(21,696)
At 30-Sep-19	219,498	(13,312)	100,660	1,317	939,958	1,248,121	75,705	1,323,826

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 SEPTEMBER 2019 – unaudited

In thousands of RM	**For the 9 months period ended 30-Sep-19**	**For the 9 months period ended 30-Sep-18**
Cash flows from operating activities		
Profit before tax and non-controlling interests	51,914	53,003
Adjustments for non-cash items	54,632	41,852
Changes in working capital	(53,118)	(38,088)
Cash generated from operations	53,428	56,767
Interest/Tax/Employee benefits/provision	(15,450)	(9,895)
Net cash generated from operating activities	37,978	46,872
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	517	858
Acquisition of property, plant and equipment	(25,921)	(29,187)
Net (increase)/decrease in other investments	99,547	(12,009)
Additions of intangible assets	(3,784)	(6,229)
Net cash generated from/(used in) investing activities	70,359	(46,567)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(8,002)	(2,002)
Dividends paid to owners of the Company	(13,694)	(16,628)
Net (repayment)/drawdown of loans and borrowings	(12,082)	5,581
Repayment of lease liabilities	(1,952)	-
Own shares acquired	-	(7)
Net cash used in financing activities	(35,730)	(13,056)
Net increase in cash and cash equivalents	72,607	(12,751)
Effect of exchange rate fluctuations	1,813	(1,151)
Cash and cash equivalents at 1 January	225,789	232,809
Cash and cash equivalents at the end of period	**300,209**	**218,907**

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

Cash and bank balances	50,194	59,594
Deposits and corporate management account with licensed banks	250,015	159,313
	300,209	**218,907**

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 terms for some lease contracts in which they are leases 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 RM34,568,000 of right-of-use assets and RM19,534,000 of lease liabilities as at 30 September 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 nine months ended 30 September 2019, the Group recognized RM2,572,000 of depreciation charges and RM1,154,000 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 30 September 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-Sep-19		**30-Sep-18**	
	Segment Revenue	**Profit/(loss) before tax**	**Segment Revenue**	**Profit/(loss) before tax**
Suspension	49,986	712	57,185	1,510
Interior & Plastics	278,606	21,885	215,738	13,989
Electrical & Heat Exchange	33,900	1,971	35,048	1,165
Marketing	60,459	1,023	68,325	2,470
Non-reportable segment	20,410	(627)	26,432	330
Indonesia Operations	14,556	(8,325)	15,269	(3,898)
All Other Segments	39,075	(2,673)	32,949	(1,231)
	496,992	13,966	450,946	14,335
Eliminations	(112,332)	(130)	(114,949)	(725)
	384,660	13,836	335,997	13,610

In thousands of RM	**CUMULATIVE QUARTER**			
	30-Sep-19		**30-Sep-18**	
	Segment Revenue	**Profit/(loss) before tax**	**Segment Revenue**	**Profit/(loss) before tax**
Suspension	150,452	229	166,092	6,855
Interior & Plastics	823,231	65,220	628,421	40,433
Electrical & Heat Exchange	90,705	2,743	97,851	5,114
Marketing	185,456	5,033	199,636	9,144
Non-reportable segment	61,519	(2,105)	62,730	(1,339)
Indonesia Operations	38,366	(14,794)	41,237	(7,625)
All Other Segments	98,878	(4,679)	93,104	26
	1,448,607	51,647	1,289,071	52,608
Eliminations	(337,969)	267	(337,284)	395
	1,110,638	51,914	951,787	53,003

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-Sep-19**	**30-Sep-18**	**30-Sep-19**	**30-Sep-18**
Sales	23,222	24,507	70,985	59,353
Provision of services	149	-	441	40
Purchases	(4,812)	(13,096)	(24,031)	(24,546)
Administrative and consultancy services	-	-	(18)	-
Insurance	(88)	(355)	(4,787)	(3,186)
Rental expenses	(81)	(76)	(260)	(226)
Rental income	386	385	1,175	1,175

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-Sep-19**	**30-Sep-18**	**30-Sep-19**	**30-Sep-18**
Sales	109	37	415	325
Purchases	(393)	(29)	(516)	(190)
Administrative and consultancy services	(466)	(579)	(1,782)	(1,854)
Rental income	93	113	278	338
Rental expenses	(283)	(282)	(894)	(833)

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-Sep-19**	**30-Sep-18**	**30-Sep-19**	**30-Sep-18**
Sales	80	1,381	169	3,132
Purchases	(2)	(2)	(9)	(17)
Rental expenses	(17)	(9)	(51)	(27)

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 September 2019.

A15. CAPITAL COMMITMENTS

(i) Capital Commitment

In thousands of RM	30-Sep-19	30-Sep-18
Authorized but not contracted for	40,409	49,130
Contracted but not provided for	13,268	18,137
Total	**53,677**	**67,267**

(ii) Non-cancellable operating lease commitment

	30-Sep-19	30-Sep-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	-	1,005
More than 1 year but not later than 5 years	-	4,021
More than 5 years	-	62,113
TOTAL	-	67,139

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

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 RM6.38 in the third quarter of the year. Likewise, the Group's Current Ratio improved from 2.8 times to 3.2 times (Current Ratio = Current Assets / Current Liabilities) as trade and other payables reduced by 15.7% or RM39.6 million compared to 31 December 2018. The Group's financial position remains comparatively robust with a net cash position (=cash and cash equivalents + other investments – bank borrowings) of RM271.3 million.

Statement of Cash Flow and Capital Expenditure

Due mainly to higher income tax payment and interest costs, cash from operating activities declined from RM46.9 million in the corresponding 9-month period of the previous year to RM38.0 million.

Effective 1 January 2019, interest income from the wholesale fund is no longer tax exempt, leading to a significant withdrawal of investment in unit trust (Q3'19: RM40.5 million ; Q3'18: RM122.7 million). Correspondingly, investing activities resulted a net cash of RM70.4 million.

As at 30 September 2019, the Group's capital commitment stood at RM53.7 million. The capital commitment 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

Q3'19 vs. Q3'18

The Group's revenue rose by 14.5% in Q3'19 from RM336.0 million to RM384.7 million mainly due to higher demands from OEM customers of the Interior and Plastic Division, driven mainly by the commencement of content localization, involving amongst others, the supply of new parts and new model launches since the end of 2018 and beginning of 2019.

The Group's Profit Before Tax ("PBT") increased marginally by 1.7% to RM13.8 million in Q3'19, contributed mainly by our Interior and Plastic Division which recorded a 56.4% growth in PBT of RM7.9 million. Unfortunately, the Group's PBT was affected by higher losses sustained by our associate in Indonesia. The losses of our associate were mainly due to the cost incurred for staff retrenchment and restructuring exercises, the provision of stock obsolescence, expensed-off initial engineering and development costs for new model and higher operating costs.

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 16.7% to RM1,110.6 million from RM951.8 million a year ago. The Interior and Plastics Division remains as the Group's top revenue contributor with continued and strong demands from certain OEM customers.

However, despite such revenue growth, the Group's PBT was lower by 2.1% to RM51.9 million from RM53.0 million a year ago. This was mainly due to fragmented export sales coupled with rising production costs (especially raw material price for the first half of the year and energy cost) in Suspension Division. Higher operating costs incurred by our operations outside Malaysia coupled with losses sustained by our associate in Indonesia (as explained earlier) also contributed to a lower Group's PBT.

Suspension Division

Total Industry Production ("TIP") for the commercial vehicles for the Q3'19 and 9-month period declined by 18.5% and 11.2% from 11,570 units and 31,193 units to 9,428 units and 27,691 units respectively compared to the same quarter of last year. (Source: Malaysian Automotive Association or "MAA").

The Suspension Division (especially leaf spring operation) continued to experience lower revenue growth from both export and local OEM (in line with lower TIP-commercial vehicles), which resulted in a decline of revenue by 12.6% to RM50.0 million from RM57.2 million in the same quarter of last year.

Varying product mix, lower revenue and production volume and higher energy costs were factors that contributed to a lower PBT of RM0.7 million compared to RM1.5 million registered in Q3'18.

For the 9 months to 30 September 2019, the Suspension Division posted RM150.5 million in revenue, which was 9.4% lower than RM166.1 million registered last year. Likewise, the Division's PBT also declined to RM0.2 million from RM6.9 million a year ago, mainly due to reasons mentioned earlier and higher raw material costs (especially on steel) for the first half of 2019.

Interior & Plastics Division

The Interior & Plastics Division continues to achieve net double-digit revenue and PBT growth since beginning of the year. Its revenue rose by 29.2% to RM278.6 million from RM215.7 million in Q3'18, whilst its PBT registered a growth of 56.4% from RM14.0 million to RM21.9 million in the current quarter. The higher sales were contributed by the higher demands from certain OEM customers following the supply of new parts for localization content and new model launches since the end of 2018.

For the 9-month period commencing from January 2019, the revenue and PBT of the Division increased steadily from RM628.4 million to RM823.2 million and RM40.4 million to RM65.2 million respectively, largely due to the reasons mentioned earlier.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

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

Electrical & Heat Exchange Division

The Electrical & Heat Exchange Division's revenue fell marginally by 3.1% to RM33.9 million in the current quarter from RM35.0 million due to lower demands from OEM customers. Despite lower sales, the Division's PBT improved from RM1.2 million to RM2.0 million in the current quarter due largely to the reversal of provision of costs.

On a year-to-date basis, the Electrical & Heat Exchange Division registered revenue of RM90.7 million, a reduction of 7.4% from RM97.9 million in the same period of last year. Lower revenue was mainly due to lower demands from OEM customers. Similarly, PBT also lower at RM2.7 million from RM5.1 million same period of last year. 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 by its OEM customers.

Marketing Division

The Marketing Division's revenue decreased by 11.5% to RM60.5 million in the current quarter due to lower sales experienced for both local replacement market ("REM") and export. Local REM especially in East Malaysia faced decreasing demands resulting from the slowdown in infrastructure projects and logging activities. The slow-down in global economy, ongoing uncertainty in connection with "Brexit" and the impending snap election in the UK as well as the continuing trade tension between the US and China have invariably affected our export sales. Corresponding to the lower revenue, the Division's PBT decreased from RM2.5 million to RM1.0 million in Q3'19. The lower PBT was also caused by varying product mix, higher distribution costs and branding expenses.

Similar to the quarterly review, the Marketing Division recorded revenue and PBT of RM185.5 million and RM5.0 million, representing a decrease of 7.1% and 45.0% respectively against the same 9-month 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 and distribution of motor vehicles to internal and external customers.

The Non-reportable segment's revenue decreased by 22.7% to RM20.4 million in the current quarter from RM26.4 million, largely due to lower sale from trading of motor vehicle. Trading of motor vehicle business recorded historical high in Q3'18 as a result of the festive-driven sales campaigns, new model launches and "tax holiday" in Malaysia. As a result of lower revenue, the Division reported a Loss Before Tax ("LBT") of RM0.6 million against a PBT of RM0.3 million in the same quarter of last year.

B1. OPERATING SEGMENTS REVIEW (CONT'D)

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

Non-reportable segment, Malaysia (Cont'd)

Consistent with the above quarterly results, revenue for the 9-month period of 2019 declined from RM62.7 million to RM61.5 million, whilst LBT increased further to RM2.1 million from RM1.3 million a year ago. Apart from impact of lower sales, high administrative expenses especially staff costs and lower billing of service fee had also impacted the division profitability.

Indonesia Operations

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

The Indonesia Operations' revenue decreased marginally by 4.6% to RM14.6 million from RM15.3 million recorded in Q3'18 mainly due to lower demands from OEM customers. Our associate in Indonesia suffered significant losses due to lower sales, expenses incurred in connection with staff retrenchment and restructuring exercises, provision for stock obsolescence, expensed-off initial engineering and development costs for new model and higher operating costs. Correspondingly, LBT of the Indonesia Operations worsened to RM8.3 million from RM3.9 million in the same quarter of last year.

On year-to-date basis, the Indonesia Operations' revenue declined by 7.0% to RM38.4 million mainly due to lower off-take of coil spring from certain OEM customers and lower export and local replacement market for leaf spring. Coupled with the rising cost of raw materials, lower production volumes and higher operating costs, especially due to depreciation and interest expenses, the Division's bottom line was negatively impacted.

Including the higher share of associate's losses, the Indonesia Operations registered higher LBT of RM14.8 million compared to LBT of RM7.6 million in the same period of last year.

All Other Segments

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

The All Other Segments' revenue grew by 18.6% (Q3'19: RM39.1 million; Q3'18: RM32.9 million), mainly due to higher sales recorded in the USA, Australia and Vietnam. Despite higher revenue, LBT of All Other Segments increased to RM2.7 million from RM1.2 million in the same quarter of last year. This was primarily due to the one-off imposition of import duty and penalty by the custom authority on imported raw material resulting from the incorrect application of tariff code by our Vietnam operation. In addition, our joint venture business in Vietnam registered a loss in the current quarter compared to a profit in Q3'18 due to lower off-take from OEM customers, caused by delay in the launch of new model and lower car sale for existing models.

Similar to the quarterly review, the segment revenue increased from RM93.1 million to RM98.9 million on year-to-date basis, whilst registering a LBT of RM4.7 million compared to a minimum profit of RM26,000 a year ago. In addition to the reasons mentioned earlier, the All Other Segments' bottom line was also affected by the increase in engineering staffing costs by our operations in Australia and higher operating costs incurred by our USA units (caused by higher staff costs and rental).

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	30-Sep-19	30-Jun-19	Amount	%	30-Sep-19	30-Jun-19	Amount	%
Suspension	49,986	50,364	(378)	-0.8%	712	(214)	926	432.7%
Interior & Plastics	278,606	262,129	16,477	6.3%	21,885	19,263	2,622	13.6%
Electricals & Heat Exchange	33,900	27,598	6,302	22.8%	1,971	373	1,598	428.4%
Marketing	60,459	61,918	(1,459)	-2.4%	1,023	1,501	(478)	-31.8%
Non-reportable segment	20,410	21,830	(1,420)	-6.5%	(627)	(126)	(501)	-397.6%
Indonesia Operations	14,556	11,668	2,888	24.8%	(8,325)	(2,172)	(6,153)	-283.3%
All Other Segments	39,075	33,035	6,040	18.3%	(2,673)	(894)	(1,779)	-199.0%
	496,992	468,542	28,450	6.1%	13,966	17,731	(3,765)	-21.2%
Eliminations	(112,332)	(110,173)	(2,159)	-2.0%	(130)	(62)	(68)	-109.7%
	384,660	358,369	26,291	7.3%	13,836	17,669	(3,833)	-21.7%

The Group's revenue was higher by 7.3%, whilst PBT declined to RM13.8 million from RM17.7 million registered in the preceding quarter. Despite higher revenue, the Group's PBT was lower mainly due to higher share of associate's loss and payment of import duty and penalty by our Vietnam operations as explained in Section B1.

The Suspension Division registered profit of RM712,000 compared to a loss of RM214,000 in preceding quarter even though its revenue was lower by 0.8%. This was mainly due to reversal of provision of costs in the current quarter.

The Interior & Plastics and Electrical & Heat Exchange Divisions received higher call-in from certain OEM customers in Q3'19. Correspondingly, these divisions' revenue and PBT had increased. Reversal of provision of costs in the current quarter also contributed to the improved PBT of the Electrical & Heat Exchange Division.

The slow-down in global economy, impending snap election in the UK, ongoing uncertainty in connection with "Brexit" and the continuing trade tension between the US and China have invariably impacted our export and local replacement markets sales. Consequently, the Marketing Division recorded lower revenue and PBT by RM1.5 million and RM0.5 million respectively as compared to Q2'19.

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 primary factors that could affect APM's performance.

Compared to 2018, the year-to-date total industry volume (TIV) for vehicles up to September 2019 is lagging marginally. TIV is down by approximately 2.63% (or 11,864 units), with 442,991 vehicles delivered in the first 9 months of this year compared to 454,971 units in the same period of last year. The slowdown is not unexpected considering that the relatively higher volume of vehicles sold last year was largely attributed to the three-month zero-rated GST holiday period from June to August 2018 when the country transitioned from GST-era to the SST-regime. The protracted trade tensions between China and the USA is also a factor in the decline.

However, the current lag is expected to be offset by an increase in sales due to the anticipated new product launches by various car makers towards the year end. These new launches include the introduction of the Completely Knocked Down (CKD) Proton X-70, the Mazda CX-8 and new face lift Mazda CX-5 which are expected to boost sales (The Malaysian Reserve, 25 September 2019).

In Thailand where APM is present, vehicle sales throughout the third quarter of 2019 are expected to contract as financial institutions there continue to tighten car loan conditions in line with the Bank of Thailand's warning (Bangkok Post 19 August 2019).

Meanwhile, as the uncertainties linked to "Brexit" continue to linger, coupled with the impending UK Snap Election on December 12, 2019, our business in Europe remains volatile.

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-Sep-19	**Corresponding Quarter Ended 30-Sep-18**	**Cumulative Year To Date 30-Sep-19**	**Corresponding Year To Date 30-Sep-18**
Current tax				
- Current year	8,472	6,531	19,066	17,190
- Prior year	(1,332)	(1,220)	(2,601)	(990)
Deferred tax				
- Current year	(876)	(96)	(2,650)	1,188
- Prior year	38	(525)	1,590	(525)
Withholding Tax	8	10	26	28
	6,310	4,700	15,431	16,891

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-Sep-19			
Not past due	216,377	-	216,377
Past due 0 - 90 days	19,803	(10)	19,793
Past due 91 - 180 days	2,153	(978)	1,175
	238,333	(988)	237,345
Credit impaired			
Past due more than 180 days	867	(867)	-
Individually impaired	3,530	(3,530)	-
	242,730	**(5,385)**	**237,345**
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 September 2019 are as follows:

In thousands of RM

Type Deriavatives	Nominal Amount	Net Fair Value Assets / (Liabilities)	Maturity
Forward foreign exchange contracts	40,330	125	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-Sep-19	31-Dec-18
Unsecured	- Foreign currency loans	52,012	52,240
	- Revolving credit	17,400	29,255
		69,412	81,495
Amount due within the next 12 months		69,412	81,495

Group borrowings breakdown by currencies.

In thousands of RM

Functional Currency	Denominated In	30-Sep-19	31-Dec-18
RM	RM	17,400	29,255
EUR	EUR	1,176	1,339
AUD	AUD	22,723	23,832
IDR	IDR	26,398	25,579
IDR	USD	1,715	1,490
		69,412	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 respective local currency.

The Group borrowings are subject to interest ranging from 0.26% to 8.40% (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

No dividend has been proposed for the current quarter ended 30 September 2019.

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-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
Profit attributable to the owners of the Company (RM'000)	2,385	3,348	20,724	21,106
Weighted average number of ordinary shares in issue ('000)	195,583	195,583	195,583	195,583
Basic EPS (sen)	**1.22**	**1.71**	**10.60**	**10.79**

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-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
(a)	Interest income	(2,308)	(2,587)	(7,065)	(7,629)
(b)	Other income including investment income	(954)	(1,454)	(3,803)	(3,869)
(c)	Interest expense	1,520	829	4,428	2,368
(d)	Depreciation and Amortization	16,792	15,111	46,017	44,518
(e)	Impairment loss on trade receivables	253	255	328	255
(f)	Write back of impairment loss on trade receivables	(133)	(57)	(506)	(95)
(g)	(Write back)/provision for slow moving stock	(15)	(3,331)	808	(2,309)
(h)	Gain on disposal of property, plant and equipment	(53)	(132)	(461)	(298)
(i)	Inventory written off	657	1,037	657	2,337
(j)	Net foreign exchange loss/(gain)	1,270	(318)	2,745	(13)
(k)	(Gain)/loss on derivatives	(1,118)	2,296	(1,718)	1,000

B13. AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements have been authorized for issue by the Board of Directors in accordance with their resolution on 22 November 2019.

BY ORDER OF THE BOARD

KHOO PENG PENG
SOO SHIOW FANG

Company Secretaries
Kuala Lumpur
Dated: 22 November 2019