

**Unaudited Second Quarter And Half Year Financial Statement For The Period Ended 30 June 2014**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

The Board of Directors announces the results of the Group for the second quarter ("2Q") and half year ended 30 June ("1H") 2014. These figures have not been audited or reviewed. Certain comparative figures for 2Q 2013 and 1H 2013 have been restated due to adoption of FRS 111 and reclassification of accounts to be consistent with FY 2014.

**1(a) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**1(a)(i) Income statement**

	2Q 2014		+/- %	Group 1H 2014		+/- %
	\$'000	2Q 2013 (restated) \$'000		\$'000	1H 2013 (restated) \$'000	
<b>Revenue</b>	1,169,134	1,163,702	0.5%	2,422,240	2,246,629	7.8%
Cost of sales	(926,623)	(925,923)	0.1%	(1,938,722)	(1,781,876)	8.8%
<b>Gross profit</b>	<b>242,511</b>	<b>237,779</b>	<b>2.0%</b>	<b>483,518</b>	<b>464,753</b>	<b>4.0%</b>
Other income	8,056	9,420	-14.5%	18,193	22,952	-20.7%
Selling and distribution expenses	(103,892)	(108,124)	-3.9%	(208,830)	(201,935)	3.4%
Research and development costs	(27,962)	(26,919)	3.9%	(52,652)	(50,342)	4.6%
General and administrative expenses	(43,704)	(39,937)	9.4%	(83,845)	(82,307)	1.9%
Finance costs	(12,755)	(15,048)	-15.2%	(28,199)	(28,925)	-2.5%
<b>Profit from operations</b>	<b>62,254</b>	<b>57,171</b>	<b>8.9%</b>	<b>128,185</b>	<b>124,196</b>	<b>3.2%</b>
Share of results of associates and jointly-controlled entities, net of tax	(324)	418	NM	(805)	(1,194)	-32.6%
<b>Profit before income tax</b>	<b>61,930</b>	<b>57,589</b>	<b>7.5%</b>	<b>127,380</b>	<b>123,002</b>	<b>3.6%</b>
Income tax expense	(16,962)	(15,274)	11.1%	(32,946)	(30,379)	8.4%
<b>Profit for the period</b>	<b>44,968</b>	<b>42,315</b>	<b>6.3%</b>	<b>94,434</b>	<b>92,623</b>	<b>2.0%</b>
<b>Attributable to:</b>						
Owners of the Company	9,615	9,255	3.9%	22,882	23,684	-3.4%
Non-controlling interests	35,353	33,060	6.9%	71,552	68,939	3.8%
	<b>44,968</b>	<b>42,315</b>	<b>6.3%</b>	<b>94,434</b>	<b>92,623</b>	<b>2.0%</b>

## 1(a)(ii) Notes to the income statement

	2Q 2014	2Q 2013 (restated)	Group		1H 2013 (restated)	+/-
			+/-	1H 2014		
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Profit from operations include the following:</b>						
(Loss)/gain on disposal of property, plant and equipment and land use rights <sup>(1)</sup>	(1,061)	(309)	243.4%	(1,161)	2,612	NM
Impairment losses on property, plant and equipment <sup>(2)</sup>	(660)	-	NM	(488)	-	NM
Impairment losses (recognised)/written back for trade and other receivables, net <sup>(3)</sup>	(493)	525	NM	(1,504)	2,251	NM
Allowance made for inventories write down, net <sup>(4)</sup>	(702)	(581)	20.8%	(992)	(1,778)	-44.2%
Depreciation and amortisation	(25,986)	(27,216)	-4.5%	(51,760)	(54,364)	-4.8%
Foreign exchange gain/(loss), net <sup>(5)</sup>	(3,303)	9	NM	(1,943)	(1,985)	-2.1%
Fair value gain on derivatives <sup>(6)</sup>	4,597	1,013	353.8%	4,296	834	415.1%

NM: Not meaningful

- (1) Losses on disposal of property, plant and equipment in both 2Q 2014 and 2Q 2013 (restated) were attributed mainly to the Group's diesel engines unit ("Yuchai") as a result of the write-off of property, plant and equipment no longer in use.

Loss on disposal of property, plant and equipment in 1H 2014 was attributed mainly to Yuchai as a result of the write-off of property, plant and equipment no longer in use. The gain on disposal of property, plant and equipment in 1H 2013 (restated) was mainly related to the sale of equipment by the Group's discontinued green packaging unit ("GPac").

- (2) Impairment losses in both 2Q 2014 and 1H 2014 were related to Yuchai.
- (3) The Group's consumer products unit ("Xinfei") and Yuchai made allowance for impairment losses for trade and other receivables in 2Q 2014 and 1H 2014. In 2Q 2013 (restated) and 1H 2013 (restated), Yuchai wrote back allowance for impairment losses for trade and other receivables upon successful collection of doubtful debts.
- (4) Allowance for inventories obsolescence in both comparative periods in 2013 and 2014 were mainly related to Xinfei.
- (5) The net foreign exchange loss in 2Q 2014 arose mainly from revaluation of monetary assets and liabilities following the weakening of the United States dollar ("USD") vis-a-vis Renminbi ("RMB"). The foreign exchange loss in 1H 2013 (restated) mainly arose from revaluation of monetary assets and liabilities following the weakening of the Singapore dollar ("SGD") vis-a-vis USD and RMB.
- (6) Fair value gain on derivatives in both comparative periods in 2013 and 2014 were mainly related to Yuchai.

## 1(a)(iii) Amount of any adjustment for under or overprovision of tax in respect of prior years

The Group's tax charge for the period included an over provision of \$116,000 in 2Q 2014 (2Q 2013 (restated): over provision of \$656,000) in respect of prior years. The Group's tax charge for 1H 2014 included an over provision of \$113,000 (1H 2013 (restated): over provision of \$664,000) in respect of prior years.

## 1(a)(iv) Statement of Comprehensive Income

	Group		+/-	Group		+/-
	2Q 2014	2Q 2013		1H 2014	1H 2013	
	(restated)			(restated)		
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Profit for the period</b>	<b>44,968</b>	<b>42,315</b>	<b>6.3%</b>	<b>94,434</b>	<b>92,623</b>	<b>2.0%</b>
<b>Other comprehensive income</b>						
<b>Items that may be subsequently reclassified to Income statement</b>						
Exchange differences on translation of financial statements of foreign subsidiaries, jointly-controlled entities and associated corporations	(8,986)	49,005	NM	(67,732)	83,948	NM
Net fair value changes	(17)	(137)	-87.6%	36	(223)	NM
<b>Total other comprehensive (loss)/income for the period, net of tax</b>	<b>(9,003)</b>	<b>48,868</b>	<b>NM</b>	<b>(67,696)</b>	<b>83,725</b>	<b>NM</b>
<b>Total comprehensive income for the period</b>	<b>35,965</b>	<b>91,183</b>	<b>-60.6%</b>	<b>26,738</b>	<b>176,348</b>	<b>-84.8%</b>
<b>Attributable to:</b>						
Owners of the Company	7,243	23,754	-69.5%	1,590	49,303	-96.8%
Non-controlling interests	28,722	67,429	-57.4%	25,148	127,045	-80.2%
<b>Total comprehensive income for the period</b>	<b>35,965</b>	<b>91,183</b>	<b>-60.6%</b>	<b>26,738</b>	<b>176,348</b>	<b>-84.8%</b>

**1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

\$'000	Group		Company	
	30.6.2014	31.12.2013 (restated)	30.6.2014	31.12.2013
<b>Non-current assets</b>				
Property, plant and equipment	1,171,005	1,187,179	311	312
Land use rights	134,442	140,636	-	-
Intangible assets	109,985	107,974	263	275
Investment in subsidiaries	-	-	204,455	204,455
Interests in associates	60,736	60,196	13,726	13,726
Interests in jointly-controlled entities	58,271	64,654	-	-
Other investments	1,796	1,738	-	-
Deferred tax assets	102,147	104,694	11	11
Non-current receivables	7,510	9,190	-	-
Long term bank deposits	21,116	38,647	-	-
	<b>1,667,008</b>	<b>1,714,908</b>	<b>218,766</b>	<b>218,779</b>
<b>Current assets</b>				
Other investments	5,697	5,923	1	6
Inventories	612,983	666,057	-	-
Development properties	8,126	8,215	-	-
Trade and other receivables	2,174,339	2,033,017	301,424	285,480
Cash and short-term deposits	701,080	1,017,226	1,929	2,010
Derivatives	3,842	571	-	-
	<b>3,506,067</b>	<b>3,731,009</b>	<b>303,354</b>	<b>287,496</b>
<b>Current liabilities</b>				
Trade and other payables	1,911,176	2,011,244	49,295	41,740
Provisions	79,421	79,215	-	-
Loans and borrowings	499,866	557,747	83,180	84,698
Current tax payable	22,642	32,612	404	374
Derivatives	-	962	-	-
	<b>2,513,105</b>	<b>2,681,780</b>	<b>132,879</b>	<b>126,812</b>
<b>Net current assets</b>	<b>992,962</b>	<b>1,049,229</b>	<b>170,475</b>	<b>160,684</b>
<b>Non-current liabilities</b>				
Loans and borrowings	368,369	392,161	60,000	60,000
Deferred tax liabilities	45,132	50,240	1,837	1,837
Deferred grants	65,438	68,371	-	-
Other non-current payables	23,688	24,408	-	-
Retirement benefits	316	564	-	-
	<b>502,943</b>	<b>535,744</b>	<b>61,837</b>	<b>61,837</b>
<b>Net assets</b>	<b>2,157,027</b>	<b>2,228,393</b>	<b>327,404</b>	<b>317,626</b>
<b>Capital and reserves</b>				
Share capital	266,830	266,830	266,830	266,830
Reserves	567,110	574,460	60,574	50,796
	833,940	841,290	327,404	317,626
Non-controlling interests	1,323,087	1,387,103	-	-
<b>Total Equity</b>	<b>2,157,027</b>	<b>2,228,393</b>	<b>327,404</b>	<b>317,626</b>

## **Explanatory Notes to Statement of Financial Position**

### **Group**

- The decrease in non-current assets was mainly due to translation of assets arising from the weakening of the RMB against SGD in 2Q 2014 and reduction in long-term bank deposits.
- The decrease in current assets was mainly due to lower cash and short-term deposits in Yuchai but was partially offset by the increase in trade receivables.
- Current liabilities decreased mainly due to reduction in trade and other payables and settlement of loans and borrowings in Yuchai.
- Non-current liabilities decreased due to settlement of loans and borrowings.

### **Company**

- Trade and other receivables increased due mainly to advances made to the air-conditioning systems unit ("Airwell") in 1Q 2014.

### **1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

#### **Amount repayable in one year or less, or on demand**

As at 30.6.2014		As at 31.12.2013 (restated)	
Secured	Unsecured	Secured	Unsecured
\$90,306,738	\$409,558,880	\$154,030,485	\$403,716,461

#### **Amount repayable after one year**

As at 30.6.2014		As at 31.12.2013 (restated)	
Secured	Unsecured	Secured	Unsecured
\$101,133,316	\$267,235,294	\$124,379,149	\$267,781,639

#### **Details of any collateral**

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 30 June 2014 of \$284,979,000 (31 December 2013 (restated): \$413,537,000).

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	2Q 2014 \$'000	2Q 2013 \$'000 (restated)	1H 2014 \$'000	1H 2013 \$'000 (restated)
<b>Operating activities</b>				
Profit before tax	61,930	57,589	127,380	123,002
Adjustments for:				
Share of results of associates and jointly-controlled entities, net of tax	324	(418)	805	1,194
Cost of share-based payments	15	6	30	13
Depreciation and amortisation	25,986	27,216	51,760	54,364
Allowance written back for inventories write-down	702	581	992	1,778
Impairment losses recognised/(written back) for trade and other receivables	493	(525)	1,504	(2,251)
Impairment losses on property, plant and equipment	660	-	488	-
Finance costs	12,755	15,048	28,199	28,925
Dividend income from other investments	(234)	(238)	(234)	(238)
Interest income	(3,232)	(6,202)	(6,707)	(10,689)
(Gain)/loss on disposal of:				
- property, plant and equipment	1,061	309	1,201	(2,612)
- land use rights	-	-	(40)	-
- assets held-for-sale	-	1,496	-	1,496
- other investments	-	103	-	103
Fair value (gain)/loss on investments	(40)	511	(17)	302
Fair value gain on derivatives	(4,597)	(1,013)	(4,296)	(834)
Provision for warranties and other costs, net	27,432	26,430	48,845	41,687
<b>Operating profit before working capital changes</b>	<u>123,255</u>	<u>120,893</u>	<u>249,910</u>	<u>236,240</u>
Changes in working capital:				
Inventories	75,493	88,111	29,218	4,978
Trade and other receivables	56,550	52,277	(226,800)	(117,942)
Trade and other payables	(77,722)	(88,754)	(31,539)	48,675
Provisions utilised	(28,312)	(22,359)	(45,769)	(35,833)
<b>Cash flows from/(used in) operations</b>	<u>149,264</u>	<u>150,168</u>	<u>(24,980)</u>	<u>136,118</u>
Income tax paid	(32,271)	(17,691)	(42,894)	(34,622)
<b>Cash flows from/(used in) operating activities</b>	<u>116,993</u>	<u>132,477</u>	<u>(67,874)</u>	<u>101,496</u>
<b>Investing activities</b>				
Acquisition of non-controlling interests in subsidiaries	-	-	(6,610)	-
Investment in associates	(96)	-	(96)	-
Dividends received from:				
- associates and jointly-controlled entities	3,068	2,256	3,068	2,256
- other investments	234	238	234	238
Interest received	5,849	9,711	10,726	15,865
Purchase of:				
- property, plant and equipment (including capitalisation of borrowing costs)	(45,554)	(28,076)	(74,945)	(61,711)
- land use rights	-	-	-	(1,705)
- intangible assets	(1,305)	(1,176)	(3,956)	(1,325)
Proceeds from disposal of:				
- property, plant and equipment	175	3,331	550	5,813
- land use rights	238	-	519	-
- assets held-for-sale	-	9,178	-	9,178
- other investments	21	-	21	4,268
<b>Net cash flows used in investing activities</b>	<u>(37,370)</u>	<u>(4,538)</u>	<u>(70,489)</u>	<u>(27,123)</u>
<b>Financing activities</b>				
Dividend paid to:				
- non-controlling interests of subsidiaries	(80,303)	(47,175)	(80,303)	(47,175)
- shareholders of the Company	(11,217)	(7,478)	(11,217)	(7,478)
Interest paid	(11,744)	(16,509)	(25,865)	(32,693)
Proceeds from borrowings	112,235	73,372	302,322	307,915
Proceeds from issuance of bonds	-	200,500	-	200,500
Release of restricted deposits with banks	32,882	-	32,882	-
Release of long-term deposits	16,376	-	16,376	-
Grant received from government	3,337	649	3,445	1,808
Repayment in respect of borrowings	(102,628)	(251,192)	(361,130)	(360,310)
Repayment of obligation under finance leases	(624)	(280)	(901)	(560)
<b>Net cash flows (used in)/from financing activities</b>	<u>(41,686)</u>	<u>(48,113)</u>	<u>(124,391)</u>	<u>62,007</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>37,937</u>	<u>79,826</u>	<u>(262,754)</u>	<u>136,380</u>
Cash and cash equivalents at beginning of the period	666,133	1,017,841	983,305	942,652
Effect of exchange rate changes on balances held in foreign currencies	(2,990)	38,120	(19,471)	56,755
<b>Cash and cash equivalents at end of the period</b>	<u>701,080</u>	<u>1,135,787</u>	<u>701,080</u>	<u>1,135,787</u>
Comprising:				
Cash and short-term deposits			701,080	1,170,273
Less: Restricted deposits			-	(34,486)
			<u>701,080</u>	<u>1,135,787</u>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Equity compensation reserve \$'000	Translation reserve \$'000	Discount/ (Premium paid) on acquisition of non-controlling interests \$'000	Reserve of disposal group classified as held-for-sale \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Statement of Changes in Equity</b>												
<b>The Group</b>												
Closing balance as at 31 December 2012 (as previously stated)	266,830	(1,604)	34,217	45,789	2,347	(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700
Adjustment arising from change in accounting policy	-	-	-	-	-	323	-	-	(594)	(271)	1,192	921
At 1 January 2013 (restated)	266,830	(1,604)	34,217	45,789	2,347	(49,389)	13,173	(2,813)	465,410	773,960	1,238,661	2,012,621
Total comprehensive income for the period	-	-	-	(86)	-	11,206	-	-	14,429	25,549	59,616	85,165
<b>Transactions with owners, recorded directly in equity</b>												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	7	-	-	-	-	7	-	7
Transfer to statutory reserve	-	-	432	-	-	-	-	-	(432)	-	-	-
Reserve attributable to disposal group classified as held-for-sale	-	-	-	-	-	(343)	-	343	-	-	-	-
At 31 March 2013	<u>266,830</u>	<u>(1,604)</u>	<u>34,649</u>	<u>45,703</u>	<u>2,354</u>	<u>(38,526)</u>	<u>13,173</u>	<u>(2,470)</u>	<u>479,407</u>	<u>799,516</u>	<u>1,298,277</u>	<u>2,097,793</u>
Closing balance as at 31 March 2013 (as previously stated)	266,830	(1,604)	34,217	45,703	2,354	(38,795)	13,173	(2,470)	480,428	799,836	1,297,018	2,096,854
Adjustment arising from adoption of new accounting standards	-	-	-	-	-	269	-	-	(589)	(320)	1,259	939
At 1 April 2013 (restated)	266,830	(1,604)	34,217	45,703	2,354	(38,526)	13,173	(2,470)	479,839	799,516	1,298,277	2,097,793
Total comprehensive income for the period	-	-	-	(137)	-	14,636	-	-	9,255	23,754	67,429	91,183
<b>Transactions with owners, recorded directly in equity</b>												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	6	-	-	-	-	6	-	6
Realisation of reserves on liquidation of subsidiary	-	-	(54)	-	-	-	-	-	-	(54)	-	(54)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(47,175)	(47,175)
Realisation of reserve upon disposal of assets classified as held-for-sale	-	-	-	-	-	-	-	2,470	-	2,470	-	2,470
At 30 June 2013	<u>266,830</u>	<u>(1,604)</u>	<u>34,163</u>	<u>45,566</u>	<u>2,360</u>	<u>(23,890)</u>	<u>13,173</u>	<u>-</u>	<u>481,616</u>	<u>818,214</u>	<u>1,318,531</u>	<u>2,136,745</u>
Closing balance as at 31 December 2013 (as previously stated)	266,830	(1,569)	34,896	45,525	2,390	(19,313)	13,173	-	499,347	841,279	1,384,550	2,225,829
Adjustment arising from change in accounting policy	-	-	-	-	-	317	-	-	(306)	11	2,553	2,564
At 1 January 2014 (restated)	266,830	(1,569)	34,896	45,525	2,390	(18,996)	13,173	-	499,041	841,290	1,387,103	2,228,393
Total comprehensive income for the period	-	-	-	53	-	(18,973)	-	-	13,267	(5,653)	(3,574)	(9,227)
<b>Transactions with owners, recorded directly in equity</b>												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	15	-	-	-	-	15	-	15
<b>Changes in ownership interests in subsidiaries</b>												
Acquisition of non-controlling interests	-	-	-	-	-	-	2,251	-	-	2,251	(8,861)	(6,610)
At 31 March 2014	<u>266,830</u>	<u>(1,569)</u>	<u>34,896</u>	<u>45,578</u>	<u>2,405</u>	<u>(37,969)</u>	<u>15,424</u>	<u>-</u>	<u>512,308</u>	<u>837,903</u>	<u>1,374,668</u>	<u>2,212,571</u>
At 1 April 2014	266,830	(1,569)	34,896	45,578	2,405	(37,969)	15,424	-	512,308	837,903	1,374,668	2,212,571
Total comprehensive income for the period	-	-	-	(17)	-	(2,355)	-	-	9,615	7,243	28,722	35,965
<b>Transactions with owners, recorded directly in equity</b>												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	15	-	-	-	-	15	-	15
Realisation of reserves on liquidation of subsidiary	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(11,217)	(11,217)	-	(11,217)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(80,303)	(80,303)
At 30 June 2014	<u>266,830</u>	<u>(1,569)</u>	<u>34,892</u>	<u>45,561</u>	<u>2,420</u>	<u>(40,324)</u>	<u>15,424</u>	<u>-</u>	<u>510,706</u>	<u>833,940</u>	<u>1,323,087</u>	<u>2,157,027</u>

## 1(d)(i) Statement of changes in equity for the periods ended 30 June (cont'd)

	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Equity compensation reserve \$'000	Accumulated profits \$'000	Total equity \$'000
<b>The Company</b>						
At 1 January 2013	266,830	9,199	-	2,294	27,100	305,423
Total comprehensive income for the period	-	-	-	-	1,349	1,349
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	7	-	7
At 31 March 2013	266,830	9,199	-	2,301	28,449	306,779
At 1 April 2013	266,830	9,199	-	2,301	28,449	306,779
Total comprehensive income for the period	-	-	-	-	18,263	18,263
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	6	-	6
Dividends paid to shareholders	-	-	-	-	(7,478)	(7,478)
At 30 June 2013	266,830	9,199	-	2,307	39,234	317,570
At 1 January 2014	266,830	9,199	2	2,337	39,258	317,626
Total comprehensive income for the period	-	-	-	-	229	229
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	15	-	15
At 31 March 2014	266,830	9,199	2	2,352	39,487	317,870
At 1 April 2014	266,830	9,199	2	2,352	39,487	317,870
Total comprehensive income for the period	-	-	(2)	-	20,738	20,736
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	15	-	15
Dividends paid to shareholders	-	-	-	-	(11,217)	(11,217)
At 30 June 2014	266,830	9,199	-	2,367	49,008	327,404



**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

**1(d)(ii)(A) Movements in issued and paid-up capital**

The Company did not hold any treasury shares as at 30 June 2014, 31 December 2013 and 30 June 2013.

There was no change in the Company's issued share capital during the three months ended 30 June 2014.

**1(d)(ii)(B) Share Options**

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "Scheme") during the three months ended 30 June 2014.

As at 30 June 2014, there were a total of 1,470,000 (30 June 2013: 930,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

<b>Year of Grant</b>	<b>Exercise Price</b>	<b>Number of Outstanding Options</b>
2008	\$2.36	470,000
2011	\$3.17	460,000
2014	\$1.31	540,000
Total		1,470,000

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares as at 30 June 2014 and 31 December 2013 was 373,908,559.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the three months ended 30 June 2014.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2013 except for adoptions of new accounting standards that are effective from 1 January 2014.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted the following revised accounting standards that are effective for annual periods beginning on or after 1 January 2014. Insofar as the Group is concerned, these revised accounting standards are effective on 1 January 2014 as 2014 is the first annual period for the Group subsequent to 1 January 2014. Changes to the Group's accounting policies have been made as required, in accordance with the respective FRS.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 36 Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to FRS 19 Defined Benefit Plans: Employee Contributions	1 January 2014
Improvements to FRSs 2012	1 January 2014

Except for FRS 111, Revised FRS 28 and FRS 112, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 111, Revised FRS 28 and FRS 112 are described below.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in 2014.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The Revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

In accordance with FRS 111, this change in accounting policy was applied retrospectively.

In addition, long term bank deposits with terms of more than 12 months placed by Yuchai have been reclassified from cash and short-term deposits to long term bank deposits as at 31 December 2013.

Accordingly, the effects of the Group's financial statements from the adoption of FRS 111 and reclassification of accounts are as follows:

Income statement for 2Q 2013	As previously	Restatement	As restated
	stated \$'000		
<b>Revenue</b>	1,189,644	(25,942)	1,163,702
Cost of sales	(931,173)	5,250	(925,923)
<b>Gross profit</b>	<b>258,471</b>	<b>(20,692)</b>	<b>237,779</b>
Other income	9,599	(179)	9,420
Selling and distribution expenses	(127,180)	19,056	(108,124)
Research and development costs	(26,919)	-	(26,919)
General and administrative expenses	(42,726)	2,789	(39,937)
Finance costs	(15,976)	928	(15,048)
<b>Profit from operations</b>	<b>55,269</b>	<b>1,902</b>	<b>57,171</b>
Share of results of associates and jointly-controlled entities, net of tax	2,446	(2,028)	418
<b>Profit before income tax</b>	<b>57,715</b>	<b>(126)</b>	<b>57,589</b>
Income tax expense	(15,290)	16	(15,274)
<b>Profit for the period</b>	<b>42,425</b>	<b>(110)</b>	<b>42,315</b>
<b>Attributable to:</b>			
Owners of the Company	9,274	(19)	9,255
Non-controlling interests	33,151	(91)	33,060
Share of results of associates and jointly-controlled entities, net of tax	<b>42,425</b>	<b>(110)</b>	<b>42,315</b>

Income statement for 1H 2013	As previously	Restatement	As restated
	stated \$'000		
<b>Revenue</b>	2,297,413	(50,784)	2,246,629
Cost of sales	(1,794,843)	12,967	(1,781,876)
<b>Gross profit</b>	<b>502,570</b>	<b>(37,817)</b>	<b>464,753</b>
Other income	22,726	226	22,952
Selling and distribution expenses	(237,388)	35,453	(201,935)
Research and development costs	(50,342)	-	(50,342)
General and administrative expenses	(87,646)	5,339	(82,307)
Finance costs	(30,737)	1,812	(28,925)
<b>Profit from operations</b>	<b>119,183</b>	<b>5,013</b>	<b>124,196</b>
Share of results of associates and jointly-controlled entities, net of tax	3,930	(5,124)	(1,194)
<b>Profit before income tax</b>	<b>123,113</b>	<b>(111)</b>	<b>123,002</b>
Income tax expense	(30,409)	30	(30,379)
<b>Profit for the period</b>	<b>92,704</b>	<b>(81)</b>	<b>92,623</b>
<b>Attributable to:</b>			
Owners of the Company	23,698	(14)	23,684
Non-controlling interests	69,006	(67)	68,939
	<b>92,704</b>	<b>(81)</b>	<b>92,623</b>

<b>Balance sheet as at 31.12.2013</b>	<b>As previously stated \$'000</b>	<b>Restatement \$'000</b>	<b>As restated \$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,275,520	(88,341)	1,187,179
Land use rights	147,289	(6,653)	140,636
Intangible assets	107,987	(13)	107,974
Interests in associates	61,000	(804)	60,196
Interests in jointly-controlled entities	-	64,654	64,654
Other investments	1,738	-	1,738
Deferred tax assets	104,694	-	104,694
Non-current receivables	8,723	467	9,190
Long term bank deposits	-	38,647	38,647
	<b>1,706,951</b>	<b>7,957</b>	<b>1,714,908</b>
<b>Current assets</b>			
Other investments	5,923	-	5,923
Inventories	683,477	(17,420)	666,057
Development properties	8,215	-	8,215
Trade and other receivables	2,027,445	5,572	2,033,017
Cash and short-term deposits	1,068,246	(51,020)	1,017,226
Derivatives	571	-	571
	<b>3,793,877</b>	<b>(62,868)</b>	<b>3,731,009</b>
<b>Current liabilities</b>			
Trade and other payables	2,020,809	(9,565)	2,011,244
Provisions	80,128	(913)	79,215
Loans and borrowings	571,478	(13,731)	557,747
Current tax payable	32,579	33	32,612
Derivatives	962	-	962
	<b>2,705,956</b>	<b>(24,176)</b>	<b>2,681,780</b>
<b>Net current assets</b>	<b>1,087,921</b>	<b>(38,692)</b>	<b>1,049,229</b>
<b>Non-current liabilities</b>			
Loans and borrowings	424,789	(32,628)	392,161
Deferred tax liabilities	50,240	-	50,240
Deferred grants	69,042	(671)	68,371
Other non-current payables	24,408	-	24,408
Retirement benefits	564	-	564
	<b>569,043</b>	<b>(33,299)</b>	<b>535,744</b>
<b>Net assets</b>	<b>2,225,829</b>	<b>2,564</b>	<b>2,228,393</b>
<b>Capital and reserves</b>			
Share capital	266,830	-	266,830
Reserves	574,449	11	574,460
	841,279	11	841,290
Non-controlling interests	1,384,550	2,553	1,387,103
<b>Total Equity</b>	<b>2,225,829</b>	<b>2,564</b>	<b>2,228,393</b>

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	2Q 2014	2Q 2013 (restated)	1H 2014	1H 2013 (restated)
Earnings per ordinary share based on net profit attributable to shareholders				
(i) Based on the weighted average number of ordinary shares in issue (cts)	2.57	2.48	6.12	6.33
(ii) On a fully diluted basis (cts)	2.57	2.48	6.12	6.33

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	30.6.2014	31.12.2013 (restated)	30.6.2014	31.12.2013
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 30 June 2014 and as at 31 December 2013 (cts)	223.03	225.00	87.56	84.95

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**  
**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**2Q 2014 versus 2Q 2013 (restated)\***

(\* all references to 2Q 2013 in this section are with reference to 2Q 2013 (restated))

Revenue for the Group increased marginally from \$1,163.7 million in 2Q 2013 to \$1,169.1 million for the quarter under review, an increase of 0.5%. The increase was mainly due to higher revenue from the diesel engines unit ("Yuchai"), which partly arose from foreign exchange translation, and building materials unit ("BMU") but offset by lower revenue from other business units. Profit attributable to the owners of the Company ("PATMI") for the quarter under review improved to \$9.6 million in 2Q 2014 versus \$9.3 million in 2Q 2013.

- Revenue of consumer products unit ("Xinfei") declined by 10.5% as compared with 2Q 2013. Despite new marketing plans and an advertising campaign on China television network in the months of April 2014 and May 2014, the increase in sales did not materialise. Keen competition and the weaker property market in China led to lower consumer demand for Xinfei's products. Unit sales were lower by 6.3% as compared to the same period last year.
- Revenue of Yuchai for 2Q 2014 increased marginally by 2.3% compared to 2Q 2013, contributed partly by the effect of foreign exchange translation. The units sold by Yuchai in 2Q 2014 decreased by 9.5% as compared to 2Q 2013. The industry unit sales of commercial vehicles (excluding gasoline-powered vehicles) for 2Q 2014 as published by the China Association of Automobile Manufacturers reported a reduction of 13.7% compared to 2Q 2013.
- Revenue of BMU increased by 12.5% in 2Q 2014 as compared to 2Q 2013. The increase was contributed by all divisions except the trading division.

- Revenue of the industrial packaging unit (“Rex”) declined by 33.6% in 2Q 2014 as compared to 2Q 2013 as a result of keen competition and the low season for lube oil in China.
- Revenue of the air-conditioning systems unit (“Airwell”) declined by 50.8% in 2Q 2014 as compared to 2Q 2013 mainly as a result of reduction in export and domestic sales. Management is focusing on the gradual build up of domestic sales in China.

Group gross profit margin in 2Q 2014 was 20.7%, improved by 0.3% as compared to 20.4% in 2Q 2013. Overall raw material costs as a percentage of sales for the Group decreased by 0.9% compared to the same period last year. However, the overhead costs as a percentage of sales increased by 0.6% as compared to 2Q 2013. The margins of Xinfei and Rex declined due to lower sales and higher raw material costs. Yuchai’s margin improved marginally. BMU’s margin improved due largely to lower raw material costs but offset by higher electricity costs incurred by Tasek.

Other income for the Group in 2Q 2014 decreased as compared to 2Q 2013 mainly due to lower interest income and higher exchange loss but offset by fair value gain on derivatives.

Selling and distribution (“S&D”) expenses in 2Q 2014 decreased by \$4.2 million, or 3.9% as compared to 2Q 2013, mainly due to lower sales incentive granted to customers by Xinfei and lower warranty accrued by Yuchai but offset by higher advertising expenses by Xinfei.

Research and development (“R&D”) expenses in 2Q 2014 increased by \$1.0 million or 3.9% over 2Q 2013 due mainly to the increase in salary costs but offset by lower consultancy fees and testing expenses incurred by Yuchai.

General and administrative (“G&A”) expenses in 2Q 2014 increased by \$3.8 million or 9.4% over 2Q 2013 due mainly to higher expenses incurred by Xinfei and Yuchai.

Finance costs in 2Q 2014 decreased by \$2.3 million or 15.2% as compared to 2Q 2013 due mainly to less bills discounting and lower interest costs from the issuance of the three-year medium-term notes in May 2013 at a fixed annual interest rate of 4.69%.

Share of results of associates and jointly–controlled entities, net of tax reported a loss of \$0.3 million in 2Q 2014 from a profit of \$0.4 million in 2Q 2013. This was mainly due to lower profits reported by associates of BMU and losses reported by associates of Yuchai.

The higher income tax expense in 2Q 2014 compared to the same period last year was due mainly to higher profits from Yuchai and BMU.

#### **1H 2014 vs 1H 2013 (restated)\***

(\* all references to 1H 2013 in this section are with reference to 1H 2013 (restated))

Revenue for the Group increased 7.8% from \$2,246.6 million in 1H 2013 to \$2,422.2 million in 1H 2014. The increase was mainly due to higher revenues from Yuchai and BMU but offset by lower revenues from other business units. Profit attributable to the owners of the Company was \$22.9 million in 1H 2014, decreased by 3.4% as compared to \$23.7 million in 1H 2013.

- Xinfei’s revenue declined by 13.4% as compared to 1H 2013 due to keen competition and the effect of weak property market in China.
- Yuchai achieved 12.8% higher revenue compared to the same period last year mainly due to increased sales to the heavy-duty truck and natural gas engine markets and increased engine sales for agricultural applications in the first half of 2014. The unit sales volume of vehicle engines increased by 2.9% in 1H 2014. The industry unit sales volume of commercial vehicles (excluding gasoline-powered vehicles) for 1H 2014 as published by the China Association of Automobile Manufacturers reported a reduction of 5.2% compared to 1H 2013.

- BMU's revenue increased by 13.6% as compared to 1H 2013. The increase was contributed by all divisions except the trading division.
- Rex's revenue declined by 29.3% as compared to 1H 2013 due mainly to keen competition and lower demand from existing customers.
- Airwell's revenue decreased by 44.4% as compared to 1H 2013 mainly due to lower export and domestic sales. Management is focusing on the gradual build up of domestic sales in China.

Group gross profit margin in 1H 2014 was 20.0% as compared to gross profit margin of 20.7% in 1H 2013, 0.7% lower. Overall raw material costs as a percentage of sales for the Group increased by 0.8% as compared to the same period last year. However, the overhead costs as a percentage of sales decreased by 0.2%. There was an improvement in Xinfai's margin resulting from better selling prices of new models. Yuchai's margin dipped 1% due to sales mix with higher engine sales for agriculture applications and lower bus sales. BMU's margin improved due to lower material costs but Rex's margin deteriorated due to higher material costs and lower sales.

Other income decreased by \$4.8 million compared to 1H 2013 mainly due to lower interest income.

S&D expenses in 1H 2014 increased by \$6.9 million, or 3.4% compared to 1H 2013. It was mainly due to higher advertising expenses by Xinfai and higher warranty expenses by Yuchai but offset by lower warranty expenses, outward freight and sales incentive granted to customers by Xinfai.

R&D expenses in 1H 2014 increased by \$2.3 million or 4.6% over 1H 2013 due mainly to the increase in salary costs and depreciation but offset by lower consultancy fees and testing expenses incurred by Yuchai.

G&A expenses in 1H 2014 increased by \$1.5 million or 1.9% over 1H 2013 due mainly to the increase in salary costs.

Finance costs in 1H 2014 decreased by \$0.7 million or 2.5% as compared to 1H 2013. This was due mainly to lower interest expense incurred on bank loans.

The higher income tax expense in 1H 2014 compared to the same period last year was due mainly to higher profits derived by Yuchai and BMU.

### **Working Capital and Cash Flow**

The Group had cash and short-term deposits of \$701.1 million and a net borrowing position of \$167.1 million at the end of 2Q 2014.

In 2Q 2014, the Group generated \$117.0 million cash from operating activities, mainly due to higher collection from trade and other receivables and lower inventories holdings. It used \$37.4 million in investing activities including \$45.6 million for the purchase of property, plant and equipment and \$41.7 million in financing activities.

In 2Q 2013 (restated), the Group generated \$132.5 million cash from operating activities, mainly due to higher collection from trade and other receivables and lower inventories holdings. It used \$4.5 million in investing activities including \$28.1 million for the purchase of property, plant and equipment and \$48.1 million in financing activities.

### **9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

None.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The previous global 2014 economic growth forecast of 3.6% issued in April 2014 by International Monetary Fund has dropped further to 3.4% in the update in July 2014. The GDP forecast of United States was adjusted downward from 2.8% to 1.8% due to a harsh winter which further dampened demand and export in the first quarter ("1Q") of 2014. China's GDP forecast also dipped by 0.1% to 7.4% as a result of the government's effort to rein in credit growth and correction to real estate activities. Singapore's economy grew 2.4% in 2Q 2014 as compared to the growth of 4.8% in 1Q 2014.

For the diesel engine industry, the demand had dropped 5.2% for commercial vehicle units (excluding gasoline-powered vehicles) in 1H 2014 following the tapering off in sales from the pre-buy impact arising from the implementation of The National IV emission standards for diesel engines in China on 1 July 2013. The sales of Yuchai in the coming quarters will vary according to the market demand.

The consumer appliances industry is expected to remain challenging and highly competitive with over capacity and lower consumer demand. These challenges will continue to impact Xifei's performance for 2014. With new marketing plans and advertising campaign on the China television network currently being underway, Xifei aims to be able to increase its sales in the second half of the year.

Singapore's GDP grew by 2.4%. However, the construction industry grew 4.4% in 2Q 2014, a smaller growth compared to the 6.4% growth in 1Q 2014. The industry is slowing down faster than expected. HDB is reporting lower demand in cement consumption. The average selling prices of precast and cement are expected to fall in the second half of the year.

Barring any unforeseen circumstances including any change in policies of the Chinese government and any adverse change in the business climate, the Group expects to report a profit in the next quarter and in the current financial year. The Group continues to be subject to currency fluctuation risk as the bulk of its businesses are located outside of Singapore.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share
Tax Rate	Tax Exempt (1-tier)

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share
Tax Rate	Tax Exempt (1-tier)

***(c) Date payable***

12 September 2014



**(d) Books closure date**

5.00 p.m. on 28 August 2014

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**13. Interested persons transactions**

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the quarter ended 30 June 2014.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**16. A breakdown of sales.**

Not applicable.

**BY ORDER OF THE BOARD**

Yeo Swee Gim, Joanne  
Ng Siew Ping, Jaslin  
Company Secretaries

14 August 2014

**Confirmation Pursuant to Rule 705(5) of the Listing Manual**

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the second quarter and half year ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board

**Kwek Leng Beng**  
Chairman

14 August 2014

**Philip Ting Sii Tien @ Yao Sik Tien**  
Director and Chief Executive Officer