

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2018

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 first quarter ended 31 March ("1Q") 2018. These figures have not been audited or reviewed.

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

	1Q 2018 \$'000	Group 1Q 2017 \$'000 (Restated)	+/- %
Revenue	1,024,795	1,128,360	-9.2%
Cost of sales	(829,524)	(922,311)	-10.1%
Gross profit	195,271	206,049	-5.2%
Other income	13,234	10,283	28.7%
Selling and distribution expenses	(64,433)	(77,405)	-16.8%
Research and development costs	(26,373)	(29,601)	-10.9%
General and administrative expenses	(52,584)	(44,590)	17.9%
Finance costs	(8,685)	(10,438)	-16.8%
Other expenses	(1,046)	(795)	31.6%
Profit from operations	55,384	53,503	3.5%
Share of results of associates and joint ventures, net of tax	2,007	(1,474)	NM
Profit before income tax	57,391	52,029	10.3%
Income tax expense	(17,552)	(17,235)	1.8%
Profit for the period	39,839	34,794	14.5%
Attributable to:			
Owners of the Company	(5,463)	(9,857)	-44.6%
Non-controlling interests	45,302	44,651	1.5%
	39,839	34,794	14.5%

Note: The Group's business is largely in China. For the quarter ended 31 March, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB4.7954 = SGD1.00 for 1Q 2018 and RMB4.8685 = SGD1.00 for 1Q 2017. For 1Q 2018, RMB appreciated about 1.5% as compared to 1Q 2017.

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

	1Q 2018	Group 1Q 2017	+/-
Profit before income tax include the following:	\$'000	\$'000	%
Gain on disposal of property, plant and equipment ⁽¹⁾	230	924	-75.1%
Impairment losses written back for trade and other receivables, net ⁽²⁾	79	560	-85.9%
Allowance made for inventories obsolescence, net ⁽³⁾	(377)	(1,857)	-79.7%
Depreciation and amortisation ⁽⁴⁾	(28,307)	(33,305)	-15.0%
Foreign exchange gain, net ⁽⁵⁾	534	1,865	-71.4%
Fair value loss on derivatives, net ⁽⁶⁾	-	(161)	NM
Interest expense ⁽⁷⁾	(8,416)	(10,146)	-17.0%
Interest income ⁽⁸⁾	8,803	4,736	85.9%
Write-off of property, plant & equipment ⁽⁹⁾	(139)	(763)	-81.8%

NM: Not meaningful

(1) Net gains on disposal of property, plant and equipment in both 1Q 2018 and 1Q 2017 were attributed mainly to the Group's Diesel Engines Unit ("Yuchai").

(2) Net reversal of allowance for trade and other receivables in 1Q 2018 was attributed mainly to the write-back of allowance by Yuchai, which was partially offset by additional allowance recorded by the Group's Consumer Products Unit ("Xinfei")

Net reversal of allowance for trade and other receivables in 1Q 2017 was attributed mainly to Yuchai.

(3) Net allowance for inventories obsolescence in 1Q 2018 was attributed mainly to Xinfei's allowance for inventories obsolescence, which was partially offset by the reversal of allowance for inventories obsolescence by Yuchai.

Net allowance for inventories obsolescence in 1Q 2017 was mainly recorded by Xinfei.

(4) Depreciation and amortisation in 1Q 2018 were lower than 1Q 2017 mainly due to the restructuring exercise of Xinfei, which had resulted in impairment of property, plant and equipment in the fourth quarter of 2017.

(5) The net foreign exchange gain of \$0.5 million in 1Q 2018 was mainly due to foreign exchange gain on revaluation of Singapore dollar ("SGD") assets in China Yuchai International Limited ("CYI") (with functional currency in United States dollar ("USD")) and SGD liabilities in Xinfei (with functional currency in Renminbi ("RMB")).

The net foreign exchange gain in 1Q 2017 was mainly due to foreign exchange gain on revaluation of SGD assets in CYI, offset by foreign exchange loss on revaluation of SGD liabilities in Xinfei.

(6) Net fair value loss on derivatives in 1Q 2017 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contracts. In 1Q 2018, there was no derivative, therefore, there was no corresponding fair value adjustment in 1Q 2018.

(7) The decrease in interest expense in 1Q 2018 was mainly due to lower bills discounting in Yuchai and lower RMB denominated borrowings in the Company, as compared with 1Q 2017.

(8) The increase in interest income in 1Q 2018 was mainly due to higher interest income from bank deposits in Yuchai, as compared with 1Q 2017.

(9) The write-offs of property, plant and equipment in both 1Q 2018 and 1Q 2017 were mainly recorded by Yuchai.

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

In 1Q 2018, the Group's tax charge included reversal of provision of \$1,000 for prior years (1Q 2017: under provision of \$1,520,000 for prior years).

In 1Q 2017, the Group's tax charge included a provision of \$1,520,000 relating to a Malaysian subsidiary (the "**Subsidiary**") as explained in the Group's 1Q 2017 results announcement dated 12 May 2017. On 25 May 2017, the Kuala Lumpur High Court granted an interim stay of proceedings (the "**Interim Stay**") which included the deferment of payment of the disputed taxes until the disposal of the court hearing. The next case management date is set on 24 May 2018. The Subsidiary's solicitors have advised that the Interim Stay remains valid until the disposal of the court hearing.

1(a)(iv) Statement of Comprehensive Income

	1Q 2018	Group 1Q 2017	+/-
	\$'000	\$'000 (Restated)	%
Profit for the period	39,839	34,794	14.5%
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	33,957	(49,367)	NM
Net fair value changes of financial assets	9,443	351	2590.3%
Exchange differences on monetary items forming part of net investment in foreign entities	3,449	(5,657)	NM
Total other comprehensive income for the period, net of tax	46,849	(54,673)	NM
Total comprehensive income for the period	86,688	(19,879)	NM
Attributable to:			
Owners of the Company	10,055	(29,236)	NM
Non-controlling interests	76,633	9,357	719.0%
Total comprehensive income for the period	86,688	(19,879)	NM

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	
	31.03.2018	31.12.2017 (Restated)	31.03.2018	31.12.2017
Non-current assets				
Property, plant and equipment	1,018,564	1,005,664	68	78
Land use rights	129,923	128,882	-	-
Intangible assets	52,104	52,293	129	138
Investment in subsidiaries	-	-	202,955	202,955
Interests in associates	48,227	47,043	13,726	13,726
Interests in joint ventures	43,542	40,153	-	-
Investment property	1,559	1,522	-	-
Other investments	5,106	5,202	-	-
Deferred tax assets	66,105	65,345	-	-
Non-current receivables	2,687	8,375	166,353	166,843
Long-term deposits	10,435	14,336	-	-
	1,378,252	1,368,815	383,231	383,740
Current assets				
Inventories	632,997	631,817	-	-
Development properties	4,999	4,881	-	-
Trade and other receivables	2,109,272	1,714,744	225,995	216,088
Other investments	4,454	5,061	-	-
Cash and short-term deposits	1,131,572	1,363,934	18,996	19,161
	3,883,294	3,720,437	244,991	235,249
Total assets	5,261,546	5,089,252	628,222	618,989
Current liabilities				
Trade and other payables	1,936,908	1,850,079	17,437	18,865
Provisions	36,327	40,680	-	-
Loans and borrowings	667,176	677,709	156,794	175,075
Current tax payable	12,736	12,749	7	15
	2,653,147	2,581,217	174,238	193,955
Net current assets	1,230,147	1,139,220	70,753	41,294
Non-current liabilities				
Loans and borrowings	252,334	217,701	235,000	200,000
Deferred tax liabilities	44,778	41,497	2,100	2,100
Deferred grants	76,763	70,674	-	-
Other non-current payables	44,173	34,625	-	-
Retirement benefit obligations	1	1	-	-
	418,049	364,498	237,100	202,100
Total liabilities	3,071,196	2,945,715	411,338	396,055
Net assets	2,190,350	2,143,537	216,884	222,934
Equity attributable to owners of the Company				
Share capital	266,830	266,830	266,830	266,830
Reserves	350,596	349,142	(49,946)	(43,896)
	617,426	615,972	216,884	222,934
Non-controlling interests	1,572,924	1,527,565	-	-
Total equity	2,190,350	2,143,537	216,884	222,934
Total equity and liabilities	5,261,546	5,089,252	628,222	618,989

Explanatory Notes to Statement of Financial Position

Group

- Non-current assets: The increase in non-current assets was mainly due to higher property, plant and equipment as RMB strengthened against the SGD at 31 March 2018. The functional currency for Yuchai's main operating unit in China and Xinfei is RMB whilst the Group reports in SGD.
- Current assets: The increase in current assets was mainly due to higher trade and other receivables at 31 March 2018. This was partially offset by lower cash and short-term deposits at 31 March 2018.
- Current liabilities: The increase in current liabilities was mainly due to higher trade and other payables. This was partially offset by decrease in short-term loans and borrowings at 31 March 2018.
- Non-current liabilities: The increase in non-current liabilities was mainly due to higher long-term loans and borrowings by the Company at 31 March 2018.

Company

- Current assets: The increase in current assets was mainly due to higher trade and other receivables at 31 March 2018.
- Current liabilities: The decrease in current liabilities was mainly due to decrease in short-term loans and borrowings at 31 March 2018.
- Non-current liabilities: The increase in non-current liabilities was mainly due to higher long-term loans and borrowings by the Company at 31 March 2018.

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

Amount repayable in one year or less, or on demand

As at 31.03.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
\$12,246,800	\$654,929,000	\$11,887,758	\$665,821,000

Amount repayable after one year

As at 31.03.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
\$14,333,855	\$237,999,854	\$14,700,714	\$202,999,886

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 31 March 2018 of \$52,208,000 (31 December 2017: \$51,193,000).

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

	1Q 2018	1Q 2017
	\$'000	\$'000
		(Restated)
Operating activities		
Profit before tax	57,391	52,029
Adjustments for:		
Share of results of associates and joint ventures, net of tax	(2,007)	1,474
Cost of share-based payments	-	141
Depreciation and amortisation	28,307	33,305
Allowance recognised for inventories obsolescence	377	1,857
Reversal of impairment losses recognised for trade and other receivables	(79)	(560)
Property, plant and equipment written off	139	763
Finance costs	8,685	10,438
Interest income	(8,803)	(4,736)
Gain on disposal of property, plant and equipment	(230)	(924)
Fair value loss/(gain) on investments	609	(306)
Fair value loss on derivatives	-	161
Provision for warranties and other costs, net	9,643	15,020
Operating profit before working capital changes	94,032	108,662
Changes in working capital:		
Inventories and development properties	10,670	(41,298)
Trade and other receivables	(390,217)	(330,577)
Trade and other payables	60,468	217,610
Grant received from government	6,413	315
Provisions utilised	(14,668)	(7,185)
Cash flows used in operations	(233,302)	(52,473)
Income tax paid	(9,557)	(15,921)
Cash flows used in operating activities	(242,859)	(68,394)
Investing activities		
Additional investment in joint ventures	(1,006)	(5,135)
Dividends received from associates and joint ventures	-	948
Interest received	8,574	4,780
Net (placement)/release of deposits with banks	(17,094)	663
Purchase of:		
- property, plant and equipment	(20,882)	(22,272)
- intangible assets	(149)	(821)
- other investments	(784)	-
Proceeds from disposal of property, plant and equipment	14	764
Net cash flows used in investing activities	(31,327)	(21,073)
Financing activities		
Dividends paid to non-controlling interests of subsidiaries	(11,761)	-
Interest paid	(8,633)	(10,303)
Proceeds from borrowings	289,825	289,151
Repayment in respect of borrowings	(273,688)	(167,200)
Repayment of obligation under finance leases	(238)	(730)
Net cash flows (used in)/from financing activities	(4,495)	110,918
Net (decrease)/increase in cash and cash equivalents	(278,681)	21,451
Cash and cash equivalents at beginning of the period	1,262,104	945,171
Effect of exchange rate changes on balances held in foreign currencies	23,097	(20,018)
Cash and cash equivalents at end of the period	1,006,520	946,604
Comprising:		
Cash and short-term deposits	1,131,572	1,028,193
Less: Bank overdraft	-	(200)
Less: Short-term deposits and restricted deposits	(125,052)	(81,389)
	1,006,520	946,604

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.

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus on changes 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
The Group												
At 31 December 2016 as previously reported	266,830	4,442	33,369	45,246	4,231	(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354
Adoption of SFRS (I) 15	-	-	-	-	-	(247)	-	-	4,856	4,609	11,033	15,642
Restated balance at 31 December 2016	266,830	4,442	33,369	45,246	4,231	(51,988)	34,775	4,685	361,455	703,045	1,429,951	2,132,996
Adoption of SFRS (I)	-	-	-	-	-	51,988	-	-	(51,988)	-	-	-
Restated balance at 1 January 2017	266,830	4,442	33,369	45,246	4,231	-	34,775	4,685	309,467	703,045	1,429,951	2,132,996
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(9,857)	(9,857)	44,651	34,794
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(14,073)	-	-	-	(14,073)	(35,294)	(49,367)
Net fair value changes of financial assets	-	-	-	351	-	-	-	-	-	351	-	351
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(5,657)	-	-	-	(5,657)	-	(5,657)
Other comprehensive income for the period, net of tax	-	-	-	351	-	(19,730)	-	-	-	(19,379)	(35,294)	(54,673)
Total comprehensive income for the period	-	-	-	351	-	(19,730)	-	-	(9,857)	(29,236)	9,357	(19,879)
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	57	-	-	-	-	57	84	141
At 31 March 2017	266,830	4,442	33,369	45,597	4,288	(19,730)	34,775	4,685	299,610	673,866	1,439,392	2,113,258
The Group												
At 31 December 2017 as previously reported	266,830	4,391	33,753	45,859	5,243	(60,354)	35,397	-	286,025	617,144	1,529,645	2,146,789
Adoption of SFRS (I) 15	-	-	-	-	-	(336)	-	-	(836)	(1,172)	(2,080)	(3,252)
Adoption of SFRS (I)	-	-	-	-	-	51,988	-	-	(51,988)	-	-	-
Restated balance at 31 December 2017	266,830	4,391	33,753	45,859	5,243	(8,702)	35,397	-	233,201	615,972	1,527,565	2,143,537
Adoption of SFRS (I) 9	-	-	-	(8,601)	-	-	-	-	-	(8,601)	(19,513)	(28,114)
Restated balance at 1 January 2018	266,830	4,391	33,753	37,258	5,243	(8,702)	35,397	-	233,201	607,371	1,508,052	2,115,423
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(5,463)	(5,463)	45,302	39,839
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	9,676	-	-	-	9,676	24,281	33,957
Net fair value changes of financial assets	-	-	-	2,393	-	-	-	-	-	2,393	7,050	9,443
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	3,449	-	-	-	3,449	-	3,449
Other comprehensive income for the period, net of tax	-	-	-	2,393	-	13,125	-	-	-	15,518	31,331	46,849
Total comprehensive income for the period	-	-	-	2,393	-	13,125	-	-	(5,463)	10,055	76,633	86,688
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(11,761)	(11,761)
At 31 March 2018	266,830	4,391	33,753	39,651	5,243	4,423	35,397	-	227,738	617,426	1,572,924	2,190,350

1(d)(i) Statement of changes in equity for the periods ended 31 March (cont'd)

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
The Company					
At 1 January 2017	266,830	9,199	2,467	8,516	287,012
Total comprehensive income for the period	-	-	-	(3,354)	(3,354)
At 31 March 2017	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>5,162</u>	<u>283,658</u>
At 1 January 2018	266,830	9,199	2,467	(55,562)	222,934
Total comprehensive income for the period	-	-	-	(6,050)	(6,050)
At 31 March 2018	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>(61,612)</u>	<u>216,884</u>

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

There were no shares held as treasury shares or subsidiary holdings as at 31 March 2018, 31 December 2017 and 31 March 2017.

There was no change in the Company's issued share capital during the three months ended 31 March 2018.

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 31 March 2018.

As at 31 March 2018, there were a total of 1,240,000 (31 March 2017: 1,340,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2008	\$2.36	470,000
2011	\$3.17	380,000
2014	\$1.31	390,000
Total		1,240,000

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 31 March 2018 and 31 December 2017 was 373,908,559.

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

There was no sale, transfer, cancellation and/or use of treasury shares/subsidiary holdings during the three months ended 31 March 2018.

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

The figures have not been audited or 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 2017, except for the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") framework and new SFRS(I)s that became effective on 1 January 2018. Please refer to paragraph 5 for further details.

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.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to International Financial Reporting Standards. The Group has adopted the new financial reporting framework and applied the following new accounting standards on 1 January 2018:

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*

The adoption of the new financial reporting framework and accounting standards did not have any material impact on the financial statements, except as described below:

a) Application of SFRS(I) 1 *First-Time Adoption of Singapore Financial Reporting Standards (International)*

On transition to the new financial reporting framework, the Group has elected the option in SFRS(I) 1 to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017.

As a result, the Group reclassified an amount of \$51,988,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

b) SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the changes in accounting policies retrospectively to each reporting period presented, using the full retrospective approach. Accordingly, the comparative figures in the Group's balance sheet as at 31 December 2017 and the Group's income statement for the quarter ended 31 March 2017 have been restated to reflect the retrospective adjustments upon adoption of SFRS(I) 15.

Warranty obligations

Under SFRS(I) 15, the Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the consideration allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue over the period the warranty services are provided.

As a result, the Group's income statement for 1Q 2017 was restated as follows:

- Revenue decreased by \$1,414,000 to \$1,128,360,000.
- Cost of sales increased by \$11,870,000 to \$922,311,000.
- Selling and distribution expenses decreased by \$13,155,000 to \$77,405,000.

The Group recorded an adjustment to decrease the opening retained earnings as at 1 January 2017 by \$901,000 for service-type warranty before 1 January 2017.

Performance obligation

Under FRS 18 Revenue, the sale of a certain intangible asset amounting to \$23,521,000 was recognised in the fourth quarter of 2017 as other income, as the requirement for the production milestone was fulfilled. With the adoption of SFRS(I) 15, management has reviewed and concluded that the Group had significantly performed its obligations in 2015, and the profit arising from the sale of intangible asset would have to be adjusted to the opening retained earnings as at 1 January 2017.

As a result, the Group recorded an adjustment to increase the opening retained earnings as at 1 January 2017 by \$5,757,000.

c) SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The new impairment requirements in SFRS(I) 9 are based on an expected credit loss model.

With the adoption of SFRS(I) 9, the Group measures bill receivables at fair value through other comprehensive income. The Group receives bill receivables as trade settlement and routinely sells some of the bills receivables before their maturity.

As a result, the Group recorded a decrease in bill receivables and equity of \$28,114,000 as at 1 January 2018. Applying the exemption in SFRS(I) 1, comparative information in the financial statements has not been restated.

In summary, the resultant effect of the restatements on the Group's income statement for 1Q 2017 was as follows:

- Revenue was adjusted from \$1,129,774,000 to \$1,128,360,000.
- Profit after tax was adjusted from \$34,923,000 to \$34,794,000.
- Loss attributable to the owners of the Company was adjusted from \$9,817,000 to \$9,857,000.

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	
	1Q 2018	1Q 2017 (Restated)
Loss per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	(1.46)	(2.64)
(ii) On a fully diluted basis (cts)	(1.46)	(2.64)

1,240,000 (31 March 2017: 1,340,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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	
	31.03.2018	31.12.2017 (Restated)	31.03.2018	31.12.2017
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 31 March 2018 and as at 31 December 2017 (cts)	165.13	164.74	58.00	59.62

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.

The main business units of the Group are the Diesel Engines Unit (“Yuchai”), the Building Materials Unit (“BMU”) and the Consumer Products Unit (“Xinfei”). The other business units in the Group are the Industrial Packaging Unit (“Rex”) and the Air-conditioning Systems Unit (“Airwell”).

The Group operates mainly in China, Singapore and Malaysia.

China's economy grew 6.8% in 1Q 2018, slightly better than expected. In Singapore, based on advance estimates, the economy grew 4.3% in 1Q 2018, however, the construction industry declined by 4.4%, extending the 5.0% decline in the previous quarter. The decline in the construction industry had an adverse impact on the operating performance of BMU. In Singapore, the decline in the building construction industry led to fewer projects and keen price competition. In Malaysia, the Group's subsidiary, Tasek Corporation Berhad faced intense price competition due to excess cement capacity and reduced number of private property projects.

On 30 October 2017, the Company announced that Xinfei had initiated a restructuring exercise (“Restructuring Exercise”), and production activities had ceased in early November 2017.

In 1Q 2018, the loss attributable to the owners of the Company (“PATMI”) decreased by \$4.4 million or 44.6% to \$5.5 million, as compared to a loss of \$9.9 million in 1Q 2017 (Restated).

1Q 2018 versus 1Q 2017 (Restated)

(* all references to 1Q 2017 in this section are with reference to 1Q 2017 (Restated))

Revenue for the Group was \$1.025 billion in 1Q 2018, a decrease of \$103.6 million or 9.2%, from \$1.128 billion in 1Q 2017. The decrease in revenue was mainly due to revenue declines recorded by Yuchai and Xinfai which were partially offset by revenue growth of BMU.

- Yuchai's revenue decreased by \$29.9 million or 3.2% as compared to 1Q 2017. Yuchai sold 110,113 engines in 1Q 2018, a decrease of 8.2% or 9,897 units as compared to 120,010 units sold in 1Q 2017. The decrease in engine sales was mainly due to the decrease in the sales of off road applications.

In the off road segment, the decline was mainly caused by lower sales in the agricultural segment. In the on road segment, statistics from China Association of Automotive Manufacturers reported a growth of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 3.6% for 1Q 2018, mainly due to growth in heavy duty truck segment. Yuchai's sales benefitted from the growth in the truck segment, however, this was offset by the drop in the bus segment due to competition from full electric bus.

- Xinfai's revenue decreased by \$82.2 million or 92.8% as compared to 1Q 2017. Total unit sales were 32,167 units for 1Q 2018, a decrease of 91.1% as compared to 359,582 units for 1Q 2017. This was mainly due to cessation of production activities under the Restructuring Exercise from November 2017 onwards.
- BMU's revenue increased by \$11.0 million or 12.1% as compared to 1Q 2017.

In Singapore, the increase was due to higher sales volume amidst continued price competition. Although the construction industry in Singapore started declining from the third quarter of 2016 through to 1Q 2018, the Group has started to see a pick up in sales volume in 1Q 2018. Based on new projects to be launched, it will take some time for full recovery of sales volume and average selling prices. In Malaysia, the increase in revenue was mainly due to higher demand for cement in the domestic market. However, intense price competition continued to affect average selling prices and margins.

The Group's gross profit was \$195.3 million in 1Q 2018, a decrease of \$10.7 million or 5.2%, from \$206.0 million in 1Q 2017. The gross profit margin was 19.1% as compared to 18.3% in 1Q 2017, an increase of 0.8%.

Other income was \$13.2 million in 1Q 2018, an increase of \$2.9 million from \$10.3 million in 1Q 2017. In 1Q 2018, other income mainly comprised interest income and government grant. In 1Q 2017, other income mainly comprised interest income, net foreign exchange gain and gain on disposal of property, plant and equipment.

Selling and distribution ("**S&D**") expenses were \$64.4 million in 1Q 2018, a decrease of \$13.0 million or 16.8% as compared to \$77.4 million in 1Q 2017. The decrease was mainly due to lower warranty expenses in Yuchai and lower S&D expenses in Xinfai due to the Restructuring Exercise. As a percentage of sales, S&D expenses were 6.3% for 1Q 2018 as compared to 6.9% in 1Q 2017, a reduction of 0.6%.

Research and development ("**R&D**") expenses were \$26.4 million in 1Q 2018, a decrease of \$3.2 million or 10.9% as compared to \$29.6 million in 1Q 2017. The R&D expenses were mainly related to Yuchai's development and testing costs of new engines to meet higher emission standards and ongoing efforts to improve engine quality. As a percentage of sales, R&D expenses were 2.6% in 1Q 2018, consistent with 1Q 2017.

General and administrative ("**G&A**") expenses were \$52.6 million in 1Q 2018, an increase of \$8.0 million or 17.9% as compared to \$44.6 million in 1Q 2017. The increase was mainly due to higher staff costs in Yuchai and Xinfai. Production staff costs in Xinfai were recorded as G&A expenses in 1Q 2018, in view of Xinfai's Restructuring Exercise. As a percentage of sales, G&A expenses were 5.1% in 1Q 2018 as compared to 4.0% in 1Q 2017, an increase of 1.1%.

Finance costs were \$8.7 million in 1Q 2018, a decrease of \$1.7 million or 16.8% as compared to \$10.4 million in 1Q 2017. The decrease in finance costs was mainly due to lower bills discounting in Yuchai and lower RMB denominated borrowings in the Company.

Other expenses were \$1.0 million in 1Q 2018, an increase of \$0.2 million from \$0.8 million in 1Q 2017. In 1Q 2018, other expenses were mainly due to fair value loss on investment in Yuchai. In 1Q 2017, other expenses were mainly due to a plant shut-down by Xinfei and net fair value loss on derivatives.

As a result, profit after tax was \$39.8 million in 1Q 2018 as compared to \$34.8 million in 1Q 2017. The Group recorded a loss attributable to the owners of the Company of \$5.5 million in 1Q 2018, as compared to loss of \$9.9 million in 1Q 2017.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.132 billion as at 31 March 2018 compared with \$1.364 billion as at 31 December 2017.

During the quarter under review, the net cash outflow from operations was \$242.9 million. The Group generated cash from operating activities before working capital changes of \$94.0 million, which was used partially to finance the increase in trade and other receivables at quarter-end.

The Group had net cash outflow from investing activities of \$31.3 million. It was mainly due to higher placement of deposits with banks and purchase of property, plant and equipment of \$20.9 million.

The Group had net cash outflow from financing activities of \$4.5 million. It was mainly due to dividend payment of \$11.8 million and interest payment of \$8.6 million, partially offset by net borrowings of \$16.1 million.

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.

China has set its GDP growth target at 6.5% for 2018, unchanged from that for 2017. China achieved growth of 6.8% for 1Q 2018, which was better than expected. However, there are signs that the truck market is slowing down and the traditional diesel bus market continues to be weak due to competition from electric bus. Yuchai operates in a competitive engines market in China.

In Singapore and Malaysia, the Group expects BMU to operate in challenging market conditions, although the Group had witnessed an improvement in sales volume. However, average selling prices continued to be weak affecting margins and is expected to continue into the following quarter. The Group believes that the challenges facing BMU will continue to affect its performance.

Xinfei has begun the Restructuring Exercise as reported in the Company's announcement on 30 October 2017. In the financial year 2017, the Company had made significant impairments and provisions. As Xinfei had contributed negatively to the Group's performance in the past years, the Group expects that the Restructuring Exercise would be a positive strategic development, as it would reduce the Group's exposure to the challenging consumer goods market in China.

2018 will continue to be a challenging year for the Group, despite the early sign of improvement in sales volume for BMU. Should the conclusion of Xinfei's Restructuring Exercise be delayed, the holding costs of Xinfei is expected to continue to affect the performance of the Group. The Group will continue to explore other strategic options and potential alliance opportunities, whilst maintaining its cost control discipline and continuing its organizational restructuring initiatives.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend is declared / recommended for the current financial period under review.

13. Interested person transactions

Name of Interested Person	Aggregate value of all interested person transactions for 1Q 2018 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. and its associates - Construction-related Transaction - Purchase of raw materials from Interested Persons	\$632,690

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.

- 17. Confirmation Pursuant to Rule 720(1) of the Listing Manual**

The Company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1) of the Listing Manual in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

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

11 May 2018

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 first quarter ended 31 March 2018 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Peck
Executive Chairman

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

11 May 2018