

**Unaudited Second Quarter And Half Year Financial Statement For The Period Ended 30 June 2017**

**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") 2017. 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**

	2Q 2017	2Q 2016	Group +/- %	1H 2017	1H 2016	+/- %
	\$'000	\$'000		\$'000	\$'000	
<b>Revenue</b>	1,028,978	994,168	3.5%	2,158,752	1,942,685	11.1%
Cost of sales	(848,148)	(799,776)	6.0%	(1,758,589)	(1,573,598)	11.8%
<b>Gross profit</b>	<b>180,830</b>	<b>194,392</b>	<b>-7.0%</b>	<b>400,163</b>	<b>369,087</b>	<b>8.4%</b>
Other income	11,684	6,420	82.0%	21,967	14,964	46.8%
Selling and distribution expenses	(95,110)	(95,269)	-0.2%	(185,670)	(184,156)	0.8%
Research and development costs	(25,856)	(32,420)	-20.2%	(55,457)	(57,105)	-2.9%
General and administrative expenses	(47,972)	(41,796)	14.8%	(92,562)	(87,002)	6.4%
Finance costs	(8,465)	(8,402)	0.7%	(18,903)	(18,847)	0.3%
Other expenses	(1,159)	(4,791)	-75.8%	(1,954)	(8,777)	-77.7%
<b>Profit from operations</b>	<b>13,952</b>	<b>18,134</b>	<b>-23.1%</b>	<b>67,584</b>	<b>28,164</b>	<b>140.0%</b>
Share of results of associates and joint ventures, net of tax	840	637	31.9%	(634)	(233)	172.1%
<b>Profit before income tax</b>	<b>14,792</b>	<b>18,771</b>	<b>-21.2%</b>	<b>66,950</b>	<b>27,931</b>	<b>139.7%</b>
Income tax expense	(9,663)	(11,996)	-19.4%	(26,898)	(22,099)	21.7%
<b>Profit for the period</b>	<b>5,129</b>	<b>6,775</b>	<b>-24.3%</b>	<b>40,052</b>	<b>5,832</b>	<b>586.8%</b>
<b>Attributable to:</b>						
Owners of the Company	(18,169)	(18,294)	-0.7%	(27,986)	(34,772)	-19.5%
Non-controlling interests	23,298	25,069	-7.1%	68,038	40,604	67.6%
	<b>5,129</b>	<b>6,775</b>	<b>-24.3%</b>	<b>40,052</b>	<b>5,832</b>	<b>586.8%</b>

Note: The Group's business is largely in China. For the quarter ended 30 June, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB4.8948 = SGD1.00 for 2Q 2017 and RMB4.7438 = SGD1.00 for 2Q 2016. For 2Q 2017, RMB depreciated about 3.2% as compared to 2Q 2016.

For the half year ended 30 June, translation of income statement from RMB to SGD has been made at the average exchange rate of RMB4.8817 = SGD1.00 for 1H 2017 and RMB4.7183 = SGD1.00 for 1H 2016. For 1H 2017, RMB depreciated about 3.5% as compared to 1H 2016.

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

Profit before income tax include the following:	2Q 2017 \$'000	2Q 2016 \$'000	Group		1H 2016 \$'000	+/- %
			+/- %	1H 2017 \$'000		
Gain/(loss) on disposal of property, plant and equipment <sup>(1)</sup>	439	(909)	NM	1,363	(2,781)	NM
Impairment losses (recognised)/written back for trade and other receivables, net <sup>(2)</sup>	(1,402)	1	NM	(842)	(1,275)	-34.0%
Allowance made for inventories obsolescence, net <sup>(3)</sup>	(730)	(471)	55.0%	(2,587)	(1,686)	53.4%
Depreciation and amortisation <sup>(4)</sup>	(31,341)	(33,933)	-7.6%	(64,646)	(68,229)	-5.3%
Foreign exchange gain/(loss), net <sup>(5)</sup>	1,190	(1,472)	NM	3,055	(3,310)	NM
Fair value loss on derivatives, net <sup>(6)</sup>	(533)	(2,108)	-74.7%	(694)	-	NM
Interest expense <sup>(7)</sup>	(8,167)	(8,128)	0.5%	(18,313)	(18,228)	0.5%
Interest income <sup>(8)</sup>	6,926	4,877	42.0%	11,662	9,254	26.0%
Write-off of property, plant & equipment <sup>(9)</sup>	(522)	(15)	3380.0%	(1,285)	(50)	2470.0%

NM: Not meaningful

(1) In 2Q 2017 and 1H 2017, net gain on disposal of property, plant and equipment was attributed mainly to the Group's Diesel Engines Unit ("Yuchai"). In 2Q 2016 and 1H 2016, net loss on disposal of property, plant and equipment was attributed mainly to Yuchai and the Group's Consumer Products Unit ("Xinfei").

(2) Net impairment losses for trade and other receivables in both periods in 2017 and 2016 were attributed mainly to Xinfei and Yuchai.

In 2Q 2017, net impairment losses were higher than 2Q 2016 due to the higher provision for Xinfei in 2Q 2017 and write-back of provision for Yuchai in 2Q 2016. In 1H 2017, net impairment losses were lower than 1H 2016 as a result of the higher write-back of allowance for impairment losses by Yuchai in 2017.

(3) Net allowance for inventories obsolescence was mainly recorded by Xinfei.

(4) Depreciation and amortisation recorded in both comparative periods in 2017 were comparable to 2016.

(5) In 2Q 2017, the net foreign exchange gain of \$1.2 million 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")). In 2Q 2016, the net foreign exchange loss of \$1.5 million was mainly due to foreign exchange loss on revaluation of SGD liabilities in Xinfei and the Group's Air-conditioning Systems Unit ("Airwell") (with functional currency in RMB), which was partially offset by foreign exchange gain relating to a Euro denominated loan entered by Yuchai. The Euro loan was hedged using a forward foreign exchange contract which matured in 2Q 2016.

In 1H 2017, together with the net foreign exchange gain of \$1.9 million in the first quarter ("1Q") of 2017, the resulted net foreign exchange gain was \$3.1 million. In 1H 2016, with the net foreign exchange loss of \$1.8 million in 1Q 2016, the resulted net foreign exchange loss was \$3.3 million.

(6) Net fair value loss on derivatives in 2017 and 2016 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.

(7) Interest expense recorded in both comparative periods in 2017 was comparable to 2016.

(8) In 2Q 2017 and 1H 2017, the increase in interest income was mainly due to higher interest income from bank deposits in Yuchai.

(9) In 2Q 2017 and 1H 2017, the write-off of property, plant and equipment was mainly recorded by Yuchai.

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

In 2Q 2017, the Group's tax charge included additional provision of \$5,000 for prior years (2Q 2016: write-back of over provision of \$174,000 for prior years).

In 1H 2017, the Group's tax charge included additional provision of \$1,525,000 for prior years (1H 2016: write-back of over provision of \$571,000 for prior years). The higher provision for 1H 2017 was mainly due to a tax provision of \$1,520,000 made in 1Q 2017 by 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 which includes the deferment of payment of the disputed taxes until the disposal of the court hearing. The High Court will set the court hearing date during the next case management after parties have completed the filing of affidavits. 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

	2Q 2017 \$'000	2Q 2016 \$'000	Group +/- %	1H 2017 \$'000	1H 2016 \$'000	+/- %
<b>Profit for the period</b>	<b>5,129</b>	<b>6,775</b>	<b>-24.3%</b>	<b>40,052</b>	<b>5,832</b>	<b>586.8%</b>
<b>Other comprehensive income</b>						
<b>Items that may be subsequently reclassified to profit or loss</b>						
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	1,803	(54,718)	NM	(47,199)	(108,785)	-56.6%
Net fair value changes of available-for-sale financial assets	(187)	(38)	392.1%	164	24	583.3%
Exchange differences on monetary items forming part of net investment in foreign entities	132	(3,446)	NM	(5,525)	(6,724)	-17.8%
<b>Total other comprehensive income for the period, net of tax</b>	<b>1,748</b>	<b>(58,202)</b>	<b>NM</b>	<b>(52,560)</b>	<b>(115,485)</b>	<b>-54.5%</b>
<b>Total comprehensive income for the period</b>	<b>6,877</b>	<b>(51,427)</b>	<b>NM</b>	<b>(12,508)</b>	<b>(109,653)</b>	<b>-88.6%</b>
<b>Attributable to:</b>						
Owners of the Company	(16,166)	(38,037)	-57.5%	(45,247)	(65,315)	-30.7%
Non-controlling interests	23,043	(13,390)	NM	32,739	(44,338)	NM
<b>Total comprehensive income for the period</b>	<b>6,877</b>	<b>(51,427)</b>	<b>NM</b>	<b>(12,508)</b>	<b>(109,653)</b>	<b>-88.6%</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	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
<b>Non-current assets</b>				
Property, plant and equipment	1,063,284	1,111,296	110	126
Land use rights	129,609	133,640	-	-
Intangible assets	67,897	68,177	136	152
Investment in subsidiaries	-	-	202,955	202,955
Interests in associates	45,450	48,339	13,726	13,726
Interests in joint ventures	41,903	36,646	-	-
Investment property	1,492	1,516	-	-
Other investments	4,591	1,434	-	-
Deferred tax assets	61,543	62,363	-	-
Non-current receivables	5,609	6,645	210,948	171,118
Long-term deposits	4,062	-	-	-
	<b>1,425,440</b>	<b>1,470,056</b>	<b>427,875</b>	<b>388,077</b>
<b>Current assets</b>				
Inventories	464,442	464,979	-	-
Development properties	4,773	4,858	-	-
Trade and other receivables	2,013,708	1,780,587	224,494	225,841
Other investments	3,493	2,543	-	-
Cash and short-term deposits	1,151,827	1,033,698	18,991	2,482
Assets of disposal group classified as held for sale	17,980	18,397	-	-
	<b>3,656,223</b>	<b>3,305,062</b>	<b>243,485</b>	<b>228,323</b>
<b>Total assets</b>	<b>5,081,663</b>	<b>4,775,118</b>	<b>671,360</b>	<b>616,400</b>
<b>Current liabilities</b>				
Trade and other payables	1,928,938	1,736,182	5,323	5,201
Provisions	81,856	69,659	-	-
Loans and borrowings	781,223	533,434	304,853	182,142
Current tax payable	10,110	10,817	-	8
Derivatives	718	29	-	-
	<b>2,802,845</b>	<b>2,350,121</b>	<b>310,176</b>	<b>187,351</b>
<b>Net current assets/(liabilities)</b>	<b>853,378</b>	<b>954,941</b>	<b>(66,691)</b>	<b>40,972</b>
<b>Non-current liabilities</b>				
Loans and borrowings	97,847	167,010	60,000	140,000
Deferred tax liabilities	37,819	43,369	2,037	2,037
Deferred grants	68,183	68,585	-	-
Other non-current payables	28,091	28,420	-	-
Retirement benefit obligations	192	259	-	-
	<b>232,132</b>	<b>307,643</b>	<b>62,037</b>	<b>142,037</b>
<b>Total liabilities</b>	<b>3,034,977</b>	<b>2,657,764</b>	<b>372,213</b>	<b>329,388</b>
<b>Net assets</b>	<b>2,046,686</b>	<b>2,117,354</b>	<b>299,147</b>	<b>287,012</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	266,830	266,830	266,830	266,830
Reserves	378,440	426,921	32,317	20,182
Reserve of disposal group classified as held for sale	4,685	4,685	-	-
	<b>649,955</b>	<b>698,436</b>	<b>299,147</b>	<b>287,012</b>
Non-controlling interests	1,396,731	1,418,918	-	-
<b>Total Equity</b>	<b>2,046,686</b>	<b>2,117,354</b>	<b>299,147</b>	<b>287,012</b>
<b>Total equity and liabilities</b>	<b>5,081,663</b>	<b>4,775,118</b>	<b>671,360</b>	<b>616,400</b>

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

### **Group**

- Non-current assets: The decrease in non-current assets was mainly due to lower property, plant and equipment arising from translation of these assets as RMB weakened against the SGD at 30 June 2017. 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 and cash and short-term deposits at 30 June 2017.
- Current liabilities: The increase in current liabilities was mainly due to increase in short-term loans and borrowings of the Company and Yuchai and higher payables at 30 June 2017.
- Non-current liabilities: The decrease in non-current liabilities was mainly due to lower long-term loans and borrowings by the Company at 30 June 2017.

### **Company**

- Net current liabilities: As at 30 June 2017, the net current liabilities were \$66.7 million as compared to net current asset position as at 31 December 2016. This was mainly due to reclassification of a loan (maturing within the next 12 months) from non-current liabilities and the Company drawing down on additional short-term financing facility during 1H 2017.
- Non-current assets: The increase in non-current assets was mainly due to additional inter-company loans granted to subsidiaries at 30 June 2017.
- Non-current liabilities: The decrease in non-current liabilities was mainly due to reclassification of a loan (maturing within the next 12 months) to current liabilities.

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

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

As at 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$8,479,229	\$772,744,210	\$13,686,116	\$519,747,788

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

As at 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$34,847,597	\$62,999,787	\$27,010,452	\$140,000,048

#### **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 2017 of \$61,089,000 (31 December 2016: \$65,774,000).

**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 2017 \$'000	2Q 2016 \$'000 (Restated)	1H 2017 \$'000	1H 2016 \$'000 (Restated)
<b>Operating activities</b>				
Profit before tax	14,792	18,771	66,950	27,931
Adjustments for:				
Share of results of associates and joint ventures, net of tax	(840)	(637)	634	233
Cost of share-based payments	141	342	282	696
Depreciation and amortisation	31,341	33,933	64,646	68,229
Allowance recognised for inventories obsolescence	730	471	2,587	1,686
Impairment losses recognised/(written back) for trade and other receivables	1,402	(1)	842	1,275
Property, plant and equipment written off	522	15	1,285	50
Finance costs	8,465	8,402	18,903	18,847
Dividend income from other investments	(29)	(32)	(29)	(32)
Interest income	(6,926)	(4,877)	(11,662)	(9,254)
(Gain)/loss on disposal of property, plant and equipment	(439)	909	(1,363)	2,781
Fair value (gain)/loss on investments	(672)	304	(978)	580
Fair value loss on derivatives	533	2,108	694	-
Provision for warranties and other costs, net	26,470	21,381	54,645	42,439
<b>Operating profit before working capital changes</b>	75,490	81,089	197,436	155,461
Changes in working capital:				
Inventories and development properties	29,417	45,686	(11,881)	52,097
Trade and other receivables	51,789	106,325	(278,788)	92,611
Trade and other payables	(7,004)	108,606	209,192	139,455
Grant received from government	1,683	685	1,998	991
Provisions utilised	(21,925)	(24,291)	(40,980)	(40,514)
<b>Cash flows from operations</b>	129,450	318,100	76,977	400,101
Income tax paid	(18,565)	(20,525)	(34,486)	(31,420)
<b>Cash flows from operating activities</b>	110,885	297,575	42,491	368,681
<b>Investing activities</b>				
Additional investment in a joint venture	-	-	(5,135)	(267)
Deposit collected from the disposal of a subsidiary	4,025	-	4,025	-
Dividends received from:				
- associates and joint ventures	654	3,556	1,602	6,617
- other investments	29	32	29	32
Interest received	7,334	5,539	12,114	9,315
Net release of deposits with banks	4,589	61,558	5,252	18,868
Purchase of:				
- property, plant and equipment	(16,792)	(20,637)	(39,064)	(46,623)
- intangible assets	(39)	(250)	(860)	(268)
- other investments	(3,048)	-	(3,048)	-
Proceeds from disposal of property, plant and equipment	822	106	1,586	507
<b>Net cash flows (used in)/from investing activities</b>	(2,426)	49,904	(23,499)	(11,819)
<b>Financing activities</b>				
Acquisition of non-controlling interests	(271)	-	(271)	-
Dividends paid to:				
- non-controlling interests of subsidiaries	(23,109)	(51,288)	(23,109)	(51,288)
- shareholders of the Company	(3,739)	(3,739)	(3,739)	(3,739)
Interest paid	(8,405)	(18,628)	(18,708)	(25,475)
Proceeds from borrowings	158,345	77,380	447,496	234,036
Capital contribution by non-controlling interests of subsidiaries	-	3,685	-	3,685
Repayment in respect of borrowings	(103,239)	(443,623)	(270,439)	(548,992)
Repayment of obligation under finance leases	(762)	(514)	(1,492)	(1,025)
<b>Net cash flows from/(used in) financing activities</b>	18,820	(436,727)	129,738	(392,798)
<b>Net increase/(decrease) in cash and cash equivalents</b>	127,279	(89,248)	148,730	(35,936)
Cash and cash equivalents at beginning of the period	946,604	969,226	945,171	938,620
Effect of exchange rate changes on balances held in foreign currencies	741	(19,727)	(19,277)	(42,433)
<b>Cash and cash equivalents at end of the period</b>	1,074,624	860,251	1,074,624	860,251
Comprising:				
Cash and short-term deposits			1,151,827	925,239
Less: Bank overdraft			(334)	-
Less: Short-term deposits and restricted deposits			(76,869)	(64,988)
			1,074,624	860,251

**Comparatives**

Note: Grant received from government had been reclassified from cash flows from financing activities to cash flows from operations. The reclassification did not have any impact on the Statement of Financial Position of the Group as at 30 June 2016, the Income Statement or the net change in cash and cash equivalents for the quarter and half year then ended.

**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	Discount 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>The Group</b>												
Closing balance as at 31 December 2015 (as previously stated)	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	439,617	782,740	1,449,791	2,232,531
Adjustment arising from change in accounting policy	-	-	-	-	-	-	-	-	(7,842)	(7,842)	(871)	(8,713)
At 1 January 2016 (restated)	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	431,775	774,898	1,448,920	2,223,818
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(16,478)	(16,478)	15,535	(943)
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(7,584)	-	-	-	(7,584)	(46,483)	(54,067)
Net fair value changes of available-for-sale financial assets	-	-	-	62	-	-	-	-	-	62	-	62
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(3,278)	-	-	-	(3,278)	-	(3,278)
Other comprehensive income for the period, net of tax	-	-	-	62	-	(10,862)	-	-	-	(10,800)	(46,483)	(57,283)
Total comprehensive income for the period	-	-	-	62	-	(10,862)	-	-	(16,478)	(27,278)	(30,948)	(58,226)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	139	-	-	-	-	139	215	354
<u>Others</u>												
Reserve attributable to disposal group classified as held for sale	-	-	-	-	-	(4,714)	-	4,714	-	-	-	-
At 31 March 2016	266,830	4,442	33,178	45,292	3,927	(36,168)	10,247	4,714	415,297	747,759	1,418,187	2,165,946
At 1 April 2016	266,830	4,442	33,178	45,292	3,927	(36,168)	10,247	4,714	415,297	747,759	1,418,187	2,165,946
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(18,294)	(18,294)	25,069	6,775
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(16,259)	-	-	-	(16,259)	(38,459)	(54,718)
Net fair value changes of available-for-sale financial assets	-	-	-	(38)	-	-	-	-	-	(38)	-	(38)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(3,446)	-	-	-	(3,446)	-	(3,446)
Other comprehensive income for the period, net of tax	-	-	-	(38)	-	(19,705)	-	-	-	(19,743)	(38,459)	(58,202)
Total comprehensive income for the period	-	-	-	(38)	-	(19,705)	-	-	(18,294)	(38,037)	(13,390)	(51,427)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	135	-	-	-	-	135	207	342
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	24,164	-	-	24,164	(20,479)	3,685
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(51,288)	(51,288)
At 30 June 2016	266,830	4,442	33,178	45,254	4,062	(55,873)	34,411	4,714	393,264	730,282	1,333,237	2,063,519

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

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	Discount 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>The Group</b>												
At 1 January 2017	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
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(9,817)	(9,817)	44,740	34,923
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(13,958)	-	-	-	(13,958)	(35,044)	(49,002)
Net fair value changes of available-for-sale 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	-	(19,615)	-	-	-	(19,264)	(35,044)	(54,308)
Total comprehensive income for the period	-	-	-	351	-	(19,615)	-	-	(9,817)	(29,081)	9,696	(19,385)
<b>Transactions with owners, recorded directly in equity</b>												
<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	(71,356)	34,775	4,685	346,782	669,412	1,428,698	2,098,110
At 1 April 2017	266,830	4,442	33,369	45,597	4,288	(71,356)	34,775	4,685	346,782	669,412	1,428,698	2,098,110
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(18,169)	(18,169)	23,298	5,129
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	2,058	-	-	-	2,058	(255)	1,803
Net fair value changes of available-for-sale financial assets	-	-	-	(187)	-	-	-	-	-	(187)	-	(187)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	132	-	-	-	132	-	132
Other comprehensive income for the period, net of tax	-	-	-	(187)	-	2,190	-	-	-	2,003	(255)	1,748
Total comprehensive income for the period	-	-	-	(187)	-	2,190	-	-	(18,169)	(16,166)	23,043	6,877
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	57	-	-	-	-	57	84	141
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(54,432)	(54,432)
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of non-controlling interests	-	-	-	-	-	-	391	-	-	391	(662)	(271)
At 30 June 2017	266,830	4,442	33,369	45,410	4,345	(69,166)	35,166	4,685	324,874	649,955	1,396,731	2,046,686

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

<b>Statement of Changes In Equity</b>	<b>Share capital \$'000</b>	<b>Capital reserve \$'000</b>	<b>Share option reserve \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Total equity \$'000</b>
<b>The Company</b>					
At 1 January 2016	266,830	9,199	2,453	71,222	349,704
Total comprehensive income for the period	-	-	-	(451)	(451)
<b>Transactions with owners, recorded directly in equity</b>					
<u>Contributions by and distributions to owners</u>					
Cost of share-based payments	-	-	4	-	4
At 31 March 2016	<u>266,830</u>	<u>9,199</u>	<u>2,457</u>	<u>70,771</u>	<u>349,257</u>
At 1 April 2016	266,830	9,199	2,457	70,771	349,257
Total comprehensive income for the period	-	-	-	(2,296)	(2,296)
<b>Transactions with owners, recorded directly in equity</b>					
<u>Contributions by and distributions to owners</u>					
Cost of share-based payments	-	-	4	-	4
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 30 June 2016	<u>266,830</u>	<u>9,199</u>	<u>2,461</u>	<u>64,736</u>	<u>343,226</u>
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 April 2017	266,830	9,199	2,467	5,162	283,658
Total comprehensive income for the period	-	-	-	19,228	19,228
<b>Transactions with owners, recorded directly in equity</b>					
<u>Contributions by and distributions to owners</u>					
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 30 June 2017	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>20,651</u>	<u>299,147</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 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 2017, 31 December 2016 and 30 June 2016.

There was no change in the Company's issued share capital during the three months ended 30 June 2017.

**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 2017.

As at 30 June 2017, there were a total of 1,340,000 (30 June 2016: 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	490,000
Total		1,340,000

**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 2017 and 31 December 2016 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 2017.

**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 2016.

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 has adopted all accounting standards that are effective from 1 January 2017 but the adopted changes have no material effect.

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			
	2Q 2017	2Q 2016	1H 2017	1H 2016
Loss per ordinary share based on net profit attributable to shareholders				
(i) Based on the weighted average number of ordinary shares in issue (cts)	(4.86)	(4.89)	(7.48)	(9.30)
(ii) On a fully diluted basis (cts)	(4.86)	(4.89)	(7.48)	(9.30)

1,340,000 (30 June 2016: 1,340,000) share options granted to Group Employees (as defined in the Scheme) under the Hong Leong Asia Share Option Scheme 2000 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	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
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 2017 and as at 31 December 2016 (cts)	173.83	186.79	80.01	76.76

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").

In 2Q 2017, the operating environment continued to be challenging. China recorded a GDP growth of 6.9% in 2Q 2017, better than expected in view of the Chinese government's aim for full year growth of around 6.5% in 2017 which is slightly lower than the actual growth of 6.7% in 2016 that had the slowest growth rate in the past 26 years. The overall excess capacity in China continued to have an adverse impact on Xinfei's performance. The Singapore economy grew by 2.9% in 2Q 2017. However, the local construction industry continued to decline by 5.7% in 2Q 2017 against growth of 2.7% in 2Q 2016. The construction industry had been declining since the third quarter of 2016. This slow growth had an adverse impact on the operating performance of BMU. In Malaysia, the Group's subsidiary, Tasek Corporation Berhad faced intense price competition due to excess cement capacity and the lower net income in 1Q 2017 continued into 2Q 2017.

In 2Q 2017, the loss attributable to the owners of the Company was \$18.2 million, comparable to a loss of \$18.3 million in 2Q 2016, a slight improvement of \$0.1 million or 0.7%. In 1H 2017, the loss attributable to the owners of the Company was \$28.0 million, as compared to a loss of \$34.8 million in 1H 2016, an improvement of \$6.8 million or 19.5%. The Group incurred loss as the profits from Yuchai were not sufficient to offset the loss incurred by Xinfai.

### **2Q 2017 versus 2Q 2016**

Revenue for the Group was \$1.029 billion in 2Q 2017, an increase of \$34.8 million or 3.5%, from \$994.2 million in 2Q 2016. The increase in revenue was mainly due to revenue growth recorded by Yuchai which was offset by the revenue decline of BMU and Xinfai.

- Yuchai's revenue increased by \$64.2 million or 8.3% as compared to 2Q 2016. Yuchai sold 90,638 engines in 2Q 2017, an increase of 3.2% or 2,847 units as compared to 87,791 units sold in 2Q 2016. The increase in engine sales was mainly due to the rebound in the sales of truck engines, while bus and agriculture engines sales softened.
- BMU's revenue decreased by \$29.7 million or 24.7% as compared to 2Q 2016. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division in Singapore. In Malaysia, the decrease in revenue was mainly due to lower demand for cement in the soft domestic market and price competition.
- Xinfai's revenue decreased by \$2.3 million or 2.6% as compared to 2Q 2016. This was mainly caused by price competition in China, which resulted in lower average selling price. Total unit sales were 374,692 units for 2Q 2017, a slight increase of 4.0% as compared to 360,309 units for 2Q 2016. Xinfai achieved a slight growth in unit sales in a declining market for fridges and freezers in China. China Market Monitor reported that the fridge and freezers unit sales declined by 10.9% and 13.2%, respectively for 1H 2017. The China white goods market continued to operate in a challenging environment.

The Group's gross profit was \$180.8 million in 2Q 2017, a decrease of \$13.6 million or 7.0%, from \$194.4 million in 2Q 2016. The gross profit margin was 17.6% as compared to 19.6% in 2Q 2016, a decrease of 2.0%. This was mainly due to the drop in gross profit margin for BMU in a price competitive environment in Singapore and Malaysia. In addition, Xinfai's gross profit margin was lower due to continual price competition in China.

Other income was \$11.7 million in 2Q 2017, an increase of \$5.3 million from \$6.4 million in 2Q 2016. For 2Q 2017, other income mainly comprised interest income and net foreign exchange gain. For 2Q 2016, other income mainly comprised interest income.

Selling and distribution ("S&D") expenses were \$95.1 million in 2Q 2017, comparable to 2Q 2016 of \$95.3 million. As a percentage of sales, S&D expenses were 9.2% for 2Q 2017 as compared to 9.6% in 2Q 2016, a reduction of 0.4%. This was mainly due to the continued cost cutting effort in Xinfai.

Research and development ("R&D") expenses were \$25.9 million in 2Q 2017, a decrease of \$6.6 million or 20.2% as compared to \$32.4 million in 2Q 2016. The decrease was mainly due to lower R&D spending by Yuchai. As a percentage of sales, R&D expenses were 2.5% in 2Q 2017 as compared to 3.3% in 2Q 2016, a reduction of 0.8%.

General and administrative ("G&A") expenses were \$48.0 million in 2Q 2017, an increase of \$6.2 million or 14.8% as compared to \$41.8 million in 2Q 2016. The increase was mainly due to higher staff costs in Yuchai. As a percentage of sales, G&A expenses were 4.7% in 2Q 2017 as compared to 4.2% in 2Q 2016, an increase of 0.5%.

Finance costs were \$8.5 million in 2Q 2017, comparable to 2Q 2016 of \$8.4 million.

Other expenses were \$1.2 million in 2Q 2017, a decrease of \$3.6 million from \$4.8 million in 2Q 2016. The decrease was mainly due to lower fair value loss on derivatives and net foreign exchange losses recorded in 2Q 2016. Share of profits of associates and joint ventures was \$0.8 million in 2Q 2017, an increase of \$0.2 million from profit of \$0.6 million in 2Q 2016.

Profit after tax was \$5.1 million in 2Q 2017 as compared to \$6.8 million in 2Q 2016.

### **1H 2017 versus 1H 2016**

Revenue for the Group was \$2.159 billion, an increase of \$216.1 million or 11.1%, from \$1.943 billion in 1H 2016. The increase was mainly due to strong revenue improvement recorded by Yuchai in 1H 2017 which was offset by the revenue decline of BMU and Xinfei.

- Yuchai's revenue increased by \$281.1 million or 18.9% as compared to 1H 2016. Yuchai sold 210,648 engines in 1H 2017, an increase of 18.0% or 32,086 units as compared to 178,562 units sold in 1H 2016. The increase in unit sales was mainly due to increase in the sales of truck engines and agricultural engines. Truck engines sales rebounded as China stepped up enforcement of loading regulation.
- BMU's revenue decreased by \$59.3 million or 24.7% as compared to 1H 2016. In Singapore, the decrease was due to lower sales from both the ready-mixed concrete division and the precast division in a soft construction market while in Malaysia, it was mainly due to lower demand for cement in the soft domestic market and price competition.
- Xinfei's revenue decreased by \$6.7 million or 3.7% as compared to 1H 2016. This was mainly caused by price competition in China, which resulted in lower average selling prices. Total unit sales were 736,469 units for 1H 2017, a slight increase of 2.9% as compared to 715,926 units for 1H 2016. Xinfei achieved a slight growth in unit sales in a declining market for fridges and freezers in China.

The Group's gross profit was \$400.2 million in 1H 2017, an increase of \$31.1 million or 8.4%, from \$369.1 million in 1H 2016. The gross profit margin was 18.5% as compared to 19.0% in 1H 2016, a slight decrease of 0.5%. This was mainly due to the drop in gross profit margin for BMU in a price competitive environment in Singapore and Malaysia amidst a softening market. In addition, Xinfei's gross profit margin was lower due to continual price competition in China.

Other income was \$22.0 million in 1H 2017, an increase of \$7.0 million from \$15.0 million in 1H 2016. For 1H 2017, other income mainly comprised interest income, net foreign exchange gain, gain on disposal of property, plant and equipment and sales from scrap. For 1H 2016, other income mainly comprised interest income and sales from scrap.

S&D expenses were \$185.7 million in 1H 2017, comparable to 1H 2016 of \$184.2 million. As a percentage of sales, S&D expenses were 8.6% for 1H 2017 as compared to 9.5% in 1H 2016, a reduction of 0.9%. This was mainly due to the continued cost cutting effort in Xinfei.

R&D expenses were \$55.5 million in 1H 2017, a decrease of \$1.6 million or 2.9% as compared to \$57.1 million in 1H 2016. The decrease was mainly due to lower R&D spending by Yuchai. As a percentage of sales, R&D expenses were 2.6% in 1H 2017 as compared to 2.9% in 1H 2016, a reduction of 0.3%.

G&A expenses were \$92.6 million in 1H 2017, an increase of \$5.6 million or 6.4% as compared to \$87.0 million in 1H 2016. The increase was mainly due to higher staff costs in Yuchai. As a percentage of sales, G&A expenses were 4.3% in 1H 2017 as compared to 4.5% in 1H 2016, a reduction of 0.2%.

Finance costs were \$18.9 million in 1H 2017, comparable to 1H 2016 of \$18.8 million.

Other expenses were \$2.0 million in 1H 2017, a decrease of \$6.8 million from \$8.8 million in 1H 2016. The decrease was mainly due to net foreign exchange losses and loss from disposal of property, plant and equipment recorded in 1H 2016. Share of losses of associates and joint ventures was \$0.6 million in 1H 2017, an increase of \$0.4 million from loss of \$0.2 million in 1H 2016.

Profit after tax was \$40.1 million in 1H 2017 as compared to \$5.8 million in 1H 2016.

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

The Group had cash and short-term deposits of \$1.152 billion as at 30 June 2017 compared with \$1.034 billion as at 31 December 2016.

During the quarter under review, the Group generated cash from operating activities of \$110.9 million. This was mainly due to lower trade and other receivables and lower inventories holding, as compared to 31 March 2017.

The net cash outflow from investing activities of \$2.4 million was mainly due to the purchase of property, plant and equipment and other investment, which was offset by interest received, net release of deposits with banks and deposit collected from the disposal of a subsidiary.

The Group had net cash inflow from financing activities of \$18.8 million. It was mainly due to net borrowings of \$55.1 million, partially offset by dividend payment of \$26.8 million and interest payment of \$8.4 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.**

The Group expects the remaining 2017 to be challenging, as a result of slower economic growth in China and the Asia region. Yuchai continued to perform better than last year. However the improvement in unit sales of 3.2% for 2Q 2017 is lower than the improvement in 1Q 2017 of 32.2%. Whilst Yuchai remains a bright spot, the difficult and challenging market conditions facing BMU and Xinfei will continue to affect the Group's performance.

The International Monetary Fund has projected growth in China to be 6.6% for 2017. However, the Chinese economy is facing risks of capital outflow, over-capacity and higher debt-to-GDP ratio. These will weigh on the Group's China operations, particularly Xinfei. In Singapore, the Ministry of Trade and Industry has announced that the economy grew by 2.9% in 2Q 2017, higher than the GDP growth of 1.9% achieved in 2Q 2016. However, the construction industry contracted by 5.7% in 2Q 2017 against growth of 2.7% in 2Q 2016. The Group expects the slowing down in the construction industry to affect the performance of BMU. In Malaysia, the outlook for the construction sector is expected to be weak in the private sector, though compensated by public sector projects. However, price competition has intensified with excess capacity in the cement industry. The Group believes that the cement price competition will persist for the rest of 2017.

In view of the challenging business environment, the Group expects that the performance of its business units will be weak in the coming quarters of 2017. The Group will monitor the market environment closely and endeavor to mitigate the effects accordingly. The Group will continue to explore other strategic options and potential alliance opportunities. It continues to exercise discipline in cost control and has started organizational restructuring.

**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 2Q 2017 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. and its associates - Industrial and Consumer-related Transaction – Supply and installation of residential kitchen appliances to Interested Persons	\$202,986

**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 August 2017

## **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 2017 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 August 2017