

Unaudited First Quarter Financial Statement For The Period Ended 31 March 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 first quarter ended 31 March ("1Q") 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

	1Q 2017 \$'000	Group 1Q 2016 \$'000	+/- %
Revenue	1,129,774	948,517	19.1%
Cost of sales	(910,441)	(773,822)	17.7%
Gross profit	219,333	174,695	25.6%
Other income	10,283	8,544	20.4%
Selling and distribution expenses	(90,560)	(88,887)	1.9%
Research and development costs	(29,601)	(24,685)	19.9%
General and administrative expenses	(44,590)	(45,206)	-1.4%
Finance costs	(10,438)	(10,445)	-0.1%
Other expenses	(795)	(3,986)	-80.1%
Profit from operations	53,632	10,030	434.7%
Share of results of associates and joint ventures, net of tax	(1,474)	(870)	69.4%
Profit before income tax	52,158	9,160	469.4%
Income tax expense	(17,235)	(10,103)	70.6%
Profit/(Loss) for the period	34,923	(943)	NM
Attributable to:			
Owners of the Company	(9,817)	(16,478)	-40.4%
Non-controlling interests	44,740	15,535	188.0%
	34,923	(943)	NM

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 RMB4.8685 = SGD1.00 for 1Q 2017 and RMB4.6926 = SGD1.00 for 1Q 2016. For 1Q 2017, RMB depreciated about 3.7% as compared to 1Q 2016.

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

	1Q 2017	Group 1Q 2016	+/-
	\$'000	\$'000	%
Profit before income tax include the following:			
Gain/(loss) on disposal of property, plant and equipment ⁽¹⁾	924	(1,872)	NM
Impairment losses written back/(recognised) for trade and other receivables, net ⁽²⁾	560	(1,276)	NM
Allowance made for inventories obsolescence, net ⁽³⁾	(1,857)	(1,215)	52.8%
Depreciation and amortisation ⁽⁴⁾	(33,305)	(34,296)	-2.9%
Foreign exchange gain/(loss), net ⁽⁵⁾	1,865	(1,838)	NM
Fair value (loss)/gain on derivatives, net ⁽⁶⁾	(161)	2,108	NM
Interest expense ⁽⁷⁾	(10,146)	(10,100)	0.5%
Interest income ⁽⁸⁾	4,736	4,377	8.2%
Write-off of property, plant & equipment ⁽⁹⁾	(763)	(35)	2080.0%

NM: Not meaningful

- (1) Gain on disposal of property, plant and equipment, net in 1Q 2017 was attributed mainly to the diesel engines unit (“Yuchai”). Loss on disposal of property, plant and equipment, net in 1Q 2016 was attributed mainly to Yuchai.
- (2) The reversal of allowance for trade receivables, net in 1Q 2017 was attributed mainly to Yuchai. Impairment losses for trade and other receivables, net in 1Q 2016 were attributed mainly to Yuchai and the consumer products unit (“Xinfei”).
- (3) Allowance for inventories obsolescence, net in 1Q 2017 and 1Q 2016 were mainly recorded by Xinfei.
- (4) Depreciation and amortisation recorded in 1Q 2017 were comparable to 1Q 2016.
- (5) The net foreign exchange gain in 1Q 2017 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”)), offset by foreign exchange loss on revaluation of SGD liabilities in Xinfei (with functional currency in Renminbi (“RMB”)).

The net foreign exchange loss in 1Q 2016 was mainly due to foreign exchange loss on revaluation of SGD liabilities in Xinfei (with functional currency in RMB) and certain inter-company loans to subsidiaries, offset by foreign exchange gain on revaluation of SGD assets in CYI (with functional currency in USD).
- (6) Net fair value (loss)/gain on derivatives in 1Q 2017 and 1Q 2016 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.
- (7) Interest expense recorded in 1Q 2017 were comparable to 1Q 2016.
- (8) The increase in interest income in 1Q 2017 was mainly due to higher interest income from bank deposits in Yuchai.
- (9) Write-off of property, plant and equipment in 1Q 2017 was mainly recorded by Yuchai.

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

In 1Q 2017, the Group's tax charge included additional provision of \$1,520,000 for prior years (1Q 2016: over provision of \$397,000 for prior years).

On 28 April 2017, a Malaysian subsidiary (the "Subsidiary") received Notices of Assessment ("Notices") from the Malaysia Tax Authority ("IRB") for additional tax payments including penalty amounting to Malaysian Ringgit ("RM") 32.2 million (equivalent to approximately SGD10.0 million) in relation to Years of Assessment 2010 to 2013. The tax assessment is computed on the basis that IRB had disallowed the deductibility of interest on inter-company loan owing to the Subsidiary's immediate holding company in Labuan and had capped the interest at a lower rate for deductibility purpose on loans extended to the Subsidiary by a Malaysian bank which is not related to the Group. The Subsidiary has engaged a reputable Malaysian tax lawyer and pursuant to legal advice, has since filed an application to the High Court of Malaya for judicial review to dispute the Notices and to obtain a stay of proceedings on the Notices. Nevertheless, the Subsidiary has made the above additional provision on ground of prudence.

1(a)(iv) Statement of Comprehensive Income

	1Q 2017 \$'000	Group 1Q 2016 \$'000	+/- %
Profit/(Loss) for the period	34,923	(943)	NM
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	(49,002)	(54,067)	-9.4%
Net fair value changes of available-for-sale financial assets	351	62	466.1%
Exchange differences on monetary items forming part of net investment in foreign entities	(5,657)	(3,278)	72.6%
Total other comprehensive income for the period, net of tax	(54,308)	(57,283)	-5.2%
Total comprehensive income for the period	(19,385)	(58,226)	-66.7%
Attributable to:			
Owners of the Company	(29,081)	(27,278)	6.6%
Non-controlling interests	9,696	(30,948)	NM
Total comprehensive income for the period	(19,385)	(58,226)	-66.7%

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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Non-current assets				
Property, plant and equipment	1,077,713	1,111,296	113	126
Land use rights	130,399	133,640	-	-
Intangible assets	68,075	68,177	144	152
Investment in subsidiaries	-	-	202,955	202,955
Interests in associates	45,328	48,339	13,726	13,726
Interests in joint ventures	41,398	36,646	-	-
Investment property	1,505	1,516	-	-
Other investments	1,797	1,434	-	-
Deferred tax assets	61,041	62,363	-	-
Non-current receivables	5,744	6,645	191,036	171,118
Long-term deposits	4,060	-	-	-
	1,437,060	1,470,056	407,974	388,077
Current assets				
Inventories	493,298	464,979	-	-
Development properties	4,784	4,858	-	-
Trade and other receivables	2,068,341	1,780,587	224,666	225,841
Other investments	2,834	2,543	-	-
Cash and short-term deposits	1,028,193	1,033,698	1,021	2,482
Assets of disposal group classified as held for sale	17,972	18,397	-	-
	3,615,422	3,305,062	225,687	228,323
Total assets	5,052,482	4,775,118	633,661	616,400
Current liabilities				
Trade and other payables	1,901,847	1,736,182	5,910	5,201
Provisions	77,300	69,659	-	-
Loans and borrowings	729,535	533,434	282,056	182,142
Current tax payable	11,509	10,817	-	8
Derivatives	188	29	-	-
	2,720,379	2,350,121	287,966	187,351
Net current assets/(liabilities)	895,043	954,941	(62,279)	40,972
Non-current liabilities				
Loans and borrowings	95,108	167,010	60,000	140,000
Deferred tax liabilities	43,894	43,369	2,037	2,037
Deferred grants	66,726	68,585	-	-
Other non-current payables	28,077	28,420	-	-
Retirement benefit obligations	188	259	-	-
	233,993	307,643	62,037	142,037
Total liabilities	2,954,372	2,657,764	350,003	329,388
Net assets	2,098,110	2,117,354	283,658	287,012
Equity attributable to owners of the Company				
Share capital	266,830	266,830	266,830	266,830
Reserves	397,897	426,921	16,828	20,182
Reserve of disposal group classified as held for sale	4,685	4,685	-	-
	669,412	698,436	283,658	287,012
Non-controlling interests	1,428,698	1,418,918	-	-
Total Equity	2,098,110	2,117,354	283,658	287,012
Total equity and liabilities	5,052,482	4,775,118	633,661	616,400

Explanatory Notes to Statement of Financial Position

Group

- 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 in 1Q 2017. The functional currency for Yuchai's main operating unit in China and Xinfei is RMB whilst the Group reports in SGD. This was partially offset by the increase in interest in joint ventures and placement of long-term deposits by Yuchai.
- The increase in current assets was mainly due to higher trade and other receivables and higher inventories holding at quarter-end. This was partially offset by lower cash and short-term deposits.
- 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 quarter-end.
- The decrease in non-current liabilities was mainly due to lower long-term loans and borrowings by the Company.

Company

- As at 31 March 2017, the net current liabilities were \$62.3 million. The increase in current liabilities 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 in 1Q 2017.
- The increase in non-current assets was mainly due to additional inter-company loans granted to subsidiaries in 1Q 2017.
- 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 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$13,716,810	\$715,818,267	\$13,686,116	\$519,747,788

Amount repayable after one year

As at 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$35,728,227	\$59,379,925	\$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 31 March 2017 of \$60,649,000 (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

	1Q 2017	1Q 2016
	\$'000	\$'000
		(Restated)
Operating activities		
Profit before tax	52,158	9,160
Adjustments for:		
Share of results of associates and joint ventures, net of tax	1,474	870
Cost of share-based payments	141	354
Depreciation and amortisation	33,305	34,296
Allowance recognised for inventories obsolescence	1,857	1,215
Impairment losses (written back)/recognised for trade and other receivables	(560)	1,276
Property, plant and equipment written off	763	35
Finance costs	10,438	10,445
Interest income	(4,736)	(4,377)
(Gain)/loss on disposal of property, plant and equipment	(924)	1,872
Fair value (gain)/loss on investments	(306)	276
Fair value loss/(gain) on derivatives	161	(2,108)
Provision for warranties and other costs, net	28,175	21,058
Operating profit before working capital changes	121,946	74,372
Changes in working capital:		
Inventories	(41,298)	6,411
Trade and other receivables	(330,577)	(13,714)
Trade and other payables	216,196	30,849
Grant received from government	315	306
Provisions utilised	(19,055)	(16,223)
Cash flows (used in)/from operations	(52,473)	82,001
Income tax paid	(15,921)	(10,895)
Cash flows (used in)/from operating activities	(68,394)	71,106
Investing activities		
Additional investment in a joint venture	(5,135)	(267)
Dividends received from associates and joint ventures	948	3,061
Interest received	4,780	3,776
Net release/(placement) of deposits with banks	663	(42,690)
Purchase of:		
- property, plant and equipment	(22,272)	(25,986)
- intangible assets	(821)	(18)
Proceeds from disposal of property, plant and equipment	764	401
Net cash flows used in investing activities	(21,073)	(61,723)
Financing activities		
Interest paid	(10,303)	(6,847)
Proceeds from borrowings	289,151	156,656
Repayment in respect of borrowings	(167,200)	(105,369)
Repayment of obligation under finance leases	(730)	(511)
Net cash flows from financing activities	110,918	43,929
Net increase in cash and cash equivalents	21,451	53,312
Cash and cash equivalents at beginning of the period	945,171	938,620
Effect of exchange rate changes on balances held in foreign currencies	(20,018)	(22,706)
Cash and cash equivalents at end of the period	946,604	969,226
Comprising:		
Cash and short-term deposits	1,028,193	1,088,384
Less: Bank overdraft	(200)	(506)
Less: Short-term deposits and restricted deposits	(81,389)	(118,652)
	946,604	969,226

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 31 March 2016, the Income Statement or the net change in cash and cash equivalents for the quarter 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
The Group												
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 At 1 January 2016 (restated)	-	-	-	-	-	-	-	-	(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)
Transactions with owners, recorded directly in equity												
<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 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)
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	(71,356)	34,775	4,685	346,782	669,412	1,428,698	2,098,110

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
The Company					
At 1 January 2016	266,830	9,199	2,453	71,222	349,704
Total comprehensive income for the period	-	-	-	(451)	(451)
Transactions with owners, recorded directly in equity					
<u>Contributions by and distributions to owners</u>					
Cost of share-based payments	-	-	4	-	4
At 31 March 2016	266,830	9,199	2,457	70,771	349,257
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	266,830	9,199	2,467	5,162	283,658

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 31 March 2017, 31 December 2016 and 31 March 2016.

There was no change in the Company's issued share capital during the three months ended 31 March 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 31 March 2017.

As at 31 March 2017, there were a total of 1,340,000 (31 March 2016: 1,390,000) 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 31 March 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 31 March 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	
	1Q 2017	1Q 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)	(2.63)	(4.41)
(ii) On a fully diluted basis (cts)	(2.63)	(4.41)

1,340,000 (31 March 2016: 1,390,000) 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	
	31.03.2017	31.12.2016	31.03.2017	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 31 March 2017 and as at 31 December 2016 (cts)	179.03	186.79	75.86	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 1Q 2017, the global economy continued to be challenging. China recorded a GDP growth of 6.9% in 1Q 2017. The Chinese government is aiming for full year growth of around 6.5% in 2017, slightly lower than the actual growth of 6.7% in 2016, which was the slowest growth rate in the past 26 years. The overall excess capacity in China continued to have an adverse impact to the Group's China operations, in particular, the Consumer Products Unit. Singapore recorded a GDP growth of 2.5% in 1Q 2017. However, the local construction industry contracted by 1.1% in 1Q 2017 against growth of 3.1% in 1Q 2016. The construction industry had been declining since the third quarter of 2016, which recorded a 2.2% contraction, and this had extended to a 2.8% contraction in the fourth quarter of 2016. This slow growth had an adverse impact on the operating performance of BMU. The Group's Malaysian subsidiary, Tasek Corporation Berhad also faced intense price competition due to excess cement capacity and this led to lower net income in 1Q 2017.

In 1Q 2017, the loss attributable to the owners of the Company was \$9.8 million, as compared to a loss of \$16.5 million in 1Q 2016. The Group incurred loss as the profits from Yuchai were not sufficient to offset the loss incurred by Xinfei.

1Q 2017 versus 1Q 2016

Revenue for the Group was \$1.130 billion in 1Q 2017, an increase of \$181.3 million or 19.1%, from \$948.5 million in 1Q 2016. The increase in revenue was mainly due to strong revenue growth recorded by Yuchai offset by the revenue decline of BMU as the market competition intensified in Singapore and Malaysia in a weaker construction sector especially in the private sector projects.

- Yuchai's revenue increased by \$216.9 million or 30.3% as compared to 1Q 2016. Yuchai sold 120,010 engines in 1Q 2017, an increase of 32.2% or 29,239 units more than the 90,771 units sold in 1Q 2016. The increase in unit sales was mainly due to increase in the sales of engines in the truck and agricultural segments. However, sales of engines in the bus segments declined as affected by the switch to electric bus.
- BMU's revenue decreased by \$29.6 million or 24.6% as compared to 1Q 2016. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division in Singapore. In addition, revenue in Malaysia was affected by price competition.
- Xingfei's revenue declined by \$4.4 million or 4.7% as compared to 1Q 2016. This was due to lower average selling price in an intense price competition environment. Total unit sales were 359,582 units for 1Q 2017, a slight increase of 1.1% as compared to 355,617 units for 1Q 2016. Xingfei achieved a slight growth in unit sales in a declining market for fridges and freezers in China.

The Group's gross profit was \$219.3 million in 1Q 2017, an increase of \$44.6 million or 25.6%, from \$174.7 million in 1Q 2016. The gross profit margin was 19.4% as compared to 18.4% in 1Q 2016, a slight increase of 1.0%. This was mainly due to increase in gross profit margin for Yuchai as a result of higher sales and better product mix, offset by the drop in gross profit margin for BMU in a price competitive environment in Singapore and Malaysia.

Other income was \$10.3 million in 1Q 2017, an increase of \$1.7 million from \$8.5 million in 1Q 2016. For 1Q 2017, other income mainly comprised interest income, net foreign exchange gain and gain on disposal of property, plant and equipment. For 1Q 2016, other income mainly comprised interest income and net fair value gain on derivatives.

Selling and distribution ("S&D") expenses were \$90.6 million in 1Q 2017, an increase of \$1.7 million or 1.9% as compared to \$88.9 million in 1Q 2016. It was mainly due to higher outward freight incurred by Yuchai and Xingfei and higher warranty expenses incurred by Yuchai. This was partially offset by lower sales incentives and promotions by Xingfei and reversal of allowance for trade receivables by Yuchai. As a percentage of sales, S&D expenses were 8.0% for 1Q 2017 as compared to 9.4% in 1Q 2016, a reduction of 1.4%.

Research and development ("R&D") expenses were \$29.6 million in 1Q 2017, an increase of \$4.9 million or 19.9% as compared to \$24.7 million in 1Q 2016. The increase was mainly due to R&D spending by Yuchai as it continued to invest in R&D of new engines meeting higher emission standards and its continual initiatives to improve engine quality. As a percentage of sales, R&D expenses were 2.6% in 1Q 2017, consistent with 2.6% in 1Q 2016.

General and administrative ("G&A") expenses were \$44.6 million in 1Q 2017, a decrease of \$0.6 million or 1.4% as compared to \$45.2 million in 1Q 2016. As a percentage of sales, G&A expenses were 3.9% of revenue in 1Q 2017 as compared to 4.8% in 1Q 2016, a decrease of 0.9%.

Finance costs were \$10.4 million in 1Q 2017, comparable to 1Q 2016.

Other expenses were \$0.8 million in 1Q 2017, a decrease of \$3.2 million from \$4.0 million in 1Q 2016. For 1Q 2017, other expenses mainly comprised expenses related to a plant of Xingfei (that was shut-down in FY2016) and net fair value loss on derivatives. For 1Q 2016, other expenses mainly comprised net foreign exchange loss and loss on disposal of property, plant and equipment.

Share of losses of associates and joint ventures was \$1.5 million in 1Q 2017, an increase of \$0.6 million from loss of \$0.9 million in 1Q 2016. The share of losses in 1Q 2017 included the write-off of development expenditure relating to an associate of BMU of \$2.1 million.

Profit after tax was \$34.9 million in 1Q 2017 as compared to loss after tax of \$0.9 million in 1Q 2016.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.028 billion as at 31 March 2017 compared with \$1.034 billion as at 31 December 2016.

During the quarter under review, the net cash outflow from operating activities was \$68.4 million. The Group generated cash from operating activities of \$121.9 million before working capital changes, which was used to finance the increase in trade and other receivables and inventories holding at quarter-end.

The cash outflow from investing activities of \$21.1 million was mainly due to the purchase of property, plant and equipment and additional investment in joint venture, which was offset by interest received.

The Group had net cash inflow from financing activities of \$110.9 million. It was mainly due to net borrowings of \$122.0 million, partially offset by interest payment of \$10.3 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 region. Whilst there is bright spot in Yuchai, the adverse market conditions facing BMU and Xifei will continue to affect the Group's performance.

In China, the International Monetary Fund has projected growth 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 Xifei. In Singapore, the Ministry of Trade and Industry has estimated that the economy grew by 2.5% in 1Q 2017, higher than the GDP growth of 1.9% achieved in 1Q 2016. However, the construction industry contracted by 1.1% in 1Q 2017 against growth of 3.1% in 1Q 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.

In view of the challenging business environment and uncertain global economy, the Group expects that the performance of its business units will be weak in the coming quarters of 2017. The Group will continue to 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 will also exercise discipline in cost control and introduce 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 1Q 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 – Sale of air-conditioning products to Interested Persons	\$784,085

**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

12 May 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 first quarter ended 31 March 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

12 May 2017