

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2014

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

The Board of Directors announces the results of the Group for the first quarter ended 31 March ("1Q") 2014. These figures have not been audited or reviewed. Certain comparative figures for 1Q 2013 have been restated due to adoption of FRS 111 and reclassification of accounts to be consistent with FY 2013.

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

	Group		
	1Q 2014	1Q 2013	+/-
	(restated)		
	\$'000	\$'000	%
Revenue	1,253,106	1,082,927	15.7%
Cost of sales	(1,012,099)	(855,953)	18.2%
Gross profit	241,007	226,974	6.2%
Other income	10,137	13,532	-25.1%
Selling and distribution expenses	(104,938)	(93,811)	11.9%
Research and development costs	(24,690)	(23,423)	5.4%
General and administrative expenses	(40,141)	(42,370)	-5.3%
Finance costs	(15,444)	(13,877)	11.3%
Profit from operations	65,931	67,025	-1.6%
Share of results of associates and jointly-controlled entities, net of tax	(481)	(1,612)	-70.2%
Profit before income tax	65,450	65,413	0.1%
Income tax expense	(15,984)	(15,105)	5.8%
Profit for the period	49,466	50,308	-1.7%
Attributable to:			
Owners of the Company	13,267	14,429	-8.1%
Non-controlling interests	36,199	35,879	0.9%
	49,466	50,308	-1.7%

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

	1Q 2014	Group 1Q 2013 (restated)	+/-
	\$'000	\$'000	%
Profit from operations include the following:			
(Loss)/gain on disposal of property, plant and equipment and land use rights ⁽¹⁾	(100)	2,921	NM
Reversal of impairment losses on property, plant and equipment ⁽²⁾	172	-	NM
Impairment losses (recognised)/written back for trade and other receivables, net ⁽³⁾	(1,011)	1,726	NM
Allowance made for inventories write down, net ⁽⁴⁾	(290)	(1,197)	-75.8%
Depreciation and amortisation	(25,774)	(27,148)	-5.1%
Foreign exchange gain/(loss), net ⁽⁵⁾	1,360	(1,994)	NM

NM: Not meaningful

- (1) Loss on disposal of property, plant and equipment in 1Q 2014 was attributed mainly to the Group's diesel engines unit ("Yuchai") as a result of the write-off of property, plant and equipment no longer in use. Gain on disposal of property, plant and equipment in 1Q 2013 mainly related to the sale of equipment by the Group's green packaging unit ("GPac").
- (2) Reversal of impairment losses in 1Q 2014 was related to Yuchai.
- (3) Yuchai made impairment losses for trade and other receivables in 1Q 2014. The Group's consumer products unit ("Xinfei") made provision for bad debts while Yuchai wrote back impairment losses for trade and other receivables upon successful collection of doubtful debts in 1Q 2013.
- (4) Xinfei made further allowance for inventories write down in 1Q 2014 and 1Q 2013 while Yuchai wrote back allowance for inventories in respect of old stocks which were subsequently sold in 1Q 2013.
- (5) The net foreign exchange gain achieved in 1Q 2014 mainly arose from revaluation of monetary assets and liabilities due to the strengthening of Singapore dollar ("SGD") vis-à-vis Renminbi ("RMB") and United States dollar ("USD") at the end of 1Q 2014. The foreign exchange loss in 1Q 2013 was largely due to the weakening of SGD vis-à-vis USD and RMB at the end of 1Q 2013.

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

The Group's tax charge for the period included an under provision of \$3,000 in 1Q 2014 and an over provision of \$8,000 in 1Q 2013 in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	1Q 2014	Group 1Q 2013 (restated)	+/-
	\$'000	\$'000	%
Profit for the period	49,466	50,308	-1.7%
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to Income statement			
Exchange differences on translation of financial statements of foreign subsidiaries, jointly-controlled entities and associated corporations	(58,746)	34,943	NM
Net fair value changes	53	(86)	NM
Total other comprehensive (loss)/income for the period, net of tax	(58,693)	34,857	NM
Total comprehensive (loss)/income for the period	(9,227)	85,165	NM
Attributable to:			
Owners of the Company	(5,653)	25,549	NM
Non-controlling interests	(3,574)	59,616	NM
Total comprehensive (loss)/income for the period	(9,227)	85,165	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	
	31.3.2014	31.12.2013 (restated)	31.3.2014	31.12.2013
Non-current assets				
Property, plant and equipment	1,159,000	1,187,179	288	312
Land use rights	136,223	140,636	-	-
Intangible assets	108,992	107,974	276	275
Investment in subsidiaries	-	-	204,455	204,455
Interests in associates	61,952	60,196	13,726	13,726
Interests in jointly-controlled entities	60,509	64,654	-	-
Other investments	1,785	1,738	-	-
Deferred tax assets	104,564	104,694	11	11
Non-current receivables	6,758	9,190	-	-
Long term bank deposits	37,463	38,647	-	-
	1,677,246	1,714,908	218,756	218,779
Current assets				
Other investments	5,729	5,923	6	6
Inventories	692,060	666,057	-	-
Development properties	8,067	8,215	-	-
Trade and other receivables	2,247,275	2,033,017	302,968	285,480
Cash and short-term deposits	699,015	1,017,226	719	2,010
Derivatives	-	571	-	-
	3,652,146	3,731,009	303,693	287,496
Current liabilities				
Trade and other payables	1,999,171	2,011,244	47,896	41,740
Provisions	80,797	79,215	-	-
Loans and borrowings	471,319	557,747	94,472	84,698
Current tax payable	32,536	32,612	374	374
Derivatives	684	962	-	-
	2,584,507	2,681,780	142,742	126,812
Net current assets	1,067,639	1,049,229	160,951	160,684
Non-current liabilities				
Loans and borrowings	391,678	392,161	60,000	60,000
Deferred tax liabilities	51,865	50,240	1,837	1,837
Deferred grants	64,492	68,371	-	-
Other non-current payables	23,709	24,408	-	-
Retirement benefits	570	564	-	-
	532,314	535,744	61,837	61,837
Net assets	2,212,571	2,228,393	317,870	317,626
Capital and reserves				
Share capital	266,830	266,830	266,830	266,830
Reserves	571,073	574,460	51,040	50,796
	837,903	841,290	317,870	317,626
Non-controlling interests	1,374,668	1,387,103	-	-
Total Equity	2,212,571	2,228,393	317,870	317,626

Explanatory Notes to Statement of Financial Position

Group

- The decrease in non-current assets was mainly due to translation of assets arising from the weakening of the RMB against SGD in 1Q 2014.
- The decrease in current-assets was mainly due to lower cash and short-term deposits but was partially offset by the increase in inventories and trade receivables.
- Current liabilities decreased due to reduction of loans and borrowings and trade and other payables.

Company

- Trade and other receivables increased due to advances made to the air-conditioning systems unit ("Airwell") through loans and borrowings.

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

Amount repayable in one year or less, or on demand

As at 31.3.2014		As at 31.12.2013 (restated)	
Secured	Unsecured	Secured	Unsecured
\$55,823,633	\$415,495,335	\$154,030,485	\$403,716,461

Amount repayable after one year

As at 31.3.2014		As at 31.12.2013 (restated)	
Secured	Unsecured	Secured	Unsecured
\$123,156,493	\$268,521,387	\$124,379,149	\$267,781,639

Details of any collateral

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 31 March 2014 of \$250,315,000 (31 December 2013: \$413,537,000).

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

	1Q 2014 \$'000	1Q 2013 \$'000 (restated)
Operating activities		
Profit before tax	65,450	65,413
Adjustments for:		
Share of results of associates and jointly-controlled entities, net of tax	481	1,612
Cost of share-based payments	15	7
Depreciation and amortisation	25,774	27,148
Allowance written back for inventories write-down	290	1,197
Impairment loss recognised/(written back) for trade and other receivables	1,011	(1,726)
Reversal of impairment losses on property, plant and equipment	(172)	-
Finance costs	15,444	13,877
Interest income	(3,475)	(4,487)
(Gain)/loss on disposal of:		
- property, plant and equipment	140	(2,921)
- land use rights	(40)	-
Fair value loss/(gain) on investments	23	(209)
Fair value loss on derivatives	301	179
Provision for warranties and other costs, net	21,413	15,257
Operating profit before working capital changes	126,655	115,347
Changes in working capital:		
Inventories	(46,275)	(83,133)
Trade and other receivables	(283,350)	(160,667)
Trade and other payables	46,183	127,835
Provisions utilised	(17,457)	(13,473)
Cash flows used in operations	(174,244)	(14,091)
Income tax paid	(10,623)	(16,890)
Cash flows used in operating activities	(184,867)	(30,981)
Investing activities		
Acquisition of non-controlling interests in subsidiaries	(6,610)	-
Interest received	4,877	6,154
Purchase of:		
- property, plant and equipment (including capitalisation of borrowing costs)	(29,391)	(33,635)
- land use rights	-	(1,705)
- intangible assets	(2,651)	(149)
Proceeds from disposal of:		
- property, plant and equipment	375	2,482
- land use rights	281	-
- other investments	-	4,268
Net cash flows used in investing activities	(33,119)	(22,585)
Financing activities		
Interest paid	(14,121)	(16,184)
Proceeds from borrowings	190,087	234,543
Grant received from government	108	1,159
Repayment in respect of borrowings	(258,502)	(109,118)
Repayment of obligation under finance leases	(277)	(280)
Net cash flows (used in)/from financing activities	(82,705)	110,120
Net (decrease)/increase in cash and cash equivalents	(300,691)	56,554
Cash and cash equivalents at beginning of the period	983,305	942,652
Effect of exchange rate changes on balances held in foreign currencies	(16,481)	18,635
Cash and cash equivalents at end of the period	666,133	1,017,841
Comprising:		
Cash and short-term deposits	699,015	1,063,115
Less: Bank overdraft	-	(94)
Restricted deposits	(32,882)	(45,180)
	666,133	1,017,841

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	Equity compensation reserve \$'000	Translation reserve \$'000	Discount/ (Premium/ paid) on acquisition of non-controlling interests \$'000	Reserve of disposal group classified as held-for-sale \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
The Group												
Closing balance as at 31 December 2012 (as previously stated)	266,830	(1,604)	34,217	45,789	2,347	(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700
Adjustment arising from change in accounting policy	-	-	-	-	-	323	-	-	(594)	(271)	1,192	921
At 1 January 2013 (restated)	266,830	(1,604)	34,217	45,789	2,347	(49,389)	13,173	(2,813)	465,410	773,960	1,238,661	2,012,621
Total comprehensive income for the period	-	-	-	(86)	-	11,206	-	-	14,429	25,549	59,616	85,165
Transactions with owners, recorded directly in equity												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	7	-	-	-	-	7	-	7
Transfer to statutory reserve	-	-	432	-	-	-	-	-	(432)	-	-	-
Reserve attributable to disposal group classified as held-for-sale	-	-	-	-	-	(343)	-	343	-	-	-	-
At 31 March 2013	266,830	(1,604)	34,649	45,703	2,354	(38,526)	13,173	(2,470)	479,407	799,516	1,298,277	2,097,793
The Group												
Closing balance as at 31 December 2013 (as previously stated)	266,830	(1,569)	34,896	45,525	2,390	(19,313)	13,173	-	499,347	841,279	1,384,550	2,225,829
Adjustment arising from change in accounting policy	-	-	-	-	-	317	-	-	(306)	11	2,553	2,564
At 1 January 2014 (restated)	266,830	(1,569)	34,896	45,525	2,390	(18,996)	13,173	-	499,041	841,290	1,387,103	2,228,393
Total comprehensive income for the period	-	-	-	53	-	(18,973)	-	-	13,267	(5,653)	(3,574)	(9,227)
Transactions with owners, recorded directly in equity												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	15	-	-	-	-	15	-	15
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests	-	-	-	-	-	-	2,251	-	-	2,251	(8,861)	(6,610)
At 31 March 2014	266,830	(1,569)	34,896	45,578	2,405	(37,969)	15,424	-	512,308	837,903	1,374,668	2,212,571

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Equity Accumulated reserve \$'000	profits \$'000	Total equity \$'000
The Company						
At 1 January 2013	266,830	9,199	-	2,294	27,100	305,423
Total comprehensive income for the period	-	-	-	-	1,349	1,349
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	7	-	7
At 31 March 2013	266,830	9,199	-	2,301	28,449	306,779
The Company						
At 1 January 2014	266,830	9,199	2	2,337	39,258	317,626
Total comprehensive income for the year	-	-	-	-	229	229
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	15	-	15
At 31 March 2014	266,830	9,199	2	2,352	39,487	317,870

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 2014, 31 December 2013 and 31 March 2013.

There was no change in the Company's issued share capital during the three months ended 31 March 2014.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "Scheme") during the three months ended 31 March 2014.

As at 31 March 2014, there were a total of 1,470,000 (31 March 2013: 980,000) 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	460,000
2014	\$1.31	540,000
Total		1,470,000

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

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

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2014.

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

The figures have not been audited nor reviewed.

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

Not applicable

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

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

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

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

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

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

FRS 112 Disclosure of Interests in Other Entities

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

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

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

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

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

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

In accordance with FRS 111, this change in accounting policy was applied retrospectively. Accordingly, the effects of the Group's financial statements from the adoption of FRS 111 are as follows:

Income statement for 1Q 2013	As previously stated \$'000	Restatement \$'000	As restated \$'000
Revenue	1,107,769	(24,842)	1,082,927
Cost of sales	(863,670)	7,717	(855,953)
Gross profit	244,099	(17,125)	226,974
Other income	13,127	405	13,532
Selling and distribution expenses	(110,208)	16,397	(93,811)
Research and development costs	(23,423)	-	(23,423)
General and administrative expenses	(44,920)	2,550	(42,370)
Finance costs	(14,761)	884	(13,877)
Profit from operations	63,914	3,111	67,025
Share of results of associates and jointly-controlled entities, net of tax	1,484	(3,096)	(1,612)
Profit before income tax	65,398	15	65,413
Income tax expense	(15,119)	14	(15,105)
Profit for the period	50,279	29	50,308
Attributable to:			
Owners of the Company	14,424	5	14,429
Non-controlling interests	35,855	24	35,879
	50,279	29	50,308

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

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 2014	1Q 2013 (restated)
Earnings per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	3.55	3.86
(ii) On a fully diluted basis (cts)	3.55	3.86

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	
	31.3.2014	31.12.2013 (restated)	31.3.2014	31.12.2013
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 31 March 2014 and as at 31 December 2013 (cts)	224.09	225.00	85.01	84.95

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

1Q 2014 versus 1Q 2013 (Restated)

Revenue for the Group increased from \$1.1 billion in 1Q 2013 to \$1.3 billion for the quarter under review, an increase of 15.7%. The increase was mainly due to higher revenue from the diesel engines unit ("Yuchai") and building materials unit ("BMU") but offset by lower revenue from other business units. Profit attributable to the owners of the Company ("PATMI") for the quarter under review reduced from \$14.4 million in 1Q 2013 to \$13.3 million in 1Q 2014.

- Revenue of consumer products unit ("Xinfei") continued to be affected by the keen competition and over capacity in the industry. The weaker property market in China also led to lower consumer demand by Xinfei's customers. Unit sales were lower by 17.6% as compared to the same period last year. As a result, Xinfei's revenue declined by 16.0% in 1Q 2014 compared to 1Q 2013.
- Revenue of Yuchai for 1Q 2014 increased by 24.5% compared to 1Q 2013. The increase was primarily attributed to the growth in the truck, agricultural and marine engines but offset by lower revenue contribution from bus and industrial engines. The units sold by Yuchai in 1Q 2014 increased by 16.2% as compared to 1Q 2013. The industry unit sales growth for 1Q 2014 as published by the China Association of Automobile Manufacturers was 4.4%.
- Revenue of BMU for 1Q 2014 increased by 14.8% compared to 1Q 2013. The increase was contributed by all divisions under BMU including Tasek Corporation Berhad.
- Revenue of the industrial packaging unit ("Rex") for 1Q 2014 declined by 24.5% compared to 1Q 2013 as it recorded reduced revenue from a key customer.
- Revenue of the air-conditioning systems unit ("Airwell") for 1Q 2014 declined by 30.9% as compared to 1Q 2013 mainly due to cessation of shipments to export customers in Europe arising from credit issue and gradual build up of domestic sales in China.

The gross profit margin for 1Q 2014 declined to 19.2% as compared to 21.0% for 1Q 2013 despite the higher revenue achieved. Overall raw material costs as a percentage of sales for the Group increased by 2.6% as compared to 1Q 2013. However, the overhead costs as a percentage of sales decreased by 0.8% as a result of higher sales as compared to 1Q 2013. The gross profit margin of Yuchai and Rex decreased mainly due to higher material costs. Xinfei improved its gross profit margin while BMU maintained its margin.

Other income for 1Q 2014 decreased by \$3.4 million as compared to 1Q 2013 mainly due to the absence of a gain on disposal of property, plant and equipment by GPac of \$2.9 million recorded in 1Q 2013, and lower interest income of \$1.0 million but offset by net exchange gain of \$1.4 million.

Selling and distribution expenses for 1Q 2014 increased by \$11.1 million or 11.9% compared to 1Q 2013. This was mainly due to higher expenses incurred by Yuchai relating to warranty and doubtful debts provisions and BMU relating to freight charges but offset by lower expenses from Xinfei and Airwell.

Research and development expenses for 1Q 2014 increased by \$1.3 million or 5.4% compared to 1Q 2013 due mainly to higher research expenses incurred by Yuchai but partially offset by lower expenses incurred by Xinfei.

General and administration expenses for 1Q 2014 declined by \$2.2 million or 5.3% compared to 1Q 2013 due to lower expenses across all business units.

Finance costs for 1Q 2014 increased by \$1.6 million or 11.3% as compared to 1Q 2013 due mainly to higher interest costs incurred by Yuchai and Xinfei arising from higher bills discounting but offset by interest savings from reduction of bank loans.

Share of results of associates and jointly-controlled entities, net of tax decreased by \$1.1 million or 70.2% compared with 1Q 2013 due to a loss incurred by a jointly-controlled entity of Yuchai in 1Q 2014.

The higher income tax expense for 1Q 2014 compared to 1Q 2013 was due mainly to higher tax provision by BMU.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$0.7 billion at the end of 1Q 2014 compared with \$1.1 billion at the end of 1Q 2013, a decrease of \$0.4 billion.

The Group generated cash from operating activities of \$126.7 million before working capital. Trade and other receivables and inventories balance increased by \$277.1 million and \$46.3 million respectively.

The Group incurred \$29.4 million for the purchase of property, plant and equipment, mainly by Yuchai in 1Q 2014.

For financing activities, the Group had loans of \$0.9 billion at the end of 1Q 2014 as compared with \$1.0 billion at the end of 1Q 2013, a decrease of \$0.1 billion.

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 recent global 2014 economic growth forecast of 3.6% issued in April 2014 by International Monetary Fund has dropped slightly from the previous forecast of 3.7%. The GDP of United States and China remained at 2.8% and 7.5% respectively. The GDP of Eurozone is expected to improve by 0.2% to 1.2% while growth in the Emerging Markets is projected to shrink by 0.2% to 4.9%. The Singapore's economy grew 5.1% in 1Q 2014.

For the diesel engine industry, the demand is likely to grow moderately in year 2014 following the tapering off in sales from the pre-buy impact arising from the implementation of The National IV emission standards for diesel engines in China on 1 July, 2013. Yuchai has been producing diesel engines which comply with The National IV emission standards which became applicable from 1 July 2013.

The white goods industry relating to consumer appliances is expected to remain challenging and highly competitive with over capacity and lower consumer demand. These challenges will continue to impact Xinfei's performance for the year 2014. With new refrigerators models (Libra range) launched in the fourth quarter of 2013, new marketing plans and advertising campaign on China television network, Xinfei aims to increase sales in the coming summer months.

In Singapore, the construction industry grew 6.5% in 1Q 2014, and the demand for building materials has improved considerably in line with the growth of the construction industry as a whole. However, the average selling price of ready-mixed concrete has fallen due to keen competition with competitors reducing prices to gain market share. In March 2014, the Indonesian government lifted its earlier ban on the global export of a wide range of minerals including granite aggregate. In addition to Indonesia, the Group has other sources of granite supply from other countries.

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? 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 persons transactions

Name of Interested Person	Aggregate value of all interested person transactions for 1Q 2014 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. and its associates - Supply of raw materials	\$103,541

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

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

Not applicable.

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

Not applicable.

- 16. A breakdown of sales.**

Not applicable.

BY ORDER OF THE BOARD

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

15 May 2014

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the first quarter ended 31 March 2014 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Beng
Chairman

Philip Ting Sii Tien @ Yao Sik Tien
Director & CEO

15 May 2014