

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2016

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") 2016. 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

	Group		+/- %
	1Q 2016 \$'000	1Q 2015 \$'000	
Revenue	948,517	1,085,309	-12.6%
Cost of sales	(773,822)	(867,506)	-10.8%
Gross profit	174,695	217,803	-19.8%
Other income, net	4,558	5,735	-20.5%
Selling and distribution expenses	(88,887)	(97,891)	-9.2%
Research and development costs	(24,685)	(27,725)	-11.0%
General and administrative expenses	(45,206)	(44,321)	2.0%
Finance costs	(10,445)	(12,091)	-13.6%
Profit from operations	10,030	41,510	-75.8%
Share of results of associates and joint ventures, net of tax	(870)	(650)	33.8%
Profit before income tax	9,160	40,860	-77.6%
Income tax expense	(10,103)	(13,513)	-25.2%
(Loss)/Profit for the period	(943)	27,347	NM
Attributable to:			
Owners of the Company	(16,478)	4,691	NM
Non-controlling interests	15,535	22,656	-31.4%
	(943)	27,347	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 RMB4.6926 = SGD1.00 for 1Q 2016 and RMB4.5851 = SGD1.00 for 1Q 2015. For 1Q 2016, RMB depreciated about 2.3% as compared to 1Q 2015.

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

	Group		+/- %
	1Q 2016 \$'000	1Q 2015 \$'000	
Profit before income tax include the following:			
Loss on disposal of property, plant and equipment and land use rights ⁽¹⁾	(1,872)	(955)	96.0%
Impairment losses recognised for trade and other receivables, net ⁽²⁾	(1,276)	(210)	507.6%
Allowance made for inventories obsolescence, net ⁽³⁾	(1,215)	(157)	673.9%
Depreciation and amortisation ⁽⁴⁾	(34,296)	(34,279)	0.0%
Foreign exchange (loss)/gain, net ⁽⁵⁾	(1,838)	1,315	NM
Fair value gain/(loss) on derivatives, net ⁽⁶⁾	2,108	(1,874)	NM
Interest expense ⁽⁷⁾	(10,100)	(11,663)	-13.4%
Interest income ⁽⁸⁾	4,377	3,684	18.8%
Write-off of property, plant & equipment	(35)	(29)	20.7%

NM: Not meaningful

(1) Loss on disposal of property, plant and equipment in both 1Q 2016 and 1Q 2015 were attributed mainly to the Group's diesel engines unit ("Yuchai").

(2) Impairment losses for trade and other receivables, net in 1Q 2016 were attributed mainly to Yuchai and the Group's consumer products unit ("Xinfei").

In 1Q 2015, Yuchai made lower impairment losses for trade and other receivables. This was partially offset by write-back of allowance for impairment losses by Xinfei mainly due to improved receivables ageing as management stepped up collection efforts.

(3) The allowance for inventories obsolescence, net in both 1Q 2016 and 1Q 2015 were mainly recorded by Xinfei.

(4) Depreciation and amortisation recorded in 1Q 2016 were comparable to 1Q 2015.

(5) The net foreign exchange loss in 1Q 2016 was mainly due to revaluation of Singapore dollar ("SGD") denominated loan liability in Xinfei as a result of the weakening of the Renminbi ("RMB"). This was partially offset by net foreign exchange gain recorded by Yuchai which mainly arose from revaluation of SGD bank deposits and SGD loan from a subsidiary of China Yuchai International Limited ("CYI") to HL Global Enterprises Limited ("HLGE").

The net foreign exchange gain in 1Q 2015 was mainly due to revaluation of the SGD denominated loan liability in Xinfei as a result of the strengthening of the RMB. The gain was partially offset by foreign exchange loss arising from SGD denominated assets in Yuchai.

(6) The net fair value gain on derivatives in 1Q 2016 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.

In 1Q 2015, fair value loss on derivatives was mainly related to Xinfei arising from coupon swap with range forward to hedge against foreign currency risk.

(7) The decrease in interest expense in 1Q 2016 as compared to 1Q 2015 was mainly due to lower interest expenses incurred on loans by Yuchai, Xinfei and the Group's air-conditioning systems unit ("Airwell").

(8) The increase in interest income in 1Q 2016 as compared to 1Q 2015 mainly arose from Yuchai.

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

The Group's tax charge for 1Q 2016 included an over provision of \$397,000 (1Q 2015: under provision of \$8,000) in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	1Q 2016 \$'000	Group 1Q 2015 \$'000	+/- %
(Loss)/Profit for the period	(943)	27,347	NM
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Exchange differences on translation of financial statements of foreign subsidiaries, joint ventures and associated corporations	(54,067)	83,115	NM
Net fair value changes of available-for-sale financial assets	62	(30)	NM
Exchange differences on monetary items forming part of net investment in foreign entities	(3,278)	-	NM
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	-	(64)	NM
Total other comprehensive (loss)/income for the period, net of tax	(57,283)	83,021	NM
Total comprehensive (loss)/income for the period	(58,226)	110,368	NM
Attributable to:			
Owners of the Company	(27,278)	28,368	NM
Non-controlling interests	(30,948)	82,000	NM
Total comprehensive (loss)/income for the period	(58,226)	110,368	NM

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

\$'000	Group		Company	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Non-current assets				
Property, plant and equipment	1,168,576	1,219,741	419	325
Land use rights	136,657	141,129	-	-
Intangible assets	83,783	84,789	182	192
Investment in subsidiaries	-	-	204,455	204,455
Interests in associates	51,877	53,210	13,726	13,726
Interests in joint ventures	36,068	57,282	-	-
Investment property	1,661	1,602	-	-
Other investments	1,490	1,425	-	-
Deferred tax assets	73,275	75,987	-	15
Non-current receivables	9,713	10,205	140,233	103,184
Long-term deposits	8,340	12,924	-	-
	1,571,440	1,658,294	359,015	321,897
Current assets				
Inventories	503,393	524,799	-	-
Development properties	5,049	4,870	-	-
Trade and other receivables	1,873,708	1,919,677	222,640	226,153
Other investments	2,236	2,592	-	-
Derivatives	5,421	3,340	-	-
Cash and short-term deposits	1,088,384	1,013,189	10,823	11,199
Assets of disposal group classified as held for sale	18,428	-	-	-
	3,496,619	3,468,467	233,463	237,352
Total assets	5,068,059	5,126,761	592,478	559,249
Current liabilities				
Trade and other payables	1,652,185	1,681,031	4,648	5,562
Provisions	72,927	70,063	-	-
Loans and borrowings	879,971	921,533	157,776	202,006
Current tax payable	11,987	13,554	40	40
Derivatives	130	-	-	-
	2,617,200	2,686,181	162,464	207,608
Net current assets	879,419	782,286	70,999	29,744
Non-current liabilities				
Loans and borrowings	134,806	62,373	78,835	-
Deferred tax liabilities	44,667	45,423	1,922	1,937
Deferred grants	72,413	75,153	-	-
Other non-current payables	24,049	24,844	-	-
Retirement benefit obligations	265	256	-	-
	276,200	208,049	80,757	1,937
Total liabilities	2,893,400	2,894,230	243,221	209,545
Net assets	2,174,659	2,232,531	349,257	349,704
Equity attributable to owners of the Company				
Share capital	266,830	266,830	266,830	266,830
Reserves	484,057	515,910	82,427	82,874
Reserve of disposal group classified as held for sale	4,714	-	-	-
	755,601	782,740	349,257	349,704
Non-controlling interests	1,419,058	1,449,791	-	-
Total Equity	2,174,659	2,232,531	349,257	349,704
Total equity and liabilities	5,068,059	5,126,761	592,478	559,249

Explanatory Notes to Statement of Financial Position

Group

- The decrease in non-current assets was mainly due to lower property, plant and equipment, translation of assets arising from the weakening of the RMB against the SGD in 1Q 2016 and reduction in interest in joint ventures with the reclassification of the Group's interest in Copthorne Hotel Qingdao Co., Ltd ("CHQ") to assets of disposal group classified as held for sale in view of the proposed disposal of CHQ.
- The increase in current assets was mainly due to higher cash and short-term deposits held and reclassification of interest held in CHQ to assets classified as held for sale. This was offset by lower trade and other receivables and lower inventories holding at quarter-end.
- Current liabilities decreased mainly due to reduction of short-term loans and borrowings and lower payables.
- Non-current liabilities increased mainly due to higher loans and borrowings by the Company.

Company

- The increase in non-current assets was mainly due to additional inter-company loans granted to subsidiaries in 1Q 2016.
- The Company had drawdown new long-term financing facility in 1Q 2016 which resulted in the increase in non-current liabilities. The net increase in total loans and borrowings (current and non-current) was due to additional loans taken up for working capital during the quarter.

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

Amount repayable in one year or less, or on demand

As at 31.03.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$65,821,813	\$814,149,668	\$66,840,916	\$854,691,611

Amount repayable after one year

As at 31.03.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$55,970,721	\$78,834,981	\$55,373,145	\$7,000,243

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 2016 of \$159,116,000 (31 December 2015: \$160,103,000).

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 2016	1Q 2015
	\$'000	\$'000
Operating activities		
Profit before tax	9,160	40,860
Adjustments for:		
Share of results of associates and joint ventures, net of tax	870	650
Cost of share-based payments	354	735
Depreciation and amortisation	34,296	34,279
Allowance recognised for inventories obsolescence	1,215	157
Impairment losses recognised for trade and other receivables	1,276	210
Property, plant and equipment written off	35	29
Finance costs	10,445	12,091
Interest income	(4,377)	(3,684)
Loss/(gain) on disposal of:		
- joint ventures	-	(76)
- property, plant and equipment	1,872	1,503
- land use rights	-	(548)
Fair value loss on investments	276	207
Fair value (gain)/loss on derivatives	(2,108)	1,874
Provision for warranties and other costs, net	21,058	19,545
Operating profit before working capital changes	74,372	107,832
Changes in working capital:		
Inventories	6,411	(69,870)
Trade and other receivables	(13,714)	(178,181)
Trade and other payables	30,849	107,749
Provisions utilised	(16,223)	(21,273)
Cash flows from operations	81,695	(53,743)
Income tax paid	(10,895)	(10,078)
Cash flows from/(used in) operating activities	70,800	(63,821)
Investing activities		
Additional investment in a joint venture	(267)	-
Dividends received from:		
- associates	3,061	-
Interest received	3,776	4,629
(Placement)/release of fixed deposits and restricted deposits	(42,690)	9,106
Purchase of:		
- property, plant and equipment	(25,986)	(27,750)
- intangible assets	(18)	(597)
Proceeds from disposal of:		
- joint ventures	-	385
- property, plant and equipment	401	966
- land use rights	-	980
Net cash flows used in investing activities	(61,723)	(12,281)
Financing activities		
Interest paid	(6,847)	(9,544)
Proceeds from borrowings	156,656	345,817
Grant received from government	306	1,364
Repayment in respect of borrowings	(105,369)	(308,788)
Repayment of obligation under finance leases	(511)	(351)
Net cash flows from financing activities	44,235	28,498
Net increase/(decrease) in cash and cash equivalents	53,312	(47,604)
Cash and cash equivalents at beginning of the period	938,620	740,542
Effect of exchange rate changes on balances held in foreign currencies	(22,706)	22,374
Cash and cash equivalents at end of the period	969,226	715,312
Comprising:		
Cash and short-term deposits	1,088,384	758,338
Less: Bank overdraft	(506)	(261)
Less: Short-term investment and restricted deposits	(118,652)	(42,765)
	969,226	715,312

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

The attributable net assets of a joint venture liquidated during the period are as follows:

	1Q 2016	1Q 2015
	\$'000	\$'000
Cash	-	373
Net assets disposed	-	373
Gain on liquidation of a joint venture	-	76
Realisation of foreign currency translation reserve upon liquidation of a joint venture	-	(64)
Net cash inflow on liquidation of a joint venture	-	385

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												
At 1 January 2015	266,830	293	35,321	45,579	2,872	(11,915)	17,204	-	511,191	867,375	1,458,846	2,326,221
Profit for the period	-	-	-	-	-	-	-	-	4,691	4,691	22,656	27,347
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	23,739	-	-	-	23,739	59,376	83,115
Net fair value changes of available-for-sale financial assets	-	-	-	(30)	-	-	-	-	-	(30)	-	(30)
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	-	-	-	-	-	(32)	-	-	-	(32)	(32)	(64)
Other comprehensive income for the period, net of tax	-	-	-	(30)	-	23,707	-	-	-	23,677	59,344	83,021
Total comprehensive income for the period	-	-	-	(30)	-	23,707	-	-	4,691	28,368	82,000	110,368
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	281	-	-	-	-	281	454	735
At 31 March 2015	266,830	293	35,321	45,549	3,153	11,792	17,204	-	515,882	896,024	1,541,300	2,437,324
At 1 January 2016	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	439,617	782,740	1,449,791	2,232,531
Loss 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	423,139	755,601	1,419,058	2,174,659

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

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
The Company						
At 1 January 2015	266,830	9,199	-	2,397	48,058	326,484
Total comprehensive income for the period	-	-	-	-	21,127	21,127
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	14	-	14
At 31 March 2015	<u>266,830</u>	<u>9,199</u>	<u>-</u>	<u>2,411</u>	<u>69,185</u>	<u>347,625</u>
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						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	4	-	4
At 31 March 2016	<u>266,830</u>	<u>9,199</u>	<u>-</u>	<u>2,457</u>	<u>70,771</u>	<u>349,257</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 31 March 2016, 31 December 2015 and 31 March 2015.

There was no change in the Company's issued share capital during the three months ended 31 March 2016.

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 2016.

As at 31 March 2016, there were a total of 1,390,000 (31 March 2015: 1,670,000) 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	540,000
Total		1,390,000

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 2016 and 31 December 2015 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 2016.

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 2015.

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 2016 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 2016	1Q 2015
(Loss)/Earnings per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	(4.41)	1.25
(ii) On a fully diluted basis (cts)	(4.41)	1.25

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	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
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 2016 and as at 31 December 2015 (cts)	202.08	209.34	93.41	93.53

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 2016 versus 1Q 2015

Revenue for the Group decreased from \$1.085 billion in 1Q 2015 to \$0.949 billion for the quarter under review, a decline of 12.6%. The decrease was mainly due to lower revenue from most business units except the air-conditioning systems unit ("Airwell"). The Group suffered a loss attributable to the owners of the Company of \$16.5 million for the quarter under review as compared to the profit attributable to the owners of the Company of \$4.7 million in 1Q 2015. The loss was attributed mainly to the continuing losses incurred by the consumer products unit ("Xinfei") with declining revenue and margins. Profits from other business units of the Group were lower and not sufficient to offset the loss incurred by Xinfei. The Company had provided a profit warning on the same in its announcement issued on 28 April 2016.

- Xinfei's revenue declined by \$21.9 million or 19.0% as compared to 1Q 2015 due to the sluggish home appliance market in China. With intensified industry competition and over-capacity, Xinfei had significantly reduced the prices for its products since the second half of last year, resulting in lower gross profit margin in 1Q 2016. In a bid to recover in sales units volume and gross profit margin, Xinfei has planned the launch of its new series of products in the second quarter ("2Q") of 2016.

- Revenue of the diesel engines unit (“Yuchai”) declined by \$82.3 million or 10.3% as compared to 1Q 2015. Units of engines sold in 1Q 2016 declined by 13.6% as compared to 1Q 2015. According to the China Association of Automobile Manufacturers (“CAAM”), in 1Q 2016, there was a 2.0% reduction in bus sales led by a 7.9% decrease in heavy-duty bus sales while there was a 3.3% increase in truck sales. Commercial vehicle unit sales (excluding gasoline-powered and electric-powered vehicles) increased 2.6% in 1Q 2016 as compared to 1Q 2015.
- Revenue of the building materials unit (“BMU”) decreased by \$29.9 million or 20.0% as compared to 1Q 2015. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division.
- Revenue of the industrial packaging unit (“Rex”) declined by \$3.2 million or 23.8% as compared to 1Q 2015. Excluding the revenue of \$2.7 million in 1Q 2015 from Shanghai Rex Packaging Co., Ltd which interest was disposed by Rex in 2015, the decrease in sales was \$0.5 million.
- Revenue of Airwell increased by \$0.6 million or 15.7% as compared to 1Q 2015.

The Group’s gross profit margin in 1Q 2016 was 18.4% as compared to 20.1% in 1Q 2015. Overall raw material cost as a percentage of sales for the Group increased by 1.2% as compared to 1Q 2015.

Other income (net) for 1Q 2016 decreased by \$1.2 million as compared to 1Q 2015. It was mainly due to the foreign exchange loss and lower government grant.

Selling and distribution (“S&D”) expenses in 1Q 2016 decreased by \$9.0 million, or 9.2% as compared to 1Q 2015. It was mainly due to lower selling-related expenses and advertising expenses incurred by Xinfei and lower outward freight incurred by Yuchai and BMU.

Research and development (“R&D”) expenses in 1Q 2016 decreased by \$3.0 million or 11.0% as compared to 1Q 2015 due mainly to lower experimental cost and staff cost incurred by Yuchai.

General and administrative (“G&A”) expenses in 1Q 2016 increased by \$0.9 million or 2.0% as compared to 1Q 2015 due mainly to license fees for software.

Finance costs in 1Q 2016 decreased by \$1.6 million or 13.6% as compared to 1Q 2015. This was due mainly to lower interest expenses incurred on term loans by Yuchai, Xinfei and Airwell.

Share of losses of associates and joint ventures, net of tax increased from \$0.7 million in 1Q 2015 to \$0.9 million in 1Q 2016. This was mainly due to lower profits from associates of BMU despite lower losses incurred by associates and joint ventures of Yuchai in 1Q 2016.

Income tax expenses in 1Q 2016 decreased by \$3.4 million or 25.2% as compared to 1Q 2015. This was mainly due to lower tax provision by Yuchai and BMU as a result of lower profits.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.088 billion as at 31 March 2016 compared with \$1.013 billion as at 31 December 2015.

During the quarter under review, the Group generated cash from operating activities of \$74.4 million before working capital changes. After working capital changes and income tax paid, net cash inflow from operating activities reduced to \$70.8 million.

The cash outflow from investing activities was related mainly to the purchase of property, plant and equipment and placement of fixed deposits and restricted deposits.

The Group had net cash inflow from financing activities of \$44.2 million for 1Q 2016 which was mainly due to net borrowings of \$51.3 million and interest payment of \$6.9 million.

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

The Group's performance for the quarter under review was in line with its expectation of its results for the quarter ended 31 March 2016 as disclosed in the Company's profit guidance announcement on 28 April 2016.

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 International Monetary Fund has recently revised the global economic growth forecast to 3.2% in April 2016 which is on a downward trend from the previous forecast of 3.4%. While the GDP forecast of the advanced economies has been revised downward by 0.2% to 1.9%, China has revised its GDP forecast upwards by 0.2% to 6.5% in 2016. China achieved GDP growth of 6.7% in 1Q 2016 which was slightly lower than full year 2015 GDP growth of 6.9%.

The commercial vehicles market remains uncertain. The overall commercial vehicle market and Yuchai will continue to be affected by competition and the slow economic growth in China.

The white goods industry in China relating to consumer appliances remains challenging amidst issues on overcapacity, intensified competition and lower consumer demand. These challenges will continue to impact Xinfei's performance. Xinfei will be launching some new series of products in the second quarter of 2016, which is expected to help support more sales.

In Singapore, based on the advance estimates by the Ministry of Trade and Industry, the economy grew by 1.8% in 1Q 2016, slower than the GDP growth of 2.7% achieved in 1Q 2015. The Singapore economy is forecasted to grow between 1.0% and 3.0% in 2016. The construction industry expanded by 6.2% in 1Q 2016 against -1.6% in 1Q 2015. The strong growth was supported by both public and private sector construction activities. However, the recent winning bids in the industry were secured at prices much lower than the current selling prices. This will have an impact on our building materials business.

Although there are signs of lower selling prices due to competition, the outlook for the construction sector in Malaysia for the second quarter is expected to be positive. The announced public transport infrastructure development and highway projects are expected to continue to drive the demand for cement and ready-mixed concrete in the second half of 2016. This will benefit the Group's subsidiary, Tasek Corporation Berhad.

In view of the challenging business environment and uncertain economy in China, the Group expects that the performance of its business units based in China will continue to be weak in 2Q 2016. Reduction of continuing losses from Xinfei is of high priority. The Group will continue to exercise cost discipline, including organisational restructuring and strategic repositioning.

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/recommendeded, a statement to that effect.

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

13. Interested person transactions

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the quarter ended 31 March 2016.

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

13 May 2016

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 2016 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 and Chief Executive Officer

13 May 2016