HONG LEONG ASIA LTD. (REGISTRATION NO. 196300306G)

Unaudited Third Quarter And Nine Months Financial Statement For The Period Ended 30 September 2018

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

The Board of Directors announces the results of the Group for the third quarter ("**3Q**") and nine months ended 30 September ("**YTD 3Q**") 2018. These figures have not been audited or reviewed.

1(a) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Income statement

	Group					
	3Q 2018 $'000	**3Q 2017 $'000 (Restated)**	**+/- %**	**YTD 3Q 2018 $'000**	**YTD 3Q 2017 $'000 (Restated)**	**+/- %**
Continuing operations						
Revenue	756,226	887,355	-14.8%	2,772,290	2,865,627	-3.3%
Cost of sales	(616,943)	(721,203)	-14.5%	(2,257,357)	(2,340,780)	-3.6%
Gross profit	**139,283**	**166,152**	**-16.2%**	**514,933**	**524,847**	**-1.9%**
Other income	12,425	11,397	9.0%	34,804	34,142	1.9%
Selling and distribution expenses	(60,866)	(43,268)	40.7%	(183,362)	(162,820)	12.6%
Research and development costs	(13,058)	(28,844)	-54.7%	(71,485)	(78,254)	-8.7%
General and administrative expenses	(31,708)	(51,935)	-38.9%	(111,829)	(131,682)	-15.1%
Finance costs	(9,723)	(10,351)	-6.1%	(27,139)	(26,078)	4.1%
Other expenses	(2,446)	(649)	276.9%	(4,776)	(1,344)	255.4%
Profit from continuing operations	**33,907**	**42,502**	**-20.2%**	**151,146**	**158,811**	**-4.8%**
Share of results of associates and joint ventures, net of tax	1,510	1,791	-15.7%	3,676	1,157	217.7%
Profit before tax from continuing operations	**35,417**	**44,293**	**-20.0%**	**154,822**	**159,968**	**-3.2%**
Income tax expense	(8,418)	(9,826)	-14.3%	(36,454)	(36,724)	-0.7%
Profit from continuing operations, net of tax	**26,999**	**34,467**	**-21.7%**	**118,368**	**123,244**	**-4.0%**
Discontinued operation						
Profit/(loss) from discontinued operation, net of tax	337	(25,100)	NM	(55,799)	(73,319)	-23.9%
Profit for the period	**27,336**	**9,367**	**191.8%**	**62,569**	**49,925**	**25.3%**
Attributable to:						
Owners of the Company						
Profit from continuing operations, net of tax	2,812	4,371	-35.7%	18,140	19,963	-9.1%
Profit/(loss) from discontinued operation, net of tax	337	(22,576)	NM	(53,413)	(65,999)	-19.1%
	3,149	**(18,205)**	NM	**(35,273)**	**(46,036)**	-23.4%
Non-controlling interests						
Profit from continuing operations, net of tax	24,187	30,096	-19.6%	100,228	103,281	-3.0%
Loss from discontinued operation, net of tax	-	(2,524)	NM	(2,386)	(7,320)	-67.4%
	24,187	**27,572**	-12.3%	**97,842**	**95,961**	2.0%

Note:

*(a) Nearly 90% of the Group's total revenue is generated from its businesses in China. For the quarter ended 30 September, translation of income statement from Renminbi ("**RMB**") to Singapore dollar ("**SGD**") has been made at the average exchange rate of RMB5.0251 = SGD1.00 for 3Q 2018 and RMB4.9044 = SGD1.00 for 3Q 2017. For 3Q 2018, RMB depreciated about 2.5% as compared to 3Q 2017.*

For the nine months ended 30 September, translation of income statement from RMB to SGD has been made at the average exchange rate of RMB4.8707 = SGD1.00 for YTD 3Q 2018 and RMB4.8892 = SGD1.00 for YTD 3Q 2017. For YTD 3Q 2018, RMB appreciated about 0.4% as compared to YTD 3Q 2017.

(b) *Discontinued operation - As reported in the Company's announcement on 26 June 2018, Henan Xinfei Household Appliance Co. Ltd., Henan Xinfei Refrigeration Appliances Co., Ltd. and Henan Xinfei Electric Co., Ltd. (collectively, the "**Xinfei Companies**") had ceased to be subsidiaries of the Group with effect from 21 May 2018. On 6 August 2018, the Company further announced the completion of the equity transfer of the shares in each of the Xinfei Companies.*

*As required by the Singapore Financial Reporting Standards (International) 10 Consolidated Financial Statements, the Xinfei Companies were de-consolidated from the Group in the second quarter ("**2Q**") of 2018. The operating performance of the Xinfei Companies, together with the net loss on de-consolidation, has been presented separately under "discontinued operation" in the income statement. Profit from discontinued operation of $0.3 million in 3Q 2018 was mainly due to realised foreign exchange gain and debt recovery. Comparative figures have been restated to conform to current period's presentation.*

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

	Group					
Profit before tax from continuing operations include the following:	**3Q 2018 $'000**	**3Q 2017 $'000**	**+/- %**	**YTD 3Q 2018 $'000**	**YTD 3Q 2017 $'000**	**+/- %**
Gain on disposal of property, plant and equipment [1]	332	57	482.5%	385	1,423	-72.9%
Impairment losses written back for trade and other receivables, net [2]	608	403	50.9%	2,087	866	141.0%
Allowance made for inventories obsolescence, net [3]	(160)	(49)	226.5%	(178)	(291)	-38.8%
Depreciation and amortisation [4]	(26,101)	(29,033)	-10.1%	(81,985)	(87,213)	-6.0%
Foreign exchange gain/(loss), net [5]	73	796	-90.8%	(1,930)	5,146	NM
Fair value gain/(loss) on derivatives, net [6]	1,900	(371)	NM	1,900	(1,065)	NM
Interest expense [7]	(9,417)	(10,088)	-6.7%	(26,167)	(25,259)	3.6%
Interest income [8]	7,934	6,606	20.1%	24,865	18,248	36.3%
Write-off of property, plant & equipment [9]	(826)	(470)	75.7%	(1,169)	(1,755)	-33.4%

NM: Not meaningful

(1) Net gain on disposal of property, plant and equipment in 3Q 2018 was attributed mainly to the Group's Diesel Engines Unit ("**Yuchai**").

Net gains on disposal of property, plant and equipment in YTD 3Q 2018 and YTD 3Q 2017 were attributed mainly to Yuchai.

(2) Net impairment losses written back for trade and other receivables in 2018 and 2017 were attributed mainly to Yuchai.

(3) Net allowance for inventories obsolescence in 3Q 2018 was attributed mainly to the Group's Building Materials Unit ("**BMU**") and the Group's Air-conditioning Systems Unit ("**Airwell**").

Net allowance for inventories obsolescence in YTD 3Q 2018 was attributed mainly to Airwell and BMU, which was partially offset by the reversal of allowance for inventories obsolescence by Yuchai. Net allowance for inventories obsolescence in YTD 3Q 2017 was attributed mainly to Airwell and the Group's Industrial Packaging Unit ("**Rex**").

(4) Depreciation and amortisation recorded in both comparative periods in 2018 were comparable to 2017 (excluding effect of foreign exchange movements).

(5) The higher net foreign exchange gain recorded in 3Q 2017 as compared to 3Q 2018, was mainly due to foreign exchange gain on revaluation of Singapore dollar ("**SGD**") assets in China Yuchai International Limited ("**CYI**") (with functional currency in United States dollar ("**USD**")).

In YTD 3Q 2018, together with the net foreign exchange loss of $2.0 million in the first half ("**1H**") of 2018, the resulted net foreign exchange loss was $1.9 million. In YTD 3Q 2017, together with the net foreign exchange gain of $4.4 million in 1H 2017, the resulted net foreign exchange gain was $5.1 million.

(6) Net fair value gain/(loss) on derivatives in 2018 and 2017 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.

(7) The decrease in interest expense in 3Q 2018 was mainly due to lower bills discounting costs in Yuchai. The increase in interest expense in YTD 3Q 2018 was mainly due to higher borrowing costs in Yuchai.

(8) The increases in interest income in 3Q 2018 and YTD 3Q 2018 were mainly due to higher interest income in Yuchai.

(9) The write-offs of property, plant and equipment in 3Q 2018 and YTD 3Q 2018 were mainly recorded by Yuchai.

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

In 3Q 2018, the Group's tax charge included write-back of over provision of $1,629,000 for prior years (3Q 2017: write-back of over provision of $3,000 for prior years).

As explained in the Group's first quarter 2017 results announcement dated 12 May 2017, a Malaysian subsidiary (the "**Subsidiary**") previously received Notices of Assessment ("**Notices**") from the Malaysia Tax Authority ("**IRB**") for additional tax payments relating to prior years. IRB reviewed the Subsidiary's tax position again and decided to discharge these Notices. This matter is now concluded. As a result, the additional tax provision made of $1,611,000 had been written back in 3Q 2018.

1(a)(iv) Statement of Comprehensive Income

	Group					
	3Q 2018 $'000	**3Q 2017 $'000 (Restated)**	**+/- %**	**YTD 3Q 2018 $'000**	**YTD 3Q 2017 $'000 (Restated)**	**+/- %**
Profit for the period	**27,336**	**9,367**	**191.8%**	**62,569**	**49,925**	**25.3%**
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	(76,021)	5,184	NM	(58,083)	(42,280)	37.4%
Net fair value changes of financial assets	3,725	494	654.1%	14,298	658	2073.0%
Realisation of reserves upon de-consolidation of subsidiaries	-	-	NM	(10,480)	-	NM
Exchange differences on monetary items forming part of net investment in foreign entities	(1,628)	1,043	NM	1,283	(4,482)	NM
Total other comprehensive income for the period, net of tax	**(73,924)**	**6,721**	**NM**	**(52,982)**	**(46,104)**	**14.9%**
Total comprehensive income for the period	**(46,588)**	**16,088**	**NM**	**9,587**	**3,821**	**150.9%**
Attributable to:						
Owners of the Company	(22,543)	(15,508)	45.4%	(100,147)	(60,701)	65.0%
Non-controlling interests	(24,045)	31,596	NM	109,734	64,522	70.1%
Total comprehensive income for the period	**(46,588)**	**16,088**	**NM**	**9,587**	**3,821**	**150.9%**

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 30.09.2018	Group 31.12.2017 (Restated)	Company 30.09.2018	Company 31.12.2017
Non-current assets				
Property, plant and equipment	888,692	1,005,664	41	78
Land use rights	106,160	128,882	-	-
Intangible assets	23,841	52,293	117	138
Investment in subsidiaries	-	-	202,955	202,955
Interests in associates	44,965	47,043	13,726	13,726
Interests in joint ventures	57,029	40,153	-	-
Investment property	1,468	1,522	-	-
Other investments	3,730	5,202	-	-
Non-current receivables	3,045	8,375	38,464	166,843
Deferred tax assets	64,398	65,345	-	-
Long-term deposits	13,909	14,336	-	-
	1,207,237	**1,368,815**	**255,303**	**383,740**
Current assets				
Inventories	504,066	631,817	-	-
Development properties	4,029	4,881	-	-
Other investments	4,657	5,061	-	-
Derivatives	1,897	-	-	-
Trade and other receivables	1,957,342	1,714,744	224,274	216,088
Cash and short-term deposits	1,051,134	1,363,934	17,951	19,161
	3,523,125	**3,720,437**	**242,225**	**235,249**
Total assets	**4,730,362**	**5,089,252**	**497,528**	**618,989**
Current liabilities				
Trade and other payables	1,607,513	1,835,046	4,707	18,865
Provisions	41,094	53,017	-	-
Loans and borrowings	664,294	677,709	234,062	175,075
Current tax payable	13,203	12,749	-	15
	2,326,104	**2,578,521**	**238,769**	**193,955**
Net current assets	**1,197,021**	**1,141,916**	**3,456**	**41,294**
Non-current liabilities				
Loans and borrowings	237,338	217,701	226,900	200,000
Deferred tax liabilities	33,633	41,497	2,100	2,100
Deferred grants	74,558	70,674	-	-
Other non-current payables	38,362	37,625	-	-
Retirement benefit obligations	2	1	-	-
	383,893	**367,498**	**229,000**	**202,100**
Total liabilities	**2,709,997**	**2,946,019**	**467,769**	**396,055**
Net assets	**2,020,365**	**2,143,233**	**29,759**	**222,934**
Equity attributable to owners of the Company				
Share capital	266,830	266,830	266,830	266,830
Reserves	240,353	349,101	(237,071)	(43,896)
	507,183	615,931	29,759	222,934
Non-controlling interests	1,513,182	1,527,302	-	-
Total equity	**2,020,365**	**2,143,233**	**29,759**	**222,934**
Total equity and liabilities	**4,730,362**	**5,089,252**	**497,528**	**618,989**

Explanatory Notes to Statement of Financial Position

Group

- Non-current assets: The decrease in non-current assets was mainly due to lower property, plant and equipment, land use rights and intangible assets resulting from the de-consolidation of the Xinfei Companies during 2Q 2018.

- Current assets: The decrease in current assets was mainly due to lower cash and short-term deposits and inventories holding at 30 September 2018. This was partially offset by higher trade and other receivables at quarter-end.

- Current liabilities: The decrease in current liabilities was mainly due to lower trade and other payables at 30 September 2018.

- Non-current liabilities: The increase in non-current liabilities was mainly due to higher long-term loans and borrowings at 30 September 2018, which was partially offset by lower deferred tax liabilities upon de-consolidation of the Xinfei Companies during 2Q 2018.

Company

- Non-current assets: The decrease in non-current assets was mainly due to impairment of receivables of $133.0 million due from subsidiaries during 2Q 2018.

- Current assets: The increase in current assets was mainly due to higher receivables from subsidiaries, which was partially offset by lower cash and short-term deposits at quarter-end.

- Current liabilities: The increase in current liabilities was mainly due to higher short-term loans and borrowings at 30 September 2018 (being the reclassification of a loan maturing within the next 12 months from non-current liabilities), which was partially offset by lower trade and other payables at quarter-end.

- Non-current liabilities: The increase in non-current liabilities was mainly due to higher long-term loans and borrowings at 30 September 2018, which was partially offset by reclassification of a loan maturing within the next 12 months to current liabilities.

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

Amount repayable in one year or less, or on demand

As at 30.9.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
$111,653,345	$552,641,000	$11,887,758	$665,821,000

Amount repayable after one year

As at 30.9.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
$7,437,935	$229,900,370	$14,700,714	$202,999,886

Details of any collateral

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 30 September 2018 of $156,358,000 (31 December 2017: $51,193,000).

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

	3Q 2018 $'000	3Q 2017 $'000 (Restated)	YTD 3Q 2018 $'000	YTD 3Q 2017 $'000 (Restated)
Operating activities				
Profit before income tax from continuing operations	35,417	44,293	154,822	159,968
Profit/(loss) before income tax from discontinued operation	337	(25,100)	(55,799)	(73,319)
Adjustments for:				
Share of results of associates and joint ventures, net of tax	(1,510)	(1,791)	(3,676)	(1,157)
Cost of share-based payments	-	44	-	326
Depreciation and amortisation	26,101	31,122	82,771	95,768
Allowance recognised for inventories obsolescence	160	1,087	1,305	3,674
Impairment losses (written back)/recognised for trade and other receivables	(608)	(351)	(1,830)	491
Property, plant and equipment written off	826	470	1,169	1,755
Finance costs	9,723	11,900	27,329	30,803
Dividend income from other investments	(21)	(222)	(264)	(251)
Interest income	(7,934)	(6,610)	(24,876)	(18,272)
Loss on de-consolidation of subsidiaries	-	-	32,277	-
Gain on disposal of associate	-	(61)	-	(61)
(Gain)/loss on disposal of property, plant and equipment	(332)	247	(385)	(1,116)
Fair value loss/(gain) on investments	385	(1,967)	384	(2,945)
Fair value (gain)/loss on derivatives	(1,900)	371	(1,900)	1,065
Provision for warranties and other costs, net	14,930	4,084	42,357	40,705
Operating profit before working capital changes	75,574	57,516	253,684	237,434
Changes in working capital:				
Inventories and development properties	(38,816)	(35,365)	78,997	(47,246)
Trade and other receivables	(124,951)	(232,880)	(353,411)	(511,668)
Trade and other payables	(208,082)	58,161	(143,934)	273,434
Grant received from government	1,278	7,215	8,369	9,213
Provisions utilised	(20,818)	(10,330)	(46,760)	(39,873)
Cash flows used in operations	(315,815)	(155,683)	(203,055)	(78,706)
Income tax paid	(3,962)	(10,230)	(35,536)	(44,716)
Cash flows used in operating activities	(319,777)	(165,913)	(238,591)	(123,422)
Investing activities				
Additional investment in joint ventures	(14,281)	(5,098)	(15,287)	(10,233)
Deposit collected from the disposal of a subsidiary	-	-	-	4,025
Dividends received from:				
- associates and joint ventures	2	-	2,956	1,602
- other investments	21	222	264	251
Interest received	4,912	6,672	21,424	18,786
Net release/(placement) of deposits with banks	13,651	(21,238)	19,507	(15,986)
Purchase of:				
- property, plant and equipment	(19,798)	(19,076)	(60,846)	(58,140)
- intangible assets	(16,104)	(210)	(16,409)	(1,070)
- other investments	-	-	(1,146)	(3,048)
Net cashflow on de-consolidation of subsidiaries	-	-	(5,201)	-
Proceeds from disposal of:				
- associate	-	394	-	394
- property, plant and equipment	321	471	1,220	2,057
Net cash flows used in investing activities	(31,276)	(37,863)	(53,518)	(61,362)
Financing activities				
Acquisition of non-controlling interests	-	-	-	(271)
Dividends paid to:				
- non-controlling interests of subsidiaries	-	(1,996)	(30,280)	(25,105)
- shareholders of the Company	-	-	-	(3,739)
Interest paid	(10,357)	(11,412)	(30,038)	(30,120)
Proceeds from borrowings	191,787	252,574	554,910	700,070
Capital contribution by non-controlling interests of subsidiaries	-	2,629	-	2,629
Repayment in respect of borrowings	(149,157)	(162,305)	(454,536)	(432,744)
Repayment of obligation under finance leases	(242)	(345)	(727)	(1,837)
Net cash flows from financing activities	32,031	79,145	39,329	208,883
Net (decrease)/increase in cash and cash equivalents	(319,022)	(124,631)	(252,780)	24,099
Cash and cash equivalents at beginning of the period	1,335,904	1,074,624	1,262,104	945,171
Effect of exchange rate changes on balances held in foreign currencies	(45,353)	4,144	(37,795)	(15,133)
Cash and cash equivalents at end of the period	971,529	954,137	971,529	954,137
Comprising:				
Cash and short-term deposits			1,051,134	1,042,538
Less: Bank overdraft			-	(143)
Less: Short-term deposits and restricted deposits			(79,605)	(88,258)
			971,529	954,137

The attributable net assets of subsidiaries de-consolidated during the period are as follows:

	3Q 2018 $'000	3Q 2017 $'000	YTD 3Q 2018 $'000	YTD 3Q 2017 $'000
De-consolidation of subsidiaries				
Non-current assets	-	-	127,410	-
Net current liabilities	-	-	(77,671)	-
Non-current liabilities	-	-	(6,982)	-
Non-controlling interests	-	-	38,435	-
Realisation of reserves	-	-	(48,915)	-
Loss on de-consolidation of subsidiaries	-	-	(32,277)	-
Total cash consideration	-	-	-	-
Less: Cash and cash equivalents of subsidiaries de-consolidated	-	-	(5,201)	-
Net cashflow on de-consolidation of subsidiaries	-	-	(5,201)	-

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share option reserve $'000	Translation reserve $'000	Surplus/(deficit) on changes of non-controlling interests $'000	Reserve of disposal group classified as held for sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
The Group												
At 31 December 2016 as previously reported	266,830	4,442	33,369	45,246	4,231	(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354
Adoption of SFRS (I) 15	-	-	-	-	-	(183)	-	-	4,364	4,181	9,910	14,091
Restated balance at 31 December 2016	266,830	4,442	33,369	45,246	4,231	(51,924)	34,775	4,685	360,963	702,617	1,428,828	2,131,445
Adoption of SFRS (I)	-	-	-	-	-	51,924	-	-	(51,924)	-	-	-
Restated balance at 1 January 2017	266,830	4,442	33,369	45,246	4,231	-	34,775	4,685	309,039	702,617	1,428,828	2,131,445
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(9,857)	(9,857)	44,651	34,794
Other comprehensive income												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(14,073)	-	-	-	(14,073)	(35,294)	(49,367)
Net fair value changes of financial assets	-	-	-	351	-	-	-	-	-	351	-	351
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(5,657)	-	-	-	(5,657)	-	(5,657)
Other comprehensive income for the period, net of tax	-	-	-	351	-	(19,730)	-	-	-	(19,379)	(35,294)	(54,673)
Total comprehensive income for the period	-	-	-	351	-	(19,730)	-	-	(9,857)	(29,236)	9,357	(19,879)
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Cost of share-based payments	-	-	-	-	57	-	-	-	-	57	84	141
At 31 March 2017	266,830	4,442	33,369	45,597	4,288	(19,730)	34,775	4,685	299,182	673,438	1,438,269	2,111,707
At 1 April 2017	266,830	4,442	33,369	45,597	4,288	(19,730)	34,775	4,685	299,182	673,438	1,438,269	2,111,707
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(17,974)	(17,974)	23,738	5,764
Other comprehensive income												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	2,072	-	-	-	2,072	(169)	1,903
Net fair value changes of financial assets	-	-	-	(187)	-	-	-	-	-	(187)	-	(187)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	132	-	-	-	132	-	132
Other comprehensive income for the period, net of tax	-	-	-	(187)	-	2,204	-	-	-	2,017	(169)	1,848
Total comprehensive income for the period	-	-	-	(187)	-	2,204	-	-	(17,974)	(15,957)	23,569	7,612
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Cost of share-based payments	-	-	-	-	57	-	-	-	-	57	84	141
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(54,432)	(54,432)
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests	-	-	-	-	-	-	391	-	-	391	(662)	(271)
At 30 June 2017	266,830	4,442	33,369	45,410	4,345	(17,526)	35,166	4,685	277,469	654,190	1,406,828	2,061,018
At 1 July 2017	266,830	4,442	33,369	45,410	4,345	(17,526)	35,166	4,685	277,469	654,190	1,406,828	2,061,018
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(18,205)	(18,205)	27,572	9,367
Other comprehensive income												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	1,160	-	-	-	1,160	4,024	5,184
Net fair value changes of financial assets	-	-	-	494	-	-	-	-	-	494	-	494
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	1,043	-	-	-	1,043	-	1,043
Other comprehensive income for the period, net of tax	-	-	-	494	-	2,203	-	-	-	2,697	4,024	6,721
Total comprehensive income for the period	-	-	-	494	-	2,203	-	-	(18,205)	(15,508)	31,596	16,088
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Cost of share-based payments	-	-	-	-	18	-	-	-	-	18	26	44
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	(398)	-	-	(398)	3,027	2,629
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,996)	(1,996)
At 30 September 2017	266,830	4,442	33,369	45,904	4,363	(15,323)	34,768	4,685	259,264	638,302	1,439,481	2,077,783

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

Statement of Changes in Equity	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share option reserve $'000	Translation reserve $'000	Surplus/(deficit) on changes of non-controlling interests $'000	Reserve of disposal group classified as held for sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
The Group												
At 31 December 2017 as previously reported	266,830	4,391	33,753	45,859	5,243	(60,354)	35,397	-	286,025	617,144	1,529,645	2,146,789
Adoption of SFRS (I) 15	-	-	-	-	-	(256)	-	-	(957)	(1,213)	(2,343)	(3,556)
Adoption of SFRS (I)	-	-	-	-	-	51,924	-	-	(51,924)	-	-	-
Restated balance at 31 December 2017	266,830	4,391	33,753	45,859	5,243	(8,686)	35,397	-	233,144	615,931	1,527,302	2,143,233
Adoption of SFRS (I) 9	-	-	-	(8,601)	-	-	-	-	-	(8,601)	(19,513)	(28,114)
Restated balance at 1 January 2018	266,830	4,391	33,753	37,258	5,243	(8,686)	35,397	-	233,144	607,330	1,507,789	2,115,119
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(5,463)	(5,463)	45,302	39,839
Other comprehensive income												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	9,676	-	-	-	9,676	24,281	33,957
Net fair value changes of financial assets	-	-	-	2,393	-	-	-	-	-	2,393	7,050	9,443
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	3,449	-	-	-	3,449	-	3,449
Other comprehensive income for the period, net of tax	-	-	-	2,393	-	13,125	-	-	-	15,518	31,331	46,849
Total comprehensive income for the period	-	-	-	2,393	-	13,125	-	-	(5,463)	10,055	76,633	86,688
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(11,761)	(11,761)
At 31 March 2018	266,830	4,391	33,753	39,651	5,243	4,439	35,397	-	227,681	617,385	1,572,661	2,190,046
At 1 April 2018	266,830	4,391	33,753	39,651	5,243	4,439	35,397	-	227,681	617,385	1,572,661	2,190,046
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(32,959)	(32,959)	28,353	(4,606)
Other comprehensive income												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(4,939)	-	-	-	(4,939)	(11,080)	(16,019)
Net fair value changes of financial assets	-	-	-	(308)	-	-	-	-	-	(308)	1,438	1,130
Realisation of reserves upon de-consolidation of subsidiaries	-	(40)	(18,608)	(34,314)	-	4,047	-	-		(48,915)	38,435	(10,480)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(538)	-	-	-	(538)	-	(538)
Other comprehensive income for the period, net of tax	-	(40)	(18,608)	(34,622)	-	(1,430)	-	-	-	(54,700)	28,793	(25,907)
Total comprehensive income for the period	-	(40)	(18,608)	(34,622)	-	(1,430)	-	-	(32,959)	(87,659)	57,146	(30,513)
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(92,580)	(92,580)
Others												
Transfer to statutory reserve	-	-	17	-	-	-	-	-	(17)	-	-	-
At 30 June 2018	266,830	4,351	15,162	5,029	5,243	3,009	35,397	-	194,705	529,726	1,537,227	2,066,953
At 1 July 2018	266,830	4,351	15,162	5,029	5,243	3,009	35,397	-	194,705	529,726	1,537,227	2,066,953
Profit for the period	-	-	-	-	-	-	-	-	3,149	3,149	24,187	27,336
Other comprehensive income												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(24,946)	-	-	-	(24,946)	(51,075)	(76,021)
Net fair value changes of financial assets	-	-	-	882	-	-	-	-	-	882	2,843	3,725
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(1,628)	-	-	-	(1,628)	-	(1,628)
Other comprehensive income for the period, net of tax	-	-	-	882	-	(26,574)	-	-	-	(25,692)	(48,232)	(73,924)
Total comprehensive income for the period	-	-	-	882	-	(26,574)	-	-	3,149	(22,543)	(24,045)	(46,588)
At 30 September 2018	266,830	4,351	15,162	5,911	5,243	(23,565)	35,397	-	197,854	507,183	1,513,182	2,020,365

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

Statement of Changes In Equity **The Company**	**Share capital $'000**	**Capital reserve $'000**	**Share option reserve $'000**	**Accumulated profits/ (losses) $'000**	**Total equity $'000**
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
At 1 April 2017	266,830	9,199	2,467	5,162	283,658
Total comprehensive income for the period	-	-	-	19,228	19,228
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 30 June 2017	266,830	9,199	2,467	20,651	299,147
At 1 July 2017	266,830	9,199	2,467	20,651	299,147
Total comprehensive income for the period	-	-	-	5,533	5,533
At 30 September 2017	266,830	9,199	2,467	26,184	304,680
At 1 January 2018	266,830	9,199	2,467	(55,562)	222,934
Total comprehensive income for the period	-	-	-	(6,050)	(6,050)
At 31 March 2018	266,830	9,199	2,467	(61,612)	216,884
At 1 April 2018	266,830	9,199	2,467	(61,612)	216,884
Total comprehensive income for the period	-	-	-	(183,313)	(183,313)
At 30 June 2018	266,830	9,199	2,467	(244,925)	33,571
At 1 July 2018	266,830	9,199	2,467	(244,925)	33,571
Total comprehensive income for the period	-	-	-	(3,812)	(3,812)
At 30 September 2018	266,830	9,199	2,467	(248,737)	29,759

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

1(d)(ii)(A) Movements in issued and paid-up capital

There were no shares held as treasury shares or subsidiary holdings as at 30 September 2018, 31 December 2017 and 30 September 2017.

There was no change in the Company's issued share capital during the three months ended 30 September 2018.

As reported in the Company's announcement on 26 October 2018, the total number of issued shares of the Company has increased from 373,908,559 shares to 747,817,118 shares, following the allotment and issuance of the rights shares on 26 October 2018.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "**Scheme**") during the three months ended 30 September 2018.

As at 30 September 2018, there were a total of 770,000 (30 September 2017: 1,290,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2011	$3.17	380,000
2014	$1.31	390,000
Total		770,000

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

The total number of issued ordinary shares as at 30 September 2018 and 31 December 2017 was 373,908,559.

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

There was no sale, transfer, cancellation and/or use of treasury shares/subsidiary holdings during the three months ended 30 September 2018.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2017, except for the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") framework and new SFRS(I)s that became effective on 1 January 2018. Please refer to paragraph 5 for further details.

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

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

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

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

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

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

As a result, the Group reclassified an amount of $51,924,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

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

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

The Group has applied the changes in accounting policies retrospectively to each reporting period presented, using the full retrospective approach. Accordingly, the comparative figures in the Group's balance sheet as at 31 December 2017 and the Group's income statement for the quarter and nine months ended 30 September 2017 have been restated to reflect the retrospective adjustments upon adoption of SFRS(I) 15.

Warranty obligations

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

As a result, the Group's income statements were restated as follows:

3Q 2017

- Revenue decreased by $521,000 to $887,355,000.
- Cost of sales increased by $6,761,000 to $721,203,000.
- Selling and distribution expenses decreased by $5,225,000 to $43,268,000.

YTD 3Q 2017

- Revenue decreased by $6,170,000 to $2,865,627,000.
- Cost of sales increased by $20,250,000 to $2,340,780,000.
- Selling and distribution expenses decreased by $24,869,000 to $162,820,000.

The Group recorded an adjustment to decrease the opening retained earnings as at 1 January 2017 by $1,393,000 for service-type warranty before 1 January 2017.

Performance obligation

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

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

c) SFRS(I) 9 *Financial Instruments*

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

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

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

In summary, the resultant effect of the restatements on the Group's income statements was as follows:

3Q 2017

- Revenue was adjusted from $887,876,000 to $887,355,000.
- Profit after tax was adjusted from $11,424,000 to $9,367,000.
- Loss attributable to the owners of the Company was adjusted from $17,575,000 to $18,205,000.

YTD 3Q 2017

- Revenue was adjusted from $2,871,797,000 to $2,865,627,000.
- Profit after tax was adjusted from $51,476,000 to $49,925,000.
- Loss attributable to the owners of the Company was adjusted from $45,561,000 to $46,036,000.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group			
Profit/(loss) per ordinary share based on net profit attributable to shareholders	3Q 2018	3Q 2017 (Restated)	YTD 3Q 2018	YTD 3Q 2017 (Restated)
(i) Based on the weighted average number of ordinary shares in issue (cts)	0.84	(4.87)	(9.43)	(12.31)
(ii) On a fully diluted basis (cts)	0.84	(4.87)	(9.43)	(12.31)

770,000 (30 September 2017: 1,290,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
   (a) current financial period reported on; and
   (b) immediately preceding financial year.

	Group		Company	
	30.09.2018	31.12.2017 (Restated)	30.09.2018	31.12.2017
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 30 September 2018 and as at 31 December 2017 (cts)	135.64	164.73	7.96	59.62

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

The main business units of the Group are the Diesel Engines Unit ("**Yuchai**") and the Building Materials Unit ("**BMU**"). The other business units in the Group are the Industrial Packaging Unit ("**Rex**") and the Air-conditioning Systems Unit ("**Airwell**").

As reported in the Company's announcement on 26 June 2018, the Group's Consumer Products Unit ("**Xinfei**") was de-consolidated with effect from 21 May 2018. The operating performance of Xinfei, together with the net loss on de-consolidation, has been presented separately under the "discontinued operation" in the income statement.

The Group operates mainly in China, Singapore and Malaysia.

China's economy grew 6.5% in 3Q 2018, which is lower than 6.7% in 2Q 2018. In Singapore, based on advanced estimates, the economy grew 2.6% in 3Q 2018. However, the construction sector contracted by 3.1% on a year-on-year basis in 3Q, extending the 4.2% decline in the previous quarter. The decline in the construction industry had an adverse impact on the operating performance of BMU. In Singapore, the decline led to fewer projects and keen price competition. In Malaysia, the Group's subsidiary, Tasek Corporation Berhad, faced intense price competition due to excess cement capacity and reduced number of private property projects.

In 3Q 2018, the profit from continuing operations attributable to the owners of the Company ("**PATMI**") decreased by $1.6 million to $2.8 million, as compared to $4.4 million in 3Q 2017 (Restated). In YTD 3Q 2018, the profit from continuing operations attributable to the owners of the Company decreased by $1.9 million to $18.1 million, as compared to $20.0 million in YTD 3Q 2017 (Restated).

<u>3Q 2018 versus 3Q 2017 (Restated)</u>
<u>(* all references to 3Q 2017 in this section are with reference to 3Q 2017 (Restated))</u>

Revenue for the Group was $756.2 million in 3Q 2018, a decrease of $131.2 million or 14.8%, from $887.4 million in 3Q 2017. The decrease in revenue was mainly due to lower revenue recorded by Yuchai, partially offset by higher revenue recorded by BMU in 3Q 2018.

- Yuchai's revenue decreased by $136.3 million or 17.7% as compared to 3Q 2017. Yuchai sold 71,062 engines in 3Q 2018, a decrease of 14.2% or 11,777 units as compared to 82,839 units sold in 3Q 2017. The decrease in sales reflected industry trends with lower engine sales to the truck and bus segments as compared with 3Q 2017. This was partially offset by increase in sales to the off-road engine market in 3Q 2018 primarily due to higher sales in the agriculture and power generation sectors as compared with 3Q 2017.

  In the on-road segment, statistics from China Association of Automobile Manufacturers reported a decline in sales of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 15.2% as compared with 3Q 2017. This included a 15.6% decrease in the truck segment and a 12.3% drop in the bus segment.

- BMU's revenue increased by $10.1 million or 10.0% as compared to 3Q 2017.

  In Singapore, revenue increased in 3Q 2018. However, continued price competition affected margins and profits. Based on new projects to be launched, it will take some time for full recovery of sales volume and average selling prices. In Malaysia, net revenue was higher in 3Q 2018 mainly due to higher cement sales in the domestic market. However, intense pricing competition reduced margins.

The Group's gross profit was $139.3 million in 3Q 2018, a decrease of $26.9 million or 16.2%, from $166.2 million in 3Q 2017. The gross profit margin was 18.4% as compared to 18.7% in 3Q 2017, a decrease of 0.3%.

Other income was $12.4 million in 3Q 2018, an increase of $1.0 million from $11.4 million in 3Q 2017. The increase was mainly due to higher interest income. For 3Q 2018, other income mainly comprised interest income and fair value gain on derivative. For 3Q 2017, other income mainly comprised interest income and fair value gain on investment.

Selling and distribution ("**S&D**") expenses were $60.9 million in 3Q 2018, an increase of $17.6 million or 40.7% as compared to $43.3 million in 3Q 2017. The increase was mainly due to higher warranty expenses, partially offset by lower staff costs. As a percentage of sales, S&D expenses were 8.0% for 3Q 2018 as compared to 4.9% in 3Q 2017, an increase of 3.1%.

Research and development ("**R&D**") expenses were $13.1 million in 3Q 2018, a decrease of $15.7 million or 54.7% as compared to $28.8 million in 3Q 2017. The decrease was mainly due to the capitalisation of development costs of National VI and Tier 4 engines by Yuchai. The ongoing R&D program is focused on new and existing engine products as well as continued initiatives to improve engine quality. As a percentage of sales, R&D expenses were 1.7% in 3Q 2018 as compared to 3.3% in 3Q 2017, a decrease of 1.6%.

General and administrative ("**G&A**") expenses were $31.7 million in 3Q 2018, a decrease of $20.2 million or 38.9% as compared to $51.9 million in 3Q 2017. The decrease was mainly due to lower staff costs in Yuchai. As a percentage of sales, G&A expenses were 4.2% in 3Q 2018 as compared to 5.9% in 3Q 2017, a decrease of 1.7%.

Finance costs were $9.7 million in 3Q 2018, a decrease of $0.7 million or 6.1% as compared to $10.4 million in 3Q 2017. The decrease in finance costs was mainly due to lower bills discounting costs in Yuchai.

Other expenses were $2.4 million in 3Q 2018, an increase of $1.8 million from $0.6 million in 3Q 2017. The increase was mainly due to additional withholding tax and relevant expense on disposal of subsidiary, LKN Investment International Pte. Ltd., in November 2017.

As a result, profit from continuing operations after tax was $27.0 million in 3Q 2018 as compared to $34.5 million in 3Q 2017. The Group recorded a profit from continuing operations attributable to the owners of the Company of $2.8 million in 3Q 2018, as compared to $4.4 million in 3Q 2017.

YTD 3Q 2018 versus YTD 3Q 2017 (Restated)
(* all references to YTD 3Q 2017 in this section are with reference to YTD 3Q 2017 (Restated))

Revenue for the Group was $2.772 billion, a decrease of $93.3 million or 3.3%, from $2.866 billion in YTD 3Q 2017. The decrease was mainly due to lower revenue recorded by Yuchai, partially offset by higher revenue recorded by BMU in YTD 3Q 2018.

- Yuchai's revenue decreased by $122.6 million or 4.8% as compared to YTD 3Q 2017. Yuchai sold 281,850 engines in YTD 3Q 2018, a decrease of 4.0% or 11,637 units as compared to 293,487 units sold in YTD 3Q 2017. The decrease was due to lower engine sales in the truck and bus segments which was partially offset by higher engine unit sales in the off-road segment.

- BMU's revenue increased by $37.8 million or 13.4% as compared to YTD 3Q 2017. In Singapore, the increase was due to higher sales volume from both the ready-mixed concrete division and the precast division, despite continued price pressure. Although the construction industry in Singapore started declining from the third quarter of 2016, the Group has started to see a pick up in sales volume in 2018. In Malaysia, the higher net revenue was mainly contributed by the increase in domestic demand for cement in the first half of the year. However, the prolonged pricing competition in the domestic market resulted in lower average net selling price for both the cement and ready-mixed concrete segments.

The Group's gross profit was $514.9 million in YTD 3Q 2018, a decrease of $9.9 million or 1.9%, from $524.8 million in YTD 3Q 2017. The gross profit margin was 18.6% as compared to 18.3% in YTD 3Q 2017, an increase of 0.3%.

Other income was $34.8 million in YTD 3Q 2018, an increase of $0.7 million from $34.1 million in YTD 3Q 2017. The increase was mainly due to higher interest income, partially offset by lower foreign exchange gain. For YTD 3Q 2018, other income mainly comprised interest income and fair value gain on derivative. For YTD 3Q 2017, other income mainly comprised interest income, net foreign exchange gain and fair value gain on investment.

S&D expenses were $183.4 million in YTD 3Q 2018, an increase of $20.6 million or 12.6% as compared to $162.8 million in YTD 3Q 2017. The increase was mainly due to higher delivery charges and warranty expenses. As a percentage of sales, S&D expenses were 6.6% for YTD 3Q 2018 as compared to 5.7% in YTD 3Q 2017, an increase of 0.9%.

R&D expenses were $71.5 million in YTD 3Q 2018, a decrease of $6.8 million or 8.7% as compared to $78.3 million in YTD 3Q 2017. The decrease was mainly due to the capitalisation of development costs of National VI and Tier 4 engines by Yuchai. As a percentage of sales, R&D expenses were 2.6% in YTD 3Q 2018 as compared to 2.7% in YTD 3Q 2017, a decrease of 0.1%.

G&A expenses were $111.8 million in YTD 3Q 2018, a decrease of $19.9 million or 15.1% as compared to $131.7 million in YTD 3Q 2017. The decrease was mainly due to lower staff costs in Yuchai. As a percentage of sales, G&A expenses were 4.0% in YTD 3Q 2018 as compared to 4.6% in YTD 3Q 2017, a decrease of 0.6%.

Finance costs were $27.1 million in YTD 3Q 2018, an increase of $1.0 million or 4.1% as compared to $26.1 million in YTD 3Q 2017. The increase in finance costs was mainly due to higher borrowings costs in Yuchai.

Other expenses were $4.8 million in YTD 3Q 2018, an increase of $3.5 million from $1.3 million in YTD 3Q 2017. In YTD 3Q 2018, other expenses were mainly due to net foreign exchange loss and additional withholding tax and relevant expense on disposal of subsidiary in November 2017. In YTD 3Q 2017, other expenses were mainly due to net fair value loss on derivatives.

Profit from continuing operations after tax was $118.4 million in YTD 3Q 2018 as compared to $123.2 million in YTD 3Q 2017. The Group recorded a profit from continuing operations attributable to the owners of the Company of $18.1 million in YTD 3Q 2018, as compared to $20.0 million in YTD 3Q 2017.

Working Capital and Cash Flow

The Group had cash and short-term deposits of $1.051 billion as at 30 September 2018 compared with $1.364 billion as at 31 December 2017.

During the quarter under review, the net cash outflow from operating activities was $319.8 million. The Group generated cash from operating activities of $75.6 million before working capital changes, which was used to finance the increase in trade and other receivables and inventories holding, and decrease in trade and other payables at quarter-end.

The net cash outflow from investing activities of $31.3 million was mainly due to purchase of property, plant and equipment, intangible assets and additional investment in joint venture, partially offset by net release of deposits with banks.

The Group had net cash inflow from financing activities of $32.0 million. It was mainly due to net borrowings of $42.6 million, partially offset by interest payment of $10.4 million.

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

None.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

China recorded a slower growth rate of 6.5% for 3Q 2018, which is lower than 6.7% for the second quarter of 2018. Manufacturing factory output had slowed down significantly in the last few months. In addition, the trade tensions between the United States and China have a negative effect on China's economic growth. As such, the Group expects the operating environment for Yuchai to continue to be challenging.

In Malaysia, some major infrastructure and government construction projects had been cancelled or deferred with the announcements made by the new Malaysian government. This will affect the demand for cement and concrete products for Tasek Corporation Berhad ("Tasek"). The Group expects Tasek to continue to operate in challenging market conditions.

In Singapore, the private property market in Singapore has been weighed down by the latest property cooling measures which are implemented in July 2018. Notwithstanding, BMU had witnessed an improvement in sales volumes and pricing in recent tenders. The Group's upcoming Precast manufacturing facility, when ready, will enable the Precast business unit to continue to be a significant player in Singapore.

In end October 2018, the Company has raised net proceeds of approximately $201 million from the rights issue exercise. As at the date of this Announcement, there has not been any utilisation of the net proceeds for the intended uses as stated in the Offer Information Statement dated 3 October 2018. Pending such deployment, approximately $40 million has been used in the interim to repay short-term revolving facilities and the balance has been deposited with financial institutions. The Company will make periodic announcements via SGXNET on the actual deployment of the proceeds.

Lastly, the Group continues to explore avenues to increase shareholders' value. Following the completion of the rights issue exercise, the Group is poised to further enhance its financial flexibility and to capitalise on potential growth opportunities, whilst maintaining its cost control discipline and continuing its organisational restructuring initiatives.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

13. Interested person transactions

No interested persons transactions ("**IPT**") were conducted under the Company's IPT mandate for the quarter ended 30 September 2018.

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

14 November 2018

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the third quarter and nine months ended 30 September 2018 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Peck
Executive Chairman

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

14 November 2018