

**Unaudited Second Quarter And Half Year Financial Statement For The Period Ended 30 June 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 second quarter ("2Q") and half year ended 30 June ("1H") 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					
	2Q 2016 \$'000	2Q 2015 \$'000	+/- %	1H 2016 \$'000	1H 2015 \$'000	+/- %
<b>Revenue</b>	994,168	1,181,088	-15.8%	1,942,685	2,266,397	-14.3%
Cost of sales	(799,776)	(927,952)	-13.8%	(1,573,598)	(1,795,458)	-12.4%
<b>Gross profit</b>	<b>194,392</b>	<b>253,136</b>	<b>-23.2%</b>	<b>369,087</b>	<b>470,939</b>	<b>-21.6%</b>
Other income, net	1,629	5,155	-68.4%	6,187	10,890	-43.2%
Selling and distribution expenses	(95,269)	(108,107)	-11.9%	(184,156)	(205,998)	-10.6%
Research and development costs	(32,420)	(33,418)	-3.0%	(57,105)	(61,143)	-6.6%
General and administrative expenses	(41,796)	(48,034)	-13.0%	(87,002)	(92,355)	-5.8%
Finance costs	(8,402)	(10,931)	-23.1%	(18,847)	(23,022)	-18.1%
<b>Profit from operations</b>	<b>18,134</b>	<b>57,801</b>	<b>-68.6%</b>	<b>28,164</b>	<b>99,311</b>	<b>-71.6%</b>
Share of results of associates and joint ventures, net of tax	637	(934)	NM	(233)	(1,584)	-85.3%
<b>Profit before income tax</b>	<b>18,771</b>	<b>56,867</b>	<b>-67.0%</b>	<b>27,931</b>	<b>97,727</b>	<b>-71.4%</b>
Income tax expense	(11,996)	(18,715)	-35.9%	(22,099)	(32,228)	-31.4%
<b>Profit for the period</b>	<b>6,775</b>	<b>38,152</b>	<b>-82.2%</b>	<b>5,832</b>	<b>65,499</b>	<b>-91.1%</b>
<b>Attributable to:</b>						
Owners of the Company	(18,294)	638	NM	(34,772)	5,329	NM
Non-controlling interests	25,069	37,514	-33.2%	40,604	60,170	-32.5%
	<b>6,775</b>	<b>38,152</b>	<b>-82.2%</b>	<b>5,832</b>	<b>65,499</b>	<b>-91.1%</b>

Note: The Group's business is largely in China. For the quarter ended 30 June, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB4.7438 = SGD1.00 for 2Q 2016 and RMB4.6104 = SGD1.00 for 2Q 2015. For 2Q 2016, RMB depreciated about 2.9% as compared to 2Q 2015.

For the half year ended 30 June, translation of income statement from RMB to SGD has been made at the average exchange rate of RMB4.7183 = SGD1.00 for 1H 2016 and RMB4.5977 = SGD1.00 for 1H 2015. For 1H 2016, RMB depreciated about 2.6% as compared to 1H 2015.

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

	2Q 2016 \$'000	2Q 2015 \$'000	Group		1H 2015 \$'000	+/- %
			+/- %	1H 2016 \$'000		
<b>Profit before income tax include the following:</b>						
Loss on disposal of property, plant and equipment and land use rights <sup>(1)</sup>	(909)	(1,764)	-48.5%	(2,781)	(2,719)	2.3%
Impairment losses written back/(recognised) for trade and other receivables, net <sup>(2)</sup>	1	(2,837)	NM	(1,275)	(3,047)	-58.2%
Allowance made for inventories obsolescence, net <sup>(3)</sup>	(471)	(161)	192.5%	(1,686)	(318)	430.2%
Depreciation and amortisation <sup>(4)</sup>	(33,933)	(34,823)	-2.6%	(68,229)	(69,102)	-1.3%
Foreign exchange loss, net <sup>(5)</sup>	(1,472)	(2,344)	-37.2%	(3,310)	(1,029)	221.7%
Fair value (loss)/gain on derivatives, net <sup>(6)</sup>	(2,108)	2,285	NM	-	411	NM
Interest expense <sup>(7)</sup>	(8,128)	(10,437)	-22.1%	(18,228)	(22,100)	-17.5%
Interest income <sup>(8)</sup>	4,877	3,604	35.3%	9,254	7,288	27.0%
Write-off of property, plant & equipment	(15)	-	NM	(50)	(29)	72.4%

NM: Not meaningful

- (1) Loss on disposal of property, plant and equipment in both comparative periods in 2016 and 2015 were attributed mainly to the Group's Diesel Engines Unit ("Yuchai") and Consumer Products Unit ("Xinfei").
- (2) Impairment losses for trade and other receivables in both periods in 2016 and 2015 were mainly attributed to Yuchai and Xinfei. In 2Q 2016, the impairment for Xinfei was offset by the write-back in Yuchai, therefore, the impairment was lower than 2Q 2015. In 1H 2016, impairment losses were lower as a result of the write-back of allowance for impairment losses by Yuchai in 2016 and higher impairment provision in 2015.
- (3) Allowance for inventories obsolescence was mainly attributed to Xinfei's provision for stock obsolescence.
- (4) Depreciation and amortisation recorded in both comparative periods in 2016 were comparable to 2015.
- (5) Net foreign exchange loss of \$1.5 million in 2Q 2016 was mainly due to revaluation of the Singapore dollar ("SGD") denominated loan liabilities in Xinfei and the Group's Air-conditioning Systems Unit ("Airwell") as a result of the weakening of the Renminbi ("RMB"), which is their functional and book currency. This was partially offset by the net foreign exchange gain relating to the Euro denominated loan entered by Yuchai. The Euro loan was hedged using a forward foreign exchange contract which matured in 2Q 2016.

Together with the net foreign exchange loss of \$1.8 million in the first quarter ("1Q") of 2016, this resulted in a net foreign exchange loss of \$3.3 million in 1H 2016.

Net foreign exchange loss in 2Q 2015 of \$2.3 million was mainly due to revaluation of the SGD denominated loan liability in Xinfei and Airwell as a result of the weakening of the RMB.

Together with the net foreign exchange loss in 2Q 2015 of \$2.3 million and offset by the foreign exchange gain in 1Q 2015, these resulted in a net foreign exchange loss of \$1.0 million in 1H 2015.

- (6) Net fair value loss on derivatives in 2Q 2016 of \$2.1 million was a reversal of the 1Q 2016 fair value gain on derivative. It was related to Yuchai's forward foreign exchange contract which matured in 2Q 2016.

Net fair value gain on derivatives in 2Q 2015 was related to Yuchai's forward foreign exchange contract. The forward foreign exchange contract was entered into as a hedge against a Euro loan.

- (7) The decrease in interest expense was mainly due to reduction in borrowings and lower borrowing costs in Yuchai.
- (8) The increase in interest income in 2Q 2016 and 1H 2016 was mainly due to higher interest income from bank deposits in Yuchai.

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

In 2Q 2016, the Group's tax charge included a write-back of over provision of \$174,000 for prior years (2Q 2015: write-back of \$195,000). In 1H 2016, the Group's tax charge included a write-back of over provision of \$571,000 for prior years (1H 2015: write-back of \$187,000).

### 1(a)(iv) Statement of Comprehensive Income

	2Q 2016	2Q 2015	Group +/-	1H 2016	1H 2015	+/-
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Profit for the period</b>	<b>6,775</b>	<b>38,152</b>	<b>-82.2%</b>	<b>5,832</b>	<b>65,499</b>	<b>-91.1%</b>
<b>Other comprehensive income</b>						
<b>Items that may be subsequently reclassified to income statement</b>						
Exchange differences on translation of financial statements of foreign subsidiaries, joint ventures and associated corporations	(54,718)	(54,655)	0.1%	(108,785)	28,460	NM
Net fair value changes of available-for-sale financial assets	(38)	(38)	0.0%	24	(68)	NM
Exchange differences on monetary items forming part of net investment in foreign entities	(3,446)	-	NM	(6,724)	-	NM
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	-	-	NM	-	(64)	NM
<b>Total other comprehensive (loss)/income for the period, net of tax</b>	<b>(58,202)</b>	<b>(54,693)</b>	<b>6.4%</b>	<b>(115,485)</b>	<b>28,328</b>	<b>NM</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(51,427)</b>	<b>(16,541)</b>	<b>210.9%</b>	<b>(109,653)</b>	<b>93,827</b>	<b>NM</b>
<b>Attributable to:</b>						
Owners of the Company	(38,037)	(19,817)	91.9%	(65,315)	8,551	NM
Non-controlling interests	(13,390)	3,276	NM	(44,338)	85,276	NM
<b>Total comprehensive (loss)/income for the period</b>	<b>(51,427)</b>	<b>(16,541)</b>	<b>210.9%</b>	<b>(109,653)</b>	<b>93,827</b>	<b>NM</b>

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

\$'000	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
<b>Non-current assets</b>				
Property, plant and equipment	1,118,488	1,219,741	358	325
Land use rights	132,703	141,129	-	-
Intangible assets	83,033	84,789	172	192
Investment in subsidiaries	-	-	204,455	204,455
Interests in associates	48,023	53,210	13,726	13,726
Interests in joint ventures	35,189	57,282	-	-
Investment property	1,610	1,602	-	-
Other investments	1,450	1,425	-	-
Deferred tax assets	66,145	75,987	-	15
Non-current receivables	11,158	10,205	161,165	103,184
Long-term deposits	-	12,924	-	-
	<b>1,497,799</b>	<b>1,658,294</b>	<b>379,876</b>	<b>321,897</b>
<b>Current assets</b>				
Inventories	446,526	524,799	-	-
Development properties	4,951	4,870	-	-
Trade and other receivables	1,717,874	1,919,677	222,917	226,153
Other investments	1,882	2,592	-	-
Derivatives	-	3,340	-	-
Cash and short-term deposits	925,239	1,013,189	5,918	11,199
Assets of disposal group classified as held for sale	17,927	-	-	-
	<b>3,114,399</b>	<b>3,468,467</b>	<b>228,835</b>	<b>237,352</b>
Total assets	<b>4,612,198</b>	<b>5,126,761</b>	<b>608,711</b>	<b>559,249</b>
<b>Current liabilities</b>				
Trade and other payables	1,693,988	1,681,031	4,887	5,562
Provisions	68,327	70,063	-	-
Loans and borrowings	544,579	921,533	178,676	202,006
Current tax payable	10,133	13,554	-	40
Derivatives	5	-	-	-
	<b>2,317,032</b>	<b>2,686,181</b>	<b>183,563</b>	<b>207,608</b>
<b>Net current assets</b>	<b>797,367</b>	<b>782,286</b>	<b>45,272</b>	<b>29,744</b>
<b>Non-current liabilities</b>				
Loans and borrowings	98,710	62,373	80,000	-
Deferred tax liabilities	32,410	45,423	1,922	1,937
Deferred grants	68,200	75,153	-	-
Other non-current payables	23,357	24,844	-	-
Retirement benefit obligations	257	256	-	-
	<b>222,934</b>	<b>208,049</b>	<b>81,922</b>	<b>1,937</b>
Total liabilities	<b>2,539,966</b>	<b>2,894,230</b>	<b>265,485</b>	<b>209,545</b>
<b>Net assets</b>	<b>2,072,232</b>	<b>2,232,531</b>	<b>343,226</b>	<b>349,704</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	266,830	266,830	266,830	266,830
Reserves	466,580	515,910	76,396	82,874
Reserve of disposal group classified as held for sale	4,714	-	-	-
	<b>738,124</b>	<b>782,740</b>	<b>343,226</b>	<b>349,704</b>
Non-controlling interests	1,334,108	1,449,791	-	-
<b>Total Equity</b>	<b>2,072,232</b>	<b>2,232,531</b>	<b>343,226</b>	<b>349,704</b>
<b>Total equity and liabilities</b>	<b>4,612,198</b>	<b>5,126,761</b>	<b>608,711</b>	<b>559,249</b>

## **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 1H 2016, as the functional and book currency for Yuchai and Xinfai is RMB. In addition, it was also due to reduction in interest in joint ventures as the Group's interest in Copthorne Hotel Qingdao Co., Ltd ("CHQ") was reclassified to assets held for sale in view of the proposed disposal of CHQ.
- The decrease in current assets was mainly due to lower trade and other receivables, cash and short-term deposits and lower inventories holding at quarter-end. This was partially offset by reclassification of interest held in CHQ to assets held for sale from non-current asset.
- The decrease in current liabilities was mainly due to reduction of short-term loans and borrowings of Yuchai, as Yuchai repaid its medium term bond and ultra short term bond in 2Q 2016. This was partially offset by increase in payables.
- The increase in non-current liabilities was 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 during 1H 2016.
- The decrease in current liabilities was mainly due to reduction of short-term loans and borrowings.
- The increase in long-term loans and borrowings was due to the Company drawing down of a long-term financing facility during 1H 2016.

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

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

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$28,889,435	\$515,689,690	\$66,840,916	\$854,691,611

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

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$18,710,003	\$80,000,093	\$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 30 June 2016 of \$93,844,000 (31 December 2015: \$160,103,000).

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

	2Q 2016	2Q 2015	1H 2016	1H 2015
	\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>				
Profit before tax	18,771	56,867	27,931	97,727
Adjustments for:				
Share of results of associates and joint ventures, net of tax	(637)	934	233	1,584
Cost of share-based payments	342	718	696	1,453
Depreciation and amortisation	33,933	34,823	68,229	69,102
Allowance recognised for inventories obsolescence	471	161	1,686	318
Impairment losses (written back)/recognised for trade and other receivables	(1)	2,837	1,275	3,047
Property, plant and equipment written off	15	-	50	29
Finance costs	8,402	10,931	18,847	23,022
Dividend income from other investments	(32)	(29)	(32)	(29)
Interest income	(4,877)	(3,604)	(9,254)	(7,288)
Loss/(gain) on disposal of:				
- joint ventures	-	-	-	(76)
- property, plant and equipment	909	1,764	2,781	3,267
- land use rights	-	-	-	(548)
Fair value loss on investments	304	1,212	580	1,419
Fair value loss/(gain) on derivatives	2,108	(2,285)	-	(411)
Provision for warranties and other costs, net	21,381	19,206	42,439	38,751
<b>Operating profit before working capital changes</b>	<b>81,089</b>	<b>123,535</b>	<b>155,461</b>	<b>231,367</b>
Changes in working capital:				
Inventories	45,686	66,345	52,097	(3,525)
Trade and other receivables	106,325	227,447	92,611	49,266
Trade and other payables	108,606	3,977	139,455	111,726
Provisions utilised	(24,291)	(21,197)	(40,514)	(42,470)
<b>Cash flows from operations</b>	<b>317,415</b>	<b>400,107</b>	<b>399,110</b>	<b>346,364</b>
Income tax paid	(20,525)	(24,465)	(31,420)	(34,543)
<b>Cash flows from operating activities</b>	<b>296,890</b>	<b>375,642</b>	<b>367,690</b>	<b>311,821</b>
<b>Investing activities</b>				
Additional investment in a joint venture	-	-	(267)	-
Dividends received from:				
- associates	3,556	6,104	6,617	6,104
- other investments	32	29	32	29
Interest received	5,539	3,683	9,315	8,312
Release of fixed deposits and restricted deposits	61,558	16	18,868	9,122
Purchase of:				
- property, plant and equipment	(20,637)	(24,188)	(46,623)	(51,938)
- intangible assets	(250)	(208)	(268)	(805)
Proceeds from disposal of:				
- joint ventures	-	-	-	385
- property, plant and equipment	106	636	507	1,602
- land use rights	-	(119)	-	861
<b>Net cash flows from/(used in) investing activities</b>	<b>49,904</b>	<b>(14,047)</b>	<b>(11,819)</b>	<b>(26,328)</b>
<b>Financing activities</b>				
Dividend paid to:				
- non-controlling interests of subsidiaries	(51,288)	(66,763)	(51,288)	(66,763)
- shareholders of the Company	(3,739)	(7,478)	(3,739)	(7,478)
Interest paid	(18,628)	(16,847)	(25,475)	(26,391)
Proceeds from borrowings	77,380	181,004	234,036	526,821
Capital contribution by non-controlling interests of subsidiaries	3,685	-	3,685	-
Grant received from government	685	1,837	991	3,201
Repayment in respect of borrowings	(443,623)	(236,866)	(548,992)	(545,654)
Repayment of obligation under finance leases	(514)	(447)	(1,025)	(798)
<b>Net cash flows used in financing activities</b>	<b>(436,042)</b>	<b>(145,560)</b>	<b>(391,807)</b>	<b>(117,062)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(89,248)</b>	<b>216,035</b>	<b>(35,936)</b>	<b>168,431</b>
Cash and cash equivalents at beginning of the period	969,226	715,312	938,620	740,542
Effect of exchange rate changes on balances held in foreign currencies	(19,727)	(17,144)	(42,433)	5,230
<b>Cash and cash equivalents at end of the period</b>	<b>860,251</b>	<b>914,203</b>	<b>860,251</b>	<b>914,203</b>
Comprising:				
Cash and short-term deposits			925,239	947,683
Less: Bank overdraft			-	(322)
Less: Short-term deposits and restricted deposits			(64,988)	(33,158)
			<b>860,251</b>	<b>914,203</b>

**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:

	2Q 2016 \$'000	2Q 2015 \$'000	1H 2016 \$'000	1H 2015 \$'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
<b>The Group</b>												
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
<b>Transactions with owners, recorded directly in equity</b>												
<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 April 2015	266,830	293	35,321	45,549	3,153	11,792	17,204	-	515,882	896,024	1,541,300	2,437,324
Profit for the period	-	-	-	-	-	-	-	-	638	638	37,514	38,152
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(20,417)	-	-	-	(20,417)	(34,238)	(54,655)
Net fair value changes of available-for-sale financial assets	-	-	-	(38)	-	-	-	-	-	(38)	-	(38)
Other comprehensive income for the period, net of tax	-	-	-	(38)	-	(20,417)	-	-	-	(20,455)	(34,238)	(54,693)
Total comprehensive income for the period	-	-	-	(38)	-	(20,417)	-	-	638	(19,817)	3,276	(16,541)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	274	-	-	-	-	274	444	718
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(66,763)	(66,763)
At 30 June 2015	266,830	293	35,321	45,511	3,427	(8,625)	17,204	-	509,042	869,003	1,478,257	2,347,260
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)/Profit for the period	-	-	-	-	-	-	-	-	(16,478)	(16,478)	15,535	(943)
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(7,584)	-	-	-	(7,584)	(46,483)	(54,067)
Net fair value changes of available-for-sale financial assets	-	-	-	62	-	-	-	-	-	62	-	62
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(3,278)	-	-	-	(3,278)	-	(3,278)
Other comprehensive income for the period, net of tax	-	-	-	62	-	(10,862)	-	-	-	(10,800)	(46,483)	(57,283)
Total comprehensive income for the period	-	-	-	62	-	(10,862)	-	-	(16,478)	(27,278)	(30,948)	(58,226)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	139	-	-	-	-	139	215	354
<u>Others</u>												
Reserve attributable to disposal group classified as held for sale	-	-	-	-	-	(4,714)	-	4,714	-	-	-	-
At 31 March 2016	266,830	4,442	33,178	45,292	3,927	(36,168)	10,247	4,714	423,139	755,601	1,419,058	2,174,659
At 1 April 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
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(18,294)	(18,294)	25,069	6,775
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(16,259)	-	-	-	(16,259)	(38,459)	(54,718)
Net fair value changes of available-for-sale financial assets	-	-	-	(38)	-	-	-	-	-	(38)	-	(38)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(3,446)	-	-	-	(3,446)	-	(3,446)
Other comprehensive income for the period, net of tax	-	-	-	(38)	-	(19,705)	-	-	-	(19,743)	(38,459)	(58,202)
Total comprehensive income for the period	-	-	-	(38)	-	(19,705)	-	-	(18,294)	(38,037)	(13,390)	(51,427)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	135	-	-	-	-	135	207	342
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	24,164	-	-	24,164	(20,479)	3,685
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(51,288)	(51,288)
At 30 June 2016	266,830	4,442	33,178	45,254	4,062	(55,873)	34,411	4,714	401,106	738,124	1,334,106	2,072,232

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

<b>Statement of Changes In Equity</b>	<b>Share capital \$'000</b>	<b>Capital reserve \$'000</b>	<b>Share option reserve \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Total equity \$'000</b>
<b>The Company</b>					
At 1 January 2015	266,830	9,199	2,397	48,058	326,484
Total comprehensive income for the period	-	-	-	21,127	21,127
<b>Transactions with owners, recorded directly in equity</b>					
<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>2,411</u>	<u>69,185</u>	<u>347,625</u>
At 1 April 2015	266,830	9,199	2,411	69,185	347,625
Total comprehensive income for the period	-	-	-	18,540	18,540
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Cost of share-based payments	-	-	14	-	14
Dividends paid to shareholders	-	-	-	(7,478)	(7,478)
At 30 June 2015	<u>266,830</u>	<u>9,199</u>	<u>2,425</u>	<u>80,247</u>	<u>358,701</u>
At 1 January 2016	266,830	9,199	2,453	71,222	349,704
Total comprehensive income for the period	-	-	-	(451)	(451)
<b>Transactions with owners, recorded directly in equity</b>					
<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>2,457</u>	<u>70,771</u>	<u>349,257</u>
At 1 April 2016	266,830	9,199	2,457	70,771	349,257
Total comprehensive income for the period	-	-	-	(2,296)	(2,296)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Cost of share-based payments	-	-	4	-	4
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 30 June 2016	<u>266,830</u>	<u>9,199</u>	<u>2,461</u>	<u>64,736</u>	<u>343,226</u>

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

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

The Company did not hold any treasury shares as at 30 June 2016, 31 December 2015 and 30 June 2015.

There was no change in the Company's issued share capital during the three months ended 30 June 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 30 June 2016.

As at 30 June 2016, there were a total of 1,340,000 (30 June 2015: 1,670,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

<b>Year of Grant</b>	<b>Exercise Price</b>	<b>Number of Outstanding Options</b>
2008	\$2.36	470,000
2011	\$3.17	380,000
2014	\$1.31	490,000
Total		1,340,000

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

The total number of issued ordinary shares as at 30 June 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 30 June 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.

(Loss)/Earnings per ordinary share based on net profit attributable to shareholders	Group			
	2Q 2016	2Q 2015	1H 2016	1H 2015
(i) Based on the weighted average number of ordinary shares in issue (cts)	(4.89)	0.17	(9.30)	1.43
(ii) On a fully diluted basis (cts)	(4.89)	0.17	(9.30)	1.43

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

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	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 30 June 2016 and as at 31 December 2015 (cts)	197.41	209.34	91.79	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.

#### Overview

The main business units of the Group are the Diesel Engines Unit ("Yuchai"), the Consumer Products Unit ("Xinfei") 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 the majority of the Group's business units namely Yuchai, Xinfei and Airwell, operates in China, the continual slowdown of the economic growth in China has affected the business of the Group.

#### 2Q 2016 versus 2Q 2015

Revenue for the Group was \$994.2 million, decreased by \$186.8 million or 15.8%, from \$1.181 billion in 2Q 2015. The decrease was mainly due to the slowing economic growth in China which affected Xinfei and Yuchai. In addition, the competition for building materials supply also intensified.

The Group suffered a loss attributable to the owners of the Company for the quarter under review of \$18.3 million as compared to the profit attributable to the owners of the Company of \$0.6 million in 2Q 2015. The loss was attributed mainly to the continuing losses incurred by Xinfai with declining revenue and margins. Profits from Yuchai and BMU were lower and not sufficient to offset the loss incurred by Xinfai. The Company had provided guidance on the same in its announcement issued on 28 July 2016.

- Xinfai's revenue declined by \$22.1 million or 20.0% as compared to 2Q 2015. This was due to the weakening demand for fridges, freezers and home appliances and competition in China. The intensified industry competition and over-capacity have resulted in significant price reduction of Xinfai's products since the second half of last year, resulting in lower gross profit margin in 2Q 2016.
- Yuchai's revenue declined by \$121.9 million or 13.6% as compared to 2Q 2015. Units of engines sold in 2Q 2016 declined by 23.8% as compared to 2Q 2015. This was affected by the general slowdown in the Chinese economy, increased competition as well as the resultant impact from the transition to Tier 3 emission standards in the off-highway segment. However, Yuchai's marine sales increased as compared with 2Q 2015. According to the China Association of Automobile Manufacturers ("CAAM") (excluding sales of gasoline powered and electric vehicles), in 2Q 2016, there was a 8.5% reduction in bus sales led by a 21.8% decrease in heavy-duty bus sales while there was a 6.7% increase in truck sales. CAAM reported sales of commercial vehicles increased by 4.5% compared to the same quarter in 2015. The sales of electric commercial vehicles continued to grow strongly year-on-year which also affected Yuchai's sales in the bus segment.
- BMU's revenue declined by \$33.9 million or 22.0% as compared to 2Q 2015. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division in Singapore.

The Group's gross profit was \$194.4 million and gross profit margin was 19.6% as compared to 21.4% in 2Q 2015, a decline of 1.8% point. Overall raw material cost as a percentage of sales for the Group increased by 1.0% as compared to 2Q 2015 whilst the gross profit margin for Xinfai, Yuchai and BMU declined as a result of competition.

Selling and distribution ("S&D") expenses in 2Q 2016 amounted to \$95.3 million, a decrease of \$12.8 million or 11.9% as compared to 2Q 2015. It was mainly due to lower selling-related expenses and advertising expenses incurred by Xinfai and lower outward freight incurred by Yuchai and BMU.

Research and development ("R&D") expenses in 2Q 2016 were \$32.4 million, a decrease of \$1.0 million or 3.0% as compared to 2Q 2015. It was mainly due to lower experimental and staff costs incurred by Yuchai which was partially offset by higher consultancy costs incurred by Yuchai.

General and administrative ("G&A") expenses in 2Q 2016 were \$41.8 million, a decrease of \$6.2 million or 13.0% as compared to 2Q 2015. This was mainly due to lower staff costs incurred by Yuchai.

Finance costs in 2Q 2016 which amounted to \$8.4 million decreased by \$2.5 million or 23.1% as compared to 2Q 2015. This was due mainly to lower bank interest expenses incurred by Yuchai which had reduced bank borrowings.

Profit after tax in 2Q 2016 was \$6.8 million. The loss attributable to the owners of the Company for the quarter under review was a loss of \$18.3 million, as compared to a profit attributable to the owners of the Company of \$0.6 million in 2Q 2015. The profits from Yuchai and BMU were lower and not sufficient to offset the loss incurred by Xinfai.

### **1H 2016 versus 1H 2015**

Revenue for the Group was \$1.943 billion, a decrease of \$323.0 million or 14.3%, from \$2.266 billion in 1H 2015. The decrease was mainly due to slowing economic growth in China which affected Xinfai and Yuchai. In addition, the competition for building materials supply also intensified.

The Group suffered a loss attributable to owners of the Company of \$34.8 million as compared to profit of \$5.3 million in 1H 2015. The loss was attributed mainly to the continuing losses incurred by Xinfei with declining revenue and margins. Profits from Yuchai and BMU were lower and not sufficient to offset the loss incurred by Xinfei.

- Xinfei's revenue declined by \$44.0 million or 19.5% as compared to 1H 2015. This was due to the weakening demand for fridges, freezers and home appliance and competition in China.
- Yuchai's revenue declined by \$204.2 million or 12.0% as compared to 1H 2015. Units of engines sold in 1H 2016 declined by 18.9% as compared with 1H 2015. This was affected by the general slowdown in the Chinese economy, increased competition as well as the resultant impact from the transition to Tier 3 emission standards in the off-highway segment. Sales of electric commercial vehicles in the first half of 2016 which grew strongly year-on-year also affected Yuchai's sales in the bus segment. However, Yuchai's export and marine sales increased as compared to 1H 2015.
- BMU's revenue decreased by \$63.9 million or 21.0% as compared to 1H 2015. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division in Singapore.

The Group's gross profit was \$369.1 million and the gross profit margin was 19.0% as compared to 20.8% in 1H 2015, a decrease of 1.8% point. Overall raw material cost as a percentage of sales for the Group increased by 1.1% as compared to the same period last year. The gross profit margins of Xinfei, Yuchai and BMU had also declined.

S&D expenses for 1H 2016 amounted to \$184.2 million, a decrease of \$21.8 million or 10.6% as compared to 1H 2015. It was mainly due to lower staff costs and outward freight incurred by Yuchai and Xinfei but partially offset by higher warranty expenses by Yuchai.

R&D expenses for 1H 2016 amounted to \$57.1 million, a decrease of \$4.0 million or 6.6% as compared to 1H 2015. It was mainly due to lower experimental costs and staff costs incurred by Yuchai.

G&A expenses for 1H 2016 amounted to \$87.0 million, a decrease of \$5.4 million or 5.8% as compared to 1H 2015. It was mainly due to lower staff costs incurred by Yuchai.

Finance costs for 1H 2016 amounted to \$18.8 million, a decrease of \$4.2 million or 18.1% as compared to 1H 2015. This was due mainly to lower bank interest expense incurred by Yuchai which had reduced bank borrowings.

Profit after tax for 1H 2016 was \$5.8 million. The loss attributable to the owners of the Company for the period under review was a loss of \$34.8 million, as compared to a profit attributable to the owners of the Company of \$5.3 million in 1H 2015. The profits from Yuchai and BMU were lower and not sufficient to offset the loss incurred by Xinfei.

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

The Group had cash and short-term deposits of \$0.925 billion as at 30 June 2016 compared with \$1.013 billion as at 31 December 2015.

During the quarter under review, the Group generated cash from operating activities of \$296.9 million. This was mainly due to higher trade and other payables and lower trade and other receivables and inventories holding, as compared to 31 March 2016.

The cash inflow from investing activities related mainly to the release of fixed deposits and restricted deposits. This was partially offset by the purchase of property, plant and equipment of \$20.6 million in 2Q 2016.

The Group had net cash outflow from financing activities of \$436.0 million for 2Q 2016 which was mainly due to net repayment of borrowings of \$366.2 million, dividend payment of \$55.0 million and interest payment of \$18.6 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 second quarter and half year ended 30 June 2016 as disclosed in the Company's profit guidance announcement on 28 July 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.**

China achieved GDP growth of 6.7% in 2Q 2016 as compared to 6.9% for the full year 2015. For 2016, China is expecting a GDP growth of between 6.5% and 7%. China's statistics bureau said that the economy still faces downward pressure, but that economic growth in the first half has laid a good foundation for achieving 2016 target. The continual slow down of economic growth significantly affects the Group's major business units in China, namely Yuchai and Xinfai.

Yuchai continues to face an uncertain commercial vehicles market for truck and buses, which is affected by slower economic growth in China, transition in emission standards and government policies. Xinfai which operates in the consumer and home appliance products industry in China is facing intense competition and overcapacity. The market is expected to continue to be weak, and it will impact Xinfai's performance and recovery.

In Singapore, the Ministry of Trade and Industry has reported that the economy grew by 2.1% in 2Q 2016, higher than the GDP growth of 1.7% achieved in 2Q 2015. The Singapore economy is forecasted to grow between 1.0% and 2.0% in 2016. The construction industry grew by 3.3% in 2Q 2016 against 3.6% in 2Q 2015. The Group expects the slowing down in the construction industry to affect the performance of BMU.

In Malaysia, the Group expects the market condition for construction industry to remain positive. There are signs of competition and price pressure on cement and concrete prices. 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.

According to International Monetary Fund, the global economy carries downside risks and weak outlook in many countries. China's continuing economic slowdown and Brexit have added on to the uncertainty of the global economy. In view of these challenges, the HLA Group will continue to exercise cost discipline, organizational restructuring and strategy repositioning to help the loss making business units recover.

On 13 May 2016, the Company announced that its wholly-owned subsidiary, Hong Leong Electric Pte. Ltd. entered into a Memorandum of General Agreement ("MOGA") with Guangzhou Wanbao Group Co., Ltd ("GWG") to consider establishing a 50/50 joint venture company for the merger of the consumer product businesses of Xinfai and GWG. Both parties are now in the process of performing due diligences and review.

On 9 July 2016, Xinfai's operation was disrupted by a major flood in Xinxiang city. As a result, approximately 26,800 units of fridges and freezers as well as certain raw materials and production facilities were damaged. A recovery exercise was activated, and the facilities resumed production gradually from 13 July 2016 to 27 July 2016 when production facilities were fully restored. Xinfai's management is working with the insurance company relating to the insurance claims. The estimated net impact resulting from the loss of these inventories is approximately \$0.6 million. An advance insurance payment of RMB3.5 million or \$0.7 million has already been received by Xinfai.

In view of the challenging outlook, the Group's performance is expected to be weak throughout the second half of 2016.

**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? Yes

***(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 30 June 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

12 August 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 second quarter and half year ended 30 June 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

12 August 2016