

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2019

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

The Board of Directors announces the results of the Group for the first quarter ended 31 March ("1Q") 2019. These figures have not been audited or reviewed.

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

1(a)(i) Income statement

	1Q 2019 \$'000	Group 1Q 2018 \$'000	+/- %
Continuing operations			
Revenue	961,003	1,018,401	-5.6%
Cost of sales	(786,026)	(821,821)	-4.4%
Gross profit	174,977	196,580	-11.0%
Other income	12,632	12,198	3.6%
Selling and distribution expenses	(61,009)	(56,228)	8.5%
Research and development expenses	(14,809)	(25,371)	-41.6%
General and administrative expenses	(39,959)	(43,596)	-8.3%
Finance costs	(8,171)	(8,495)	-3.8%
Other expenses	(2,687)	(610)	340.5%
Profit from continuing operations	60,974	74,478	-18.1%
Share of profit of associates and joint ventures, net of income tax	1,428	2,007	-28.8%
Profit before tax from continuing operations	62,402	76,485	-18.4%
Income tax expense	(13,374)	(17,552)	-23.8%
Profit from continuing operations, net of tax	49,028	58,933	-16.8%
Discontinued operation			
Loss from discontinued operation, net of tax	-	(19,094)	NM
Profit for the period	49,028	39,839	23.1%
Attributable to:			
Owners of the Company			
- Profit from continuing operations, net of tax	12,181	11,722	3.9%
- Loss from discontinued operation, net of tax	-	(17,185)	NM
	12,181	(5,463)	NM
Non-controlling interests			
- Profit from continuing operations, net of tax	36,847	47,211	-22.0%
- Loss from discontinued operation, net of tax	-	(1,909)	NM
	36,847	45,302	-18.7%

Note:

(a) Nearly 90% of the Group's total revenue is generated from its businesses in China. For the quarter ended 31 March, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB4.9677 = SGD1.00 for 1Q 2019 and RMB4.7954 = SGD1.00 for 1Q 2018. For 1Q 2019, RMB depreciated about 3.6% as compared to 1Q 2018.

(b) Discontinued operation - Henan Xifei Household Appliance Co. Ltd., Henan Xifei Refrigeration Appliances Co., Ltd. and Henan Xifei Electric Co., Ltd. (collectively, the "Xifei 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 Xifei Companies.

As required by the Singapore Financial Reporting Standards (International) 10 Consolidated Financial Statements, the Xifei Companies were de-consolidated from the Group in the second quarter of 2018. The operating performance of the Xifei Companies, has been presented separately under "discontinued operation" in the income statement for 1Q 2018.

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

	1Q 2019	Group 1Q 2018	+/- %
Profit before tax from continuing operations includes the following:	\$'000	\$'000	
(Loss)/gain on disposal of property, plant and equipment, net ⁽¹⁾	(32)	230	NM
Impairment losses written back for trade and other receivables, net ⁽²⁾	83	319	-74.0%
Allowance (recognised)/written back for inventories obsolescence, net ⁽³⁾	(110)	164	NM
Depreciation and amortisation ⁽⁴⁾	(29,770)	(27,811)	7.0%
Foreign exchange gain/(loss), net ⁽⁵⁾	2,025	(460)	NM
Fair value loss on derivatives, net ⁽⁶⁾	(2,308)	-	NM
Interest expense ⁽⁷⁾	(7,879)	(8,231)	-4.3%
Interest income ⁽⁸⁾	8,274	8,792	-5.9%
Write-off of property, plant & equipment ⁽⁹⁾	(83)	(139)	-40.3%

NM: Not meaningful

(1) Net (loss)/gain on disposal of property, plant and equipment in both 1Q 2019 and 1Q 2018 were attributed mainly to the Group's Diesel Engines Unit ("Yuchai").

(2) Net impairment losses written back for trade and other receivables in both 1Q 2019 and 1Q 2018 were attributed mainly to Yuchai.

(3) Net allowance (recognised)/written back for inventories obsolescence in 1Q 2019 and 1Q 2018 were attributed mainly to the Group's Air-conditioning Systems Unit ("Airwell") and Yuchai respectively.

(4) The higher depreciation and amortisation was mainly due to depreciation of right-of-use assets recorded in 1Q 2019, upon adoption of new accounting standard on 1 January 2019.

(5) The net foreign exchange gain recorded in 1Q 2019 was mainly related to foreign exchange gain on revaluation of United States dollar ("USD") liabilities (for entities with functional currency in RMB), as the RMB strengthened against the USD.

The net foreign exchange loss recorded in 1Q 2018 was mainly related to foreign exchange loss on revaluation of USD assets and RMB liabilities (for entities with functional currency in SGD). This was partially offset by foreign exchange gain on revaluation of SGD assets in China Yuchai International Limited (with functional currency in USD).

(6) Net fair value loss on derivatives in 1Q 2019 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.

- (7) The decrease in interest expense in 1Q 2019 was mainly due to lower bills discounting, which was partially offset by recognition of interest expense related to lease liabilities (upon adoption of new accounting standard on 1 January 2019).
- (8) The decrease in interest income in 1Q 2019 was mainly due to lower deposits placement.
- (9) The write-offs of property, plant and equipment in both 1Q 2019 and 1Q 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 1Q 2019, the Group's tax charge included reversal of provision of \$4,000 for prior years (1Q 2018: reversal of provision of \$1,000 for prior years).

1(a)(iv) Statement of Comprehensive Income

	1Q 2019 \$'000	Group 1Q 2018 \$'000	+/- %
Profit for the period	49,028	39,839	23.1%
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Net fair value changes of equity instruments at fair value through other comprehensive income	1,199	(714)	NM
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	27,437	33,957	-19.2%
Net fair value changes of debt instruments at fair value through other comprehensive income	11,966	10,157	17.8%
Exchange differences on monetary items forming part of net investment in foreign entities	-	3,449	NM
Total other comprehensive income for the period, net of tax	40,602	46,849	-13.3%
Total comprehensive income for the period	89,630	86,688	3.4%
Attributable to:			
Owners of the Company	26,754	10,055	166.1%
Non-controlling interests	62,876	76,633	-18.0%
Total comprehensive income for the period	89,630	86,688	3.4%
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax	26,754	29,491	-9.3%
- Total comprehensive income from discontinued operations, net of tax	-	(19,436)	NM
Total comprehensive income for the period attributable to Owners of the Company	26,754	10,055	166.1%

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

\$'000	Group		Company	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Non-current assets				
Property, plant and equipment	901,144	893,959	97	93
Land use rights	-	105,405	-	-
Intangible assets	54,263	43,942	99	109
Investment in subsidiaries	-	-	202,928	201,935
Interests in associates	46,206	45,380	13,726	13,726
Interests in joint ventures	64,835	59,509	-	-
Investment property	1,338	1,344	-	-
Other investments	5,675	2,914	-	-
Non-current receivables	4,715	4,897	20,000	20,000
Capitalised contract costs	11,662	8,825	-	-
Right-of-use assets	141,551	-	90	-
Deferred tax assets	73,904	72,934	-	-
Long-term deposits	14,084	13,902	-	-
	<u>1,319,377</u>	<u>1,253,011</u>	<u>236,940</u>	<u>235,863</u>
Current assets				
Inventories	649,315	562,729	-	-
Development properties	4,056	4,025	-	-
Other investments	4,657	4,353	-	-
Trade and other receivables	1,952,346	1,684,345	223,747	245,506
Cash and short-term deposits	1,141,214	1,308,076	39,398	29,275
Derivatives	-	899	-	-
	<u>3,751,588</u>	<u>3,564,427</u>	<u>263,145</u>	<u>274,781</u>
Total assets	<u>5,070,965</u>	<u>4,817,438</u>	<u>500,085</u>	<u>510,644</u>
Current liabilities				
Trade and other payables	1,650,380	1,479,583	8,633	9,160
Contract liabilities	46,136	56,956	-	-
Lease liabilities	16,070	-	41	-
Provisions	39,068	38,556	-	-
Loans and borrowings	611,350	544,657	187,723	66,324
Current tax payable	13,280	14,938	89	89
Derivatives	1,395	-	-	-
	<u>2,377,679</u>	<u>2,134,690</u>	<u>196,486</u>	<u>75,573</u>
Net current assets	<u>1,373,909</u>	<u>1,429,737</u>	<u>66,659</u>	<u>199,208</u>
Non-current liabilities				
Loans and borrowings	98,750	230,308	98,750	226,900
Deferred tax liabilities	36,601	34,741	2,333	2,333
Deferred grants	144,803	116,285	-	-
Other non-current payables	32,210	31,794	-	-
Contract liabilities	11,835	10,666	-	-
Lease liabilities	20,526	-	49	-
Retirement benefit obligations	2	2	-	-
	<u>344,727</u>	<u>423,796</u>	<u>101,132</u>	<u>229,233</u>
Total liabilities	<u>2,722,406</u>	<u>2,558,486</u>	<u>297,618</u>	<u>304,806</u>
Net assets	<u>2,348,559</u>	<u>2,258,952</u>	<u>202,467</u>	<u>205,838</u>
Equity attributable to owners of the Company				
Share capital	467,890	467,890	467,890	467,890
Reserves	305,722	278,962	(265,423)	(262,052)
	<u>773,612</u>	<u>746,852</u>	<u>202,467</u>	<u>205,838</u>
Non-controlling interests	<u>1,574,947</u>	<u>1,512,100</u>	<u>-</u>	<u>-</u>
Total equity	<u>2,348,559</u>	<u>2,258,952</u>	<u>202,467</u>	<u>205,838</u>
Total equity and liabilities	<u>5,070,965</u>	<u>4,817,438</u>	<u>500,085</u>	<u>510,644</u>

Explanatory Notes to Statement of Financial Position

Group

- **Non-current assets:** The increase in non-current assets was mainly due to acquisition of property, plant and equipment, Yuchai's capitalisation of development costs for National VI and Tier 4 engines as intangible assets in 1Q 2019 and recognition of right-of-use assets (which included reclassification of land use rights and leasehold land to right-of-use assets) upon adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 on 1 January 2019. Please refer to paragraph 5 for more details.
- **Current assets:** The increase in current assets was mainly due to higher trade and other receivables and increase in inventory level maintained at quarter-end, which was partially offset by lower cash and short-term deposits at quarter-end. The increase in trade and other receivables was mainly due to timing of collection from customers.
- **Current liabilities:** The increase in current liabilities was mainly due to higher trade and other payables, higher loans and borrowings and recognition of lease liabilities upon adoption of SFRS(I) 16, which was partially offset by lower contract liabilities at quarter-end. In particular:
 - The increase in trade and other payables was mainly resulting from the timing of settlement with suppliers.
 - The increase in loans and borrowings was mainly due to reclassification of loans (maturing within the next 12 months) from non-current liabilities, which was partially offset by net repayment of short-term borrowings in 1Q 2019.
 - The decrease in contract liabilities was mainly due to decrease in advance payment from customers for future product delivery at quarter-end.
- **Non-current liabilities:** The decrease in non-current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) to current liabilities, which was partially offset by higher deferred grants received in 1Q 2019 and recognition of lease liabilities upon adoption of SFRS(I) 16.

Company

- **Non-current assets:** The increase in non-current assets was mainly due to additional inter-company loan, which forms part of investment in subsidiaries, extended to a subsidiary in 1Q 2019.
- **Current assets:** The decrease in current assets was mainly due to lower receivables in view of higher collection in 1Q 2019, which was offset by higher cash and short-term deposits at quarter-end.
- **Current liabilities:** The increase in current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) from non-current liabilities, which was partially offset by net repayment of short-term borrowings in 1Q 2019.
- **Non-current liabilities:** The decrease in non-current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) to current liabilities.

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

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

As at 31.03.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$99,726,000	\$527,694,000	\$100,407,000	\$444,250,000

Amount repayable after one year *

As at 31.03.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$246,000	\$119,030,000	\$408,000	\$229,900,000

* Amount repayable comprised the Group's loans and borrowings and lease liabilities.

Details of any collateral

The secured banking facilities of the Group are secured on the assets of certain subsidiaries with a total carrying value as at 31 March 2019 of \$105,150,000 (31 December 2018: \$104,099,000).

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

	1Q 2019 \$'000	1Q 2018 \$'000
Operating activities		
Profit before income tax from continuing operations	62,402	76,485
Loss before income tax from discontinued operation	-	(19,094)
Adjustments for:		
Share of profit of associates and joint ventures, net of income tax	(1,428)	(2,007)
Depreciation and amortisation	29,770	28,307
Allowance recognised for inventories obsolescence, net	110	377
Impairment losses written back for trade and other receivables	(83)	(79)
Property, plant and equipment written off	83	139
Finance costs	8,171	8,685
Interest income	(8,274)	(8,803)
Loss/(gain) on disposal of property, plant and equipment	32	(230)
Fair value (gain)/loss on investments	(303)	609
Fair value loss on derivatives	2,308	-
Provision for warranties and other costs, net	12,506	9,643
Operating cash flows before changes in working capital	105,294	94,032
Changes in working capital:		
Inventories and development properties	(80,100)	10,670
Trade and other receivables and capitalised contract costs	(238,818)	(390,217)
Trade and other payables and contract liabilities	150,209	60,468
Grant received from government	27,616	6,413
Provisions utilised	(12,443)	(14,668)
Cash flows from operations	(48,242)	(233,302)
Income tax paid	(12,623)	(9,557)
Net cash flows used in operating activities	(60,865)	(242,859)
Investing activities		
Additional investment in joint ventures	(3,551)	(1,006)
Interest received	8,077	8,574
Net placement of deposits with banks	(2,233)	(17,094)
Purchase of:		
- property, plant and equipment	(31,968)	(20,882)
- intangible assets	(8,854)	(149)
- other investments	(1,551)	(784)
Proceeds from disposal of property, plant and equipment	41	14
Tax and relevant expenses in relation to a subsidiary disposed previously	(7,789)	-
Net cash flows used in investing activities	(47,828)	(31,327)
Financing activities		
Acquisition of non-controlling interests	(23)	-
Dividends paid to non-controlling interests of subsidiaries	-	(11,761)
Interest paid	(7,399)	(8,633)
Proceeds from borrowings	215,330	289,825
Repayment in respect of borrowings	(282,737)	(273,688)
Repayment of obligation under finance leases	-	(238)
Repayment of obligation under lease liabilities	(1,819)	-
Net cash flows used in financing activities	(76,648)	(4,495)
Net decrease in cash and cash equivalents	(185,341)	(278,681)
Cash and cash equivalents at beginning of the financial period	1,224,105	1,262,104
Effect of exchange rate changes on balances held in foreign currencies	15,147	23,097
Cash and cash equivalents at end of the financial period	1,053,911	1,006,520
Comprising:		
Cash and short-term deposits	1,141,214	1,131,572
Less: Short-term deposits and restricted deposits	(87,303)	(125,052)
	1,053,911	1,006,520

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 on changes of non-controlling interests \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
The Group											
At 1 January 2018 (FRS framework)	266,830	4,391	33,753	45,859	5,243	(60,354)	35,397	286,025	617,144	1,529,645	2,146,789
Cumulative effects of adopting SFRS(I)	-	-	-	(8,601)	-	51,668	-	(52,881)	(9,814)	(21,856)	(31,670)
At 1 January 2018 (SFRS(I) framework)	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
<u>Other comprehensive income</u>											
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 equity instruments at fair value through other comprehensive income	-	-	-	(714)	-	-	-	-	(714)	-	(714)
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	3,107	-	-	-	-	3,107	7,050	10,157
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											
<u>Contributions by and distributions to owners</u>											
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
The Group											
At 1 January 2019	467,890	4,351	15,425	2,192	5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952
Profit for the period	-	-	-	-	-	-	-	12,181	12,181	36,847	49,028
<u>Other comprehensive income</u>											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	9,829	-	-	9,829	17,608	27,437
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	928	-	-	-	-	928	271	1,199
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	3,816	-	-	-	-	3,816	8,150	11,966
Other comprehensive income for the period, net of tax	-	-	-	4,744	-	9,829	-	-	14,573	26,029	40,602
Total comprehensive income for the period	-	-	-	4,744	-	9,829	-	12,181	26,754	62,876	89,630
Transactions with owners, recorded directly in equity											
<u>Changes in ownership interests in subsidiaries</u>											
Acquisition of non-controlling interests	-	-	-	-	-	-	6	-	6	(29)	(23)
At 31 March 2019	467,890	4,351	15,425	6,936	5,243	(16,565)	51,304	239,028	773,612	1,574,947	2,348,559

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

The Company	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated losses \$'000	Total equity \$'000
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	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>(61,612)</u>	<u>216,884</u>
At 1 January 2019	467,890	9,199	2,467	(273,718)	205,838
Total comprehensive income for the period	-	-	-	(3,371)	(3,371)
At 31 March 2019	<u>467,890</u>	<u>9,199</u>	<u>2,467</u>	<u>(277,089)</u>	<u>202,467</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 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 31 March 2019, 31 December 2018 and 31 March 2018.

There was no change in the Company's issued share capital during the three months ended 31 March 2019.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "Scheme") during the three months ended 31 March 2019.

As at 31 March 2019, there were a total of 570,000 (31 March 2018: 1,240,000) 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	190,000
Total		570,000

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

The total number of issued ordinary shares as at 31 March 2019 and 31 December 2018 was 747,817,118.

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 31 March 2019.

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 2018, except for adoption of new accounting standards that became effective on 1 January 2019. 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.

The Group has adopted all accounting standards that are effective from 1 January 2019. The adoption of the accounting standards did not have any material impact on the financial statements, except as described below:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has applied SFRS(I) 16 using the modified retrospective approach at the date of initial application, 1 January 2019. Comparatives are not restated.

Upon adoption of SFRS(I) 16 on 1 January 2019, the Group recognised right-of-use assets of \$143,128,000 and lease liabilities (current and non-current) of \$37,779,000. Right-of-use assets recognised included the Group's land use rights and leasehold land which have been reclassified to right-of-use assets.

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

	Group	
	1Q 2019	1Q 2018
Profit/(loss) per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	1.63	(1.46)
(ii) On a fully diluted basis (cts)	1.63	(1.46)

570,000 (31 March 2018: 1,240,000) 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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 31 March 2019 and as at 31 December 2018 (cts)	103.45	99.87	27.07	27.53

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.

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**”).

Since the de-consolidation of the Group's Consumer Products Unit (“**Xinfei**”) on 21 May 2018, the operating performance of Xinfei has been presented separately under “discontinued operation” in the income statement for 1Q 2018.

The Group operates mainly in China, Singapore and Malaysia.

In China, the economy grew 6.4% year-on-year in 1Q 2019. Statistics from China Association of Automobile Manufacturers reported a decline in sales of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 2.4% as compared with 1Q 2018.

In Singapore, based on advanced estimates released by the Ministry of Trade and Industry, the economy grew 1.3% year-on-year in 1Q 2019, moderating from the 1.9% growth in the fourth quarter of last year. The construction sector grew 1.4% year-on-year in 1Q 2019. This represented a turnaround from the 1.0% decline in the previous quarter, and also marked the first quarter of positive growth following 10 consecutive quarters of decline. The recovery of the sector was supported by an improvement in private sector construction activities. In Malaysia, the cement industry continued to be affected by prolonged price competition due to excess cement capacity.

The Group recorded a profit attributable to the owners of the Company (“**PATMI**”) of \$12.2 million in 1Q 2019, as compared to loss of \$5.5 million in 1Q 2018.

1Q 2019 versus 1Q 2018

Revenue for the Group was \$961.0 million in 1Q 2019, a decrease of \$57.4 million or 5.6%, from \$1,018.4 million in 1Q 2018. The decrease in revenue was mainly due to lower revenue recorded by Yuchai which was partially offset by revenue growth of BMU.

- Yuchai's revenue decreased by \$66.2 million or 7.3% as compared to 1Q 2018. Yuchai sold 101,300 engines in 1Q 2019, a decrease of 8.0% or 8,813 units as compared to 110,113 units sold in 1Q 2018. The unit sales decrease was mainly due to lower engine sales in the truck and bus segments which was partially offset by higher engine sales in the off-road segment.
- BMU's revenue increased by \$11.8 million or 11.6% as compared to 1Q 2018, mainly due to improved performance of the Singapore operations as the industry recovers. The Group's subsidiary in Malaysia, Tasek Corporation Berhad (“**Tasek**”) recorded lower sales volume in 1Q 2019 for the cement segment as compared to 1Q 2018. The prolonged intense pricing competition continued to affect the contribution margin of Tasek in 1Q 2019.

The Group's gross profit was \$175.0 million in 1Q 2019, a decrease of \$21.6 million or 11.0%, from \$196.6 million in 1Q 2018. The gross profit margin was 18.2% as compared to 19.3% in 1Q 2018, a decrease of 1.1 percentage point. This was mainly due to a decline in gross profit margin for Yuchai as a result of lower sales volume and change in product mix. However, gross profit margin for BMU improved as the construction industry in Singapore has begun to show gradual signs of recovery.

Other income was \$12.6 million in 1Q 2019, an increase of \$0.4 million from \$12.2 million in 1Q 2018. The increase was mainly due to foreign exchange gain (as compared to foreign exchange loss in 1Q 2018), which was partially offset by lower interest income and government grants. For 1Q 2019, other income mainly comprised interest income and foreign exchange gain.

Selling and distribution ("**S&D**") expenses were \$61.0 million in 1Q 2019, an increase of \$4.8 million or 8.5% as compared to \$56.2 million in 1Q 2018. The increase was mainly due to higher warranty expenses and delivery costs. As a percentage of sales, S&D expenses were 6.3% for 1Q 2019 as compared to 5.5% in 1Q 2018, an increase of 0.8 percentage point.

Research and development ("**R&D**") expenses were \$14.8 million in 1Q 2019, a decrease of \$10.6 million or 41.6% as compared to \$25.4 million in 1Q 2018. The decrease was mainly due to the capitalisation of development costs for 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 and performance. As a percentage of sales, R&D expenses were 1.5% in 1Q 2019 as compared to 2.5% in 1Q 2018, a decrease of 1.0 percentage point.

General and administrative ("**G&A**") expenses were \$40.0 million in 1Q 2019, a decrease of \$3.6 million or 8.3% as compared to \$43.6 million in 1Q 2018. The decrease was mainly due to lower staff costs and utilities expense. As a percentage of sales, G&A expenses were 4.2% in 1Q 2019 as compared to 4.3% in 1Q 2018, a decrease of 0.1 percentage point.

Finance costs were \$8.2 million in 1Q 2019, a decrease of \$0.3 million or 3.8% as compared to \$8.5 million in 1Q 2018. The decrease in finance costs was mainly due to lower bills discounting, which was partially offset by recognition of interest expense related to lease liabilities in 1Q 2019.

Other expenses were \$2.7 million in 1Q 2019, an increase of \$2.1 million from \$0.6 million in 1Q 2018. The increase was mainly due to fair value loss on derivatives of \$2.3 million recorded in 1Q 2019.

Share of profit of associates and joint ventures were \$1.4 million in 1Q 2019, a decrease of \$0.6 million from \$2.0 million in 1Q 2018. The decrease was mainly due to lower profits from associates and joint ventures of Yuchai.

As a result, profit from continuing operations after tax was \$49.0 million in 1Q 2019 as compared to \$58.9 million in 1Q 2018. The Group recorded a profit from continuing operations attributable to the owners of the Company of \$12.2 million in 1Q 2019, as compared to \$11.7 million in 1Q 2018.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.141 billion as at 31 March 2019 compared with \$1.308 billion as at 31 December 2018.

During the period under review, the net cash outflow from operating activities was \$60.9 million. The Group generated cash from operating activities of \$105.3 million before working capital changes, which was used to finance the increase in trade and other receivables and capitalised contract costs and inventories, partially offset by the increase in trade and other payables and contract liabilities at quarter-end.

The net cash outflow from investing activities of \$47.8 million was mainly due to purchase of property, plant and equipment, intangible assets and tax and relevant expenses paid in relation to the disposal of subsidiary by HL Global Enterprises Limited previously, partially offset by interest received.

The Group had net cash outflow from financing activities of \$76.6 million. It was mainly due to net repayment of borrowings of \$67.4 million and interest payment of \$7.4 million.

As reported in the Group's results announcement for the third quarter of 2018 dated 14 November 2018, the Company had raised net proceeds of \$201.1 million from the rights issue exercise in October 2018. 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, funds have 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.

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.

In China, the economy grew at 6.4% year-on-year in 1Q 2019. Government-led infrastructure spending and stimulus measures have helped to boost recovery of the economy. Notwithstanding that, China continues to face softer global demand for its products and uncertainty over the trade war with the United States. The Chinese government has recently lowered the GDP growth target for 2019 to a range between 6.0% and 6.5%. The prospects and the domestic market condition for Yuchai are expected to remain challenging. Despite the foregoing, Yuchai remains committed to its research and development programs so that it is well positioned to meet the increasingly stringent emission standards.

In Malaysia, Tasek continues to be affected by the pricing competition due to low cement demand from the subdued construction sector. The construction sector may improve if the announced revival by the government of mega projects such as the East Coast Rail Link, Klang Valley double-tracking and development of Bandar Malaysia proceed as planned.

In Singapore, the construction sector grew 1.4% year-on-year in 1Q 2019, based on advanced estimates released by the Ministry of Trade and Industry. The Building and Construction Authority (BCA) has projected the total construction demand for Singapore to remain strong in 2019 as the industry recovers. BMU's operations in Singapore had witnessed an improvement in sales volumes and pricing in recent tenders. The Group's Precast division's strategy to move towards Design for Manufacturing and Assembly (DfMA) is in line with Singapore's transformation in the built environment towards higher automation and improved productivity. The construction of the Group's Precast manufacturing facility, when ready, will enable the Precast business unit to continue to be a significant player in Singapore.

The Group is well positioned to pursue growth opportunities and will continue to exercise cost discipline.

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 and the reason(s) for the decision.

No dividend is declared / recommended for the current financial period under review, as it is not a practice of the Board to consider any interim dividend payment with respect to the first quarter of the financial year.

13. Interested person transactions

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the quarter ended 31 March 2019.

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

15 May 2019

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the first quarter ended 31 March 2019 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Peck
Executive Chairman

Tan Eng Kwee
Director and Chief Executive Officer

15 May 2019