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

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2011

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") 2011. These figures have not been audited. Certain comparative figures for 1Q 2010 have been restated to be consistent with the classification for 1Q 2011.

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

1(a)(i) Income statement

	Group		
	1Q 2011	**1Q 2010** (restated)	**Change**
	$'000	**$'000**	**%**
Continuing operations			
Revenue	1,245,769	1,493,364	-16.6%
Cost of sales	(953,770)	(1,152,414)	-17.2%
Gross profit	**291,999**	**340,950**	**-14.4%**
Other income	5,925	10,075	-41.2%
Selling and distribution expenses	(141,413)	(148,184)	-4.6%
Research and development costs	(18,556)	(17,236)	7.7%
General and administrative expenses	(52,208)	(50,963)	2.4%
Finance costs	(14,347)	(12,452)	15.2%
Profit from continuing operations	**71,400**	**122,190**	**-41.6%**
Share of profit of associates, net of tax	16,144	680	2274.1%
Profit before income tax from continuing operations	**87,544**	**122,870**	**-28.8%**
Income tax expense	(11,949)	(20,059)	-40.4%
Profit from continuing operations, net of tax	**75,595**	**102,811**	**-26.5%**
Discontinued operations			
Profit from discontinued operations, net of tax	-	267	NM
Profit for the period	**75,595**	**103,078**	**-26.7%**

Attributable to :

Owners of the parent			
Profit from continuing operations, net of tax	28,469	35,664	-20.2%
Profit from discontinued operations, net of tax	-	194	NM
	28,469	**35,858**	**-20.6%**
Non-controlling interests			
Profit from continuing operations, net of tax	47,126	67,147	-29.8%
Profit from discontinued operations, net of tax	-	73	NM
	47,126	**67,220**	**-29.9%**

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

Profit from operations include the following:	Group 1Q 2011 $'000	1Q 2010 $'000	Change %
(Loss)/gain on disposal of property, plant and equipment (1)	(156)	2,087	NM
Impairment written back/(losses) on property, plant and equipment and development properties (2)	2,311	(1,719)	NM
Allowance (made)/written back for trade and other receivables/(bad debts written off) (3)	(4,090)	573	NM
Allowance written back for stock obsolescence (4)	3,458	1,539	124.7%
Depreciation and amortisation (5)	(34,699)	(28,102)	23.5%
Foreign exchange gain/(loss)	1,950	(701)	NM

NM: Not meaningful

(1) The gain from disposal of property, plant and equipment in 1Q 2010 arose largely from sale of a factory located in Singapore.

(2) Impairment written back in 1Q 2011 arose from the re-evaluation of the performance of the cash generating units which held the property, plant and equipment. Impairment charge in 1Q 2010 relates entirely to the Group's hospitality business.

(3) Allowances for doubtful debts were made by one of the Group's China subsidiaries to reflect the ageing of those debts.

(4) Allowance for stock obsolescence was written back as those stocks were subsequently sold.

(5) Further depreciation charge was made in 1Q 2011 to reflect fair value adjustments in respect of purchase of property, plant and equipment relating to the hospitality industry by a subsidiary of the Group.

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

The Group's tax charge for the period included an accrual for tax refund of $4,128,000 (1Q 2010: over provision of $397,000) in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	Group		
	1Q 2011	**1Q 2010** (restated)	**Change**
	$'000	**$'000**	**%**
Profit for the period	**75,595**	**103,078**	**-26.7%**
Other comprehensive income:			
Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations	(39,815)	5,184	NM
Net fair value changes	1,380	(105)	NM
Total other comprehensive income for the year, net of tax	**(38,435)**	**5,079**	**NM**
Total comprehensive income for the period	**37,160**	**108,157**	**-65.6%**
Attributable to:			
Owners of the parent	16,034	37,860	-57.6%
Non-controlling interests	21,126	70,297	-69.9%
Total comprehensive income for the period	**37,160**	**108,157**	**-65.6%**
Attributable to:			
Owners of the parent			
Total comprehensive income from continuing operations, net of tax	16,034	37,666	-57.4%
Total comprehensive income from discontinued operations, net of tax	-	194	NM
Total comprehensive income for the period attributable to owners of the parent	**16,034**	**37,860**	**-57.6%**

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.

	Group		Company	
$'000	31/03/11	31/12/10	31/03/11	31/12/10
Non-current assets				
Property, plant and equipment	1,121,721	1,141,147	316	351
Land use rights	133,637	123,438	-	-
Intangible assets	70,349	69,580	511	583
Investment in subsidiaries	-	-	210,824	213,824
Interests in associates	55,544	22,534	13,726	13,816
Investment properties	7,055	7,055	-	-
Other investments	1,927	2,101	-	-
Deferred tax assets	80,849	87,502	-	3
Non-current receivables	4,782	12,666	-	-
	1,475,864	**1,466,023**	**225,377**	**228,577**
Current assets				
Other investments	10,943	12,596	31	37
Inventories	788,270	746,397	-	-
Development properties	11,960	15,764	-	-
Trade and other receivables	1,496,394	1,285,517	201,779	183,608
Cash and short-term deposits	1,156,772	1,168,143	1,725	1,125
Assets classified as held-for-sale	36,123	58,252	36,483	36,499
	3,500,462	**3,286,669**	**240,018**	**221,269**
Current liabilities				
Trade and other payables	2,093,664	2,097,200	22,111	27,442
Provisions	87,893	89,938	-	-
Loans and borrowings	382,276	235,333	107,910	116,597
Current tax payable	55,937	49,648	-	-
Liabilities classified as held-for-sale	19,043	19,066	-	-
	2,638,813	**2,491,185**	**130,021**	**144,039**
Net current assets	**861,649**	**795,484**	**109,997**	**77,230**
Non-current liabilities				
Loans and borrowings	250,092	220,680	-	-
Deferred tax liabilities	38,637	37,999	42	45
Deferred grants	59,089	46,192	-	-
Other non-current payables	650	-	-	-
Retirement benefits	239	241	-	-
	348,707	**305,112**	**42**	**45**
Net assets	**1,988,806**	**1,956,395**	**335,332**	**305,762**
Capital and reserves				
Share capital	266,692	266,143	266,692	266,143
Reserves	515,557	502,253	68,640	39,619
	782,249	768,396	335,332	305,762
Non-controlling interests	1,206,557	1,187,999	-	-
Total Equity	**1,988,806**	**1,956,395**	**335,332**	**305,762**

Explanatory Notes to Statement of Financial Position

Group

- Compared to 31 December 2010, the increase in total assets and liabilities was primarily due to an increase in inventories and trade and other receivables as a result of increased business volumes in 1Q 2011 compared to 4Q 2010. Trade and other payables however fell marginally as curbs on bank lending and higher interest rates in China resulted in a tightening of suppliers' credit terms. Consequently, loans and borrowings increased and cash holdings reduced. Loans and borrowings also rose as Yuchai issued RMB1 billion in corporate bonds during the quarter under review to fund its expansion program and to take advantage of current interest rate level in China in anticipation of further interest rate increases.

- Net current assets increased for the two comparative periods due to higher working capital requirements. The reduction in 'Assets classified as held-for-sale' as at 31 March 2011 compared to 31 December 2010 relates to two associates of Tasek Corporation Berhad, which had been put up for sale since mid February 2009 but the sale exercise has since been aborted. These investments are now accounted for as "Interests in associates".

- Non-current liabilities rose due largely to two reasons, viz., (1) higher grants being given by the Chinese Government to one of the Group's China subsidiaries for research and development activities and (2) higher bank borrowings to fund the construction of a plant for the manufacture of heavy duty engines and to redeem preference shares issued by a subsidiary of the Group.

Company

- Trade and other receivables rose primarily due to dividend receivable from a subsidiary of the Company.

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

Amount repayable in one year or less, or on demand

As at 31/03/2011		As at 31/12/2010	
Secured	**Unsecured**	**Secured**	**Unsecured**
$12,538,808	$369,737,632	$32,268,494	$203,064,463

Amount repayable after one year

As at 31/03/2011		As at 31/12/2010	
Secured	**Unsecured**	**Secured**	**Unsecured**
$184,636,040	$65,455,691	$176,820,695	$43,858,998

Details of any collateral

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 31 March 2011 of $246,135,000 (31 December 2010: $289,524,000).

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 2011 $'000	1Q 2010 (restated) $'000
Operating Activities		
Profit before income tax from continuing operations	87,544	122,870
Profit before income tax from discontinued operations	-	348
Adjustment for :		
Depreciation and amortisation	34,699	28,102
Write back of stock obsolescence	(3,458)	(1,539)
Impairment losses made for trade and other receivables	4,090	(573)
Cost of share-based payment	248	54
Fair value loss on investments	1,347	-
Impairment losses (written back)/made for property, plant and equipment and assets held for sale	(2,311)	1,719
Loss/(gain) on disposal of property, plant and equipment	156	(2,087)
Gain on liquidation of a subsidiary	-	(453)
Loss on liquidation of an associate	682	-
Finance costs	14,347	12,452
Dividends and interest income	(3,708)	(3,822)
Provision for warranties and other costs, net	17,967	27,273
Share of profit of associates	(16,144)	(680)
Operating profit before working capital changes	135,459	183,664
Changes in working capital:		
Inventories	(53,069)	(48,486)
Trade and other receivables	(228,258)	(520,682)
Trade and other payables	45,385	404,345
Provisions utilised	(18,166)	(15,230)
	(118,649)	3,611
Income tax paid	(2,572)	(3,469)
Cash flows (used in)/from operating activities	(121,221)	142
Investing Activities		
Interests and dividends received	4,353	4,524
Royalty payments received	765	-
Proceeds from disposal of a subsidiary, net of cash disposed	-	(3)
Proceeds from disposal of associates and joint ventures	102	-
Proceeds from disposal of property, plant and equipment	386	7,959
Proceeds from disposal of land use rights	367	-
Acquisition of non-controlling interests in a subsidiary	-	(6,210)
Purchase of property, plant and equipment	(40,659)	(31,107)
Payment of land use rights	(13,347)	(8,565)
Purchase of intangible assets	(1,052)	(182)
Cash flows used in investing activities	(49,085)	(33,584)
Financing Activities		
Proceeds from share issue	549	1,062
Grant received from government	14,034	22,431
Capital contribution by minority shareholders of a subsidiary	-	5,962
Proceeds from bank borrowings	39,846	47,347
Proceeds from issuance of bond	193,733	-
Repayment of bank borrowings	(47,731)	(48,159)
Repayment of obligations under finance leases	(5,065)	-
Dividends paid to minority shareholders of subsidiaries	-	(9,499)
Release of fixed deposits pledged with banks	27	59
Interest paid	(15,586)	(13,606)
Cash flows from financing activities	179,807	5,597
Net increase/(decrease) in cash and cash equivalents	9,501	(27,845)
Cash and cash equivalents at beginning of the period	1,167,479	1,054,674
Effects of exchange rate changes on cash and cash equivalents	(21,493)	1,739
Cash and cash equivalents at end of the period	1,155,487	1,028,568
Comprising:		
Fixed deposit, bank and cash balances	1,156,772	1,049,863
Less: Bank overdraft	(1,285)	(412)
Fixed deposits pledged	-	(20,883)
	1,155,487	1,028,568

The attributable net assets of a subsidiary disposed during the period are as follows:

	1Q 2011 $'000	1Q 2010 $'000
Disposals		
Realisation of translation difference	-	(456)
Gain on liquidation of a subsidiary	-	453
Disposal of a subsidiary, net of cash disposed	-	(3)

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

Statement of Changes in Equity	Share Capital $'000	Capital Reserve $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Equity Compen-sation Reserve $'000	Translation Reserve $'000	Premium paid on acquisition of minority Interests $'000	Reserve of disposal group classified held-for-sale S$'000	Revenue Reserve $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
The Group												
At 1 January 2010	264,996	(28,672)	29,664	44,015	2,009	(18,757)	-	-	414,798	708,053	1,006,596	1,714,649
Total comprehensive income for the	-	-	-	(105)	-	2,107	-	-	35,858	37,860	70,297	108,157
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Share issued during the period	1,062	-	-	-	-	-	-	-	-	1,062	-	1,062
Cost of share-based payments	-	-	-	-	54	-	-	-	-	54	-	54
Acquisition of business combination and others	-	-	-	-	-	-	-	-	(143)	(143)	217	74
Dividends paid/payable to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(9,499)	(9,499)
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	5,962	5,962
Changes in ownership interests in subsidiaries that do not result in a loss of control												
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,879)	(3,879)
Premium paid on acquisition of non-controlling interests	-	-	-	-	-	-	(2,331)	-	-	(2,331)	-	(2,331)
At 31 March 2010	266,058	(28,672)	29,664	43,910	2,063	(16,650)	(2,331)	-	450,513	744,555	1,069,694	1,814,249

At 1 January 2011	266,143	(28,672)	32,568	48,395	1,477	(47,269)	(1,451)	2,353	494,852	768,396	1,187,999	1,956,395
Total comprehensive income for the period	-	-	-	1,380	-	(13,815)	-	-	28,469	16,034	21,126	37,160
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Share issued during the period	549	-	-	-	-	-	-	-	-	549	-	549
Cost of share-based payment	-	-	-	-	248	-	-	-	-	248	-	248
Realisation of reserves upon disposal of assets	-	-	-	(2,978)	-	-	-	-	-	(2,978)	(2,568)	(5,546)
At 31 March 2011	266,692	(28,672)	32,568	46,797	1,725	(61,084)	(1,451)	2,353	523,321	782,249	1,206,557	1,988,806

Statement of Changes In Equity	**Share Capital $'000**	**Capital Reserves $'000**	**Fair Value Reserves $'000**	**Compensation Reserves $'000**	**Revenue Reserves $'000**	**Total Equity $'000**
The Company						
At 1 January 2010	264,996	9,199	5	1,496	48,326	324,022
Total comprehensive income for the period	-	-	(2)	-	(3,429)	(3,431)
Share issues during the period	1,062	-	-	-	-	1,062
Cost of share-based payment	-	-	-	54	-	54
At 31 March 2010	266,058	9,199	3	1,550	44,897	321,707

At 1 January 2011	266,143	9,199	8	1,424	28,988	305,762
Total comprehensive income for the period	-	-	(6)	-	28,779	28,773
Share issues during the period	549	-	-	-	-	549
Cost of share-based payment	-	-	-	248	-	248
At 31 March 2011	266,692	9,199	2	1,672	57,767	335,332

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

	Number of Shares	Issued and Paid-Up Capital
Ordinary Shares		$'000
Balance as at 1 January 2011	373,573,359	266,143
Shares issued for cash upon the exercise of options under the Hong Leong Asia Share Option Scheme 2000 (the " Scheme")	250,000	549
Balance as at 31 March 2011	373,823,359	266,692

The Company did not hold any treasury shares as at 31 March 2011 and 31 March 2010.

There had been no change in the number of ordinary shares in issue as at 31 December 2010 and 1 January 2011.

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

During 1Q 2011, the following options were exercised pursuant to the terms of the Scheme:

Year of Grant	Exercise Price Per Share	1Q 2011	Cumulative To Date
2001	$0.41	-	6,107,000
2002	$1.00	-	1,153,800
2003	$1.79	-	-
2004	$1.51	-	809,000
2005	$1.28	-	247,700
2007	$1.88	85,000	1,031,400
2008	$2.36	165,000	361,800
2009	$1.42	-	33,000
2011	$3.17	-	-
Total		250,000	9,743,700

As at 31 March 2011, there were a total of 1,745,200 (31 March 2010: 1,354,100) unissued shares under options granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2008	$2.36	488,200
2009	$1.42	67,000
2011	$3.17	1,190,000
Total		1,745,200

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.

Please refer to item 1(d)(ii)(A) above.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2011.

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

The figures have not been audited nor reviewed.

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

Not applicable

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2010.

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

The Group adopted the following revised accounting standards that are effective for annual periods beginning on or after 1 February 2010. Insofar as the Group is concerned, these revised accounting standards are effective on 1 January 2011 as 2011 is the first annual period for the Group subsequent to 1 February 2010. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

Description	*Effective for annual periods beginning on or after*
Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

Except for the revised FRS 24, the adoption of the other standards and interpretations above has no material impact on the financial statements of the Group.

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group.

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	
Earnings per ordinary share based on net profit attributable to shareholders	**1Q 2011**	**1Q 2010**
(i) Based on the weighted average number of ordinary shares in issue (cts)	7.62	9.61
(ii) On a fully diluted basis (cts)	7.62	9.59

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

	Group		Company	
	31/3/2011	**31/12/2010**	**31/3/2011**	**31/12/2010**
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 2011 and as at 31 December 2010 (cts)	209.26	205.69	89.70	81.85

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.

Growth of the Chinese economy had moderated to 9.7 percent in 1Q 2011 compared to 11.9 percent achieved in 1Q 2010. Inflation, which continues to be a worrying factor in China, has led to two rounds of interest rate hikes and three rounds of increase in banks' reserve ratio so far this year, resulting in reduced liquidity available for lending in China. Nonetheless, China's wages have increased which contributed to an increase in disposable income and this has also led to higher consumer spending. Investment spending in trucks and buses has moderated considerably as a result of liquidity squeeze and measures by the Chinese government to curtail growth of automobiles. Subsidy programs targeted at the automobile sector in the rural areas are no longer in place.

Sales revenue of the Group declined by 16.6 percent caused primarily by lower sales from the Group's diesel engines unit ("Yuchai"). Foreign exchange effect from the stronger Singapore dollar against the Renminbi accounted for 5 percent of the total decline in sales revenue. These were partly compensated by marginally better unit sales from the Group's consumer products unit ("Xinfei") and higher sales of ready-mix concrete at higher selling prices, the latter reflecting the 2.6 percent year-on-year growth in the building activities in the Singapore residential segment. Prices of cement sold in Malaysia were also better than 1Q 2010. Sales of the Group's industrial packaging unit ("Rex") fell on lower business volume but more green technology pallets ("GPac") were sold.

Demand for white goods continues to grow in China and this was reflected in the 5 percent increase in unit sales achieved by Xinfei in 1Q 2011. However selling prices came under pressure as the products qualified under the fourth tender rural subsidy program for electrical appliances expired in March 2011. As a result, the higher unit sales of white goods did not translate to a proportionate increase in sales revenue for Xinfei.

Sales of diesel engines did not reach the same level as 1Q 2010 due to lower demand for trucks and buses. The cessation of the various Chinese government subsidy schemes, measures to combat automobile growth and rising fuel costs also had a dampening effect on diesel engine sales. However, selling prices in 1Q 2011 were generally higher than 1Q 2010 and this helped to cushion the effect of volume decline.

Gross profit fell by 14.4 percent year-on-year, 2.2 percentage points lower than the fall in sales revenue. Foreign exchange effect from the stronger Singapore dollar accounted for 5.1 percent of the total decrease in gross profit. Higher raw material and labour costs as well as lower average unit selling price significantly affected the performance of Xinfei and lower unit sales depressed gross profit of Yuchai. A combination of lower volume and selling prices affected the gross profit of Rex. The write-back of provision for onerous contracts and impairment charges on property, plant and equipment had a favourable impact on the gross profit of the Group's building materials unit ("BMU").

Other income in 1Q 2010 included a $2.4 million gain from the sale of a factory building in Ang Mo Kio and a write-back of a $0.9 million claim by a supplier. In 1Q 2011, other income included $0.3 million of fees received from PT Rexplast. Other than these factors, other income in the two comparative periods comprised essentially interest income, largely from bank deposits.

Total operating expenses were favourably affected by the stronger Singapore dollar against Renminbi to the tune of $11.7 million.

Selling and distribution ("S&D") expenses fell and this was primarily attributed to lower volume-related and performance-related expenses incurred by Yuchai as well as lower freight charges incurred by Rex. However, Xinfei had to incur higher costs to incentivize dealers and Yuchai had to provide for higher allowance for doubtful debts.

Continued investments in skilled manpower as well as increased use of third party consultants by both Yuchai and Xinfei resulted in an increase in research and development expenses.

Arising from lower profitability, both Xinfei and Yuchai accrued lower performance-related staff costs which would have lowered general and administrative expenses ("G&A") but for the higher depreciation expense on fair value adjustments on assets relating to the hospitality industry which were acquired by the Group. This had resulted in marginally higher G&A expenses in 1Q 2011.

Finance costs rose from higher bill discounting activity and issuance of corporate bonds by Yuchai as well as higher interest rates in China.

About $14 million of share of profit from associates ("Associates Profit") came from prior years' earnings of two associates of Tasek Corporation Berhad ("TCB"), $1.8 million coming from 1Q 2011 earnings of the two associates and the balance of $0.3 million from another associate of BMU in Singapore. The Group's interests in the two associates of TCB were previously considered for disposal and were accordingly treated as 'Assets classified as held-for-sale'. However the divestment plan had since been aborted and as such the investments are now considered as associates. At year end, the Group will review the materiality of the Associates Profit in relation to the Group's pre-tax profit for FY 2011 to determine if prior year adjustment is required.

A Malaysian subsidiary had accrued $4.1 million tax refund in 1Q 2011. The effective tax rate in 1Q 2011 was higher than that of 1Q 2010 as the former had a higher proportion of income from non-China source. Non-China sourced income had a higher effective tax rate compared to China-sourced income.

Working Capital and Cash Flow

The issuance of RMB1 billion in corporate bonds by Yuchai had a positive impact on the cashflow for the Group as at the end of March 2011.

However, a sharp fall in profits, before accounting for the Group's share of profits from associates, and a steeper decline in trade and bills payables compared to the decline in trade and bills receivable resulted in a negative cashflow from operating activities. The high interest rates and curbs in bank lending in China collectively resulted in a reduction in suppliers' credit which in turn reduced funding from this source. Sales revenue for 1Q 2010 grew much faster than the preceding quarter compared to the similar comparison for 1Q 2011 and this resulted in a slower rate of increase in trade and other receivables which had a positive impact on cashflow.

Profit for the quarter was affected particularly by weak performances from Xinfei and Yuchai for reasons explained in the preceding section. Diesel sales were exceptionally strong in 1Q 2010 which did not recur in 1Q 2011. Although demand for white goods has grown year-on-year, pricing pressure, high commodity costs and expenses incurred in incentivizing dealers affected its performance. This has resulted in Xinfei incurring a loss in 1Q 2011.

Cashflow from investing activities increased as ongoing payments were made by Yuchai for the research centre in Nanning and the second phase of the foundry project for capacity expansion as well as investments in other capacity expansion and quality enhancement assets.

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

None.

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

The Chinese economy is expected to continue to post growth although measures to control inflation are likely to have an adverse impact on domestic trading activities.

The rural subsidy program for electrical appliances in three of the provinces in China is expected to cease this year and the rest in 2012. The electrical appliance market should continue to expand with the acceleration of purchases of electrical appliances in those three provinces which should see better sales by Xinfei in the second quarter of ("2Q") 2011. Growth may however, be moderated by inflationary fears which may cause consumers to defer non-essential purchases, notwithstanding that disposable income, as a whole, has risen in China. However, the downsides to this positive development, viz., (1) the trade is unlikely to carry as much inventories as they have done in the past due to higher interest cost, and (2) the inability of the trade to fully sell off electrical appliances which qualified under the fourth tender rural subsidy program (which subsidy expired on 15 March 2011) are expected to put pressure on Xinfei to offer discounts and other incentives to assist dealers to dispose those goods that no longer qualify for the subsidy.

Sales of diesel engines are expected to improve in 2Q 2011 as inventories are being depleted but as in white goods, increased business costs may affect engine demand.

Rising commodity costs will have an effect on the profitability of Xinfei and Yuchai as well as Rex.

With signs of lower granite and aggregate prices, biddings by subcontractors are likely to become more competitive again. Project delays, which happened in 1Q 2011, will translate to a challenging year for the precast concrete business of BMU. Cement prices in Malaysia have increased. Sales of cement are unlikely to be affected in the near term despite a scheduled plant maintenance program in 2Q 2011.

Barring unforeseen circumstances including any change in policies of the Chinese government and any adverse change in the business climate, the Group expects to operate profitably in the next quarter and in the current financial year.

As part of the Group's efforts to grow its businesses and enhance shareholders' value, the Group continues to explore investment and divestment opportunities. As and when these opportunities materialize, appropriate announcements will be made.

Negotiations with certain parties to dispose the Group's interest in the quarry on Karimun Island are ongoing.

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.

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

13. 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.

14. 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.

15. A breakdown of sales.

Not applicable.

16. Interested persons transactions

No interested persons transactions (IPT) were concluded under the Company's IPT Mandate for the quarter ended 31 March 2011.

BY ORDER OF THE BOARD

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

12 May 2011

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 2011 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Beng
Chairman

Kwek Leng Peck
Director & Acting CEO

12 May 2011