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

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2012

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") 2012. These figures have not been audited. Certain comparative figures for 1Q 2011 have been restated to be consistent with the classification for 1Q 2012.

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

1(a)(i) Income statement

	Group		
	1Q 2012	1Q 2011 (restated)	+/-
	$'000	$'000	%
Continuing operations			
Revenue	1,098,368	1,245,639	-11.8%
Cost of sales	(854,310)	(953,673)	-10.4%
Gross profit	**244,058**	**291,966**	**-16.4%**
Other income	18,611	5,925	214.1%
Selling and distribution expenses	(111,085)	(141,413)	-21.4%
Research and development costs	(20,186)	(18,556)	8.8%
General and administrative expenses	(43,287)	(52,215)	-17.1%
Finance costs	(23,424)	(14,347)	63.3%
Profit from continuing operations	**64,687**	**71,360**	**-9.4%**
Share of profit of associates and jointly-controlled entity, net of tax	1,930	2,174	-11.2%
Profit before income tax from continuing operations	**66,617**	**73,534**	**-9.4%**
Income tax expense	(12,987)	(11,943)	8.7%
Profit from continuing operations, net of tax	**53,630**	**61,591**	**-12.9%**
Discontinued operations			
Profit from discontinued operations, net of tax	-	34	NM
Profit for the period	**53,630**	**61,625**	**-13.0%**
Attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax	13,925	18,512	-24.8%
Profit from discontinued operations, net of tax	-	6	NM
	13,925	**18,518**	**-24.8%**
Non-controlling interests			
Profit from continuing operations, net of tax	39,705	43,079	-7.8%
Profit from discontinued operations, net of tax	-	28	NM
	39,705	**43,107**	**-7.9%**

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

	Group		
	1Q 2012	1Q 2011	+/-
Profit from operations include the following:	**$'000**	**$'000**	**%**
Loss on disposal of property, plant and equipment	(525)	(156)	236.5%
Impairment losses (recognised)/written back on property, plant and equipment, development properties and assets classified as held-for-sale [(1)]	(599)	2,311	NM
Impairment losses recognised for trade and other receivables	(225)	(4,090)	-94.5%
Allowance written back for inventories write down	1,241	3,458	-64.1%
Depreciation and amortisation	(28,289)	(34,699)	-18.5%
Foreign exchange gain	4,422	1,950	126.8%

NM: Not meaningful

(1) Impairment losses in 1Q 2012 was mainly related to the Group's hospitality business in China. Impairment losses written back in 1Q 2011 related to property, plant and equipment of the steel fabrication unit and the Group's development properties in Malaysia.

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 under provision of $1,582,000 in 1Q 2012 and over provision of $4,128,000 in 1Q 2011 in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	Group 1Q 2012 $'000	1Q 2011 (restated) $'000	+/- %
Profit for the period	**53,630**	**61,625**	**-13.0%**
Other comprehensive income			
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(35,241)	(39,815)	-11.5%
Net fair value changes	(1,154)	1,380	NM
Total other comprehensive income for the period, net of tax	**(36,395)**	**(38,435)**	**-5.3%**
Total comprehensive income for the period	**17,235**	**23,190**	**-25.7%**
Attributable to:			
Owners of the Company	5,894	6,083	-3.1%
Non-controlling interests	11,341	17,107	-33.7%
Total comprehensive income for the period	**17,235**	**23,190**	**-25.7%**
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax	5,894	6,077	-3.0%
Total comprehensive income from discontinued operations, net of tax	-	6	NM
Total comprehensive income for the period attributable to owners of the Company	**5,894**	**6,083**	**-3.1%**

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.

	Group		Company	
$'000	**31.3.2012**	**31.12.2011**	**31.3.2012**	**31.12.2011**
Non-current assets				
Property, plant and equipment	1,248,406	1,275,919	628	685
Land use rights	131,858	135,309	-	-
Intangible assets	72,077	72,117	523	603
Investment in subsidiaries	-	-	210,824	210,824
Interests in associates	63,512	61,449	13,726	13,726
Interests in jointly-controlled entities	23	23	-	-
Other investments	4,038	4,007	-	-
Deferred tax assets	101,450	101,352	7	7
Non-current receivables	7,417	5,684	-	-
	1,628,781	**1,655,860**	**225,708**	**225,845**
Current assets				
Other investments	10,426	9,265	16	16
Inventories	755,228	733,424	-	-
Development properties	11,312	11,390	-	-
Trade and other receivables	1,581,626	1,830,859	231,635	238,472
Cash and short-term deposits	1,152,951	1,208,450	1,628	1,913
Assets classified as held-for-sale	-	15,285	-	7,500
	3,511,543	**3,808,673**	**233,279**	**247,901**
Current liabilities				
Trade and other payables	1,939,430	1,936,819	26,614	19,030
Provisions	81,802	82,602	-	-
Loans and borrowings	668,083	964,080	119,848	142,993
Current tax payable	34,512	35,605	-	-
Liabilities classified as held-for-sale	-	7,635	-	-
	2,723,827	**3,026,741**	**146,462**	**162,023**
Net current assets	**787,716**	**781,932**	**86,817**	**85,878**
Non-current liabilities				
Loans and borrowings	207,351	233,656	-	-
Deferred tax liabilities	43,129	42,047	27	27
Deferred grants	64,309	65,404	-	-
Retirement benefits	233	233	-	-
	315,022	**341,340**	**27**	**27**
Net assets	**2,101,475**	**2,096,452**	**312,498**	**311,696**
Capital and reserves				
Share capital	266,830	266,830	266,830	266,830
Reserves	589,359	587,387	45,668	44,866
	856,189	854,217	312,498	311,696
Non-controlling interests	1,245,286	1,242,235	-	-
Total Equity	**2,101,475**	**2,096,452**	**312,498**	**311,696**

Explanatory Notes to Statement of Financial Position

Group

- Reduction in trade and other receivables was primarily due to lower bills receivable as a result of bills maturing and discounting.

- The reduction in loans and borrowings (current liabilities) was largely due to repayment of the Rmb1 billion short term bonds and repayment of borrowings from banks.

- Reduction in non-current loans and borrowings was due to the reclassification of the loan by the Group's hospitality business in China to current liabilities.

Company

- Loans and borrowings were reduced by $23.1 million following the receipt of funds from the partial repayment of loan by a subsidiary in Malaysia and the remaining proceeds from the sale of Angkasa Hong Leong Pte Ltd (now known as Angkasa Amsteel Pte. Ltd.).

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

Amount repayable in one year or less, or on demand

As at 31.3.2012		As at 31.12.2011	
Secured	Unsecured	Secured	Unsecured
$105,405,471	$562,677,608	$181,258,962	$782,821,008

Amount repayable after one year

As at 31.3.2012		As at 31.12.2011	
Secured	Unsecured	Secured	Unsecured
$174,396,946	$32,954,100	$181,284,993	$52,371,133

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 2012 of $313,551,000 (31 December 2011: $408,755,000).

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 2012 $'000	1Q 2011 (restated) $'000
Operating activities		
Profit before tax from continuing operations	66,617	73,534
Profit before tax from discontinued operations	-	40
Profit before tax, total	66,617	73,574
Adjustments for:		
Share of profit of associates and jointly-controlled entities, net of tax	(1,930)	(2,174)
Cost of share-based payments	83	248
Depreciation and amortisation	28,289	34,699
Allowance written back for inventories written down	(1,241)	(3,458)
Impairment losses recognised for trade and other receivables	225	4,090
Impairment losses recognised/(written back) on property, plant and equipment, development property and assets classified as held-for-sale	599	(2,311)
Finance costs	23,424	14,347
Interest income	(5,058)	(3,708)
(Gain)/loss on disposal of:		
- associates	-	682
- property, plant and equipment	525	156
Fair value (gain)/loss on investments	(1,140)	1,347
Provision for warranties and other costs, net	19,085	17,967
Operating profit before working capital changes	129,478	135,459
Changes in working capital:		
Inventories	(35,702)	(53,069)
Trade and other receivables	204,237	(228,258)
Trade and other payables	55,139	45,385
Provisions utilised	(18,190)	(18,166)
Cash flows from/(used in) operations	334,962	(118,649)
Income tax paid	(14,226)	(2,572)
Cash flows from/(used in) operating activities	320,736	(121,221)
Investing activities		
Purchase of treasury shares in a subsidiary from non-controlling interests	(8,482)	-
Interest received	5,861	4,353
Royalty payments received	-	765
Purchase of:		
- property, plant and equipment	(24,747)	(40,659)
- land use rights	-	(13,347)
- intangible assets	(345)	(1,052)
- other investments	(5)	-
Proceeds from disposal of:		
- associates	-	102
- property, plant and equipment	912	386
- land use rights	-	367
- assets held-for-sale	7,650	-
Net cash flows used in investing activities	(19,156)	(49,085)
Financing activities		
Interest paid	(34,876)	(15,586)
Proceeds from borrowings	30,688	39,846
Proceeds from issuance of bonds	-	193,733
Release of fixed deposits pledged with banks	22	27
Proceeds from share issues	-	549
Grant received from government	761	14,034
Repayment in respect of borrowings	(134,545)	(47,731)
Repayment of obligation under finance leases	(3)	(5,065)
Redemption of short-term bonds	(199,467)	-
Net cash flows (used in)/from financing activities	(337,420)	179,807
Net (decrease)/increase in cash and cash equivalents	(35,840)	9,501
Cash and cash equivalents at beginning of the period	1,208,271	1,167,479
Effect of exchange rate changes on balances held in foreign currencies	(20,104)	(21,493)
Cash and cash equivalents at end of the period	1,152,327	1,155,487
Comprising:		
Fixed deposit, bank and cash balances	1,152,951	1,156,772
Less: Bank overdraft	(624)	(1,285)
	1,152,327	1,155,487

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	Discount/ (Premium paid) on acquisition of non-controlling interests $'000	Reserve of disposal group classified as held-for-sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
The Group												
Closing balance at 31 December 2010 (as previously stated)	**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**
Adjustment arising from reclassification of assets classified as held-for-sale	-	-	-	-	-	(5)	-	-	10,663	10,658	4,282	14,940
At 1 January 2011 (restated)	266,143	(28,672)	32,568	48,395	1,477	(47,274)	(1,451)	2,353	505,515	779,054	1,192,281	1,971,335
Total comprehensive income for the period	-	-	-	1,380	-	(13,815)	-	-	18,518	6,083	17,107	23,190
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Shares issued during the period	549	-	-	-	-	-	-	-	-	549	-	549
Cost of share-based payments	-	-	-	-	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	(61,089)	(1,451)	2,353	524,033	782,956	1,206,820	1,989,776
At 1 January 2012	266,830	(2,437)	33,802	46,760	2,047	(27,714)	11,146	-	523,783	854,217	1,242,235	2,096,452
Total comprehensive income for the period	-	-	-	(1,154)	-	(6,877)	-	-	13,925	5,894	11,341	17,235
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Cost of share-based payments	-	-	-	-	83	-	-	-	-	83	-	83
Transfer to statutory reserve	-	-	(3)	-	-	-	-	-	3	-	-	-
Effect of treasury shares in a subsidiary acquired from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,482)	(8,482)
Realisation of reserves upon disposal of assets classified as held-for-sale	-	882	-	-	-	(4,695)	-	-	-	(3,813)	-	(3,813)
Premium paid on acquisition of non-controlling interests	-	-	-	-	-	-	(192)	-	-	(192)	192	-
At 31 March 2012	266,830	(1,555)	33,799	45,606	2,130	(39,286)	10,954	-	537,711	856,189	1,245,286	2,101,475

Statement of Changes In Equity	**Share capital $'000**	**Capital reserve $'000**	**Fair value reserve $'000**	**Equity compensation reserve $'000**	**Accumulated profits $'000**	**Total equity $'000**
The Company						
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
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share issued during the period	549	-	-	-	-	549
Cost of share-based payments	-	-	-	248	-	248
At 31 March 2011	266,692	9,199	2	1,672	57,767	335,332
At 1 January 2012	266,830	9,199	-	1,994	33,673	311,696
Total comprehensive income for the period	-	-	-	-	719	719
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	-	-	-	83	-	83
At 31 March 2012	266,830	9,199	-	2,077	34,392	312,498

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

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

The Company did not hold any treasury shares as at 31 March 2012 and 31 March 2011.

There was no change in the Company's issued share capital during the three months ended 31 March 2012.

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 2012.

As at 31 March 2012, there were a total of 1,180,000 (31 March 2011: 1,745,200) 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	470,000
2011	$3.17	510,000
2011	$2.62	200,000
Total		1,180,000

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 2012 and 31 December 2011 was 373,908,559.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2012.

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 2011.

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 January 2012. Insofar as the Group is concerned, these revised accounting standards are effective on 1 January 2012 as 2012 is the first annual period for the Group subsequent to 1 January 2012. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 Disclosures - Transfer of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax - Recovery of Underlying Assets	1 January 2012

Except for the Amendments to FRS 12, the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 12 is described below.

<u>Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets</u>

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

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 2012**	**1Q 2011 (restated)**
(i) Based on the weighted average number of ordinary shares in issue (cts)	3.72	4.96
(ii) On a fully diluted basis (cts)	3.72	4.95

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	
	31.3.2012	**31.12.2011**	**31.3.2012**	**31.12.2011**
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 2012 and as at 31 December 2011 (cts)	228.98	228.46	83.58	83.36

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 in the Chinese economy is expected to soften further this year with an estimated GDP growth of 8.2% for 2012. While inflation concerns have subsided, it continues to be monitored closely in China. The PRC government had reduced the required reserve ratio for banks but liquidity is still very tight compared to the same period last year. Although 1Q 2012 interest rates had dropped compared to the fourth quarter ("4Q") of 2011, it remained high. Investment spending in trucks continued to moderate considerably as a result of liquidity squeeze and measures taken by the Chinese government. Subsidy programs targeted at the automobile sector in the rural areas are no longer in place. Competition in the home appliance segment had increased considerably due to market slowdown and excess capacity in the industry. In addition, the rural subsidy incentive programs implemented for home appliances were largely withdrawn.

Construction sectors in both Singapore and Malaysia continued to perform strongly this year as the Singapore government stepped up its building activities in the residential segment while Malaysia embarked on its new infrastructure program.

Sales revenue of the Group declined by 11.8% caused primarily by lower diesel engine sales ("Yuchai") and lower sales of refrigerators and freezers by the Group's white goods unit ("Xinfei") as a result of slowdown in the diesel engine and white goods industries. These were partly compensated by higher sales of the Group's building materials unit ("BMU"). Sales of the Group's industrial packaging unit ("Rex") improved marginally.

Demand for white goods in China sharply declined in 1Q 2012 and this has resulted in the decrease in sales in Xinfei for the quarter under review. The decline came mainly from the downturn in the industry and keen competition fueled by overcapacity. It was also affected by the expiry of the rural subsidy incentive program in many provinces as well as the slowdown in real estate industry as a result of the government actions to contain inflation.

Sales of diesel engines did not reach the same level as 1Q 2011 due to lower demand for engines used in trucks, industrial and agricultural applications. The demand has been on the decline since the second half of 2011 as a result of the PRC government's actions to contain inflation. The sluggish construction industry has also affected the demand for trucks. Based on "China Automobile Industry Newsletter of Production & Sales" issued by China Association of Automobile Manufacturers, total demand for all types of trucks (including diesel trucks) in 1Q 2012 declined compared to the same period last year. The decline was mostly in respect of the heavy trucks (those weighing more than 20 tons). However, demand for diesel buses has increased.

Sales at BMU (including Tasek) were better in 1Q 2012 as a result of the robust growth in the construction industries in both Singapore and Malaysia.

Gross profit fell by 16.4%, and gross margin dropped by 1.2% from 23.4% in 1Q 2011 to 22.2% this year. This was due largely to the increase in costs, lower volume and shift in sales mix. Labour cost in China has been experiencing double digits increase over the last few years. Higher labour and production overheads per unit as a result of lower volume and lower average selling price affected the gross margin in Xinfei. Yuchai's gross margin was affected by the increase in labour cost, lower volume and shift in sales mix to lower margin 4-cylinder engines. Rex too was affected by the increase in labour cost in addition to the higher resin cost. BMU, while benefiting from better volume, had an increase in the cost of production overheads.

Increase in other income in 1Q 2012 came mainly from higher bank interest income, exchange gain and fair value gain for investment in Thakral Corporation Ltd.

Reduction in total operating expenses were mainly due to lower selling and distribution, general and administrative expenses resulting from lower sales in China.

Selling and distribution ("S&D") expenses fell primarily due to lower volume-related and performance-related expenses incurred by Yuchai, Xinfei and Rex particularly in sales incentives, delivery and warranty costs.

Research and development expenses increased slightly by $1.6 million due largely to the increase in consultancy fees and testing expenses incurred by Yuchai.

Both Yuchai and Xinfei recorded lower general and administrative expenses. The reduction in Yuchai came from lower depreciation, absence of impairment losses on development properties and lower staff costs. Xinfei's reduction came from lower consultancy fees and other taxes.

Finance costs rose significantly by 63.3% mainly due to higher interest rates in China as a result of tight liquidity control in 1Q 2012 compared to the same period last year.

Share of profit from associates dropped by $0.2 million compared to the same period last year.

The higher effective tax rate in 1Q 2012 versus 1Q 2011 mainly arose from over provision amounting to $4.1 million in 1Q 2011 and under provision of $1.6 million made in 1Q 2012 in respect of prior years' taxation.

Profit for the period for 1Q 2012 declined by 13.0% to $53.6 million mainly due to further losses incurred by Xinfei compared to the same period last year.

Working Capital and Cash Flow

As at the end of 1Q 2012, the Group had cash and short term deposit of $1.2 billion which was slightly lower than the end of last year.

During the quarter under review, the Group generated an operating cashflow of $320.7 million compared with a negative cash flow of $121.2 million for the same period last year. The improvement came mainly from the reduction in trade and other receivables in both Yuchai and Xinfei which came mainly from maturity and discounting of bills receivable. Liquidity is still very tight in China despite some loosening, hence interest rate remains high.

$24.7 million was incurred in the purchase of property, plant and equipment mainly for on-going projects during the quarter compared with $40.7 million for the same period last year. In addition, Tasek Corporation Berhad ("Tasek") purchased treasury shares during the quarter.

Cashflow used in financing activities was $337.4 million. During the period, the Group redeemed Rmb1 billion short term bonds and reduced bank borrowings.

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.

Although global economic prospects have improved, the global economic growth remains fragile as the Euro zone crisis yet to be resolved. Financial turmoil in Europe could still escalate in the region and spread globally. International Monetary Fund's ("IMF") forecast for 2012 global growth is around 3.3%. Eurozone economy is forecast to go into a mild recession in 2012 with a negative growth of 0.5%. The growth of US economy, on the other hand, is forecast at 2%. As a result of the worsening external environment, the economic growth of the countries in Asia where the Group operates in will likely to slow down compared to the previous year. China's economic growth is forecast to slow to 8.2% in 2012 compared to 9.2% last year. It is expected to achieve a soft landing. Singapore's economy is forecast to grow at a reduced rate of between 1.0% to 3.0% in 2012 compared to a growth rate of 4.9% in 2011. Malaysia's economic growth is expected to slow from 5.1% in 2011 to 4.4% this year.

Although the inflation concerns in China have subsided to some extent, liquidity remained tight even after the PRC government lowered the banks' reserve requirement ratio in the first quarter of 2012 to ease availability of credit. At the same time, interest rates continued to stay high. The process of leadership change is currently in progress. But until the new leadership team comes on board, it is not likely that major policy changes will take place during the transition period.

Operating costs in China have been on the uptrend and, in particular, there has been an increase in minimum wage across the country in recent years. Operating costs are expected to further increase as China continues to bring up the wages of low income workers.

Diesel engine industry continues to be challenging with the tight liquidity and high interest rates situation resulting from the Chinese government's measures. The shift in product mix to smaller engines is likely to continue into this year and the industry continues to see weaknesses in the truck industry. Weakness in the industrial application engines is starting to emerge as the Chinese government's measures take effect. The Chinese government's incentive to replace old appliances with new and the rural subsidy program had the effect of increasing the ownership rate of new appliances in the white goods industry. However, these incentive programs have largely been phased out and the industry remains challenging. On the other hand, Singapore government's plan to increase the construction of more flats and Malaysia government's plan to construct a new mass rapid transit system will help boost the building materials industries in both countries.

The Group has decided to exit the Green Packaging business as part of the on-going review of its businesses and to enhance shareholders' value. With the lack of regulatory framework in many countries to promote or prescribe the use of green packaging products, and given the long lead time required by customers for testing before accepting these products, this business had not been contributing positively to the Group as it has not been able to achieve economies of scale. The exit from the Green Packaging business is not expected to have any material financial impact on the Group.

In April 2012, the Group acquired Airwell Air-conditioning (Asia) Company Limited as part of the Group's 5-year strategic plan to move into high-value manufacturing. The Airwell acquisition complements the consumer appliance business of Xinfei and also diversifies the Group's manufacturing business to include the provision of commercial heating, ventilation, and air-conditioning ("**HVAC**") systems.

At the same time, the Group had also acquired the "Fedders" brand, which will allow the Group to capitalise on its manufacturing expertise to gain a global profile for its consumer appliances including air-conditioners under the internationally recognized "Fedders" brand.

Barring any unforeseen circumstances including any change in policies of the Chinese government and any adverse change in the business climate, the Group expects to remain profitable 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 will continue to explore investment and divestment opportunities. As and when these opportunities materialize, appropriate announcements will be made.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

13. Interested persons transactions

No interested persons transactions (IPT) were concluded under the Company's IPT Mandate for the quarter ended 31 March 2012.

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.

BY ORDER OF THE BOARD

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

15 May 2012

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 2012 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Beng Chairman	**Francis Yuen Kin Pheng** Director & CEO

15 May 2012