

Unaudited First Quarter Financial Statement For The Period Ended 31 March 2015

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") 2015. These figures have not been audited or reviewed.

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

1(a)(i) Income statement

	Group		
	1Q 2015	1Q 2014	+/-
	\$'000	\$'000	%
Revenue	1,085,309	1,253,106	-13.4%
Cost of sales	(867,506)	(1,012,099)	-14.3%
Gross profit	217,803	241,007	-9.6%
Other income	5,735	10,137	-43.4%
Selling and distribution expenses	(97,891)	(104,938)	-6.7%
Research and development costs	(27,725)	(24,690)	12.3%
General and administrative expenses	(44,321)	(40,141)	10.4%
Finance costs	(12,091)	(15,444)	-21.7%
Profit from operations	41,510	65,931	-37.0%
Share of results of associates and joint ventures, net of tax	(650)	(481)	35.1%
Profit before income tax	40,860	65,450	-37.6%
Income tax expense	(13,513)	(15,984)	-15.5%
Profit for the period	27,347	49,466	-44.7%
Attributable to:			
Owners of the Company	4,691	13,267	-64.6%
Non-controlling interests	22,656	36,199	-37.4%
	27,347	49,466	-44.7%

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

Profit before income tax include the following:	Group		+/- %
	1Q 2015 \$'000	1Q 2014 \$'000	
Loss on disposal of property, plant and equipment and land use rights ⁽¹⁾	(955)	(100)	855.0%
Reversal of impairment losses on property, plant and equipment ⁽²⁾	-	172	NM
Impairment losses recognised for trade and other receivables, net ⁽³⁾	(210)	(1,011)	-79.2%
Allowance made for inventories obsolescence, net ⁽⁴⁾	(157)	(290)	-45.9%
Depreciation and amortisation ⁽⁵⁾	(34,279)	(30,055)	14.1%
Foreign exchange gain, net ⁽⁶⁾	1,315	1,360	-3.3%
Fair value loss on derivatives ⁽⁷⁾	(1,874)	(301)	522.6%

NM: Not meaningful

(1) Loss on disposal of property, plant and equipment in 1Q 2015 and 1Q 2014 were attributed mainly to the Group's diesel engines unit ("Yuchai").

(2) Reversal of impairment losses in 1Q 2014 was related to Yuchai.

(3) In 1Q 2015, Yuchai made lower impairment losses for trade and other receivables. This was partially offset by write-back of allowance for impairment losses by the Group's consumer products unit ("Xinfei") mainly due to improved receivables ageing as management stepped up collection efforts.

In 1Q 2014, Yuchai made impairment losses for trade and other receivables.

(4) In 1Q 2015 and 1Q 2014, the allowance for inventories write-down was mainly recorded by Xinfei arising from stock obsolescence.

(5) The increase in depreciation and amortisation in 1Q 2015 as compared to 1Q 2014 was mainly due to additional capital expenditure on property, plant and equipment incurred in Yuchai.

(6) The net foreign exchange gain in 1Q 2015 was mainly due to revaluation of the Singapore dollar ("SGD") denominated loan liability in Xinfei as a result of the strengthening of the Renminbi ("RMB"). The gain was partially offset by foreign exchange loss arising from SGD denominated assets in Yuchai.

The net foreign exchange gain achieved in 1Q 2014 arose mainly from revaluation of monetary assets and liabilities due to the strengthening of the SGD vis-à-vis the RMB and the United States dollar ("USD") at the end of 1Q 2014.

(7) In 1Q 2015, fair value loss on derivatives was mainly related to Xinfei arising from coupon swap with range forward to hedge against foreign currency risk. The corresponding foreign exchange gain is reflected under Note (6) above.

In 1Q 2014, fair value loss on derivatives was mainly related to Yuchai, which was partially offset by fair value gain in Xinfei.

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 \$8,000 in 1Q 2015 (1Q 2014: under provision of \$3,000) in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	Group		
	1Q 2015	1Q 2014	+/-
	\$'000	\$'000	%
Profit for the period	27,347	49,466	-44.7%
Other comprehensive income			
Items that may be subsequently reclassified to Income statement			
Exchange differences on translation of financial statements of foreign subsidiaries, joint ventures and associated corporations	83,115	(58,746)	NM
Net fair value changes	(30)	53	NM
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	(64)	-	NM
Total other comprehensive income/(loss) for the period, net of tax	83,021	(58,693)	NM
Total comprehensive income/(loss) for the period	110,368	(9,227)	NM
Attributable to:			
Owners of the Company	28,368	(5,653)	NM
Non-controlling interests	82,000	(3,574)	NM
Total comprehensive income/(loss) for the period	110,368	(9,227)	NM

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	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
Non-current assets				
Property, plant and equipment	1,314,563	1,276,373	241	260
Land use rights	150,364	146,699	-	-
Intangible assets	100,956	99,543	228	240
Investment in subsidiaries	-	-	204,455	204,455
Interests in associates	62,155	62,055	13,726	13,726
Interests in joint ventures	58,350	57,692	-	-
Other investments	1,733	1,766	-	-
Deferred tax assets	108,913	101,683	11	11
Non-current receivables	8,822	7,741	-	-
Long-term bank deposits	4,436	-	-	-
	1,810,292	1,753,552	218,661	218,692
Current assets				
Other investments	4,881	4,878	1	1
Inventories	676,521	583,908	-	-
Development properties	6,541	7,108	-	-
Trade and other receivables	2,374,841	2,115,359	302,031	290,218
Cash and short-term deposits	758,338	796,775	1,609	1,968
Derivatives	-	12	-	-
	3,821,122	3,508,040	303,641	292,187
Current liabilities				
Trade and other payables	1,924,964	1,741,378	5,195	5,076
Provisions	81,468	80,102	-	-
Loans and borrowings	635,563	577,998	107,578	117,375
Current tax payable	18,005	17,599	14	54
Derivatives	3,288	1,426	-	-
	2,663,288	2,418,503	112,787	122,505
Net current assets	1,157,834	1,089,537	190,854	169,682
Non-current liabilities				
Loans and borrowings	378,344	371,709	60,000	60,000
Deferred tax liabilities	50,430	47,159	1,890	1,890
Deferred grants	72,507	69,675	-	-
Other non-current payables	29,255	28,042	-	-
Retirement benefits	266	283	-	-
	530,802	516,868	61,890	61,890
Net assets	2,437,324	2,326,221	347,625	326,484
Capital and reserves				
Share capital	266,830	266,830	266,830	266,830
Reserves	629,194	600,545	80,795	59,654
	896,024	867,375	347,625	326,484
Non-controlling interests	1,541,300	1,458,846	-	-
Total Equity	2,437,324	2,326,221	347,625	326,484

Explanatory Notes to Statement of Financial Position

Group

- The increase in non-current assets was mainly due to acquisition of property, plant and equipment by Yuchai, translation of assets arising from the strengthening of the RMB against the SGD in 1Q 2015 and placement of long-term bank deposits by Yuchai.
- The increase in current assets was mainly due to increased inventories holding and higher trade and other receivables as the Group had reduced its bills discounting which had higher interest rate in 1Q 2015.
- Current liabilities increased mainly due to higher trade and other payables (attributed largely to higher purchases in 1Q 2015 and slower repayment) and additional loans and borrowings in Yuchai for working capital.
- Non-current liabilities increased mainly due to translation of loans and borrowings arising from the strengthening of the RMB against the SGD in 1Q 2015.

Company

- Trade and other receivables increased mainly due to additional inter-company loans and advances granted to subsidiaries in 1Q 2015.
- Loans and borrowings decreased due to net settlement of loans and borrowings in 1Q 2015.

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

Amount repayable in one year or less, or on demand

As at 31.03.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
\$20,818,737	\$614,744,000	\$14,718,792	\$563,279,380

Amount repayable after one year

As at 31.03.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
\$90,043,595	\$288,300,145	\$92,704,509	\$279,004,131

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 2015 of \$115,970,000 (31 December 2014: \$111,024,000).

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 2015 \$'000	1Q 2014 \$'000
Operating activities		
Profit before tax	40,860	65,450
Adjustments for:		
Share of results of associates and joint ventures, net of tax	650	481
Cost of share-based payments	281	15
Depreciation and amortisation	34,279	30,055
Allowance recognised for inventories obsolescence	157	290
Impairment losses recognised for trade and other receivables	210	1,011
Impairment losses written back on property, plant and equipment	-	(172)
Property, plant and equipment written off	29	-
Finance costs	12,091	15,444
Interest income	(3,684)	(3,475)
(Gain)/loss on disposal of:		
- joint ventures	(76)	-
- property, plant and equipment	1,503	140
- land use rights	(548)	(40)
Fair value loss on investments	207	23
Fair value loss on derivatives	1,874	301
Provision for warranties and other costs, net	19,545	21,413
Operating profit before working capital changes	107,378	130,936
Changes in working capital:		
Inventories	(69,870)	(46,275)
Trade and other receivables	(177,727)	(283,350)
Trade and other payables	107,749	46,183
Provisions utilised	(21,273)	(17,457)
Cash flows used in operations	(53,743)	(169,963)
Income tax paid	(10,078)	(10,623)
Cash flows used in operating activities	(63,821)	(180,586)
Investing activities		
Acquisition of non-controlling interests in subsidiaries	-	(6,610)
Interest received	4,629	4,877
Release of short-term investment and restricted deposits	9,106	105,752
Purchase of:		
- property, plant and equipment	(27,750)	(33,672)
- intangible assets	(597)	(2,651)
Proceeds from disposal of:		
- joint ventures	385	-
- property, plant and equipment	966	375
- land use rights	980	281
Net cash flows (used in)/from investing activities	(12,281)	68,352
Financing activities		
Interest paid	(9,544)	(14,121)
Proceeds from borrowings	345,817	190,087
Grant received from government	1,364	108
Repayment in respect of borrowings	(308,788)	(258,502)
Repayment of obligation under finance leases	(351)	(277)
Net cash flows from/(used in) financing activities	28,498	(82,705)
Net decrease in cash and cash equivalents	(47,604)	(194,939)
Cash and cash equivalents at beginning of the period	740,542	842,877
Effect of exchange rate changes on balances held in foreign currencies	22,374	(17,520)
Cash and cash equivalents at end of the period	715,312	630,418
Comprising:		
Cash and short-term deposits	758,338	699,015
Less: Bank overdraft	(261)	-
Less: Short-term investment and restricted deposits	(42,765)	(68,597)
	715,312	630,418

The attributable net assets of a joint venture liquidated during the period are as follows:

	1Q 2015 \$'000	1Q 2014 \$'000
Cash	373	-
Net assets disposed	373	-
Gain on liquidation of a joint venture	76	-
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	(64)	-
Net cash inflow on liquidation of a joint venture	385	-

Comparatives

The following comparatives in the cash flow statement have been restated as follows:

1Q 2014	Note	As previously stated \$'000	Restatement \$'000	As restated \$'000
Depreciation and amortisation	(i)	25,774	4,281	30,055
Purchase of property, plant and equipment	(i)	(29,391)	(4,281)	(33,672)
Release of short-term investment and restricted deposits	(ii)	-	105,752	105,752
<i>Impact on net cash flows:</i>				
Operating		(184,867)	4,281	(180,586)
Investing		(33,119)	101,471	68,352
Financing		(82,705)	-	(82,705)
Net decrease in cash and cash equivalents		(300,691)	105,752	(194,939)
Cash and cash equivalents at beginning of the period	(ii), (iii)	983,305	(140,428)	842,877
Effect of exchange rate changes on balances held in foreign currencies	(iv)	(16,481)	(1,039)	(17,520)
Cash and cash equivalents at end of the period		666,133	(35,715)	630,418
Comprising:				
Cash and short-term deposits		699,015	-	699,015
Less: Short-term investment and restricted deposits		(32,882)	(35,715)	(68,597)
		666,133	(35,715)	630,418

Note:

The restatement and reclassification mentioned below did not have any impact to both the Financial Position of the Group as at 31 March 2014 and the Income Statement for the quarter then ended.

- (i) Disclosure of depreciation and purchase of property, plant and equipment in the cash flow statement was previously understated by \$4,281,000, affecting only the Disclosure Notes 1(a)(ii) Notes to the income statement and 1(c) Cash flow statement in the Company's financial result announcement for the quarter ended 31 March 2014. This had no effect on the financial performance as depreciation was correctly reflected in the Income Statement for 1Q 2014.
- (ii) As at 31 December 2013, Yuchai had restricted cash of RMB500 million relating to trade receivables which had been factored and fully settled by customers. The amount, which had previously been classified as part of the cash and cash equivalents, was reclassified as restricted cash as at 31 December 2013. The amount was fully released from the bank in 1Q 2014.
- (iii) The opening balance as at 1 January 2014 has been restated to reflect the following items:
 - (1) The restricted cash of RMB500 million mentioned in Note (ii) above;
 - (2) The fixed deposit of RMB110.5 million reclassified from cash and cash equivalents to short-term investment made by Yuchai;
 - (3) The deposits of RMB54.3 million pledged with the bank by Xinfei (which had previously been classified as part of the cash and cash equivalents).
- (iv) This is the effect of currency translation difference for the amount reclassified from cash and cash equivalents to short-term investment and restricted cash in Note (iii) above.

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 compensation reserve \$'000	Translation reserve \$'000	Discount on acquisition 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											
Closing balance as at 31 December 2013 (as previously stated)	266,830	(1,569)	34,896	45,525	2,390	(19,313)	13,173	499,347	841,279	1,384,550	2,225,829
Adjustment arising from change in accounting policy At 1 January 2014 (restated)	-	-	-	-	-	317	-	296	613	1,951	2,564
	266,830	(1,569)	34,896	45,525	2,390	(18,996)	13,173	499,643	841,892	1,386,501	2,228,393
Profit for the period	-	-	-	-	-	-	-	13,267	13,267	36,199	49,466
Other comprehensive income											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(18,973)	-	-	(18,973)	(39,773)	(58,746)
Net fair value changes of available-for-sale financial assets	-	-	-	53	-	-	-	-	53	-	53
Other comprehensive income for the period	-	-	-	53	-	(18,973)	-	-	(18,920)	(39,773)	(58,693)
Total comprehensive income for the period	-	-	-	53	-	(18,973)	-	13,267	(5,653)	(3,574)	(9,227)
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Cost of share-based payments	-	-	-	-	15	-	-	-	15	-	15
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests	-	-	-	-	-	-	2,251	-	2,251	(8,861)	(6,610)
At 31 March 2014	266,830	(1,569)	34,896	45,578	2,405	(37,969)	15,424	512,910	838,505	1,374,066	2,212,571
At 1 January 2015	266,830	293	35,321	45,579	2,872	(11,915)	17,204	511,191	867,375	1,458,846	2,326,221
Profit for the period	-	-	-	-	-	-	-	4,691	4,691	22,656	27,347
Other comprehensive income											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	23,739	-	-	23,739	59,376	83,115
Net fair value changes of available-for-sale financial assets	-	-	-	(30)	-	-	-	-	(30)	-	(30)
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	-	-	-	-	-	(32)	-	-	(32)	(32)	(64)
Other comprehensive income for the period	-	-	-	(30)	-	23,707	-	-	23,677	59,344	83,021
Total comprehensive income for the period	-	-	-	(30)	-	23,707	-	4,691	28,368	82,000	110,368
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Cost of share-based payments	-	-	-	-	281	-	-	-	281	454	735
At 31 March 2015	266,830	293	35,321	45,549	3,153	11,792	17,204	515,882	896,024	1,541,300	2,437,324

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 2014	266,830	9,199	2	2,337	39,258	317,626
Total comprehensive income for the period	-	-	-	-	229	229
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	-	-	-	15	-	15
At 31 March 2014	266,830	9,199	2	2,352	39,487	317,870
At 1 January 2015	266,830	9,199	-	2,397	48,058	326,484
Total comprehensive income for the period	-	-	-	-	21,127	21,127
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	-	-	-	14	-	14
At 31 March 2015	266,830	9,199	-	2,411	69,185	347,625

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 2015, 31 December 2014 and 31 March 2014.

There was no change in the Company's issued share capital during the three months ended 31 March 2015.

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 2015.

As at 31 March 2015, there were a total of 1,670,000 (31 March 2014: 1,470,000) unissued shares under option 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	460,000
2014	\$1.31	540,000
2015	\$1.45	200,000
Total		1,670,000

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 2015 and 31 December 2014 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 2015.

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 2014.

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.**

There has been no change in the accounting policies and methods of computation adopted by 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	
	1Q 2015	1Q 2014
Earnings per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	1.25	3.55
(ii) On a fully diluted basis (cts)	1.25	3.55

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	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
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 2015 and as at 31 December 2014 (cts)	239.64	231.98	92.97	87.32

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.

1Q 2015 versus 1Q 2014

Revenue for the Group decreased from \$1.3 billion in 1Q 2014 to \$1.1 billion for the quarter under review, a decline of 13.4%. The decrease was mainly due to lower revenue from the Group's business units except the building materials unit ("BMU"). Profit attributable to the owners of the Company ("PATMI") for the quarter under review dipped to \$4.7 million from \$13.3 million in 1Q 2014. The decrease was mainly due to lower profit from the diesel engines unit ("Yuchai") and higher losses incurred by the consumer products unit ("Xinfei").

- Revenue of Xinfei continued to be affected by the weaker property market in China, keen competition and over capacity in the industry which led to lower sales for Xinfei in 1Q 2015. Unit sales were lower by 17.3% as compared to the same period last year. As a result, Xinfei's revenue declined by 20.2% in 1Q 2015 compared to 1Q 2014.
- Revenue of Yuchai for 1Q 2015 decreased by 14.9% compared to 1Q 2014. The total number of engines sold by Yuchai during 1Q 2015 was 105,046 units compared with 151,909 units in the same quarter of 2014, representing a decrease of 46,863 units or 30.8%. This was mainly due to the weak commercial vehicle market and economic slowdown in China in 1Q 2015. According to the China Association of Automobile Manufacturers ("CAAM"), commercial vehicle sales (excluding gasoline-powered vehicles) declined by 25.6% in the first quarter of 2015 to 618,329 units, and total truck sales declined 29.2% and heavy-duty truck sales decreased by 33.7% compared to the first quarter of 2014. China Yuchai International Limited ("CYI"), a subsidiary of the Company which is listed on the New York Stock Exchange, had released the above information in a Form 6K filing with the United States Securities and Exchange Commission on 29 April 2015, and informed that it will be releasing its full unaudited financial results for the first quarter ended 31 March 2015 on 7 May 2015.
- Revenue of BMU for 1Q 2015 increased by 2.9% as compared to 1Q 2014 due to the higher contribution from its Precast division.
- Revenue of the industrial packaging unit ("Rex") for 1Q 2015 declined by 13.5% as compared to 1Q 2014. The demand from existing customers remains weak.
- Revenue of the air-conditioning systems unit ("Airwell") for 1Q 2015 declined by 7.4% as compared to 1Q 2014 mainly due to lower domestic and export sales.

The Group's profit margin for 1Q 2015 improved to 20.1% as compared to 19.2% for 1Q 2014 despite the lower revenue, due to reduction in raw material costs. The raw material costs as a percentage of sales for the Group reduced by 2.7% as compared to 1Q 2014. However, the overhead costs as a percentage of sales increased by 1.8% as a result of lower sales as compared to 1Q 2014. The gross profit margins of Yuchai and BMU improved while gross margins of other business units were marginally lower compared to 1Q 2014.

Other income for 1Q 2015 decreased by \$4.4 million as compared to 1Q 2014 mainly due to fair value loss on derivative transaction arising from Xinfei's hedging and loss on disposal of property, plant and equipment in Yuchai.

Selling and distribution expenses for 1Q 2015 decreased by \$7.0 million or 6.7% compared to 1Q 2014. This was mainly due to lower expenses incurred by Yuchai relating to warranty, outward freight and doubtful debts provisions.

Research and development expenses for 1Q 2015 increased by \$3.0 million or 12.3% compared to 1Q 2014 due mainly to higher research and experimental costs incurred by Yuchai.

General and administration expenses for 1Q 2015 increased by \$4.2 million or 10.4% compared to 1Q 2014 due to higher depreciation and staff cost incurred by Yuchai but partially offset by lower staff costs incurred by Xinfei.

Finance costs for 1Q 2015 decreased by \$3.4 million or 21.7% as compared to 1Q 2014 due mainly to lower interest costs incurred by Xinfei and BMU.

Share of losses of associates and joint ventures, net of tax increased by \$0.2 million compared with 1Q 2014 due to lower profit from associates of BMU and losses incurred by associates and joint ventures of Yuchai in 1Q 2015.

The lower income tax expense for 1Q 2015 compared to 1Q 2014 was due mainly to lower tax provision by Yuchai as a result of lower profit.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$758.3 million at the end of 1Q 2015 compared with \$796.8 million as at 31 December 2014.

During the quarter under review, the net cash outflow from operating activities was \$63.8 million. The Group generated cash from operating activities of \$107.4 million before working capital changes, which was used to finance the increase in inventories and trade and other receivables. This was offset by higher trade and other payables at quarter-end.

The cash outflow from investing activities was related mainly to the purchase of property, plant and equipment amounting to \$27.8 million.

The Group had net cash inflow from financing activities of \$28.5 million for 1Q 2015 which was mainly due to net borrowings of \$37.0 million, offset by interest payment of \$9.5 million. During the quarter under review, the Group increased its borrowings to finance the deficit in cash flow from operating activities.

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

None.

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

China achieved GDP growth of 7.0% for the first quarter of 2015 as compared to 7.4% for the full year of 2014. The figure is in line with the Chinese government's forecast of about 7% for the year 2015 versus International Monetary Fund's projection of 6.8%. Based on the advance estimates, Singapore's economy grew by 2.1% in the first quarter of 2015 against 2.9% in 2014.

China will continue to face structural risks well into 2015 as many sectors including steel, cement and glass are threatened by falling commodity prices, inherent industrial sector overcapacity, slump in the property sector and high corporate debt. China has embarked on a "new normal" growth model led by more sustainable investments and higher proportion of domestic consumption in the GDP. The slower growth has caused the Chinese government to ease its monetary policy by cutting interest rates and loosening bank reserve requirement ratio.

The commercial vehicle industry in China has seen a decline of 25.6% in unit sales volume of commercial vehicles (excluding gasoline-powered vehicles) for 1Q 2015, and may continue to be affected by the economic slowdown in China.

The white goods industry in China relating to consumer appliances remains challenging amidst issues on overcapacity, intensified competition and lower consumer demand. These challenges will continue to impact for the remainder of the current year. New marketing and advertising strategies had been implemented and will be intensified during the peak season in the next few months.

In Singapore, the construction industry expanded by 3.3% in 1Q 2015 against 3.0% in year 2014. The growth was driven by a pick-up in private sector construction activities. It is unclear if this surprise rebound in the private sector construction activity can be sustained for the rest of the year given the tight foreign manpower constraints. Public sector projects will remain the key demand drivers for the construction sector for 2015. According to the Building and Construction Authority (BCA), the construction sector is still expected to secure contracts worth \$29.0 billion to \$36.0 billion in 2015 as compared to \$37.7 billion in 2014. The outlook for the construction sector in Malaysia is expected to remain positive. The ongoing government MRT projects and LRT line extensions are expected to continue to lead the construction sector's growth for 2015 and this will be positive for the operations of the Group's subsidiary, Tasek Corporation Berhad.

Since 2014, Rex has shifted its focus towards developing its customer base for household chemicals and plastic pail business. However, the plastic business will remain difficult and challenging in China.

Airwell will continue to appoint new dealers to broaden its domestic market customers and to secure projects through its existing project consultants. As for the export market, it will continue to identify and secure orders from new OEM customers in Europe.

With more than 85% of the Group's revenue generated from China in 2014, the growth prospect of the Chinese economy would have critical influence on the Group. The Group will continue to monitor market movements closely and exercise cost discipline in all business areas. Management of working capital, cash flow and personnel resources remain critical under current business conditions.

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/recommendeded, a statement to that effect.

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

13. Interested person transactions

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the quarter ended 31 March 2015.

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

30 April 2015

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 2015 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Beng
Chairman

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

30 April 2015