

Unaudited Full Year Financial Statement And Dividend Announcement For The Year Ended 31 December 2016

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

The Board of Directors announces the results of the Group for the year ended 31 December ("FY") 2016. These figures have not been audited or reviewed.

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

1(a)(i) Income statement

	FY 2016 \$'000	Group FY 2015 \$'000 (Restated)	+/- %
Revenue	3,724,759	4,082,728	-8.8%
Cost of sales	(2,959,812)	(3,229,428)	-8.3%
Gross profit	764,947	853,300	-10.4%
Other income	32,955	36,293	-9.2%
Selling and distribution expenses	(360,165)	(423,200)	-14.9%
Research and development costs	(132,894)	(123,108)	7.9%
General and administrative expenses	(193,250)	(201,992)	-4.3%
Finance costs	(34,740)	(43,387)	-19.9%
Other expenses	(17,409)	(18,338)	-5.1%
Profit from operations	59,444	79,568	-25.3%
Share of results of associates and joint ventures, net of tax	1,907	1,673	14.0%
Profit before income tax	61,351	81,241	-24.5%
Income tax expense	(38,522)	(72,191)	-46.6%
Profit for the year	22,829	9,050	152.3%
Attributable to:			
Owners of the Company	(71,246)	(60,731)	17.3%
Non-controlling interests	94,075	69,781	34.8%
	22,829	9,050	152.3%

Note: The Group's business is largely in China. For the year ended 31 December, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB4.8222 = SGD1.00 for FY2016 and RMB4.5781 = SGD1.00 for FY2015. For FY2016, RMB depreciated about 5.3% as compared to FY2015.

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

Profit before income tax include the following:	Group		+/- %
	FY 2016 \$'000	FY 2015 \$'000	
Loss on disposal of property, plant and equipment and land use rights ⁽¹⁾	(3,292)	(2,642)	24.6%
Impairment losses on property, plant and equipment and intangible assets ⁽²⁾	(17,758)	(16,201)	9.6%
Impairment losses recognised for trade and other receivables, net ⁽³⁾	(842)	(10,626)	-92.1%
Allowance made for inventories obsolescence, net ⁽⁴⁾	(390)	(12,557)	-96.9%
Depreciation and amortisation ⁽⁵⁾	(136,373)	(144,690)	-5.7%
Foreign exchange loss, net ⁽⁶⁾	(3,310)	(9,038)	-63.4%
Fair value (loss)/gain on derivatives, net ⁽⁷⁾	(95)	3,689	NM
Interest expense ⁽⁸⁾	(33,482)	(41,792)	-19.9%
Interest income ⁽⁹⁾	16,071	14,069	14.2%
Loss on disposal of subsidiary ⁽¹⁰⁾	-	(2,981)	NM
Write-off of property, plant & equipment ⁽¹¹⁾	(339)	(1,245)	-72.8%

NM: Not meaningful

- (1) Loss on disposal of property, plant and equipment and land use rights, net in FY2016 and FY2015 was attributed mainly to the diesel engines unit (“Yuchai”) and consumer products unit (“Xinfei”). This was partially offset by gain on disposal of property, plant and equipment by the building materials unit (“BMU”).
- (2) Impairment losses in FY2016 were mainly related to intangible assets in Xinfei and the air-conditioning systems unit (“Airwell”) and plant and equipment in Airwell. Impairment losses in FY2015 were mainly related to plant and equipment in Yuchai and intangible assets in Yuchai, Xinfei and Airwell.
- (3) Impairment losses for trade and other receivables, net in FY2016 was lower than FY2015. This was mainly due to reversal of allowance for trade receivables in Yuchai. Impairment losses for trade and other receivables, net in FY2015 were attributed mainly to Yuchai, Xinfei and BMU.
- (4) Allowance for inventories obsolescence, net in FY2016 was mainly attributed to Xinfei’s provision for stock obsolescence. This was partially offset by reversal of allowance for inventories obsolescence by Yuchai. Allowance for inventories obsolescence, net in FY2015 was mainly recorded by Yuchai, Airwell and Xinfei.
- (5) Depreciation and amortisation recorded in FY2016 were comparable to FY2015.
- (6) Net foreign exchange loss in FY2016 was mainly due to revaluation of SGD denominated liabilities in Xinfei. This was partially offset by reclassification of revaluation losses (relating to inter-company loans re-designated as quasi-equity loans) to equity.

The net foreign exchange loss in FY2015 was mainly due to revaluation of Euro denominated loan liability in Yuchai and SGD loan from a subsidiary of China Yuchai International Limited (“CYI”) to HL Global Enterprises Limited (“HLGE”).
- (7) Net fair value loss on derivatives in FY2016 arose from forward foreign exchange contracts in Xinfei and Yuchai. Net fair value gain on derivatives in FY2015 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.
- (8) The decrease in interest expense in FY2016 was mainly due to lower borrowings in Yuchai.
- (9) The increase in interest income in FY2016 was mainly due to higher interest income from bank deposits in Yuchai.

(10) Loss on disposal of subsidiary in FY2015 arose from the disposal of Guangxi Yuchai Machinery Company Limited's entire shareholding interest in Xiamen Yuchai Diesel Engines Co., Ltd. ("Xiamen Factory"). In relation to this disposal of subsidiary, the Group also recorded gain on disposal of plant and equipment of \$0.2 million and write-off of certain plant and equipment of \$1.0 million, which were reflected in Note (1) and Note (11) respectively.

(11) Write-off of property, plant and equipment in FY2015 mainly arose from the disposal of Xiamen Factory as mentioned in Note (10) above.

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

In 2016, the Group's tax charge included a write-back of over provision of \$478,000 for prior years (2015: over provision of \$646,000). In 2015, there was a reversal of deferred tax assets by Xinfei and a subsidiary of Yuchai of \$16.3 million and \$11.2 million, respectively.

1(a)(iv) Statement of Comprehensive Income

	Group		
	FY 2016	FY 2015	+/-
	\$'000	\$'000	%
		(Restated)	
Profit for the year	22,829	9,050	152.3%
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	(70,481)	1,918	NM
Net fair value changes of available-for-sale financial assets	16	(349)	NM
Exchange differences on monetary items forming part of net investment in foreign entities	(4,416)	-	NM
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	-	(64)	NM
Total other comprehensive (loss)/income for the year, net of tax	(74,881)	1,505	NM
Total comprehensive (loss)/income for the year	(52,052)	10,555	NM
Attributable to:			
Owners of the Company	(97,694)	(72,469)	34.8%
Non-controlling interests	45,642	83,024	-45.0%
Total comprehensive (loss)/income for the year	(52,052)	10,555	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	
	31.12.2016	31.12.2015 (Restated)	31.12.2016	31.12.2015
Non-current assets				
Property, plant and equipment	1,111,296	1,219,741	126	325
Land use rights	133,640	141,129	-	-
Intangible assets	68,177	84,789	152	192
Investment in subsidiaries	-	-	202,955	204,455
Interests in associates	48,339	53,210	13,726	13,726
Interests in joint ventures	36,646	57,282	-	-
Investment property	1,516	1,602	-	-
Other investments	1,434	1,425	-	-
Deferred tax assets	62,363	75,987	-	15
Non-current receivables	6,645	10,205	171,118	103,184
Long-term deposits	-	12,924	-	-
	1,470,056	1,658,294	388,077	321,897
Current assets				
Inventories	464,979	524,799	-	-
Development properties	4,858	4,870	-	-
Trade and other receivables	1,780,587	1,919,677	225,841	226,153
Other investments	2,543	2,592	-	-
Derivatives	-	3,340	-	-
Cash and short-term deposits	1,033,698	1,013,189	2,482	11,199
Assets of disposal group classified as held for sale	18,397	-	-	-
	3,305,062	3,468,467	228,323	237,352
Total assets	4,775,118	5,126,761	616,400	559,249
Current liabilities				
Trade and other payables	1,736,182	1,681,031	5,201	5,562
Provisions	69,659	70,063	-	-
Loans and borrowings	533,434	921,533	182,142	202,006
Current tax payable	10,817	13,554	8	40
Derivatives	29	-	-	-
	2,350,121	2,686,181	187,351	207,608
Net current assets	954,941	782,286	40,972	29,744
Non-current liabilities				
Loans and borrowings	167,010	62,373	140,000	-
Deferred tax liabilities	43,369	54,136	2,037	1,937
Deferred grants	68,585	75,153	-	-
Other non-current payables	28,420	24,844	-	-
Retirement benefit obligations	259	256	-	-
	307,643	216,762	142,037	1,937
Total liabilities	2,657,764	2,902,943	329,388	209,545
Net assets	2,117,354	2,223,818	287,012	349,704
Equity attributable to owners of the Company				
Share capital	266,830	266,830	266,830	266,830
Reserves	426,921	508,068	20,182	82,874
Reserve of disposal group classified as held for sale	4,685	-	-	-
	698,436	774,898	287,012	349,704
Non-controlling interests	1,418,918	1,448,920	-	-
Total Equity	2,117,354	2,223,818	287,012	349,704
Total equity and liabilities	4,775,118	5,126,761	616,400	559,249

Explanatory Notes to Statement of Financial Position

Group

- The decrease in non-current assets was mainly due to lower property, plant and equipment arising from translation of these assets as RMB weakened against the SGD in FY2016. This is because the functional currency for Yuchai's main operating unit in China and Xinfei is RMB whilst the Group reports in SGD. In addition, it was due to impairment of intangible assets and plant and equipment, as well as reduction in interest in joint venture, Copthorne Hotel Qingdao Co., Ltd ("CHQ"). CHQ was reclassified to assets held for sale in view of the proposed disposal of CHQ.
- The decrease in current assets was mainly due to lower trade and other receivables and lower inventories holding at year-end. This was partially offset by higher cash and short-term deposits and reclassification of interest held in CHQ to assets held for sale from non-current asset.
- The decrease in current liabilities was mainly due to reduction of short-term loans and borrowings of Yuchai, as Yuchai repaid its medium term bond and ultra short term bond in the second quarter of 2016. This was partially offset by increase in payables.
- The increase in non-current liabilities was mainly due to higher loans and borrowings by the Company.

Company

- The increase in non-current assets was mainly due to additional inter-company loans granted to subsidiaries in FY2016. This was partially offset by impairment losses of \$57.5 million recognised on inter-company loans and investment in subsidiaries in FY2016.
- The increase in long-term loans and borrowings was mainly due to the Company drawing down of a long-term financing facility in FY2016.

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

Amount repayable in one year or less, or on demand

As at 31.12.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$13,686,116	\$519,747,788	\$66,840,916	\$854,691,611

Amount repayable after one year

As at 31.12.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$27,010,452	\$140,000,048	\$55,373,145	\$7,000,243

Details of any collateral

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 31 December 2016 of \$65,774,000 (31 December 2015: \$160,103,000).

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

	FY 2016 \$'000	FY 2015 \$'000
Operating activities		
Profit before tax	61,351	81,241
Adjustments for:		
Share of results of associates and joint ventures, net of tax	(1,907)	(1,673)
Cost of share-based payments	1,107	2,344
Depreciation and amortisation	136,373	144,690
Allowance recognised for inventories obsolescence	390	12,557
Impairment losses recognised for trade and other receivables	842	10,626
Impairment losses recognised for property, plant and equipment and intangible assets	17,758	16,201
Write-back of allowance for anticipated losses on development properties	-	(650)
Property, plant and equipment written off	339	1,245
Finance costs	34,740	43,387
Dividend income from other investments	(240)	(44)
Interest income	(16,071)	(14,069)
Loss/(gain) on disposal of:		
- subsidiaries	-	2,981
- joint ventures	-	(76)
- property, plant and equipment	3,292	3,190
- land use rights	-	(548)
Fair value loss on investments	51	2,375
Fair value loss/(gain) on derivatives	95	(3,689)
Goodwill arising from acquisition of subsidiaries, written off	234	-
Provision for warranties and other costs, net	86,954	84,652
Operating profit before working capital changes	<u>325,308</u>	<u>384,740</u>
Changes in working capital:		
Inventories	41,842	45,588
Trade and other receivables	73,134	181,352
Trade and other payables	139,518	(73,743)
Provisions utilised	(85,257)	(95,770)
Cash flows from operations	<u>494,545</u>	<u>442,167</u>
Income tax paid	(40,419)	(45,091)
Cash flows from operating activities	<u>454,126</u>	<u>397,076</u>
Investing activities		
Acquisition of non-controlling interests in subsidiaries	(1,886)	(24,056)
Additional investment in a joint venture	(260)	(566)
Dividends received from:		
- associates and joint ventures	7,141	6,290
- other investments	240	44
Interest received	17,656	17,814
Placement of fixed deposits and restricted deposits	(3,749)	(30,924)
Purchase of:		
- property, plant and equipment	(88,431)	(131,687)
- intangible assets	(257)	(1,285)
Proceeds from disposal of:		
- subsidiaries, net of cash disposed	-	37,286
- joint ventures	-	385
- property, plant and equipment	558	17,212
- land use rights	-	983
- other investments	-	1
Net cash flows used in investing activities	<u>(68,988)</u>	<u>(108,503)</u>
Financing activities		
Dividend paid to:		
- non-controlling interests of subsidiaries	(54,028)	(74,747)
- shareholders of the Company	(3,739)	(11,217)
Interest paid	(41,435)	(43,242)
Proceeds from borrowings	545,639	810,131
Proceeds from issuance of bonds	-	87,106
Capital contribution by non-controlling interests of subsidiaries	3,685	4,122
Grant received from government	2,812	10,902
Repayment in respect of borrowings	(799,619)	(860,440)
Repayment of obligation under finance leases	(2,002)	(1,770)
Net cash flows used in financing activities	<u>(348,687)</u>	<u>(79,155)</u>
Net increase in cash and cash equivalents	36,451	209,418
Cash and cash equivalents at beginning of the year	938,620	740,542
Effect of exchange rate changes on balances held in foreign currencies	(29,900)	(11,340)
Cash and cash equivalents at end of the year	<u>945,171</u>	<u>938,620</u>
Comprising:		
Cash and short-term deposits	1,033,698	1,013,189
Less: Bank overdraft	(387)	(25)
Less: Short-term deposits and restricted deposits	(88,140)	(74,544)
	<u>945,171</u>	<u>938,620</u>

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

The attributable net assets of subsidiaries acquired/disposed during the year are as follows:

	FY 2016 \$'000	FY 2015 \$'000
Acquisitions		
Non-current assets	6	-
Net current assets	1,178	-
Non-controlling interests	(449)	-
Goodwill arising from acquisition	234	-
Total consideration	<u>969</u>	-
Less: Amount previously accounted for as interest in joint ventures	(178)	-
Less: Cash and cash equivalents of subsidiaries acquired	<u>(791)</u>	-
Acquisition of subsidiaries, net of cash acquired	<u>-</u>	<u>-</u>
Disposal		
Non-current assets	-	18,458
Net current assets	-	25,915
Loss on disposal of a subsidiary	-	<u>(2,981)</u>
Total cash consideration	-	41,392
Less: Cash and cash equivalents of a subsidiary disposed	-	<u>(4,106)</u>
Disposal of a subsidiary, net of cash disposed	<u>-</u>	<u>37,286</u>

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

	FY 2016 \$'000	FY 2015 \$'000
Cash and bank balances	-	373
Net assets disposed	-	373
Gain on liquidation of a joint venture	-	76
Realisation of foreign currency translation reserve upon liquidation of a joint venture	-	<u>(64)</u>
Net cash inflow on liquidation of a joint venture	<u>-</u>	<u>385</u>

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

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Discount/ (premium) 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 as at 31 December 2014 (as previously stated)	266,830	293	35,321	45,579	2,872	(11,915)	17,204	-	511,191	867,375	1,458,846	2,326,221
Adjustment arising from change in accounting policy At 1 January 2015 (restated)	-	-	-	-	-	-	-	-	(8,464)	(8,464)	(940)	(9,404)
	266,830	293	35,321	45,579	2,872	(11,915)	17,204	-	502,727	858,911	1,457,906	2,316,817
(Loss)/Profit for the year (restated)	-	-	-	-	-	-	-	-	(60,731)	(60,731)	69,781	9,050
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(11,357)	-	-	-	(11,357)	13,275	1,918
Net fair value changes of available-for-sale financial assets	-	-	-	(349)	-	-	-	-	-	(349)	-	(349)
Realisation of foreign currency translation reserve upon liquidation of a foreign operation	-	-	-	-	-	(32)	-	-	-	(32)	(32)	(64)
Realisation of statutory reserve upon disposal of a foreign operation	-	-	(1,287)	-	-	-	-	-	1,287	-	-	-
Other comprehensive income for the year, net of tax	-	-	(1,287)	(349)	-	(11,389)	-	-	1,287	(11,738)	13,243	1,505
Total comprehensive income for the year	-	-	(1,287)	(349)	-	(11,389)	-	-	(59,444)	(72,469)	83,024	10,555
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	916	-	-	-	-	916	1,428	2,344
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	(2,933)	-	-	(2,933)	7,055	4,122
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(11,217)	(11,217)	-	(11,217)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(74,747)	(74,747)
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of non-controlling interests	-	4,149	(1,147)	-	-	2,712	(4,024)	-	-	1,690	(25,746)	(24,056)
<u>Others</u>												
Transfer to statutory reserve	-	-	291	-	-	-	-	-	(291)	-	-	-
At 31 December 2015	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	431,775	774,898	1,448,920	2,223,818
Closing balance as at 31 December 2015 (as previously stated)	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	439,617	782,740	1,449,791	2,232,531
Adjustment arising from change in accounting policy At 1 January 2016 (restated)	-	-	-	-	-	-	-	-	(7,842)	(7,842)	(871)	(8,713)
	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	431,775	774,898	1,448,920	2,223,818
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(71,246)	(71,246)	94,075	22,829
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(22,048)	-	-	-	(22,048)	(48,433)	(70,481)
Net fair value changes of available-for-sale financial assets	-	-	-	16	-	-	-	-	-	16	-	16
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(4,416)	-	-	-	(4,416)	-	(4,416)
Other comprehensive income for the year, net of tax	-	-	-	16	-	(26,464)	-	-	-	(26,448)	(48,433)	(74,881)
Total comprehensive income for the year	-	-	-	16	-	(26,464)	-	-	(71,246)	(97,694)	45,642	(52,052)
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	443	-	-	-	-	443	664	1,107
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	24,164	-	-	24,164	(20,479)	3,685
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(54,028)	(54,028)
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	449	449
Acquisition of non-controlling interests	-	-	-	-	-	-	364	-	-	364	(2,250)	(1,886)
<u>Others</u>												
Transfer to statutory reserve	-	-	191	-	-	-	-	-	(191)	-	-	-
Reserve attributable to disposal group classified as held for sale	-	-	-	-	-	(4,685)	-	4,685	-	-	-	-
At 31 December 2016	266,830	4,442	33,369	45,246	4,231	(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354

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

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
The Company					
At 1 January 2015	266,830	9,199	2,397	48,058	326,484
Total comprehensive income for the year	-	-	-	34,381	34,381
Transactions with owners, recorded directly in equity					
<u>Contributions by and distributions to owners</u>					
Cost of share-based payments	-	-	56	-	56
Dividends paid to shareholders	-	-	-	(11,217)	(11,217)
At 31 December 2015	<u>266,830</u>	<u>9,199</u>	<u>2,453</u>	<u>71,222</u>	<u>349,704</u>
At 1 January 2016	266,830	9,199	2,453	71,222	349,704
Total comprehensive income for the year	-	-	-	(58,967)	(58,967)
Transactions with owners, recorded directly in equity					
<u>Contributions by and distributions to owners</u>					
Cost of share-based payments	-	-	14	-	14
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 31 December 2016	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>8,516</u>	<u>287,012</u>

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

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

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

There was no change in the Company's issued share capital during the year ended 31 December 2016.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "Scheme") during the year ended 31 December 2016.

As at 31 December 2016, there were a total of 1,340,000 (31 December 2015: 1,590,000) 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	380,000
2014	\$1.31	490,000
Total		1,340,000

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

The total number of issued ordinary shares as at 31 December 2016 and 31 December 2015 was 373,908,559.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the year ended 31 December 2016.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2015 except for adoption of new accounting standards that are effective from 1 January 2016 and change in accounting policy relating to *Determination of expected manner of recovery of indefinite life intangible assets when measuring deferred tax* as described in Paragraph 5 below.

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

The Group has adopted all accounting standards that are effective from 1 January 2016 but the adopted changes have no material effect. However, there is a change in accounting policy and its effects are explained in the paragraphs below.

Change in accounting policy

Determination of expected manner of recovery of indefinite life intangible assets when measuring deferred tax

The Group previously recognised deferred tax on indefinite life intangible assets on the presumption that the carrying amount of the indefinite life intangible assets are recovered through sale as the indefinite life intangible assets are not amortised.

In November 2016, the IFRS Interpretations Committee (IFRIC) issued an agenda decision which observes that the reason for not amortising an indefinite life intangible asset is not because there is no consumption of the future economic benefits embodied in the asset. Therefore, the determination of tax consequences of an indefinite life intangible asset shall reflect the expected manner of recovery of the carrying amount of the assets either through use or through sale.

Based on the IFRIC agenda decision, the Group has reassessed and determined that the carrying amount of the indefinite life intangible asset is to be recovered through use. As a result, the Group recomputed the effect on the corresponding deferred tax liabilities accordingly.

The change in accounting policy has been applied retrospectively. The effects of the change are as follows:

	As at 31 December 2015	Restatement	As at 31 December 2015
	\$'000	\$'000	\$'000
	(As previously stated)		(Restated)
<u>Consolidated balance sheet</u>			
Deferred tax liabilities	45,423	8,713	54,136
Non-controlling interests	1,449,791	(871)	1,448,920
Reserves	515,910	(7,842)	508,068
	<hr/>		<hr/>
Net assets	2,232,531	(8,713)	2,223,818
	<hr/>		<hr/>
	FY2015	Restatement	FY2015
	\$'000	\$'000	\$'000
	(As previously stated)		(Restated)
<u>Consolidated income statement</u>			
Profit before income tax	81,241	-	81,241
Income tax expense	(72,882)	691	(72,191)
Profit for the year	<hr/>	<hr/>	<hr/>
	8,359	691	9,050
	<hr/>		<hr/>
Attributable to:			
Owners of the Company	(61,353)	622	(60,731)
Non-controlling interests	69,712	69	69,781
	<hr/>	<hr/>	<hr/>
	8,359	691	9,050
	<hr/>		<hr/>
<u>Comprehensive income</u>			
Owners of the Company	(73,091)	622	(72,469)
Non-controlling interests	82,955	69	83,024
Total comprehensive income for the year	<hr/>	<hr/>	<hr/>
	9,864	691	10,555
	<hr/>		<hr/>

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	
	2016	2015 (Restated)
Loss per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	(19.05)	(16.24)
(ii) On a fully diluted basis (cts)	(19.05)	(16.24)

1,340,000 (2015: 1,590,000) share options granted to employees under the Hong Leong Asia Share Option Scheme 2000 have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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

	Group		Company	
	31.12.2016	31.12.2015 (Restated)	31.12.2016	31.12.2015
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 31 December 2016 and as at 31 December 2015 (cts)	186.79	207.24	76.76	93.53

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The main business units of the Group are the Diesel Engines Unit ("Yuchai"), the Building Materials Unit ("BMU") and the Consumer Products Unit ("Xinfei"). The other business units in the Group are the Industrial Packaging Unit ("Rex") and the Air-conditioning Systems Unit ("Airwell").

In FY2016, the global economy continued to be challenging. China recorded a full year growth of 6.7% per annum which was the slowest growth rate in the past 26 years. The overall excess capacity in China continued to have an adverse impact to the Group's China operations, in particular, the Consumer Products Unit. Singapore recorded a GDP growth of 2.0% in 2016. While the construction sector grew by 0.2% for 2016, it shrank by 2.8% for the fourth quarter extending a 2.2% contraction in the third quarter. This slow growth had an adverse impact on the operating performance of BMU.

In FY2016, the loss attributable to the owners of the Company was \$71.2 million, as compared to a loss of \$60.7 million in FY2015 (restated). The loss for FY2016 included certain non-cash items, such as impairments and provisions for receivables and inventories amounting to \$16.0 million. In FY2016, the Group incurred loss in view that the profits from Yuchai and BMU were not sufficient to offset the loss incurred by Xinfei.

2016 versus 2015

Revenue for the Group was \$3.725 billion in FY2016, a decrease of \$358.0 million or 8.8%, from \$4.083 billion in FY2015. The decrease in revenue was mainly due to slowing economic growth in China which affected Yuchai and Xinfei. In addition, revenue for BMU also decreased as the market competition intensified in Singapore and Malaysia in a weaker construction sector especially in the private sector projects.

- Yuchai's revenue declined by \$166.4 million or 5.6% as compared to FY2015. Yuchai sold 320,424 engines in FY2016, a decline of 12.1% or 44,143 units less than the 364,567 units sold in FY2015. The decline in sales unit was mainly due to decline in the sale of engines in the bus segments and the off-road applications. The bus segment was affected by the switch to electric bus and off-road segment was affected by the transition of the emission standards from Tier 2 to Tier 3, which was aggravated by the different implementation dates for engine makers and applications sellers.
- BMU's revenue decreased by \$117.1 million or 20.2% as compared to FY2015. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division in Singapore. In addition, revenue in Malaysia was affected by price competition.
- Xincei's revenue declined by \$54.5 million or 12.8% as compared to FY2015. This was due to the weakening demand for fridges and freezers in an intense price competition environment. Total unit sales were 1.50 million units for FY2016, a slight decline of 0.8% as compared to 1.51 million units for FY2015.

The Group's gross profit was \$764.9 million in FY2016, a decrease of \$88.4 million or 10.4%, from \$853.3 million in FY2015. The gross profit margin was 20.5% as compared to 20.9% in FY2015, a slight decrease of 0.4% point. The competitive environment resulted in lower gross profit margin for Xincei and BMU, which was offset by the higher gross profit margin of Yuchai.

Other income was \$33.0 million in FY2016, a decrease of \$3.3 million from \$36.3 million in FY2015. The decrease was mainly due to fair value gain on derivatives in FY2015 offset by higher interest income in FY2016.

Selling and distribution ("S&D") expenses were \$360.2 million in FY2016, a decrease of \$63.0 million or 14.9% as compared to \$423.2 million in FY2015. It was mainly due to lower sales incentives and promotions by Xincei, lower outward freight incurred by BMU and Yuchai. In addition, lower provision for receivables and staff costs were incurred. As a percentage of sales, S&D expenses were 9.7% for FY2016 as compared to 10.4% in FY2015, an improvement of 0.7% point.

Research and development ("R&D") expenses were \$132.9 million in FY2016, an increase of \$9.8 million or 7.9% as compared to \$123.1 million in FY2015. The increase was mainly due to R&D spending by Yuchai as it continued to invest in R&D of new and existing engine products and R&D to introduce new engine models for both the on-road and off-road markets compliant with increasingly stringent emission standards. As a percentage of sales, R&D expenses were 3.6% in FY2016 as compared to 3.0% in FY2015, an increase of 0.6% point. It was mainly due to higher R&D expenses incurred by Yuchai.

General and administrative ("G&A") expenses were \$193.3 million in FY2016, a decrease of \$8.7 million or 4.3% as compared to \$202.0 million in FY2015. The decrease was mainly due to lower staff costs. As a percentage of sales, G&A expenses were 5.2% of revenue in FY2016 as compared to 4.9% in FY2015, an increase of 0.3% point.

Finance costs were \$34.7 million in FY2016, a decrease of \$8.7 million or 19.9% as compared to \$43.4 million in FY2015. This was due mainly to lower bank borrowings by Yuchai.

Other expenses were \$17.4 million in FY2016, a decrease of \$0.9 million from \$18.3 million in FY2015. The decrease was mainly due to lower foreign exchange loss in FY2016 and a loss on disposal of a subsidiary in FY2015. This was offset by expenses due to a plant shut-down of Xincei in FY2016.

Profit after tax was \$22.8 million in FY2016 as compared to \$9.1 million in FY2015 (restated). The profit after tax for FY2016 was affected by certain non-cash items such as impairments and provision for receivables and inventories amounting to \$19.0 million, as compared to \$39.4 million in FY2015. In addition, the profit after tax for FY2015 (restated) was further affected by reversals of deferred tax assets of \$27.5 million (See Note 1(a)(iii)). These non-cash items had contributed to higher loss attributable to the owners of the Company by \$16.0 million and \$39.3 million for FY2016 and FY2015 (restated), respectively.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.034 billion as at 31 December 2016 compared with \$1.013 billion as at 31 December 2015, respectively.

During the year under review, the Group generated cash from operating activities of \$454.1 million. This was mainly due to lower trade and bills receivables, inventories holding and higher trade and other payables at year-end.

The cash outflow from investing activities of \$69.0 million was mainly due to the purchase of property, plant and equipment, offset by interest received.

The Group had net cash outflow from financing activities of \$348.7 million. It was mainly due to net repayment of borrowings of \$254.0 million, dividend payment of \$57.8 million and interest payment of \$41.4 million.

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.

We expect 2017 will be another challenging year with the slower economic growth in China and the region.

The World Bank maintained its forecast for China's economic growth rate of 6.5% for 2017. The Chinese economy is facing risks of capital outflow, over-capacity and higher debt-to-GDP ratio. These will weigh on the Group's China operations particularly, Yuchai and Xinfei. In Singapore, the Ministry of Trade and Industry forecasted GDP growth at 1% to 3% for 2017. However, a December 2016 poll by Monetary Authority of Singapore showed that economists expect the GDP to grow marginally at 1.5%, a downgrade from their earlier prediction in September 2016 at 1.8%. A slow-down in Singapore's economy will affect the construction segment and demand for building materials. In Malaysia, the outlook for the construction sector is expected to be supported by public sector projects given the expectation of lesser private sector jobs.

In view of the challenging business environment and uncertain global economy, the Group expects that the performance of its business units will be weak in the first half of 2017. The Group will continue to monitor the market environment closely and endeavor to mitigate the effects accordingly. The Group will explore other strategic options and potential alliance opportunities. It will exercise discipline in cost control and introduce organizational restructuring including retrenchment exercise when required.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Proposed First and Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share
Tax Rate	Tax Exempt (1-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim (Paid)	Final (Paid)
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share	1 cent per ordinary share
Tax Rate	Tax Exempt (1-tier)	Tax Exempt (1-tier)

(c) Date payable

24 May 2017

(d) Books closure date

15 May 2017

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

Not applicable.

13. Interested person transactions

Name of Interested Person	Aggregate value of all interested person transactions for FY2016 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. and its associates	
- Construction-related Transaction - Purchase of raw materials from Interested Persons	\$407,587
- Industrial and Consumer-related Transaction – Sale of air-conditioning products to Interested Persons	\$1,516,517
	Total: \$1,924,104

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.

14 (a)(i). Business Segments

The Group determines and presents operating segments based on the information provided internally to the Group's chief operating decision maker (CODM).

\$' 000	Diesel engines ⁽¹⁾	Consumer products	Building materials	Industrial packaging	Air-conditioning systems	Corporate and Others ⁽²⁾	Adjustments	Total
2016								
External revenue	2,819,986	370,632	463,274	38,770	18,337	13,760	-	3,724,759
Interest revenue	11,512	287	3,501	81	42	2,297	(1,649)	16,071
Interest expense	(13,977)	(7,999)	(131)	(1,318)	(1,435)	(10,271)	1,649	(33,482)
Depreciation and amortisation	(97,856)	(9,273)	(22,654)	(2,311)	(1,960)	(2,319)	-	(136,373)
Reportable segment profit/(loss) before income tax	182,962	(130,529)	41,003	(5,828)	(11,098)	(15,159)	-	61,351
Share of (loss)/profit of associates and joint ventures, net of tax	(51)	-	2,656	-	-	(698)	-	1,907
Reportable segment profit/(loss) after income tax	150,199	(128,470)	33,863	(5,811)	(11,098)	(15,854)	-	22,829
2015 (Restated)								
External revenue	2,986,401	425,128	580,401	52,607	24,758	13,433	-	4,082,728
Interest revenue	8,738	372	4,040	215	938	3,167	(3,401)	14,069
Interest expense	(22,644)	(8,254)	(157)	(1,003)	(4,022)	(9,113)	3,401	(41,792)
Depreciation and amortisation	(101,177)	(11,145)	(24,625)	(2,912)	(2,394)	(2,437)	-	(144,690)
Reportable segment profit/(loss) before income tax	150,707	(110,315)	77,479	(10,886)	(16,265)	(9,479)	-	81,241
Share of profit/(loss) of associates and joint ventures, net of tax	1,944	-	2,260	-	-	(2,531)	-	1,673
Reportable segment profit/(loss) after income tax	112,628	(127,020)	60,531	(10,626)	(16,250)	(10,213)	-	9,050

(1) Diesel engines relate to Yuchai (excluding hospitality and property development).

(2) Others relate to hospitality and property development.

14 (a)(ii). Geographical Segments

\$'000	China (including Hong Kong)	Singapore	Malaysia	Others	Consolidated
2016					
Total revenue from external customers	3,203,089	235,803	245,442	40,425	3,724,759
2015					
Total revenue from external customers	3,440,755	326,328	274,175	41,470	4,082,728

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.

Please refer to section 8 above.

16. A breakdown of sales.

	Group		
	2016 \$'000	2015 (Restated) \$'000	Increase/ (Decrease)
Sales reported for first half	1,942,685	2,266,397	-14.3%
Operating profit after tax before deducting non-controlling interests reported for first half year	5,832	65,499	-91.1%
Sales reported for second half	1,782,074	1,816,331	-1.9%
Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	16,997	(56,449)	NM

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	3,739	7,478
Preference	-	-
Total:	3,739	7,478

The figure under the latest full year comprises the proposed first and final dividend for FY2016 which is subject to shareholders' approval at the forthcoming Annual General Meeting, and calculated based on 373,908,559 issued shares in the capital of the Company as at 28 February 2017.

The figure under the previous full year comprises net interim and final dividends paid in respect of FY2015.

18. Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(13) of the Listing Rules.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Kwek Leng Peck	60	Cousin of Mr Kwek Leng Beng, Chairman of Hong Leong Asia Ltd. ("HLA").	Executive Director of HLA since April 1998. - Responsible for strategic decision making and control of significant activities within the Group.	Nil

19. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1) of the Listing Manual in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

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

28 February 2017