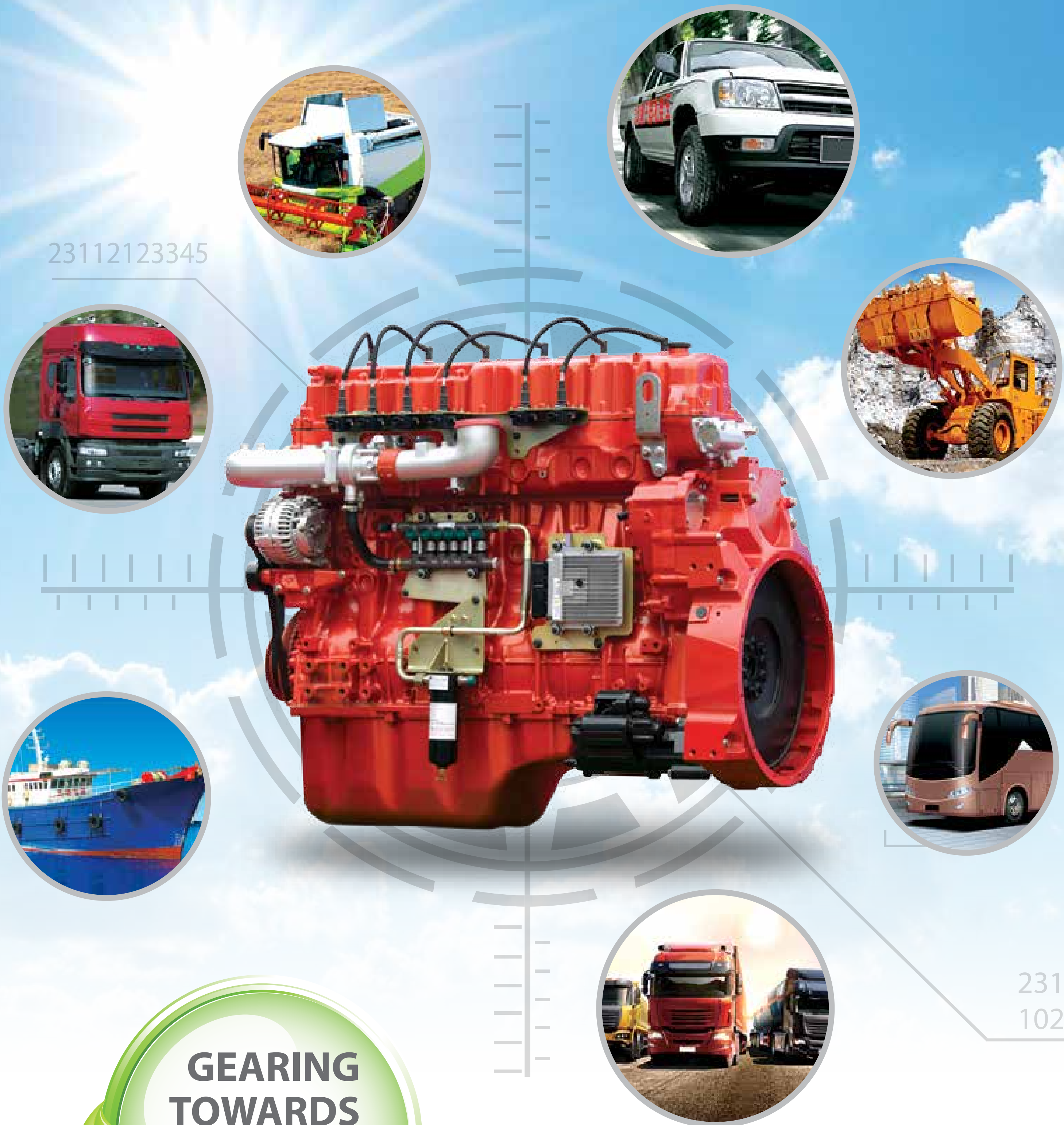

GEARING TOWARDS A GREENER FUTURE

China Yuchai International Limited

ANNUAL REPORT **2013**

23112123345

GEARING TOWARDS A GREENER FUTURE

- We delivered approximately 32,000 natural gas engines to both truck manufactures and bus OEMS in 2013, a substantial increase over 2012. Our new gas engine facility is now operational to develop and manufacture a full portfolio of natural gas engines for all applications;
- We launched seven National V compliant new models of natural gas engines in 2013 for both on- and off-road applications;
- We launched five National IV compliant new models of diesel engines in 2013 and our National V compliant diesel engine is currently in use in public transport systems in China's major cities;
- We introduced in 2014, eight new engine models meeting the National IV and Tier 3 emission standards for use in different applications;
- We commenced operations at our new R&D Institute located in Nanning, capital of Guangxi Province in October 2013;
- We are now one of the top engine castings manufacturer in China.

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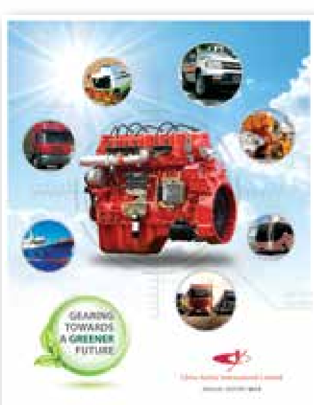
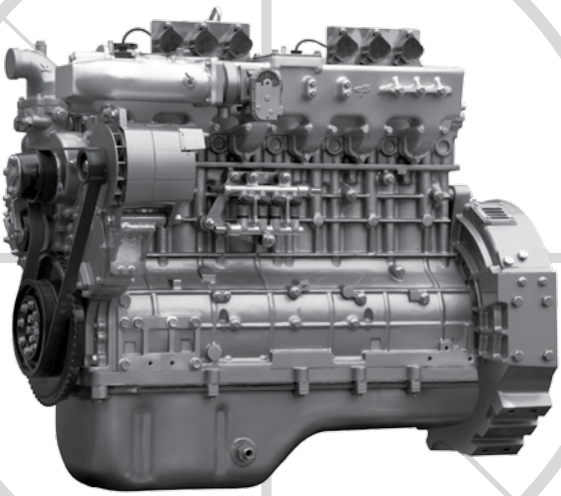


Front cover: Photo in the centre is of our YC6K natural gas engine. Our diesel and natural gas engines are used in a variety of applications such as: starting from the top right corner passenger vehicle, construction machinery, bus, truck, marine and agricultural machinery.



CHINA YUCHAI'S CORE IDEALS

VISION

- To be the premier manufacturer of environmentally-friendly engines and automotive systems and a leading supplier of high value products and services

MISSION

- Utilize our product excellence and leadership to meet customers' automotive and power demands
- Establish China Yuchai as a high performance and highly respected global corporation
- Lead in the pursuit of business excellence, responsible corporate citizenship and trusted integrity
- Create an environment that is a great place to work for our employees

玉柴国际的核心理念

愿景

- 成为卓越环保发动机和汽车系统制造商和提供优良产品及一流服务的供应商

使命

- 利用卓越的产品和领导力满足客户在汽车和能源领域的需求
- 创建高绩效的国际企业
- 成为具有良好社会责任及拥有公众诚信度的优秀企业
- 营造良好的员工工作环境

FINANCIAL HIGHLIGHTS

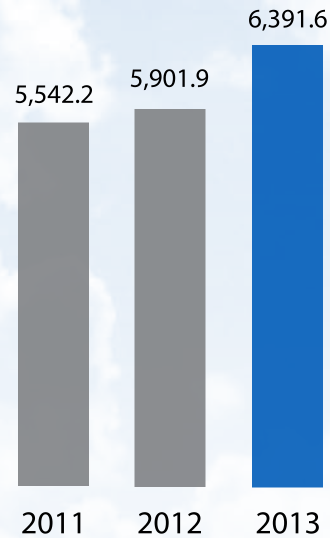
	2011 Rmb'000	2012 Rmb'000	2013 Rmb'000
Revenue	15,444,428	13,449,489	15,902,355
Profit attributable to equity holders of the parent*	818,532	567,333	700,423
Earnings per share attributable to ordinary equity holders of the parent	21.96	15.22	18.79
Weighted average number of shares	37,267,673	37,267,673	37,267,673
Total assets	19,151,019	17,923,673	19,293,168
Equity attributable to equity holders of the parent	5,542,203	5,901,913	6,391,573

*the term "parent" as used here refers to China Yuchai.

FINANCIAL HIGHLIGHTS

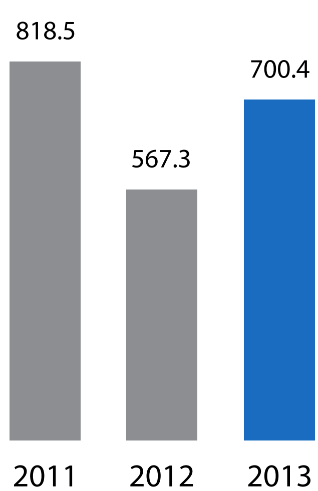
TOTAL ASSETS
(in Rmb millions)

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
(in Rmb millions)

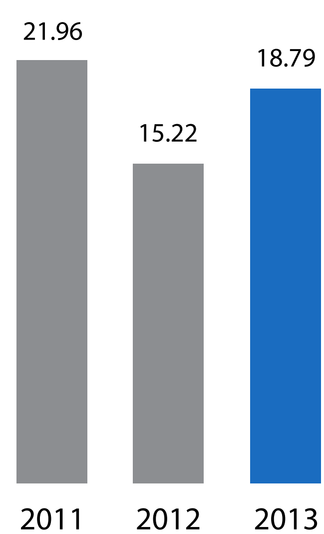


REVENUE
(in Rmb billions)

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
(in Rmb millions)



EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT
(in Rmb)



PRESIDENT'S STATEMENT

RMB15.90 billion
Revenue

RMB1.40 billion
Operating profit

500,756
Diesel Engines sold

Dear Shareholders,

I am pleased to report in my first Letter to Shareholders as the President of China Yuchai, that we achieved robust growth and extended our leadership in China with a larger market share and improved fundamentals despite the intensifying competitive landscape and uncertain macro environment in 2013. We continued to show our resilience and competitiveness by expanding our product lines, furthering advances in technology, and increasing production capacity. There are more trucks, buses and harvesters powered by our engines today than any time in the past. In 2013, our annual unit sales surpassed 500,000 and we remain one of the leading engine manufacturers in the world's largest and most competitive commercial vehicle market.

We believe our success is the result of significant competitive advantages cultivated over the years. Firstly, our superior and extensive research and development capabilities place us at the forefront of complying with the increasingly stringent emission standards, enabling us to serve a broad customer base in multiple markets. Our engines propelling the large volume of on-road trucks and buses, are also establishing a growing presence in the off-road markets namely, the agriculture, marine, power generation, construction equipment and mining sectors. Some off-road markets require substantially larger engines and we are launching new models to serve that segment of the market. We have developed an unmatched portfolio of technically advanced diesel and natural gas engines to cater to the light-, medium- and heavy-duty markets. While we are expanding our reach in all markets, at the same time, we are better managing our production capabilities with our state-of-the-art foundry and six-sigma lean manufacturing processes. In addition to high quality and reliability, our engines are designed to be leading models in operating performance, fuel efficiency and stringent emission standards. Our service network of over 2,900 stations in nearly every province of China, is another of our key competitive advantage.

The automotive industry has recognized our competitive strengths and strong track record with a number of awards in 2013. We were named as a China Top 500 Enterprise, a China Top 500 Manufacturing Enterprise and won the Guangxi Best Ten Enterprises Award. Our YC6L engine won the "Trustworthy Products for Public Transport Industry" award and our YC6K12 engine won the "Best Fuel Saving Engine" in the 6x4 trailer class in the 6th China International Truck Competition. Additionally, our service network won the premier "Gold Cup Award" as well as the "Annual Service Award" from "Commercial Vehicle", an industry publication in China.

Our revenue in 2013 increased 18.2% to RMB 15.9 billion (US$ 2.6 billion) from RMB 13.4 billion in 2012, and our combined on-road and off-road engine unit sales grew 16.1% in 2013, led by stronger sales of both heavy-duty truck and natural gas engines. Our unit sales growth, once again, exceeded the 5.6% growth rate for diesel-powered commercial vehicles reported by the China Association of Automobile Manufacturers ("CAAM"). Higher diesel engine sales for agricultural applications were also a contributing factor to our growth due to government incentives and subsidies in this segment. We achieved the highest revenue reported in any third and fourth quarters in the Company's history, substantially increased the sales of our natural gas engines and increased market share with our heavy-duty products.

We also had a number of new customer wins during the year. Baoding Bus Company in Hebei Province became the first bus company in Baoding to use our YC6J gas and electric hybrid engines. In addition, the Dalian Public Transport Group Tourism Branch chose our engines as its preferred engine, installing them in 80% of its fleet.

Our commitment to research and development ("R&D") has become more and more important in an era of strong competition, stricter emission regulations and higher requirements for engine performance and fuel efficiency. We increased our investment in research and development by 25.4% in 2013, following a 13.9% increase in 2012, to support the development of a complete suite of natural gas engines for both on- and off-road applications as well as off-road engines compliant with China's Tier III emission standards, for construction and industrial applications. Our Research and Development Institute located in the city of Nanning, capital of Guangxi Province, commenced operations in October 2013. We are excited over this new R&D Institute as it is intended to be the leading engine research organization in China.

Our R&D capabilities are already renowned for its many first-to-market product launches and we expect to continue this tradition. We launched twelve new engines in 2013, seven National V-compliant natural gas engines and five National IV-compliant diesel engines. Eight new engines have been launched in 2014 for the marine, power generation and construction markets, light-duty vehicles, and heavy-duty truck markets, as well as a second-generation hybrid engine. In addition to our focus on engines for the heavy-duty commercial vehicle market, more light-duty engines are being launched to address China's largest market by unit sales. Each of these advanced engines has raised the competitive bar for performance, emission standards and overall quality and efficiency.

We are proud of our leadership in emission technologies and have consistently produced engines exceeding the existing standards. As the air quality in many of China's cities is reaching hazardous levels, the central, provincial and local governments are taking steps to control emissions. We believe, in the commercial vehicle sector, natural gas is the most effective solution offering the best cost structure. With the proprietary spark ignition technology, our subsidiary Guangxi Yuchai Machinery Company Limited was one of the early pioneers of natural gas engines in China. We have built on our "green" legacy to expand our natural gas engine portfolio and provide a full product line complementary to our diesel engines. Our natural gas engines offer customers lower fuel costs and improved engine emissions making them a more environmental friendly choice. Our product development experience in natural gas engines has positioned us to take advantage of the recent acceleration in the usage of natural gas engines in China. In 2013, our natural gas engine sales posted robust growth to an approximate 32,000 units compared with approximate sales of 19,900 units and 12,500 units in 2012 and 2011, respectively. A dedicated production line at our main facility in Yulin City was completed in 2013 to meet the increased demand for our natural gas engines. On the cleaner diesel power front, we had begun offering diesel engines compliant with National IV emission standards in 2008, well before its nationwide implementation in July 2013. Today, we produce engines that not only comply with National IV emission standards but engines that comply with National V standards as well. We also already have prototype engines capable of meeting the more stringent National VI emission standards. Some of our customers operating in the major cities are seeking engines meeting the higher emission standards and we are well positioned to capture these orders.

Our expertise in natural gas-fueled engines has led to our dominance in the bus engine market, especially in the large cities in China. Natural gas engines are increasingly the engine of choice for urban buses with short routes due to easy refueling, cheaper fuel and cleaner running engines. We supply diesel and natural gas engines to a number of bus manufacturers. As the natural gas refueling infrastructure is gradually rolled out across China, the coach and truck markets will become our expansion targets. Our leadership in emissions technology and performance is cementing our reputation as an environmentally responsible manufacturer.

As China is gradually moving towards better efficiencies in cargo transportation, we are leveraging our well-established leadership in the medium-duty engine market to capture market share in the heavy-duty engine market. Our sales in this segment grew faster than the 20.8% increase in heavy-duty diesel truck market, reported by CAAM, improving our market share. This is the result of past efforts to improve penetration in this segment. We

PRESIDENT'S STATEMENT

have added production capacity, upgraded our 6M engine to the YC6MK and have received increasing orders for our next-generation YC6K advanced engine produced by our joint venture with CIMC-Chery. The YC6K engine is a 6-cylinder diesel engine, compliant with both National IV and V emission standards that has a higher capacity for use in larger vehicles. Our growth in the heavy-duty vehicle market is the result of our planned strategy to penetrate this important and more profitable segment. We remain optimistic over the long-term growth prospects in the heavy-duty truck segment, where our new engines and production capabilities provide a growth opportunity for the future.

In addition to our organic growth in the heavy-duty segment, we have formed joint ventures with customers to develop new engines tailored for certain purposes. Our most recent collaboration is with Baotou BeiBen Heavy Duty Truck. This joint venture is focused on the production of certain of our diesel and gas engines to meet the needs of Bei Ben's heavy- and medium-duty trucks and buses. Similarly, our CIMC-Chery joint venture has developed the next-generation YC6K heavy-duty engine. The YC6K 6-cylinder 12L series of engines developed through this alliance recently achieved the European Union's (EU) E-mark certification, enabling it to be marketed in countries which have adopted EU regulations. We look forward to forming new joint ventures that expand our engine technologies and enable us to penetrate new market segments.

One of our goals is to become a major heavy-duty engine producer in China. To accomplish this requires strong execution in both the on-road and off-road markets. Our unit sales in the off-road markets grew by 18.1% in 2013. New off-road, high horsepower engines are being introduced to the marine, mining, construction equipment and power generation markets. Although we have made some inroads into these markets in the past, we believe that these new engines will help us gain a leadership position. Our new, advanced diesel and natural gas high horsepower engines are much larger than engines for the truck and bus markets. In addition to further diversifying our engine portfolio, our high horsepower engines provide increased access to new customers in the off-road markets. We are in the process of constructing a new facility dedicated to the production of these new engines which is expected to be completed in 2014.

We have an annual engine production capacity of approximately 600,000 engine units to accommodate growing sales. Phase 2 of our new foundry was completed in 2013 and annual capacity is now up to 1 million engine heads or blocks, making us the largest foundry in China in terms of unit capacity. Our new foundry has improved efficiencies and raised acceptance rates, generating significant cost benefits. It has also enhanced our quality control over parts.

We remain committed to delivering value to our shareholders. Our total net profit in 2013 rose 23.5% to RMB 700.4 million (US$114.4 million), or earnings per share of RMB 18.79 (US$3.07) and our cash-flow from operations continues to be strong. As a result of our strong performance, we declared a cash dividend of US$0.40 per ordinary share and a special dividend of US$0.40 per ordinary share for the year ended December 31, 2012, and we paid an interim cash dividend of US$0.10 per share for 2013. The payment of cash dividends are a testimony to our financial strength and demonstrate our belief in consistently returning tangible value to our shareholders.

PRESIDENT'S STATEMENT

In our efforts to continually reach out to the investment community, we attended and presented at two recent conferences: at the Citi China Investor Conference held in Macau, China in November 2013 and at the ISI Industrial Conference in New York in March 2014. We met with existing and new institutional shareholders and we intend to continue to cultivate good relations with the investment community.

As we look to the remainder of 2014, we are relying on our competitive advantages and reputation for innovation to sustain us through a more challenging environment. China's new government is targeting a growth rate of 7.5% in 2014 as it looks to restructure its economy towards more domestic consumption away from investment and export fuelled growth. In late April 2014, China's Ministry for Industry and Information Technology published a directive that sales of National III vehicles are to cease by December 31, 2014. As a result, we expect the pre-buying of commercial vehicles to continue in 2014. As we enter into the replacement cycle for trucks, we believe the restocking exercise will help stabilize the overall engine sales. With continuing urbanization across China, domestic consumption is expected to increase resulting in a demand for trucks for logistics purposes to move people and goods across the country. Construction activity is expected to see a slight improvement due to resumption of construction of new public housing and high-speed rail programs that would help stabilize demand for engines. As a result of new government subsidies in the first quarter of 2014, we expect engine sales in the agriculture segment to increase. Growth in the bus market is expected to remain flat in 2014 but we anticipate higher growth in the natural gas bus segment. We believe there will be continued momentum in the sales of natural gas and off-road engines. We are also enhancing our export capabilities in order to strategically position our superior and extensive line of product offerings in foreign markets.

With a broader portfolio of advanced engines in 2013, substantial progress was achieved in 2013 to attain leadership positions in multiple engine markets in China. We have developed a strong corporate culture focusing on technology, quality, market leadership, and profitability alongside our financial discipline and core competencies, which position us well for long-term success.

Weng Ming HOH
President, May 19, 2014

总裁致词

亲爱的股东:

作为中国玉柴的总裁，很荣幸在我给股东的第一封信中向大家报告2013年我们所取得的成绩。2013年，尽管竞争格局加剧以及宏观环境不确定，公司仍通过扩大市场份额和改善基本面实现了强劲的增长。我们继续扩大产品线、推动技术进步，同时提高生产能力，进而展示我们的应变能力和竞争力。搭载玉柴发动机的卡车、客车和收割机的数量也不断增多。2013年，我们的发动机年销量超过50万台。作为发动机制造商，我们在世界上最大也最具竞争力的商用车市场中一直保持着领先地位。

我们认为，我们的成功离不开我们一直努力打造的竞争优势。首先，我们的卓越研发能力使我们能够站在在日趋严格的排放标准最前沿，使我们能够服务于多种市场的广泛客户群。我们的发动机装载于大量道路卡车和客车，同时在农机、船舶、发电、建筑设备和采矿业等非道路机械中的数量也不断上升。目前，我们正在推出一系列新型发动机，以满足非道路机械市场对更大型发动机的需求。我们已经研发出技术先进的柴油和天然气发动机组合， 进而满足轻型、中型和重型市场需求。在尽可能扩大业务范围的同时，我们更加注重管理好我们的国家级的铸造生产能力及六西格玛精益制造流程。除了追求高品质及可靠性，我们还致力于成为运行性能、燃油效率和严格排放标准的先锋。同时，遍及全国各地的大约2,900个售后服务站也进一步提高了我们的竞争力。

2013年，我们获得了诸多奖项，从而使我们的竞争优势备受汽车行业的高度认可。我们被列为中国前500强企业，中国制造业前500强企业，并荣获广西十佳企业奖。我们的YC6L发动机荣获“用于公共交通业的信得过产品”大奖。在第六届中国国际汽车大赛中，我们YC6K12发动机在6X4拖车类评比中荣获“最佳节油发动机”奖。此外，我们的服务网络在中国出版业“商用汽车”中获得了首屈一指的“金杯奖”以及“年度服务奖”。

与2012年的人民币134亿元的营业收入相比，2013年的营业收入为人民币159亿元，增长了18.2%。同时，由于重卡及燃气发动机销售强劲，2013年我们的道路及非道路发动机销售量增长了16.1%。我们的单位销售增长再次超过了中国汽车制造商协会（“中汽协”）所公布的柴油发动机商用车5.6%的增长率。由于政府激励与补助，农机发动机也成为上述增长的贡献因素。我们实现了公司自报告以来第三季度和第四季度的最高收益，大幅增加了天然气发动机的销售量以及重型产品的市场份额。

本年度内，我们的新客户不断增加。河北省保定客车公司成为第一家在保定使用我们YC6J天然气和电力混合发动机的客车公司。另外，大连公交集团旅游分部以我们的发动机作为首选，80%安装我们的发动机。

在当今竞争越来越激励，排放标准越来越严格以及燃油效率越来越高的时代，我们的研发能力越来越成为强有力的竞争力。与2012年13.9%的研发投入相比，2013年我们增加研发投入25.4%，进而为道路及非道路机械的一整套燃气发动机提供支持。同时，我们增加研发投入用于符合国三排放标准的非道路发动机，满足建筑及工业领域需求。我们新的研发中心位于广西省省会南宁市，该研发中心于2013年10月开始运营。拥有该研发中心，我们深感荣幸与骄傲。我们将致力于将其打造成为在中国一流的研发机构。

我们的研发能力随着陆续推出新的研发产品已经被大众所认可。我们也将继续致力于提高研发能力，不断推出新产品。2013年，我们已推出了12款新型发动机，其中7款符合国V排放标准的天然气发动机以，5款符合国IV排放标准的柴油发动机。2014年，我们已经向船舶、发电、建筑市场、轻型车和重型卡车以及第二代混合动力市场推出8款新型发动机。除了集中于重型商用车发动机外，应对中国最大销量市场，我们陆续推出了多款轻型发动机。所有这些先进的发动机以其在性能、排放标准以及整体质量和效率方面的表现提高了竞争门槛。

我们为我们领先的排放技术而感到自豪，同时我们也在不断的生产超越目前排放标准的发动机。鉴于中国诸多城市的空气质量已经达到危害水平，中央，省级和地方政府正在采取措施来控制排放。我们相信，在商用车领域天然气发动机是最有效的解决方案，且具有最佳的成本结构。我们的子公司，广西玉柴机器股份有限公司拥有专有的火花点火技术，是天然气发动机在中国的早期开拓者之一。配合我们的柴油发动机，我们已经建立了我们的“绿色”产业，扩展了我们的天然气发动机的组合，并提供了完整的产品线。我们的天然气发动机为客户提供较低的燃料成本，提高了发动机的排放标准，从而成为一个更环保的选择。我们将我们的产品经验充分运用到当前中国加速使用燃气发动机上。与2012年的约19,900台和2011年约12,500台燃气发动机销售量相比，2013年燃气发动机销售强劲达到了约32,000台。为满足天然气发动机增长需求，我们在玉林市主要设施专用生产线已于2013年建成。

在清洁柴油发动机方面，我们已于2008年开始提供符合国IV排放标准的柴油发动机，远远早于2013年7月于全国范围内实施排放标准的时间。目前我们生产的发动机不仅符合国IV排放标准，同时也符合国Ⅴ排放标准。我们已经拥有符合更严格排放标准的国VI排放标准的发动机样机。部分我们的客户正需求一些可以满足更高排放标准的发动机，我们能够很好地把握这些订单。

我们在天然气为燃料的发动机领域的专业能力，使我们在客车发动机市场尤其是在中国各大城市中凸显优势。由于

总裁致词

天然气发动机加油方便，燃料更便宜且属于清洁型发动机，所以越来越多地用于短途城市客车。我们为多个巴士制造商提供柴油和天然气发动机。随着天然气加气站的基础设施逐步推广至全国，长途客运车及卡车将成为我们的拓展目标。基于我们的高排放标准及性能表现，更加巩固了我们作为对环境负责的制造商的良好声誉。

随着中国正逐步致力于提高货物运输效率，我们充分利用在中型发动机市场行的主导地位，抓住重型发动机市场的市场份额。我们在重型发动机市场的销售额增长超过中汽协报道的行业20.8%的行业增长，提高了我们的市场份额。我们已经提高产能，并将6M发动机升级YC6MK。目前，我们已收到由我们与中集奇瑞合资生产我们的下一代YC6K发动机订单。该YC6K发动机是6缸柴油发动机，兼容国IV和国V排放标准，且具有用于大型车辆更高的容量。在重型汽车市场的增长，渗透该重要且利润更高的领域也是我们战略的一步。我们仍然看好重型卡车市场，我们的新型发动机和生产能力预示着良好的长期增长前景。

除了我们在重型领域的增长，我们与客户成立了合资公司来开发专门针对某些特殊用途的新型发动机。最近的一次合作是与包头北奔重型汽车。该合资企业专注于生产柴油和天然气发动机，以满足北奔的重型和中型卡车和客车的需求。与其类似的是我们与中集奇瑞合资成立的合资公司，开发并生产新一代YC6K重型发动机。该YC6K 6缸12L系列发动机最近取得了欧洲联盟（“欧盟”） E-mark认证，从而使其可以在已通过的欧盟法规的国家进行销售。我们期待成立新的合资公司，扩大我们的发动机技术，使我们能够进入新的细分市场。

我们的目标之一是成为中国主要的重型发动机生产商。要做到这一点，需要我们致力于道路及非道路市场。2013年， 我们的非道路市场增长了18.1%。新的非道路、高马力发动机被引入到船用、矿山、建筑设备和发电市场。尽管过去我们在这些市场已经取得进展，但我们相信这些发动机将推动我们成为主导地位。我们新的、先进的柴油和天然气大马力发动机比卡车和客车的发动机大得多。除了进一步多样化发动机组合，我们的大马力发动机使我们获得更多非道路发动机市场客户。我们正在建设一个新工厂专门生产这些发动机，该新工厂预计于2014年完工。

我们拥有约600,000台年发动机生产能力，以适应不断增长的销售量需求。我们的新铸造厂2期工程于2013年完成，目前年生产能力可达100万发动机机头或机块，按单机容量计算，是中国最大的铸造厂。我们新的铸造厂已提高效率和合格率，并产生显著的成本效益。这也增强了我们对零部件质量的控制。

我们将继续致力于为我们的股东创造价值。我们的净利润总额在2013年增长23.5%至人民币7.004亿元（1.144亿美元），或每股收益人名币18.79元（3.07美元）。公司的经营性现金流持续强劲。基于我们良好的业绩表现，我们向股东派发截至2012年12月31日财务年度每股0.4美元的普通股现金股利以及每股0.4美元的特别股现金股利，并派发2013财务年度每股0.10美元的中期现金股利。支付现金股利不仅证实了我们财务实力，同时表明了我们贯彻持续回报股东有形价值的信念。

我们一直努力与投资界沟通。为此，我们出席并在两次会议上演讲。第一个是2013年11月于澳门召开的花旗银行投资者见面会，另外一个是2014年3月于纽约召开的ISI行业会议。我们与现有及新的机构股东会面交流。我们将继续致力于与投资界保持良好关系。

展望2014年，鉴于我们的竞争优势及不断创新的良好声誉，我们将继续努力在更具竞争的环境中保持我们的地位。中国新一届政府正在调整经济结构，从投资和出口拉动转向更注重国内消费，确保实现7.5%的经济增长目标。2014年4月下旬，中国工业与信息化部发出指令，要求于2014年12月31日前停止销售国三车辆，我们预计预购效应在2014年会继续。由于目前是我们卡车更换周期，我们相信重新采购将会有助于稳定我们的发动机整体销量。随着城镇化进程不断推进，国内消费预计上升，人员流动和货物流动性加大，因此对卡车物流的需求也会增加。由于恢复建设新的公共住房和高速铁路计划，建筑活动有望有所改善，也将有助于稳定发动机的需求。由于政府于2014年第一季度出台新的补助措施，我们预计在农机方面的发动机销量会有所增加。2014年客车市场增长预计持平，但预计天然气客车会有较大幅度的增长。我们相信，在天然气发动机及非道路发动机的销售方面会有持续的增长。我们也在加强出口能力方面的战略性地位，从而使我们的高品质产品能够提供给国外生产商。

凭借先进的发动机产品组合，我们于2013年取得了实质性进展，在中国多个发动机市场处于主导地位。以我们浓厚的企业文化，即注重技术、质量、市场领导地位和盈利能力，以及良好的财务制度和核心竞争力，将为公司长期的成功发展奠定坚实的基础。

何永明
总裁, 2014年5月19日

CORPORATE BACKGROUND

China Yuchai International Limited ("CYI") is a Bermuda holding company established on April 29, 1993. CYI is a subsidiary of Singapore-based Hong Leong Asia Ltd ("Hong Leong Asia") and it is listed on the New York Stock Exchange, with major operations in China.

The Group's principal operating subsidiary Guangxi Yuchai Machinery Company Limited ("GYMCL") is one of the largest engine manufacturers in China. Located in Yulin City, Guangxi Zhuang Autonomous Region in southern China, GYMCL produces, assembles and sells a comprehensive range of products covering light-, medium- to heavy-duty engines for trucks, buses, passenger vehicles, construction equipment, marine and agriculture applications, engine parts and components and diesel-powered generators. The engines produced by GYMCL range from diesel to natural gas and hybrid engines.

GYMCL's products range from 1.2L to 54L over 14 engine platforms with a power range from 60PS to 1200PS. In its current portfolio, the number of engine series offerings is 28 and GYMCL is intending to further expand its reach in the natural gas engine market as well as in the off-road markets with improved product offerings such as the high horsepower marine diesel engine and power generator engine. While GYMCL produces diesel engines compliant with National III and IV emission standards, it has the ability to produce certain diesel and natural gas engines compliant with National V emission standards, as well as develop alternative fuels and environmentally friendly hybrid engines with improved fuel efficiency. GYMCL also has the ability to produce diesel engines compliant with National Tier 3 emission standards for use in non-road machinery.

GYMCL has built a strong reputation among vehicle manufacturers and customers for the performance and reliability of its products as well as its after-sales customer service. CYI currently owns 76.4% of GYMCL's outstanding shares through six wholly-owned subsidiaries.

CYI has also invested in HL Global Enterprises Limited ("HLGE") which is listed on the main board of the Singapore Exchange. Currently, CYI holds a 48.9% shareholding interest in HLGE.

The core businesses of HLGE are hospitality operations and property development. The HLGE group, through its joint venture companies, owns hotels in Shanghai, PRC, Qingdao, PRC and Cameron Highlands, Malaysia. HLGE also owns a serviced apartment building in Shanghai.

公司背景

中国玉柴国际有限公司（“玉柴国际”）于1993年4月29日在百慕大注册成立并于2008年3月7日在新加坡登记成立分公司。玉柴国际是新加坡丰隆亚洲有限公司（“丰隆亚洲”）的子公司并且在纽约证券交易所上市，其主要运营地区在中国。

广西玉柴机器股份有限公司（“广西玉柴”）是玉柴国际的主要子公司，其也是中国最大的发动机制造商之一。广西玉柴位于中国南部的广西壮族自治区玉林市。公司生产、制造和销售多样化的机型产品，包括满足卡车、客车、乘用车、工程机械、船机和农用机械需求的轻型、中型和重型发动机、发动机零部件及柴油发电机。广西玉柴生产的的发动机包括从柴油发动机至天然气和混合动力发动机。

广西玉柴产品涵盖十四个主要机型容量从1.2升到54升，功率从60马力到1200马力的各种类型发动机。依托于现有组合，其有28个系列的发动机并且将进一步扩大其在燃气发动机及非道路发动机市场份额，通过大马力的船用柴油发动机及发电机等改善产品组合。尽管玉柴生产符合国三与国四排放标准的发动机产品，其也有能力生产一定的符合国五排放标准的柴油及天然气发动机， 同时研发替代能源及环境友好型混合动力发动机。玉柴同时也有能力生产符合国家Tier3排放标准的满足非道路机械的柴油发动机。

广西玉柴以其高效可靠的产品性能及卓越的售后服务在汽车制造商和消费者中享有极高的声誉。通过6家全资子公司，目前玉柴国际持有广西玉柴76.4%的股权。

此外，玉柴国际还在新加坡投资了另外一家公司，即丰隆环球有限公司（“丰隆环球”）。该公司于新加坡交易所主板上市，玉柴国际目前持有丰隆环球48.9%的股权。

丰隆环球的核心业务是酒店经营与房地产开发。丰隆环球集团通过其合资公司在中国上海、中国青岛及马来西亚金马仑高原拥有酒店。丰隆环球同时在上海拥有酒店式服务公寓。

OUR CHINA-WIDE PRESENCE

Guangxi Yuchai Machinery Company Limited
公司总部

32 regional offices
玉柴办事处

2932 customer service stations
玉柴技术服务站

As of March 2014

YUCHAI OVERSEAS NETWORK

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Our Bye-Laws require that our Board of Directors shall consist of eleven members so long as the special share is outstanding. As of March 7, 2014, there are eight members elected to and serving on our Board of Directors. Pursuant to the rights afforded to the holder of the special share, Hong Leong Asia had designated Messrs. Gan Khai Choon, Kwek Leng Peck and Hoh Weng Ming as its nominees. Mr. Yan Ping and Mr. Han Yi Yong are nominees of Coomber Investments Limited. Our directors are appointed or elected, except in the case of casual vacancy, at the annual general meeting or at any special general meeting of shareholders and hold office until the next annual general meeting of shareholders or until their successors are appointed or their office is otherwise vacated.

Our directors and executive officers are identified below.

Name	Position	Year First Elected or Appointed Director or Officer
HOH Weng Ming (1)	President and Director	2011
GAN Khai Choon (1)	Director	1995
KWEK Leng Peck (1)(2)	Director	1994
YAN Ping (1)	Director	2012
WU Qi Wei (1)	Alternate Director to YAN Ping	2012
NEO Poh Kiat (1)(2)(3)	Director	2005
TAN Aik-Leang (1)(3)	Director	2005
HAN Yi Yong (1)	Director	2010
HO Chi-Keung Raymond (2)(3)	Director	2013
LEONG Kok Ho	Chief Financial Officer	2012
FOO Shing Mei Deborah	General Counsel	2007
Ira Stuart OUTERBRIDGE III	Secretary	2001

Mr. Goh H Benny resigned from his positions as President and Director of the Company on May 31, 2013. Mr Matthew Richards resigned as a director of the Company on April 30, 2013.

Mr. Hoh Weng Ming was appointed President of the Company on July 17, 2013. Mr. Ho Chi-Keung Raymond was appointed as an independent director of the Company on April 30, 2013.

(1) Also a Director of Yuchai.
(2) Member of the Compensation Committee.
(3) Member of the Audit Committee.

BOARD OF DIRECTORS

Mr. Hoh Weng Ming was appointed President and a Director of the Company on July 17, 2013 and November 11, 2011 respectively. He was the Chief Financial Officer of the Company from May 1, 2008 to November 10, 2011. He is also a Director of Yuchai and HLGE with effect from December 26, 2008 and February 16, 2011 respectively. Mr. Hoh has more than 25 years of working experience in accounting and financial management positions with extensive regional experience in Singapore, Malaysia, New Zealand, Hong Kong and China. He has worked in various finance roles with companies including Johnson Electric Industrial Manufactory Limited as well as Henan Xinfei Electric Co., Ltd. and CYI, both subsidiaries of Hong Leong Asia. Previously, he held the position of Financial Controller of the Company from 2002 to 2003. Mr. Hoh has a Bachelor of Commerce Degree majoring in Accountancy from the University of Canterbury, Christchurch, New Zealand and an M.B.A. degree from Massey University, New Zealand. He is a Chartered Accountant in New Zealand and Malaysia and a Fellow Member of the Hong Kong Institute of Certified Public Accountants.

Mr. Gan Khai Choon is a Director of the Company, Yuchai, Grace Star, Venture Lewis, Venture Delta and Safety Godown Company Limited. He is also the non-executive Chairman of HLGE, an Executive Director of City e-Solutions Limited and Managing Director of Hong Leong International (Hong Kong) Limited. He has extensive experience in the banking, real estate investment and development sectors and has been involved in a number of international projects for the Hong Leong group of companies, which include the management and development of the Grand Hyatt Taipei and the Beijing Riviera. He holds a Bachelor of Arts Degree (Honors) in Economics from the University of Malaya. Mr. Gan is related to Mr. Kwek Leng Peck.

Mr. Kwek Leng Peck is a Director of the Company. He is a member of the Kwek family which controls the Hong Leong Investment Holdings group of companies. He is an Executive Director of Hong Leong Asia and Hong Leong Investment Holdings Pte. Ltd. and the non-executive Chairman of Tasek Corporation Berhad. He also sits on the boards of HL Technology, Hong Leong China, Yuchai, City Developments Limited, Hong Leong Finance Limited and Millennium & Copthorne Hotels Plc, as well as other affiliated companies. He holds a Diploma in Accountancy and has extensive experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management.

Mr. Yan Ping is a Director of the Company and the Chairman of the Board of Directors of Yuchai. He is also the Chairman of the State Holding Company. The State Holding Company which is owned by the City Government of Yulin in Guangxi Zhuang Autonomous Region, China, is a 22.1% shareholder in Yuchai. Prior to his above appointments, Mr. Yan held various China-government related positions, including as Deputy Secretary-General of the Yulin Municipal Government, as Director of the Yulin Municipal Development and Reform Commission and as Deputy General Manager of Guangzhou-Shenzhen Railway Company, Ltd. Mr. Yan holds a Bachelor of Engineering Degree from Dalian Railway College and a Masters degree in Statistics from the Dongbei University of Finance and Economics.

Mr. Wu Qi Wei is an Alternate Director of the Company to Mr. Yan Ping and the General Manager and a director of Yuchai. He previously served as one of the Deputy General Managers of Yuchai and was in charge of sales and marketing. He holds a Bachelor of Engineering Degree from Hunan University, an MBA degree from the Huazhong University of Science and Technology and a Doctorate in Marine Engineering from Wuhan University of Technology.

Mr. Neo Poh Kiat is a Director of the Company and Yuchai. He is the Managing Director of Octagon Advisors (Shanghai) Co. Ltd and a managing director of Octagon Advisors Pte. Ltd., a financial advisory firm in Singapore. Between 1976 and January 2005, he held various senior managerial positions with companies in the DBS Bank group and United Overseas Bank Ltd. Mr. Neo is currently a director of Asia Airfreight Terminal Co Ltd, Value Partners Goldstate Fund Management Co Ltd, Cambodia Post Bank Plc and Credit China Holdings Limited, which is listed on the Hong Kong Stock Exchange. He holds a Bachelor of Commerce Degree (Honors) from Nanyang University, Singapore. Our Board of Directors has determined that Mr. Neo is independent within the meaning of the NYSE's corporate governance standards, on the basis that the Company has no material relationship with him.

Mr. Tan Aik-Leang is a Director of the Company and Yuchai. He had held various senior executive and managerial positions over an aggregate period of more than 25 years at the Dao Heng Bank Group in Hong Kong, the National Australia Bank Group in Australia and Asia, and The Bank of Nova Scotia in Canada. Mr. Tan is currently also a Director of the Risk Management Association, Hong Kong Chapter. He is a Fellow member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Financial Services Institute

BOARD OF DIRECTORS

of Australasia (formerly known as Australasian Institute of Banking and Finance) and the Institute of Canadian Bankers. Our Board of Directors has determined that Mr. Tan is independent within the meaning of the NYSE's corporate governance standards, on the basis that the Company has no material relationship with him.

Mr. Ho Chi-Keung Raymond was previously a director of the Company from June 2004 to September 2006 and was re-appointed to the Board of Directors on April 30, 2013. He was in private practice as a solicitor in Hong Kong, Mainland China and Canada between 1983 and 2006. He is now practicing independently as an arbitrator. Mr. Ho was the Secretary General of the Law Society of Hong Kong from 2008 to 2011 and prior to that between 1999 and 2006, he was a partner of Fred Kan & Co., a law firm based in Hong Kong with operations in Tokyo, Japan and China. He holds the degrees of Bachelor of Laws and Master of Social Sciences from the University of Hong Kong, as well as a Master of Laws degree from the University of London. He is a Fellow of the UK Chartered Institute of Arbitrators and is currently listed on the HKIAC's panel of arbitrators. Mr. Ho is a director of Cheer Moon Development Limited and Power Rich Investment Limited. Our Board of Directors has determined that Mr. Ho is independent within the meaning of the NYSE's corporate governance standards, on the basis that the Company has no material relationship with him.

Mr. Han Yi Yong is a Director of the Company and Yuchai. He is also the Chairman and a director of Coomber as well as the Company Secretary to Yuchai's Board of Directors. He holds a Bachelor's Degree in Vehicle Engineering from the Shandong University of Technology and a Master's Degree in Power Machinery and Engineering from Guangxi University.

EXECUTIVE OFFICERS OF THE COMPANY

Mr. Leong Kok Ho was appointed Chief Financial Officer of the Company on January 9, 2012. Mr. Leong's previous positions were Regional Controller (Asia Pacific) for Parker Drilling Company, a company listed on the New York Stock Exchange (NYSE-PKD) and Chief Financial Officer of KS Energy Services Limited, a company listed on the Main Board of the Singapore Exchange. Mr. Leong also has China working experience when he served as Finance Manager and Operation Manager for the Kuok Group of Companies in China. Mr. Leong holds a Bachelor of Accountancy from the National University of Singapore and an MBA from the University of Southern Queensland in Australia in 1999. He is a Fellow Certified Accountant of Singapore.

Ms. Foo Shing Mei Deborah was appointed General Counsel of the Company with effect from December 10, 2007. Ms. Foo has more than 15 years' of commercial and corporate experience gained from various in-house positions in Singapore and Hong Kong. Prior to joining the Company, she held the positions of Vice President of Group Legal and Company Secretary at NASDAQ-listed Pacific Internet Limited. She holds a BA (Hons) in Law and History from the University of Keele, UK and a Masters of Law Degree in Commercial and Corporate law from the University of London, UK. She is a Barrister-at-Law (Middle Temple) and is admitted as an Advocate and Solicitor in Singapore.

Mr. Ira Stuart Outerbridge III is the Secretary of the Company. He is a graduate of the University of North Carolina at Chapel Hill and is a Fellow of the Institute of Chartered Secretaries and Administrators. He joined Codan Services Limited, the Company's secretarial agent in Bermuda, as a Corporate Manager in February 1986.

CORPORATE GOVERNANCE

We are an exempted company incorporated in Bermuda and are subject to the laws of that jurisdiction. The legal framework in Bermuda which applies to exempted companies is flexible and allows an exempted company to comply with the corporate governance regime of the relevant jurisdiction in which the company operates or applicable listing standards. Under Bermuda law, members of a board of directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and to exercise their powers and fulfill the duties of their office honestly. In addition, the Bermuda company legislation imposes a duty on directors and officers of an exempted company to act honestly and in good faith with a view to the best interests of the company and requires them to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Bermuda legislation also imposes certain specific duties and obligations on companies and directors, both directly and indirectly, including duties and obligations with respect to matters such as (a) loans to directors and related persons; and (b) limits on indemnities for directors and officers. Bermuda law does not impose specific obligations in respect of corporate governance, such as those prescribed by NYSE listing standards, requiring a company to (i) appoint independent directors to their boards; (ii) hold regular meetings of non-management directors; (iii) establish audit, nominating and governance or compensation committees; (iv) have shareholders approve equity compensation plans; (v) adopt corporate governance guidelines; or (vi) adopt a code of business conduct and ethics.

We are also subject to the NYSE listing standards, although, because we are a foreign private issuer, those standards are considerably different from those applied to US companies. Under the NYSE rules, we need only (i) establish an independent audit committee that has specified responsibilities as described in the following table; (ii) provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules; (iii) provide periodic written affirmations to the NYSE with respect to our corporate governance practices; and (iv) provide a brief description of significant differences between our corporate governance practices and those followed by US companies.

CORPORATE GOVERNANCE

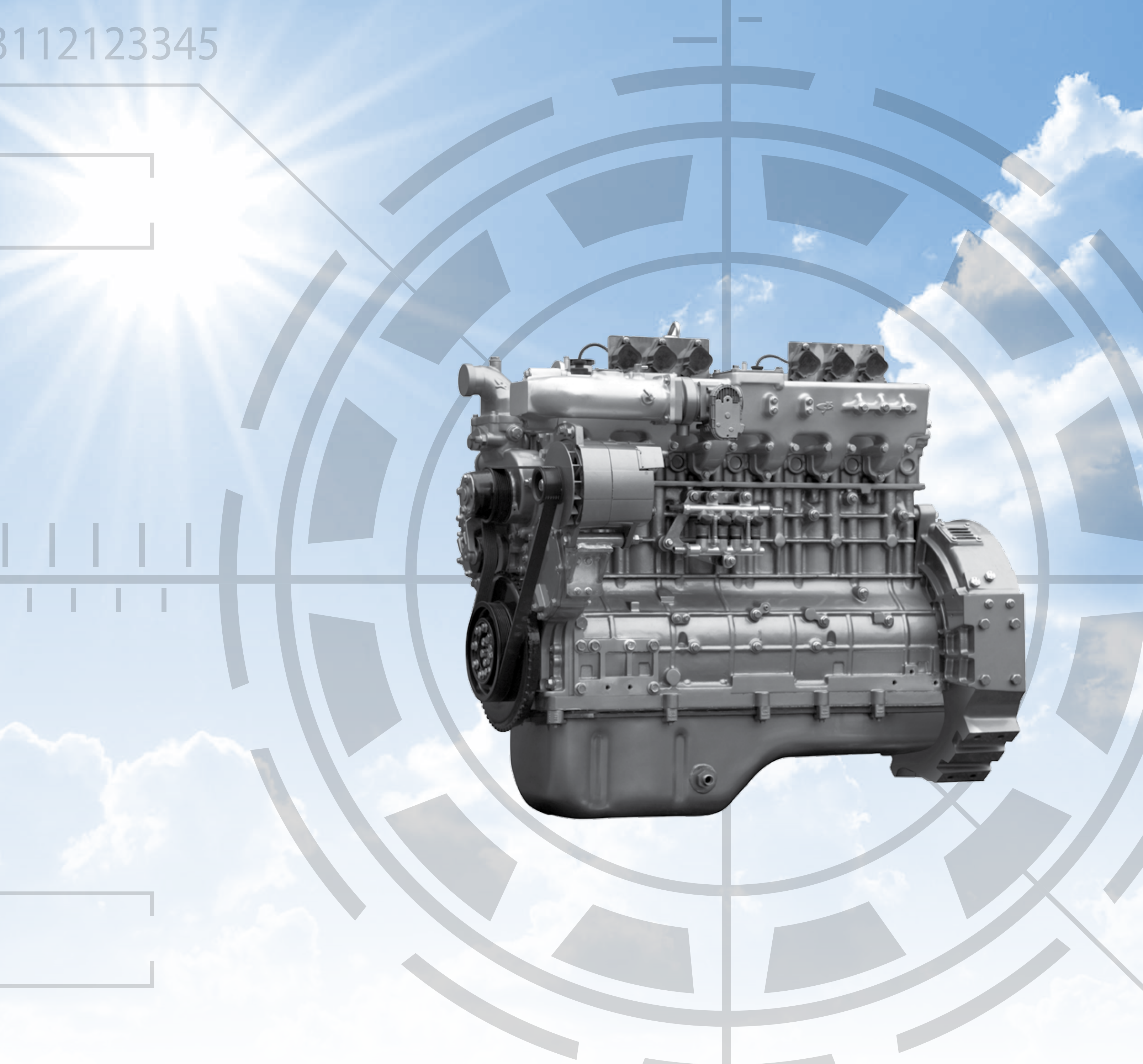
The following table compares the Company's principal corporate governance practices, which are in compliance with Bermuda law, to those required of US companies.

Standard for US Domestic Listed Companies	China Yuchai International Limited's Practice
Director Independence • A majority of the board must consist of independent directors.	• Three of our eight directors, Messrs. Neo Poh Kiat, Tan Aik-Leang and Ho Chi-Keung Raymond are independent within the meaning of the NYSE standards.
Independence is defined by various criteria including the absence of a material relationship between director and the listed company. Directors who are employees, are immediate family of the chief executive officer or receive over $120,000 per year in direct compensation from the listed company are not independent. Directors who are employees of or otherwise affiliated through immediate family with the listed company's independent auditor are also not independent.	
• The non-management directors of each company must meet at regularly scheduled executive sessions without management.	• As a foreign private issuer, our non-management directors are not required to meet periodically without management directors.
Audit Committee	
• Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act. The rule requires that the audit committee (i) be comprised entirely of independent directors; (ii) be directly responsible for the appointment, compensation, retention and oversight of the independent auditor; (iii) adopt procedures for the receipt and treatment of complaints with respect to accounting, internal accounting controls or auditing matters; (iv) be authorized to engage independent counsel and other advisors it deems necessary in performing its duties; and (v) be given sufficient funding by the company to compensate the independent auditors and other advisors as well as for the payment of ordinary administrative expenses incurred by the committee.	• Our audit committee meets the requirements of Rule 10A-3 under the Exchange Act.
• The audit committee must consist of at least three members, and each member meets the independence requirements of both the NYSE rules and Rule 10A-3 under the Exchange Act.	• Our audit committee currently consists of three members, all of whom meets the independence requirements of both the NYSE rules and Rule 10A-3 under the Exchange Act.
• The audit committee must have a written charter that addresses the committee's purpose and responsibilities.	• Our audit committee has a charter outlining the committee's purpose and responsibilities, which are similar in scope to those required of US companies.

CORPORATE GOVERNANCE

At a minimum, the committee's purpose must be to assist the board in the oversight of the integrity of the company's financial statements, the company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence and the performance of the company's internal audit function and independent auditors. The audit committee is also required to review the independent auditing firm's annual report describing the firm's internal quality control procedures, any material issues raised by the most recent internal quality control review or peer review of the firm, or by any recent governmental inquiry or investigation, and any steps taken to address such issues.	• Our audit committee's charter outlines the committee's purpose and responsibilities which are similar in scope to those required of US companies.
The audit committee is also required to assess the auditor's independence by reviewing all relationships between the company and its auditor. It must establish the company's hiring guidelines for employees and former employees of the independent auditor. The committee must also discuss the company's annual audited financial statements and quarterly financial statements with management and the independent auditors, the company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, and policies with respect to risk assessment and risk management. It must also meet separately, periodically, with management, the internal auditors and the independent auditors.	• Our audit committee assesses the auditor's independence on an ongoing basis by reviewing all relationships between the company and its auditor. It has established the company's hiring guidelines for employees and former employees of the independent auditor. The committee also discusses the company's annual audited financial statements and quarterly financial statements with management and the independent auditors, the company's earnings press releases, as well as financial information and earning guidance provided to analysts and rating agencies, and policies with respect to risk assessment and risk management. It also meets separately, periodically, with management, the internal auditors and the independent auditors.
• Each listed company must disclose whether its board of directors has identified an Audit Committee Financial Expert, and if not the reasons why the board has not done so.	• The Board of Directors has identified Mr. Tan Aik-Leang as our Audit Committee Financial Expert.
• Each listed company must have an internal audit function.	• We are a holding company and the majority of business is done at our main subsidiary, Yuchai. Our group transactions, fees and expenses are reviewed by the Internal Audit Department of Hong Leong Asia. In addition, Yuchai maintains an independent internal audit function, and the Head of Internal Audit reports to the Audit Committee of Yuchai's Board which approves the audit plans, reviews significant audit issues and monitors corrective actions taken by management.
Compensation Committee	
• Listed companies must have a compensation committee composed entirely of independent board members as defined by the NYSE listing standards.	• Our compensation committee currently has three members, two of whom are independent within the meaning of the NYSE standards.
• The committee must have a written charter that addresses its purpose and responsibilities.	

• These responsibilities include (i) reviewing and approving corporate goals and objectives relevant to CEO compensation; (ii) evaluating CEO performance and compensation in light of such goals and objectives for the CEO; (iii) based on such evaluation, reviewing and approving CEO compensation levels; (iv) recommending to the board non-CEO compensation, incentive compensation plans and equity-based plans; and (v) producing a report on executive compensation as required by the SEC to be included in the company's annual proxy statement or annual report. The committee must also conduct an annual performance self-evaluation.	• Our compensation committee reviews among other things the Company's general compensation structure, and reviews, recommends or approves executive appointments, compensation and benefits of directors and executive officers, subject to ratification by the Board of Directors, and supervises the administration of our employee benefit plans, if any.
Nominating/Corporate Governance Committee	
• Listed companies must have a nominating/corporate governance committee composed entirely of independent board members.	• We do not have a nominating/corporate governance committee. However, certain responsibilities of this committee are undertaken by our Compensation Committee, such as the review and approval of executive appointments and all other functions are performed by the Board of Directors.
• The committee must have a written charter that addresses its purpose and responsibilities, which include (i) identifying qualified individuals to become board members; (ii) selecting, or recommending that the board select, the director nominees for the next annual meeting of shareholders; (iii) developing and recommending to the board a set of corporate governance principles applicable to the company; (iv) overseeing the evaluation of the board and management; and (v) conducting an annual performance evaluation of the committee.	
Equity-Compensation Plans	
• Shareholders must be given the opportunity to vote on all equity—compensation plans and material revisions thereto, with limited exceptions.	• We intend to have our shareholders approve equity-compensation plans.
Corporate Governance Guidelines	
• Listed companies must adopt and disclose corporate governance guidelines.	• We have formally adopted various corporate governance guidelines, including Code of Business Conduct and Ethics (described below); Audit Committee Charter; Whistle-blowing Policy; Insider Trading Policy; and Disclosure Controls and Procedures.
Code of Business Conduct and Ethics	
• All listed companies, US and foreign, must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any amendment to or waivers of the code for directors or executive officers.	• We adopted a Code of Business Conduct and Ethics Policy in May 2004, which was revised on December 9, 2008. A copy of the Code is posted on our internet website at http://www.cyilimited.com. We intend to promptly disclose any amendment to or waivers of the Code for directors or executive officers.



FINANCIAL REPORT

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2013

The Board of Directors and Shareholders of China Yuchai International Limited

We have audited China Yuchai International Limited's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the "COSO criteria"). China Yuchai International Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, China Yuchai International Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of profit or loss, consolidated statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013 of China Yuchai International Limited and our report dated April 22, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Singapore
April 22, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2013

The Board of Directors and Shareholders of China Yuchai International Limited

We have audited the accompanying consolidated statements of financial position of China Yuchai International Limited as of December 31, 2013 and 2012, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Yuchai International Limited at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As disclosed in Note 2.4 and Note 36 to the consolidated financial statements, China Yuchai International Limited changed its method of accounting for short-term employee benefits on a retrospective basis effective January 1, 2013, and the 2012 consolidated statement of financial position has been restated accordingly.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), China Yuchai International Limited's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated April 22, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Singapore
April 22, 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	Note	31.12.2011	31.12.2012	31.12.2013	31.12.2013
		Rmb'000	Rmb'000	Rmb'000	US$'000
Sales of goods	7	15,378,190	13,381,025	15,809,894	2,583,274
Rendering of services	7	66,238	68,464	92,461	15,108
Revenue	7	15,444,428	13,449,489	15,902,355	2,598,382
Cost of sales (goods)	8.1	(11,966,496)	(10,532,463)	(12,577,458)	(2,055,108)
Cost of sales (services)		(35,653)	(37,142)	(59,993)	(9,802)
Gross profit		3,442,279	2,879,884	3,264,904	533,472
Other operating income	8.2(a)	102,403	176,409	179,887	29,393
Other operating expenses	8.2(b)	(29,325)	(44,059)	(23,535)	(3,846)
Research and development costs	8.1, 8.3	(328,140)	(373,732)	(468,612)	(76,569)
Selling, distribution and administrative costs	8.1	(1,652,129)	(1,475,038)	(1,550,228)	(253,301)
Operating profit		1,535,088	1,163,464	1,402,416	229,149
Finance costs	8.4	(156,174)	(213,019)	(161,211)	(26,341)
Share of profit of associates	5	1,519	2,372	159	26
Share of losses of joint ventures	6	(81,151)	(39,241)	(79,245)	(12,948)
Profit before tax		1,299,282	913,576	1,162,119	189,886
Income tax expense	9	(226,780)	(142,238)	(222,147)	(36,298)
Profit for the year		1,072,502	771,338	939,972	153,588
Attributable to:					
Equity holders of the parent		818,532	567,333	700,423	114,446
Non-controlling interests		253,970	204,005	239,549	39,142
		1,072,502	771,338	939,972	153,588
Earnings per share	10				
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent		21.96	15.22	18.79	3.07
Weighted average number of shares:					
- Basic and diluted		37,267,673	37,267,673	37,267,673	37,267,673

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	31.12.2011 Rmb'000	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Profit for the year	1,072,502	771,338	939,972	153,588
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation	(3,112)	(9,094)	(3,728)	(609)
Realization of foreign currency translation reserves upon disposal of assets classified as held for sale	—	—	10,770	1,759
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, representing other comprehensive (loss)/income for the year, net of tax	(3,112)	(9,094)	7,042	1,150
Total comprehensive income for the year, net of tax	1,069,390	762,244	947,014	154,738
Attributable to:				
Equity holders of the parent	809,939	561,923	697,466	113,962
Non-controlling interests	259,451	200,321	249,548	40,776
	1,069,390	762,244	947,014	154,738

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	Note	1.1.2012	31.12.2012	31.12.2013	31.12.2013
		Rmb'000	Rmb'000	Rmb'000	US$'000
		(Restated)	(Restated)		
ASSETS					
Non-current assets					
Property, plant and equipment	11	3,748,233	4,016,593	4,036,163	659,493
Prepaid operating leases	12	387,839	346,568	402,365	65,745
Goodwill	13	212,636	212,636	212,636	34,744
Intangible assets	14	24,754	135,411	145,283	23,739
Investment in associates	5	38,001	2,111	2,230	364
Investment in joint ventures	6	456,745	376,520	315,122	51,490
Deferred tax assets	9	359,332	353,382	389,077	63,574
Long-term bank deposits	21	—	—	185,000	30,228
Other investments		17,284	—	—	—
		5,244,824	5,443,221	5,687,876	929,377
Current assets					
Inventories	17	2,416,056	2,010,755	2,334,052	381,375
Trade and bills receivables	19	6,690,917	6,591,736	7,437,948	1,215,331
Prepayments		100,863	53,728	57,858	9,454
Other receivables	20	466,069	243,333	316,181	51,663
Prepaid operating leases	12	11,292	12,614	12,243	2,000
Other current assets	18	96,222	101,225	70,162	11,464
Cash and cash equivalents	21	4,124,776	3,127,602	2,596,536	424,263
Short-term investments	21	—	—	110,524	18,060
Restricted cash	21	—	269,963	669,788	109,440
		13,906,195	12,410,956	13,605,292	2,223,050
Assets classified as held for sale	22	—	69,496	—	—
		13,906,195	12,480,452	13,605,292	2,223,050
Total assets		19,151,019	17,923,673	19,293,168	3,152,427

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	Note	1.1.2012	31.12.2012	31.12.2013	31.12.2013
		Rmb'000	Rmb'000	Rmb'000	US$'000
		(Restated)	(Restated)		
EQUITY AND LIABILITIES					
Equity					
Issued capital	23	1,724,196	1,724,196	1,724,196	281,727
Preference shares	23	21	21	21	3
Statutory reserves	25	297,109	298,710	300,718	49,136
Capital reserves		2,932	2,932	2,932	479
Retained earnings		3,626,714	3,980,632	4,471,075	730,556
Other components of equity		(108,769)	(90,794)	(107,369)	(17,544)
Reserves of disposal groups classified as held for sale	22	—	(13,784)	—	—
Equity attributable to equity holders of the parent		5,542,203	5,901,913	6,391,573	1,044,357
Non-controlling interests		1,807,958	1,869,954	2,042,592	333,751
Total equity		7,350,161	7,771,867	8,434,165	1,378,108
Non-current liabilities					
Interest-bearing loans and borrowings	15(b)	144,883	111,422	1,028,396	168,036
Other liabilities	15(a)	830	—	43	7
Deferred tax liabilities	9	100,739	118,552	141,617	23,140
Deferred grants	16	318,583	326,062	310,965	50,810
Other payables	26	83,739	91,114	106,594	17,417
		648,774	647,150	1,587,615	259,410
Current liabilities					
Trade and other payables	26	7,150,412	6,830,083	7,611,894	1,243,754
Interest-bearing loans and borrowings	15(b)	3,551,848	2,339,273	1,230,981	201,138
Other liabilities	15(a)	—	9,467	13	2
Provision for taxation		142,752	57,827	122,562	20,026
Provision for product warranty	27	307,072	268,006	305,938	49,989
		11,152,084	9,504,656	9,271,388	1,514,909
Total liabilities		11,800,858	10,151,806	10,859,003	1,774,319
Total equity and liabilities		19,151,019	17,923,673	19,293,168	3,152,427

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	Attributable to the equity holders of the parent										
	Issued capital (Note 23)	Preference shares (Note 23)	Statutory reserves (Note 25)	Capital reserves	Retained earnings	Foreign currency translation reserve	Performance shares reserve	Premium paid for acquisition of non-controlling interests	Total	Non-controlling interests	Total equity
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At January 1, 2011	1,724,196	21	292,064	2,932	3,178,910	(89,399)	(85)	(10,692)	5,097,947	1,687,980	6,785,927
Profit for the year	—	—	—	—	818,532	—	—	—	818,532	253,970	1,072,502
Other comprehensive (loss)/income	—	—	—	—	—	(8,593)	—	—	(8,593)	5,481	(3,112)
Total comprehensive income for the year	—	—	—	—	818,532	(8,593)	—	—	809,939	259,451	1,069,390
Transfer to statutory reserves	—	—	5,045	—	(5,045)	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(139,473)	(139,473)
Dividends declared and paid (US$1.50 per share)	—	—	—	—	(365,683)	—	—	—	(365,683)	—	(365,683)
At December 31, 2011	1,724,196	21	297,109	2,932	3,626,714	(97,992)	(85)	(10,692)	5,542,203	1,807,958	7,350,161

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	Attributable to the equity holders of the parent												
	Issued capital (Note 23)	Preference shares (Note 23)	Statutory reserves (Note 25)	Capital reserves	Retained earnings	Reserves of assets classified as held for sale	Foreign currency translation reserve	Performance shares reserve	Other reserve on transaction with non-controlling interests	Premium paid for acquisition of non-controlling interests	Total	Non-controlling interests	Total equity
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At January 1, 2012	1,724,196	21	297,109	2,932	3,626,714	—	(97,992)	(85)	—	(10,692)	5,542,203	1,807,958	7,350,161
Profit for the year	—	—	—	—	567,333	—	—	—	—	—	567,333	204,005	771,338
Other comprehensive loss	—	—	—	—	—	—	(5,410)	—	—	—	(5,410)	(3,684)	(9,094)
Total comprehensive income for the year	—	—	—	—	567,333	—	(5,410)	—	—	—	561,923	200,321	762,244
Transfer to statutory reserves	—	—	1,686	—	(1,686)	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(76,510)	(76,510)
Dividends declared and paid (US$0.90 per share) (Note 24)	—	—	—	—	(211,729)	—	—	—	—	—	(211,729)	—	(211,729)
Liquidation of a subsidiary	—	—	(85)	—	—	—	—	—	—	—	(85)	—	(85)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	10,692	10,692	(64,953)	(54,261)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	(925)	(925)	(1,028)	(1,953)
Transaction with non-controlling interests	—	—	—	—	—	—	—	—	(166)	—	(166)	4,166	4,000
Reserves attributable to assets classified as held for sale	—	—	—	—	—	(13,784)	13,784	—	—	—	—	—	—
At December 31, 2012	1,724,196	21	298,710	2,932	3,980,632	(13,784)	(89,618)	(85)	(166)	(925)	5,901,913	1,869,954	7,771,867

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	Attributable to the equity holders of the parent											Non-controlling interests	Total equity
	Issued capital (Note 23)	Preference shares (Note 23)	Statutory reserves (Note 25)	Capital reserves	Retained earnings	Reserves of assets classified as held for sale	Foreign currency translation reserve	Performance shares reserve	Other reserve on transaction with non-controlling interests	Premium paid for acquisition of non-controlling interests	Total		
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At January 1, 2013	1,724,196	21	298,710	2,932	3,980,632	(13,784)	(89,618)	(85)	(166)	(925)	5,901,913	1,869,954	7,771,867
Profit for the year	—	—	—	—	700,423	—	—	—	—	—	700,423	239,549	939,972
Other comprehensive income/(loss)	—	—	—	—	—	13,784	(16,741)	—	—	—	(2,957)	9,999	7,042
Total comprehensive income for the year	—	—	—	—	700,423	13,784	(16,741)	—	—	—	697,466	249,548	947,014
Transfer to statutory reserves	—	—	2,272	—	(2,272)	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(72,744)	(72,744)
Dividends declared and paid (US$0.90 per share) (Note 24)	—	—	—	—	(207,708)	—	—	—	—	—	(207,708)	—	(207,708)
Liquidation of a subsidiary	—	—	(264)	—	—	—	—	—	—	—	(264)	—	(264)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	166	—	166	(4,166)	(4,000)
At December 31, 2013	1,724,196	21	300,718	2,932	4,471,075	—	(106,359)	(85)	—	(925)	6,391,573	2,042,592	8,434,165
US$'000	281,727	3	49,136	479	730,556	—	(17,379)	(14)	—	(151)	1,044,357	333,751	1,378,108

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Operating activities				
Profit before tax	1,299,282	913,576	1,162,119	189,886
Adjustments to reconcile profit before tax to net cash flows:				
Allowance for doubtful debts made/(written back) (net)	2,343	(19,647)	(11,775)	(1,924)
Inventories written down	52,791	23,478	7,061	1,153
Reversal of write down of inventories	(65,203)	(47,504)	(27,665)	(4,520)
Depreciation of property, plant and equipment and investment property	301,557	335,337	377,110	61,618
Amortization of prepaid operating leases	27,286	13,148	11,829	1,933
Dividend income from held for trading investment	(1,656)	(3,245)	(1,009)	(165)
Impairment of property, plant and equipment	252	8,026	9,163	1,497
Write-off of property, plant and equipment	159	—	—	—
Share of net loss of associates and joint ventures	79,632	36,869	79,086	12,922
Exchange (gain)/loss on financing activities	(1,599)	(19,399)	16,736	2,734
Fair value loss/(gain) on foreign exchange forward contract	—	9,467	(12,198)	(1,993)
Loss on disposal of property, plant and equipment	9,830	24,623	3,427	560
Gain on disposal of prepaid operating leases	(10,678)	—	(11,437)	(1,869)
Gain on disposal of investment property	(5,908)	—	—	—
Loss on disposal of subsidiaries	—	9,436	363	59
Loss on disposal of other investments	—	498	—	—
Gain on disposal of held for trading investment	—	—	(3,484)	(569)
Gain on disposal of assets classified as held for sale	—	—	(7,292)	(1,192)
Finance costs	156,174	213,019	161,211	26,341
Interest income	(53,159)	(99,685)	(78,939)	(12,898)
Fair value loss/(gain) on held for trading investment	16,104	(8,237)	2,866	469
Fair value gain on available-for-sale investment	(10,983)	—	—	—
Total adjustments	1,796,224	1,389,760	1,677,172	274,042

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Changes in working capital				
Decrease/(increase) in inventories	229,216	428,699	(302,693)	(49,459)
(Increase)/decrease in trade and other receivables	(2,447,246)	179,389	(1,322,998)	(216,173)
(Decrease)/increase in trade and other payables	(1,004,343)	(329,148)	790,171	129,111
(Increase)/decrease in balances with related parties	(13,187)	43,684	(90,891)	(14,851)
Increase in balances with holding company	(21)	—	—	—
Decrease in development properties	2,952	3,234	8,923	1,459
Cash flows (used in)/from operating activities	(1,436,405)	1,715,618	759,684	124,129
Income taxes paid	(325,981)	(203,426)	(170,042)	(27,784)
Net cash flows (used in)/from operating activities	(1,762,386)	1,512,192	589,642	96,345
Investing activities				
Acquisition/additional investment in associates and joint ventures	(33,295)	—	(19,720)	(3,222)
Dividend received from held for trading investment	1,656	3,245	1,009	165
Dividends received from joint ventures	10,166	10,116	1,054	172
Interest received	53,159	99,685	70,608	11,537
Proceeds from disposal of other investments	—	6,786	—	—
Proceeds from disposal of held for trading investment	—	—	21,341	3,487
Payment for prepaid operating leases	(16,768)	(8,561)	(58,941)	(9,631)
Proceeds from disposal of prepaid operating leases	18,800	—	19,792	3,234
Additions of intangible asset	(11,365)	(108,082)	(4,640)	(758)
Proceeds from disposal of property, plant and equipment	150,139	27,440	15,169	2,479
Purchase of property, plant and equipment	(807,274)	(643,457)	(441,434)	(72,129)
Proceeds from disposal of subsidiaries, net of cash disposed	—	38,056	9,504	1,553
Proceeds from disposal of assets classified as held for sale	—	—	84,497	13,806
Proceeds from disposal of investment property	40,528	—	—	—
Proceeds from government grants	71,015	68,637	43,694	7,139
Placement of fixed deposits with banks	—	—	(319,619)	(52,224)
Withdrawal of fixed deposits from banks	—	—	24,095	3,936
Net cash flows used in investing activities	(523,239)	(506,135)	(553,591)	(90,456)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	**Rmb'000**	**Rmb'000**	**US$'000**
Financing activities				
Dividends paid to non-controlling interests	(139,473)	(76,510)	(72,744)	(11,886)
Dividends paid to equity holders of the parent	(365,683)	(211,729)	(207,708)	(33,939)
Interest paid	(179,802)	(231,523)	(159,497)	(26,061)
Payment of finance lease liabilities	(27,751)	—	(25)	(4)
Proceeds from borrowings	3,547,962	3,582,740	2,895,844	473,169
Repayment of borrowings	(477,328)	(4,835,507)	(3,078,286)	(502,980)
Capital contributions from non-controlling interests	—	4,000	—	—
Placement of fixed deposits pledged with banks for banking facilities	—	(240,566)	(167,329)	(27,341)
Withdrawal of fixed deposits pledged with banks for banking facilities	26	111	240,566	39,308
Acquisition of non-controlling interests	—	(1,953)	(4,000)	(654)
Net cash flows from/(used in) financing activities	2,357,951	(2,010,937)	(553,179)	(90,388)
Net increase/(decrease) in cash and cash equivalents	72,326	(1,004,880)	(517,128)	(84,499)
Cash and cash equivalents at January 1	4,060,990	4,124,776	3,127,602	511,038
Effect of exchange rate changes on balances in foreign currencies	(8,540)	7,706	(13,938)	(2,276)
Cash and cash equivalents at December 31	4,124,776	3,127,602	2,596,536	424,263

Significant non-cash investing and financing transactions

For the years ended December 31, 2011, 2012 and 2013, certain customers settled their debts with trade bills amounting to Rmb 13,879 million, Rmb 11,987 million and Rmb 14,012 million (US$2,290 million) respectively. These outstanding trade bills were classified as bills receivables in the financial statements.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

1.1 Incorporation

The consolidated financial statements of China Yuchai International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended December 31, 2013 were authorized for issue in accordance with a resolution of the directors on April 22, 2014. China Yuchai International Limited is a limited company incorporated under the laws of Bermuda whose shares are publicly traded. The registered office of the Company is located at 16 Raffles Quay #26-00, Hong Leong Building, Singapore 048581. The principal place of business of the Company is located at 16 Raffles Quay #39-01A, Hong Leong Building, Singapore 048581.

1.2 Investment in Guangxi Yuchai Machinery Company Limited

The Company was incorporated under the laws of Bermuda on April 29, 1993. The Company was established to acquire a controlling financial interest in Guangxi Yuchai Machinery Company Limited ("Yuchai"), a Sino-foreign joint stock company which manufactures, assembles and sells diesel engines in the People's Republic of China (the "PRC"). The principal markets for Yuchai's diesel engines are truck manufacturers in the PRC.

The Company owns, through six wholly-owned subsidiaries, 361,420,150 shares or 76.41% of the issued share capital of Yuchai ("Foreign Shares of Yuchai"). Guangxi Yuchai Machinery Group Company Limited ("State Holding Company"), a state-owned enterprise, owns 22.09% of the issued share capital of Yuchai ("State Shares of Yuchai").

In December 1994, the Company issued a special share (the "Special Share") at par value of US$0.10 to Diesel Machinery (BVI) Limited ("DML"), a company controlled by Hong Leong Corporation Limited, now known as Hong Leong (China) Limited ("HLC"). The Special Share entitles its holder to designate the majority of the Company's Board of Directors (six of eleven). The Special Share is not transferable except to Hong Leong Asia Ltd. ("HLA"), the holding company of HLC, or any of its affiliates. During 2002, DML transferred the Special Share to HL Technology Systems Pte. Ltd. ("HLT"), a wholly-owned subsidiary of HLC.

Yuchai established three direct subsidiaries, Guangxi Yuchai Machinery Monopoly Development Co., Ltd. ("YMMC"), Guangxi Yulin Yuchai Accessories Manufacturing Company Limited ("YAMC") (previously known Guangxi Yulin Yuchai Machinery Spare Parts Manufacturing Company Limited) and Yuchai Express Guarantee Co. Ltd ("YEGCL"). YMMC and YAMC were established in 2000, and are involved in the manufacture and sale of spare parts and components for diesel engines in the PRC. YEGCL was established in 2004, and is involved in the provision of financial guarantees to mortgage loan applicants in favor of banks in connection with the applicants' purchase of automobiles equipped with diesel engines produced by Yuchai. In 2006, YEGCL ceased granting new guarantees with the aim of servicing the remaining outstanding guarantee commitments to completion. YEGCL has no more guarantee commitments remaining at the end of 2011. As YEGCL is a non-core business of the Group, on December 27, 2012, Yuchai disposed of its entire shareholdings in YEGCL to one of the subsidiaries of State Holding Company for a consideration of Rmb 85.8 million, and resulted in a loss of Rmb 10.9 million. As at December 31, 2013, Yuchai held an equity interest of 71.83% and 97.14% respectively in YAMC and YMMC. As at December 31, 2013, YMMC had direct controlling interests in 29 subsidiaries (2012: 29 subsidiaries) which are involved in the trading and distribution of spare parts of diesel engines and automobiles, all of which are established in the PRC.

In December 2006, Yuchai established a wholly-owned subsidiary called Xiamen Yuchai Diesel Engines Co., Ltd. This new subsidiary was established to facilitate the construction of a new diesel engine assembly factory in Xiamen, Fujian province in the PRC.

In December 2007, Yuchai purchased a subsidiary, Guangxi Yulin Hotel Company Limited ("Yulin Hotel Company").

1. Corporate information (cont'd)

1.2 Investment in Guangxi Yuchai Machinery Company Limited (cont'd)

In August 2012, Yuchai established a wholly-owned subsidiary, Guangxi Yuchai Accessories Manufacturing Company Limited ("GYAMC"). Upon incorporation of GYAMC, YAMC will gradually shift the business to GYAMC.

(a) Cooperation with Zhejiang Geely Holding Group Co. Ltd.

On April 10, 2007, Yuchai signed a Cooperation Framework Agreement with Zhejiang Geely Holding Group Co., Ltd. ("Geely") and Zhejiang Yinlun Machinery Company Limited ("Yinlun") to consider establishing a proposed company to develop diesel engines for passenger cars in the PRC. Yuchai was the largest shareholder followed by Geely as the second largest shareholder.

In December 2007, further to the Cooperation Framework Agreement, Yuchai entered into an Equity Joint Venture Agreement with Geely and Yinlun, to form two joint entities, namely Zhejiang Yuchai Sanli Engine Company Limited ("Zhejiang Yuchai") in Tiantai, Zhejiang province, and Jining Yuchai Engine Company Limited ("Jining Yuchai") in Jining, Shandong province. The entities are primarily engaged in the development, production and sales of a proprietary diesel engine including the engines of 4D20 series and its parts for passenger vehicles. Yuchai was the controlling shareholder with 52% with Geely and Yinlun held 30% and 18% shareholding respectively in both entities. These two entities have been duly incorporated.

On May 22, 2012, further to discussion between Yuchai, Geely and Yinlun, in order to streamline the operations of both joint venture companies and to ensure that Yuchai's resources and costs are prudently allocated, a share swap agreement had been entered into between Yuchai, Geely and Yinlun such that Yuchai exits from Zhejiang Yuchai and focuses only on Jining Yuchai. The share swap involved Yuchai transferred its 52% shareholding in Zhejiang Yuchai to Yinlun, and Yinlun transferred its 18% shareholding in Jining Yuchai to Yuchai. Jining Yuchai has repaid Zhejiang Yuchai a total consideration of Rmb 24.8 million which Zhejiang Yuchai had previously paid to Zhejiang Haoqing Manufacturing Co., Ltd. in respect of development of technology for 4D20 diesel engines. Upon the completion of the share swap on June 7, 2012, Yuchai holds a 70% shareholding in Jining Yuchai with Geely maintaining its 30% shareholding in Jining Yuchai. The technology for the 4D20 diesel engines purchased from Geely is entirely owned by Jining Yuchai. The share swap between Yuchai and Yinlun at historical cost resulted in a cash payment of Rmb 25 million from Yinlun to Yuchai. Management considered that terms and conditions of these two arrangements and their economic effects and accounted for these transactions as a single transaction in accordance with the relevant IFRS. The share swap transaction was considered as a disposal of a subsidiary and the gain on disposal was not material to the Group.

(b) Cooperation with Caterpillar (China) Investment Co., Ltd.

On December 11, 2009, Yuchai, pursuant to a Joint Venture Agreement entered into with Caterpillar (China) Investment Co., Ltd. ("Caterpillar"), incorporated Yuchai Remanufacturing Services (Suzhou) Co., Ltd. ("Yuchai Remanufacturing") in Suzhou, Jiangsu province to provide remanufacturing services for and relating to Yuchai's diesel engines and components and certain Caterpillar's diesel engines and components. The registered capital of the Yuchai Remanufacturing is US$200 million. Yuchai holds 51% and Caterpillar holds the remaining 49% in the joint venture. Yuchai and Caterpillar hold joint control in governing the financial and operating policies of the joint venture and Caterpillar has veto rights in relation to certain key decisions despite having only 49% voting rights. As such, Yuchai continues to account for Yuchai Remanufacturing as a joint venture.

1. Corporate information (cont'd)

1.2 Investment in Guangxi Yuchai Machinery Company Limited (cont'd)

(c) Cooperation with Chery Automobile Co., Ltd.

On August 11, 2009, Yuchai, pursuant to a Framework Agreement entered into with Jirui United Heavy Industry Co., Ltd. ("Jirui United"), a company jointly established by China International Marine Containers Group Ltd., Chery Automobile Co., Ltd. and Shenzhen City Jiusi Investment Management Co., Ltd. ("Jiusi"), incorporated Y & C Engine Co., Ltd. ("Y & C") in Wuhu, Anhui province to produce heavy duty vehicle engines with the displacement range from 10.5L to 14L including the engines of YC6K series. The registered capital of the Y & C is Rmb 500 million. Yuchai and Jirui United each hold 45% in the joint venture with Jiusi holding the remaining 10%.

(d) Cooperation with Guangxi Skylink Software Technology Co., Ltd.

On February 8, 2013, Yuchai, pursuant to a joint venture agreement entered into with Guangxi Skylink Software Technology Co., Ltd. ("Guangxi Skylink"), incorporated Guangxi Yineng IOT Science & Technology Co., Ltd. ("Yineng") in Nanning, Guangxi province to design, develop, manage and market an Electronic Operations Management Platform. The registered share capital of Yineng is Rmb 36 million. Yuchai holds 40% and Guangxi Skylink holds the remaining 60% in the joint venture. Yuchai and Guangxi Skylink hold joint control in governing the financial and operating policies of the joint venture.

1.3 Investment in Thakral Corporation Ltd.

In March 2005, the Company through Venture Delta Limited ("Venture Delta") and Grace Star Services Ltd. ("Grace Star") held 14.99% of the ordinary shares of Thakral Corporation Ltd. ("TCL"). TCL is a company listed on the main board of the Singapore Exchange Securities Trading Limited (the "Singapore Exchange") and is involved in the manufacture, assembly and distribution of high-end consumer electronic products and home entertainment products in the PRC. Three directors out of eleven directors on the board of TCL were appointed by the Group. Based on the Group's shareholdings and representation in the board of directors of TCL, management concluded that the Group had the ability to exercise significant influence over the operating and financial policies of TCL. Consequently, the Company's consolidated financial statements include the Group's share of the results of TCL, accounted for under the equity method. The Group acquired an additional 1% of the ordinary shares of TCL in September 2005. As a result of the rights issue of 87,260,288 rights shares on February 16, 2006, the Group's equity interest in TCL increased to 19.4%.

On August 15, 2006, the Group exercised its right to convert all of its 52,933,440 convertible bonds into 529,334,400 new ordinary shares in the capital of TCL. Upon the issue of the new shares, the Group's interest in TCL has increased to 36.6% of the total issued and outstanding ordinary shares. During the year ended December 31, 2007, the Group did not acquire new shares in TCL. However, as a result of conversion of convertible bonds into new ordinary shares by TCL's third party bondholders, the Group's interest in TCL was diluted to 34.4%. On September 2, 2008, Venture Delta transferred 1,000,000 ordinary shares, representing 0.04% interest in TCL to Grace Star.

On December 1, 2009, TCL announced its plan to return surplus capital of approximately S$130.6 million to shareholders by way of the Capital Reduction Exercise. Concurrently with the Capital Reduction Exercise, Venture Delta and Grace Star intend to appoint a broker to sell 550,000,000 shares out of their 898,990,352 shares in TCL at a price of S$0.03 per share on an ex-distribution basis ("Placement"). As of December 1, 2009, from the date that an associate is classified as disposal group held for sale, the Group ceased to apply the equity method and the investment in TCL was measured at the lower of the carrying amount and fair value less cost to sell and classified as held for sale.

1. Corporate information (cont'd)

1.3 Investment in Thakral Corporation Ltd. (cont'd)

On July 7, 2010, TCL made payment of cash distribution to shareholders pursuant to the Capital Reduction Exercise. Subsequent to the cash distribution, the Group began to sell its shares in TCL in the market. As of December 31, 2010, 580,253,000 shares in TCL had been disposed of and the Group's shareholding interest in TCL had reduced from 34.4% to 12.2%. In line with the decrease of the Group's shareholding interest in TCL, the Group's representation in the board of directors of TCL also reduced to one out of eight directors on the board of TCL. As of December 31, 2010, the Group did not exercise significant influence over the operating and financial policies of TCL. The Group's investment in TCL was classified as held for trading investment as they were held for the purpose of selling in the near term. The Group's investment in TCL was measured at fair value with changes in fair value recognized in other operating income/ expenses in the statement of profit or loss.

In 2013, the Group further disposed of 116,284,000 shares in TCL in the open market at a total consideration of S$4.3 million, its shareholding interests in TCL decreased from 12.2% to 7.7% as of December 31, 2013.

1.4 Investment in HL Global Enterprises Limited

On February 7, 2006, the Group acquired 29.1% of the ordinary shares of HL Global Enterprises Limited ("HLGE"). HLGE is a public company listed on the main board of the Singapore Exchange. HLGE is primarily engaged in investment holding, and through its group companies, invests in rental property, hospitality and property developments in Asia. On November 15, 2006, the Group exercised its right to convert all of its 196,201,374 non-redeemable convertible cumulative preference shares ("NCCPS") into 196,201,374 new ordinary shares in the capital of HLGE. Upon the issue of the new shares, the Group's equity interest in HLGE had increased to 45.4% of the enlarged total number of ordinary shares in issue. During the year ended December 31, 2007, the Group did not acquire new shares in HLGE. However, new ordinary shares were issued by HLGE arising from the third party's conversion of NCCPS, and the Group's interest in HLGE was diluted to 45.4%.

On March 26, 2010, the Group converted 17,300,000 of Series B redeemable convertible preference shares ("Series B RCPS") into ordinary shares in the capital of HLGE. On September 24, 2010, the Group further converted 16,591,000 of Series B RCPS into ordinary shares in the capital of HLGE. Meanwhile, 154,758 of new ordinary shares were issued by HLGE arising from third parties' conversion of NCCPS. As of December 31, 2010, the Group's interest in HLGE increased from 45.4% to 47.4%.

On March 24, 2011, the Group converted 17,234,000 of Series B RCPS into ordinary shares in the capital of HLGE. On September 23, 2011, the Group further converted 17,915,000 of Series B RCPS into ordinary shares in the capital of HLGE. As of December 31, 2011, the Group's interest in HLGE increased from 47.4% to 49.4%.

On January 13, 2012, HLGE established a trust known as the HL Global Enterprises Share Option Scheme 2006 Trust (the "Trust") with Amicorp Trustees (Singapore) Limited as the trustee of the Trust (the "Trustee") pursuant to a trust deed dated January 13, 2012 entered into between HLGE and the Trustee (the "Trust Deed") to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006 (the "HLGE 2006 Scheme").

On the same date, the Group transferred 24,189,170 of Series B RCPS in the capital of HLGE, representing 100% of the remaining unconverted Series B RCPS, to the Trustee for a nominal consideration of S$1.00 for the purpose of the Trust. Pursuant to the Articles of Association of HLGE, the 24,189,170 of Series B RCPS held by the Trustee were converted into 24,189,170 new ordinary shares in the capital of HLGE on January 16, 2012, and the new ordinary shares which rank *pari passu* in all respects with the existing issued ordinary shares, were held by the Trustee under the Trust. As disclosed in Note 3.1, the Trust, being a special purpose entity, has been consolidated in the separate and consolidated financial statements of HLGE.

1. Corporate information (cont'd)

1.4 Investment in HL Global Enterprises Limited (cont'd)

On April 4, 2012, the Group converted 13,957,233 of Series A redeemable convertible preference shares ("Series A RCPS") into ordinary shares in the capital of HLGE. As of December 31, 2012, the Group's interest in HLGE increased from 49.4% to 50.1%, based on the total outstanding ordinary shares of HLGE, net of the ordinary shares held by the Trustee under the Trust.

As of December 31, 2013, the Group's interest in HLGE remained at 50.1%, based on the total outstanding ordinary shares of HLGE, net of the ordinary shares held by the Trustee under the Trust.

As of December 31, 2012 and 2013, four directors, including the chairman, out of eight directors on the board of HLGE were appointed by the Group.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, held for trading investment and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("Rmb") and all values are rounded to the nearest thousand ("Rmb'000") except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2. Basis of preparation and accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.3 Summary of significant accounting policies

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(a) Business combinations and goodwill (cont'd)

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(b) Investments in associates and joint ventures (cont'd)

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(c) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(c) Current versus non-current classification (cont'd)

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(d) Fair value measurement (cont'd)

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 33.

(e) Foreign currency translation

The Company's functional currency is US Dollar. The Group's consolidated financial statements are presented in Renminbi, which is also the functional currency of Yuchai, the largest operating segment of the Group.

Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(e) Foreign currency translation (cont'd)

Transactions and balances (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies

For consolidation purpose, the assets and liabilities of foreign operations are translated into Rmb at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

For the US Dollar convenience translation amounts included in the accompanying consolidated financial statements, the Rmb equivalent amounts have been translated into US Dollar at the rate of Rmb 6.1201 = US$1.00, the rate quoted by the People's Bank of China ("PBOC") at the close of business on March 7, 2014. No representation is made that the Rmb amounts could have been, or could be, converted into US Dollar at that rate or at any other rate prevailing on March 7, 2014 or any other date.

(f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(f) Revenue recognition (cont'd)

The specific recognition criteria described below must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Rendering of services

Revenue from rendering of services relates to project management contracts and hotel room and restaurant operations. Revenue is recognized over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate ("EIR"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Rental income

Rental income receivable under operating leases is recognized in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Contingent rentals are recognized as income in the accounting period in which they are earned.

Dividends

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(g) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(h) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(h) Taxes (cont'd)

Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(i) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution with be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(i) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations (cont'd)

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a cash-generating unit ("CGU") or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land has an unlimited useful life and therefore is not depreciated. Asset under construction included in plant and equipment are not depreciated as these assets are not yet ready for intended use. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Freehold buildings	:	50 years
Leasehold land, buildings and improvements	:	Shorter of 15 to 50 years or lease term
Plant and machinery	:	3 to 20 years
Office furniture, fittings and equipment	:	3 to 20 years
Motor and transport vehicles	:	3.5 to 15 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(j) Property, plant and equipment (cont'd)

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group capitalizes interest with respect to major assets under installation or construction based on the weighted average cost of the Group's general borrowings and actual interest incurred for specific borrowings. Repairs and maintenance of a routine nature are expensed while those that extend the life of assets are capitalized.

Construction in progress represents factories under construction and machinery and equipment pending installation. All direct costs relating to the acquisition or construction of buildings and machinery and equipment, including interest charges on borrowings, are capitalized as construction in progress.

(k) Research and development costs

Research costs are expensed as incurred. The Group received research and development subsidies of Rmb 37,560 and Rmb 34,489 (US$5,635) for the years ended December 31, 2012 and 2013 respectively.

The subsidies received are recognized as deferred income and net off against research and development expenses when earned.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually. As of December 31, 2011, 2012 and 2013, capitalized development expenditures are not amortized because the intangible asset has not been completed and is not available for use or sale.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value presented as other operating expenses (negative net changes in fair value) or other operating income (positive net changes in fair value) in the statement of profit or loss.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss (cont'd)

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has designated its remaining 7.7% shareholding interest in TCL as financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables and available-for-sale depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss as finance costs. There was no financial asset designated as held-to-maturity during the year.

Available-for-sale ("AFS") financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd)

Available-for-sale ("AFS") financial investments (cont'd)

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement (cont'd)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

AFS financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement (cont'd)

Impairment of financial assets (cont'd)

AFS financial investments (cont'd)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at the initial date of recognition, and only if the criteria of IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, please refer to Note 15.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortisation.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Financial instruments – initial recognition and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

(m) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(n) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(o) Cash and cash equivalents

Cash and bank balances comprise cash at banks and on hand and short-term deposits with insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and restricted cash.

(p) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Prepaid operating lease

Prepaid operating lease represents payments made to the PRC land bureau for land use rights, which are charged to expense on a straight-line basis over the respective periods of the rights which are in the range of 15 to 50 years.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Sale and leaseback

In accordance with IAS 17 *Leases*, the gain or loss on sale and operating leaseback transactions is recognized in the consolidated statement of profit or loss immediately if (i) the Group does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments; and (ii) these transactions occur at fair value. Any gain or loss on sale and finance leaseback transactions is deferred and amortized over the term of the lease.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining the asset, the amount of borrowing costs eligible for capitalization should be determined as the actual borrowing costs incurred less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining the asset, the amount of borrowing costs eligible for capitalization is by applying a capitalization rate to the expenditures on that asset. The capitalization rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period should not exceed the amount of borrowing costs incurred during that period.

(r) Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Product warranty

The Group recognizes a liability at the time the product is sold, for the estimated future costs to be incurred under the lower of a warranty period or warranty mileage on various engine models, on which the Group provides free repair and replacement. Warranties extend for a duration (generally 12 months to 24 months) or mileage (generally 50,000 kilometers to 300,000 kilometers), whichever is the lower. Provisions for warranty are primarily determined based on historical warranty cost per unit of engines sold adjusted for specific conditions that may arise and the number of engines under warranty at each financial year. In previous years, warranty claims have typically not been higher than the relevant provisions made in our consolidated statement of financial position. If the nature, frequency and average cost of warranty claims change, the accrued liability for product warranty will be adjusted accordingly.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(s) Pensions and other post-employment benefits

The Group participates in and makes contributions to the national pension schemes as defined by the laws of the countries in which it has operations. The contributions are at a fixed proportion of the basic salary of the staff. Contributions are recognized as compensation expense in the period in which the related services are performed.

(t) Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus, where appropriate, apportion of attributable profit, and estimated net realizable value, net of progress billings. Net realizable value represents the estimated selling price less costs to be incurred in the selling of the properties.

The cost of properties under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalized, on a specific identification basis, as part of the costs of the development property until the completion of development.

(u) Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is controlled or jointly controlled by a person identified in (a).

(vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Basis of preparation and accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(v) Segment reporting

For management purposes, the Group is organized into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and amendments to IFRS effective as of January 1, 2013:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans – Amendments to IFRS 1*
- IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*
- IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*
- IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
- IAS 1 *Clarification of the requirement for comparative information (Amendment)*
- IAS 19 *Employee Benefits (Revised 2011)*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

The adoption of the standards or interpretation is described below:

IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans – Amendments to IFRS 1*

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment was effective for annual periods on or after January 1, 2013. The amendment has no impact on the Group.

2. Basis of preparation and accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures (cont'd)

New and amended standards and interpretations (cont'd)

IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments were effective for annual periods beginning on or after January 1, 2013. The amendment has no impact on the Group.

IFRS 10 *Consolidated Financial Statements,* IAS 27 *Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard was effective for annual periods beginning on or after January 1, 2013 and had no impact to the currently held investments of the Group.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard was effective for annual periods beginning on or after January 1, 2013. The amendment has no impact on the Group.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in Notes 4 – 6.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 33.

2. Basis of preparation and accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures (cont'd)

New and amended standards and interpretations (cont'd)

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 *Clarification of the requirement for comparative information (Amendment)*

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 *Employee Benefits* (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment was effective for annual periods beginning on or after January 1, 2013.

The Revised IAS 19 amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits.

The change in accounting policy has been applied retrospectively. The effects of adopting Revised IAS 19 on the financial statements are disclosed in Note 36.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation was effective for annual periods beginning on or after January 1, 2013. The new interpretation did not have an impact on the Group.

2.5 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

2. Basis of preparation and accounting policies (cont'd)

2.5 Standards issued but not yet effective (cont'd)

IFRS 9 *Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

***Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments are effective for annual periods beginning on or after January 1, 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after January 1, 2014. These amendments are not expected to be relevant to the Group.

IAS 36 *Impairment of Assets – Amendments to IAS 36*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014 but cannot be applied in periods (including comparative periods) in which IFRS 13 is not applied. The amendments affect disclosures only and will have no impact on our financial position or performance.

IFRIC Interpretation 21 *Levies* ("IFRIC 21")

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

2. Basis of preparation and accounting policies (cont'd)

2.5 Standards issued but not yet effective (cont'd)

Annual Improvements to IFRS

These improvements, which are applicable to the Group, include:

(a) IFRS 8 *Operating Segments*

This improvement clarifies that operating segments may be combined/aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. This improvement also clarifies reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. This improvement is to be applied retrospectively for annual periods beginning on or after July 1, 2014.

(b) IAS 24 *Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is to be applied retrospectively for annual periods beginning on or after July 1, 2014.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has leased out some of its assets, including surplus office and manufacturing buildings. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Cash and cash equivalents

The Group's cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. To determine whether a fixed deposit meets the definition of cash and cash equivalents, the Group considers factors such as its intention to hold the fixed deposit to meet short-term cash requirements and maturity and terms of such deposit. The carrying amount of cash and cash equivalents as at December 31, 2012 and 2013 are disclosed in Note 21.

3. Significant accounting judgments, estimates and assumptions (cont'd)

3.1 Judgments (cont'd)

Consolidation of a special purpose entity

As disclosed in Note 1.4, HLGE established the Trust with the Trustee pursuant to the Trust Deed to facilitate the implementation of the HLGE 2006 Scheme.

Pursuant to the terms of the Trust Deed, the Trustee will, *inter alia*, acquire and hold existing shares in the capital of HLGE (collectively, the "Trust Shares") for the benefit of participants who are employees of HLGE and/or its subsidiaries and who have been granted share options under the HLGE 2006 Scheme (excluding directors of HLGE and directors and employees of the HLGE's parent company and its subsidiaries) (the "Beneficiaries") and transfer such Trust Shares to the Beneficiaries upon the exercise of their share options under the HLGE 2006 Scheme.

HLGE will be entitled, from time to time, during the period commencing from the date of the Trust Deed and ending upon the termination of the Trust, to appoint a new trustee in substitution of the existing Trustee. HLGE is entitled to the benefit of any remaining funds, investments or assets which are placed under the control of the Trustee upon termination of the Trust. Based on the foregoing provisions, HLGE therefore consolidates the Trust as part of HLGE in its separate and consolidated financial statements. The Trust Shares are not regarded as treasury shares pursuant to the Singapore Companies Act, Chapter 50 and the Trustee has the power, *inter alia*, to vote or abstain from voting in respect of the Trust Shares at any general meeting of HLGE in its absolute discretion and to waive its right to receive dividends in respect of the Trust Shares as it deems fit. However, the Trust Shares are accounted for as treasury shares by HLGE as they are issued by HLGE and held by the Trust, which is considered as part of HLGE in accordance with the relevant IFRS.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the forecasts for the next eight to eleven years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs and assets, including a sensitivity analysis, are disclosed and further explained in Note 6 and Note 13.

3. Significant accounting judgments, estimates and assumptions (cont'd)

3.2 Estimates and assumptions (cont'd)

Useful lives of plant and machinery

The costs of plant and machinery of the Group are depreciated on a straight-line basis over the useful lives of the plant and machinery. Management estimates the useful lives of the plant and machinery to be within 3 to 20 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the plant and machinery, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery as of December 31, 2013 is disclosed in Note 11. A 5% decrease in the expected useful life of the plant and machinery from management's estimate would decrease the Group's profit before tax approximately Rmb 15,564 (US$2,543) (2012: Rmb 13,629).

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as of December 31, 2012 and 2013 are Rmb 353,382 and Rmb 389,077 (US$63,574) respectively.

The Group has unrecognized tax loss carried forward amounting to Rmb 400,326 and Rmb 354,606 (US$57,941) as of December 31, 2012 and 2013 respectively. These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiary has no temporary taxable differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. If the Group was able to recognize all unrecognized deferred tax assets, profit would increase by Rmb 60,690 (US$9,917) for year ended December 31, 2013 (2012: Rmb 68,238).

Derecognition of bills receivable

The Group sells bills receivable to banks on an ongoing basis. The buyer is responsible for servicing the receivables upon maturity of the bills receivable. This involves management assumptions relating to the transfer of risks and rewards of the bills receivable when discounted. At the time of sale of the bills receivable to the banks, the risks and rewards relating to the bills receivable are substantially transferred to the banks. Accordingly, bills receivable are derecognized, and a discount equal to the difference between the carrying value of the bills receivable and cash received is recorded. Please refer to Note 19.

Provision for product warranty

The Group recognizes a provision for product warranty in accordance with the accounting policy stated on Note 2.3(r). The Group has made assumptions in relation to historical warranty cost per unit of engines sold. The carrying amounts of the provision of product warranty as at December 31, 2012 and 2013 were Rmb 268,006 and Rmb 305,938 (US$49,989) respectively.

3. Significant accounting judgments, estimates and assumptions (cont'd)

3.2 Estimates and assumptions (cont'd)

Allowance for doubtful accounts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness, past collection history of each customer and on-going dealings with them. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of allowance for doubtful accounts as of December 31, 2012 and 2013 were Rmb 44,304 and Rmb 29,808 (US$4,871) respectively.

Inventory provision

Management reviews the inventory listing on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. The carrying amounts of inventory provision as at December 31, 2012 and 2013 were Rmb 126,398 and Rmb 105,610 (US$17,256) respectively.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Withholding tax

The China's Unified Enterprise Income Tax Law ("CIT law") also provides for a tax of 10% to be withheld from dividends paid to foreign investors of PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to January 1, 2008. Beginning on January 1, 2008, a 10% withholding tax is imposed on dividends paid to the Company, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Company will recognize a provision for withholding tax payable for profits accumulated after December 31, 2007 for the earnings that the Company does not plan to indefinitely reinvest in the PRC enterprises. The carrying amounts of withholding tax provision as of December 31, 2012 and 2013 are Rmb 118,078 and Rmb 141,172 (US$23,067) respectively.

The Company estimated the withholding tax by taking into consideration the dividend payment history of Yuchai and the operating cash flow needs of the Company.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

4. Investments in subsidiaries

Details of significant subsidiaries of the Group are as follows:

Name of significant subsidiary	Place of incorporation/ business	Group's effective equity interest	
		31.12.2012	31.12.2013
		%	%
Guangxi Yuchai Machinery Company Limited	People's Republic of China	76.4	76.4
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited	People's Republic of China	74.2	74.2
Guangxi Yuchai Machinery Monopoly Development Co., Ltd.	People's Republic of China	54.9	54.9
Xiamen Yuchai Diesel Engines Co., Ltd.	People's Republic of China	76.4	76.4
Guangxi Yulin Hotel Company Limited	People's Republic of China	76.4	76.4
Jining Yuchai Engine Company Limited	People's Republic of China	53.5	53.5
HL Global Enterprises Limited [(i)]	Singapore	50.1	50.1

Note:

(i) During the year ended December 31, 2012, the Group converted 13,957,233 of Series A RCPS into ordinary shares in the capital of HLGE. As a result, the Group's interest in HLGE increased to 50.1%, based on the total outstanding ordinary shares of HLGE, net of the ordinary shares held by the Trustee under the Trust (Note 1.4).

The Group has the following subsidiaries that have non-controlling interests ("NCI") that are material to the Group.

	31.12.2011	31.12.2012	31.12.2013
Proportion of equity interest held by NCI			
Yuchai	23.6%	23.6%	23.6%
YMMC	28.2%	28.2%	28.2%

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

4. Investments in subsidiaries (cont'd)

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Accumulated balances of material NCI				
Yuchai		1,621,006	1,786,116	291,844
YMMC		115,993	144,923	23,680
Profit allocated to material NCI				
Yuchai	284,036	183,116	237,658	38,832
YMMC	22,699	24,276	28,958	4,732
Dividends paid to material NCI				
Yuchai	139,473	72,526	72,526	11,850
YMMC	—	3,984	218	36

Summarized financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

	31.12.2011	
	Yuchai	YMMC
	Rmb'000	Rmb'000
Summarized statement of comprehensive income		
Revenue	15,413,243	1,383,444
Profit for the year representing total comprehensive income	1,204,051	80,577
Attributable to NCI	284,036	22,699
Summarized statement of cash flows		
Operating	(1,770,971)	73,741
Investing	(576,655)	(40,317)
Financing	2,380,279	—

	31.12.2012	
	Yuchai	YMMC
	Rmb'000	Rmb'000
Summarized statement of financial position		
Current assets	12,034,072	989,864
Non-current assets, excluding goodwill	4,968,179	188,881
Goodwill	212,636	—
Current liabilities	(9,557,105)	(740,140)
Non-current liabilities	(386,062)	(1,910)
Net assets	7,271,720	436,695
Less: Non-controlling interests of the subsidiaries	(187,503)	(24,936)
Total equity	7,084,217	411,759
Attributable to NCI	1,621,006	115,993

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

4. Investments in subsidiaries (cont'd)

	31.12.2012	
	Yuchai	YMMC
	Rmb'000	Rmb'000
Summarized statement of comprehensive income		
Revenue	13,411,384	1,560,067
Profit for the year representing total comprehensive income	776,247	86,178
Attributable to NCI	183,116	24,276
Summarized statement of cash flows		
Operating	1,530,987	118,853
Investing	(524,161)	(10,580)
Financing	(2,041,239)	(1,424)

	31.12.2013			
	Yuchai		YMMC	
	Rmb'000	US$'000	Rmb'000	US$'000
Summarized statement of financial position				
Current assets	13,176,353	2,152,964	743,803	121,535
Non-current assets, excluding goodwill	5,244,795	856,978	367,570	60,059
Goodwill	212,636	34,744	—	—
Current liabilities	(9,195,395)	(1,502,491)	(571,507)	(93,382)
Non-current liabilities	(1,445,955)	(236,263)	(3,568)	(583)
Net assets	7,992,434	1,305,932	536,298	87,629
Less: Non-controlling interests of the subsidiaries	(208,303)	(34,036)	(21,840)	(3,569)
Total equity	7,784,131	1,271,896	514,458	84,060
Attributable to NCI	1,786,116	291,844	144,923	23,680
Summarized statement of comprehensive income				
Revenue	15,870,380	2,593,157	1,546,612	252,710
Profit for the year representing total comprehensive income	1,007,454	164,614	102,797	16,797
Attributable to NCI	237,658	38,832	28,958	4,732
Summarized statement of cash flows				
Operating	621,561	101,561	(13,376)	(2,186)
Investing	(555,722)	(90,803)	(211,219)	(34,512)
Financing	(583,757)	(95,384)	(4,218)	(689)

The ability of certain subsidiaries of the Group to transfer funds to the Group in the form of cash dividend or to repay advances made by the Group is subject to the approval of the relevant authorities.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

4. Investments in subsidiaries (cont'd)

Disposal of subsidiaries

On June 7, 2012, the Group disposed of 39.7% of its effective equity interest in Zhejiang Yuchai, and, on December 27, 2012, Yuchai disposed of its entire shareholdings in YEGCL. The disposal considerations were settled in cash, net of liabilities and share swap (Note 1.2).

On September 4, 2013, the Group disposed of one of its wholly-owned subsidiaries, Yuchai/Asimco Components Company Limited ("Yuchai Asimco") and the disposal consideration was settled in cash.

The value of assets and liabilities of the disposals recorded in the consolidated financial statements and the cash flow effect of the disposals were:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Property, plant and equipment	69,488	—	—
Prepaid operating leases	35,363	—	—
Deferred tax assets	5,000	—	—
Other receivables	86,522	10,000	1,634
Inventories	627	—	—
Prepayments	24,784	—	—
Premium paid for acquisition of non-controlling interests	10,692	—	—
Cash and cash equivalents	7,545	5,994	979
	240,021	15,994	2,613
Trade and other payables	(50,066)	(133)	(22)
Provision for taxation	(4,745)	—	—
Non-controlling interests	(64,953)	—	—
Carrying value of net assets	120,257	15,861	2,591
Loss on disposal of subsidiaries (Note 8.2(b))	(9,436)	(363)	(59)
Total consideration	110,821	15,498	2,532
Cash and cash equivalents of the subsidiaries	(7,545)	(5,994)	(979)
Amount due to acquiree	(65,220)	—	—
Net cash inflow on disposal of subsidiaries	38,056	9,504	1,553

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

5. Investment in associates

Movement in the Group's share of the associates' post acquisition retained earnings is as follows:

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Unquoted equity shares, at cost			
At January 1	22,797	4,642	758
Reclassification to assets classified as held for sale (Note 22)	(18,155)	—	—
At December 31	4,642	4,642	758
Share of post-acquisition reserves			
At January 1	15,204	(2,531)	(414)
Share of results, net of tax	2,372	159	26
Share of foreign currency translation	734	(40)	(6)
Reclassification to assets classified as held for sale (Note 22)	(20,841)	—	—
At December 31	(2,531)	(2,412)	(394)
Investment in associates	2,111	2,230	364

Details of the associates are as follows:

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest	
			31.12.2012	31.12.2013
			%	%
Held by subsidiaries				
Scientex Park (M) Sdn. Bhd. ("Scientex Park") (i)	Property investment and development	Malaysia	14.0	—
Sinjori Sdn. Bhd. (i)	Property investment and development	Malaysia	14.0	14.0
Guangxi Yuchai Quan Xing Machinery Co., Ltd. ("Quan Xing") (ii)	Manufacture spare part and sales of auto spare part, diesel engine & spare part, metallic materials, generator & spare part, chemical products (exclude dangerous goods), lubricating oil	People's Republic of China	14.8	14.8
Guangxi Yulin Yuchai Property Management Co., Ltd. (iii)	Property management	People's Republic of China	22.3	22.3

Note:

(i) The Group has significant influence in these entities through HLGE who held effective equity interests of 28% interest in these entities. As of December 31, 2012, the investment in Scientex Park (M) Sdn. Bhd. was presented as "Assets classified as held for sale" and the disposal of 28% equity interest in Scientex Park was completed on April 8, 2013 (Note 22).

(ii) The Group has significant influence in this entity through YAMC who holds direct equity interests of 20% interest in this entity.

(iii) The Group has significant influence in this entity through YAMC who holds direct equity interests of 30% interest in this entity.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

5. Investment in associates (cont'd)

The summarized financial information of the associates, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	31.12.2011		
	Scientex Park	**Quan Xing**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**
Revenue	34,284	51,436	85,720
Profit for the year representing total comprehensive income	6,545	(1,555)	4,990
Proportion of the Group's ownership	28%	20%	
Group's share of profit/(loss) of significant associates	1,833	(311)	1,522
Group's share of loss of other associates, representing the Group's share of total comprehensive loss of other associates			(3)
Group's share of profit for the year, representing the Group's share of total comprehensive income for the year			1,519

	31.12.2012		
	Scientex Park	**Quan Xing**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**
Current assets	—	28,089	28,089
Non-current assets	—	894	894
Current liabilities	—	(23,010)	(23,010)
Equity	—	5,973	5,973
Proportion of the Group's ownership	28%	20%	
Carrying amount of significant associates	—	1,195	1,195
Carrying amount of other associates			916
Carrying amount of investment in associates			2,111
Revenue	43,042	64,877	107,919
Profit for the year representing total comprehensive income	7,175	1,880	9,055
Group's share of profit of significant associates	2,009	376	2,385
Group's share of loss of other associates, representing the Group's share of total comprehensive loss of other associates			(13)
Group's share of profit for the year, representing the Group's share of total comprehensive income for the year			2,372

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

5. Investment in associates (cont'd)

	31.12.2013		
	Quan Xing	Total	Total
	Rmb'000	Rmb'000	US$'000
Current assets	36,662	36,662	5,990
Non-current assets	518	518	85
Current liabilities	(30,448)	(30,448)	(4,975)
Equity	6,732	6,732	1,100
Proportion of the Group's ownership	20%		
Carrying amount of significant associates	1,346	1,346	220
Carrying amount of other associates		884	144
Carrying amount of investment in associates		2,230	364
Revenue	74,029	74,029	12,096
Profit for the year, representing total comprehensive income	751	751	122
Group's share of profit of significant associates	150	150	24
Group's share of profit of other associates, representing the Group's share of total comprehensive income of other associates		9	2
Group's share of profit for the year, representing the Group's share of total comprehensive income for the year		159	26

6. Investment in joint ventures

Movement in the Group's share of the joint ventures' post-acquisition retained earnings is as follows:

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Unquoted equity shares, at cost			
At January 1	683,749	534,944	87,408
Addition	—	19,720	3,222
Reclassification to assets classified as held for sale (Note 22)	(148,805)	—	—
At December 31	534,944	554,664	90,630
Share of post-acquisition reserves and impairment losses			
At January 1	(227,004)	(158,424)	(25,886)
Share of results, net of tax [(i)]	(39,241)	(79,245)	(12,948)
Dividend received	(10,116)	(1,054)	(172)
Reclassified to assets classified as held for sale (Note 22)	118,305	—	—
Others	1,088	(725)	(119)
Translation adjustment	(1,456)	(94)	(15)
At December 31	(158,424)	(239,542)	(39,140)
Carrying amount of the investment	376,520	315,122	51,490

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

Note:

(i) Share of results, net of tax is composed of:

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Share of joint venture losses	(12,639)	(36,437)	(44,138)	(7,212)
Impairment of investment in joint ventures	(53,540)	—	(32,303)	(5,278)
Fair value adjustments arising from purchase price allocation	(14,972)	(2,804)	(2,804)	(458)
Share of results, net of tax	(81,151)	(39,241)	(79,245)	(12,948)

The Group has interests in the following joint ventures:

Name of company	Percentage of interest 31.12.2012 %	Percentage of interest 31.12.2013 %	Principal activities
Held by subsidiaries			
Augustland Hotel Sdn. Bhd.	45	45	Hotel development and operation
Copthorne Hotel Qingdao Co., Ltd. ("Copthorne Qingdao")	60	60	Owns and operates a hotel in Qingdao, PRC
Shanghai Equatorial Hotel Management Co., Ltd.	49	49	Hotel management and hotel consultancy
Shanghai International Equatorial Hotel Company Ltd. ("SIEH") (i)	50	—	Owns and operates a hotel and club in Shanghai, PRC
HL Heritage Sdn. Bhd. (ii)	—	50	Property development and property investment holdings
Y & C Engine Co., Ltd.	45	45	Manufacture and sale of heavy duty diesel engines, spare parts and after-sales services
Yuchai Remanufacturing Services (Suzhou) Co., Ltd.	51	51	Remanufacture and sale of automobile parts, diesel engines and components
Guangxi Yineng IOT Science & Technology Co., Ltd. (iii)	—	40	Design, development, management and marketing of an electronic operations management platform

6. Investment in joint ventures (cont'd)

Note:

(i) As of December 31, 2012, the investment in SIEH was presented as "Assets classified as held for sale" and was subsequently disposed of on May 23, 2013 (Note 22).

(ii) HL Heritage Sdn. Bhd. ("HL Heritage") was incorporated on June 12, 2013 with an initial capital of RM2.00. HLGE will increase its interest in HL Heritage to 60% pursuant to the joint venture agreement entered into with Heritage Hallmark Sdn Bhd ("Heritage Hallmark") on November 2, 2012. HLGE together with Heritage Hallmark have joint control over HL Heritage.

(iii) On February 8, 2013, Yuchai, pursuant to a joint venture agreement entered into with Guangxi Skylink Software Technology Co., Ltd. ("Guangxi Skylink"), incorporated Guangxi Yineng IOT Science & Technology Co., Ltd. ("Yineng") in Nanning, Guangxi province to design, develop, manage and market an Electronic Operations Management Platform. The registered share capital of Yineng is Rmb 36 million. Yuchai holds 40% and Guangxi Skylink holds the remaining 60% in the joint venture. Yuchai and Guangxi Skylink hold joint control in governing the financial and operating policies of the joint venture.

During the current financial year, the Group recognized an impairment loss of Rmb 10,371 (US$1,695) (2012: Rmb Nil) in "Share of losses of joint ventures" in line item of profit or loss for the investment in Yuchai Remanufacturing within the Yuchai segment. Cash flows were projected based on historical growth and past experience and did not exceed the estimated long-term average growth rate of the business in China market. The recoverable amount of the investment in Yuchai Remanufacturing was based on its value in use. The Group used an eight-year forecast annual revenue growth rate of 5% to 15% per annum and a discount rate of 8.7%. If the present value of estimated future cash flows decreases by 5% from management's estimate, the Group's impairment loss on investment in Yuchai Remanufacturing will increase by Rmb 1,112 (US$182).

The Group also recognized an impairment loss of Rmb 21,932 (US$3,583) (2012: Rmb Nil) in "Share of losses of joint ventures" in line item of profit or loss for the investment in Copthorne Qingdao within the HLGE segment. Cash flows were projected based on historical growth and past experience and did not exceed the estimated long-term average growth rate for the business in China market. The recoverable amount of the investment in Copthorne Qingdao was based on its value in use. The Group used an eleven-year forecast annual revenue growth rate of 3% per annum and a discount rate of 10%. If the present value of estimated future cash flows decreases by 5% from management's estimate, the Group's impairment loss on investment in Copthorne Qingdao will increase by Rmb 6,762 (US$1,105).

The Group has included in its consolidated financial statements its share of assets and liabilities incurred by the joint ventures and its share of the results of the joint ventures using equity method.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

The summarized financial information of the joint ventures, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	31.12.2011				
	Y & C	Yuchai Remanufacturing	Copthorne Qingdao	SIEH	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue	137,438	33,327	79,812	137,373	387,950
Interest income	4,148	301	179	1,313	5,941
Depreciation and amortization	(13,411)	(2,161)	(14,341)	(38,960)	(68,873)
Interest expense	(12,930)	—	(10,602)	—	(23,532)
Income tax expense	—	—	—	(1,797)	(1,797)
Profit/(loss) for the year, representing total comprehensive income/(loss)	7,876	(14,488)	(2,868)	(16,707)	(26,187)
Proportion of the Group's ownership	45%	51%	60%	50%	
Group's share of profit/(loss)	3,544	(7,389)	(1,721)	(8,354)	
Impairment loss	—	—	—	(53,540)	
Fair value adjustment arising from purchase price allocation	—	—	(2,804)	(12,374)	
Group's share of profit/(loss) of significant joint ventures	3,544	(7,389)	(4,525)	(74,268)	(82,638)
Group's share of profit of other joint ventures, representing the Group's share of total comprehensive income of other joint ventures					1,487
Group's share of loss for the year, representing the Group's share of total comprehensive income for the year					(81,151)

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

	31.12.2012				
	Y & C	Yuchai Remanufacturing	Copthorne Qingdao	SIEH	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current assets	688,333	118,853	367,107	—	1,174,293
Current assets					
- Cash and cash equivalents	38,029	39,965	10,649	—	88,643
- Others	270,658	48,684	5,730	—	325,072
Total assets	997,020	207,502	383,486	—	1,588,008
Non-current liabilities					
- Interest-bearing loans and borrowings	(194,000)	(19,992)	—	—	(213,992)
Current liabilities					
- Interest-bearing loans and borrowings	(95,000)	(86,912)	(145,997)	—	(327,909)
- Others	(267,707)	(10,794)	(17,822)	—	(296,323)
Total liabilities	(556,707)	(117,698)	(163,819)	—	(838,224)
Equity	440,313	89,804	219,667	—	749,784
Proportion of the Group's ownership	45%	51%	60%	50%	
Group's share of net assets	198,141	45,800	131,800	—	
Impairment loss (i)	—	—	(4,386)	—	
Unrealized profit on transactions between the Group and the joint venture	(785)	—	—	—	
Carrying amount of significant joint ventures	197,356	45,800	127,414	—	370,570
Carrying amount of other joint ventures					5,950
Carrying amount of the investment in joint ventures					376,520

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

	31.12.2012				
	Y & C	Yuchai Remanufacturing	Copthorne Qingdao	SIEH	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue	194,173	43,524	75,013	152,693	465,403
Interest income	3,404	640	211	2,461	6,716
Depreciation and amortization	(29,118)	(5,302)	(13,281)	(39,740)	(87,441)
Interest expense	(17,555)	(3,180)	(9,988)	—	(30,723)
Income tax expense	—	—	—	(4,942)	(4,942)
Loss for the year, representing total comprehensive loss	(38,189)	(26,898)	(8,110)	(10,217)	(83,414)
Proportion of the Group's ownership	45%	51%	60%	50%	
Group's share of loss	(17,185)	(13,718)	(4,866)	(5,109)	
Fair value adjustment arising from purchase price allocation	—	—	(2,804)	—	
Group's share of loss of significant joint ventures	(17,185)	(13,718)	(7,670)	(5,109)	(43,682)
Group's share of profit of other joint ventures, representing the Group's share of total comprehensive income of other joint ventures					4,441
Group's share of loss for the year, representing the Group's share of total comprehensive income for the year					(39,241)

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

	31.12.2013				
	Y & C	**Yuchai Remanufacturing**	**Copthorne Qingdao**	**Total**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**	**US$'000**
Non-current assets	616,013	116,747	350,811	1,083,571	177,051
Current assets					
- Cash and cash equivalents	64,336	24,361	11,768	100,465	16,416
- Others	398,728	34,321	2,990	436,039	71,247
Total assets	1,079,077	175,429	365,569	1,620,075	264,714
Non-current liabilities					
- Interest-bearing loans and borrowings	(140,000)	(14,992)	(142,427)	(297,419)	(48,597)
- Others	—	(6,300)	—	(6,300)	(1,029)
Current liabilities					
- Interest-bearing loans and borrowings	(70,000)	(79,700)	(2,011)	(151,711)	(24,789)
- Others	(464,593)	(9,953)	(14,782)	(489,328)	(79,954)
Total liabilities	(674,593)	(110,945)	(159,220)	(944,758)	(154,369)
Equity	404,484	64,484	206,349	675,317	110,345
Proportion of the Group's ownership	45%	51%	60%		
Group's share of net assets	182,018	32,887	123,809		
Impairment loss (i)	—	(10,371)	(26,048)		
Unrealized profit on transactions between the Group and the joint venture	(1,522)	—	—		
Carrying amount of significant joint ventures	180,496	22,516	97,761	300,773	49,145
Carrying amount of other joint ventures				14,349	2,345
Carrying amount of the investment in joint ventures				315,122	51,490

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

	31.12.2013				
	Y & C	**Yuchai Remanufacturing**	**Copthorne Qingdao**	**Total**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**	**US$'000**
Revenue	447,124	36,975	67,707	551,806	90,163
Interest income	645	200	139	984	161
Depreciation and amortization	(23,813)	(8,143)	(12,341)	(44,297)	(7,238)
Interest expense	(15,626)	(6,301)	(7,473)	(29,400)	(4,804)
Loss for the year, representing total comprehensive loss	(35,829)	(49,890)	(8,829)	(94,548)	(15,449)
Proportion of the Group's ownership	45%	51%	60%		
Group's share of loss	(16,123)	(25,444)	(5,297)		
Impairment loss	—	(10,371)	(21,932)		
Fair value adjustment arising from purchase price allocation	—	—	(2,804)		
Group's share of loss of significant joint ventures	(16,123)	(35,815)	(30,033)	(81,971)	(13,393)
Group's share of profit of other joint ventures, representing the Group's share of total comprehensive income of other joint ventures				2,726	445
Group's share of loss for the year, representing the Group's share of total comprehensive income for the year				(79,245)	(12,948)

Note:

(i) The movement in impairment loss is as follows:

	31.12.2012	**31.12.2013**	**31.12.2013**
	Rmb'000	**Rmb'000**	**US$'000**
January 1	4,205	4,386	717
Charge for the year	—	32,303	5,278
Translation differences	181	(270)	(44)
December 31	4,386	36,419	5,951

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

As of December 31, 2013, the Groups' share of joint ventures' capital commitment that are approved but not contracted for and joint ventures' contingent liabilities were Rmb 321 (US$52) (2012: Rmb 2,004) and Rmb 12,843 (US$2,098) (2012: Rmb 12,836) respectively. According to Qingdao Municipal Government's regulation, all hotels in Qingdao, the People's Republic of China, are imposed for tourism development levy and hotel augmentation levy which are equivalent to 1% of total revenue and 3% of room revenue respectively. According to releases made by the Qingdao Local Taxation Bureau, the tourism development levy and the hotel augmentation levy were withdrawn effective from January 1, 2009 and September 1, 2010 respectively. As at December 31, 2013, the estimated tourism development levy and hotel augmentation levy payable by the Group's joint venture in Qingdao were Rmb 3,748 (US$612) (2012: Rmb 3,748) and Rmb 9,095 (US$1,486) (2012: Rmb 9,088) respectively. The joint venture, together with other hotel owners in Qingdao is currently negotiating with the Qingdao Municipal Government to waive such levies. The joint venture is of the view that the authority is unlikely to collect such levies. Hence, the above levies have not been provided in the accounts of the joint venture.

The ability of certain joint ventures of the Group to transfer funds to the Group in the form of cash dividend or to repay advances made by the Group is subject to the approval of the lenders and relevant authorities.

7. Revenue

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Sale of goods	15,378,190	13,381,025	15,809,894	2,583,274
Rendering of services				
Consisting of:				
Revenue from hotel and restaurant operations	61,813	63,290	85,164	13,916
Revenue from sale of development properties	3,821	4,640	6,758	1,104
Rental income	604	534	539	88
	66,238	68,464	92,461	15,108
Revenue	15,444,428	13,449,489	15,902,355	2,598,382

8.1 Depreciation and amortization, shipping and handling expenses

Depreciation and amortization of property, plant and equipment, prepaid operating leases and investment property are included in the following captions.

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Cost of sales	234,486	254,454	281,718	46,032
Research and development expenses	24,202	27,774	32,757	5,352
Selling, general and administrative expenses	70,155	66,257	74,464	12,167
	328,843	348,485	388,939	63,551

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

8.1 Depreciation and amortization, shipping and handling expenses (cont'd)

Sales related shipping and handling expenses not separately billed to customers are included in the following caption:

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Selling, general and administrative expenses	193,570	187,152	221,103	36,127

8.2 (a) Other operating income

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Interest income	53,159	99,685	78,939	12,898
Foreign exchange gain, net	1,599	19,399	—	—
Dividend income from held for trading investment	1,656	3,245	1,009	165
Gain on disposal of prepaid operating leases	10,678	—	11,437	1,869
Gain on disposal of held for trading investment	—	—	3,484	569
Fair value gain on held for trading investment	—	8,237	—	—
Fair value gain on available-for-sale investment	10,983	—	—	—
Gain on disposal of investment property	5,908	—	—	—
Gain on disposal of assets classified as held for sale	—	—	7,292	1,192
Government grant income	18,420	28,534	50,978	8,329
Bad debts recovered	—	6,906	—	—
Fair value gain on foreign exchange forward contract	—	—	12,198	1,993
Others, net	—	10,403	14,550	2,378
	102,403	176,409	179,887	29,393

8.2 (b) Other operating expenses

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Loss on disposal of property, plant and equipment	(9,830)	(24,623)	(3,427)	(560)
Loss on disposal of subsidiaries	—	(9,436)	(363)	(59)
Loss on disposal of other investments	—	(498)	—	—
Foreign exchange loss, net	—	—	(16,736)	(2,734)
Fair value loss on held for trading investment	(16,104)	—	(2,866)	(469)
Fair value loss on foreign exchange forward contract	—	(9,467)	—	—
Others, net	(3,391)	(35)	(143)	(24)
	(29,325)	(44,059)	(23,535)	(3,846)

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

8.3 Research and development costs

Research and development costs recognized as an expense in the statement of profit or loss amounted to Rmb 468,612 (US$76,569) (2012: Rmb 373,732; 2011: Rmb 328,140).

8.4 Finance costs

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Interest expense for:				
Bank term loans	33,693	70,557	65,458	10,695
Bills discounting	73,651	82,585	58,738	9,598
Corporate bonds	64,175	87,269	60,143	9,827
Bank charges	6,869	5,946	4,266	697
Less:				
Borrowing costs capitalized (Note 11)	(22,214)	(33,338)	(27,394)	(4,476)
	156,174	213,019	161,211	26,341

8.5 Staff costs

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Wages and salaries	741,036	747,401	922,151	150,676
Contribution to defined contribution plans [(i)]	240,590	254,101	243,614	39,806
Executive bonuses	67,347	43,773	56,501	9,232
Staff welfare	59,142	55,033	67,972	11,106
Others	1,888	5,094	2,336	382
	1,110,003	1,105,402	1,292,574	211,202

Note:

(i) As stipulated by the regulations of the PRC, Yuchai and its subsidiaries participate in defined contribution retirement plans organized by Guangxi Regional Government and Beijing City Government for its staff. All staff are entitled to an annual pension equal to a fixed proportion of their final basic salary amount at their retirement date. For the years ended December 31, 2013, 2012 and 2011, Yuchai and its subsidiaries were required to make contributions to the retirement plan at a rate of 20.0% of the basic salary of their staff. Expenses incurred in connection with the plan were Rmb 239,723 (US$39,170) (2012: Rmb 254,101; 2011: Rmb 239,253).

Yuchai and its subsidiaries have no obligation for the payment of pension benefits or any other post-retirement benefits beyond the annual contributions described above.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

9. Income tax

Income tax expense in the consolidated statement of profit or loss consists of:

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Current income tax				
Current income tax charge	266,044	118,421	234,064	38,245
Adjustments in respect of current income tax of previous year	1,607	80	684	112
Deferred tax				
Relating to origination and reversal of temporary differences	(40,871)	23,737	(12,601)	(2,059)
Income tax expense reported in the statement of profit or loss	226,780	142,238	222,147	36,298

Income tax expense reported in the consolidated statement of profit or loss differs from the amount computed by applying the PRC income tax rate of 15% (being tax rate of Yuchai) for the years ended December 31, 2011, 2012 and 2013 for the following reasons:

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Accounting profit before tax	1,299,282	913,576	1,162,119	189,886
Computed tax expense of 15%	194,892	137,036	174,318	28,483
Adjustments resulting from:				
Non-deductible expenses	7,298	11,722	17,296	2,826
Tax-exempt income	(310)	(1,885)	(1,528)	(249)
Utilization of deferred tax benefits previously not recognized	—	(3,133)	—	—
Deferred tax benefits not recognized	1,818	182	6,015	983
Tax credits for research and development expense	(26,625)	(19,884)	(18,010)	(2,943)
Tax rate differential	24,070	(178)	20,228	3,305
Under provision in respect of previous years current tax	1,607	80	684	112
Withholding tax expense	23,492	17,794	23,094	3,773
Others	538	504	50	8
Total	226,780	142,238	222,147	36,298

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

9. Income tax (cont'd)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of profit or loss			
	31.12.2012	31.12.2013	31.12.2013	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000	Rmb'000	Rmb'000	Rmb'000	US$'000
Deferred tax liabilities							
Accelerated tax depreciation	(42)	(42)	(7)	—	—	—	—
Unremitted earnings from overseas source income	(441)	(412)	(68)	—	—	—	—
Expenditure currently deferred for tax purpose	9	9	2	—	—	—	—
PRC withholding tax on dividend income	(118,078)	(141,172)	(23,067)	(23,492)	(17,794)	(23,094)	(3,773)
	(118,552)	(141,617)	(23,140)	(23,492)	(17,794)	(23,094)	(3,773)
Deferred tax assets							
Accelerated accounting depreciation	7,860	8,858	1,448	(895)	337	998	163
Write down of inventories	31,104	28,797	4,705	(2,845)	(2,155)	(2,307)	(377)
Allowance for doubtful accounts	6,554	5,505	900	280	(3,598)	(1,049)	(171)
Accruals	214,109	258,949	42,311	38,795	(16,859)	44,840	7,326
Tax value of loss carried forward	—	—	—	(1,685)	(823)	—	—
Deferred income	84,757	79,685	13,020	33,345	15,743	(5,072)	(829)
Others	8,998	7,283	1,190	(2,632)	1,412	(1,715)	(280)
	353,382	389,077	63,574	64,363	(5,943)	35,695	5,832

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates, if any, is recognized in the statements of operations in the period that includes the enactment date.

The Group has been granted tax credits in relation to approved research and development costs. According to relevant laws and regulations in the PRC prior to the new CIT law, the amount of credits relating to the purchase of certain domestic equipment entitled for deduction each year is limited to the incremental current income tax expense of the subsidiary for the year compared to the income tax expense of the subsidiary in the year immediately prior to the year the credit was approved.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

9. Income tax (cont'd)

Deferred tax (cont'd)

The CIT law also provides for a tax of 10% to be withheld from dividends paid to foreign investors of PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to January 1, 2008. Beginning on January 1, 2008, a 10% withholding tax is imposed on dividends paid to us, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Company recognizes a provision for withholding tax payable for profits accumulated after December 31, 2007 for the earnings that we do not plan to indefinitely reinvest in the PRC enterprises. As of December 31, 2013, the provision for withholding tax payable was Rmb 141,172 (US$23,067) (2012: Rmb 118,078).

The following table represents the classification of the Group's net deferred tax assets:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Deferred tax assets	353,382	389,077	63,574
Deferred tax liabilities	(118,552)	(141,617)	(23,140)
	234,830	247,460	40,434

10. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	31.12.2011 Rmb'000	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share calculations	818,532	567,333	700,423	114,446
Weighted average number of ordinary shares for basic and diluted earnings per share calculations	37,267,673	37,267,673	37,267,673	37,267,673

There were no potentially dilutive common shares in any of the years ended December 31, 2011, 2012 and 2013.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

11. Property, plant and equipment

	Freehold land	Leasehold land, buildings & improvements	Construction in progress	Plant and machinery	Office furniture, fittings and equipment	Motor and transport vehicles	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cost							
At January 1, 2012							
Additions	596	1,519,253	875,693	3,417,649	136,520	109,749	6,059,460
Disposals	—	123,754	571,599	22,465	10,809	8,100	736,727
Reduced due to disposal of subsidiaries	—	(57,654)	—	(50,652)	(16,483)	(10,222)	(135,011)
Transfers	—	—	(61,581)	(7,961)	(1,594)	(75)	(71,211)
Write-off	—	38,609	(393,075)	345,167	6,583	2,716	—
Translation difference	—	—	(1,503)	—	(16)	—	(1,519)
	16	(774)	—	(287)	(143)	(4)	(1,192)
At December 31, 2012 and January 1, 2013	612	1,623,188	991,133	3,726,381	135,676	110,264	6,587,254
Additions	—	3,858	348,887	51,582	15,958	9,346	429,631
Disposals	—	(11,823)	—	(84,549)	(6,880)	(8,090)	(111,342)
Transfers	—	130,940	(544,460)	409,144	4,376	—	—
Write-off	—	—	(2,104)	—	(64)	—	(2,168)
Translation difference	(57)	92	—	40	(45)	(31)	(1)
At December 31, 2013	555	1,746,255	793,456	4,102,598	149,021	111,489	6,903,374
Accumulated depreciation and impairment							
At January 1, 2012	596	370,985	5,745	1,801,859	80,806	51,236	2,311,227
Charge for the year	—	52,833	—	258,947	15,327	10,805	337,912*
Disposals	—	(25,906)	—	(34,386)	(14,311)	(8,346)	(82,949)
Reduced due to disposal of subsidiaries	—	—	—	(425)	(1,257)	(42)	(1,724)
Transfer	—	—	—	296	(161)	(135)	—
Write-off	—	—	(1,503)	—	(16)	—	(1,519)
Impairment loss	—	547	294	7,185	—	—	8,026
Translation difference	16	(177)	—	(79)	(70)	(2)	(312)
At December 31, 2012 and January 1, 2013	612	398,282	4,536	2,033,397	80,318	53,516	2,570,661
Charge for the year	—	58,706	—	295,717	16,554	11,365	382,342*
Disposals	—	(5,746)	—	(75,773)	(5,812)	(5,415)	(92,746)
Write-off	—	—	(2,104)	—	(64)	—	(2,168)
Impairment loss	—	239	—	8,919	5	—	9,163
Translation difference	(57)	49	—	12	(26)	(19)	(41)
At December 31, 2013	555	451,530	2,432	2,262,272	90,975	59,447	2,867,211
Net book value							
At December 31, 2012	—	1,224,906	986,597	1,692,984	55,358	56,748	4,016,593
At December 31, 2013	—	1,294,725	791,024	1,840,326	58,046	52,042	4,036,163
US$'000	—	211,553	129,250	300,702	9,484	8,504	659,493

* An amount of Rmb 5,232 (US$855) (2012: Rmb 2,575) was capitalized as intangible assets.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

11. Property, plant and equipment (cont'd)

An impairment loss of Rmb 9,163 (US$1,497) (2012: Rmb 8,026; 2011: Rmb 252) was charged to the consolidated statement of profit or loss under "Cost of sales" and "Selling, distribution and administrative costs" for the Group's property, plant and equipment within the Yuchai segment. The impairment loss for 2012 and 2013 was due to assets that were not in use.

As of December 31, 2013, construction in progress with a carrying amount of Rmb 6.5 million (US$1.1 million) (2012: Rmb 42.3 million) are pledged to secure bank facilities.

Capitalized borrowing costs

The amount of borrowing costs capitalized during the year ended December 31, 2013 was Rmb 27,394 (US$4,476) (2012: Rmb 33,338). The rate used to determine the amount of borrowing costs eligible for capitalization was 5.56% (2012: 5.61%) which is the effective interest rate of the specific and any applicable general borrowings that is used for the purpose of obtaining the qualifying assets.

Finance leases

The carrying value of property, plant and equipment held under finance leases at December 31, 2013 was Rmb 52 (2012: Rmb Nil). Additions during the year include Rmb 75 (2012: Rmb Nil) of property, plant and equipment under finance leases. Leased assets will be returned to lessor at the end of the lease term.

12. Prepaid operating leases

Yuchai and its subsidiaries are granted the land use rights of 15 to 50 years in respect of such land. Prepaid operating leases represent those amounts paid for land use rights to the PRC government. The prepaid operating leases charged to expense were Rmb 13,148 and Rmb 11,829 (US$1,933) for the years ended December 31, 2012 and 2013, respectively.

	31.12.2012	**31.12.2013**	**31.12.2013**
	Rmb'000	**Rmb'000**	**US$'000**
Current	12,614	12,243	2,000
Non-current	346,568	402,365	65,745
Total	359,182	414,608	67,745

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

12. Prepaid operating leases (cont'd)

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Cost			
At January 1	487,729	457,963	74,829
Additions	8,561	75,610	12,354
Disposal of a subsidiary	(38,327)	—	—
Disposals	—	(12,828)	(2,096)
At December 31	457,963	520,745	85,087
Accumulated amortization			
At January 1	88,598	98,781	16,140
Charge for the year	13,148	11,829	1,933
Disposal of a subsidiary	(2,965)	—	—
Disposals	—	(4,473)	(731)
At December 31	98,781	106,137	17,342
Net carrying amount	359,182	414,608	67,745

As of December 31, 2013, prepaid operating leases with a carrying amount of Rmb 81.1 million (US$13.2 million) (2012: Rmb 84.4 million) are pledged to secure bank facilities.

13. Goodwill

	Rmb'000	US$'000
Cost		
At January 1, 2012, December 31, 2012 and December 31, 2013	218,311	35,671
Accumulated impairment		
At January 1, 2012, December 31, 2012 and December 31, 2013	5,675	927
Net book value		
At December 31, 2012 and December 31, 2013	212,636	34,744

Goodwill represents the excess of costs over fair value of net assets of businesses acquired.

Goodwill acquired through business combinations have been allocated to two cash-generating units for impairment testing as follows:

- Yuchai
- Yulin Hotel. Goodwill allocated to Yulin Hotel was fully impaired in 2008.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

13. Goodwill (cont'd)

Carrying amount of goodwill allocated to each of the cash-generating units:

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Yuchai	212,636	212,636	34,744

Yuchai unit

The Group performed its impairment test annually. The recoverable amount of the unit was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering an eight-year period. The business of Yuchai is stable since the Group has control since 1994 and the business model of Yuchai is unlikely to change in the foreseeable future. The pre-tax discount rate applied to the cash flow projections was 11.93% (2012: 12.73%). No impairment was identified for this unit.

Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- Profit from operation
- Discount rate
- Growth rate used to extrapolate cash flows beyond the forecast period

Profit from operation – Profit from operation is based on management's estimate with reference to historical performance of Yuchai unit.

Discount rate – Discount rate reflects management's estimate of the risks specific to the cash-generating unit and is estimated based on weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the cash-generating unit is obliged to service. This rate is weighted according to the optimal debt/equity structure arrived on the basis of the capitalization structure of the peer group.

Growth rate estimate – Growth rate is based on management's estimate with reference to general available indication of long-term gross domestic product growth rate of China. The long term rates used to extrapolate the budget for Yuchai are 7.6% and 7.8% for 2013 and 2012 respectively.

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

Profit from operation – A decreased demand can lead to a decline in profit from operation. A decrease in profit from operation by 31.01% would result in impairment.

Discount rate – A rise in pre-tax discount rate to 14.69% in the Yuchai unit would result in impairment.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

13. Goodwill (cont'd)

Sensitivity to changes in assumptions (cont'd)

Growth rate assumptions – Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction to 2.95% in the long-term growth rate in Yuchai unit would result in impairment.

With regard to the assessment of value in use of the Yuchai unit, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to materially fall below the carrying value of the unit.

14. Intangible assets

	Development costs
	Rmb'000
Cost	
At January 1, 2012	24,754
Additions – Internally developed	20,657
Additions – Acquired separately	90,000
At December 31, 2012 and January 1, 2013	135,411
Additions – Internally developed	9,872
At December 31, 2013	145,283
US$'000	23,739

The development costs are related to intellectual property right, technical skill and knowledge of building a new technology of heavy duty diesel engines.

15. Other financial liabilities

(a) Other liabilities

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Derivatives not designated as hedges - foreign exchange forward contract	9,467	—	—
Finance lease liabilities (Note 29)	—	56	9

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Current	9,467	13	2
Non-current	—	43	7
Total	9,467	56	9

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

15. Other financial liabilities (cont'd)

(a) Other liabilities (cont'd)

Foreign exchange forward contract

On June 11, 2012, Yuchai entered into a non-deliverable foreign exchange forward contract ("NDF") with Industrial and Commercial Bank of China ("ICBC") to purchase US$36.8 million at the forward exchange rate (USD/GBP) of 1.5525 on June 11, 2013. The Group accounted this NDF at fair value through profit or loss (Note 21).

(b) Interest-bearing loans and borrowings

	Effective interest rate	Maturity	31.12.2012
	%		Rmb'000
Current			
Renminbi denominated loans	5.00	2013	2,072,069
US Dollar denominated loans	4.00	2013	261,598
Euro denominated loans	2.46	2013	5,606
			2,339,273
Non-current			
Renminbi denominated loans	8.28	2016	60,000
Singapore Dollar denominated loans	1.29	2014	51,422
			111,422

	Effective interest rate	Maturity	31.12.2013	31.12.2013
	%		Rmb'000	US$'000
Current				
Renminbi denominated loans	5.59	2014	975,000	159,311
US Dollar denominated loans	2.20	2014	25,739	4,206
Euro denominated loans	2.30	2014	22,482	3,674
Canadian Dollar denominated loans	5.28	2014	159,607	26,079
Singapore Dollar denominated loans	1.21	2014	48,153	7,868
			1,230,981	201,138
Non-current				
Renminbi denominated loans	5.05	2016	1,028,396	168,036
			1,028,396	168,036

Note: The Company has the discretion to refinance or rollover the obligations for at least 12 months after the reporting period for the existing loan facilities. All loans balances as stated above do not have a callable feature.

15. Other financial liabilities (cont'd)

(b) Interest-bearing loans and borrowings (cont'd)

S$30.0 million credit facility with DBS Bank Ltd. ("DBS")

On November 10, 2011, the Company entered into a new facility agreement with DBS to refinance the S$10.0 million facility that was due to mature on September 1, 2011. The new unsecured revolving credit facility has a committed aggregated value of S$30.0 million. The facility will be utilized by the Company to finance its long-term working capital requirements. The terms of facility require, among other things, that HLA retains ownership of the special share and that the Company remains a principal subsidiary of HLA, and that HLGE remains listed on the Singapore Exchange. The terms of the facility also include certain financial covenants with respect to the Company's consolidated tangible net worth (as defined in the agreement) not less than US$350 million at any time, and the ratio of the Company's consolidated debt to consolidated tangible net worth (as defined in the agreement) not exceeding 1.0 at any time. All moneys owing by the Company shall be repaid in full on the date falling 36 months from the date of the facility agreement ("Final Maturity Date").

S$30.0 million credit facility with Bank of Tokyo-Mitsubishi, UFJ Ltd, Singapore Branch ("BOTM")

On March 11, 2011, the Company entered into a new facility agreement with BOTM to refinance the existing revolving credit facility. The new unsecured, multi-currency revolving credit facility has a committed aggregated value of S$30.0 million with three-year duration from March 18, 2011 to March 18, 2014. The new facility will be used to finance the Company's long-term general working capital requirements. Among other things, the terms of the facility require that HLA retains ownership of the Company's special share and that the Company remains a consolidated subsidiary of HLA. The terms of the facility also include certain financial covenants with respect to the Company's tangible net worth (as defined in the agreement) as at June 30 and December 31 of each year not being less than US$120 million and the ratio of the Company's total net debt (as defined in the agreement) to tangible net worth as at June 30 and December 31 of each year not exceeding 2.0 times, as well as negative pledge provisions and customary drawdown requirements.

US$30.0 million credit facility with Sumitomo Mitsui Banking Corporation, Singapore Branch ("Sumitomo")

On March 18, 2011, the Company entered into an unsecured multi-currency revolving credit facility agreement with Sumitomo for an aggregate of US$30.0 million to refinance the US$30.0 million facility that was due to mature on March 25, 2011. The facility is available for three years from the date of the facility agreement and will be utilized by the Company to finance its long-term general working capital requirements. The terms of the facility require, among other things, that HLA retains ownership of the special share and that the Company remains a principal subsidiary (as defined in the facility agreement) of HLA. The terms of the facility also include certain financial covenants with respect to the Company's consolidated tangible net worth (as defined in the agreement) as at June 30 and December 31 of each year not less than US$200 million and the ratio of our total consolidated net debt (as defined in the agreement) to consolidated tangible net worth as at June 30 and December 31 of each year not exceeding 2.0 times, as well as negative pledge provisions and customary drawdown requirements. The Company has also undertaken to make available to the bank within 180 days after the end of its financial year (beginning with financial year 2007), copies of its audited consolidated accounts as at the end of and for that financial year.

15. Other financial liabilities (cont'd)

(b) Interest-bearing loans and borrowings (cont'd)

Yuchai Rmb 1.7 billion short-term financing bonds

Yuchai received approval from China's National Association of Financial Market Institutional Investors ("NAFMII") for the issuance of RMB-denominated unsecured short-term financing bonds amounting to Rmb 1.7 billion. The bonds were issued in two tranches. The first tranche of the bonds amounting to Rmb 1 billion was issued on March 9, 2011 and matured on March 9, 2012. The first tranche of the bonds bore a fixed annual interest rate of 4.59%. The second tranche of the bonds amounting to Rmb 700 million was issued on July 22, 2011 and matured on July 22, 2012. The second tranche of the bonds bore a fixed annual interest rate of 5.65%. The par value and issue price of each bond was Rmb 100. Subscription to and trading of the bonds was only available in China to institutional investors of China's National Inter-bank Bond Market. All the proceeds from the issuance of the bonds were used by Yuchai as working capital. In March 2012, the first tranche of the bonds amounting to Rmb 1 billion was fully repaid upon its maturity. In July 2012, the second tranche of the bonds amounting to Rmb 700 million was fully repaid upon its maturity.

Yuchai Rmb 690 million short-term financing bonds

Yuchai received approval from NAFMII for the issuance of RMB-denominated unsecured short-term financing bonds amounting to Rmb 690 million. The bonds were issued on November 22, 2011 and matured on November 23, 2012. The par value and issue price of each bond was Rmb 100. The bonds bore a fixed annual interest rate of 5.77%. Subscription to and trading of the bonds was only available in China to institutional investors of China's National Inter-bank Bond Market. All the proceeds from the issuance of the bonds were used by Yuchai as working capital. In November 2012, the bonds amounting to Rmb 690 million were fully repaid upon its maturity.

Yuchai Rmb 1 billion short-term financing bonds

Yuchai received approval from NAFMII for the issuance of RMB-denominated unsecured short-term financing bonds amounting to Rmb 1 billion. The bonds were issued on August 28, 2012 and will mature on August 29, 2013. The par value and issue price of each bond is Rmb 100. The bonds bear a fixed annual interest rate of 4.45%. Subscription to and trading of the bonds is only available in China to institutional investors of China's National Inter-bank Bond Market. All the proceeds from the issuance of the bonds are used by Yuchai as working capital. In August 2013, the bonds amounting to Rmb 1 billion were fully repaid upon its maturity.

Yuchai Rmb 1 billion medium-term notes

Yuchai received approval from NAFMII for the issuance of RMB-denominated three-year unsecured medium-term notes ("Notes") amounting to Rmb 1.6 billion. On May 28, 2013, Yuchai issued the first tranche of the Notes amounting to Rmb 1 billion. The par value and issue price of each Note is Rmb 100. The fixed annual interest payable on the Notes is 4.69% which is the rate as of May 30, 2013. The maturity date of the Notes is May 30, 2016. Subscription to and trading of the Notes is only available in China to institutional investors of China's National Inter-bank Bond Market. The first tranche of the Notes was underwritten by China CITIC Bank Corporation Limited. The proceeds from the issuance of the Notes are to be used by Yuchai to repay bank loans and for working capital purposes.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

15. Other financial liabilities (cont'd)

(b) Interest-bearing loans and borrowings (cont'd)

Factoring arrangement

The Group factored a portion of the trade receivables during the years ended December 31, 2012 and 2013. Factoring is done with reputable bank in China. As of December 31, 2013, Rmb 500.0 million (2012: Rmb Nil) was included in the "interest-bearing loans and borrowings" representing the Group's obligation to the banks for trade receivables factored with recourse.

16. Deferred grants

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
At January 1	333,291	353,394	57,743
Received during the year	68,637	43,694	7,139
Released to consolidated statement of profit or loss	(28,534)	(50,978)	(8,329)
Reduced due to disposal of a subsidiary	(20,000)	—	—
At December 31	353,394	346,110	56,553
Current (Note 26)	27,332	35,145	5,743
Non-current	326,062	310,965	50,810
	353,394	346,110	56,553

Government grants have been received for the purchase of certain items of property, plant and equipment.

17. Inventories

Inventories are comprised of:

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Raw materials	1,152,624	1,259,175	205,744
Work in progress	18,907	2,666	436
Finished goods	839,224	1,072,211	175,195
Total inventories at the lower of cost and net realizable value	2,010,755	2,334,052	381,375

Inventories recognized as an expense in "Cost of sales" are Rmb 10,975,089, Rmb 9,477,769 and Rmb 11,283,308 (US$1,843,648) for the years ended December 31, 2011, 2012 and 2013 respectively.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

17. Inventories (cont'd)

An analysis of the inventory reserve accounts is as follows:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
At January 1	150,477	126,398	20,653
Inventories written down	23,478	7,061	1,153
Reversal of write-down of inventories	(47,504)	(27,665)	(4,520)
Written off	(53)	(184)	(30)
At December 31	126,398	105,610	17,256

The inventories written down and reversal of write-down of inventories recognized as an expense and included in "Cost of sales" amounted to Rmb 12,412, Rmb 24,026 and Rmb 20,604 (US$3,367) for the years ended December 31, 2011, 2012 and 2013 respectively. The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in 2013.

As of December 31, 2013, inventories with a carrying amount of Rmb 41.8 million (US$6.8 million) (2012: Rmb Nil) are pledged to secure bank facilities.

18. Other current assets

	1.1.2012 Rmb'000 (Restated)	31.12.2012 Rmb'000 (Restated)	31.12.2013 Rmb'000	31.12.2013 US$'000
Development properties	55,698	52,464	39,326	6,426
Held for trading investment	40,524	48,761	28,105	4,592
Derivative not designated as hedges – foreign exchange forward contract	—	—	2,731	446
	96,222	101,225	70,162	11,464

Foreign exchange forward contract

On June 6, 2013, Yuchai entered into a NDF with ICBC to purchase C$27.9 million at the forward exchange rate (USD/CAD) of 1.0788 on June 7, 2014. The Group accounted this NDF at fair value through profit or loss (Note 21).

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

19. Trade and bills receivables

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Trade receivables (net)	395,025	411,782	67,283
Bills receivable [(i)]	6,196,711	7,026,166	1,148,048
	6,591,736	7,437,948	1,215,331

(i) As of December 31, 2013, bills receivable includes bills receivable from joint venture and other related parties amounted Rmb 126,027 (US$20,592) (2012: Rmb 99,632) and Rmb 6,800 (US$1,111) (2012: Rmb 21,070), respectively.

Trade receivables (net) are non-interest bearing and are generally on 60 days' term. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

As of December 31, 2012 and 2013, outstanding bills receivables discounted with banks for which the Group retained a recourse obligation totaled Rmb 828,974 and Rmb 1,243,440 (US$203,173) respectively.

As of December 31, 2012 and 2013, outstanding bills receivables endorsed to suppliers with recourse obligation were Rmb 567,112 and Rmb 1,043,213 (US$170,457) respectively.

An analysis of the allowance for doubtful accounts is as follows:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
At January 1	59,177	43,664	7,135
Credit to consolidated statement of profit or loss	(15,184)	(12,669)	(2,070)
Written off	(334)	(2,454)	(401)
Translation differences	5	(8)	(2)
December 31	43,664	28,533	4,662

The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond the amount provided for collection losses are inherent in the Group's trade receivables.

As of December 31, 2012 and 2013, gross trade receivables due from a major customer, Dongfeng Automobile Company and its affiliates (the "Dongfeng companies") were Rmb 145,351 and Rmb 279,831 (US$45,723), respectively. See Note 31 for further discussion of customer concentration risk.

	Total	Neither past due nor impaired	Past due but not impaired			
			0 – 90 days	91-180 days	181-365 days	>365 days
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 31.12.2013	7,437,948	7,279,974	121,648	12,948	23,039	339
At 31.12.2012	6,591,736	6,417,854	120,507	25,962	9,310	18,103

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

20. Other receivables

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Staff advances	9,766	12,326	2,014
Associates and joint ventures	61,456	155,968	25,485
Other related parties	20,148	7,202	1,177
Interest receivables	7,752	16,293	2,662
Bills receivable in transit	45,800	17,523	2,863
Others	27,536	7,741	1,265
Impairment losses – other receivables (i)	(640)	(1,275)	(209)
Loans and receivables (Note 34)	171,818	215,778	35,257
Tax recoverable	71,515	100,403	16,406
Total	243,333	316,181	51,663

For terms and conditions relating to related parties, refer to Note 28.

Note:

(i) An analysis of the impairment losses – other receivables is as follows:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
At January 1	15,978	640	105
(Credit)/debit to consolidated statement of profit or loss	(4,463)	894	146
Written off	(10,957)	(259)	(42)
Translation differences	82	—	—
At December 31	640	1,275	209

The Group's historical experience in the collection of other receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond the amount provided for collection losses are inherent in the Group's other receivables.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

21. Cash and cash equivalents

Short-term investments

Restricted cash

Long-term bank deposits

	1.1.2012	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
	(Restated)	(Restated)		
Non-current				
Long-term bank deposits [(i)]	—	—	185,000	30,228
Current				
Cash and cash equivalents	4,124,776	3,127,602	2,596,536	424,263
Short-term investments [(ii)]	—	—	110,524	18,060
Restricted cash	—	269,963	669,788	109,440
	4,124,776	3,397,565	3,376,848	551,763
Cash and bank balances	4,124,776	3,397,565	3,561,848	581,991
Representing:				
Cash at banks and on hand	2,433,020	2,555,054	1,910,080	312,099
Bank deposits	1,691,756	842,511	1,651,768	269,892
Cash and bank balances	4,124,776	3,397,565	3,561,848	581,991

Note:

(i) During the financial year, YMMC placed two-year time deposits of Rmb 185,000 (US$30,228) (2012: Rmb Nil) at an annual interest rate of 3.75% (2012: Nil) with banks. These long-term fixed deposits are not considered as cash equivalents.

(ii) Short-term investments relate to bank deposits with initial maturities of more than three months and subject to more than insignificant risk of changes in value upon withdrawal before maturity. The interest rate of these bank deposits as of December 31, 2013 for the Group ranged from 0.33% to 0.80% (2012: Nil).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The interest rate of the bank deposits (excluding long-term bank deposits and short-term investments) as at December 31, 2013 for the Group ranged from 0.19% to 3.50% (2012: 0.25% to 5.584%).

Cash and bank balances denominated in various currencies are mainly held in bank accounts in the PRC and Singapore. As of December 31, 2013, the Group has restricted cash of Rmb 4,677 (US$764) (2012: Rmb 29,397) which was used as collateral by the banks for the issuance of bills to suppliers and would mature after three months. The Group factored a portion of the trade receivables during the years ended December 31, 2012 and 2013. As at December 31, 2013, the Group has restricted cash of Rmb 500,000 (US$81,698) (2012: Rmb Nil) relating to trade receivables which had been factored and fully settled by customers.

21. Cash and cash equivalents (cont'd)

Short-term investments

Restricted cash

Long-term bank deposits

On June 11, 2012, a one-year Great British Pound ("GBP") denominated time deposit of GBP 23.7 million (equivalent to Rmb 240.6 million) was deposited by Yuchai with ICBC at an annual interest rate of 5.584% as guarantee of a one-year loan contract from the same bank amounting to US$36.8 million. On the same date, Yuchai entered into a NDF with ICBC to purchase US$36.8 million at the forward exchange rate (USD/GBP) of 1.5525 on the repayment date of the aforesaid bank loan on Jun 11, 2013 (Note 15(a)). The Group presented this GBP-denominated time deposit as "Restricted cash".

On June 9, 2013, an 11-month USD-denominated time deposit of US$27.1 million (equivalent to Rmb 165.1 million) was deposited by Yuchai with ICBC at an annual interest rate of 1.8103% as guarantee of a one-year loan contract from the same bank amounting to C$27.9 million. On June 6, 2013, Yuchai entered into a NDF with ICBC to purchase C$27.9 million at the forward exchange rate (USD/CAD) of 1.0788 on the repayment date of the aforesaid bank loan on June 6, 2014 (Note 18). The Group presented this USD-denominated time deposit as "Restricted cash".

As of December 31, 2012 and 2013, the Group had available Rmb 4,164,871 and Rmb 4,707,480 (US$769,184) respectively of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The commitment fees incurred for 2011, 2012 and 2013 were Rmb 366, Rmb 556 and Rmb 539 (US$88) respectively.

22. Assets classified as held for sale

Sale of 28% of the issued ordinary shares in the capital of Scientex Park (M) Sdn. Bhd. ("Scientex Park Sale")

On December 27, 2012, the Group's subsidiary, HLGE announced that its wholly-owned subsidiaries, LKN Development Pte. Ltd. ("LKND") and Nirwana Properties Sdn. Bhd. ("Nirwana"), had on the same day entered into the conditional share sale agreement dated December 27, 2012 (the "Scientex Park Sale Agreement") with Scientex Quatari Sdn. Bhd. ("Scientex Quatari"), pursuant to which LKND and Nirwana have agreed to sell, and Scientex Quatari has agreed to purchase, an aggregate of 6,300,000 issued and paid-up ordinary shares of par value RM1.00 each in the capital of Scientex Park (M) Sdn. Bhd. held by LKND and Nirwana, representing 28% of the issued share capital of Scientex Park, for a total cash consideration of RM 21,105,000, upon the terms and subject to the conditions of the Scientex Park Sale Agreement.

The investment in Scientex Park was previously reported in the HLGE segment. As of December 31, 2012, the investment in Scientex Park has been presented in the statement of financial position as "Assets classified as held for sale".

On April 8, 2013, LKND and Nirwana completed the disposal of 28% of the issued shares capital of Scientex Park. With the completion of the disposal, Scientex Park has ceased to be an associate of HLGE.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

22. Assets classified as held for sale (cont'd)

Disposal of 50% equity interest in Shanghai International Equatorial Hotel Company Ltd. ("SIEH Disposal")

On December 28, 2012, the Group's subsidiary, HLGE announced that its wholly-owned subsidiary, LKN Investment International Pte. Ltd. ("LKNII"), has on the same day entered into a share transfer agreement dated December 28, 2012 (the "Share Transfer Agreement") with Shanghai International Ventures & Consulting Corporation ("SIVCC") pursuant to which LKNII has agreed to transfer its equity interest in 50% of the registered capital of Shanghai International Equatorial Hotel Company Ltd. to SIVCC for a cash consideration of Rmb 40 million upon the terms and conditions of the Share Transfer Agreement.

The investment in SIEH was previously reported in the HLGE segment and China segment under geographical information. As of December 31, 2012, the investment in SIEH has been presented in the statement of financial position as "Assets classified as held for sale".

The investment in SIEH was subsequently disposed of on May 23, 2013. With the completion of the disposal, SIEH ceased to be a joint venture of HLGE.

The investments in Scientex Park and SIEH classified as held for sale and the related foreign currency translation reserve as at December 31, 2012 are as follows:

	31.12.2012
	Rmb'000
Investment in associate (Note 5)	
Cost	18,155
Share of post-acquisition reserves	20,841
	38,996
Investment in joint venture (Note 6)	
Cost	148,805
Share of post-acquisition reserves	(118,305)
	30,500
Assets classified as held for sale	69,496
Reserves of disposal groups classified as held for sale attributable to equity holders of the parent	(13,784)

The total cash flow effect of the disposal of investment in Scientex Park and SIEH in 2013 is:

	31.12.2013	**31.12.2013**
	Rmb'000	**US$'000**
Carrying value of investment in associate and joint venture classified as held for sale on respective disposal dates	66,435	10,855
Gain on disposal of associate and joint venture	7,292	1,192
Realization of foreign currency translation reserve upon disposal of foreign operations	10,770	1,759
Total consideration received	84,497	13,806

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

23. Issued capital and reserves

	31.12.2012 thousands	31.12.2013 thousands	31.12.2013 thousands
Authorized shares			
Ordinary share of US$0.10 each	100,000	100,000	100,000

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2013 US$'000
Ordinary shares issued and fully paid			
37,267,673 ordinary shares issued and fully paid at US$0.10 per share	1,724,196	1,724,196	281,727
Special share issued and fully paid			
One special share issued and fully paid at US$0.10 per share	*	*	*
Non-redeemable convertible cumulative preference shares	21	21	3

* Less than Rmb 1 (US$1).

The holders of ordinary shares are entitled to such dividends as the Board of Directors of the Company may declare from time to time. All ordinary shares are entitled to one vote on a show of hands and carry one vote per share on a poll.

The holder of special share is entitled to elect a majority of directors of the Company. In addition, no shareholders resolution may be passed without the affirmative vote of the special share, including any resolution to amend the Memorandum of Association or Bye-laws of the Company. The special share is not transferable except to HLA, HLC or any of its affiliates. The Bye-Laws of the Company provides that the special share shall cease to carry any rights in the event that HLA and its affiliates cease to own, directly or indirectly, at least 7,290,000 ordinary shares in the capital of the Company.

HLGE issued 197,141,190 NCCPS at an issue price of S$0.02 each on July 4, 2006, expiring on the 10th anniversary of the NCCPS issue date, and 196,982,796 NCCPS have been converted into ordinary shares in the capital of HLGE.

The NCCPS shall, subject to the terms and conditions thereof, carry the right to receive, out of the profits of HLGE available for payment of dividends, a fixed cumulative preferential dividend of 10% per annum of the issue price for each NCCPS (the "Preference Dividend").

Other than the Preference Dividend, the NCCPS holders shall have no further right to participate in the profits or assets of HLGE.

NCCPS holders shall have no voting rights except under certain circumstances referred to in the Singapore Companies Act, Chapter 50 set out in the terms of the NCCPS.

The NCCPS are not listed and quoted on the Official List of the Singapore Exchange. However, the holders of the NCCPS are able to exercise their rights to convert the NCCPS into new ordinary shares at a 1 for 1 ratio, subject to the terms and conditions of the NCCPS. Such new ordinary shares will be listed and quoted on the Official List of the Singapore Exchange when issued.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

23. Issued capital and reserves (cont'd)

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

24. Dividends declared and paid

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Declared and paid during the year			
Dividends on ordinary shares:			
Final dividend paid in 2012: **US$0.90** per share (2011: **US$1.50** per share)	211,729	—	—
Final and interim dividends paid in 2013: **US$0.90** per share (2012: **US$0.90** per share)	—	207,708	33,939
	211,729	207,708	33,939

25. Statutory reserves

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Statutory general reserve (ii)			
At January 1	185,762	187,363	30,614
Transfer from retained earnings	1,686	2,272	371
Reduced due to liquidation of a subsidiary	(85)	(264)	(43)
At December 31	187,363	189,371	30,942
Statutory public welfare fund (iii)			
At January 1 and December 31	85,641	85,641	13,994
General surplus reserve (iv)			
At January 1 and December 31	25,706	25,706	4,200
Total	298,710	300,718	49,136

Note:

(i) In accordance with the relevant regulations in the PRC, Yuchai and its subsidiaries are required to provide certain statutory reserves which are designated for specific purposes based on the net income reported in the PRC GAAP financial statements. The reserves are not distributable in the form of cash dividends.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

25. Statutory reserves (cont'd)

(ii) In accordance with the relevant regulations in the PRC, a 10% appropriation to the statutory general reserve based on the net income reported in the PRC financial statements is required until the balance reaches 50% of the authorized share capital of Yuchai and its subsidiaries. Statutory general reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to stockholders in proportion to their existing shareholdings, or by increasing the par value of the shares currently held by them, provided that the reserve balance after such issue is not less than 25% of the authorized share capital.

(iii) Yuchai and its subsidiaries shall determine to transfer 5% to 10% of its net income reported in the PRC financial statements to the statutory public welfare fund. There is no limit on the amount that may be allocated to this fund. This fund can only be utilized on capital expenditure for the collective welfare of Yuchai and its subsidiaries' employees, such as the construction of dormitories, canteen and other welfare facilities, and cannot be utilized to pay staff welfare expenses. The transfer to this fund must be made before the distribution of a dividend to stockholders. Since January 1, 2006, in accordance with the amended Yuchai's policy, the contribution to the fund ceased.

(iv) General surplus reserve is appropriated in accordance with Yuchai's Articles and resolution of the board of directors. General surplus reserve may be used to offset accumulated losses or increase the registered capital.

26. Trade and other payables

	1.1.2012	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
	(Restated)	(Restated)		
Trade and bills payables [i]	4,813,009	4,587,358	5,085,349	830,926
Other payables	1,343,053	1,316,545	1,415,828	231,341
Interest payable	61,881	16,332	30,134	4,924
Holding company	19	31	—	—
Associates and joint ventures	4,120	24,482	20,338	3,323
Other related parties	313,959	231,580	226,430	36,998
Financial liabilities at amortized cost (Note 34)	6,536,041	6,176,328	6,778,079	1,107,512
Deferred grants (Note 16)	14,708	27,332	35,145	5,743
Deferred income [ii]	80,000	80,000	130,000	21,241
Advance from customers	69,576	51,448	72,138	11,787
Accrued staff costs	412,290	427,846	510,072	83,344
Other tax payable	18,143	46,757	64,116	10,476
Dividend payable	19,654	20,372	22,344	3,651
Total trade and other payables (current)	7,150,412	6,830,083	7,611,894	1,243,754

[i] As of December 31, 2013, the trade and bills payables include bills payable to associates and other related parties amounted Rmb 12,850 (US$2,100) (2012: Rmb 6,680) and Rmb 306,218 (US$50,035) (2012: Rmb 269,550), respectively.

[ii] This relates to the Group's transfer of technology know-how to a joint venture of which revenue has not been recognized.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

26. Trade and other payables (cont'd)

	1.1.2012	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
	(Restated)	(Restated)		
Other payables (non-current) [(i)]	83,739	91,114	106,594	17,417

(i) Non-current other payables relate to provision for bonus which is not expected to be settled next 12 months.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables (current) are non-interest bearing and have an average term of three months.
- Interest payable is normally settled throughout the financial year. As of December 31, 2012 and 2013, Rmb 14,296 and Rmb 27,626 (US$4,514) of interest payable were related to outstanding short-term financing bonds and medium-term notes, respectively.
- For terms and conditions relating to related parties, refer to Note 28.

27. Provision for product warranty

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
At January 1	307,072	268,006	43,791
Provision made	322,442	385,881	63,051
Provision utilized	(361,508)	(347,949)	(56,853)
At December 31	268,006	305,938	49,989

28. Related party disclosures

The ultimate parent

As of December 31, 2013, the controlling shareholder of the Company, HLA, indirectly owned 12,998,040, or 34.9%, of the ordinary shares in the capital of the Company, as well as a special share that entitles it to elect a majority of directors of the Company. HLA controls the Company through its wholly-owned subsidiary, HLC, and through HLT, a wholly-owned subsidiary of HLC. HLT owns approximately 21.0% of the ordinary shares in the capital of the Company and is, and has since August 2002 been, the registered holder of the special share. HLA also owns, through another wholly-owned subsidiary, Well Summit Investments Limited, approximately 13.9% of the ordinary shares in the capital of the Company. HLA is a member of the Hong Leong Investment Holdings Pte. Ltd., or Hong Leong Investment group of companies. Prior to August 2002, the Company was controlled by Diesel Machinery (BVI) Limited, which, until its dissolution, was a holding company controlled by HLC and was the prior owner of the special share. Through HLT's stock ownership and the rights accorded to the special share under Bye-Laws of the Company and various agreements among shareholders, HLA is able to effectively approve and effect most corporate transactions.

There were transactions other than dividends paid, between the Group and HLA of Rmb 329, Rmb Nil and Rmb 98 (US$16) during the financial years ended December 31, 2011, 2012 and 2013 respectively.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

28. Related party disclosures (cont'd)

Entity with significant influence over the Group

As of December 31, 2013, the Yulin City Government through Coomber Investment Ltd. owned 18.9% (2012: 18.9%) of the ordinary shares in the capital of the Company.

The following provides the total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at December 31, 2012 and 2013, refer to Notes 20 and 26):

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
Sales of diesel engines to State Holding Company, its subsidiaries and affiliates (i)	45,398	14,360	1,665	272
Sales of raw materials to State Holding Company, its subsidiaries and affiliates (i)	478,867	266,846	970,950	158,649
Sales to associates and joint ventures (i)	225,276	135,321	278,935	45,577
Purchase of raw materials and supplies from subsidiaries and affiliates of State Holding Company (i)	(1,632,960)	(1,380,307)	(1,608,698)	(262,855)
Purchases of raw materials and supplies from associates and joint ventures (i)	(80,426)	(99,664)	(107,802)	(17,614)
Delivery expense charged by subsidiaries of State Holding Company (ii)	(229,169)	(187,403)	(214,752)	(35,090)
Storage and distribution expenses charged by a subsidiary of State Holding Company (iii)	(41,410)	—	(49,885)	(8,151)
Sales of a subsidiary to a subsidiary of State Holding Company (Note 1.2)	—	85,821	—	—
General and administrative expenses				
- Charged by a subsidiary of State Holding Company (iv)	(22,182)	(26,389)	(24,876)	(4,065)
- Charged by HLA (v)	(329)	—	(98)	(16)
- Charged by affiliates of HLA (vi)	(8,639)	(10,152)	(6,489)	(1,060)
- Charged to joint ventures (vii)	*	8,499	1,745	285

* *Amounts were not material.*

Note:

(i) Sale and purchase of raw materials, supplies, scraps and diesel engines to/from State Holding Company, its subsidiaries and affiliates, and Yuchai's associates and joint ventures. Certain subsidiaries and affiliates of State Holding Company have acted as suppliers of raw materials and supplies to the Group and certain subsidiaries of State Holding Company have acted as sales agents of the Group. Management considers that these transactions were entered into in the normal course of business and expects that these transactions will continue on normal commercial terms.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

28. Related party disclosures (cont'd)

Entity with significant influence over the Group (cont'd)

(ii) Delivery expense charged by subsidiaries of State Holding Company. The fee is for the delivery of spare parts charged, which were recorded in "Cost of sales" and "Selling, distribution and administrative costs" respectively. Management considers that these transactions were entered into in the normal course of business and these transactions continued on normal commercial terms.

(iii) Storage and distribution expenses charged by a subsidiary of State Holding Company for the storage of engines, components and parts for Yuchai and distribution to the production facilities.

(iv) General and administrative expenses charged by a subsidiary of State Holding Company, which is also an associate of Yuchai, for property management services rendered.

(v) Management fees, general and administrative expenses charged by HLA.

(vi) General and administrative expenses charged by affiliates of HLA. The fees mainly relate to office rental, secretarial fees, insurance fees, professional and consultancy fees, and miscellaneous office expenses.

(vii) Hotel management fees, rental, administrative fees and license fees charged to joint ventures.

In addition to the above, Yuchai also entered into transactions with other PRC Government owned enterprises. Management considers that these transactions were entered into in the normal course of business and expects that these transactions will continue on normal commercial terms. Balances with other PRC entities are excluded from this caption.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on normal commercial terms. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Compensation of key management personnel of the Group

	31.12.2011	**31.12.2012**	**31.12.2013**	**31.12.2013**
	Rmb'000	**Rmb'000**	**Rmb'000**	**US$'000**
Short-term employee benefits	31,187	24,889	35,262	5,762

The non-executive directors do not receive pension entitlements from the Group.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

29. Commitments and contingencies

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain motor vehicles, office space and items of machinery. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Within one year			
- With related parties	998	4,949	809
- With third parties	10,973	8,902	1,455
After one year but not more than five years			
- With related parties	170	1,524	249
- With third parties	5,602	6,282	1,026
	17,743	21,657	3,539

The minimum lease payments recognized as an expense in the period ended December 31, 2011, 2012 and 2013 amounted to Rmb 43,806, Rmb 46,817 and Rmb 51,115 (US$8,352).

Operating lease commitments - Group as lessor

The Group has leased out some of its assets, including surplus office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Within one year			
- With related parties	1,648	1,296	212
- With third parties	2,435	2,163	353
After one year but not more than five years			
- With related parties	479	548	90
- With third parties	8,350	8,014	1,309
More than five years			
- With related parties	2,100	2,000	327
- With third parties	22,261	21,840	3,569
	37,273	35,861	5,860

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

29. Commitments and contingencies (cont'd)

Finance lease commitments

The Group has finance lease for an item of plant and equipment. This lease has term of renewal but no purchase options and escalation clause. Renewal is at the option of the Group.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	31.12.2013	
	Minimum lease payments	Present value of payments
	Rmb'000	Rmb'000
Not later than one year	13	13
Later than one year but not later than five years	44	43
Total minimum lease payments	57	56
Less: Amount representing finance charges	(1)	—
Present value of minimum lease payments	56	56

Capital commitments

As of December 31, 2012 and 2013, Yuchai had capital expenditure (mainly in respect of property, plant and equipment) contracted for but not recognized in the financial statements amounting to Rmb 896.2 million and Rmb 885.7 million (US$144.7 million), respectively. The Group's share of joint venture's capital commitment is disclosed in Note 6.

Investment commitments

As of December 31, 2012 and 2013, the Group has commitment of Rmb 14.4 million and Rmb 9.0 million (US$1.5 million) relating to the Group's interest in joint ventures, respectively.

Letter of credits

As of December 31, 2012 and 2013, Yuchai had issued irrevocable letter of credits of Rmb 35.7 million and Rmb 84.1 million (US$13.7 million), respectively.

Product liability

The General Principles of the Civil Law of China and the Industrial Product Quality Liability Regulations imposes that manufacturers and sellers are liable for loss and injury caused by defective products. Yuchai and its subsidiaries do not carry product liability insurance. Yuchai and its subsidiaries have not had any significant product liability claims brought against them.

29. Commitments and contingencies (cont'd)

Environmental liability

China adopted its Environmental Protection Law in 1989, and the State Council and the State Environmental Protection Agency promulgate regulations as required from time to time. The Environmental Protection Law addresses issues relating to environmental quality, waste disposal and emissions, including air, water and noise emissions. Environmental regulations have not had a material impact on Yuchai's results of operations. Yuchai delivers, on a regular basis, burned sand and certain other waste products to a waste disposal site approved by the local government and makes payments in respect thereof. Yuchai expects that environmental standards and their enforcement in China will, as in many other countries, become more stringent over time, especially as technical advances make achievement of higher standards more feasible. Yuchai has built an air filter system to reduce the level of dust and fumes resulting from its production of diesel engines. The PRC emission standard equivalent to Euro III is implemented throughout China from 2008.

In addition, emission standard equivalent to Euro I was implemented on August 31, 2004. After that date, the engines equipped with Euro I engines cannot be sold and used in major urban area. The manufacture and sale of Euro II engines is expected to be progressively phased out starting June 30, 2008 and the PRC emission standard equivalent to Euro III has been implemented progressively throughout China from July 1, 2008. There can be no assurance that Yuchai will be able to comply with these emission standards or that the introduction of these and other environmental regulations will not result in a material adverse effect on our business, financial condition and results of operations.

Yuchai is subject to Chinese national and local environmental protection regulations which currently impose fees for the discharge of waste substances, require the payment of fines for pollution, and provide for the closure by the Chinese government of any facility that fails to comply with orders requiring Yuchai to cease or improve upon certain activities causing environmental damage. Due to the nature of its business, Yuchai produces certain amounts of waste water, gas, and solid waste materials during the course of its production. Yuchai believes its environmental protection facilities and systems are adequate for it to comply with the existing national, provincial and local environmental protection regulations. However, Chinese national, provincial or local authorities may impose additional or more stringent regulations which would require additional expenditure on environmental matters or changes in our processes or systems.

30. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Yuchai primarily conducts manufacturing and sale of diesel engines which are mainly distributed in the PRC market.
- The HLGE is engaged in hospitality and property development activities conducted mainly in the PRC and Malaysia. HLGE is listed on the Main Board of the Singapore Exchange.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

30. Segment information (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated upon consolidation and reflected in the "Adjustments and eliminations" column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Year ended December 31, 2011	Yuchai	HLGE	Adjustments and eliminations	Consolidated financial statements
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue				
External customers	15,413,243	31,185	—	15,444,428
Inter-segment	—	—	—	—
Total revenue	15,413,243	31,185	—	15,444,428
Results				
Interest income	51,941	732	486[(1)]	53,159
Interest expense	(147,813)	(12,860)	11,368[(1)]	(149,305)
Impairment of property, plant and equipment	(252)	—	—	(252)
Depreciation and amortization	(322,923)	(4,795)	(1,125)[(2)]	(328,843)
Share of (loss)/profit of associates	(310)	1,829	—	1,519
Share of results of joint ventures	(3,846)	(17,392)	(59,913)[(9)]	(81,151)
Income tax expense	(200,001)	(3,047)	(23,732)[(3)]	(226,780)
Segment profit	1,424,499	(22,953)	(102,264)[(4)]	1,299,282
Total assets	18,245,679	428,954	476,386[(5)]	19,151,019
Total liabilities	(11,619,447)	(494,449)	313,038[(6)]	(11,800,858)
Other disclosures				
Investment in associates	1,351	36,650	—	38,001
Investment in joint ventures	272,972	102,122	81,651[(8)]	456,745
Capital expenditure	931,603	123	38[(7)]	931,764

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

30. Segment information (cont'd)

Year ended December 31, 2012	Yuchai	HLGE	Adjustments and eliminations	Consolidated financial statements
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue				
External customers	13,411,384	38,105	—	13,449,489
Inter-segment	—	—	—	—
Total revenue	13,411,384	38,105	—	13,449,489
Results				
Interest income	98,579	622	484(1)	99,685
Interest expense	(205,746)	(9,070)	7,743(1)	(207,073)
Impairment of property, plant and equipment	(8,026)	—	—	(8,026)
Depreciation and amortization	(343,191)	(4,649)	(645)(2)	(348,485)
Share of profit of associates	366	2,006	—	2,372
Share of results of joint ventures	(30,904)	(5,533)	(2,804)(9)	(39,241)
Income tax expense	(122,064)	(2,380)	(17,794)(3)	(142,238)
Segment profit	918,646	(3,537)	(1,533)(4)	913,576
Operating assets	17,002,251	310,443	541,483	17,854,177
Assets classified as held for sale	—	82,907	(13,411)	69,496
Total assets	17,002,251	393,350	528,072(5)	17,923,673
Total liabilities	(9,943,167)	(406,211)	197,572(6)	(10,151,806)
Other disclosures				
Investment in associates	1,719	392	—	2,111
Investment in joint ventures	243,156	41,107	92,257(8)	376,520
Capital expenditure	736,664	20	43(7)	736,727

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

30. Segment information (cont'd)

Year ended December 31, 2013	Yuchai Rmb'000	HLGE Rmb'000	Adjustments and eliminations Rmb'000	Consolidated financial statements Rmb'000
Revenue				
External customers	15,870,380	31,975	—	15,902,355
Inter-segment	—	—	—	—
Total revenue	15,870,380	31,975	—	15,902,355
Results				
Interest income	76,634	980	1,325[1]	78,939
Interest expense	(155,787)	(7,321)	6,163[1]	(156,945)
Impairment of property, plant and equipment	(9,163)	—	—	(9,163)
Depreciation and amortization	(383,788)	(4,611)	(540)[2]	(388,939)
Share of profit/(loss) of associates	164	(5)	—	159
Share of results of joint ventures	(51,921)	554	(27,878)[9]	(79,245)
Income tax expense	(196,089)	(2,617)	(23,441)[3]	(222,147)
Segment profit	1,228,728	(25,922)	(40,687)[4]	1,162,119
Total assets	18,421,147	332,212	539,809[5]	19,293,168
Total liabilities	(10,641,350)	(340,062)	122,409[6]	(10,859,003)
Other disclosures				
Investment in associates	1,881	349	—	2,230
Investment in joint ventures	210,230	40,512	64,380[8]	315,122
Capital expenditure	427,987	715	929[7]	429,631

Note:

(1) Included here are interest income and expense of the holding entity's interest income and expense and inter-segment interest income and expense that are eliminated on consolidation.

(2) Included here are the depreciation of the holding entity's property, plant and equipment and additional depreciation on HLGE's property, plant and equipment valued at fair value in excess of costs.

(3) This relates mainly to the withholding tax provisions for dividends that are expected to be paid from income earned after December 31, 2007 by Yuchai that has not been remitted.

(4) Profit for each operating segment does not include income tax expense and (loss)/profit after tax for the year from discontinued operations.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

30. Segment information (cont'd)

(5) Segment assets included goodwill and other assets of holding entity and increase in value of HLGE's property, plant and equipment based on fair value in excess of costs.

(6) Segment liabilities consist of the liabilities of the holding entity.

(7) Included here are capital expenditures incurred by the holding entity.

(8) Included here are HLGE's share of its joint ventures' property, plant and equipment valued at fair value in excess of costs.

(9) Included here are HLGE's share of additional depreciation on its joint ventures' property, plant and equipment valued at fair value in excess of costs.

There has been no change to the Group's measurement of segment profit for each reportable operating segment.

Geographic information

Revenues from external customers:

	31.12.2011	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	Rmb'000	US$'000
China	15,399,862	13,402,636	15,846,051	2,589,182
Other countries	44,566	46,853	56,304	9,200
	15,444,428	13,449,489	15,902,355	2,598,382

The revenue information above is based on the location of the customer.

Revenue from one customer group amounted to Rmb 3,298,400 (US$538,945) (2012: Rmb 2,445,703; 2011: Rmb 3,029,125), arising from sales by Yuchai segment.

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Non-current assets			
China	5,114,885	5,106,057	834,310
Assets classified as held for sale - China	(30,500)	—	—
Other countries	3,343	5,512	901
	5,087,728	5,111,569	835,211

Non-current assets for this purpose consist of property, plant and equipment, prepaid operating leases, investment in joint ventures, intangible asset and goodwill.

31. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan, trade and other receivables, and cash and bank deposits that derive directly from its operations. The Group also holds available-for-sale investment and enters into derivative transaction.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investment and derivative financial instrument.

The sensitivity analyses in the following sections relate to the position as at December 31, 2012 and 2013.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at December 31, 2013.

The analyses exclude the impact of movements in market variables on provisions and on the non-financial assets and liabilities of foreign operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank deposits and loans and borrowings from banks and financial institutions. The interest-bearing loans and borrowings of the Group are disclosed in Note 15. As certain rates are based on interbank offer rates, the Group is exposed to cash flow interest rate risk. This risk is not hedged. Interest-bearing bank deposits are short to medium-term in nature but given the significant cash and bank balances held by the Group, any variation in the interest rates may have a material impact on the results of the Group. The fixed deposit pledged with bank of the Group is disclosed in Note 21.

The Group manages its interest rate risk by having a mixture of fixed and variable rates for its deposits and borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities at the end of the reporting period and the stipulated change taking place at the beginning of the year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the profit for the year ended December 31, 2013 of the Group would increase/decrease by Rmb 6.5 million (US$1.1 million) (2012: increase/decrease by Rmb 4.7 million).

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

31. Financial risk management objectives and policies (cont'd)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's sales, purchases and financial liabilities that are denominated in currencies other than the respective functional currencies of entities within the Group. The Group also holds cash and bank balances and other investments denominated in foreign currencies. The currencies giving rise to this risk are primarily the Singapore Dollar, Malaysian Ringgit, Great British Pound, Canadian Dollar, Renminbi and US Dollar.

Foreign currency translation exposure is managed by incurring debt in the operating currency so that where possible operating cash flows can be primarily used to repay obligations in the local currency. This also has the effect of minimizing the exchange differences recorded against income, as the exchange differences on the net investment are recorded directly against equity.

The Group's exposures to foreign currency are as follows:

	31.12.2012					
	Singapore Dollar	Euro	Great British Pound	US Dollar	Renminbi	Others
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Held for trading investment	48,761	—	—	—	—	—
Trade and other receivables	534	133	—	23,237	40,633	444
Cash and bank balances	140,858	—	240,566	1,147	13	479
Financial liabilities	(51,422)	(5,606)	—	(271,065)	—	—
Trade and other payables	(43,498)	—	—	(34,233)	(1,336)	(114)
Net assets/(liabilities)	95,233	(5,473)	240,566	(280,914)	39,310	809

	31.12.2013					
	Singapore Dollar	Euro	Canadian Dollar	US Dollar	Renminbi	Others
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Held for trading investment	28,105	—	—	—	—	—
Trade and other receivables	561	31,590	—	11,293	35,426	5
Cash and bank balances	171,475	—	—	167,394	—	383
Financial liabilities	(48,153)	(22,483)	(159,607)	(25,738)	—	—
Trade and other payables	(32,077)	—	—	(17,580)	(1,336)	(17)
Net assets/(liabilities)	119,911	9,107	(159,607)	135,369	34,090	371
US$'000	19,593	1,488	(26,079)	22,119	5,570	61

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

31. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Foreign currency risk sensitivity

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax		
	31.12.2012	**31.12.2013**	**31.12.2013**
	Rmb'000	**Rmb'000**	**US$'000**
Singapore Dollar	9,523	11,991	1,959
Euro	(547)	911	149
Great British Pound	24,057	—	—
Canadian Dollar	—	(15,961)	(2,608)
US Dollar	(28,091)	13,537	2,212
Renminbi	3,931	3,409	557

Equity price risk

The Group has investment in TCL which is quoted.

Equity price risk sensitivity

A 10% increase/(decrease) in the underlying prices at the reporting date would increase/(decrease) Group's profit by the following amount:

	31.12.2012	**31.12.2013**	**31.12.2013**
	Rmb'000	**Rmb'000**	**US$'000**
Statement of profit or loss	4,876	2,811	459

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risks related to receivables. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

31. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistic for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At December 31, 2013, the Group had approximately top 20 customers (2012: top 20 customers) that owed the Group more than Rmb 292.0 million (US$47.7 million) (2012: Rmb 246.4 million) and accounted for approximately 71% (2012: 56%) of accounts receivables (excluding bills receivables) owing respectively. These customers are located in the PRC. There were 26 customers (2012: 35 customers) with balances greater than Rmb 1.0 million (US$0.2 million) accounting for just over 95.4% (2012: 81.3%) of total accounts receivable (excluding bills receivables). The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Note 19. The Group does not hold collateral as security.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows, and having adequate amounts of committed credit facilities.

The table below summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

As at December 31, 2012	One year or less	Two to five years	Total
	Rmb'000	Rmb'000	Rmb'000
Financial assets			
Trade and bills receivables	6,635,400	—	6,635,400
Other receivables, excluding tax recoverable	172,458		172,458
Cash and bank balances	3,397,565	—	3,397,565
Held for trading investment	48,761	—	48,761
	10,254,184	—	10,254,184
Financial liabilities			
Interest-bearing loans and borrowings	2,459,169	116,687	2,575,856
Trade and other payables	6,176,328	—	6,176,328
Derivatives not designated as hedges – foreign exchange forward contract	9,467	—	9,467
	8,644,964	116,687	8,761,651

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

31. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

As at December 31, 2013	One year or less	Two to five years	Total	Total
	Rmb'000	Rmb'000	Rmb'000	US$'000
Financial assets				
Trade and bills receivables	7,466,481	—	7,466,481	1,219,993
Other receivables, excluding tax recoverable	217,053	—	217,053	35,466
Cash and bank balances	3,376,848	185,000	3,561,848	581,991
Held for trading investment	28,105	—	28,105	4,592
Derivatives not designated as hedges – foreign exchange forward contract	2,731	—	2,731	446
	11,091,218	185,000	11,276,218	1,842,488
Financial liabilities				
Interest-bearing loans and borrowings	1,295,558	1,184,270	2,479,828	405,194
Trade and other payables	6,778,079	—	6,778,079	1,107,512
Other liabilities	13	44	57	9
	8,073,650	1,184,314	9,257,964	1,512,715

32. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debts (which includes the borrowings and trade and other payables, less cash and bank balances) and equity attributable to equity holders of the parent (comprising issued capital and reserves).

	31.12.2012	31.12.2013	31.12.2013
	Rmb'000	Rmb'000	US$'000
Interest-bearing loans and borrowings (Note 15)	2,450,695	2,259,377	369,174
Trade and other payables (Note 26)	6,921,197	7,718,488	1,261,171
Less: Cash and bank balances (Note 21)	(3,397,565)	(3,561,848)	(581,991)
Net debts	5,974,327	6,416,017	1,048,354
Equity attributable to equity holders of the parent	5,901,913	6,391,573	1,044,357
Total capital and net debts	11,876,240	12,807,590	2,092,711

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

32. Capital management (cont'd)

No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2013.

As disclosed in Note 25, certain subsidiaries of the Group are required by the relevant authorities in the PRC to contribute and maintain a non-distributable statutory reserve fund whose utilization is subject to approval by the relevant authorities in the PRC. This externally imposed capital requirement has been complied with by the subsidiaries of the Group for the financial years ended December 31, 2012 and 2013.

33. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value hierarchy for financial instruments measured at fair value as at December 31, 2012:

	Total	Level 1	Level 2	Level 3
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Financial assets measured at fair value				
Held for trading investment:				
Quoted equity shares – TCL (Note 18)	48,761	48,761	—	—
Financial liabilities measured at fair value				
Derivative financial liability:				
Foreign exchange forward contract – US Dollar (Note 15(a))	9,467	—	9,467	—

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at December 31, 2013:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Assets measured at fair value					
Held for trading investment:					
Quoted equity shares – TCL (Note 18)	December 31, 2013	28,105	28,105	—	—
Derivative financial asset:					
Foreign exchange forward contract – Canadian Dollar (Note 18)	December 31, 2013	2,731	—	2,731	—

There have been no transfers between Level 1 and Level 2 during the period.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

34. Financial assets and financial liabilities

	Note	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
		Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As at December 31, 2012						
Financial assets						
Held for trading investment	18	48,761	—	—	—	48,761
Trade and bills receivables	19	—	6,591,736	—	—	6,591,736
Other receivables	20	—	171,818	—	—	171,818
Cash and bank balances	21	—	3,397,565	—	—	3,397,565
		48,761	10,161,119	—	—	10,209,880
Financial liabilities						
Trade and other payables	26	—	—	—	6,176,328	6,176,328
Loans and borrowings	15(b)	—	—	—	2,450,695	2,450,695
Derivatives not designated as hedges – foreign exchange forward contract	15(a)	—	—	9,467	—	9,467
		—	—	9,467	8,627,023	8,636,490

	Note	Financial assets at fair value through profit or loss	Loans and receivables	Other financial liabilities at amortized cost	Total	Total
		Rmb'000	Rmb'000	Rmb'000	Rmb'000	US$'000
As at December 31, 2013						
Financial assets						
Held for trading investment	18	28,105	—	—	28,105	4,592
Derivatives not designated as hedges –foreign exchange forward contract	18	2,731	—	—	2,731	446
Trade and bills receivables	19	—	7,437,948	—	7,437,948	1,215,331
Other receivables	20	—	215,778	—	215,778	35,257
Cash and bank balances	21	—	3,561,848	—	3,561,848	581,991
		30,836	11,215,574	—	11,246,410	1,837,617
Financial liabilities						
Trade and other payables	26	—	—	6,778,079	6,778,079	1,107,512
Loans and borrowings	15(b)	—	—	2,259,377	2,259,377	369,174
Other liabilities	15(a)	—	—	56	56	9
		—	—	9,037,512	9,037,512	1,476,695

34. Financial assets and financial liabilities (cont'd)

Held for trading investment relates to the Group's investment in TCL, which is a company listed on the main board of the Singapore Exchange and is involved in the manufacture, assembly and distribution of high-end consumer electronic products and home entertainment products in the PRC. Fair values of the quoted equity shares are determined by reference to published price quotations in an active market.

Financial assets/liabilities through profit or loss reflect the positive/negative change in fair value of the foreign exchange forward contract that is not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk.

Fair value of financial instruments by classed that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The management assessed that cash and cash equivalents, short-term investments, restricted cash, trade and bills receivables, other receivables, trade and other payables and interest-bearing loans and borrowings (current) approximate their carrying amounts largely due to the short-term maturities of these instruments.

The management assessed that long-term bank deposits, interest-bearing loans and borrowings (non-current) and other liabilities approximate their fair value as their interest rates approximate the market interest rates.

35. Events after the reporting period

(a) US$30.0 million credit facility with Sumitomo Mitsui Banking Corporation, Singapore Branch

On March 12, 2014, the Group entered into a supplemental agreement with the bank to renew the existing US$30.0 million facility that matured on March 18, 2014. The new unsecured multi-currency revolving credit facility has a committed aggregate value of US$30.0 million and is for a three-year duration. The terms and conditions of this facility agreement remained similar to the facility agreement dated March 18, 2011.

(b) S$30.0 million credit facility with Bank of Tokyo-Mitsubishi, UFJ Ltd, Singapore Branch

On March 13, 2014, the Group entered into a new agreement with the bank on similar terms to refinance the existing revolving credit facility that matured on March 18, 2014. The new unsecured multi-currency revolving credit facility has a committed aggregate value of S$30.0 million and is for a three-year duration. The terms and conditions of this facility agreement remained similar to the facility agreement dated March 11, 2011.

(c) Increase of shareholding in HLGE

In January and March 2014, Grace Star Services Ltd., an indirect wholly-owned subsidiary of the Company, has purchased in the open market an aggregate of 465,000 ordinary shares in the capital of HLGE, representing 0.05% of the total number of issued ordinary shares of HLGE, for an aggregate gross cash consideration of S$18 (the "Acquisition"). Following the Acquisition, the Company holds in aggregate 471,077,072 ordinary shares in the capital of HLGE, representing approximately 50.17% shareholding in HLGE, based on the total outstanding ordinary shares of HLGE, net of the ordinary shares held by the Trustee under the Trust.

(RMB AND US$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

35. Events after the reporting period (cont'd)

(d) Joint venture with Shanghai Hengshan (Group) Corporation (China)

Shanghai Hengshan Equatorial Hotel Management Co., Ltd ("SHEHM") was incorporated on January 10, 2014 in the People's Republic of China with a registered capital of Rmb 3.5 million. SHEHM is a joint venture company with 49% shareholding interest held by Equatorial Hotel Management Pte. Ltd. ("EHM"), a wholly-owned subsidiary of HLGE, and the remaining 51% shareholding interest held by Shanghai Hengshan (Group) Corporation (China) ("Shanghai Hengshan"). The principal activities of SHEHM are those relating to hotel and property management. EHM together with Shanghai Hengshan have joint control over SHEHM.

36. Comparatives

The following comparatives in the consolidated statement of financial position have been restated as follows:

	As at January 1, 2012	As at December 31, 2012	Note
	Rmb'000	Rmb'000	
Increase/(decrease) in:			
Restricted cash	—	240,566	(i)
Other current assets	—	(240,566)	(i)
Trade and other payables (current)	(83,739)	(91,114)	(ii)
Other payables (non-current)	83,739	91,114	(ii)

Note:

(i) The time deposit, which was pledged to a bank as guarantee for a one-year loan, was previously disclosed in "Other current assets" and is now disclosed in "Restricted cash".

(ii) Comparatives were restated due to the adoption of Revised IAS 19 as disclosed in Note 2.4.

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