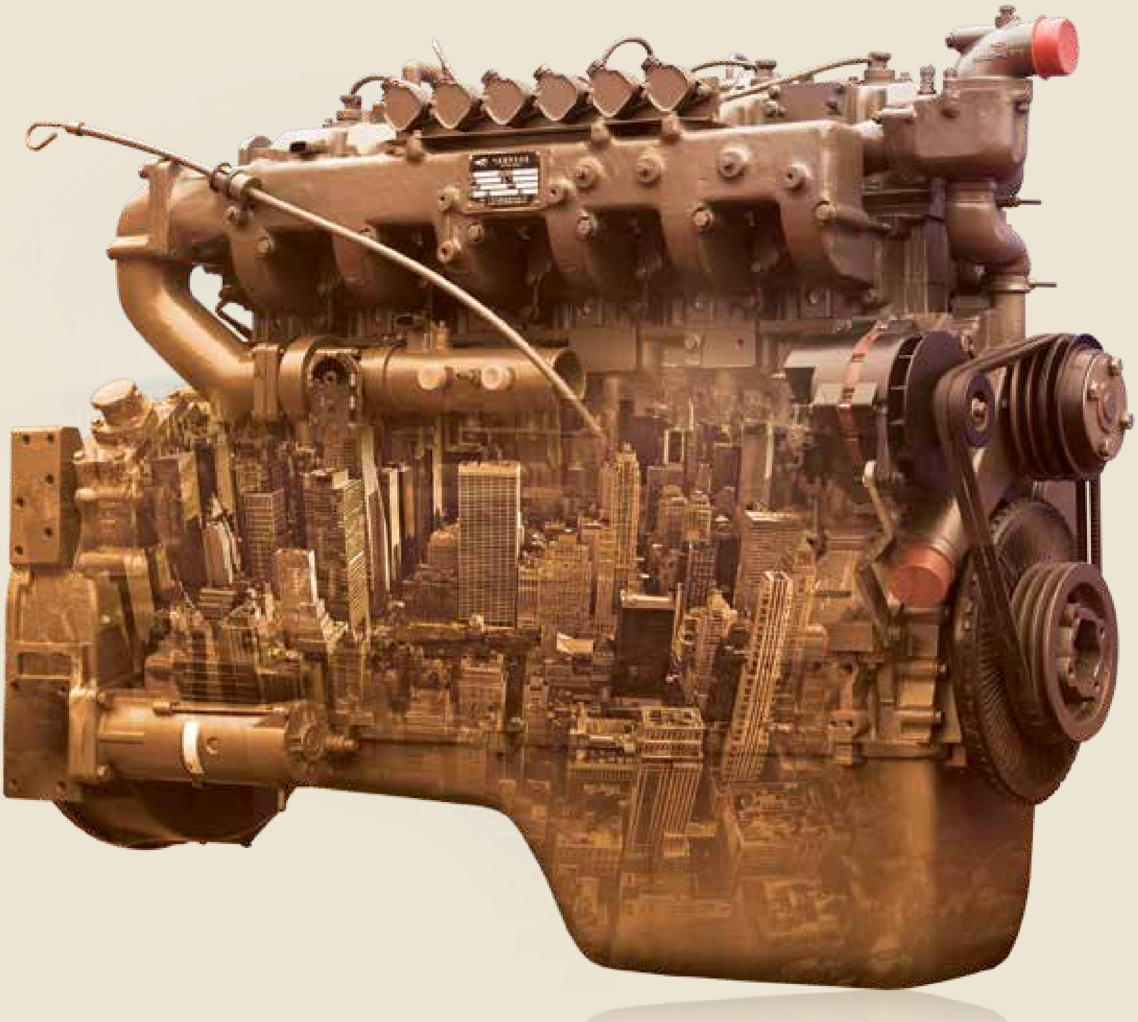
China Yuchai International Limited

ANNUAL REPORT 2014

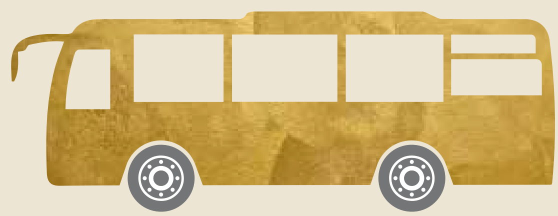


GEARING TOWARDS A CLEANER ENVIRONMENT

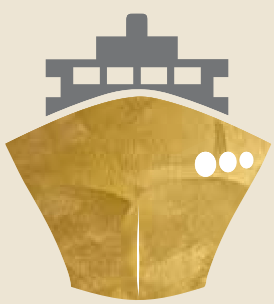
GEARING TOWARDS A **CLEANER ENVIRONMENT**

12.3%

We delivered over 36,400 natural gas engines for commercial vehicle applications in 2014, an increase of approximately 12.3% over 2013.



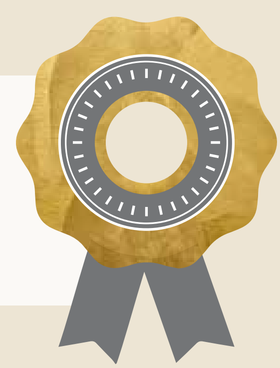
We launched the gas engine plug in hybrid engine for the bus market in 2014.

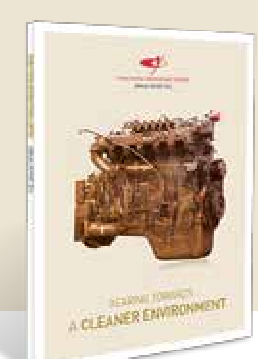


We launched the first Tier 3 compliant marine diesel engine in China which would be commercially available from 2016 onwards.

We launched 10 new engine models meeting the latest emission standards for use in both on-road and off-road applications in 2015.

Our YC6MK heavy-duty engine was awarded the Best Environmental Technology Award in 2014.





Front Cover: Photo in the centre is our YC6MKN-50 natural gas engine. Harnessing the latest production technology, our diesel and natural gas engines are developed for our valued customers with the environment in mind.

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

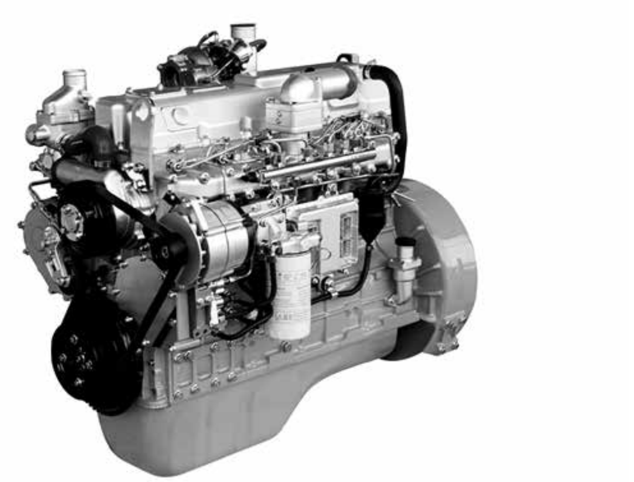
使命

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



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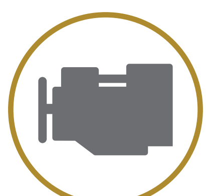
FINANCIAL **HIGHLIGHTS**

	2012 Rmb'000	**2013** Rmb'000	**2014** Rmb'000
Revenue	13,449,489	15,902,355	16,436,142
Profit attributable to equity holders of the parent*	567,333	700,423	730,280
Earnings per share attributable to ordinary equity holders of the parent	15.22	18.79	19.36
Weighted average number of shares	37,267,673	37,267,673	37,720,248
Total assets	17,923,673	19,293,168	18,773,336
Equity attributable to equity holders of the parent	5,901,913	6,391,573	6,988,432

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



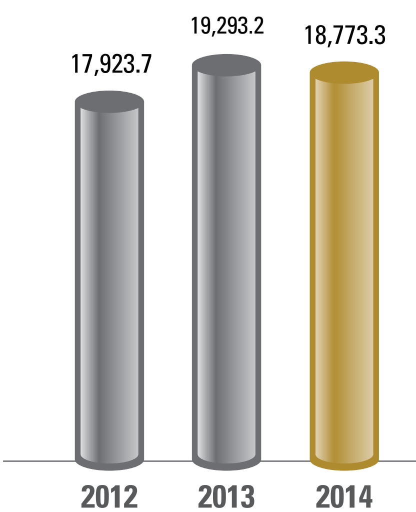
WE **SOLD**

483,825

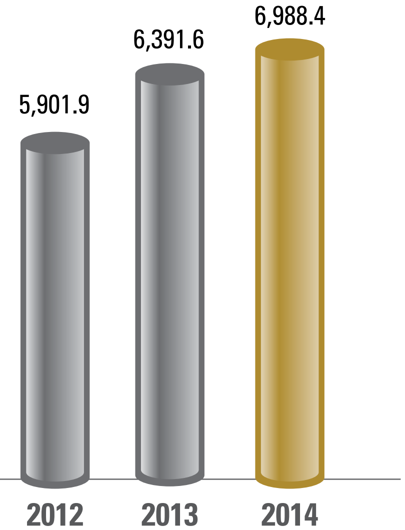
ENGINES

FINANCIAL **HIGHLIGHTS**

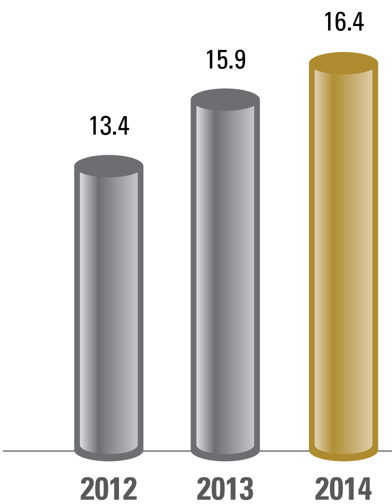
TOTAL ASSETS
(in Rmb millions)



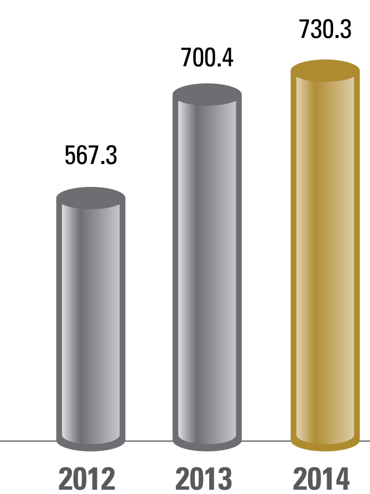
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
(in Rmb millions)



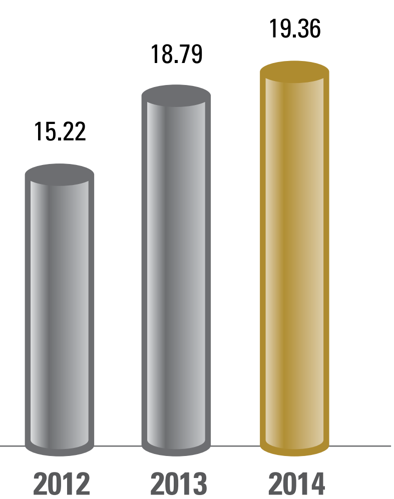
REVENUE
(in Rmb billions)



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**

RMB 16.4 billion
Revenue

RMB 1.3 billion
Operating profit

483,825
Engines sold

Dear Shareholders,

The year 2014 was a year of continuing performance for China Yuchai as the Chinese engine market transitioned to the new National IV emission standards and China continued with its economic reforms. Our revenues increased notwithstanding lower engine unit sales as we sold more higher-value National IV compliant and natural gas engines in 2014 compared with 2013. Our overall unit sales declined only 3.4% compared with a sharp 10.8% unit decrease in the Chinese commercial vehicle market (excluding gasoline-powered vehicles) in 2014, according to the China Association of Automobile Manufacturers ("CAAM"). We successfully defended our position across a number of sectors and increased our sales in segments such as natural gas, agriculture and marine. We continued to increase our presence by further broadening our product lines, introducing new engines with advanced emission technologies, and increasing production capacity, especially for natural gas and high horsepower engines.

Our net revenue for 2014 increased 3.4% to RMB 16.4 billion (US$ 2.7 billion) and earnings per share increased 3.0% to RMB 19.36 (US$ 3.14). The total number of engines sold in 2014 decreased 3.4% to 483,825 units, mainly due to a decline in truck and industrial engine sales that was partially offset by higher sales of marine, agricultural and natural gas engines. In 2014, approximately 36,400 natural gas engines were sold compared with approximately 32,400 units in 2013, an increase of 12.3%.

Our engine sales were impacted by a general decline in China's commercial vehicle market and economic activity as Gross Domestic Product ("GDP") dropped to 7.4% in 2014, the slowest annual expansion since 1990. Our engine sales were also affected by the implementation of the more stringent National IV emission standards throughout China. This new standard was introduced in July 2013 to alleviate the rampant air pollution affecting China, particularly in its many large cities. With over 240 million vehicles operating in China, environmental and health concerns have been increasing across the country over rising exhaust emissions.

PRESIDENT'S **STATEMENT**

The implementation of the National IV emission standards nationwide beginning on July 1, 2013 caused many vehicle operators to 'pre-buy' vehicles installed with the older and less expensive National III compliant engines. This 'pre-buy' effect increased commercial vehicle sales in 2013 which continued into the first half of 2014. However, slower truck sales in the second half of 2014 reflected the slowdown of the 'pre-buy' effect. As of January 1, 2015, all commercial vehicles are required to comply with the National IV emission standards in order to be registered for on-road use.

One of the key strategies behind our success is to consistently innovate and remain a technology leader. Our broad line of advanced engines has strengthened our customer relationships, making Yuchai an important contributor to the Chinese engine market. Anticipating the trend towards increasing environmental consciousness, we had already developed and begun selling National IV compliant engines in 2008 - five years before the implementation of the National IV standards nationwide on July 1, 2013. We were among the first engine manufacturers to have its entire diesel engine line National IV ready and we were prepared for the strict enforcement of the standards well before the January 1, 2015 deadline. More recently, we developed advanced diesel engines compliant with the more stringent National V and VI emission standards. With this 'first to market' approach, we were able to capture leading market positions in key localities where the highest emission standards are required, such as Shanghai, Shenzhen and Beijing. As a result, we are seeing growing sales momentum for our more advanced National V compliant diesel engines and developing demand for our new National VI compliant diesel engines. By quickly embracing higher emission standards, we have significantly raised the technology barrier to entry in the Chinese engine market and strengthened our customer relationships. We are committed to the pursuit of 'green' technologies and advancements to conserve energy, reduce emissions and improve the environment demonstrating our strong corporate citizenship.

The fact that our engines are compliant with more advanced emission standards continued to provide growth opportunities and led to a number of contract awards over the past year. These further enhanced our dominant position as the leader in the Chinese bus engine market. We supplied the Shanghai transit bus system with our new four-cylinder, four stroke YC4FA130-50 light-duty diesel engines, which are compliant with National V emission standards. We also supplied 600 of our gas-electric hybrid engines and 200 of our liquefied natural gas ("LNG") engines to Fushun City in Liaoning Province as part of its national pilot program for new energy buses. In early 2015, we won a competitive bid to supply 587 National V natural gas and 48 National VI diesel engines to be used by the influential Beijing Bafangda Express Bus Services Co., Ltd., a subsidiary of the Beijing Public Transportation Group. This will be the first time our YC6K13N engines are being used in the Chinese bus market. We remain the largest natural gas engine supplier to the Beijing Public Transportation Group as we have supplied 1,700 units to them since 2012. As short bus routes lead to easy refueling, with lower prices and cleaner running engines, natural gas is rapidly becoming the preferred engine type for urban buses. Our expanding natural gas engine portfolio has sustained our leadership position in this segment.

Our leadership in engine emissions and other innovative technologies is a direct result of our focus on research and development ("R&D"). In 2014, R&D expenses increased 5.5% over the previous year to RMB 494.6 million or US$80.3 million. This is consistent with our previous spending level of approximately 3.0% of net revenue. Our R&D efforts have consistently expanded our already broad portfolio of engines and provided additional advanced engine solutions to satisfy current customers and penetrate new market segments. We introduced 30 new engine models between 2012 and 2015, including 10 new engines for 2015. Among these newest models is a heavy-duty diesel engine compliant with National VI emission standards, a 10.3 litre heavy-duty diesel engine compliant with National V emission standards, and three new engines compliant with Tier 3 emission standards

PRESIDENT'S **STATEMENT**

for the off-road industrial market. Other new engines target medium- and light-duty vehicles. Our R&D efforts have improved engine performance and durability, and increased fuel conservation and emissions controls, all of which continue to sustain our market leadership. Our new R&D center in Nanning continues to play an important role in the development of new engines to meet the needs of our customers and enable us to capture market share across different segments.

In 2014, our engines won accolades for quality, environmental impact and fuel efficiency. Our YC6MK heavy-duty engine won "The Best Environmental Technology Award" at the 2014 Beijing International Road Transport and Public Transit Vehicles and Component Exhibition. A truck using our YC6K1340N LNG engine won the "K-Gold" award as the "Fuel Efficient Heavy-Duty Truck of the Year 2014" at China's largest annual commercial vehicle event sponsored by Commercial Motor World Magazine, the leading commercial vehicle magazine. This engine has the largest displacement and highest torque power among comparable natural gas engines. It can reduce average energy consumption by approximately 25% compared with diesel engines of similar size and power. Furthermore, trucks equipped with our YC6K12 diesel and YC6K13N LNG engines won first place in their respective categories at the Seventh China International Truck Fuel Economy Competition held in Beijing. The YC6K12 heavy-duty diesel engine meets global standards for fuel consumption and weight, and is compliant with the more stringent Euro V and VI emission standards. The advanced YC6K designated models are next-generation, heavy-duty engines that were developed and manufactured by Y&C Engine Co., Ltd. ("Y&C"), a joint venture between our main operating subsidiary, Guangxi Yuchai Machinery Company Limited ("GYMCL"), and a company jointly established by China International Marine Containers Group Ltd. and Chery Automobile Co., Ltd.

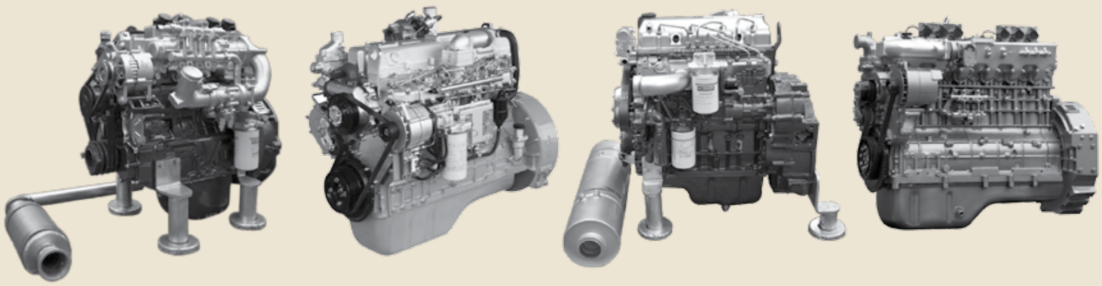
Our engine successes also translated into a number of corporate awards in 2014. We were named a China Top 500 Enterprise, a China Top 500 Manufacturing Enterprise and we won the Guangxi Best Ten Enterprises Award. We were also awarded The National Advance Enterprise on Quality Inspection Award from the China Association for Quality Inspection.

Our high quality, performance and emissions technologies also made Yuchai engines the preferred choice in a number of global events in 2014. Our engines were used to help build the infrastructure for the 2014 Sochi Winter Olympic Games in Russia. Yuchai engines were also used in approximately 85% of the over 3,000 public transportation vehicles used at the Second Summer Youth Olympic Games in Nanjing. Our engines were a natural selection due to their high and reliable performance under extreme weather and difficult conditions.

Our unrivalled portfolio of advanced and higher emission standard engines has expanded our penetration into other markets. While the truck and bus markets remain our primary sectors, our new engines have succeeded in opening new opportunities in the off-road markets, which now represent over 20% of our total unit sales. The requirements of the agricultural, marine, power generation, industrial and mining markets are being met by our new models of light-, medium-, and heavy-duty engines. Our new high horse power engines with a range between 40 and 80 litres are designed specifically to address the larger requirements of the off-road segments. To better penetrate these increasingly important markets, a new production facility was built at our primary manufacturing facilities in Yulin City to increase the annual production capacity of high horse power marine and power generator engines. The facility was completed in 2014 and is now fully operational.

The agricultural segment has been a growth area over the past two years. In 2014, we sold more than 84,000 engines to the agricultural machinery market, representing 18.5% growth compared to 2013 which was a record high. Government incentives in 2013 and 2014 increased the purchase of larger farm machinery such as harvesters and excavators. Higher engine sales to the agricultural sector helped mitigate weaknesses in other market segments and validated our strategy of diversifying our engine lines to serve multiple markets.

PRESIDENT'S **STATEMENT**



Similarly, the Chinese marine market is large since the country has a long coastline and a number of rivers, which carry significant commercial traffic. Many river and coastal vessels require new or replacement engines, which will reduce pollution. Our growing line of advanced marine high horse power engines for power generation and propulsion compliant with Tier 3 emission standards, have been well received by ship operators. We believe that the marine market represents a promising growth opportunity for us in the future.

We are now seeing the full benefits of the first 2 phases of our new foundry that were completed in 2013, resulting in better cost controls and much lower rejection rates. Our total annual capacity is 1 million engine cylinder heads or blocks making us one of the largest foundry and engine casting facilities in China. We continue to utilize Six Sigma techniques to drive our costs down and increase efficiencies. In the highly competitive market in which we operate, we are continually looking for ways to reduce costs and increase our profitability. Our service network of approximately 2,900 service stations across China is also a key competitive advantage designed to attract and retain customers.

During 2014, strategic changes in our joint ventures saw us acquiring full control of our remanufacturing operations located in Suzhou and a 100% ownership in a jointly controlled hotel business by our subsidiary, HL Global Enterprises Ltd. These two transactions created RMB 95.2 million (US$15.5 million) in pre-tax profit. We believe that these strategic moves will be beneficial to our profitability in the long run.

Our strong earnings and consistent cash flow enabled us to share our success with our shareholders. In 2014, we declared a dividend of US$1.20 per ordinary share to be paid either wholly in cash or in new shares at the election of our shareholders. Pursuant to the shareholders' elections, our outstanding share capital increased by 928,033 new shares to 38,195,706 shares. We plan to continue to reward our shareholders for their loyalty and support as our financial resources allow.

As we continue into 2015, we expect that the effects of the 'pre-buy' that occurred in 2014 will reduce demand in the commercial vehicle market. The outlook for the first half of 2015 is anticipated to be weak, which we believe will stabilize in the second half of the year. However, we believe this trend will turn more positive in the long run. We remain optimistic over the long-term outlook for trucks, especially heavy-duty trucks, where we have added advanced engines and increased capacity. Sales into the agricultural market are expected to be comparable to 2014, unless new government incentives are introduced which will boost sales. Marine and bus market sales should continue to grow modestly in 2015.

Our strategy of delivering market-leading innovation and a broadly diversified product line continues to deliver success. Our early adoption of stricter emissions standards has enhanced market penetration for our products. We have strong market positions in key growth segments and we believe our competitive advantages position us for continued market leadership in China and a solid foundation for our entry into foreign markets.

Weng Ming HOH
President
May 13, 2015

总裁致词

亲爱的股东：

2014年是玉柴持续发展的一年。在这一年里，随着中国经济的深化改革，中国发动机市场也过渡性地实施国IV排放标准。虽然发动机的总体销量有所下降，但与2013年相比，我们的总体营业收入反而提高了。这主要是由于我们在2014年里销售的国IV配套及天然气发动机拥有更高价值。根据中国汽车工业协会（“CAMM”）的资料，2014年中国商用车市场（不包括汽油车）的整体销售量遭受了10.4%的急剧下降，而我们的销量仅下降了3.4%。我们成功地捍卫我们的产品在多个领域的市场份额，并进一步提高部分市场如天然气发动机、农用和船用的市场份额。我们通过不断完善产品品线，开发拥有更高更新排放标准的发动机及增加发动机生产能力，尤其是天然气和高马力发动机的生产力，进一步扩大我们在市场的占有率。

与2013年相比，我们的净收入为164亿元人民币(合计27亿美元)，增长了3.4%。每股收益19.36元人民币(合计3.14美元)，增长了3.0%。2014年发动机的销售总量为483,825台，年比下降3.4%。主要是由于卡车和工业发动机销售额下降，并部分抵消了农用和天然气发动机增高的销售额。但与2013年32,400台的销量对比，天然气发动机在2014年的销量为36,400台，增加12.3%。

我们发动机的销售，受到中国商用车市场整体下行及2014年降到自1990年以来最缓慢的年增长率7.4%的国内生产总值(GDP)的影响。同时，销售也受到中国正式实施了更严格国IV排放标准的影响。在中国有超过2.4亿辆汽车在运行，全国废气排放加剧了环境和健康问题。为了缓解中国尤其是许多大城市的严重空气污染问题，在2013年7月颁布了这个新的排放标准。

在2013年7月1日，全国范围内强制实施的国IV排放标准导致许多车辆运输商“提前购买”更便宜更旧式的国III发动机配置的汽车。受这种“提前购买”的影响，商用车在2013年及2014年第一季度的销售量上涨。同时在2014年第二季度卡车销量的下降显示该影响正在减弱。从2015年1月1日起，所有的商用车必须要装备国IV排放标准的配置才批准上路。

我们的成功背后的关键策略之一是持续创新和保持技术领先。我们广泛的先进发动机产品线进一步加强了我们的客户关系，并使“玉柴”成为中国发动机市场的重要成员。基于日益增长的环境保护趋势，我们在2008年已经开始研发和销售国IV配置的发动机，这比2013年7月1日全国范围内实施该标准足足提早了五年。我们是整个柴油机行业中第一批拥有发展先进国IV排放标准的完整柴油发动机生产线的制造商。我们更为新标准在2015年1月1日严格执行的最后期限做了充足的准备。最近，我们领先开发了符合更严格的国V和国VI排放标准的改进柴油发动机。这种“先市场”的方法，使我们能够占据主要城市的市场领先地位，这些地方如上海、深圳和北京采用更高的排放标准。因此，我们看到更先进的国V柴油机销售增长势头及国VI配置柴油发动机的持续上升的需求。通过对排放标准提升的迅速反应，我们大大提高了进入中国发动机市场技术壁垒，并加强我们的客户关系。同时为了减少碳排放和改善环境，我们也致力于追求“绿色”技术和开发节约能源，以展示我们的强大的企业社会责任。

我们的发动机符合更先进更高要求的排放标准，这为公司的不断发展提供动力，并促成了过去一年多笔订单。这一切都进一步增强我们在中国汽车发动机市场的主导地位。我们向上海交通公交系统提供了符合国V排放标准的新四缸、四冲程YC4FA130-50轻型柴油发动机。同时我们也为辽宁省抚顺市推出的全国新能源汽车试点项目的汽车提供600台油电混合动力发动机和200台的液化天然气(LNG)发动机。在2015年初，我们成功为北京公交集团的重要子公司北京八方达公共汽车服务有限公司的公共汽车提供了587台国V天然气和48台国VI柴油发动机。我们首次把YC6K13N发动机投入中国汽车市场使用在这些北京公共汽车。自2012年，作为北京公共交通集团最大的天然气发动机供应商，我们累积提供了1700台发动机。由于短程公交线路比较容易加油，并且提供更为低廉的价格和清洁能源，天然气发动机迅速成为城市公交车发动机的首选类型。我们不断开拓发展天然气发动机产品线，占据及维持在该领域的领导地位。

我们在发动机排放和其他创新技术的领先地位归因于我们在研究和开发（“研发”）上的专注。我们在2014年的研发费用为4.946亿元人民币（等值于8034万美元），比去年增长了5.5%，并维持在我们净收入3.0%的支出水平。在研发方面，我们不断努力，并持续扩展已经广阔的发动机产品组合，为先进的发动机更好满足当前客户和开拓新的市场领域提供解决方案。在2012年至2015年期间，我们一共开发30个新发动机型号，仅2015年就揽括了10个新发动机型号。在这些最新的型号中含有一款达标国VI排放标准的重型柴油发动机、一款达标国V排放标准的10.3升重型柴油发动机、三款符合三级排放标准的非道路工业市场发动机。其他新型号主要适用于是中期和轻型机动车。我们在研发上努力有效改善了发动机的性能和耐用性， 并提升燃料节能要求及加强排放控制。这一切也有助于维持我们在市场领导地位。我们在南宁的新研发中心在开发研究新型发动机上继续发挥着重要的作用，以便进一步满足客户的需求并争得在不同的领域市场份额。

在2014年，我们的发动机在质量、环境影响和燃料效率方面赢得了许多赞誉。我们的YC6MK重型发动机在2014年北京国际道路运输和公共交通车辆和组件展览会上获得“最佳环境技术”。

总裁致词

在知名商用车杂志《商业汽车世界》赞助的中国最大的年度商用车活动中，一辆配置我们YC6K1340N液化天然气发动机的卡车在“2014年节能重型卡车项目组”获得了金奖。在同类型的天然气发动机中，这台发动机拥有更高位移和更大转矩。与类似大小和动力的柴油机相比，其平均耗能减少高达25%。此外，在北京举行的第七届中国国际卡车节油大赛中，配备我们生产YC6K12柴油和YC6K13N液化天然气发动机的卡车分别在各自类别赢得第一名。这款YC6K12重型柴油发动机的油耗指标、比重量指标均符合全球标准，并达到更严格的欧V和欧VI排放标准。下一代改进YC6K系列模型重型发动机是由玉柴联合动力股份有限公司（“Y&C”）研发和生产的，该公司是我司旗下主要经营子公司广西玉柴机器股份有限公司（“GYMCL”）、中国国际海运集装箱集团和奇瑞汽车有限公司共同出资组建的合资公司。

在2014年，我们的发动机为公司成功获得多项企业奖。我们入围中国500强企业、中国制造业500强企业并获得广西十佳企业称号。我们还荣获由中国质量检验协会认证的“全国质量检验工作先进企业”称号。

高质量，高性能及排放技术使玉柴发动机在2014年全球多个活动中成为首选发动机。我们的发动机为2014年俄罗斯索契冬奥的建设基础设施提供协助。在南京举行的亚洲青年运动会使用的3,000辆服务用车中约85%是配置玉柴发动机。我们的发动机是在极端天气和困难条件下高效率，性能可靠的自然最佳选择。

广阔的产品线和高排放标准的发动机使玉柴的产品得以扩展到其他的市场。虽然卡车和公交车市场仍然是我们的主要领域，我们的新发动机已经成功地开拓非道路用机动市场，并占总销量的20%以上。玉柴的轻型、中型和重型发动机能够有效满足农机、船舶、发电、工业和矿业市场的要求。我们的新型高马力发动机排量从40到80升，是为了满足更大的需求的非道路市场专门设计的。为了更好渗透到这些重要的增长性市场，我们在玉林市建立一个新的生产基地专用于生产高马力船用发动机。该工厂已于2014年完工，现已全面运作。

在过去的两年，农机市场的销售呈现快速增长的状态。在2014年，我们在农用市场的发动机销售超过84,000台，与同样高增长的2013年相比进一步增长了18.5%。在2013年和2014年政府在购买大型农用机械上如收割机和挖掘机给予补贴。在农用发动机上的销售增长有效弥补了其他细分市场的不足。这进一步证明我们发动机服务多个市场多元化战略的正确性。

同时，由于漫长海岸线和多条河流带动了重要的商业交通，中国拥有着庞大的海运市场。现在许多河流或沿海船均被要求采用新的发动机或者更换发动机来减少污染。我们正在推广的先进船用高马力发动机，是符合三级排放标准可用于发电及动力推进的一款发动机，现已为船舶经营者所使用。我们相信未来的船用市场是拥有巨大增长潜力市场。

现在，2013年建造的新铸造厂前两阶段的优势逐渐显示，现在我们拥有更好的成本控制能力和更低报废率。年总产量100万台发动机气缸体和气缸盖使玉柴成为中国最大的铸造厂和发动机铸件设备厂之一。我们会继续最大化的运用六西格玛技术减低成本，提高效率。我们在一个高度竞争的市场运作，我们希望寻求一个有效的方法降低费用提高盈利能力。我们的服务网络广泛，设立2,900个服务站贯彻于整个中国，这也是我们吸引和留住客户的关键竞争优势。

在2014年，我们应时改变战略，一方面全面控制我们在苏州的再制造生产业务，一方面通过100%拥有丰隆环球有限公司全面控制其酒店业务。这两项并购为公司创造了9,519万人民币（等值于1,546万美元）的税前利润。我们认为这次的战略性收购有利于维护公司的长远利益。

我们的良好营业收入和持续的现金流使我们可以与股东共同分享公司的成功。在2014年，我们向股东派发了每股普通股价值1.2美元的现金分红或者等值新增股票。根据股东的选择，我们流通在外的股份增加了928,033股，总股数上升到38,195,706股. 在财务状况允许的范围，我们计划继续回报股东的长期支持。

在2015，我们预期在2014年的“提前购买”会影响商用车市场的需求。在2015年上半年的预期是销售减弱，但是我们相信在下半年会有好转。并认为长远来看仍是积极的发展趋势。我们对卡车的长远销售前景保持乐观，尤其是重型卡车方面，我们不断改进发动机技术和提高产能。除非政府出台新的激励机制刺激消费，农用机市场的销售预计与2014年持平。船用和客车销售会在2015年保持适度的增长。

我们的策略是持续提供领先市场的创新产品和保持广泛多样化的产品线。我们提前采用更严格的排放标准，有效地加强了产品的市场渗透性。我们相信持续竞争优势会保持我们在中国市场的领导地位，也会成为我们进入海外市场的坚实基础。

何永明
总裁
2015年 5月13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 in China. GYMCL also produces diesel-powered generators used primarily in the construction and mining industries. 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. GYMCL produces diesel engines compliant with National IV and V emission standards, and natural gas engines compliant with National V emission standards, and also has the ability to produce certain diesel engines and natural gas engines compliant with National VI emission standards, and develop alternative fuels and environmentally friendly hybrid engines with improved fuel efficiency. GYMCL also has the ability to produce diesel engines compliant with Tier 2 and Tier 3 emission standards for use in non-road applications.

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, manages 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。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。

玉柴国际的主要子公司广西玉柴机器股份有限公司（“广西玉柴”）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四与国五排放标准的柴油发动机，及国五排放标准的天然气发动机，其也有能力生产一定的符合国六排放标准的柴油发动机和天然气发动机，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Tier2和Tier3排放标准的满足非道路应用的柴油发动机。

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。目前玉柴国际通过其6家全资子公司持有广西玉柴76.4%的股权。

此外，玉柴国际投资一家新加坡交易所主板上市的公司-丰隆环球有限公司（“丰隆环球”）。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管理酒店。同时丰隆环球也在上海拥有一间酒店式服务公寓。

OUR **CHINA-WIDE PRESENCE**

Guangxi Yuchai Machinery Company Limited
公司总部

35 regional offices
玉柴办事处

2,912 customer service stations
玉柴技术服务站

As of March 2015

YUCHAI **OVERSEAS NETWORK**

114 OVERSEAS SERVICE AGENTS APPOINTED AS OF MARCH 2015

14 OVERSEAS OFFICES

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 9, 2015, 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)(4)	President and Director	2011
GAN Khai Choon (1)(4)	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
Codan Services Limited	Secretary	2015

Mr. Ira Stuart Outterbridge III passed away on January 3, 2015 In his place, Codan Services Limited was appointed Secretary of the Company.

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

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 and Cambodia Post Bank Plc. 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

BOARD **OF DIRECTORS**

Services Institute 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 as an independent director 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. He is a non-practising member of the Law Society of Hong Kong, The Law Society of England & Wales, The Law Society of British Columbia and The Law Society of the Australian Captial Territory. Mr. Ho currently 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. He was appointed a Director of Yuchai with effect from November 17, 2014. 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.

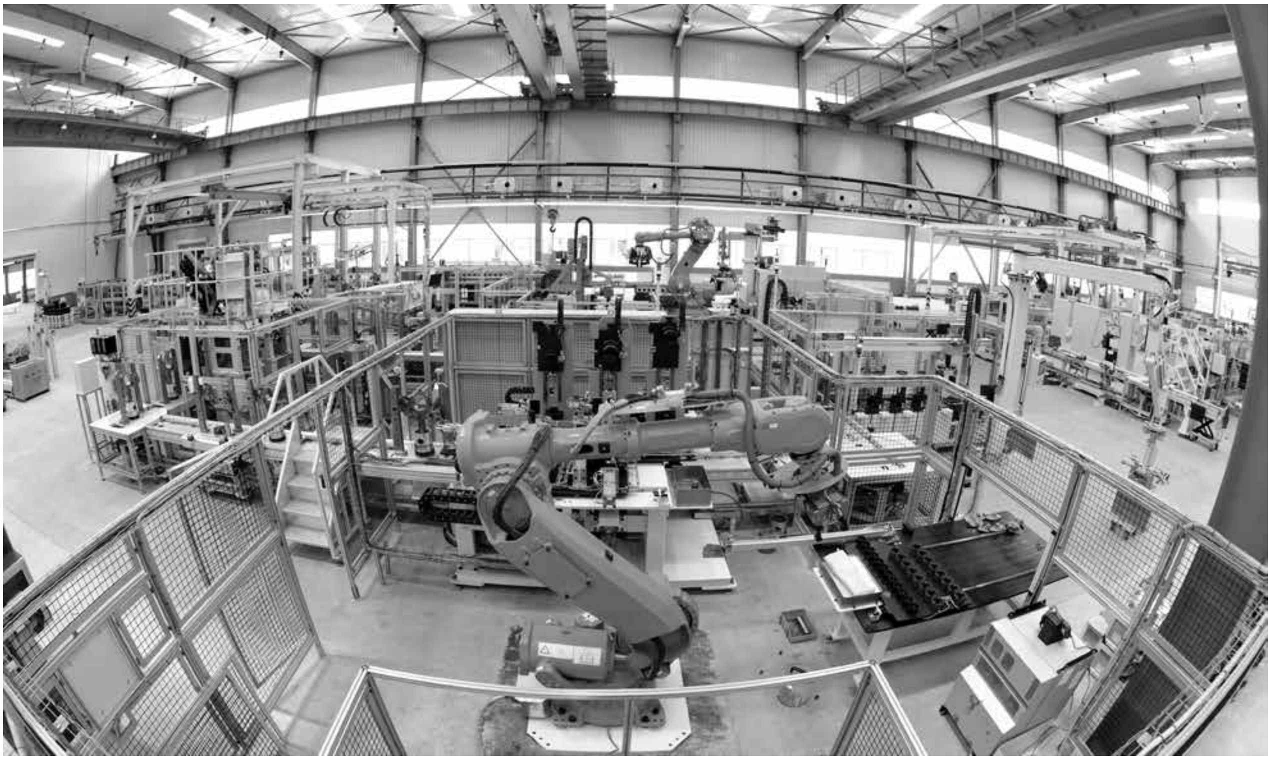
Ms. Foo Shing Mei Deborah was appointed General Counsel of the Company with effect from December 10, 2007. Ms. Foo has more than 15 years' of commercial and corporate experience gained from various in-house positions in Singapore and Hong Kong. Prior to joining the Company, she held the positions of 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. Lai Tak Chuen Kelvin was appointed Vice President of Operations of the Company on June 7, 2010. He was appointed Chief Business Officer and a Director of Yuchai on March 11, 2011 and June 28, 2013 respectively. Mr. Lai holds a Bachelor of Business Administration in Management from the Open University of Hong Kong as well as a Postgraduate Certificate in Engineering Business Management from the University of Warwick, UK. He worked for 10 years as a marine engineer on ocean going vessels and later as a Port Engineer at the International Maritime Corporation. He has also worked for Rolls-Royce International Ltd in their power generation and industrial power business in China and Taiwan, and worked for Cummins Hong Kong Ltd as General Manager in their diesel engine distribution and aftermarket business.

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.

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, 2014

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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 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, 2014, 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, 2014 and 2013, 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, 2014 of China Yuchai International Limited and our report dated April 15, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Singapore
April 15, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

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, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 15, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Singapore
April 15, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	31.12.2012	31.12.2013	31.12.2014	31.12.2014
		Rmb'000	Rmb'000	Rmb'000	US$'000
Sales of goods	7	13,381,025	15,809,894	16,355,854	2,656,767
Rendering of services	7	68,464	92,461	80,288	13,042
Revenue	7	13,449,489	15,902,355	16,436,142	2,669,809
Cost of sales (goods)	8.1	(10,532,463)	(12,577,458)	(13,104,609)	(2,128,650)
Cost of sales (services)	8.1	(37,142)	(59,993)	(40,543)	(6,586)
Gross profit		2,879,884	3,264,904	3,290,990	534,573
Other operating income	8.2(a)	176,409	179,887	121,901	19,801
Other operating expenses	8.2(b)	(44,059)	(23,535)	(27,009)	(4,387)
Research and development costs	8.1, 8.3	(373,732)	(468,612)	(494,594)	(80,339)
Selling, distribution and administrative costs	8.1	(1,475,038)	(1,550,228)	(1,598,670)	(259,680)
Operating profit		1,163,464	1,402,416	1,292,618	209,968
Finance costs	8.4	(213,019)	(161,211)	(156,670)	(25,449)
Share of profit of associates	5	2,372	159	956	155
Share of losses of joint ventures	6	(39,241)	(79,245)	(30,711)	(4,989)
Gains arising from acquisitions	4	—	—	95,192	15,463
Profit before tax		913,576	1,162,119	1,201,385	195,148
Income tax expense	9	(142,238)	(222,147)	(179,639)	(29,180)
Profit for the year		771,338	939,972	1,021,746	165,968
Attributable to:					
Equity holders of the parent		567,333	700,423	730,280	118,624
Non-controlling interests		204,005	239,549	291,466	47,344
		771,338	939,972	1,021,746	165,968
Earnings per share	10				
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent		15.22	18.79	19.36	3.14
Weighted average number of shares:					
- Basic and diluted		37,267,673	37,267,673	37,720,248	37,720,248

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)

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Profit for the year	771,338	939,972	1,021,746	165,968
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation	(9,094)	(3,728)	11,937	1,939
Transfer of reserve on initial equity interest in a joint venture on acquisition	—	—	(469)	(76)
Realization of foreign currency translation reserves upon disposal of assets classified as held for sale	—	10,770	—	—
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	(9,094)	7,042	11,468	1,863
Total comprehensive income for the year, net of tax	762,244	947,014	1,033,214	167,831
Attributable to:				
Equity holders of the parent	561,923	697,466	741,244	120,405
Non-controlling interests	200,321	249,548	291,970	47,426
	762,244	947,014	1,033,214	167,831

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	31.12.2013	31.12.2014	31.12.2014
		Rmb'000	Rmb'000	US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	4,036,163	4,460,842	724,598
Prepaid operating leases	12	402,365	424,591	68,969
Goodwill	13	212,636	212,636	34,540
Intangible assets	14	145,283	108,526	17,628
Investment in associates	5	2,230	3,175	515
Investment in joint ventures	6	315,122	272,216	44,217
Deferred tax assets	9	389,077	388,282	63,071
Long-term bank deposits	21	185,000	—	—
Other receivables	20	—	1,261	205
		5,687,876	5,871,529	953,743
Current assets				
Inventories	17	2,334,052	1,921,180	312,067
Trade and bills receivables	19	7,437,948	8,113,094	1,317,852
Prepayments		57,858	43,971	7,142
Other receivables	20	316,181	244,740	39,755
Prepaid operating leases	12	12,243	13,498	2,193
Other current assets	18	70,162	56,290	9,144
Cash and cash equivalents	21	2,596,536	2,291,345	372,195
Short-term investments	21	110,524	193,440	31,421
Restricted cash	21	669,788	24,249	3,939
		13,605,292	12,901,807	2,095,708
Total assets		19,293,168	18,773,336	3,049,451

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	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
EQUITY AND LIABILITIES				
Equity				
Issued capital	23	1,724,196	1,840,227	298,918
Preference shares	23	21	21	3
Statutory reserves	25	300,718	302,780	49,182
Capital reserves		2,932	2,932	476
Retained earnings		4,471,075	4,924,767	799,956
Other components of equity		(107,369)	(82,295)	(13,368)
Equity attributable to equity holders of the parent		6,391,573	6,988,432	1,135,167
Non-controlling interests		2,042,592	2,163,382	351,409
Total equity		8,434,165	9,151,814	1,486,576
Non-current liabilities				
Interest-bearing loans and borrowings	15(b)	1,028,396	1,077,716	175,059
Other liabilities	15(a)	43	128	21
Deferred tax liabilities	9	141,617	134,224	21,803
Deferred grants	16	310,965	313,004	50,843
Other payables	27	106,594	120,588	19,588
		1,587,615	1,645,660	267,314
Current liabilities				
Trade and other payables	27	7,611,894	6,426,708	1,043,924
Interest-bearing loans and borrowings	15(b)	1,230,981	1,209,001	196,384
Other liabilities	15(a)	13	92	15
Provision for taxation		122,562	41,509	6,743
Provision for product warranty	28	305,938	298,552	48,495
		9,271,388	7,975,862	1,295,561
Total liabilities		10,859,003	9,621,522	1,562,875
Total equity and liabilities		19,293,168	18,773,336	3,049,451

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	Preference shares	Statutory reserves	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)	—	—	—	—	(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												
	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, 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

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 (Note 25)	Performance shares reserve (Note 25)	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
At January 1, 2014	1,724,196	21	300,718	2,932	4,471,075	(106,359)	(85)	—	(925)	6,391,573	2,042,592	8,434,165
Profit for the year	—	—	—	—	730,280	—	—	—	—	730,280	291,466	1,021,746
Other comprehensive income	—	—	—	—	—	10,964	—	—	—	10,964	504	11,468
Total comprehensive income for the year	—	—	—	—	730,280	10,964	—	—	—	741,244	291,970	1,033,214
Shares issued during the year (Note 23)	116,031	—	—	—	—	—	—	—	—	116,031	—	116,031
Transfer to statutory reserves	—	—	2,064	—	(2,064)	—	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(162,331)	(162,331)
Dividends declared and paid (US$1.20 per share) (Note 24)	—	—	—	—	(274,524)	—	—	—	—	(274,524)	—	(274,524)
Cost of share-based compensation	—	—	—	—	—	—	5,348	—	—	5,348	—	5,348
Liquidation of a subsidiary	—	—	(2)	—			—	—	—	(2)	—	(2)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	8,762	—	8,762	(8,849)	(87)
At December 31, 2014	1,840,227	21	302,780	2,932	4,924,767	(95,395)	5,263	8,762	(925)	6,988,432	2,163,382	9,151,814
US$'000	298,918	3	49,182	476	799,956	(15,496)	855	1,423	(150)	1,135,167	351,409	1,486,576

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)

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Operating activities				
Profit before tax	913,576	1,162,119	1,201,385	195,148
Adjustments to reconcile profit before tax to net cash flows:				
Allowance for doubtful debts written back (net)	(19,647)	(11,775)	(1,595)	(260)
Inventories written down	23,478	7,061	21,297	3,459
Reversal of write-down of inventories	(47,504)	(27,665)	(24,694)	(4,011)
Depreciation of property, plant and equipment	335,337	377,110	418,675	68,008
Amortization of prepaid operating leases	13,148	11,829	12,581	2,044
Dividend income from held for trading investment	(3,245)	(1,009)	(989)	(161)
Impairment of property, plant and equipment	8,026	9,163	10,433	1,695
Write-off of property, plant and equipment	—	—	15	2
Impairment of intangible asset	—	—	60,000	9,746
Share of net loss of associates and joint ventures	36,869	79,086	29,755	4,834
Exchange (gain)/loss	(19,399)	16,736	13,044	2,119
Fair value loss/(gain) on foreign exchange forward contract	9,467	(12,198)	2,731	443
Loss on disposal of property, plant and equipment	24,623	3,427	5,984	972
Gain on disposal of prepaid operating leases	—	(11,437)	(194)	(32)
Loss on disposal of subsidiaries	9,436	363	—	—
Loss on disposal of other investments	498	—	—	—
Gain on disposal of held for trading investment	—	(3,484)	—	—
Gain on disposal of assets classified as held for sale	—	(7,292)	—	—
Finance costs	213,019	161,211	156,670	25,449
Interest income	(99,685)	(78,939)	(45,824)	(7,443)
Fair value (gain)/loss on held for trading investment	(8,237)	2,866	5,250	853
Cost of share-based payments	—	—	5,360	871
Gains arising from acquisitions	—	—	(95,192)	(15,463)
Write off of trade and other payables	—	—	(42,437)	(6,893)
Total adjustments	1,389,760	1,677,172	1,732,255	281,380

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)

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Changes in working capital				
Decrease/(increase) in inventories	428,699	(302,693)	433,630	70,437
Decrease/(increase) in trade and other receivables	179,389	(1,322,998)	(85,712)	(13,923)
(Decrease)/increase in trade and other payables	(329,148)	790,171	(1,140,069)	(185,187)
Decrease/(increase) in balances with related parties	43,684	(90,891)	(137,956)	(22,409)
Decrease in development properties	3,234	8,923	828	134
Cash flows from operating activities	1,715,618	759,684	802,976	130,432
Income taxes paid	(203,426)	(170,042)	(267,290)	(43,417)
Net cash flows from operating activities	1,512,192	589,642	535,686	87,015
Investing activities				
Acquisition of subsidiaries	—	—	(16,690)	(2,711)
Additional investment in a subsidiary	—	—	(87)	(14)
Acquisition/additional investment in associates and joint ventures	—	(19,720)	(462)	(75)
Dividend received from held for trading investment	3,245	1,009	989	161
Dividends received from joint ventures	10,116	1,054	258	42
Interest received	99,685	70,608	50,081	8,135
Proceeds from disposal of other investments	6,786	—	—	—
Proceeds from disposal of held for trading investment	—	21,341	—	—
Payment for prepaid operating leases	(8,561)	(58,941)	(8,300)	(1,348)
Proceeds from disposal of prepaid operating leases	—	19,792	2,518	409
Additions of intangible asset	(108,082)	(4,640)	(21,515)	(3,495)
Proceeds from disposal of property, plant and equipment	27,440	15,169	16,113	2,617
Purchase of property, plant and equipment	(643,457)	(441,434)	(660,930)	(107,358)
Proceeds from disposal of subsidiaries, net of cash disposed	38,056	9,504	—	—
Proceeds from disposal of assets classified as held for sale	—	84,497	—	—
Proceeds from government grants	68,637	43,694	14,562	2,365
Placement of fixed deposits with banks	—	(319,619)	(97,069)	(15,767)
Withdrawal of fixed deposits from banks	—	24,095	197,513	32,083
Net cash flows used in investing activities	(506,135)	(553,591)	(523,019)	(84,956)

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)

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Financing activities				
Dividends paid to non-controlling interests	(76,510)	(72,744)	(156,908)	(25,487)
Dividends paid to equity holders of the parent	(211,729)	(207,708)	(158,493)	(25,745)
Interest paid and discounting on bills receivable	(231,523)	(159,497)	(153,617)	(24,953)
Payment of finance lease liabilities	—	(25)	(71)	(12)
Proceeds from borrowings	3,582,740	2,895,844	1,924,613	312,625
Repayment of borrowings	(4,835,507)	(3,078,286)	(1,939,054)	(314,971)
Capital contributions from non-controlling interests	4,000	—	—	—
Placement of fixed deposits pledged with banks for banking facilities	(240,566)	(167,329)	—	—
Withdrawal of fixed deposits pledged with banks for banking facilities	111	240,566	168,781	27,416
Acquisition of non-controlling interests	(1,953)	(4,000)	—	—
Net cash flows used in financing activities	(2,010,937)	(553,179)	(314,749)	(51,127)
Net decrease in cash and cash equivalents	(1,004,880)	(517,128)	(302,082)	(49,068)
Cash and cash equivalents at January 1	4,124,776	3,127,602	2,596,536	421,769
Effect of exchange rate changes on balances in foreign currencies	7,706	(13,938)	(3,109)	(506)
Cash and cash equivalents at December 31	3,127,602	2,596,536	2,291,345	372,195

Significant non-cash investing and financing transactions

For the years ended December 31, 2012, 2013 and 2014, certain customers settled their debts with trade bills amounting to Rmb 11,987 million, Rmb 14,012 million and Rmb 14,117 million (US$ 2,293 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, 2014 were authorized for issue in accordance with a resolution of the directors on April 15, 2015. 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") 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, 2014, Yuchai held an equity interest of 71.83% and 97.14% respectively in YMMC and YAMC. As at December 31, 2014, YMMC had direct controlling interests in 30 subsidiaries (2013: 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.

1. Corporate information (cont'd)

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

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").

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 transferring its 52% shareholding in Zhejiang Yuchai to Yinlun, and Yinlun transferring its 18% shareholding in Jining Yuchai to Yuchai. Jining Yuchai has paid 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 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.

1. Corporate information (cont'd)

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

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

On September 28, 2014, Yuchai transferred its entire 70% shareholding interest in Jining Yuchai to an independent third party (the "Purchaser") for a consideration of Rmb 1.00. Pursuant to the transfer, Yuchai entered into the following agreements with the Purchaser and Jining Yuchai:

(i) Loan Agreement

Under the terms of the loan agreement entered into between the Purchaser and Jining Yuchai with Yuchai and its wholly-owned subsidiary, Guangxi Yulin Hotel Company Limited ("Lenders"), the Lenders agreed to extend loans with tenure of two years, of amounts not exceeding Rmb 70 million, to Jining Yuchai, by way of entrusted loans, and such loans are solely to be utilised for Jining Yuchai's working capital purpose. As collateral for the loans, the Purchaser has agreed to pledge its entire shareholding interest in Jining Yuchai to the Lenders and Jining Yuchai has agreed to pledge all of its legal properties (including but not limited to buildings, land and machineries. etc.) to the Lenders. In the event of a breach of the Loan Agreement by Jining Yuchai, the Lenders are accorded the right to sell the pledged property and shareholding interest of the Purchaser in Jining Yuchai to ensure repayment of the loans granted by the Lenders.

In addition, in consideration of the Lenders' financial support to Jining Yuchai, as long as the Purchaser remains a shareholder in Jining Yuchai, irrespective of whether the loans remain outstanding or not, the Purchaser is prohibited from transferring all or part of its shareholding interest in Jining Yuchai to any third party without the prior written consent of the Lenders. The Purchaser has also granted the Lenders an irrevocable option to acquire all of its shareholding in Jining Yuchai at any time at a consideration not exceeding Rmb 250. These two provisions are also contained in a separate undertaking letter issued and signed by the purchaser to the Lenders.

The Purchaser, as long as it remains a shareholder in Jining Yuchai, will consult with the Lenders prior to the exercise of any of its powers in relation to Jining Yuchai. The Lenders have the right to recommend for appointment of Jining Yuchai's legal representative and executive director.

(ii) Management Agreement

Under the management agreement entered into between Yuchai and the purchaser, Yuchai has been appointed by the Purchaser to manage Jining Yuchai in all matters relating to the running of its operations and management of its assets. The term of the agreement is for one year which may be extended upon mutual agreement and the management fee is Rmb 240 per annum.

(iii) Waiver of trade payables

A gain of Rmb 36 million (US$5.8 million) related to waiver of trade payables due to Geely was recognized in the "Other operating income" in the Group's statement of profit or lose for the year ended December 31, 2014.

1. Corporate information (cont'd)

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

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

The difference of Rmb 8,762 (US$1,423) between the consideration and the carrying value of the additional interest acquired has been recognised as discount on acquisition of non-controlling interests within equity.

Yuchai through the above-mentioned contractual arrangements has the power to exercise effective control and is able to direct the activities of Jining Yuchai that most significantly affect its economic performance, and has the exposure or rights to receive benefits from Jining Yuchai from its involvement. Accordingly, Yuchai continues to consolidate the financial results of Jining Yuchai.

(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 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 accounted for Yuchai Remanufacturing as a joint venture as at December 31, 2013.

On September 4, 2014, Yuchai, pursuant to an Equity Transfer Agreement entered into with Caterpillar, obtained 49% of equity interest in Yuchai Remanufacturing from Caterpillar. Upon the completion of the equity transfer transaction, Yuchai became legal and beneficial owner of 100% of the equity interest in Yuchai Remanufacturing. From the date of acquisition, Yuchai began to consolidate the financial results of Yuchai Remanufacturing. For details, please refer to Note 4.

(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. and 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%.

In October 2014, Jiusi, Jirui United and Yuchai agreed to Jiusi transferring 5% of its shareholding interest in Y & C to Jirui United. As a result, Jirui United's shareholding interest in Y & C increased to 50%.

Yuchai and Jirui United hold joint control in governing the financial and operating policies of the joint venture, and share the financial results of Y & C based on respective shareholding percentage accordingly.

1. Corporate information (cont'd)

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

(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, and share the financial results of Yineng based on respective shareholding percentage accordingly.

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.

As of December 31, 2014, the Group's shareholding interests in TCL remained at 7.7%.

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").

1. Corporate information (cont'd)

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

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.

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.

In 2014, the Group purchased in the open market an aggregate of 465,000 ordinary shares in the capital of HLGE. As of December 31, 2014, the Group's interest in HLGE increased from 50.1% to 50.2%, net of the ordinary shares held by the Trustee under the Trust.

The Group considers HLGE as a subsidiary as it has power to exercise effective control and direct the activities of HLGE that most significantly affect its economic performance and has the exposure or rights to receive benefits from HLGE from its involvement.

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 and held for trading investment 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. Basis of preparation and accounting policies (cont'd)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2014. 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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and 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

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 consolidated financial statements 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 into 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests 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.

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.

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.

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

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 associates and joint ventures are accounted for using the equity method.

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 not tested for impairment individually.

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 associates" and "Share of losses of joint ventures" 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)

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

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 as 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

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 held for trading investments and derivatives, at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value are summarized in the following notes:

- Quoted equity shares — Note 34
- Foreign exchange forward contract — Note 34

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

2.3 Summary of significant accounting policies (cont'd)

(d) Fair value measurement (cont'd)

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 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
- 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 34.

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

2.3 Summary of significant accounting policies (cont'd)

(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 translated 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.

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 is determined. 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).

Group companies

On consolidation, 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 6.1563 = US$1.00, the rate quoted by the People's Bank of China ("PBOC") at the close of business on March 9, 2015. 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 9, 2015 or any other date.

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.

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

2.3 Summary of significant accounting policies (cont'd)

(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.

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 "Other operating income" in the statement of profit or loss.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Dividends

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

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

2.3 Summary of significant accounting policies (cont'd)

(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.

(h) Taxes

Current income tax

Current income tax assets and liabilities 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

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)**

- 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.

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 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.

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

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.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or 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 an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

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) Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value measurement recognized directly in equity.

Upon distribution of non-cash asset, any difference between the carrying amount of the liabilities and the carrying amount of the assets distributed is recognized 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)

(k) 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 depreciates them separately based on their specific useful lives. 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 (Note 3.2)
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.

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.

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

2.3 Summary of significant accounting policies (cont'd)

(l) Research and development costs

Research costs are expensed as incurred. The Group received research and development subsidies of Rmb 34,489 and Rmb 15,798 (US$2,566) for the years ended December 31, 2013 and 2014 respectively.

The subsidies received are recognized as deferred grants 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

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. Development costs are amortized over the period of expected future benefit, and is recorded in cost of sales. During the period of development, the asset is tested for impairment annually. As of December 31, 2012, 2013 and 2014, capitalized development expenditures are not amortized because the intangible asset has not been completed and is not available for use or sale.

(m) 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.

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

2.3 Summary of significant accounting policies (cont'd)

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

Financial assets (cont'd)

***Initial recognition and measurement* (cont'd)**

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.

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.

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

2.3 Summary of significant accounting policies (cont'd)

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

Financial assets (cont'd)

Subsequent measurement (cont'd)

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 "Other operating 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. The Group did not have any held-to-maturity investments during the years ended December 31, 2013 and 2014.

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

AFS financial assets 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.

After initial measurement, AFS financial assets 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 assets 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.

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

2.3 Summary of significant accounting policies (cont'd)

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

Financial assets (cont'd)

Subsequent measurement (cont'd)

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

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.

De-recognition

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.

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.

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

2.3 Summary of significant accounting policies (cont'd)

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

Impairment of financial assets (cont'd)

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 "Other operating 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 assets

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

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.

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

2.3 Summary of significant accounting policies (cont'd)

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

Impairment of financial assets (cont'd)

AFS financial assets (cont'd)

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, and derivative financial instruments.

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 in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

2.3 Summary of significant accounting policies (cont'd)

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

Financial liabilities (cont'd)

Subsequent measurement (cont'd)

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(b).

De-recognition

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 de-recognition 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.

The Group does not apply hedge accounting.

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

2.3 Summary of significant accounting policies (cont'd)

(n) 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.

(o) 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 ("CGU") fair value less costs of disposal and its value in use. The 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 of disposal, 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, 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 and intangible assets with indefinite useful lives, 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.

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

2.3 Summary of significant accounting policies (cont'd)

(o) Impairment of non-financial assets (cont'd)

Goodwill

Goodwill and intangible assets with indefinite useful lives are 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 definite 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.

(p) 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.

(q) 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, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and 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.

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

2.3 Summary of significant accounting policies (cont'd)

(q) Leases (cont'd)

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date 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.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging 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.

(r) 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.

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

2.3 Summary of significant accounting policies (cont'd)

(s) 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, 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.

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

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 36 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.

(t) 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.

(u) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

2.3 Summary of significant accounting policies (cont'd)

(u) Share-based payments (cont'd)

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (Note 26). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense (Note 26).

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 10).

(v) 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.

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

2.3 Summary of significant accounting policies (cont'd)

(w) 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).

(x) 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

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, 2014:

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

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 and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

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 and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 *Levies*

IFRIC 21 clarifies that an entity recognises 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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements *2010-2012 Cycle*

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 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)

Annual Improvements *2011-2013 Cycle*

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

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.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 is expected to have an effect on the classification, measurement and impairment of the Group's financial assets, but no impact on the classification, measurement and impairment of the Group's financial liabilities.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

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

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, when accounting for the sale or contribution of a subsidiary to a joint venture or associate (resulting in the loss of control of the subsidiary). The amendments are required to be applied for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments have no impact on the Group's financial position or performance.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements:

- Exemption from preparing consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

- Subsidiary that provides services that support the investment entity's investment activities: the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments have no impact on the Group's financial position or performance.

Amendments to IAS 1 *Disclosure Initiative*

The amendments clarify that:

- Entities must not reduce the understandability of its financial statements by aggregating items that have different characteristics or by overwhelming useful information with immaterial information

- The materiality guidance applies to the financial statements as a whole, including the primary statements and the notes and disclosures are only required if the information is material

- The presentation requirements for the list of line items presented in the statement of financial position or the statement of profit or loss and other comprehensive income may be fulfilled by disaggregating a specific line item and introduces the requirements for an entity when presenting subtotals

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

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

Amendments to IAS 1 *Disclosure Initiative* (cont'd)

- Entities should consider understandability and comparability of its financial statements by introducing flexibility when designing the structure of the notes to the financial statements

- Entities present their share of items of other comprehensive income (OCI) arising from associates and joint ventures accounted for by using equity method separately from the rest of OCI

The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments have no impact on the Group's financial position or performance.

Amendments to IAS *19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements *2010-2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition

- A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- A performance condition may be a market or non-market condition

- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

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

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

Annual improvements *2010-2012 Cycle* (cont'd)

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar"

- The 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.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and 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.

Annual improvements *2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3

- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

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

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

Annual improvements *2011-2013 Cycle* (cont'd)

IFRS 13 *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 *Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

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

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

Annual improvements *2011-2013 Cycle* (cont'd)

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

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 major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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

3.1 Judgments (cont'd)

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, 2013 and 2014 are disclosed in Note 21.

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.

The Group considers HLGE as a subsidiary as it has power to exercise effective control and direct the activities of HLGE that most significantly affect its economic performance and has the exposure or rights to receive benefits from HLGE from its involvement. Therefore, HLGE is consolidated in the Group's consolidated financial statements.

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

3.1 Judgments (cont'd)

Consolidation of a structured entity

As discussed in Note 1.2(a) above, on July 1, 2014, pursuant to the Equity Transfer Agreement entered into between Yuchai and an independent third party (the "Purchaser"), Yuchai disposed its equity interest in Jining Yuchai amounting to Rmb 105 million (representing 70% of Jining Yuchai's total share capital), for a consideration of Rmb 1.00. Geely also entered into an agreement to dispose their entire stake in Jining Yuchai to the Purchaser on June 18, 2014. In connection with the equity transfer transaction, Yuchai and the Purchaser entered into a Service Management Agreement on October 13, 2014. In accordance with the terms of the Service Management Agreement, the Purchaser appoints Yuchai to direct Jining Yuchai's operating activities, manage Jining Yuchai's assets and employees, and the Purchaser, in return, will pay Yuchai Rmb 240 per annum for the management services rendered. On the same day, Yuchai, Yulin Hotel, the Purchaser and Jining Yuchai also entered into a Loan Agreement. In this Loan Agreement, Yuchai and Yulin Hotel agreed to extend a loan facility of Rmb 70 million to Jining for tenure of two years from the date of the agreement, solely for Jining's daily operation purpose. In addition, Yuchai has the right to appoint the sole director and legal representative of Jining Yuchai.

Based on the contractual terms, the Group assessed that the voting rights in Jining Yuchai are not the dominant factor in deciding who controls the entity. Also, it is assessed that there is insufficient equity financing to allow Jining Yuchai to finance its activities without the non-equity financial support from Yuchai. Therefore, the Group concluded that Jining Yuchai is a structured entity under IFRS 10 and, through the contractual arrangements, has the power to exercise effective control and is able to direct the activities of Jining Yuchai that most significantly affect its economic performance, and has the exposure or rights to receive benefits from Jining Yuchai from its involvement. Therefore, Jining Yuchai continues to be consolidated in the Group's consolidated financial statements.

De-recognition 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 de-recognized, and a discount equal to the difference between the carrying value of the bills receivable and cash received is recorded in the statement of profit or loss. Please refer to Note 19.

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 that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

3.2 Estimates and assumptions (cont'd)

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 fifteen 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 Group, based on its history of operations, believes that the adoption of forecast for more than five years is reasonable. The recoverable amount is 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. These estimates are most relevant to goodwill recognised by the Group. 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, Note 13 and Note 14.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26 to the financial statements.

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 (Note 2.3(k)). 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, 2014 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 17,040 (US$2,768) (2013: Rmb 15,564).

Impairment of property, plant and equipment

Long-lived assets to be held and used, such as property, plant and equipment and construction-in-progress are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of carrying amount of an asset to the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset, if the carrying value is not recoverable from the expected future cash flows or fair value less cost of disposal.

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

3.2 Estimates and assumptions (cont'd)

Impairment of property, plant and equipment (cont'd)

Assets to be disposed of would be separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less cost of disposal, and are no longer depreciated. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment are disclosed in Note 11 to the financial statements.

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, 2013 and 2014 are Rmb 389,077 and Rmb 388,282 (US$63,071) respectively.

The Group has unrecognized tax loss carried forward amounting to Rmb 354,606 and Rmb 538,202 (US$87,423) as of December 31, 2013 and 2014 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 104,781 (US$17,020) for year ended December 31, 2014 (2013: Rmb 60,690).

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, 2013 and 2014 were Rmb 29,808 and Rmb 23,968 (US$3,893) 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, 2013 and 2014 were Rmb 105,610 and Rmb 108,353 (US$17,600) respectively.

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

3.2 Estimates and assumptions (cont'd)

Provision for product warranty

The Group recognizes a provision for product warranty in accordance with the accounting policy stated on Note 2.3(s). 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, 2013 and 2014 were Rmb 305,938 and Rmb 298,552 (US$48,495) 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. Please refer to Note 34 for details of fair value measurements.

Estimation of fair value in business acquisitions

The fair value of assets and liabilities identified during acquisition is based on management's assessment of fair values. No contingent liability or material intangible assets were identified and recognized. Fair value is the estimated amount for which these assets and liabilities could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction. The process of estimating fair value involves significant judgment and estimation. The fair values of the acquired assets are disclosed in Note 4 to the financial statements.

Development costs

The Group capitalizes development costs in accordance with the accounting policy. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. At December 31, 2014, the carrying amount of capitalized development costs was Rmb 108,526 (US$17,628) (2013: Rmb 145,283).

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, 2013 and 2014 are Rmb 141,172 and Rmb 133,788 (US$21,732) 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	
		31.12.2013	31.12.2014
		%	%
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 (i)	People's Republic of China	53.5	— (i)
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. (ii)	People's Republic of China	39.0	76.4(ii)
HL Global Enterprises Limited (iii)	Singapore	50.1	50.2

Note:

(i) On September 28, 2014, Yuchai disposed its 70% equity interest in Jining Yuchai. Subsequently, through contractual arrangements, Yuchai obtained 100% control in Jining Yuchai. For details, please refer to Note 1.2(a).

(ii) On September 4, 2014, Yuchai obtained the remaining 49% of equity interest in Yuchai Remanufacturing. Upon the completion of the equity transfer transaction, Yuchai became legal and beneficial owner of 100% of equity interest in Yuchai Remanufacturing. For details, please refer to Note 1.2(b).

(iii) During the year ended December 31, 2014, the Group purchased in the open market an aggregate of 465,000 ordinary shares in the capital of HLGE. As a result, the Group's interest in HLGE increased to 50.2%, based on the total outstanding ordinary shares of HLGE, net of the ordinary shares held by the Trustee under the Trust (Note 1.4).

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

4. Investments in subsidiaries (cont'd)

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

	31.12.2012	31.12.2013	31.12.2014
Proportion of equity interest held by NCI			
Yuchai	23.6%	23.6%	23.6%
YMMC	28.2%	28.2%	28.2%

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Accumulated balances of material NCI				
Yuchai		1,786,116	1,931,591	313,758
YMMC		144,923	120,567	19,584
Profit allocated to material NCI				
Yuchai	183,116	237,658	248,789	40,412
YMMC	24,276	28,958	31,984	5,195
Dividends paid to material NCI				
Yuchai	72,526	72,526	105,991	17,217
YMMC	3,984	218	56,340	9,152

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

	31.12.2012	
	Yuchai Rmb'000	YMMC 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)
Net (decrease) / increase in cash and cash equivalents	(1,034,413)	106,849

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

4. Investments in subsidiaries (cont'd)

	31.12.2013	
	Yuchai	**YMMC**
	Rmb'000	**Rmb'000**
Summarized statement of financial position		
Current assets	13,176,353	743,803
Non-current assets, excluding goodwill	5,244,795	367,570
Goodwill	212,636	—
Current liabilities	(9,195,395)	(571,507)
Non-current liabilities	(1,445,955)	(3,568)
Net assets	7,992,434	536,298
Less: Non-controlling interests of the subsidiaries	(208,303)	(21,840)
Total equity	7,784,131	514,458
Attributable to NCI	1,786,116	144,923
Summarized statement of comprehensive income		
Revenue	15,870,380	1,546,612
Profit for the year representing total comprehensive income	1,007,454	102,797
Attributable to NCI	237,658	28,958
Summarized statement of cash flows		
Operating	621,561	(13,376)
Investing	(555,722)	(211,219)
Financing	(583,757)	(4,218)
Net decrease in cash and cash equivalents	(517,918)	(228,813)

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

4. Investments in subsidiaries (cont'd)

	31.12.2014			
	Yuchai		YMMC	
	Rmb'000	US$'000	Rmb'000	US$'000
Summarized statement of financial position				
Current assets	12,413,177	2,016,337	968,082	157,251
Non-current assets, excluding goodwill	5,343,418	867,959	181,716	29,517
Goodwill	212,636	34,540	—	—
Current liabilities	(7,938,152)	(1,289,436)	(693,904)	(112,714)
Non-current liabilities	(1,449,541)	(235,457)	(3,280)	(533)
Net assets	8,581,538	1,393,943	452,614	73,521
Less: Non-controlling interests of the subsidiaries	(180,724)	(29,356)	(24,616)	(3,999)
Total equity	8,400,814	1,364,587	427,998	69,522
Attributable to NCI	1,931,591	313,758	120,567	19,584
Summarized statement of comprehensive income				
Revenue	16,387,356	2,661,884	1,576,578	256,092
Profit for the year representing total comprehensive income	1,054,637	171,310	113,541	18,443
Attributable to NCI	248,789	40,412	31,984	5,195
Summarized statement of cash flows				
Operating	600,451	97,534	133,580	21,698
Investing	(603,771)	(98,074)	(55,697)	(9,047)
Financing	(480,896)	(78,114)	(100,000)	(16,244)
Net decrease in cash or cash equivalents	(484,216)	(78,654)	(22,117)	(3,593)

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 a subsidiary

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 disposal recorded in the consolidated financial statements and the cash flow effect of the disposals were:

	31.12.2013
	Rmb'000
Other receivables	10,000
Cash and cash equivalents	5,994
	15,994
Trade and other payables	(133)
Carrying value of net assets	15,861
Loss on disposal of a subsidiary (Note 8.2(b))	(363)
Total consideration	15,498
Cash and cash equivalents of the subsidiary	(5,994)
Net cash inflow on disposal of the subsidiary	9,504

Acquisition of subsidiaries

(i) On May 27, 2014, Augustland Sdn Bhd, the wholly-owned subsidiary of HLGE, entered into a sale and purchase agreement to purchase the remaining 55% issued ordinary shares and preference shares in the capital of Augustland Hotel Sdn Bhd ("AHSB"), which owns a hotel in Malaysia, from Amcorp Leisure Holdings Sdn and Hotel Equatorial (M) Sdn Bhd. Following the completion of the acquisition on July 8, 2014, AHSB becomes a wholly-owned subsidiary of HLGE.

The acquisition allows HLGE to expand and strengthen its existing core business of hospitality operations. The control of the acquiree was obtained through the acquisition of 55% equity interest from its joint venture partner.

(ii) On September 4, 2014, Yuchai, pursuant to an Equity Transfer Agreement entered into with Caterpillar, obtained 49% of equity interest in Yuchai Remanufacturing from Caterpillar. Upon the completion of the equity transfer transaction, Yuchai became legal and beneficial owner of 100% of the equity interest in Yuchai Remanufacturing.

The acquisition enables Yuchai to have full ownership and control of Yuchai Remanufacturing which will bring significant advantages from the integration of the remanufacturing business with Yuchai's manufacturing operations.

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

4. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Assets acquired and liabilities assumed

Upon acquisition of the remaining equity interest in the above entities, the Group re-measured the previously held equity interests at fair value on acquisition date, with the resulting gain or loss recognized in the statement of profit or loss.

The fair value of the identifiable assets and liabilities at the acquisition dates were:

	AHSB	**Yuchai Remanufacturing**	**Total**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**US$'000**
Assets				
Property, plant and equipment	106,738	92,923	199,661	32,431
Prepaid operating lease	—	28,609	28,609	4,647
Inventories	416	16,958	17,374	2,822
Trade and other receivables	2,485	11,999	14,484	2,353
Cash and cash equivalents	10,993	3,794	14,787	2,402
	120,632	154,283	274,915	44,655
Liabilities				
Trade and other payables	(23,852)	(19,179)	(43,031)	(6,989)
Interest-bearing loans and borrowings	(40,841)	(53,812)	(94,653)	(15,375)
Deferred grant	—	(6,300)	(6,300)	(1,023)
Other liabilities	(253)	—	(253)	(41)
Preference shares	(9,068)	—	(9,068)	(1,473)
	(74,014)	(79,291)	(153,305)	(24,901)
Total identifiable net assets at fair value	46,618	74,992	121,610	19,754
Less: Fair value of equity interest in subsidiaries held by the Group immediately before the acquisitions	(21,266)	(38,247)	(59,513)	(9,667)
	25,352	36,745	62,097	10,087
Less: Consideration transferred excluding preference shares				
Cash consideration	31,477	*	31,477	5,113
Less: Preference shares	(9,068)	—	(9,068)	(1,473)
	22,409	—	22,409	3,640
Negative goodwill recognized in the statement of profit or loss	2,943	36,745	39,688	6,447

* Cash consideration is immaterial.

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

4. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Trade and other receivables acquired

The carrying amounts of the acquired receivables reasonably approximate their fair value. At the acquisition date, it is expected that the full contractual amount of the trade and other receivables, expect for Rmb 312 (US$51) (Note 19) of allowance for doubtful accounts that has already been provided, can be collected.

The effect of the acquisitions of subsidiaries on cash flows is as follows:

	AHSB	Yuchai Remanufacturing	Total	Total
	Rmb'000	Rmb'000	Rmb'000	US$'000
Consideration settled in cash	31,477	—	31,477	5,113
Less: Cash and cash equivalents of subsidiaries acquired	(10,993)	(3,794)	(14,787)	(2,402)
Net cash outflow / (inflow) on acquisitions	20,484	(3,794)	16,690	2,711

Gains on re-measuring previously held equity interests in subsidiaries to fair value at acquisition dates are as follows:

	AHSB	Yuchai Remanufacturing	Total	Total
	Rmb'000	Rmb'000	Rmb'000	US$'000
Fair value of initial equity interest	21,266	38,247	59,513	9,667
Share of carrying amount	(3,423)	(10,143)	(13,566)	(2,204)
Transfer of reserves on initial equity interest in joint venture on acquisition	469	—	469	76
Share of carrying amount immediately before acquisitions (Note 6)	(2,954)	(10,143)	(13,097)	(2,128)
Fair value gain on initial equity interest	18,312	28,104	46,416	7,539

Gain on deemed settlement of pre-existing contractual relationship

A gain of Rmb 9,088 (US$1,477) related to deemed settlement of pre-existing contractual relationship was recognized in the "Gains arising from acquisitions" in the Group's statement of profit or loss for the year ended December 31, 2014.

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

4. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Gains arising from acquisition of subsidiaries are summarized as follows:

	AHSB	Yuchai Remanufacturing	Total	Total
	Rmb'000	Rmb'000	Rmb'000	US$'000
Negative goodwill	2,943	36,745	39,688	6,447
Fair value gain on existing interests	18,312	28,104	46,416	7,539
Gain on de-recognition of liabilities	9,088	—	9,088	1,477
Gains arising from acquisitions	30,343	64,849	95,192	15,463

The gains arising from acquisition relating to AHSB of Rmb 30,343 (US$4,929) arose from the acquisition of the remaining 55% stake from Amcorp Leisure Holdings. The consideration was arrived at on a willing-buyer and willing-seller basis taking into considerations of the valuations commissioned by the seller and buyer, respectively. We believe that it is part of the business rationalization plan of the seller to reduce its involvement in Cameron Highlands, Malaysia as a new hotel is being built at Cameron Highlands.

The gains arising from acquisition relating to Yuchai Remanufacturing of Rmb 64,849 (US$10,534) arose from acquisition of the remaining 49% stake from Caterpillar (China) Investment Co. Ltd. The consideration was arrived at on a willing-buyer and willing-seller basis. We believe that it is part of the business rationalization plan of the seller to reduce its joint venture activities in China.

Impact of the acquisition on profit or loss

From the acquisition date, AHSB has contributed Rmb 21,247 (US$3,451) of revenue and gain of Rmb 4,181 (US$679) to profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been Rmb 16,455,581 (US$2,672,966) and profit before tax for the Group would have been Rmb 1,202,984 (US$195,407).

From the acquisition date, Yuchai Remanufacturing has contributed Rmb 12,069 (US$1,960) of revenue and loss of Rmb 14,305 (US$2,324) to profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been Rmb 16,461,480 (US$2,673,924) and profit before tax for the Group would have been Rmb 1,189,468 (US$193,212).

Acquisition of additional interest 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)

5. Investment in associates

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

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Unquoted equity shares, at cost	4,642	4,642	754
Share of post-acquisition reserves			
At January 1	(2,531)	(2,412)	(392)
Share of results, net of tax	159	956	155
Share of foreign currency translation	(40)	(11)	(2)
At December 31	(2,412)	(1,467)	(239)
Investment in associates	2,230	3,175	515

Details of the associates are as follows:

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest 31.12.2013 %	Group's effective equity interest 31.12.2014 %
Held by subsidiaries				
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. ("Property Management") [iii]	Property management	People's Republic of China	22.3	22.3

Note:

(i) The Group has significant influence in this entity through HLGE who holds effective equity interests of 28% interest in this entity.

(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:

	31.12.2012		
	Scientex Park	**Quan Xing**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**
Revenue	43,042	64,877	107,919
Profit for the year representing total comprehensive income	7,175	1,880	9,055
Proportion of the Group's ownership	28%	20%	
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

	31.12.2013	
	Quan Xing	**Total**
	Rmb'000	**Rmb'000**
Current assets	36,662	36,662
Non-current assets	518	518
Current liabilities	(30,448)	(30,448)
Equity	6,732	6,732
Proportion of the Group's ownership	20%	
Carrying amount of significant associate	1,346	1,346
Carrying amount of other associates		884
Carrying amount of investment in associates		2,230
Revenue	74,029	74,029
Profit for the year, representing total comprehensive income	751	751
Group's share of profit of significant associate	150	150
Group's share of profit of other associates, representing the Group's share of total comprehensive income of other associates		9
Group's share of profit for the year, representing the Group's share of total comprehensive income for the year		159

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

5. Investment in associates (cont'd)

	31.12.2014			
	Quan Xing	**Property Management**	**Total**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**US$'000**
Current assets	30,487	8,528	39,015	6,337
Non-current assets	220	1,215	1,435	233
Current liabilities	(23,537)	(5,051)	(28,588)	(4,644)
Equity	7,170	4,692	11,862	1,926
Proportion of the Group's ownership	20%	30%		
Carrying amount of significant associates	1,434	1,408	2,842	461
Carrying amount of other associates			333	54
Carrying amount of investment in associates			3,175	515
Revenue	63,113	35,976	99,089	16,096
Profit for the year, representing total comprehensive income	442	2,908	3,350	544
Group's share of profit of significant associates	88	872	960	156
Group's share of profit of other associates, representing the Group's share of total comprehensive income of other associates			(4)	(1)
Group's share of profit for the year, representing the Group's share of total comprehensive income for the year			956	155

6. Investment in joint ventures

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

	31.12.2013	**31.12.2014**	**31.12.2014**
	Rmb'000	**Rmb'000**	**US$'000**
Unquoted equity shares, at cost			
At January 1	534,944	554,664	90,097
Addition	19,720	462	75
Acquisition as subsidiaries (ii)	—	(103,368)	(16,791)
At December 31	554,664	451,758	73,381
Share of post-acquisition reserves and impairment losses			
At January 1	(158,424)	(239,542)	(38,910)
Share of results, net of tax (i)	(79,245)	(30,711)	(4,989)
Dividend received	(1,054)	(258)	(42)
Others	(725)	912	148
Translation adjustment	(94)	(214)	(34)
Acquisition as subsidiaries (ii)	—	90,271	14,663
At December 31	(239,542)	(179,542)	(29,164)
Carrying amount of the investment	315,122	272,216	44,217

(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:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Share of joint venture losses	(36,437)	(44,138)	(27,907)	(4,533)
Impairment of investment in joint ventures	—	(32,303)	—	—
Fair value adjustments arising from purchase price allocation	(2,804)	(2,804)	(2,804)	(456)
Share of results, net of tax	(39,241)	(79,245)	(30,711)	(4,989)

(ii) Carrying amount of subsidiaries immediately before acquisitions is as follows:

	31.12.2014 Rmb'000	31.12.2014 US$'000
Unquoted equity shares, at cost	103,368	16,791
Share of post-acquisition reserves and impairment losses	(90,271)	(14,663)
Net carrying amount (Note 4)	13,097	2,128

The Group has interests in the following joint ventures:

Name of company	Principal activities	Place of incorporation/ business	Percentage of interest held 31.12.2013 %	31.12.2014 %
Held by subsidiaries				
Augustland Hotel Sdn. Bhd. ("AHSB") (i)	Hotel development and operation	Malaysia	45	100 (i)
Copthorne Hotel Qingdao Co., Ltd. ("Copthorne Qingdao")	Owns and operates a hotel in Qingdao, PRC	People's Republic of China	60	60
Shanghai Equatorial Hotel Management Co., Ltd.	Hotel and property management	People's Republic of China	49	49
HL Heritage Sdn. Bhd. ("HL Heritage") (ii)	Property development and property investment holdings	Malaysia	50	60
Shanghai Hengshan Equatorial Hotel Management Co., Ltd. ("SHEHM") (iii)	Hotel and property management	People's Republic of China	—	49

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

6. Investment in joint ventures (cont'd)

Name of company	Principal activities	Place of incorporation/ business	Percentage of interest held	
			31.12.2013	31.12.2014
			%	%
Held by subsidiaries (cont'd)				
Y & C Engine Co., Ltd.	Manufacture and sale of heavy duty diesel engines, spare parts and after-sales services	People's Republic of China	45	45
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. ("Yuchai Remanufacturing") (iv)	Remanufacture and sale of automobile parts, diesel engines and components	People's Republic of China	51	100 (iv)
Guangxi Yineng IOT Science & Technology Co., Ltd.	Design, development, management and marketing of an electronic operations management platform	People's Republic of China	40	40

Note:

(i) On May 27, 2014, Augustland Sdn Bhd, the wholly-owned subsidiary of HLGE, entered into a sale and purchase agreement to purchase the remaining issued ordinary shares and preference shares in the capital of AHSB from Amcorp Leisure Holdings Sdn and Hotel Equatorial (M) Sdn Bhd. Following the completion of the acquisition on July 8, 2014, AHSB becomes a wholly-owned subsidiary of HLGE. For details, please refer to Note 4.

(ii) HL Heritage was incorporated on June 12, 2013 with an initial capital of RM2.00. In 2014, HLGE increased 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) SHEHM was incorporated on January 10, 2014 in the PRC 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.

(iv) On September 4, 2014, Yuchai, pursuant to an Equity Transfer Agreement entered into with Caterpillar, obtained 49% of equity interest in Yuchai Remanufacturing from Caterpillar. Upon the completion of the equity transfer transaction, Yuchai became legal and beneficial owner of 100% of the equity interest in Yuchai Remanufacturing. For details, please refer to Note 4.

6. Investment in joint ventures (cont'd)

In 2013, the Group recognized an impairment loss of Rmb 10,371 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.

In 2013, the Group also recognized an impairment loss of Rmb 21,932 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 11-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.

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:

	31.12.2012				
	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)	
Depreciation arising from fair value adjustment during 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**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Non-current assets	616,013	116,747	343,950	1,076,710
Current assets				
- Cash and cash equivalents	64,336	24,361	11,768	100,465
- Others	398,728	34,321	2,990	436,039
Total assets	1,079,077	175,429	358,708	1,613,214
Non-current liabilities				
- Interest-bearing loans and borrowings	(140,000)	(14,992)	(142,427)	(297,419)
- Others	—	(6,300)	—	(6,300)
Current liabilities				
- Interest-bearing loans and borrowings	(70,000)	(79,700)	(2,011)	(151,711)
- Others	(464,593)	(9,953)	(14,782)	(489,328)
Total liabilities	(674,593)	(110,945)	(159,220)	(944,758)
Equity	404,484	64,484	199,488	668,456
Proportion of the Group's ownership	45%	51%	60%	
Group's share of net assets	182,018	32,887	119,693	
Cumulative impairment loss	—	(10,371)	(21,932)	
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
Carrying amount of other joint ventures				14,349
Carrying amount of the investment in joint ventures				315,122

(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**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Revenue	447,124	36,975	67,707	551,806
Depreciation and amortization	(23,813)	(8,143)	(12,341)	(44,297)
Interest expense	(15,626)	(6,301)	(7,473)	(29,400)
Loss for the year, representing total comprehensive loss	(35,829)	(49,890)	(8,829)	(94,548)
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)	
Depreciation arising from fair value adjustment during purchase price allocation	—	—	(2,804)	
Group's share of loss of significant joint ventures	(16,123)	(35,815)	(30,033)	(81,971)
Group's share of profit of other joint ventures, representing the Group's share of total comprehensive income of other joint ventures				2,726
Group's share of loss for the year, representing the Group's share of total comprehensive income for the year				(79,245)

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

6. Investment in joint ventures (cont'd)

	31.12.2014			
	Y & C	**Copthorne Qingdao**	**Total**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**US$'000**
Non-current assets	623,846	328,006	951,852	154,614
Current assets				
- Cash and cash equivalents	67,105	9,864	76,969	12,502
- Others	237,074	2,262	239,336	38,877
Total assets	928,025	340,132	1,268,157	205,993
Non-current liabilities				
- Interest-bearing loans and borrowings	(90,000)	(140,414)	(230,414)	(37,427)
Current liabilities				
- Interest-bearing loans and borrowings	(20,000)	(1,576)	(21,576)	(3,505)
- Others	(426,265)	(16,825)	(443,090)	(71,973)
Total liabilities	(536,265)	(158,815)	(695,080)	(112,905)
Equity	391,760	181,317	573,077	93,088
Proportion of the Group's ownership	45%	60%		
Group's share of net assets	176,292	108,790		
Cumulative impairment loss	—	(21,932)		
Unrealized profit on transactions between the Group and the joint venture	(639)	—		
Carrying amount of significant joint ventures	175,653	86,858	262,511	42,641
Carrying amount of other joint ventures			9,705	1,576
Carrying amount of the investment in joint ventures			272,216	44,217

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

6. Investment in joint ventures (cont'd)

	31.12.2014				
	Y & C	**Yuchai Remanufacturing**	**Copthorne Qingdao**	**Total**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**	**US$'000**
Revenue	487,189	25,338	60,547	573,074	93,087
Depreciation and amortization	(24,146)	(4,866)	(12,092)	(41,104)	(6,677)
Interest expense	(26,642)	(3,434)	(9,321)	(39,397)	(6,399)
Loss for the year, representing total comprehensive loss	(12,726)	(24,321)	(13,123)	(50,170)	(8,149)
Proportion of the Group's ownership	45%	51%	60%		
Group's share of loss *	(5,727)	(12,404)	(7,873)		
Depreciation arising from fair value adjustment during purchase price allocation	—	—	(2,804)		
Group's share of loss of significant joint ventures	(5,727)	(12,404)	(10,677)	(28,808)	(4,679)
Group's share of profit of other joint ventures, representing the Group's share of total comprehensive income of other joint ventures				(1,903)	(310)
Group's share of loss for the year, representing the Group's share of total comprehensive income for the year				(30,711)	(4,989)

* Group's share of loss includes share of loss in Yuchai Remanufacturing from January 1, 2014 to September 3, 2014.

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

6. Investment in joint ventures (cont'd)

Note:

As of December 31, 2014, the Group's share of joint ventures' capital commitment that are approved but not contracted for and joint ventures' contingent liabilities were Rmb 97 (US$16) (2013: Rmb 321) and Rmb 110,908 (US$18,015) (2013: Rmb 118,867) 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, 2014, the estimated tourism development levy and hotel augmentation levy payable by the Group's joint venture in Qingdao were Rmb 3,754 (US$610) (2013: Rmb 3,748) and Rmb 9,106 (US$1,479) (2013: Rmb 9,095) 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.

As of December 31, 2014, the Group's share of outstanding bills receivables discounted with banks for which Y & C retained a recourse obligation totalled Rmb 79,327 (US$12,885) (2013: Rmb 89,269).

As of December 31, 2014, the Group's share of outstanding bills receivables endorsed to suppliers for which Y & C retained a recourse obligation were Rmb 18,721 (US$3,041) (2013: Rmb 16,755).

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

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Sale of goods	13,381,025	15,809,894	16,355,854	2,656,767
Rendering of services				
Consisting of:				
Revenue from hotel and restaurant operations	63,290	85,164	78,815	12,802
Revenue from sale of development properties	4,640	6,758	865	141
Rental income	534	539	608	99
	68,464	92,461	80,288	13,042
Revenue	13,449,489	15,902,355	16,436,142	2,669,809

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

8.1 Depreciation and amortization, shipping and handling expenses

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

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Cost of sales	254,454	281,718	299,789	48,697
Research and development expenses	27,774	32,757	47,169	7,662
Selling, general and administrative expenses	66,257	74,464	84,298	13,693
	348,485	388,939	431,256	70,052

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

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Selling, general and administrative expenses	187,152	221,103	208,439	33,858

8.2 (a) Other operating income

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Interest income	99,685	78,939	45,824	7,443
Foreign exchange gain, net	19,399	—	—	—
Dividend income from held for trading investment	3,245	1,009	989	161
Gain on disposal of prepaid operating leases	—	11,437	194	32
Gain on disposal of held for trading investment	—	3,484	—	—
Fair value gain on held for trading investment	8,237	—	—	—
Gain on disposal of assets classified as held for sale	—	7,292	—	—
Government grant income	28,534	50,978	26,151	4,248
Bad debts recovered	6,906	—	—	—
Fair value gain on foreign exchange forward contract	—	12,198	—	—
Write off of trade and other payables	—	—	42,437	6,893
Others, net	10,403	14,550	6,306	1,024
	176,409	179,887	121,901	19,801

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

8.2 (b) Other operating expenses

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Loss on disposal of property, plant and equipment	(24,623)	(3,427)	(5,984)	(972)
Loss on disposal of subsidiaries	(9,436)	(363)	—	—
Loss on disposal of other investments	(498)	—	—	—
Foreign exchange loss, net	—	(16,736)	(13,044)	(2,119)
Fair value loss on held for trading investment	—	(2,866)	(5,250)	(853)
Fair value loss on foreign exchange forward contract	(9,467)	—	(2,731)	(443)
Others, net	(35)	(143)	—	—
	(44,059)	(23,535)	(27,009)	(4,387)

8.3 Research and development costs

Research and development costs recognized as an expense in the statement of profit or loss amounted to Rmb 494,594 (US$80,339) (2013: Rmb 468,612; 2012: Rmb 373,732).

8.4 Finance costs

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Interest expense for bank term loans	70,557	65,458	66,168	10,748
Interest expense for corporate bonds	87,269	60,143	49,452	8,033
Loss from de-recognition of bills receivable	82,585	58,738	36,011	5,849
Bank charges	5,946	4,266	5,029	817
Finance lease	—	—	10	2
Less:				
Borrowing costs capitalized (Note 11)	(33,338)	(27,394)	—	—
	213,019	161,211	156,670	25,449

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

8.5 Staff costs

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Wages and salaries	747,401	922,151	836,578	135,890
Contribution to defined contribution plans [(i)]	254,101	243,614	279,123	45,339
Executive bonuses	43,773	56,501	60,069	9,757
Staff welfare	55,033	67,972	84,123	13,665
Cost of share-based payment	—	—	5,360	871
Others	5,094	2,336	2,305	374
	1,105,402	1,292,574	1,267,558	205,896

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, 2014, 2013 and 2012, 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 275,019 (US$44,673) (2013: Rmb 239,723; 2012: Rmb 254,101).

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.

9. Income tax expense

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

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Current income tax				
Current income tax charge	118,421	234,064	158,420	25,733
Adjustments in respect of current income tax of previous year	80	684	(3,746)	(608)
Deferred tax				
Relating to origination and reversal of temporary differences	23,737	(12,601)	24,965	4,055
Income tax expense reported in the statement of profit or loss	142,238	222,147	179,639	29,180

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

9. Income tax expense (cont'd)

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, 2012, 2013 and 2014 for the following reasons:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Accounting profit before tax	913,576	1,162,119	1,201,385	195,148
Computed tax expense of 15%	137,036	174,318	180,208	29,272
Adjustments resulting from:				
Non-deductible expenses	11,722	17,296	11,310	1,837
Tax-exempt income	(1,885)	(1,528)	(14,474)	(2,351)
Utilization of deferred tax benefits previously not recognized	(3,133)	—	(12,408)	(2,015)
Deferred tax benefits not recognized	182	6,015	—	—
Tax credits for research and development expense	(19,884)	(18,010)	(27,024)	(4,390)
Tax rate differential	(178)	20,228	20,985	3,409
Under/(over) provision in respect of previous years current tax	80	684	(3,746)	(608)
Withholding tax expense	17,794	23,094	24,175	3,927
Others	504	50	613	99
Total	142,238	222,147	179,639	29,180

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

9. Income tax expense (cont'd)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of profit or loss			
	31.12.2013	**31.12.2014**	**31.12.2014**	**31.12.2012**	**31.12.2013**	**31.12.2014**	**31.12.2014**
	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	(412)	(412)	(67)	—	—	—	—
Expenditure currently deferred for tax purpose	9	18	3	—	—	—	—
PRC withholding tax on dividend income [i]	(141,172)	(133,788)	(21,732)	(17,794)	(23,094)	(24,175)	(3,927)
	(141,617)	(134,224)	(21,803)	(17,794)	(23,094)	(24,175)	(3,927)
Deferred tax assets							
Accelerated accounting depreciation	8,858	11,472	1,863	337	998	2,614	424
Write down of inventories	28,797	29,497	4,791	(2,155)	(2,307)	700	114
Allowance for doubtful accounts	5,505	5,505	894	(3,598)	(1,049)	—	—
Accruals	258,949	241,043	39,154	(16,859)	44,840	(17,906)	(2,909)
Deferred income	79,685	79,124	12,853	15,743	(5,072)	(561)	(91)
Write down of intangible asset	—	15,000	2,437	—	—	15,000	2,437
Others	7,283	6,641	1,079	589	(1,715)	(637)	(103)
	389,077	388,282	63,071	(5,943)	35,695	(790)	(128)
				(23,737)	12,601	(24,965)	(4,055)

Note:

(i) The movement of PRC withholding tax on dividend income is as follows:

	31.12.2013	**31.12.2014**	**31.12.2014**
	Rmb'000	**Rmb'000**	**US$'000**
At January 1	(118,078)	(141,172)	(22,931)
Provision made to consolidated statement of profit or loss	(23,094)	(24,175)	(3,927)
Utilization	—	31,052	5,044
Translation differences	—	507	82
December 31	(141,172)	(133,788)	(21,732)

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

9. Income tax expense (cont'd)

Deferred tax (cont'd)

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.

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 the Company, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate. The Company recognizes 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. As of December 31, 2014, the provision for withholding tax payable was Rmb 133,788 (US$21,732) (2013: Rmb 141,172).

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

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Deferred tax assets	389,077	388,282	63,071
Deferred tax liabilities	(141,617)	(134,224)	(21,803)
	247,460	254,058	41,268

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

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.

Basic earnings per share

The calculation of basic earnings per share is based on:

	31.12.2012 Rmb'000	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share calculations	567,333	700,423	730,280	118,624
Weighted average number of ordinary shares for basic and diluted earnings per share calculations	37,267,673	37,267,673	37,720,248	37,720,248

Diluted earnings per share

The weighted average number of ordinary shares adjusted for the effect of unissued ordinary shares under the Share Option Scheme is determined as follows:

	31.12.2012	31.12.2013	31.12.2014
Weighted average number of shares issued, used in the calculation of basic earnings per share	37,267,673	37,267,673	37,720,248
Diluted effect of share options	—	—	—
Weighted average number of ordinary shares (diluted)	37,267,673	37,267,673	37,720,248

There were no dilutive potential ordinary shares in the years ended December 31, 2012 and 2013.

In 2014, 570,000 (2013: Nil; 2012: Nil) share options granted to employees under the existing employee share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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

11. Property, plant and equipment

	Freehold land	Leasehold land, buildings and 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, 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 and January 1, 2014	555	1,746,255	793,456	4,102,598	149,021	111,489	6,903,374
Additions	—	4,285	625,311	26,609	22,854	4,870	683,929
Acquisition of subsidiaries (Note 4)	13,876	145,877	—	26,682	12,866	360	199,661
Disposals	—	(23,288)	—	(50,995)	(5,608)	(6,286)	(86,177)
Transfers	—	294,179	(812,569)	511,650	6,740	—	—
Write-off	—	—	(2,432)	—	(39)	—	(2,471)
Translation difference	(570)	(5,593)	(4)	(787)	(1,843)	(55)	(8,852)
At December 31, 2014	13,861	2,161,715	603,762	4,615,757	183,991	110,378	7,689,464

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

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

	Freehold land	Leasehold land, buildings and 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
Accumulated depreciation and impairment							
At 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 and January 1, 2014	555	451,530	2,432	2,262,272	90,975	59,447	2,867,211
Charge for the year	—	65,605	—	323,769	20,246	10,783	420,403*
Disposals	—	(9,874)	—	(43,891)	(5,832)	(4,483)	(64,080)
Write-off	—	—	(2,432)	—	(24)	—	(2,456)
Impairment loss	—	6,404	—	4,015	14	—	10,433
Translation difference	(24)	(1,210)	—	(622)	(999)	(34)	(2,889)
At December 31, 2014	531	512,455	—	2,545,543	104,380	65,713	3,228,622
Net book value							
At December 31, 2013	—	1,294,725	791,024	1,840,326	58,046	52,042	4,036,163
At December 31, 2014	13,330	1,649,260	603,762	2,070,214	79,611	44,665	4,460,842
US$'000	2,165	267,898	98,072	336,276	12,932	7,255	724,598

* An amount of Rmb 1,728 (US$281) (2013: Rmb 5,232) was capitalized as intangible assets.

An impairment loss of Rmb 10,433 (US$1,695) (2013: Rmb 9,163; 2012: Rmb 8,026) 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, 2013 and 2014 was due to assets that were not in use.

As of December 31, 2014, property, plant and equipment with a carrying amount of Rmb 113.9 million (US$18.5 million) (2013: Rmb 6.5 million) are pledged to secure bank facilities.

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

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

Capitalized borrowing costs

The Group assessed that the amount of borrowing costs to be capitalized for qualifying expenditure was immaterial, and accordingly no borrowing cost was capitalized during the year ended December 31, 2014 (2013: Rmb 27,394). The rate used to determine the amount of borrowing costs eligible for capitalization was Nil (2013: 5.56%) 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, 2014 was Rmb 324 (US$53) (2013: Rmb 52). Additions during the year include Rmb 2,117 (US$344) (2013: Rmb 75) 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 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 11,829 and Rmb 12,581 (US$2,044) for the years ended December 31, 2013 and 2014, respectively.

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Current	12,243	13,498	2,193
Non-current	402,365	424,591	68,969
Total	414,608	438,089	71,162

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Cost			
At January 1	457,963	520,745	84,588
Additions	75,610	9,777	1,588
Acquisition of subsidiaries (Note 4)	—	28,609	4,647
Disposals	(12,828)	(2,518)	(409)
At December 31	520,745	556,613	90,414
Accumulated amortization			
At January 1	98,781	106,137	17,240
Charge for the year	11,829	12,581	2,044
Disposals	(4,473)	(194)	(32)
At December 31	106,137	118,524	19,252
Net carrying amount	414,608	438,089	71,162

As of December 31, 2014, prepaid operating leases with a carrying amount of Rmb 77.7 million (US$12.6 million) (2013: Rmb 81.1 million) are pledged to secure bank facilities.

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

13. Goodwill

	Rmb'000	US$'000
Cost		
At January 1, 2013, December 31, 2013 and December 31, 2014	218,311	35,462
Accumulated impairment		
At January 1, 2013, December 31, 2013 and December 31, 2014	5,675	922
Net book value		
At December 31, 2013 and December 31, 2014	212,636	34,540

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.

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

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Yuchai	212,636	212,636	34,540

Yuchai unit

The Group performs 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 in 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 12.66% (2013: 11.93%). No impairment was identified for this unit.

13. Goodwill (cont'd)

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 7.0% and 7.6% for 2014 and 2013 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 28.66% (2013: 31.01%) would result in impairment.

Discount rate – A rise in pre-tax discount rate to 15.07% (2013: 14.69%) in the Yuchai unit would result in impairment.

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 2.69% (2013: 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.

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

14. Intangible assets

	Development costs
	Rmb'000
Cost	
At January 1, 2013	135,411
Additions – Internally developed	9,872
At December 31, 2013 and January 1, 2014	145,283
Additions – Internally developed	23,243
At December 31, 2014	168,526
Impairment	
At January 1, 2013 and 2014	—
Credit to consolidated statement of profit or loss	(60,000)
At December 31, 2014	(60,000)
Net carrying value	
At December 31, 2013	145,283
At December 31, 2014	108,526
US$'000	17,628

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

The Group has an intangible asset representing technology development costs held by Jining Yuchai with carrying amount of Rmb 76,822 (US$12,479) (2013: Rmb 113,580). The impairment test was triggered during the year because the non-controlling interest had disposed its equity interest to an independent third party at a value below the net asset value of Jining Yuchai. In addition, modification has to be made to the existing technology that may delay the commercial deployment of this technology.

As a result, the Group recognised an impairment loss of Rmb 60,000 (2013: Nil) in respect of the developments costs held by Jining Yuchai. 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 the PRC market. The recoverable amount of the intangible asset was based on its value in use. The Group used a 10-year forecast, using pre-tax discount rate of 12.24% and growth rate of 0% from 2026, 5 years after the expected commercial deployment of the technology till the end of the useful life of the technology.

If the pre-tax discount rate increased by 5% from management's estimate, the Group's impairment loss on intangible asset in Jining Yuchai will increase by Rmb 12,799 (US$2,079).

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

15. Other financial liabilities

(a) Other liabilities

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Finance lease liabilities (Note 30)	56	220	36

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Current	13	92	15
Non-current	43	128	21
Total	56	220	36

(b) Interest-bearing loans and borrowings

	Effective interest rate	Maturity	31.12.2013
	%		Rmb'000
Current			
Renminbi denominated loans	5.59	2014	975,000
US Dollar denominated loans	2.20	2014	25,739
Euro denominated loans	2.30	2014	22,482
Canadian Dollar denominated loans	5.28	2014	159,607
Singapore Dollar denominated loans	1.21	2014	48,153
			1,230,981
Non-current			
Renminbi denominated loans	5.05	2016	1,028,396
			1,028,396

(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)

	Effective interest rate	Maturity	31.12.2014	31.12.2014
	%		Rmb'000	US$'000
Current				
Renminbi denominated loans	5.81	2015	1,161,300	188,636
Euro denominated loans	1.01	2015	41,162	6,686
Malaysian Dollar denominated loans	6.35	2015	6,539	1,062
			1,209,001	196,384
Non-current				
Renminbi denominated loans	5.00	2016	1,015,948	165,026
Singapore Dollar denominated loans	1.31	2017	32,431	5,268
Malaysian Dollar denominated loans	6.35	2020	29,337	4,765
			1,077,716	175,059

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.

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"). On November 10, 2014, the Company repaid all its outstanding loans with DBS.

15. Other financial liabilities (cont'd)

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

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.

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.

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.

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.

(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)

Yuchai Rmb 1 billion medium-term notes

Yuchai received approval from China's National Association of Financial Market Institutional Investors ("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.

Factoring arrangement

The Group factored a portion of the trade receivables during the years ended December 31, 2013 and 2014. Factoring is done with reputable bank in China. As of December 31, 2014, Rmb Nil (2013: Rmb 500.0 million) 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

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
At January 1	353,394	346,110	56,221
Received during the year	43,694	14,562	2,365
Released to consolidated statement of profit or loss	(50,978)	(26,151)	(4,248)
Acquisition of subsidiaries (Note 4)	—	6,300	1,023
At December 31	346,110	340,821	55,361
Current (Note 27)	35,145	27,817	4,518
Non-current	310,965	313,004	50,843
	346,110	340,821	55,361

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

17. Inventories

Inventories are comprised of:

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Raw materials	1,259,175	1,222,833	198,631
Work in progress	2,666	21,004	3,412
Finished goods	1,072,211	677,343	110,024
Total inventories at the lower of cost and net realizable value	2,334,052	1,921,180	312,067

Inventories recognized as an expense in "Cost of sales" are Rmb 9,477,769, Rmb 11,283,308 and Rmb 11,781,032 (US$1,913,655) for the years ended December 31, 2012, 2013 and 2014 respectively.

An analysis of the inventory reserve accounts is as follows:

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
At January 1	126,398	105,610	17,155
Inventories written down	7,061	21,297	3,459
Reversal of write-down of inventories	(27,665)	(24,694)	(4,011)
Written off	(184)	(1,626)	(264)
Acquisition of subsidiaries	—	7,766	1,261
At December 31	105,610	108,353	17,600

The inventories written down and reversal of write-down of inventories recognized as an expense and included in "Cost of sales" amounted to Rmb 24,026, Rmb 20,604 and Rmb 3,397 (US$552) for the years ended December 31, 2012, 2013 and 2014 respectively. The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in 2013 and 2014.

As of December 31, 2014, inventories with a carrying amount of Rmb 26.7 million (US$4.3 million) (2013: Rmb 41.8 million) are pledged to secure bank facilities.

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

18. Other current assets

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Development properties	39,326	33,435	5,432
Held for trading investment (Note 1.3)	28,105	22,855	3,712
Derivative not designated as hedges – foreign exchange forward contract	2,731	—	—
	70,162	56,290	9,144

Foreign exchange forward contract

On June 6, 2013, Yuchai entered into a non-deliverable forward foreign exchange contract ("NDF") with Industrial and Commercial Bank of China ("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 "Other operating income/(expenses)" in the statement of profit or loss (Note 21).

There was no outstanding foreign exchange forward contract as of December 31, 2014.

19. Trade and bills receivables

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Trade receivables (net)	411,782	394,763	64,123
Bills receivable [i]	7,026,166	7,718,331	1,253,729
Total (Note 35)	7,437,948	8,113,094	1,317,852

(i) As of December 31, 2014, bills receivable includes bills receivable from joint venture and other related parties amounted Rmb 101,255 (US$16,447) (2013: Rmb 126,027) and Rmb 200 (US$32) (2013: Rmb 6,800), 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.

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

19. Trade and bills receivables (cont'd)

As of December 31, 2013 and 2014, outstanding bills receivables discounted with banks for which the Group retained a recourse obligation totalled Rmb 1,243,440 and Rmb 730,736 (US$118,697) respectively. All bills receivables discounted have contractual maturities within 12 months at time of discounting.

As of December 31, 2013 and 2014, outstanding bills receivables endorsed to suppliers with recourse obligation were Rmb 1,043,213 and Rmb 812,537 (US$131,985) respectively.

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

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
At January 1	43,664	28,533	4,635
Credit to consolidated statement of profit or loss	(12,669)	(2,361)	(384)
Written off	(2,454)	(4,552)	(739)
Acquisition of subsidiaries	—	312	51
Translation differences	(8)	(5)	(1)
December 31	28,533	21,927	3,562

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, 2013 and 2014, gross trade receivables due from a major customer, Dongfeng Automobile Co., Ltd. and its affiliates (the "Dongfeng companies") were Rmb 279,831 and Rmb 176,461 (US$28,663), respectively. See Note 32 for further discussion of customer concentration risk.

		Neither past due	Past due but not impaired			
	Total	nor 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 31.12.2014	8,113,094	7,979,625	96,069	15,760	21,456	184
At 31.12.2013	7,437,948	7,279,974	121,648	12,948	23,039	339

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

20. Other receivables

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Staff advances	12,326	12,939	2,102
Associates and joint ventures	155,968	135,850	22,067
Other related parties	7,202	7,240	1,176
Interest receivables	16,293	12,036	1,955
Bills receivable in transit	17,523	2,513	408
Others	7,741	15,472	2,513
Impairment losses – other receivables (i)	(1,275)	(2,041)	(331)
Loans and receivables (Note 35)	215,778	184,009	29,890
Tax recoverable	100,403	60,731	9,865
Total	316,181	244,740	39,755

For terms and conditions relating to related parties, refer to Note 29.

Note:

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

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
At January 1	640	1,275	207
Debit to consolidated statement of profit or loss	894	766	124
Written off	(259)	—	—
At December 31	1,275	2,041	331

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.

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Other receivables (non-current) (i)	—	1,261	205

(i) Non-current other receivables relate to non-trade receivables from joint ventures which are not expected to be settled next 12 months.

(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

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Non-current			
Long-term bank deposits [(i)]	185,000	—	—
Current			
Cash and cash equivalents	2,596,536	2,291,345	372,195
Short-term investments [(ii)]	110,524	193,440	31,421
Restricted cash	669,788	24,249	3,939
	3,376,848	2,509,034	407,555
Cash and bank balances	3,561,848	2,509,034	407,555
Representing:			
Cash at banks and on hand	1,910,080	747,357	121,397
Bank deposits	1,651,768	1,761,677	286,158
Cash and bank balances	3,561,848	2,509,034	407,555

Note:

(i) In 2013, YMMC placed two-year time deposits of Rmb 185,000 at an annual interest rate of 3.75% with banks. These long-term fixed deposits are not considered as cash equivalents. These fixed deposits are included in short-term investments as at December 31, 2014.

(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, 2014 for the Group ranged from 0.35% to 3.75% (2013: 0.33% to 0.80%).

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, 2014 for the Group ranged from 0.21% to 5.06% (2013: 0.19% to 3.50%).

Cash and bank balances denominated in various currencies are mainly held in bank accounts in the PRC and Singapore. As of December 31, 2014, the Group has restricted cash of Rmb 24,249 (US$3,939) (2013: Rmb 4,677) which was used as collateral by the banks for the issuance of bills to suppliers and would mature after three months. The Group factored a portion of the trade receivables during the years ended December 31, 2013 and 2014. As at December 31, 2014, the Group has restricted cash of Rmb Nil (US$ Nil) (2013: Rmb 500,000) 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 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, 2013 and 2014, the Group had available Rmb 4,707,480 and Rmb 4,098,602 (US$665,757), respectively, of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The commitment fees incurred for 2012, 2013 and 2014 were Rmb 556, Rmb 539 and Rmb 466 (US$76) 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.

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.

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 subsequently disposed of on May 23, 2013.

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

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

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

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

23. Issued capital and reserves

	31.12.2013	31.12.2014
	thousands	thousands
Authorized shares		
Ordinary share of par value US$0.10 each	100,000	100,000

	Number of shares	Rmb'000
Ordinary shares issued and fully paid		
At January 1, 2013 and December 31, 2013	37,267,673	1,724,196
Issued on July 7, 2014 as dividend payment (Note 24)	928,033	116,031
At December 31, 2014	38,195,706	1,840,227
US$'000		298,918

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
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)

On July 7, 2014, based on the elections by shareholders, the dividend of US$1.20 per share of common stock for the financial year 2013 was paid in the form of approximately US$26 million in cash and 928,033 shares, at the volume weighted average trading price of US$20.1343 per share, with total value equivalent to Rmb 116,031.

23. Issued capital and reserves (cont'd)

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.

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.

Performance shares reserve

The performance shares reserve comprises the cumulative value of employee services received for the issue of share options. The amount in the reserve is retained when the option is exercised or expired.

Reserve of assets classified as held for sale

The reserve of assets classified as held for sale comprises assets revaluation reserve and translation reserve of the disposal group.

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

24. Dividends declared and paid

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	**Rmb'000**	**US$'000**
Declared and paid during the year			
Dividends on ordinary shares:			
Final and interim dividends paid in 2013: **US$0.90** per share (2012: **US$0.90** per share)	207,708	—	—
Final dividend paid in 2014: **US$1.20** per share (2013: **US$0.90** per share)	—	274,524	44,592
	207,708	274,524	44,592
Dividend paid in cash	207,708	158,493	25,745
Dividend paid in shares (Note 23)	—	116,031	18,847
	207,708	274,524	44,592

25. Statutory reserves

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	**Rmb'000**	**US$'000**
Statutory general reserve (ii)			
At January 1	187,363	189,371	30,761
Transfer from retained earnings	2,272	2,064	335
Reduced due to liquidation of a subsidiary	(264)	(2)	(1)
At December 31	189,371	191,433	31,095
Statutory public welfare fund (iii)			
At January 1 and December 31	85,641	85,641	13,911
General surplus reserve (iv)			
At January 1 and December 31	25,706	25,706	4,176
Total	300,718	302,780	49,182

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.

(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.

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

25. Statutory reserves (cont'd)

(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. Share-based payment

The Company's Equity Incentive Plan ("Equity Plan") was approved by the shareholders at the Annual General Meeting of the Company held on July 4, 2014 for duration of 10 years (from July 29, 2014 to July 28, 2024).

All options granted under the Equity Plan are subject to a vesting schedule as follows:

(1) one year after the date of grant for up to 33% of the shares over which the options are exercisable;

(2) two years after the date of grant for up to 66% (including (1) above) of the shares over which the options are exercisable; and

(3) three year after the date of grant for up to 100% (including (1) and (2) above) of the shares over which the options are exercisable.

The expense recognized for employee services received during the year is shown in the following table:

	31.12.2014	**31.12.2014**
	Rmb'000	**US$'000**
Expense arising from equity-settled share-based payment transactions	5,360	871
Total expense arising from share-based payment transactions	5,360	871

There were no cancellations or modifications to the awards in 2014.

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

26. Share-based payment (cont'd)

Movements during the year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	Number of shares	WAEP
Outstanding at January 1, 2014	—	—
Granted during the year	570,000	US$21.11
Outstanding at December 31, 2014	570,000	US$21.11
Exercisable at December 31, 2014	—	US$21.11

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions

Date of grant of options	**On July 29, 2014**
Fair value at measurement date (US$)	5.70 – 6.74
Share price (US$)	21.11
Exercise price (US$)	21.11
Expected volatility (%)	47.4
Expected option life (years)	3.5 – 5.5
Expected dividends (%)	5.81
Risk-free interest rate (%)	1.4 – 2.0

The exercise price for options outstanding at the end of the year was US$21.11.

The weighted average remaining contractual life for the share options outstanding as at December 31, 2014 was 9.6 years.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

There are no market conditions associated with the share options grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the serviced to be received at the grant date.

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

27. Trade and other payables

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Trade and bills payables [i]	5,085,349	4,214,289	684,549
Other payables	1,415,828	1,279,830	207,889
Interest payable	30,134	28,148	4,572
Accrued staff costs	481,506	431,070	70,022
Dividend payable	22,344	27,767	4,510
Associates and joint ventures	20,338	15,771	2,562
Other related parties	226,430	108,325	17,596
Financial liabilities at amortized cost (Note 35)	7,281,929	6,105,200	991,700
Accrued contribution to defined contribution plans	28,566	33,258	5,402
Other tax payable	64,116	39,600	6,432
Trade and other payables with liquidity risk (Note 32)	7,374,611	6,178,058	1,003,534
Deferred grants (Note 16)	35,145	27,817	4,518
Deferred income [ii]	130,000	170,000	27,614
Advance from customers	72,138	50,833	8,258
Total trade and other payables (current)	7,611,894	6,426,708	1,043,924

(i) As of December 31, 2014, the trade and bills payables include bills payable to associates and other related parties amounted Rmb 12,500 (US$2,030) (2013: Rmb 12,850) and Rmb 165,183 (US$26,832) (2013: Rmb 306,218), respectively.

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

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Other payables (non-current) [i] (Note 32, Note 35)	106,594	120,588	19,588

(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, 2013 and 2014, Rmb 27,626 and Rmb 27,626 (US$4,487) of interest payable were related to outstanding medium-term notes.
- For terms and conditions relating to related parties, refer to Note 29.

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

28. Provision for product warranty

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
At January 1	268,006	305,938	49,696
Provision made	385,881	394,940	64,152
Provision utilized	(347,949)	(402,326)	(65,353)
At December 31	305,938	298,552	48,495

29. Related party disclosures

The ultimate parent

As of December 31, 2014, the controlling shareholder of the Company, HLA, indirectly owned 14,137,961, or 37.0%, 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 21.7% 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 15.3% 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 Nil, Rmb 98 and Rmb 297 (US$48) during the financial years ended December 31, 2012, 2013 and 2014 respectively.

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

29. Related party disclosures (cont'd)

Entity with significant influence over the Group

As of December 31, 2014, the Yulin City Government through Coomber Investment Ltd. owned 18.4% (2013: 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, 2013 and 2014, refer to Note 20 and Note 27):

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Sales of diesel engines to State Holding Company, its subsidiaries and affiliates (i)	14,360	1,665	1,462	237
Sales of raw materials to State Holding Company, its subsidiaries and affiliates (i)	266,846	970,950	802,715	130,389
Sales to associates and joint ventures (i)	135,321	278,935	237,203	38,530
Purchase of raw materials and supplies from subsidiaries and affiliates of State Holding Company (i)	(1,380,307)	(1,608,698)	(1,460,956)	(237,311)
Purchases of raw materials and supplies from associates and joint ventures (i)	(99,664)	(107,802)	(87,509)	(14,215)
Delivery expense charged by subsidiaries of State Holding Company (ii)	(187,403)	(214,752)	(213,747)	(34,720)
Storage and distribution expenses charged by a subsidiary of State Holding Company (iii)	—	(49,885)	(32,131)	(5,219)
Sales of a subsidiary to a subsidiary of State Holding Company (Note 1.2)	85,821	—	—	—
Purchases of vehicles and machineries from State Holding Company and its subsidiary (iv)	—	—	(16,725)	(2,717)
General and administrative expenses				
- Charged by a subsidiary of State Holding Company (v)	(26,389)	(24,876)	(24,713)	(4,014)
- Charged by State Holding Company (vi)	—	—	(4,853)	(788)
- Charged by HLA (vii)	—	(98)	(297)	(48)
- Charged by affiliates of HLA (viii)	(10,152)	(6,489)	(6,821)	(1,108)
- Charged to joint ventures (ix)	8,499	1,745	1,383	225

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)

29. Related party disclosures (cont'd)

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

Note: (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 expects that these transactions will continue 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) Vehicles and machineries were purchased by Yuchai from State Holding Company and its subsidiary.

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

(vi) General and administrative expenses charged by State Holding Company for rental of apartment to Yuchai's newly graduated employees.

(vii) General and administrative expenses charged by HLA for consultancy fees.

(viii) 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.

(ix) 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

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
Short-term employee benefits	24,889	35,262	40,106	6,515

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

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

30. 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:

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Within one year			
- With related parties	4,949	673	109
- With third parties	8,902	11,469	1,863
After one year but not more than five years			
- With related parties	1,524	820	133
- With third parties	6,282	9,023	1,466
More than five years			
- With related parties	—	—	—
- With third parties	—	113	18
	21,657	22,098	3,589

The minimum lease payments recognized as an expense in the period ended December 31, 2012, 2013 and 2014 amounted to Rmb 46,817, Rmb 51,115 and Rmb 52,728 (US$8,565).

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:

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Within one year			
- With related parties	1,296	828	134
- With third parties	2,163	2,299	373
After one year but not more than five years			
- With related parties	548	628	102
- With third parties	8,014	6,224	1,011
More than five years			
- With related parties	2,000	—	—
- With third parties	21,840	17,505	2,843
	35,861	27,484	4,463

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

30. Commitments and contingencies (cont'd)

Finance lease commitments

The Group has finance lease for plant and equipment and motor vehicles. The 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		31.12.2014			
	Minimum lease payments	Present value of payments	Minimum lease payments		Present value of payments	
	Rmb'000	Rmb'000	Rmb'000	US$'000	Rmb'000	US$'000
Not later than one year	13	13	101	16	92	15
Later than one year but not later than five years	44	43	142	24	128	21
Total minimum lease payments	57	56	243	40	220	36
Less: Amount representing finance charges	(1)	—	(23)	(4)	—	—
Present value of minimum lease payments	56	56	220	36	220	36

Capital commitments

As of December 31, 2013 and 2014, Yuchai had capital expenditure (mainly in respect of property, plant and equipment) contracted for but not recognized in the financial statements amounting to Rmb 885.7 million and Rmb 989.1 million (US$160.7 million), respectively. The Group's share of joint venture's capital commitment is disclosed in Note 6.

Investment commitments

As of December 31, 2013 and 2014, the Group has commitment of Rmb 9.0 million and Rmb Nil (US$ Nil) relating to the Group's interest in joint ventures, respectively.

Letter of credits

As of December 31, 2013 and 2014, Yuchai had issued irrevocable letter of credits of Rmb 84.1 million and Rmb 50.7 million (US$8.2 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.

30. Commitments and contingencies (cont'd)

Environmental liability

China adopted its Environmental Protection Law in 1989, and the State Council and the Ministry of Environmental Protection 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.

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.

31. 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.

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.

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

31. Segment information (cont'd)

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, 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 and loss from de-recognition of bills receivable	(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)

31. Segment information (cont'd)

Year ended December 31, 2013	Yuchai	HLGE	Adjustments and eliminations	Consolidated financial statements
	Rmb'000	Rmb'000	Rmb'000	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 and loss from de-recognition of bills receivable	(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

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

31. Segment information (cont'd)

Year ended December 31, 2014	Yuchai	HLGE	Adjustments and eliminations	Consolidated financial statements
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue				
External customers	16,387,356	48,786	—	16,436,142
Inter-segment	—	—	—	—
Total revenue	16,387,356	48,786	—	16,436,142
Results				
Interest income	42,014	1,463	2,347[1]	45,824
Interest expense and loss from de-recognition of bills receivable	(149,797)	(7,700)	5,866[1]	(151,631)
Impairment of property, plant and equipment	(10,433)	—	—	(10,433)
Depreciation and amortization	(422,777)	(7,872)	(607)[2]	(431,256)
Share of profit/(loss) of associates	960	(4)	—	956
Share of results of joint ventures	(19,067)	(8,840)	(2,804)[9]	(30,711)
Income tax expense	(156,861)	(2,115)	(20,663)[3]	(179,639)
Segment profit	1,249,021	15,937	(63,573)[4]	1,201,385
Total assets	17,756,594	374,511	642,231[5]	18,773,336
Total liabilities	(9,387,693)	(375,564)	141,735[6]	(9,621,522)
Other disclosures				
Investment in associates	2,842	333	—	3,175
Investment in joint ventures	181,933	19,708	70,575[8]	272,216
Capital expenditure	677,767	6,082	80[7]	683,929

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.

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

31. Segment information (cont'd)

Note: (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) Included here are mainly the liabilities of the holding entity and cumulative withholding tax provision for dividends that are expected to be paid from income earned after December 31, 2007 by Yuchai that has not been remitted.

(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:

	31.12.2012	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	Rmb'000	US$'000
China	13,402,636	15,846,051	16,359,873	2,657,420
Other countries	46,853	56,304	76,269	12,389
	13,449,489	15,902,355	16,436,142	2,669,809

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

Revenue from one customer group amounted to Rmb 3,687,953 (US$599,053) (2013: Rmb 3,298,400; 2012: Rmb 2,445,703), arising from sales by Yuchai segment.

	31.12.2013	31.12.2014	31.12.2014
	Rmb'000	Rmb'000	US$'000
Non-current assets			
China	5,106,057	5,374,624	873,028
Other countries	5,512	104,187	16,924
	5,111,569	5,478,811	889,952

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

32. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and bank deposits that derive directly from its operations. The Group also holds held for trading investment and enters into derivative transactions.

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, held for trading investment and derivative financial instrument.

The sensitivity analyses in the following sections relate to the position as at December 31, 2013 and 2014.

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, 2014.

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(b). 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 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, 2014 of the Group would increase/decrease by Rmb 1.1 million (US$0.2 million) (2013: increase/decrease by Rmb 6.5 million).

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

32. 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 an exposure 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, Euro, Canadian Dollar, US Dollar and Renminbi.

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:

	31.12.2013					
	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

	31.12.2014				
	Singapore Dollar	**Euro**	**US Dollar**	**Renminbi**	**Others**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**
Held for trading investment	22,855	—	—	—	—
Trade and other receivables	814	31,546	6,738	31,933	5
Cash and bank balances	138,540	—	2,041	—	357
Financial liabilities	(32,467)	(41,162)	—	—	—
Trade and other payables	(51,898)	—	(19,608)	(1,518)	—
Net assets/(liabilities)	77,844	(9,616)	(10,829)	30,415	362
US$'000	12,645	(1,562)	(1,759)	4,940	59

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

32. 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		
	31.12.2013	**31.12.2014**	**31.12.2014**
	Rmb'000	**Rmb'000**	**US$'000**
Singapore Dollar	11,991	7,784	1,265
Euro	911	(962)	(156)
Canadian Dollar	(15,961)	—	—
US Dollar	13,537	(1,083)	(176)
Renminbi	3,409	3,042	494

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:

	31.12.2013	**31.12.2014**	**31.12.2014**
	Rmb'000	**Rmb'000**	**US$'000**
Statement of profit or loss	2,811	2,286	371

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

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 from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade 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.

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, 2014, the Group had top 20 customers (2013: top 20 customers) that owed the Group more than Rmb 236.5 million (US$38.4 million) (2013: Rmb 292.0 million) and accounted for approximately 57% (2013: 71%) of accounts receivables (excluding bills receivables) owing respectively. These customers are located in the PRC. There were 43 customers (2013: 26 customers) with balances greater than Rmb 1.0 million (US$0.2 million) accounting for just over 88.0% (2013: 95.4%) 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 and Note 20. The Group does not hold collateral as security.

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

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

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

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, 2013	One year or less Rmb'000	Two to five years Rmb'000	Total Rmb'000
Financial assets			
Trade and bills receivables	7,466,481	—	7,466,481
Other receivables, excluding tax recoverable	217,053	—	217,053
Cash and bank balances	3,376,848	185,000	3,561,848
Held for trading investment	28,105	—	28,105
Derivatives not designated as hedges – foreign exchange forward contract	2,731	—	2,731
	11,091,218	185,000	11,276,218
Financial liabilities			
Interest-bearing loans and borrowings	1,295,558	1,184,270	2,479,828
Trade and other payables (Note 27)	7,374,611	106,594	7,481,205
Other liabilities	13	44	57
	8,670,182	1,290,908	9,961,090

As at December 31, 2014	One year or less Rmb'000	Two to five years Rmb'000	More than five years Rmb'000	Total Rmb'000	Total US$'000
Financial assets					
Trade and bills receivables	8,135,021	—	—	8,135,021	1,321,414
Other receivables, excluding tax recoverable	186,050	1,261	—	187,311	30,426
Cash and bank balances	2,509,034	—	—	2,509,034	407,555
Held for trading investment	22,855	—	—	22,855	3,712
	10,852,960	1,261	—	10,854,221	1,763,107
Financial liabilities					
Interest-bearing loans and borrowings	1,330,421	1,107,525	31,200	2,469,146	401,076
Trade and other payables (Note 27)	6,178,058	120,588	—	6,298,646	1,023,122
Other liabilities	101	142	—	243	40
	7,508,580	1,228,255	31,200	8,768,035	1,424,238

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

33. 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).

	31.12.2013 Rmb'000	31.12.2014 Rmb'000	31.12.2014 US$'000
Interest-bearing loans and borrowings (current and non-current) (Note 15)	2,259,377	2,286,717	371,443
Trade and other payables (current and non-current) (Note 27)	7,718,488	6,547,296	1,063,512
Less: Cash and bank balances (Note 21)	(3,561,848)	(2,509,034)	(407,555)
Net debts	6,416,017	6,324,979	1,027,400
Equity attributable to equity holders of the parent	6,391,573	6,988,432	1,135,167
Total capital and net debts	12,807,590	13,313,411	2,162,567

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.

No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2014.

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, 2013 and 2014.

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

34. Fair value measurement

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

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

	Date of valuation	Fair value measurement using			
		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	—

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at December 31, 2014:

	Date of valuation	Fair value measurement using			
		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, 2014	22,855	22,855	—	—

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)

35. Financial assets and financial liabilities

	Note	Financial assets at fair value through profit or loss	Loans and receivables	Other financial liabilities at amortized cost	Total
		Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
As at December 31, 2013					
Financial assets					
Held for trading investment	18	28,105	—	—	28,105
Derivatives not designated as hedges – foreign exchange forward contract	18	2,731	—	—	2,731
Trade and bills receivables	19	—	7,437,948	—	7,437,948
Other receivables	20	—	215,778	—	215,778
Cash and bank balances	21	—	3,561,848	—	3,561,848
		30,836	11,215,574	—	11,246,410
Financial liabilities					
Trade and other payables	27	—	—	7,388,523	7,388,523
Loans and borrowings	15(b)	—	—	2,259,377	2,259,377
Other liabilities	15(a)	—	—	56	56
		—	—	9,647,956	9,647,956

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

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

	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, 2014						
Financial assets						
Held for trading investment	18	22,855	—	—	22,855	3,712
Trade and bills receivables	19	—	8,113,094	—	8,113,094	1,317,852
Other receivables	20	—	185,270	—	185,270	30,095
Cash and bank balances	21	—	2,509,034	—	2,509,034	407,555
		22,855	10,807,398	—	10,830,253	1,759,214
Financial liabilities						
Trade and other payables	27	—	—	6,225,788	6,225,788	1,011,288
Loans and borrowings	15(b)	—	—	2,286,717	2,286,717	371,443
Other liabilities	15(a)	—	—	220	220	36
		—	—	8,512,725	8,512,725	1,382,767

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, non-current other receivables, interest-bearing loans and borrowings (non-current), non-current other payables and other liabilities approximate their fair value as their interest rates approximate the market interest rates.

36. Events after the reporting period

(a) HLGE share consolidation

The Monetary Authority of Singapore and the Singapore Stock Exchange have introduced a minimum trading price ("MTP") of S$0.20 for issuers listed on the Main Board of the Singapore Exchange to take effect from March 2, 2015 as a continuing listing requirement. Issuers will be first assessed for compliance with the MTP on March 1, 2016 and those who fail to comply with the MTP at the first review date or any of the subsequent quarterly reviews will be placed on the Watch-list. On March 2, 2015, HLGE announced that as its shares have been trading below the MTP for the past six months prior to March 2, 2015, it proposed to undertake a share consolidation of every ten existing issued ordinary shares in the share capital of HLGE into one consolidated share subject to shareholders' approval and the Singapore Stock Exchange. On March 9, 2015, HLGE announced that it had received in-principle approval from the Singapore Stock Exchange for the proposed share consolidation.

(b) Cooperation with Shentou Investments (Hong Kong) Limited

On April 9, 2015, it was announced that Yuchai had entered into an agreement to form a new joint venture, YC Europe Co., Ltd. ("YC Europe"), in Hong Kong with Shentou Investments (Hong Kong) Limited ("Shentou") and one partner with extensive engine distribution experience with familiarity with the markets in Europe. YC Europe will establish a wholly-owned subsidiary, YC Europe (Germany) GmbH ("YC Germany"), based in Germany to market off-road engines (excluding marine engines) in Europe. YC Europe and YC Germany will establish a sales network and develop distribution programs to exclusively sell Yuchai's off-road diesel and gas engines (excluding marine engines) and spare parts throughout Europe, as well as provide services in engine related areas. The registered capital of YC Europe is 3.0 million Euros and Shentou and Yuchai's shareholding in YC Europe will be 57.5% and 35% respectively with the other partner taking the remaining 7.5% equity interest.

(c) TCL share consolidation

As a result of the introduction of the minimum-trading-price of S$0.20 by the Monetary Authority of Singapore and the Singapore Stock Exchange for issuers listed on the Main Board of the Singapore Exchange which took effect from March 2, 2015 as a continuing listing requirement, TCL announced on April 2, 2015 that it proposed to undertake a share consolidation exercise. This would involve the consolidation of every twenty existing ordinary shares in the share capital of TCL into one ordinary share subject to shareholders' and the Singapore Stock Exchange approvals. On April 8, 2015, TCL announced that it had received in-principle approval from the Singapore Stock Exchange for the proposed share consolidation.

(d) Yuchai Rmb 400 million ultra short-term bonds

On April 8, 2015, upon the receipt of approval from its board of directors, shareholders and NAFMII to issue ultra short-term bonds ("USTB") amounting to Rmb 2 billion with a term not exceeding 270 days, Yuchai issued the first tranche of the USTB amounting to Rmb 400 million. The first tranche of the USTB bear a fixed annual interest rate of 4.9% and will mature on May 9, 2015. All the proceeds from the issuance of the bonds are to be used by Yuchai as working capital and repayment of loans.

REFERENCE INFORMATION

US Transfer Agent and Registrar
Computershare
P.O. BOX 30170
College Station, TX 77842
United States of America

Shareholder Website
www.computershare.com/investor

Investor Relations
Grayling U.S.
102 Madison Avenue (Corner of 29th Street)
12th Floor
New York, NY 10016
USA

Common Stock
China Yuchai International Limited
Stock is listed on the New York Stock Exchange
(NYSE: CYD)

Auditors
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18,
Singapore 048583

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China Yuchai International Limited
16 Raffles Quay, #39-01A Hong Leong Building
Singapore 048581

Manufacturing Location:
Guangxi Yuchai Machinery Company Limited
88 Tianqiao West Road, Yulin, Guangxi
537005 People's Republic of China