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PRESENTATION

Operator

Thank you for standing by and welcome to China Yuchai International Limited third-quarter 2012 earnings conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session (Operator Instructions). Thank you. I would like now to turn the call over to Mr. Kevin Theiss. Please go ahead, sir.

Kevin Theiss - *Grayling - IR*

Thank you for joining us today and welcome to China Yuchai International Limited's third-quarter 2012 conference call and webcast. My name is Kevin Theiss and I am with Grayling, China Yuchai's US investor relations advisor. Joining us today are Mr. Benny Goh, President and Mr. Kok Ho Leong, Chief Financial Officer.

Before we begin I will remind all listeners that throughout this call we may make statements that may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe", "expect", "anticipate", "project", "targets", "optimistic", "intend", "aim", "will", or similar expressions, are intended to identify forward-looking statements.

All statements other than statements of historical fact are statements that may be deemed forward-looking statements. These forward-looking statements are based on current expectations or beliefs, including, but not limited to, statements concerning the Company's operations, financial performance and condition.

The Company cautions that these statements by their nature involve risks and uncertainties and actual results may differ materially depending on a variety of important factors, including those discussed in the Company's reports filed with the Securities and Exchange Commission from time to time. The Company specifically disclaims any obligation to maintain or update the forward-looking information, whether of the nature contained in this conference call, or otherwise, in the future.

Mr. Goh will provide a brief overview and summary and then Mr. Leong will review the financial results for the third quarter and nine months ended September 30, 2012. Thereafter, we will conduct a question and answer session. And for the purposes of today's call the financial results are unaudited and they will be presented in renminbi ("RMB") and US dollars.

Mr. Goh, please start your opening remarks.

Benny Goh - *China Yuchai International Limited - President*

Thank you, Kevin.

The China Association of Automobile Manufacturers (CAAM), recently reported that sales of diesel-powered commercial vehicles declined 8.0% in the third quarter of 2012 and sales of heavy-duty, diesel-powered trucks and trailers declined by 28.7% quarter over quarter. In the first nine months of 2012 overall sales of diesel-powered commercial vehicles declined by 12.1% and by 31.0% for diesel-powered truck and trailers respectively, as compared with the same period last year.

In this weak commercial vehicle market environment, unit bus sales continued to be resilient as total unit sales rose 5.8% in the third quarter of 2012 versus the same quarter of 2011. For unit sales in the first nine months of 2012, total bus sales rose by 3.8% as compared with the same period last year.

During the third quarter of 2012, our overall engine sales declined by 8.5% compared with the third quarter of 2011, as sales of commercial vehicles decreased in China. Our net revenue was RMB3.08 billion (US$485.2 million) compared with RMB3.45 billion in the third quarter of 2011.

Gross margin increased slightly to 20.2% in the third quarter of 2012, as compared with 20.0% in the same quarter of 2011, even with a slightly higher proportion of light-duty engine sales. Our operating profit increased 28.9% to RMB215.2 million (US$33.9 million) from the third quarter of 2011.

For the nine months ended September 30, 2012, based on our unit sales, we remain the market leader in the diesel engine industry in China, with the broadest range of diesel engines and a growing technology base to build more advanced engines to capture market share.

Our cost controls continued to enhance our operational effectiveness as in addition to our lower cost of goods sold, SG&A expenses declined 14.8% in the third quarter of 2012 to RMB353.1 million (US$55.7 million) from the third quarter of 2011.

Phase I of our foundry expansion has reaped good returns on our investment from cost savings. The savings for engine castings are approximately RMB100 million per annum. As for Phase II of the foundry expansion, trial production is expected by the end of 2012 and we will progress to full-scale production in March and April 2013. With the completion of the Phase II expansion, the total capacity will reach 1 million engine heads and blocks. With this expansion, we will have the largest foundry and engine casting facility in China.

Research and development("R&D") expenses rose 12.5% to RMB93.9 million (US$14.8 million), compared with RMB83.5 million in the third quarter of 2011, due to increased R&D staff costs for new products including engine emission improvement, lower emission natural gas engines, hybrid products and high horsepower products, as well as continued quality improvement initiatives. As a percentage of net revenue, R&D spending rose to 3.1% compared to 2.4% in the third quarter of 2011. New innovations and new products are the foundation for us to maintain our leadership position as we create better engines and penetrate new markets.

We have completed construction of our Research and Development Institute located in a High-Tech Development Zone of Nanning and we expect it to be fully operational in early Q2 of 2013. The R&D Institute will spawn new innovations which will provide us with a competitive advantage in the domestic market and enable us to compete globally.

As a leading supplier of engines to the growing bus market in China we are especially well positioned to benefit from continuing higher bus sales. We have diesel engines for heavy, medium and light metro buses and long-distance coaches. And we are diversifying our product line by offering natural gas engines to complement almost every diesel engine model we offer to the bus and truck markets.

We introduced our first natural gas engine products in early 2000. Then, demand for these early-model engines was limited and focused on local and regional markets. Today, we see this as another new opportunity for growth, as recent government economic and environmental policies have encouraged the use of natural gas engines due to their cleaner emissions and lower fuel prices.

More recently, we have been introducing self-developed natural gas engines using our proprietary technologies to offer our customers a comparable natural gas alternative to our industry-leading diesel engines. Metro bus markets in Shanghai, Beijing and other tier-one cities in China have exhibited increasing interest in our natural gas engines to take advantage of their lower emissions and higher horsepower. In 2011 sales of our natural gas engines reached approximately 13,000 units and we were the only domestic engine supplier of liquefied natural gas, LNG engines, to the Chinese OEM market, primarily to bus manufacturers. We expect our sales to increase as our new natural gas engine development project commences operations in stages on the first quarter of 2013.

Our new Euro V-compliant YC6L240N natural gas engines were in use by the Hangzhou Public Transport Corporation in 33 new buses during China's National Day holidays in October this year in the Xihu district of Hangzhou, Zhejiang province. These are the first Euro V-compliant natural gas engines being used in Hangzhou's public transport as well as in the entire Zhejiang province in China.

We are introducing natural gas engines for off-road uses such as power generation, marine and construction applications. In this way, we will defend our market position in the overall engine market in China and enhance our already excellent relationships with our many OEM customers and commercial vehicle operators, who are seeking new solutions to the issues of higher profitability through less expensive fuel and improved emissions. We have become one of the leading engine suppliers for mining trucks and we are a top seller of engines to trucks used for engineering construction. Both these industries could be good markets for natural gas engines.

We are building our production capacity for both natural gas engines and high horsepower diesel engines to further maintain our leadership in current markets, and to act as a springboard to penetrate newer markets and reduce our concentration in the light and medium truck and bus markets.

Recently, we announced the entry into a new joint venture with Guangxi Skylink Software Technology Co., Ltd. to design, develop, manage and market the next-generation Electronic Operations Management Platform. The Platform will offer radio frequency identification capabilities and it will remotely monitor engine performance and pinpoint vehicle location through GPS tracking. This platform, which is the next generation of technology-enabling communications within the vast Chinese transportation industry, will allow for the remote monitoring of the location of our engines, supervise real-time engine performance and conduct analytical diagnostics on any engine captured within our system. In the future, marketing and sales activities will be able to be conducted on that platform, which will improve supply chain efficiency.

I will now provide a brief update of our joint ventures.

In relation to our joint venture with Geely, further to our decision to focus only on Jining Yuchai, which will develop and produce a 4D20 diesel engine for passenger cars, we are nearing the completion of engine tests on the second-generation prototype and we will progress to the third-generation prototype engine in early 2013.

Our remanufacturing joint venture with Caterpillar is designed to provide another cost-effective service to our customers and fulfill our "green" mandate to protect the environment and conserve natural resources. We believe that this is another way for us to extend our leadership in the engine industry in China. The permanent factory located at the Suzhou Industrial Park has begun operations and production is starting to increase. Over 200 units of engines were remanufactured in September and we expect to reach full remanufacturing operational capacity towards the end of the first quarter of 2013.

Our joint venture with CIMC-Chery for the production of YC6K heavy-duty engines is progressing well, and the production capacity of the existing facility located in Wuhu City, Anhui Province, is 30,000 units. We remain committed to capturing market share in the heavy-duty vehicle market in China, with a goal of becoming one of China's four largest heavy-duty engine providers by 2015. We have extended our YC6K engine with a natural gas version for the heavy-duty truck market. This engine has the highest power in its class, at 450 to 500 horsepower, but with lower emissions compared with diesel engines.

Our diversifying product line, ongoing technological innovations, combined with the largest service network in China, will drive our sales and expand our market presence with our OEM customers.

With that, let me now turn the call over to Mr. Kok Ho Leong, our Chief Financial Officer, to provide more details on our financial results.

Kok Ho Leong - *China Yuchai International Limited - CFO*

Thank you, Benny. Let me first walk you through our third quarter 2012 financial results.

Net revenue for the third quarter of 2012 was RMB3.08 billion (US$485.2 million) compared with RMB3.45 billion in the third quarter of 2011. The total number of diesel engines sold by GYMCL during the third quarter of 2012 was 97,328 units compared with 106,358 units in the third quarter of 2011, a decrease of 9,030 units, or 8.5%. The revenue decrease was mainly due to weaker demand in the commercial truck market, especially in the heavy-duty truck segment. The decline in net sales was RMB371.4 million, or 10.8%, as compared to the same period in 2011.

Gross profit was RMB621.5 million (US$98.0 million) compared with RMB691.0 million in the third quarter of 2011. Gross margin increased slightly to 20.2% in the third quarter of 2012 as compared with 20.0% in the same quarter of 2011, and compared with 19.7% in the second quarter of 2012. The higher gross margin was attributable to the lower cost of raw materials, partially offset by the higher direct labor and factory overhead cost per unit, as the sales volume decreased in the third quarter of 2012.

Other operating income was RMB40.7 million (US$6.4 million), an increase of RMB66.6 million from other operating loss of RMB25.9 million in the third quarter of 2011. The increase was mainly due to foreign exchange revaluation gains.

Research and development("R&D") expenses were RMB93.9 million (US$14.8 million) compared with RMB83.5 million in the third quarter of 2011, an increase of 12.5%. As a percentage of net revenue, R&D spending rose to 3.1%, compared with 2.4% in the third quarter of 2011. The increase in R&D expenses was mainly due to increased R&D staff costs for new products, including lower emission, natural gas engines and high horsepower products, as well as continued quality improvement initiatives.

Selling, general and administrative ("SG&A") expenses were RMB353.1 million (US$55.7 million) compared with RMB414.7 million in the third quarter of 2011, a decrease of 14.8%. SG&A expenses represented 11.5% of third quarter of 2012's net revenue compared with 12.0% in the same quarter a year ago. The lower SG&A expenses as a percentage of net revenue on a year-on-year basis, was mainly due to effective cost controls and reduced selling-related expenses.

Operating profit increased 28.9% to RMB215.2 million (US$33.9 million) from RMB166.9 million in the third quarter of 2011. The improvement was mainly due to the increase in other operating income and lower SG&A expenses. The operating margin was 7.0% compared with 4.8% in the third quarter of 2011.

Finance costs rose to RMB28.7 million (US$4.5 million) from RMB24.8 million in the third quarter of 2011. The higher finance costs were due to increased borrowings. GYMCL issued RMB1.0 billion of short-term financing bonds ("STFB") during the third quarter of 2012.

The share of joint ventures was a loss of RMB8.3 million (US$1.3 million) compared with a loss of RMB9.9 million in the third quarter of 2011.

In the third quarter of 2012, total net profit attributable to China Yuchai's shareholders increased 74.6% to RMB111.1 million (US$17.5 million) from RMB63.6 million. Earnings per share increased to RMB2.98 (US$0.47) from RMB1.71 in the third quarter of 2011.

Let me now move to financial highlights for the nine months ended September 30, 2012.

For the nine months ended September 30, 2012 net revenue was RMB10.19 billion (US$1.61 billion) compared with RMB11.7 billion in the same period last year. The total number of diesel engines sold by GYMCL during the first nine months of 2012 was 338,354 units, compared with 406,425 units in the same period last year, a decrease of 68,071 units, or 16.7%. This was mainly due to weaker demand in the commercial vehicle market, especially in the truck segment. The decline in net sales was RMB1.51 billion, or 12.9%, as compared to the same period in 2011.

Gross profit was RMB2.07 billion (US$327.2 million) compared with RMB2.41 billion in the same period last year. Gross margin decreased to 20.4% in the first nine months of 2012 as compared with 20.6% a year ago. In the first nine months of 2012 the lower gross margin was attributable to higher direct labor and factory overhead cost per unit, as sales volumes decreased in the first nine months of 2012, mitigated by lower raw material costs.

Other income was RMB78.4 million (US$12.4 million) an increase of RMB63.6 million from RMB14.8 million a year ago. This increase was mainly due to foreign exchange revaluation gains.

Research and development ("R&D") expenses were RMB271.0 million (US$42.7 million) compared with RMB243.4 million in the same period last year, an increase of 11.3%. As a percentage of net revenue, R&D spending rose to 2.7%, compared with 2.1% in the same period last year. The increased R&D expenses were a result of higher R&D staff costs and quality improvement initiatives.

Selling, general and administrative ("SG&A") expenses were RMB1.11 billion, (US$175.0 million), down from RMB1.29 billion in the same period last year, a decrease of 14.1%. The decrease in SG&A expenses reflects the reduction in sales. SG&A expenses were at 10.9% of net revenue for the first nine months of 2012, compared with 11.0% for the corresponding period last year.

Operating profit declined to RMB772.5 million (US$121.8 million) from RMB885.7 million in the same period last year. This decrease was mainly due to lower gross profit offset by higher other operating income and lower SG&A expenses. The operating margin was 7.6% for both comparable nine-month periods in 2011 and 2012.

Finance costs rose to RMB166.2 million (US$26.2 million) from RMB100.1 million in the same period last year. The increase in finance costs was due to increased average borrowings.

The share of joint ventures was a loss of RMB31.2 million (US$4.9 million), compared with a loss of RMB36.9 million in the same period last year.

For the nine months ended September 30, 2012, total net profit attributable to China Yuchai's shareholders was RMB346.1 million (US$54.6 million), or earnings per share of RMB9.29 (US$1.46) compared with RMB449.2 million, or earnings per share of RMB12.05 in the same period in 2011.

Now I shall proceed to balance sheet highlights as at September 30, 2012.

Cash and bank balances were RMB4.24 billion (US$668.2 million), compared with RMB4.12 billion at December 31, 2011. The Company paid out a cash dividend of US$0.90 per ordinary share on July 9, 2012, which amounted to approximately RMB212 million (US$33.5 million). Trade and bills receivable were RMB6.68 billion (US$1.05 billion) compared with RMB6.69 billion at the end of 2011. Net inventory was RMB2.02 billion (US$319.1 million), down from RMB2.42 billion at the end of 2011.

Short- and long-term borrowings were RMB3.15 billion (US$496.1 million), down from RMB3.70 billion at the end of December 2011. GYMCL issued short-term financing bonds, STFBs, totaling RMB2.39 billion over three tranches in March, July and November in 2011.

On July 22, 2012, upon the maturity of STFBs amounting to RMB700 million, GYMCL repaid the full amount due. On August 28, 2012 GYMCL issued STFBs amounting to RMB1.0 billion at a fixed annual interest rate of 4.45% with a maturity date of August 29, 2013.

With that, operator, we are ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

We will now begin the question and answer session. (Operator Instructions). Your first question will come from Alex Potter with Piper Jaffray.

Alex Potter - *Piper Jaffray - Analyst*

Hi, guys.

Benny Goh - *China Yuchai International Limited - President*

Hi, Alex.

Alex Potter - *Piper Jaffray - Analyst*

I was wondering if you could just give a little bit of market commentary regarding your outlook here. Have you started to see any signs of sequential improvement in your end markets, whether it's truck demand, or any of your other end markets?

Benny Goh - *China Yuchai International Limited - President*

Yes, what we are seeing here is I think the worst is probably over, but we are not going to anticipate a very steep upswing in demand at the moment. What we are saying is that probably we are going through the worst of the market over the past two quarters and so we are seeing some light at the end of the tunnel. Having said that, we are a bit cautious still. We do not see a huge uptick in demand until probably next year, more likely, in Q2 next year.

Alex Potter - *Piper Jaffray - Analyst*

Okay, so does that imply that you don't anticipate the normal seasonal ramp? Obviously, at this point usually in Q4 and Q1 that's when a lot of the dealers start restocking. You don't think that'll happen?

Kok Ho Leong - *China Yuchai International Limited - CFO*

We see a slight -- some slight improvement over Q4 compared to, say, Q2 or Q3 of this year, but then we don't see a huge jump. And again, you see, the whole thing is tempered by the fact that the Chinese handover of the government is going on and I think that has put a lot of things on hold until the whole government is solidly in place. So that's why our outlook is that it's going to be at least Q1 before things start improving in terms of the incentives and things then will start picking up again.

Alex Potter - *Piper Jaffray - Analyst*

Okay, that makes sense. Also, obviously you're spending a lot of time here on the call and a lot of R&D dollars on natural gas. I was just wondering if you could comment I guess on two things regarding natural gas.

Number one, what do you estimate is the penetration of natural gas in your major end markets? I guess you can focus specifically on trucks. And number two, what does the pricing look like for natural gas? Is it more expensive than diesel equivalents, or is it less, or what are the trends? Any commentary on pricing would be interesting too.

Benny Goh - *China Yuchai International Limited - President*

Okay. In terms of penetration right now, effectively, we are doing reasonably well in the bus market and we are over 50% of the bus market share. In terms of trucks we are still picking up. Right now we are increasing from 10% and anticipate to be moving up in that to probably between 20% or so over the coming years.

For the pricing, well, obviously the gas engine is much more expensive because of the emissions capability, but the gas itself is cheaper, so overall if we're talking about our operating costs it is looking to be much cheaper. We are looking at I think a price difference here of around maybe 5% to 10%.

Unidentified Company Representative

(Multiple speakers) more than that.

Benny Goh - *China Yuchai International Limited - President*

I think it will be more than that number. It goes to 20% eventually.

Alex Potter - *Piper Jaffray - Analyst*

Okay. So that's a 20% price upfront price differential between natural gas and diesel? Is that right?

Benny Goh - *China Yuchai International Limited - President*

Yes, thereabouts.

Alex Potter - *Piper Jaffray - Analyst*

Okay. And then one last question here. I was wondering if you could comment on whether or not in Q4 we're going to see a big jump in gross margin again like we have over the last several years?

Benny Goh - *China Yuchai International Limited - President*

We hope to, but I wouldn't want to promise that. We don't know. Of course, this year, as everybody knows, this is a very unique year where things are much slower than before. So I wouldn't anticipate a bullish year like what we've seen in the past.

Alex Potter - *Piper Jaffray - Analyst*

Okay. Thank you very much.

Kok Ho Leong - *China Yuchai International Limited - CFO*

Thanks, Alex.

Operator

Your next question will come from Gerwin Ho with Citi.

Gerwin Ho - *Citi - Analyst*

Good morning, gentlemen. Thank you for your time. Good to hear that it appears that the worst is over. Just two questions. First of all, in terms of the heavy-duty truck market do you anticipate a more noticeable recovery second quarter of '13. For the full-year '13 what would you expect the rebound of the heavy truck unit sales to be? And for this year how much -- what do you think the decline will be like?

Secondly, talking to some other people in the industry, it appears there's still some uncertainty over the China IV emissions standard implementation date on July 1 of '13 for next year. What's our view on that and what are we hearing on the China IV emissions standard implementation? Thank you.

Benny Goh - *China Yuchai International Limited - President*

Maybe I'll take the second question first. What was just said recently was that they're still on track on July 1st for the emissions standard to be in place, but again, being pragmatic, Chinese being very pragmatic, what we are probably going to see is that it will not be a very steep cliff. There might be some sort of a gradual phasing approach where they will announce the regulation, but it may not be totally and strictly enforced. This is what we are told right now.

In terms of your first question, what is the heavy-duty truck market going to be for 2013? We anticipate there to be a small growth. Again, as an industry, we're looking at probably the same number, slightly better than this year. We anticipate probably gradually reaching about 800,000 units or so.

In terms of what we are doing, I think we'll improve that. What happens -- what we are seeing right now is that our swing has been very much 40/60 more towards our lighter-duty engines as opposed to heavy duty because of the depressed demand this year. So next year we hope to go back to almost more 45/55, then back to more heavy-duty trucks again.

Gerwin Ho - *Citi - Analyst*

And maybe one additional question is, if we look at the heavy truck demand going forward, there is some thinking that going forward the demand will be more driven by the logistics side of things, versus the construction demand. Is this what we are envisioning for next year as well, is that logistics become more important than construction? Where do we see the recovery coming from next year?

Benny Goh - *China Yuchai International Limited - President*

I think this is partially right in the sense that construction will probably kick off towards the second half of next year, because construction projects are still not really in place as yet. Again, it's all tied to the fact of the changeover in government and we do not see many projects going in place until probably the full changeover in March. So my anticipation is that, give it a quarter or two, so in second half of next year, you will see infrastructure projects. So the first half right to say that is more likely to be driven by logistics than anything else.

Gerwin Ho - *Citi - Analyst*

Understood. Thank you very much.

Benny Goh - *China Yuchai International Limited - President*

Thanks, Gerwin.

Operator

Your next question will come from Ravi Gill with Goldman Sachs.

Ravi Gill - *Goldman Sachs - Analyst*

Hi, good morning. Thank you for taking my call. On the natural gas side specifically, can you speak to the competitive environment? We've heard of significant price competition from Weichai. How has that impacted your own pricing tactics on the nat gas side?

Benny Goh - *China Yuchai International Limited - President*

Weichai has also got their own gas capability, but right now what we are seeing is that because of the heavy-duty market being very depressed this year, we are focusing a lot more now on our buses. And I think this is where we have been doing relatively well. We've captured quite a lot of the bus market share.

Pricing-wise, I think it is natural. And just like in diesel engine and in natural gas, we've a depressed market. As we see this year, prices are being pushed down and everybody is fighting over the same orders.

Ravi Gill - *Goldman Sachs - Analyst*

Okay. And then on the opportunity in buses, can you frame the size of the bus market and your view of the current penetration rate of natural gas? And then where do you think that percentage goes over the next three to five years? And when I talk about penetration I mean how many buses are nat gas versus the total population.

Benny Goh - *China Yuchai International Limited - President*

Right. I think for our buses, the nat gas penetration can be higher, because buses being municipal and the infrastructure of nat gas within a city is easier to construct, as opposed to, say, between cities where heavy-duty diesel engines are being applied for city to city. So what we are probably looking at, I anticipate will be at least more than 50% to 70% of the natural gas can penetrate into the bus market.

As to the number itself, I don't have that yet. I don't have the full numbers with me right now. But if you look at what Yuchai has done, last year we sold about 13,000 units. This year we're going to sell double that number. And we are close to about 30% to 40% market share. So that's really if look you at the numbers.

Ravi Gill - *Goldman Sachs - Analyst*

Thanks. And I guess what proportion of that is buses versus trucks of your nat gas engine sales?

Benny Goh - *China Yuchai International Limited - President*

Right now the numbers I quoted are for the buses, so that's the full bus number that we have.

Ravi Gill - *Goldman Sachs - Analyst*

Okay. All right, thank you for taking my question.

Benny Goh - *China Yuchai International Limited - President*

You're welcome, Ravi.

Operator

(Operator Instructions). Your next question will come from Jonathan Brodsky with Advisory Research.

Jonathan Brodsky - *Advisory Research - Analyst*

Good evening, gentlemen. Thank you for the time. I'd like to ask some questions about the receivables. It seems that the receivables continue to stay at a relatively elevated level and, given the decline in sales, I would have expected that to come down. Can you talk about whether or not you're seeing any write-offs in your receivables, or what the profile of those receivables looks like?

Kok Ho Leong - *China Yuchai International Limited - CFO*

Okay. Linked to the receivables, I think you are right to say that they remain fairly stable, although our sales have come down considerably as a result of the market. There are some forces behind, because especially with the larger players, those OEMs, more established clients, there is a continual request from them to extend their credit, to give them a larger credit. This is as the result of the current tight market situation.

Predominantly for us, we are dealing with those large players that are the main manufacturers of trucks and buses. So that accounts for this high -- I wouldn't say high -- maintaining this same balance of accounts receivable as a result of that.

Another factor that you may see is also because as we embark on more issuing of bonds, our discounting of the receivables may go down. Because we will compare the cost of bonds, particularly short-term bonds at the moment, that is the only instrument we have which is in the mid to 3% -- middle 4%, 4.5% to 5% range. This is still a very competitive rate as compared to you take your receivables and discount them. So that's the reason why the interest rate with the customer as well as the money market at the moment, you will see our accounts receivable maintained in the same level.

As for your second part of the question, does our profile of the accounts receivables deteriorate, my quick answer is, no, they are not deteriorating in the sense that we are not giving credit to the small players. We are giving credit to bigger players. In that sense our credit is under check. So that explains for the inter-play of the accounts receivable.

Maybe at the same time I will answer a similar question. Again, there are different questions sent in by writing saying that do we expect our accounts receivable for Q4 to go down or to discount them.

Okay, basically, there are two factors at play. If you look at our Company's financials, we usually have a lower accounts receivable in the middle of the year as well as the end of the year. That is the time when we have a concerted effort to ask the clients and to require the clients to clear their accounts before the new year begins or the new second half begins. So that will somewhat help to reduce accounts receivable. But, most importantly, the receivables depend on the money market, so once the money market is okay then we will play accordingly. Thank you.

Jonathan Brodsky - *Advisory Research - Analyst*

Are any of the OEM providers suffering from financial distress, or are they all in reasonably okay financial shape?

Benny Goh - *China Yuchai International Limited - President*

Our OEM customers are in relatively good shape right now. So I think that it's a good thing, because we make sure that our customers have good credit before we extend them any special terms.

Jonathan Brodsky - *Advisory Research - Analyst*

So, just to close out my questions, do you feel confident that the receivables, although the time period to collect has been extended, you don't feel as if these receivables are likely to go into default?

Benny Goh - *China Yuchai International Limited - President*

Yes, that's right. We do not see any delinquent customers right now.

Jonathan Brodsky - *Advisory Research - Analyst*

Thank you.

Operator

Your next question will come from Bruce Lu, Libra Capital.

Bruce Lu - *Libra Capital - Analyst*

Yes, hello. Hi, I have two questions. First, what is your sales volume of diesel engines for heavy-duty trucks in the first nine months of the year? And what is the breakdown of the major customers?

And, second, I heard Dongfeng is developing their own technology, so is it a concern to you that they will buy less from you? Thanks.

Benny Goh - *China Yuchai International Limited - President*

I think I'll answer the second part of the question first. Dongfeng is a very big customer of ours and it continues to be -- will be a big customer, although they have some partnerships and I think everybody knows that they have a partnership with Cummins, for example. What we are continuing to do, is that we are supplying them in a different segment of their requirements and the partnership is still very good and we do not see that deteriorating.

To your first part of your question, what's the sales volume for our heavy-duty engines, total truck engines we are selling this year is about 175,000 units. And at the end of 2012 and the next quarter we are selling almost the same number thereabouts. That's right, about 220,000 or so.

Bruce Lu - *Libra Capital - Analyst*

I didn't get that. 170 units -- 270,000 units?

Benny Goh - *China Yuchai International Limited - President*

175,000 units of overall engine trucks this year.

Bruce Lu - *Libra Capital - Analyst*

Right, yes. What is the number for heavy-duty trucks?

Benny Goh - *China Yuchai International Limited - President*

If you look at our breakdown it's around 60/40, so...

Bruce Lu - *Libra Capital - Analyst*

So 60% of the 175,000 are -- 60% of it are for heavy-duty trucks, is it?

Benny Goh - *China Yuchai International Limited - President*

No, we don't want to give a figure, but we said earlier on that our breakdown of light to heavy duty is in the region of 60/40, in that region. We are actually selling more light duty than heavy duty.

Bruce Lu - *Libra Capital - Analyst*

Okay, thanks. So what is the biggest customer for heavy-duty truck engines?

Benny Goh - *China Yuchai International Limited - President*

The major customer that we see just now that's Dongfeng. We also have JAC and also we have Foton. These are a few big customers that we have.

Bruce Lu - *Libra Capital - Analyst*

Okay. Great, thanks.

Operator

(Operator Instructions). Your next question will come from Bin Wang with Bank of America Merrill Lynch.

Bin Wang - *BofA Merrill Lynch - Analyst*

Thank you so much everybody. Actually, I have a follow-up question about the demand forecast. You just said that next year you're looking at about 800,000 units for heavy trucks in China. From the first ten months net sales you implied that sales maybe in this year will be 650,000. So you have forecasted about 22% to 25% growth year over year. That is big growth. So do you considering that restocking has contributed about 10% growth, or just don't consider adding restocking? Thank you so much.

Benny Goh - *China Yuchai International Limited - President*

I'm sorry, can you just please repeat?

Bin Wang - *BofA Merrill Lynch - Analyst*

Okay. From the first ten months number, the heavy truck sector sales was around in a full year about 650,000 units this year. Despite that forecast for the full year, your 2013 will be around 800,000 units, which implies growth of maybe 22% to 25% year over year. So my question, did your 20% increase include restocking help, or just an organic growth? Thank you.

Benny Goh - *China Yuchai International Limited - President*

Let me just repeat your question. You're asking whether we see any uptick or any increase in the numbers. Well, actually, what we are looking at is that this year, although the market was expected to be about 800,000 units, but I think this year the numbers are much lower. We see much softer, it could be actually around 650,000 units. So it's not really growing at the moment. So from that angle we will not see much growth until probably in the middle of Q2 of next year before the market recovers.

Bin Wang - *BofA Merrill Lynch - Analyst*

How about the restocking? Did you consider restocking next year?

Benny Goh - *China Yuchai International Limited - President*

Restocking next year? Right now we are seeing taking down inventory, so I'm not sure whether -- that won't be taking place until probably maybe in the second quarter I would envisage.

Bin Wang - *BofA Merrill Lynch - Analyst*

Thank you.

Benny Goh - *China Yuchai International Limited - President*

Okay. We'll probably see if any webcast questions are coming out. I think there's a question that's asking about hybrid engines, discussing what hybrid engines are we going to release.

No, actually, we are proud to say that our hybrid engines, we have actually introduced hybrid engines almost a couple of years back and it has been successfully sold in some of our buses before we introduced our gas engines. So this is one area.

And of course hybrid engines being what they are because it is a mixture of both, is obviously a bit more expensive than the diesel or the gas engines standalone. So we don't see that as a big market at the moment. In fact, the gas engines are much more attractive.

And there's a question that asks how many gas engines are sold year to date. Right now, we have sold close to over 20,000 in this year.

Okay, operator, are there any questions?

Operator

(Operator Instructions). Your final question will come from --

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Benny Goh - *China Yuchai International Limited - President*

(Multiple speakers).

Kok Ho Leong - *China Yuchai International Limited - CFO*

This is a question that we've heard many times, but it's good -- also good to refresh. Because the question is, why are we holding so much cash at the same time we have loans (inaudible).

But the point is just our main operating company, GYMCL, is such a big company, we always have to maintain a very strong tie with the banks. So we will always continue to explore various other instruments, whether it's bonds -- a mid-term bond or a short-term bond, option, or various funding facilities such as bill discounting or AR factoring. That is the reason why we maintain this balance.

But if you look at our bank balance, even RMB4 billion of bank balance are not considered high compared to our total annual turnover of RMB12 billion to RMB15 billion a year. So that is the scenario that we are always playing with.

The other point that people always ask is our finance costs as they are increased. We always look at our Company in the way that we have been funding a lot of the internal upgrading of our facilities with our internal funds. So over time we need to continue to invest in our cap-ex as well as to explore new product development. So you can see we are reaching to a stage that we have to maintain this initiative.

Benny Goh - *China Yuchai International Limited - President*

Okay, operator, maybe we can have the last question?

Operator

Your final question will come from Jeff Geygan with Milwaukee Private Wealth Management.

Jeff Geygan - *Milwaukee Private Wealth Management - Analyst*

Thank you for taking my call today. Under other operating income can you please provide more detail to the nature of the foreign exchange revaluation gains?

Kok Ho Leong - *China Yuchai International Limited - CFO*

Yes. Okay, we have a Singapore dollar loan to one of the related companies, but this occurred because the loan is denominated in Singapore dollars, whereas, our book is maintained in US dollars. And when we do the final number in the results, we do it in remnimbi. So when Singapore dollars appreciate against US dollar, which occurred in this year, we will have foreign exchange gain as a result of this. So that is what you see in both Q3 as well as our year to date. Okay. This is the main driver.

Jeff Geygan - *Milwaukee Private Wealth Management - Analyst*

All right, and second and final question. You indicate that your Research and Development Institute should be completed by mid '13, giving you the ability to compete globally. What type of opportunity do you see for exporting your engines, if that's, in fact, what you meant?

Benny Goh - *China Yuchai International Limited - President*

Well, we are improving our capability in emissions. We are talking about our capability in high horsepower. We are looking at also engine capability. So these are our key areas that we are developing and this could put us in a good position to grow globally. And of course what you're also alluding to is how we need to improve our marketing for this brand name. I think that's the key point behind that. Core technology is already there.

Benny Goh - *China Yuchai International Limited - President*

Okay, thank you, Jeff.

Operator

We have now reached the end of our Q&A session and I will turn the call back over to Mr. Goh.

Benny Goh - *China Yuchai International Limited - President*

Thank you all for participating in our third-quarter 2012 earnings call. We look forward to speaking with you again. Thank you and goodbye.
