China Yuchai International Limited

GEARING TO PERFORM

ANNUAL REPORT 2023

CONTENTS

Yuchai's YCK08 engine compliant with National VI & Euro 6 emission standards is for use in medium-duty and special purpose trucks, highway coaches and buses. It has a displacement volume of 7.7 liter and a maximum power output of 350 PS with a maximum torque of 1400 N-m.

CHINA YUCHAI'S CORE IDEALS

玉柴国际的核心理念

VISION

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

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

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

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

K05/K08 Cylinder Head Finishing Line

FINANCIAL HIGHLIGHTS

	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	**18,046,349**	16,030,636	21,265,930
Profit for the year	**422,856**	335,661	407,894
Total assets	**25,757,618**	24,137,556	24,905,309
Equity attributable to equity holders of the Company	**9,226,528**	9,008,946	8,859,152

	2023 RMB	2022 RMB	2021 RMB
Earnings per share attributable to equity holders of the Company (RMB per share)	**6.99**	5.35	6.67
Weighted average number of shares	**40,858,290**	40,858,290	40,858,290

WE SOLD

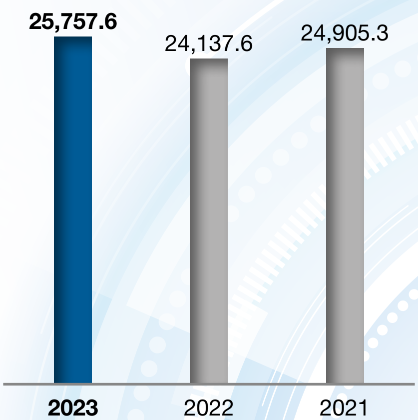
313,493

UNITS OF ENGINES

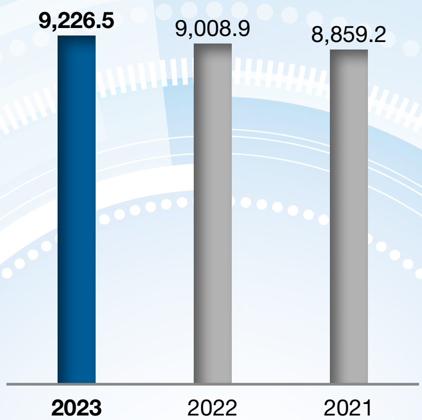
The YCS04 engine compliant with National VI emission standards is for use in light to medium-duty buses and trucks. It has a displacement volume of 4.16 liter and a maximum power output of 180 PS with a maximum torque of 650 N-m. The upgraded Yuchai S04220-61 series of engines were the first Chinese engines certified by the UN R49.07 Euro VI E stage emission standard. This designation has facilitated greater access for Yuchai's engines to European and North America markets.

FINANCIAL HIGHLIGHTS

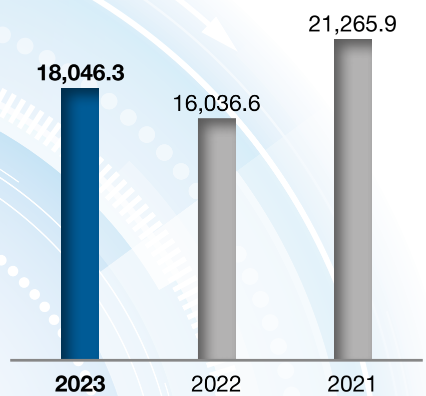
TOTAL ASSETS
(RMB Million)



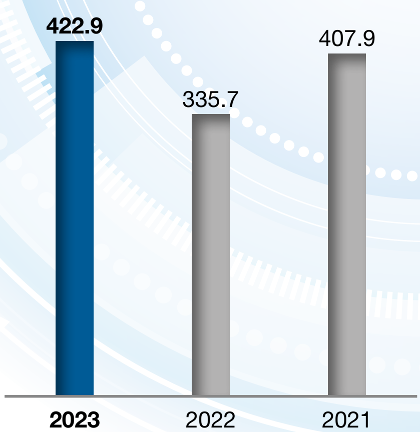
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(RMB Million)



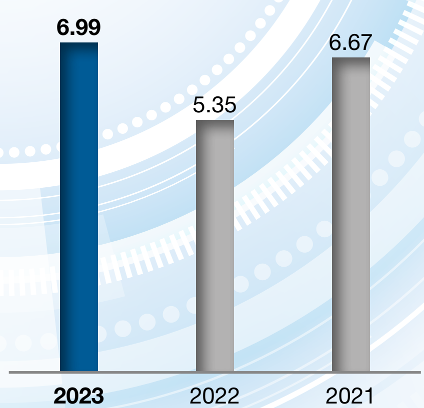
REVENUE
(RMB Million)



PROFIT FOR THE YEAR
(RMB Million)



EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(RMB)



PRESIDENT'S STATEMENT

Dear Shareholders,

The economic landscape of 2023 was a complex picture for China, marked by a notable recovery in GDP growth to 5.2%, a significant improvement from the previous year's 3.0%. This rebound can be partially attributed to the elimination of COVID-19 restrictions, which had previously hampered economic activity. Despite this positive development, consumer confidence suffered, impacted by lower retail and producer prices, and the real estate development market remains challenging. As one of the leading powertrain producers in China, we were not immune from the challenging market environment, but we still found growth opportunities and delivered further improvement in our operations.

We experienced a slight decline in total unit sales, down by 2.4%, reflecting the mixed performance across various end markets. However, we still managed to grow our topline as our diverse product and service portfolio provided a buffer against market volatility, creating business resilience in the difficult environment. Operational streamlining efforts, focusing on asset efficiency, sales of larger-rated engines, and cost management, bore fruit leading to improved margins and earnings, alongside positive operating cash flow. Additionally, our foray into new energy products was met with a 27.3% increase in orders, signaling a growing market acceptance and an avenue for future growth.

The performance in 2023 of our main operating subsidiary, Guangxi Yuchai Machinery Company Limited ("Yuchai"), reflected varying trends across different sectors. Despite a slight decrease in overall unit sales from the previous year, combined on-road truck and bus engine sales rose by 1.2% year-over-year with growth in the heavy- and medium-duty truck sectors. However, the significant 35.2% increase in heavy-duty truck engine sales in the second half of 2023, partially due to seasonal demand including coal transportation, is a testament to the robust performance and reliability of our advanced engines. We also maintained our position as the leading supplier of medium-duty engines in the truck market, building upon the reputation of premium quality in medium-duty truck category. Despite fierce competition from New Energy Vehicle ("NEV") buses, our bus engine sales increased by 48.0% in 2023 significantly outpacing the China Association of Automobile Manufacturers ("CAAM") bus market's growth for diesel and gas engines. This success was driven by sales in the heavy- and medium-duty bus categories, where we saw increases of 101.4% and 37.4%, respectively. We have long been a leading engine supplier to the Chinese premium bus market segment. Our consistent dedication to innovation and customer satisfaction is a driving force behind these encouraging results.

In contrast, the off-road market experienced a 6.3% decline in unit sales, largely due to a 20.5% decrease in the large agricultural equipment sector, attributed to reduced purchase incentives. However, this was balanced by gains in the industrial, and marine and power generator markets. Power shortages and rapidly rising demand from data centers, bolstered stronger sales in heavy-duty and high horsepower ("HHP") engines. Furthermore, Yuchai's commitment to innovation is evident in the growth of new energy product sales.

Financial performance in 2023 was marked by a 12.6% increase in revenue to RMB 18 billion, or US$ 2.5 billion. This growth was primarily driven by an uptick in sales across heavy- and medium-duty segments in the bus, truck and industrial markets, as well as a boost in HHP engine sales within Yuchai's power generation sectors. Gross profit grew faster at 16.7%, reaching RMB 2.9 billion, or US$ 410.4 million. Gross margin also improved to 16.2% from 15.6% in the previous year and with a notable expansion from 13.0% in 2021. This increase in gross margin is attributable to a strategic shift towards a higher revenue contribution from heavy-duty engines, augmented sales of off-road engines, and relentless efforts in cost reduction.

As a part of our reorganization plan, the divestiture of Yuchai Remanufacturing Services (Suzhou) Co., Ltd. created a gain of RMB 113.0 million. This gain is a substantial addition to net other operating income which saw an increase to RMB 442.4 million (US$ 62.3 million) in 2023 from RMB 336.8 million in 2022. Operational income without this gain would have been RMB 329.4 million (US$ 46.4 million). This one-time event has provided an opportunity to reallocate resources towards more profitable operations.

Our commitment to research and development ("R&D") is evident by higher expenditures to RMB 1.1 billion (US$ 149.6 million), representing 5.9% of the revenue, compared with RMB 1.0 billion in 2022. By focusing on the enhancement of National VI(b) and Tier-4 emission standard compliant engines, we maintained our position as one of the industry's technology leaders. Part of our strategy is to be one of the first to introduce engines meeting new emission standards. We have already initiated a program to identify the requirements for the next on- and off-road emission standards. This proactive approach to meeting new emission standards not only demonstrates our commitment to corporate environmental responsibility, but also showcases our next generation products to draw attention from our customers. Being an early adopter strengthens our technological reputation and offers valuable early market experience to effectively meet clients' needs. We have also increased our investment in NEV technologies to increase product development in this fast-

PRESIDENT'S STATEMENT

REVENUE
RMB **18** billion
↑12.6%

GROSS PROFIT
RMB **2.9** billion
↑16.7%

growing market. Our investment in R&D and early market entry is a testament to our commitment to quality, performance, and customer satisfaction.

On the earnings perspective, we reported a significant increase in net profit for our shareholders, marking a 30.6% rise to RMB 285.5 million, or US$ 40.2 million in 2023. This growth translated to an increase in earnings per share to RMB 6.99, or US$ 0.98, from RMB 5.35 for 2022. A more profitable performance from MTU Yuchai Power Company Limited and reduced losses from the Y&C Engine Co., Ltd. and Guangxi Purem Yuchai Automotive Technology Co., Ltd. operations enhanced net profitability. This financial performance also reflects the strategy of using subsidiaries and joint ventures to enhance the main operations and address new market opportunities.

Our improved business led to a robust growth in cash and bank balances, reflecting a strong fiscal position. Our cash and bank balances increased to RMB 6.0 billion (US$ 850.2 million) at the end of 2023, compared with the cash and bank balances of RMB 4.9 billion as of December 31, 2022. This financial strength supports ongoing operations and facilitates strategic investments in product development and business alliances. The commitment to shareholder returns is further demonstrated by the consistent distribution of cash dividends, with the latest payment of US$ 0.28 per share in August 2023.

In preparation for the next wave of growth, we made a few strategic moves in 2023.

The introduction of new NEV products into the Chinese market marks a significant advancement in sustainable transportation. Our growing portfolio of NEV products are contributing to global efforts to reduce carbon emissions and foster a greener future. In 2023, Yuchai's NEV products included the YCA07N hybrid engines which are now powering Yutong Group's 10-meter gas-electric hybrid buses in the City of Nanjing. Yuchai's subsidiary, Yuchai Xin-Lan New Energy Power Technology Co., Ltd. ("Yuchai Xin-Lan") introduced a parallel hybrid powertrain system, model S06-100kW P1, for SANY Group's 12-cubic-meter mixer trucks, and a 350-horsepower hybrid electric drive continuously variable transmission ("hybrid CVT") powertrain system for agricultural tractors and other industrial applications. Guangxi Yuchai Marine and Power Genset Co., Ltd. ("MGP") made a significant stride in sustainable energy in non-vehicle markets with its latest contract to install 16 units of Yuchai's YC16VCN engines integrated into a ferroalloy off-gas power generation system. MGP's system recycles a hazardous waste and converts it into a valuable energy source enhancing safety by eliminating the off-gas while reducing greenhouse gas emissions. This system is expected to boost electrical power efficiency by an impressive 40%, generating over 160 million kilowatt-hours of electricity annually while also significantly cutting down carbon dioxide emissions. These low-emission alternatives to traditional internal combustion engines deliver robust power and greater fuel efficiency with high reliability and durability.

Yuchai's strategic restructuring, initiated in 2021, has led to the creation of Guangxi Xing Yun Cloud Technology Co., Ltd. This subsidiary is developing proprietary operating systems tailored for data analytics enhancement in smart and connected solutions. These solutions are applicable to a wide range of vehicles and machinery, mainly for off-road applications. The focus on IT operations, digital project development, and intelligent network creation within the Yuchai group signifies the importance of information technology integration in industrial operations. Furthermore, prior to 2023, the consolidation of marine and power generator businesses under MGP, reflects a move towards a more unified and efficient corporate structure. The establishment of specialized business groups allows for enhanced operational control, fostering an environment conducive to innovation, resource optimization, and improved business performance.

In summary, China's economy began recovery in 2023 and is expected to generate further growth in 2024, despite ongoing challenges. Our already extensive range of leading powertrain products is being augmented by the expansion of our NEV product portfolio showcasing our adaptability to address a changing domestic economy. The collaborations with industry leaders such as Yutong Bus, SANY Group, Liugong Agricultural Machinery, and Dongfeng underscores our strong capability in meeting demand for product development and manufacturing standards across diverse industries. Diversification and innovation in product offerings solidify our market leadership, and facilitates entry into new markets, ultimately enhancing our long-term shareholder value.

Weng Ming HOH
President
June 21, 2024

总裁致词

尊敬的股东：

2023年中国经济形势复杂，GDP增速显著回升至5.2%，较上一年的3.0%大幅提升。这一反弹部分归因于解除先前妨碍经济活动的COVID-19限制。尽管取得了积极的进展，但零售和生产价格下调影响了消费者的信心，房地产开发市场依然面临挑战。作为中国主要的动力系统生产商之一，我们在充满挑战的市场环境中仍然找到增长机会，并在运营方面得到了进一步改善。

我们的总销量轻微下跌2.4%，反映了不同终端市场的表现差异。但是，我们多样化的产品和服务组合为应对市场波动提供了缓冲，增强了我们在困难环境中的业务弹性，仍然成功实现了收入增长。努力优化运营，关注资产使用率、大功率发动机的销售和成本控制，均取得了成效，使利润率和收益得以提高，同时实现了正向的经营现金流。此外，我们在新能源产品领域取得了27.3%的订单增长，表明市场接受度的提升和未来的增长潜力。

在2023年，我们的主要子公司广西玉柴机器股份有限公司（"玉柴"）的业绩在不同板块表现出不同的趋势。尽管整体销量较上一年略有下降，伴随重型和中型卡车市场的增长，我们的道路卡车和客车发动机合并销量同比增长1.2%。在2023年下半年，重型卡车发动机销量激增35.2%，部分归因于季节性需求，包括煤炭运输。这充分证明了我们发动机的强劲性能和可靠性。我们保持了在卡车市场中型发动机供应商中的领军地位，进一步巩固了我们在中型卡车类别的良好声誉。尽管面临新能源客车的激烈竞争，在2023年，我们的客车发动机销量仍增长48.0%，明显超过中国汽车工业协会（"中汽协"）客车市场柴油和燃气发动机的增长率。这一成功主要归功于重型和中型客车发动机销量的大幅增长，分别实现了101.4%和37.4%的增长。我们长期以来一直是中国高端客车市场的领先发动机供应商。我们的持续创新和对提升客户满意度的不懈努力是取得这些令人鼓舞成绩的主要驱动力。

相比之下，非道路市场发动机销量下降了6.3%，主要是由于大型农机设备市场板块的销量下降20.5%，这归因于购置激励措施的减少。然而，工业、船舶和发电机市场的增长弥补了这一不足。电力短缺和数据中心需求的快速增长促进了重型和大马力发动机的销售。此外，玉柴对产品创新的承诺在新能源产品的销售增长中得到了体现。

2023年，财务业绩表现显著，收入增长12.6%，达到人民币180亿元（25亿美元）。这些增长主要得益于客车、卡车和工业市场中重型和中型细分市场的销售增长，以及玉柴在发电领域大马力发动机销售的提升。毛利增长16.7%，达到人民币29亿元（4.104亿美元）。毛利率从去年的15.6%提高至16.2%，相比2021年的13.0%有显著提升。毛利率的增长归因于向收入贡献较大的重型发动机战略转移，非道路发动机销量的增长，以及在降低成本方面的不懈努力。

> **新能源汽车产品在中国市场的不断推出，标志着可持续交通领域的重大进展。我们持续增长的新能源汽车产品组合正在为全球减少碳排放和共建绿色未来贡献力量。**

作为重组计划一部分，出售玉柴再制造工业（苏州）有限公司产生人民币1.13亿元的收益，使得其他营业收入净额大幅增加，从2022年的人民币3.368亿元增加至2023年的人民币4.424亿元（6,230万美元）。若不计算这一收益，其他营业收入将为人民币3.294亿元（4,640万美元）。这个一次性项目为将资源整合到高盈利业务提供了机会。

我们的研发支出增加至人民币11亿元（1.496亿美元），占收入的5.9%，而2022年为人民币10亿元，这体现了我们对研发的投入。通过专注提升国六（b）和第四阶段排放标准的发动机，我们保持了行业技术领先者之一的地位。我们的战略之一是率先推出符合新排放标准的发动机。我们已启动项目，识别下一个道路和非道路排放标准的要求。这种积极主动应对新排放标准的做法不仅体现了我们对企业环保责任的承诺，也展示了我们的下一代产品，以吸引客户的关注。成为新技术的先行者，强化了我们的技术声誉，并为有效满足客户需求提供了宝贵的早期市场经验。我们增加对新能源汽车技术的投入，务求在这个快速增长的市场中加强产品开发。我们在研发及进入早期市场方面的投入，印证了我们对质量、性能和客户满意度的承诺。

收益方面，股东净利润显著增长，2023年增长30.6%，达到人民币2.855亿元（4,020万美元）。该增长反映在每股收益的增加上，从2022年的人民币5.35元增至人民币6.99元（0.98美元）。玉柴安特优动力有限公司盈利能力增强，以及玉柴联合动力股份有限公司和广西普赫姆玉柴汽车技术有限公司业务亏损减少，增强了我们的净盈利能力。该财务表现也反映了利用子公司和合资企业加强主体运营、抓住新市场机遇的战略需要。

总裁致词

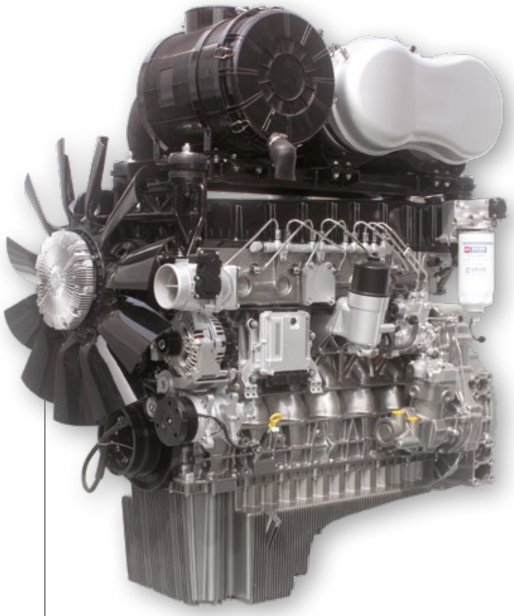
我们的业务提升推动了现金和银行存款强劲增长，反映出强劲的财务状况。2023年底，我们的现金和银行存款增至人民币60亿元（8.502亿美元），而截至2022年12月31日的现金和银行存款为人民币49亿元。财务实力支撑着持续运营，并促进了产品开发和业务联盟的战略投资。我们对股东回报的承诺进一步体现在持续分配现金股利上，最近一次派息为每股0.28美元，于2023年8月支付。

为迎接下一波增长，我们在2023年采取了一系列战略举措。

新能源汽车产品在中国市场的不断推出，标志着可持续交通领域的重大进展。我们持续增长的新能源汽车产品组合正在为全球减少碳排放和共建绿色未来贡献力量。2023年玉柴的新能源汽车产品包括YCA07N混合动力发动机，目前正在为宇通集团在南京市使用的10米气电混动客车提供动力。玉柴子公司玉柴芯蓝新能源动力科技有限公司（"玉柴芯蓝"）为三一集团12立方米搅拌车推出了型号为S06-100kW P1的并联混合动力系统，以及适用于农用拖拉机和其他工业应用的350马力混合动力电驱动无级变速器（"混合CVT"）动力总成系统。广西玉柴船电动力有限公司（"玉柴船电"）在非车辆市场的可持续能源领域取得了重大进展，最新签订了合同以安装16台

National VI Engine Production Line

玉柴YC16VCN发动机集成到铁合金废气发电系统中。玉柴船电的系统可以将危险废气回收并转化为有价值的能源，提高安全性，同时减少温室气体排放。预计该系统将提高40%的电力效率，每年可产生超过1.6亿千瓦时的电力，同时大幅减少二氧化碳排放。这些传统内燃机的低排放替代方案可提供强劲的动力和更高的燃油效率，具有高可靠性和耐用性。



Yuchai's YCK09 engine compliant with National VI emission standards is for use in medium- to heavy-duty trucks, highway coaches and buses. It has a displacement volume of 9.41 liter and a maximum power output of 380 PS with a maximum torque of 1800 N-m.

玉柴自2021年启动的战略性架构重组，促成了广西星网智云科技有限公司的创立。该子公司开发专为提升智能和互联解决方案的数据分析而定制的专有操作系统。这些解决方案适用于各类车辆和机械，主要用于非道路应用。玉柴对信息化运营、数字化项目开发和智能网络建设的重视，表明了信息技术整合在工业运营中的重要性。此外，在2023年前，将船力和发电机业务整合至玉柴船电，反映出公司朝着更统一和高效的企业结构迈进。专门化业务组的设立加强了营运控制，营造了有利于创新、资源优化和业务绩效提升的环境。

总体而言，尽管面临持续的挑战，中国经济在2023年开始复苏，预计2024年将进一步增长。我们广泛领先的动力系统产品正在通过扩展新能源汽车产品组合得到增强，展示了我们应对不断变化的国内经济的适应能力。与宇通客车、三一集团、柳工农机和东风汽车等行业领军企业的合作，凸显了我们在满足各行业产品开发和制造标准需求方面的实力。产品组合的多样化和创新巩固了我们在市场的领先地位，有助于进入新市场，最终实现我们股东价值的长期增长。

何永明
总裁
2024年6月21日

CORPORATE BACKGROUND

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

China Yuchai, through six wholly owned subsidiaries, owns a controlling 76.4% equity interest in its principal operating subsidiary, Guangxi Yuchai Machinery Company Limited ("Yuchai"). With its headquarter and primary manufacturing facilities in Yulin City, Guangxi Zhuang Autonomous Region, Yuchai engages in the manufacture, assembly and sale of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, passenger vehicles, construction equipment, marine and agriculture applications. Yuchai also produces engines for diesel-powered generators. The engines produced by Yuchai range from diesel and natural gas engines, fuel cells, hybrid-powered systems, pure electric systems, range extenders, electric drive axle, etc. Through its regional sales offices and authorized customer service centers, Yuchai distributes its engines directly to OEMs, retailers and agents, and provides maintenance and retrofitting services throughout China.

Yuchai's first release of Alternative Fuel Combustion Engine during National Science & Technology event held on 30 May 2023.

Found in 1951, Yuchai has established a reputable brand name, strong research and development team and significant market share in China with high-quality products and reliable after-sales support. In 2023, Yuchai sold 313,493 engines and is recognized as a leading manufacturer and distributor of engines in China.

China Yuchai also holds a 48.9% shareholding interest in HL Global Enterprises Limited ("HLGE") which is listed on the main board of the Singapore Exchange. HLGE currently operates the Copthorne Hotel Cameron Highlands, a hotel in Cameron Highlands, Malaysia.

公司背景

中国玉柴国际有限公司(“玉柴国际”)是一家成立于1993年4月29日的百慕大控股公司，在纽约证券交易所上市，代号为CYD，主要业务在中国。它是新加坡丰隆亚洲有限公司的子公司。

玉柴国际通过6家全资子公司，拥有其主要运营子公司广西玉柴机器股份有限公司(“玉柴”)76.4%的股权。玉柴的总部和生产基地位于中国广西壮族自治区玉林市，从事各种轻、中、重型的卡车、客车、乘用车、建筑设备、船舶和农业用发动机的制造、组装和销售。玉柴也生产柴油动力发电发动机。它的产品包括柴油机、燃气机、燃料电池、混合动力系统、纯电动系统、增程器、电驱动桥等。通过地区销售点和授权客服中心，玉柴直接销售发动机给原始设备制造商、代理商和经销商，并提供全国维修和改装服务。

创建于1951年，玉柴凭借高质量的产品和可靠的售后支持，在中国建立了声誉良好的品牌、强大的研发团队和可观的市场份额。2023年，玉柴销售发动机313,493台，被认为是中国领先的发动机制造商和销售商之一。

玉柴国际还持有新加坡交易所主板上市的丰隆环球有限公司(“HLGE”)48.9%的股权。HLGE目前经营着位于马来西亚金马伦高原国敦大酒店。

OUR SERVICE PRESENCE

Guangxi Yuchai Machinery Company Limited
广西玉柴机器股份有限公司总部

44 regional offices
44个玉柴办事处

With over 3,000 authorized domestic customer service stations
超过3,000家玉柴授权国内服务站

Sales and service support in over 100 countries

DIRECTORS AND EXECUTIVE OFFICER 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 February 29, 2024, there were nine 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, Stephen Ho Kiam Kong, Hoh Weng Ming and Wong Hong Wai as its nominees. Messrs. Li Hanyang and Wu Qiwei 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 officer as of February 29, 2024 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
Stephen HO Kiam Kong	Director	2020
LI Hanyang [1]	Director	2021
WU Qiwei [1]	Director	2012
NEO Poh Kiat [1][2][3]	Independent Director	2005
XIE Tao [1][2][3]	Independent Director	2019
WONG Hong Wai [3]*	Independent Director	2023
LOO Choon Sen [1]	Chief Financial Officer	2021
Conyers Corporate Services (Bermuda) Limited	Secretary	2015

(1) Also a Director of Yuchai.
(2) Member of the Compensation Committee.
(3) Member of the Audit Committee.
(4) Also a Director of HLGE.
* Mr. Wong Hong Wai was appointed as a Director of the Company with effect from March 1, 2023 and was subsequently re-designated as an Independent Director with effect from April 21, 2023. He was also appointed as a member of Audit Committee on November 3, 2023.

Note: Mr. Ho Raymond Chi-Keung retired as a Director of the Company on August 7, 2023. Concurrently with his retirement, Mr. Ho also stepped down as a member of the Audit Committee and the Compensation Committee of the Company.

BOARD OF DIRECTORS

Mr. HOH Weng Ming is the President and a Director of the Company as well as a Director of Yuchai and HLGE. With over 35 years of professional experience across Singapore, Malaysia, New Zealand, Hong Kong and China, Mr. Hoh brings a wealth of regional expertise to his roles. He was previously the Financial Controller of the Company from 2002 to 2003, the Chief Financial Officer of the Company from 2008 to 2011 and the Chief Financial Officer of Hong Leong Asia from 2011 to 2013. Prior to that, he had worked in various roles with companies including Johnson Electric Industrial Manufactory Limited and Henan Xinfei Electric Co., Ltd. Mr. Hoh has a Bachelor of Commerce Degree majoring in Accountancy from the University of Canterbury, Christchurch and a Master of Business Administration from the Massey University (both in New Zealand). He is a Chartered Accountant in New Zealand and a Fellow Member of the Hong Kong Institute of Certified Public Accountants.

Dato' GAN Khai Choon is a Director of the Company, Yuchai, Grace Star, and Venture Delta, as well as the Non-Executive Chairman of HLGE. He is also the Managing Director of Hong Leong International (Hong Kong) Limited and an Executive Director of Hong Leong Hotel Development Limited. Dato' Gan 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 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. Dato' Gan is related to Mr. Kwek Leng Peck.

Mr. KWEK Leng Peck is a Director of the Company and Yuchai. He also serves as the Executive Chairman of Hong Leong Asia and an Executive Director of Hong Leong Investment Holdings Pte. Ltd., Hong Leong Corporation Holdings Pte. Ltd and Hong Realty (Private) Limited. He also sits on the boards of HL Technology, Hong Leong China, Well Summit Investments Limited and Hong Leong Finance Limited, as well as other affiliated companies. Mr. Kwek has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in Hong Leong Group real estate developments, investments and hotel operations. Mr. Kwek is related to Dato' Gan Khai Choon.

Mr. Stephen HO Kiam Kong is a Director of the Company, Grace Star, and Venture Delta. He also serves as the Executive Director and Chief Executive Officer of Hong Leong Asia. He also sits on the boards of HL Technology, Hong Leong China and Well Summit and other affiliated companies. Mr. Ho has extensive experience in finance, treasury and risk management from his executive positions previously held at Wilmar International Limited and a Dutch multinational corporate, Royal Philips. Prior to his financial management role, Mr. Ho worked for major international financial institutions in Singapore, Hong Kong and New York in the areas of corporate banking, global markets trading, marketing and sales. Mr. Ho holds a Bachelor of Commerce and Administration Degree from Victoria University of Wellington, New Zealand and had completed the Advanced Management Program at the Harvard Business School, Boston, US.

Mr. LI Hanyang was appointed as Director of the Company on May 12, 2021. He was also Chairman of Yuchai's Board and Chairman of the GY Group (an 18.20% shareholder of the Company). Mr. Li started his career with Yuchai as a production preparation section chief in 1993 and was gradually promoted to deputy general manager of Yuchai in 2000. He was transferred to GY Group in 2002 and since then he has served in various managerial position including chief engineer, director, chairman and party secretary of GY Group and its subsidiaries. Mr. Li holds a Bachelor's degree in Mechanical Design and Manufacturing from Tsinghua University and an MBA from the School of Management, Huazhong University of Science and Technology.

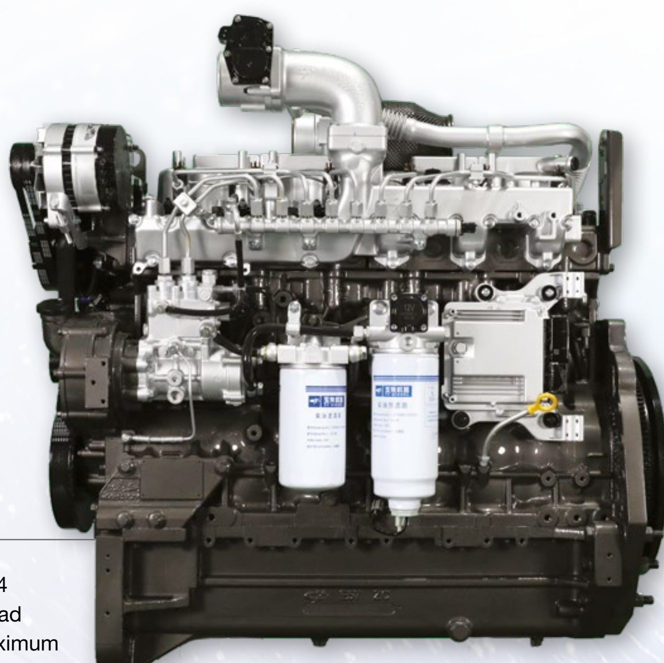
Dr. WU Qiwei was elected as Director of the Company on July 23, 2021 after serving as Alternate Director of the Company to Mr. Yan Ping since 2012. Dr. Wu is also the President and a director of Yuchai. He previously served as one of the Deputy General Managers of Yuchai and was in charge of sales and 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.

BOARD OF DIRECTORS

Mr. NEO Poh Kiat is an Independent Director of the Company and Yuchai. Between August 1976 and January 2005, he held various senior managerial positions with companies in the DBS Bank group and United Overseas Bank Ltd. Presently, Mr. Neo also serves as a director with Cambodia Post Bank Plc, Fullerton Credit group companies in China, CapitaLand China Trust Management Limited and Valuemax Group Limited. 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. XIE Tao is an Independent Director of the Company and Yuchai. He also serves an Independent Director of Zhejiang Wanfeng Auto Wheel Co., Ltd and a Non-independent Non-executive Director of Shanghai Vico Precision Mold & Plastics Co., Ltd., a publicly listed company in China. He retired as an Independent Director of Gongniu Group Co., Ltd, a publicly listed company in China in January 2024. Mr. Xie has more than 30 years of experience in corporate management and financial advisory, including mergers and acquisitions, corporate finance and transaction services. He has spent the major part of his career with PricewaterhouseCoopers (PwC) for nearly 23 years as a lead partner of the Advisory practice in PwC China and as the Senior Partner of Corporate Finance serving on the Executive Board of the China, Singapore and Hong Kong member firms of PwC. From 2012 and 2014, he served a partner at Ernst & Young and later Deloitte, leading transaction services and corporate finance business. Mr. Xie holds a Bachelor's degree in Physics from Beijing University in China and was a member of the UK Chartered Association of Certified Accountants. Our Board of Directors has determined that Mr. Xie 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. WONG Hong Wai joined the Company as a Director on March 1, 2023 and was subsequently re-designated as an Independent Director on April 21, 2023. Presently, Mr. Wong serves as an Innovation Advisor with IPI, a subsidiary of Enterprise Singapore, and an Associate Faculty with the Singapore Institute of Technology. Prior to this, he was with the Singapore Economic Development Board and General Motors, where he had worked in six countries over a span of more than 35 years. He has extensive experience in industry development, mergers and acquisition, new business development, strategic alliance management, sales and marketing, strategic risk management, business strategy, product portfolio planning, global procurement, and business process re-engineering. Mr. Wong is a Senior Accredited Board Director of the Singapore Institute of Directors and a Fellow of the Singapore Institute of Arbitrators. He holds a Bachelor of Engineering (Production and Industrial Engineering) degree from the Ulm University of Applied Sciences in Germany and a Master of Business Administration from the National University of Singapore. He has also completed an Executive Program at the Stephen M. Ross School of Business at the University of Michigan, U.S. Our Board of Directors has determined that Mr. Wong is independent under the rules of the NYSE.

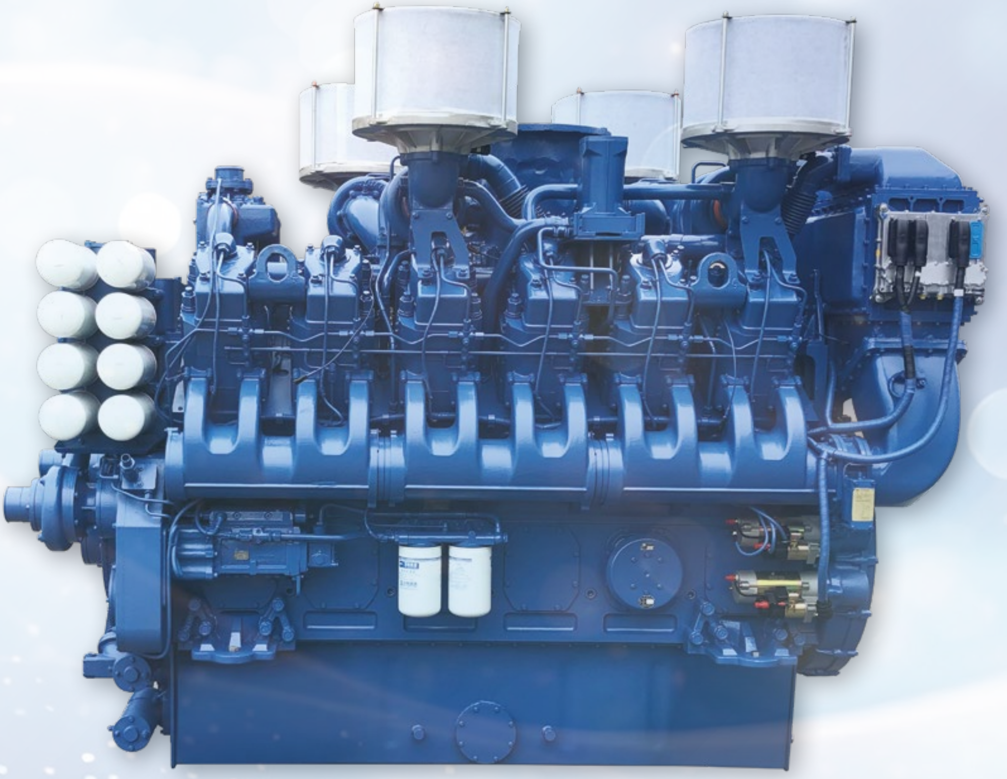


Yuchai's YCA07-T40 engine compliant with China off-road Tier-4 emission standards is for use in industrial and agricultural off-road applications. It has a displacement volume of 6.9 liter and a maximum power output of 260 PS with a maximum torque of 1050 N-m.

EXECUTIVE OFFICER OF THE COMPANY

Mr. LOO Choon Sen joined the Company as the Chief Financial Officer on June 3, 2021 and was appointed as a Director of Yuchai on November 30, 2021. Mr. Loo has over 20 years of financial leadership experience. He began his career at Cameron International Corporation in 2001, where he held various positions, including the positions as Director of Finance for Canada and Director of Financial Services for Asia Pacific Middle East. After Schlumberger Limited acquired Cameron International Corporation in 2016, he became the Director of Finance for Schlumberger Limited's Cameron Product Lines for Asia Pacific Middle East. His later worked for TechnipFMC covering the Asia Pacific region for Surface International. He started his career as an auditor and served as the Financial Controller for a subsidiary of a listed Company in KLSE based out of Papua New Guinea early in his career. Mr. Loo holds a Bachelor of Commerce degree in Finance and Accounting from Curtin University of Technology, Australia and is a CPA in Australia.

Yuchai's Casting Process



Yuchai's YC12VC is derived from the YC6C engines where the V-engine enables the engine to extend its power output at similar engine platform. The engine is 12-cylinder, 80 liter rated at 1120 to 1800 kW at 1500 rpm. The main application is in the power generator, marine and industrial markets.

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.

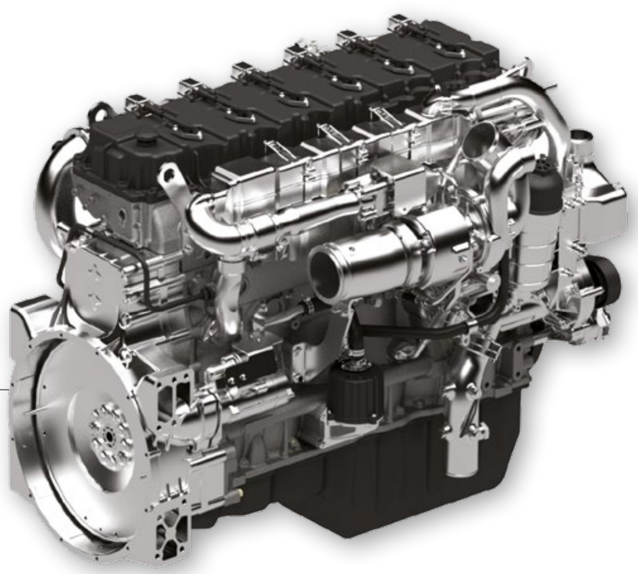
We are also subject to the NYSE listing standards, although, because we are a foreign private issuer, those standards are considerably different from those applied to U.S. companies. Under the NYSE rules, we need only (i) establish an independent audit committee that has specified responsibilities as 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 U.S. companies.

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

Standard for U.S. Domestic Listed Companies	China Yuchai International Limited's Practice
Director Independence	
• A majority of the board must consist of independent directors. 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 US$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.	• Three of our nine directors, Messrs. Xie Tao, Neo Poh Kiat and Wong Hong Wai are independent within the meaning of the NYSE standards.
• 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.

CORPORATE GOVERNANCE

Standard for U.S. Domestic Listed Companies	China Yuchai International Limited's Practice
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 meet 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 U.S. 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 U.S. companies.



Yuchai's YCK14N is one of the main line products launched in the first quarter of 2024. It is a natural gas engine compliant with National VI emission standards.

CORPORATE GOVERNANCE

Standard for U.S. Domestic Listed Companies	China Yuchai International Limited's Practice
Audit Committee	
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 with management and the independent auditors the Company's annual audited financial statements and quarterly financial statements, 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. Xie Tao 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. Yuchai maintains an independent internal audit function headed by a secondee appointed by the Company. The Head of Internal Audit reports to the Chairman of the Audit Committees of the Company and Yuchai who reports to the Boards. The Board of Yuchai approves the audit plan, 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.

CORPORATE GOVERNANCE

Standard for U.S. Domestic Listed Companies	China Yuchai International Limited's Practice
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.	• Our Equity Incentive Plan was approved by our shareholders in 2014.
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, U.S. 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

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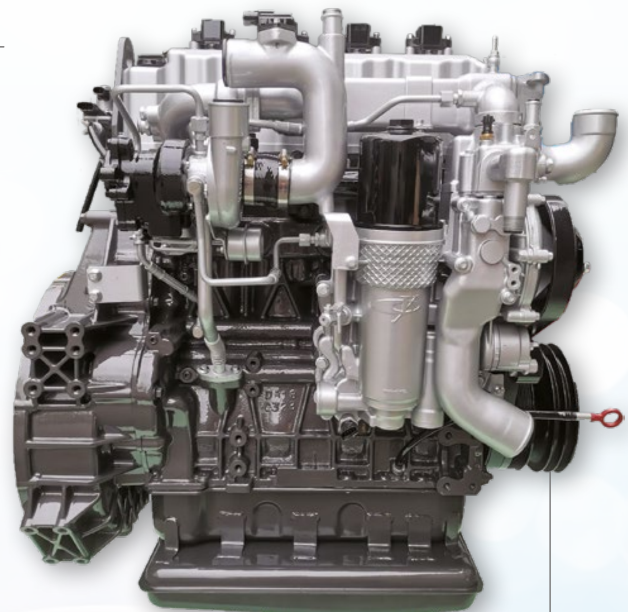

Yuchai's K05H is derived from K05N engine. It is a gas combustion engine using the High Pressure Multi-point Injection technology for hydrogen combustion. It has a displacement volume of 5.13 liter and a maximum power output of 170 PS for light- and medium-duty on-road vehicle applications.

Our OEM's vehicle equipped with Yuchai's K15N engine successfully reached the top of Tanggula Mountain.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of China Yuchai International Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of China Yuchai International Limited (the "Company") as of December 31, 2023 and 2022, 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, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, 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 26, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of China Yuchai International Limited

Critical Audit Matter (cont'd)

Capitalization of development costs

Description of the Matter	Prior to the financial year ended December 31, 2020, the Group has commenced the process to research and develop new engine models to comply with the new engine emission standards as promulgated by the People's Republic of China (the "Development Projects"). The efforts to develop such new engines continued during the financial year ended December 31, 2023. The Group has determined that the Development Projects met the capitalization criteria as stated in Note 2.5 (h) to the consolidated financial statements and has capitalized RMB 484.1 million (US$68.1 million) of development costs as of December 31, 2023, as disclosed in Note 12 to the consolidated financial statements. Auditing management's recognition of capitalized development costs was complex because the capitalization of development costs requires the application of management judgment to determine, amongst others, what continues to constitute development activities and when a Development Project should cease further capitalization of development costs. Management judgment is also required to ascertain the nature of expenses that qualify for capitalization.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested controls over the authorization, approval and recording of expenses and controls over monitoring of the status of the on-going Development Projects. Our audit procedures included, among others, evaluating management's judgment related to the determination of the research and development phases, and the determination of which development costs can be capitalized by conducting inquiries of the engineers in the Research and Development ("R&D") department to understand the progress of the Development Projects. In addition, for a sample of Development Projects, we evaluated the status of each project, and the costs capitalized by comparing the supporting documents to the Company's capitalization criteria. We evaluated management's assessment that the Development Projects continued to be in-progress by inspecting the testers' feedback and responses from the R&D department on a sample basis.

Ernst & Young LLP
We have served as the Company's auditor since 2009
Singapore
April 26, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of China Yuchai International Limited

Opinion on Internal Control over Financial Reporting

We have audited China Yuchai International Limited's internal control over financial reporting as of December 31, 2023, 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"). In our opinion, China Yuchai International Limited (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial position of the Company as of December 31, 2023 and 2022, 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, 2023, and the related notes and our report dated April 26, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 Annual Report on 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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 generally accepted accounting principles. 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 generally accepted accounting principles, 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.

Ernst & Young LLP
Singapore
April 26, 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Revenue	**6**	**21,265,930**	**16,030,636**	**18,046,349**	**2,540,451**
Cost of sales		(18,507,839)	(13,532,102)	(15,130,711)	(2,130,006)
Gross profit		**2,758,091**	**2,498,534**	**2,915,638**	**410,445**
Other operating income	7.2(a)	326,171	334,349	469,300	66,065
Other operating expenses	7.2(b)	(9,982)	2,407	(26,938)	(3,792)
Research and development expenses		(848,812)	(836,438)	(876,578)	(123,399)
Selling, general and administrative expenses		(1,561,935)	(1,479,561)	(1,871,973)	(263,525)
Operating profit		**663,533**	**519,291**	**609,449**	**85,794**
Finance costs	7.3	(115,928)	(95,472)	(100,175)	(14,102)
Share of results of associates, net of tax		90	(1,547)	(5)	(1)
Share of results of joint ventures, net of tax	5	(95,985)	(27,546)	62,083	8,740
Profit before tax		**451,710**	**394,726**	**571,352**	**80,431**
Income tax expense	8	(43,816)	(59,065)	(148,496)	(20,904)
Profit for the year		**407,894**	**335,661**	**422,856**	**59,527**
Attributable to:					
Equity holders of the Company		272,673	218,581	285,518	40,193
Non-controlling interests		135,221	117,080	137,338	19,334
		407,894	335,661	422,856	59,527
Earnings per share (dollar per share)					
– Basic	9	6.67	5.35	6.99	0.98
– Diluted	9	6.67	5.35	6.99	0.98

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Profit for the year	**407,894**	**335,661**	**422,856**	**59,527**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss, net of tax:				
Foreign currency translation	(36,685)	88,708	21,369	3,008
Net fair value change on debt instruments at fair value through other comprehensive income	63,890	409	10,649	1,499
Other comprehensive income for the year, net of tax	27,205	89,117	32,018	4,507
Total comprehensive income for the year, net of tax	435,099	424,778	454,874	64,034
Attributable to:				
Equity holders of the Company	293,240	292,369	310,383	43,694
Non-controlling interests	141,859	132,409	144,491	20,340
	435,099	424,778	454,874	64,034

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	10	3,995,744	3,553,601	500,253
Investment property	11	4,756	4,103	577
Intangible assets	12	1,874,824	1,951,133	274,668
Investment in associates		259	248	35
Investment in joint ventures	5	154,703	237,229	33,396
Deferred tax assets	8	450,882	426,377	60,023
Long-term bank deposits	16	20,000	–	–
Right-of-use assets	17	342,141	298,445	42,013
Capitalized contract cost	6.2	197,692	122,627	17,263
		7,041,001	6,593,763	928,228
Current assets				
Inventories	13	4,937,755	4,649,027	654,461
Trade and other receivables	15	7,311,347	8,458,624	1,190,752
Other current assets	14	16,710	16,733	2,355
Cash and short-term bank deposits	16	4,830,743	6,039,471	850,199
		17,096,555	19,163,855	2,697,767
Total assets		24,137,556	25,757,618	3,625,995

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
EQUITY AND LIABILITIES				
Equity				
Issued capital	18	2,081,138	2,081,138	292,969
Statutory reserves	20	335,735	381,724	53,737
Capital reserves	20	(4,196)	(18,236)	(2,567)
Retained earnings		6,661,264	6,820,555	960,155
Other components of equity	20	(64,995)	(38,653)	(5,441)
Equity attributable to equity holders of the Company		9,008,946	9,226,528	1,298,853
Non-controlling interests		2,826,118	2,949,097	415,155
Total equity		11,835,064	12,175,625	1,714,008
Non-current liabilities				
Loans and borrowings	26	200,000	690,000	97,134
Lease liabilities	25	28,208	16,009	2,254
Contract liabilities	24	77,339	52,214	7,350
Deferred tax liabilities	8	61,825	65,089	9,163
Deferred grants	27	476,384	451,894	63,615
Other financial liability	28	45,950	67,050	9,439
Other payables	22	189,366	181,155	25,502
		1,079,072	1,523,411	214,457
Current liabilities				
Trade and other payables	22	8,139,408	9,227,324	1,298,964
Loans and borrowings	26	2,141,432	1,850,294	260,473
Lease liabilities	25	31,433	33,272	4,684
Contract liabilities	24	617,737	639,213	89,984
Provision for taxation		73,296	52,399	7,376
Provisions	23	220,114	256,080	36,049
		11,223,420	12,058,582	1,697,530
Total liabilities		12,302,492	13,581,993	1,911,987
Total equity and liabilities		24,137,556	25,757,618	3,625,995

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company										
	Issued capital RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Foreign currency translation reserve RMB'000	Performance shares reserve RMB'000	Fair value reserve RMB'000	Premium paid for acquisition of non-controlling interests RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2021	2,081,138	307,165	30,704	6,756,976	(89,925)	19,758	(79,720)	(11,472)	9,014,624	2,818,086	11,832,710
Profit for the year	–	–	–	272,673	–	–	–	–	272,673	135,221	407,894
Other comprehensive income for the year, net of tax	–	–	–	–	(28,251)	–	48,818	–	20,567	6,638	27,205
Total comprehensive income for the year	–	–	–	272,673	(28,251)	–	48,818	–	293,240	141,859	435,099
Contributions by and distributions to owners											
Dividends paid (US$1.70 per share)	–	–	–	(448,712)	–	–	–	–	(448,712)	–	(448,712)
Transaction with non-controlling interests											
Dividends paid/payable to non-controlling interests	–	–	–	–	–	–	–	–	–	(203,753)	(203,753)
Other											
Transfer to statutory reserves	–	2,072	–	(2,072)	–	–	–	–	–	–	–
At December 31, 2021	2,081,138	309,237	30,704	6,578,865	(118,176)	19,758	(30,902)	(11,472)	8,859,152	2,756,192	11,615,344

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company										
	Issued capital RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Foreign currency translation reserve RMB'000	Performance shares reserve RMB'000	Fair value reserve RMB'000	Premium paid for acquisition of non-controlling interests RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2022	2,081,138	309,237	30,704	6,578,865	(118,176)	19,758	(30,902)	(11,472)	8,859,152	2,756,192	11,615,344
Profit for the year	–	–	–	218,581	–	–	–	–	218,581	117,080	335,661
Other comprehensive income for the year, net of tax	–	–	–	–	73,477	–	311	–	73,788	15,329	89,117
Total comprehensive income for the year	–	–	–	218,581	73,477	–	311	–	292,369	132,409	424,778
Contributions by and distributions to owners											
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	53,500	53,500
Dividends paid (US$0.40 per share) (Note 19)	–	–	–	(109,684)	–	–	–	–	(109,684)	–	(109,684)
Transaction with non-controlling interests											
Dividends paid/payable to non-controlling interests	–	–	–	–	–	–	–	–	–	(103,199)	(103,199)
Change in ownership interests in subsidiaries											
Dilution of interest in subsidiary	–	–	–	–	–	–	–	2,009	2,009	(2,009)	–
Other											
Transfer to statutory reserves	–	26,498	–	(26,498)	–	–	–	–	–	–	–
Issuance of put option to non-controlling interests of subsidiary	–	–	(34,900)	–	–	–	–	–	(34,900)	(10,775)	(45,675)
At December 31, 2022	2,081,138	335,735	(4,196)	6,661,264	(44,699)	19,758	(30,591)	(9,463)	9,008,946	2,826,118	11,835,064

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company										
	Issued capital RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Foreign currency translation reserve RMB'000	Performance shares reserve RMB'000	Fair value reserve RMB'000	Premium paid for acquisition of non-controlling interests RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2023	2,081,138	335,735	(4,196)	6,661,264	(44,699)	19,758	(30,591)	(9,463)	9,008,946	2,826,118	11,835,064
Profit for the year	–	–	–	285,518	–	–	–	–	285,518	137,338	422,856
Other comprehensive income for the year, net of tax	–	–	–	–	16,728	–	8,137	–	24,865	7,153	32,018
Total comprehensive income for the year	–	–	–	285,518	16,728	–	8,137	–	310,383	144,491	454,874
Contributions by and distributions to owners											
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	20,000	20,000
Dividends paid (US$0.28 per share) (Note 19)	–	–	–	(80,238)	–	–	–	–	(80,238)	–	(80,238)
Transaction with non-controlling interests											
Dividends paid/payable to non-controlling interests	–	–	–	–	–	–	–	–	–	(35,702)	(35,702)
Change in ownership interests in subsidiaries											
Dilution of interest in subsidiary	–	–	–	–	–	–	–	1,477	1,477	(1,477)	–
Other											
Transfer to statutory reserves	–	45,989	–	(45,989)	–	–	–	–	–	–	–
Issuance of put option to non-controlling interests of subsidiary	–	–	(14,040)	–	–	–	–	–	(14,040)	(4,333)	(18,373)
At December 31, 2023	2,081,138	381,724	(18,236)	6,820,555	(27,971)	19,758	(22,454)	(7,986)	9,226,528	2,949,097	12,175,625
US$'000	292,969	53,737	(2,567)	960,155	(3,937)	2,781	(3,161)	(1,124)	1,298,853	415,155	1,714,008

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Operating activities				
Profit before tax	451,710	394,726	571,352	80,431
Adjustments:				
Amortization of intangible asset	38,957	64,939	109,913	15,473
Bad debt recovered	(5)	–	–	–
Depreciation of:				
– investment property	355	348	355	50
– property, plant and equipment	492,826	516,276	508,726	71,615
– right-of-use assets	41,458	43,129	46,071	6,486
Dividend income from quoted equity securities	(168)	(13)	–	–
Exchange loss /(gain)	3,271	(273)	(2,260)	(318)
Fair value loss on quoted equity securities	(138)	–	–	–
Finance costs	115,928	95,472	100,175	14,102
(Gain)/loss on disposal of:				
– associate	–	(1,329)	–	–
– property, plant and equipment	(1,224)	(6,535)	(778)	(110)
– quoted equity securities	(5,416)	(2,291)	–	–
– right-of-use assets	(14,714)	(3,929)	(7,632)	(1,074)
– subsidiary	–	–	(113,042)	(15,913)
Government grants	(152,932)	(176,264)	(171,937)	(24,204)
Interest income	(132,083)	(131,879)	(154,129)	(21,697)
(Reversal of impairment losses)/Impairment losses on:				
– investment in joint venture	–	990	–	–
– property, plant and equipment	7,227	17,278	44,667	6,288
– trade receivables	(7,987)	41	21,621	3,044
– non-trade receivables	(538)	(500)	2,237	315
– inventories, net	(9,010)	54,885	50,019	7,041
Inventories written off	10,085	–	–	–
Property, plant and equipment written off	1,134	3,295	1,731	244
Provision for warranties	292,157	317,076	414,021	58,283
Reversal of provision for onerous contract, net	(8,810)	(4,829)	–	–
Share of results of associates and joint ventures, net of tax	95,895	29,093	(62,078)	(8,739)
Profit before tax after adjustments	1,217,978	1,209,706	1,359,032	191,317

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Changes in working capital				
Inventories	(740,835)	185,879	221,930	31,242
Trade and other receivables, and capitalized contract cost	1,300,470	(7,411)	(959,703)	(135,101)
Trade and other payables, and contract liabilities	(802,738)	(1,141,397)	1,090,875	153,567
Development properties	(202)	(25)	(281)	(40)
Provision utilized	(299,397)	(345,161)	(375,910)	(52,918)
Cash flows from/(used in) operations	675,276	(98,409)	1,335,943	188,067
Income taxes paid	(170,720)	(21,010)	(109,905)	(15,472)
Net cash flows from/(used in) operating activities	504,556	(119,419)	1,226,038	172,595
Investing activities				
Additional investment in a joint venture	(17,640)	(1,950)	(6,500)	(915)
Development costs	(287,480)	(166,283)	(169,591)	(23,874)
Dividend received from:				
– joint venture	–	–	2,795	393
– quoted equity securities	135	47	–	–
Interest received	125,004	131,331	155,179	21,845
Net cash inflow/(outflow) from disposal of:				
– associate	–	1,000	1,000	141
– property, plant and equipment	405	9,232	643	91
– quoted equity securities	6,485	641	–	–
– right-of-use assets	34,123	7,185	–	–
– subsidiary, net of cash disposed	–	–	(32,056)	(4,513)
Proceeds from government grants	51,862	193,156	257,449	36,242
Purchase of property, plant and equipment	(572,047)	(430,966)	(237,842)	(33,482)
(Placement)/withdrawal of fixed deposits with banks, net	(79,695)	123,559	(84,333)	(11,872)
Net cash flows used in investing activities	(738,848)	(133,048)	(113,256)	(15,944)
Financing activities				
Dividends paid to:				
– equity holders of the Company	(448,712)	(109,684)	(80,238)	(11,295)
– non-controlling interests	(223,917)	(102,299)	(35,008)	(4,928)
Interest paid and discounting on bills	(115,813)	(95,717)	(96,254)	(13,550)
Contribution by non-controlling interests	–	53,500	20,000	2,815
Payment of principal portion of lease liabilities	(23,121)	(24,597)	(41,104)	(5,786)
Proceeds from borrowings	1,938,920	2,048,432	3,240,294	456,148
Repayment of borrowings	(1,965,920)	(1,910,000)	(3,041,432)	(428,154)
Net cash flows used in financing activities	(838,563)	(140,365)	(33,742)	(4,750)
Net (decrease)/increase in cash and cash equivalents	(1,072,855)	(392,832)	1,079,040	151,901
Cash and cash equivalents at January 1	5,877,647	4,788,219	4,451,489	626,653
Effect of exchange rate changes on balances in foreign currencies	(16,573)	56,102	13,847	1,948
Cash and cash equivalents at December 31	4,788,219	4,451,489	5,544,376	780,502

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

NOTES TO THE CONSOLIDATED 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, 2023 were authorized for issue in accordance with a resolution of the directors on April 26, 2024.

China Yuchai International Limited is a limited company incorporated under the laws of Bermuda on April 29, 1993 whose shares are publicly traded. The registered office of the Company is located at 2 Clarendon House, Church Street, Hamilton HM11, Bermuda. On March 7, 2008, the Company registered a branch office in Singapore, located at 16 Raffles Quay #26-00, Hong Leong Building, Singapore 048581. The principal operating office 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 established to acquire a controlling financial interest in Guangxi Yuchai Machinery Company Limited (“Yuchai”), a Sino-foreign joint stock company, located in the People’s Republic of China (the “PRC”), which is one of the largest powertrain solution manufacturers for on-road and off-road applications.

The Company owns, through six wholly-owned subsidiaries, 361,420,150 shares or 76.4% of the issued share capital of Yuchai. Guangxi Yuchai Machinery Group Company Limited (“GY”), a state-owned enterprise, owns 22.09% of the issued share capital of Yuchai.

As of December 31, 2023, Yuchai has 10 (2022: 10) direct and 33 (2022: 32) indirectly owned subsidiaries and five joint ventures (2022: five joint ventures). Guangxi Yuchai Machinery Monopoly Development Co., Ltd. (“YMMC”), Guangxi Yuchai Marine and Genset Power Co., Ltd (“MPG”), Yuchai Xin-Lan New Energy Power Technology Co., Ltd (“Yuchai Xin-Lan”), and Guangxi Yuchai Foundry Co., Ltd are the most significant subsidiaries of Yuchai. YMMC has 27 (2022: 27) wholly-owned subsidiaries (collectively “YMMC Group”) located at various provinces in the PRC. The principal business of YMMC Group are trading and distribution of components of diesel engines and automobiles. MPG has taken over the operations of Yuchai’s marine and power generation unit since December 2021. The principal business of Yuchai Xin-Lan is to research, develop and construct new production capacity for Yuchai’s new energy technologies including fuel cell systems, range extenders, hybrid power, electric drive system, etc. The principal business activities of Guangxi Yuchai Foundry Co., Ltd is to cast, manufacture and distribute engine components.

The detailed information of Yuchai’s significant subsidiaries and joint ventures are disclosed in Notes 4 and 5.

As used in this Consolidated Financial Statements, the term “Yuchai” refer to Guangxi Yuchai Machinery Company Limited and its subsidiaries.

1.3 Investment in HL Global Enterprises Limited

In February 2006, the Group acquired debt and equity securities interest in HL Global Enterprises Limited (“HLGE”) through the Group’s wholly-owned subsidiaries, Grace Star Limited (“Grace Star”) and Venture Lewis Limited (“Venture Lewis’). HLGE is a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited (“Singapore Exchange”) and primarily engaged in investment holding, and through its group companies, invests in rental property, hospitality and property developments in Asia.

Subsequent to the acquisition, the Group’s shareholding changed through various transactions. As of December 31, 2011, the Group’s equity interest in HLGE was 49.4%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION (cont'd)

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

On January 13, 2012, Grace Star transferred 24,189,170 Series B redeemable convertible preference shares ("RCPS"), representing 100% of remaining unconverted Series B RCPS, in the capital of HLGE (the "Trust Preference Shares") to the Trustee pursuant to a trust deed entered into between HLGE and the Trustee. On January 16, 2012, the Trust Preference Shares were mandatorily converted into 24,189,170 new ordinary shares in the capital of HLGE (the "Trust Shares") resulting in the Group's shareholding interest in HLGE decreased from 49.4% to 48.1%. On April 4, 2012, as a result of the conversion of all the outstanding Series A redeemable convertible preference shares held by Venture Delta Limited and Grace Star, into new ordinary shares in the capital of HLGE, the Group's shareholding interest in HLGE increased from 48.1% to 48.9%. The Trust Shares are accounted for as treasury shares by HLGE, issued by HLGE and held by the Trust, which is considered as part of HLGE. As a result, the Group's shareholding interest in HLGE is stated as 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.

In 2015, HLGE undertook a share consolidation exercise to consolidate every 10 ordinary shares in the capital of HLGE into one ordinary share. Upon completion of the share consolidation exercise, the Group held 47,107,707 ordinary shares of HLGE. As of December 31, 2015, the Group's interest in HLGE was 50.2%, net of the ordinary shares held by the Trustee under the Trust.

As of December 31, 2022 and 2023, the Group's shareholding interest in HLGE remains at 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. 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 as disclosed in the accounting policies below.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

Translation of amounts from Renminbi to the United States Dollar ("US Dollar") is solely for the convenience of the reader. Translation of amounts from Renminbi to US Dollar has been made at the rate of RMB 7.1036 = US$ 1.00, the rate quoted by the People's Bank of China at the close of business on February 29, 2024 and all values are rounded to the nearest thousand ("US$'000"), except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those previous financial years except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after January 1, 2023.

The adoption of "Disclosure of Accounting Policies - *Amendments to IAS 1 and IFRS Practice Statement 2*" had an impact on the Group's disclosure of accounting policies to replace disclosure of significant accounting policies with the Group's material accounting policies (Note 2.5). Along with other standards, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

Amendments to IAS 12: *International Tax Reform Pillar Two Model Rules*

The Group has adopted Amendments to IAS 12: *International Tax Reform Pillar Two Model Rules* upon their release on May 23, 2023. The amendments provide a temporary exception from deferred tax accounting for the top-up tax that may arise from the jurisdiction adoption of the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OCED), and require new disclosures about the Pillar Two exposure. The mandatory exception is effective immediately and applies retrospectively.

2.3 Standards issued but not yet effective

Lease Liability in a Sale and Leaseback – *Amendments to IFRS 16*

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback *(Amendments to IFRS 16)*. The *amendment to IFRS 16 Leases* specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions.

The amendment applies retrospectively to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The amendments are not expected to have a material impact on the Group.

Classification of Liabilities as Current or Non-current – *Amendments to IAS 1*

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

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

Classification of Liabilities as Current or Non-current – *Amendments to IAS 1* (cont'd)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact that will have on current practice.

Supplier Finance Arrangements – *Amendments to IAS 1 and IFRS7*

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Lack of exchangeability – *Amendments to IAS 21*

In August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* to clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enable user of financial statements to understand the impact of a currency not being exchangeable.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation (cont'd)

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

- derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Summary of material accounting policies

(a) Business combinations

Business combinations are accounted for applying acquisition method. Identifiable assets acquired and liabilities assumed in business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognized as expenses in periods in which the costs are incurred and the services are received. 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 recognized as expenses in the periods in which the costs are incurred and the services are received.

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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Section (h) *Intangible assets*. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(a) Business combinations (cont'd)

Where the Group had granted put option to third party investors (non-controlling interests) for their investments in subsidiaries, the Group recognized a financial liability based on the present value of the amount payable upon exercise of the put. A corresponding amount to equity attributable to the parent (capital reserves) will be recognized.

(b) Investments in joint ventures

When Group determine significant influence or joint control, the Group make considerations which are similar to those necessary to determine control over subsidiaries. The Group's investments in its joint ventures are accounted for using the equity method.

The Group's significant joint ventures are Y&C Engines Co., Ltd, MTU Yuchai Power Co. Ltd and Guangxi Purem Yuchai Automotive Technology Co., Ltd.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognized in other comprehensive income by the joint venture, the Group recognizes its share of such changes in other comprehensive income. Unrealized gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The aggregate of the Group's share of results of a joint venture is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the joint venture are prepared for the same reporting period as the Group. The Group's joint ventures adopt the same accounting policies in line with those of the Group. Therefore, no adjustments are made when measuring and recognizing the Group's share of the results of the investees after the date of acquisition.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognizes the loss within "Share of results of joint ventures, net of tax" in the statement of profit or loss.

There is no loss of significant influence of material joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(c) 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 measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss.

Consolidated financial statements

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 average exchange rates during the reporting period. 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 reclassified to profit or loss.

(d) Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of engines

Revenue from sale of engines is recognized at the point in time when control of the engine is transferred to the customer and all criteria for acceptance have been satisfied, generally on delivery of the engines, or, in some cases, when the engines are installed by the customers.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of engines, the Group considers the effects of variable consideration and the existence of significant financing components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(d) Revenue from Contracts with Customers (cont'd)

Sale of engines (cont'd)

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception. Some contracts for the sale of engines provide customers with sales rebates based on the sales volume. The sales rebates give rise to variable consideration.

Sales rebates

The Group enters into contractual arrangements to provide certain customers with sales rebates when the quantity of products purchased during the period exceeds a threshold specified in the contract. Based on contractual arrangement with the customers, the sales rebates are netted against "Trade receivables". If the receivables had been settled by the customers, amounts in excess of "Trade receivables" will be recognized as refund liabilities in "Trade and other payables".

Sales Returns

The Group does not extend its sales returns policy to all customers. However, the Group allows for certain returns, only on a case-by-case basis. The Group uses the expected value method to estimate the provision for such returns based on the management estimates with reference to historical return rates and account for it as a reduction in revenue and form part of refund liability that is recognized in "Trade and other payables" (Note 22). A corresponding right of return assets is recognized in "Trade and other receivables" (Note 15).

(ii) Significant financing component

The Group receives advance payments from customers for the sale of engines. The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Warranty obligations

The Group typically provides warranties for general repairs of defects as part of the sale of engines. These assurance-type warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions in Section (m) *Provisions*.

Certain contracts provide a customer with maintenance service, i.e. a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specification. These service-type warranties are bundled together with the sale of engines. These contracts comprise two performance obligations, i.e. the promises to transfer the engines and to provide the service-type warranty. The transaction price is allocated to the service-type warranty and engines using a combination of expected cost-plus margin and residual approaches. The portion of transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognized as revenue at the point in time when the service is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(d) Revenue from Contracts with Customers (cont'd)

Rendering of services

Revenue from rendering 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.

Contract balances

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Section (i) *Financial instruments*.

Capitalized contract costs

The capitalized costs are costs which have been capitalized and directly related to the contracts, for which resources were used in satisfying the contract and are expected to be recovered.

The Group's capitalized contract costs are costs in fulfilling a contract for the development of technology know-how for heavy-duty engines platforms for a joint venture company of Group, and subsequently recognized in profit or loss when the Group performs the contract and the related revenue is recognized.

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right of return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return and sales rebates. Based on contractual arrangement with the customers, sales rebates are netted against "Trade receivables". If the receivables had been settled by the customers, amounts in excess of "Trade receivables" will be recognized as refund liabilities.

Refund liabilities arising from contractual sales returns is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities arising from sales returns at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(e) 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.

The Group's government grants were mainly to support and fund production facilities and research and development activities for product innovations and developments of engines.

(f) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods 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.

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.

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; and
- 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 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; and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(f) Taxes (cont'd)

Deferred tax (cont'd)

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

Sales tax

Revenue, 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.

Global minimum top-up tax

The global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes the cost of replacing part of the property, plant and equipment and costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

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

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, 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.

Freehold land has an unlimited useful life and therefore is not depreciated. Asset under construction-in-progress are stated at cost, net of accumulated impairment, and 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:

Buildings and improvements on freehold land	:	50 years
Leasehold buildings and improvements	:	50 years or period of lease, whichever is shorter
Plant, machinery and equipment	:	2 to 20 years
Office furniture, fittings and equipment	:	2 to 20 years
Motor and transport vehicles	:	4 to 11 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.

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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(h) Intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Any gain or loss arising upon de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Goodwill

Goodwill is initially measured at cost. Following 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.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. The impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized in the statement of profit or loss. Impairment losses recognized for goodwill are not reversed in subsequent periods.

Research and development costs

Research costs are expensed as incurred.

Deferred development costs arising from 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 deferred development costs as an intangible asset, it 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. Deferred development costs are amortized over the estimated useful lives of the period of expected pattern of future benefits embodied in the development. During the period of development, the asset is tested for impairment annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(h) Intangible assets (cont'd)

A summary of the policies applied to the Group's intangible assets is as follows:

	Trademarks	Technology know-how	Development costs
Useful lives	Indefinite	6 -10 years	*
Amortization method used	No amortization	Amortized on a straight-line basis over the period of the technology know-how	*
Internally generated or acquired	Acquired	Internally generated	Internally generated

* Development costs relate to on-going development projects that have not been completed and are not available for use.

(i) Financial instruments

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 recognized when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments is:

Amortized cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired, and through amortization process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd)

Investment in debt instruments (cont'd)

Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains and losses arising from interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes certain bills receivable that are not held to maturity.

Derecognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Impairment

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposure for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure irrespective of timing of the default (a "lifetime ECL").

For trade receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

For bills receivable that are held for maturity, the Group assess the credit risk of the financial institutions, which issue the bills, at every reporting date. The Group evaluates whether the bills are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering contractual cash flow.

For more information, refer to Note 15.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Amortized cost

This is the category most relevant to the Group. After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the 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 as finance costs in the statement of profit or loss.

This category generally applies to loans and borrowings, other liabilities and payables. For more information, refer to Note 22, 26 and 28.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(j) 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.

(k) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant accounting judgments, estimates and assumptions (Note 3)
- Investment in joint ventures (Note 5)
- Property, plant and equipment (Note 10)
- Intangible assets (Note 12)

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 CGU's 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five to ten years. For goodwill and trademark impairment review, a long-term growth rate is considered and applied to project future cash flows after the fifth year where appropriate. Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

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

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.

(l) Cash and short-term deposits

For the purpose of the consolidated statement of cash flows, cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Cash and short-term deposits at banks are placed with reputable financial institutions with high credit ratings and no history of default.

(m) 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

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 recognized as a finance cost.

Product warranty

The Group recognizes a liability at the time the product is sold, for the estimated future costs relating to the assurance-type warranties, 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. For on-road applications engines, warranties extend for a duration (generally 3 to 36 months) or mileage (generally 5,000 to 300,000 kilometers), whichever materializes first. For other applications engines, warranties extend for a duration of generally 2 to 60 months or running hours of 300 to 15,000 hours, whichever materializes first. 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. If the nature, frequency and average cost of warranty claims change, the accrued liability for product warranty will be adjusted accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (cont'd)

2.5 Summary of material accounting policies (cont'd)

(n) Employment benefits

Defined contribution plans

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 to defined contribution pension schemes are recognized as an expense in the period in which the related services are performed.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) 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").

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, further details of which are given in Note 21.

That cost is recognized in "Staff costs", together with a corresponding increase in performance share reserve in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period). 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 expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, provided the original terms of the award are met. An additional expense, measured as of the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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 9).

NOTES TO THE 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 disclosure of contingent liabilities at the end of each reporting period. However, 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.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management (Note 33)
- Financial risk management objectives and policies (Note 32)
- Sensitivity analyses disclosures (Note 12 and 32)

3.1 Judgments

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

Revenue from Contracts with Customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying contract price and performance obligations in sales of engines*

The Group provides certain warranties for both general repairs and maintenance service as part of the sales of engines. For general repairs, such warranties will be assurance-type warranty that is accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. For maintenance services, it is accounted for as a service-type warranty which are capable of being distinct and customers can benefit from the service on its own. Hence, the Group identify two separate performance obligation, one is the promise to transfer the engine and the other one is to provide maintenance services after reaching certain on-road mileage or running hours. Consequently, the Group allocate a portion of the transaction price to the engines and the maintenance services based on a combination of expected cost plus a margin and residual approaches. Please refer to Note 6.3.

Derecognition of bills receivable

The Group sells bill receivable to banks on an ongoing basis depending on funding needs and money market conditions. The Group also endorses certain bills to suppliers for debts settlement. Chinese law governing bills allows recourse to be traced to all the parties in the discounting and endorsing process. Management assesses the credit rating of banks that issued these bills based on the credit rating given by the China regulators. For designated commercial banks with high credit rating and where Management believes that the contractual right to receive the cash from the Group has ceased, and has been transferred to the banks and suppliers, these bills are derecognized. The discount equal to the difference between the carrying value of the bill receivable and cash received from the banks is recorded in the statement of profit or loss. Please refer to Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

3.1 Judgments (cont'd)

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. The carrying amounts of deferred tax assets as of December 31, 2022 and 2023 are RMB 450.9 million and RMB 426.4 million (US$60.0 million) respectively. The deferred tax assets of the Group primarily relate to unutilized tax losses, unutilized capital allowances and investment allowances, as well as other unrecognized temporary differences relating to asset impairment and deferred grants.

Capitalization of development costs

Development costs are capitalized in accordance with the accounting policy in Note 2.5 (h). Capitalization of development costs requires the application of management judgment to determine, what continues to constitute development activities, when a development project move from research phase into development phase, and when should cease further capitalization of development costs. Management judgment is also required to ascertain the nature of expenses that qualify for capitalization. Please refer to Note 12.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, 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.

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 value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the forecasts for the next five to ten 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, development costs and trademarks recognized 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 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS IN SUBSIDIARIES

Details of significant subsidiaries of the Group are as follows:

	Place of incorporation/ business	Group's effective equity interest 31.12.2022	Group's effective equity interest 31.12.2023
		%	%
Name of significant subsidiary			
Guangxi Yuchai Machinery Company Limited	PRC	76.4	76.4
Guangxi Yuchai Marine and Genset Power Co., Ltd.	PRC	76.4	76.4
Yuchai Xin-Lan New Energy Power Technology Co., Ltd	PRC	69.5	67.0
Guangxi Yuchai Machinery Monopoly Development Co., Ltd	PRC	54.9	54.9
Guangxi Yuchai Foundry Co., Ltd	PRC	76.4	76.4
HL Global Enterprises Limited	Singapore	50.2	50.2

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

	31.12.2021	31.12.2022	31.12.2023
Proportion of equity interest held by NCI			
Yuchai	23.6%	23.6%	23.6%

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Accumulated balances of material NCI				
Yuchai	2,574,669	2,627,354	2,741,359	385,911
Profit allocated to material NCI				
Yuchai	153,500	114,700	135,173	19,029
Dividends paid to material NCI				
Yuchai	203,753	103,199	35,702	5,026

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

	31.12.2021 Yuchai RMB'000
Summarized statement of comprehensive income	
Revenue	21,254,134
Profit after tax	443,499
Total comprehensive income for the year	506,769
Attributable to NCI	153,500
Summarized statement of cash flows	
Operating	588,727
Investing	(674,686)
Financing	(1,002,764)
Net decrease in cash and cash equivalents	(1,088,723)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS IN SUBSIDIARIES (cont'd)

	31.12.2022 Yuchai RMB'000
Summarized statement of financial position	
Current assets	16,070,488
Non-current assets, excluding goodwill	6,737,117
Goodwill	212,636
Current liabilities	(11,204,417)
Non-current liabilities	(1,016,521)
Net assets	10,799,303
Total equity	10,799,303
Attributable to NCI	2,627,354
Summarized statement of comprehensive income	
Revenue	15,998,041
Profit after tax	355,140
Total comprehensive income for the year	355,936
Attributable to NCI	114,700
Summarized statement of cash flows	
Operating	(82,444)
Investing	(221,126)
Financing	(181,072)
Net decrease in cash and cash equivalents	(484,642)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS IN SUBSIDIARIES (cont'd)

	31.12.2023	
	Yuchai	
	RMB'000	US$'000
Summarized statement of financial position		
Current assets	18,073,115	2,544,219
Non-current assets, excluding goodwill	6,293,318	885,934
Goodwill	212,636	29,934
Current liabilities	(12,029,500)	(1,693,437)
Non-current liabilities	(1,457,329)	(205,154)
Net assets	11,092,240	1,561,496
Total equity	11,092,240	1,561,496
Attributable to NCI	2,741,359	385,911
Summarized statement of comprehensive income		
Revenue	18,015,280	2,536,077
Profit after tax	431,697	60,772
Total comprehensive income for the year	442,666	62,316
Attributable to NCI	135,173	19,029
Summarized statement of cash flows		
Operating	1,261,921	177,645
Investing	23,243	3,272
Financing	(67,590)	(9,515)
Net increase in cash and cash equivalents	1,217,574	171,402

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

At the end of the reporting period, cash and cash equivalents of RMB 4,934.6 million (US$694.7 million) (2022: RMB 3,713.3 million) held in the PRC are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

Dilution of ownership in subsidiary, without loss of control in 2022 and 2023

In November 2022, Yuchai's wholly owned subsidiary, Yuchai Xin-Lan issued additional ordinary shares to non-controlling interest for cash consideration of RMB 50.0 million. As a result, the Group's effective equity interest in Yuchai Xin-Lan decreased to 69.5%.

In February 2023, Yuchai Xin-Lan issued additional ordinary shares to two new investors for a total cash consideration of RMB 20.0 million (US$2.8 million). As a result, the Group's effective equity interest in Yuchai Xin-Lan decreased to 67.0%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS IN SUBSIDIARIES (cont'd)

Disposal of subsidiary in 2023

In December 2023, Yuchai disposed its entire shareholding in its wholly-owned subsidiary, Yuchai Remanufacturing Services (Suzhou) Co., Ltd. ("Suzhou Reman"), to a third party for an estimated cash consideration of RMB 241.7 million (US$ 34.0 million).

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

	31.12.2023 RMB'000	31.12.2023 US$'000
Property, plant and equipment	41,111	5,787
Right-of-use assets	22,782	3,207
Trade and other receivables	47,595	6,700
Cash and cash equivalents	32,056	4,513
	143,544	20,207
Trade and other payables	(20,109)	(2,831)
Provision for warranty	(2,145)	(302)
Contract liabilities	(104)	(14)
Carrying value of net assets	121,186	17,060
Gain on disposal:		
Total estimated consideration less cost of disposal	234,228	32,973
Net assets derecognized	(121,186)	(17,060)
Gain on disposal of the subsidiary (Note 7.2(a))	113,042	15,913
Total estimated consideration less cost of disposal [(i)]	234,228	32,973
Add: Transaction cost unpaid	7,506	1,057
Less: Sales proceed received but restricted in use	(5,000)	(704)
Less: Cash and cash equivalents of a subsidiary	(32,056)	(4,513)
Less: Total estimated consideration due from acquirer	(236,734)	(33,326)
Net cash outflow on disposal of a subsidiary	(32,056)	(4,513)

Note:

(i) The estimated consideration is RMB 179.9 million (US$ 25.3 million), along with the estimated book value of cash and cash equivalents and agreed-upon fair value for the equipment in Suzhou Reman as of December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENT IN JOINT VENTURES

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Share of results of joint ventures, net of tax:				
Y & C Engine Co., Ltd	(125,853)	(54,116)	(4,019)	(566)
MTU Yuchai Power Co., Ltd.	28,037	40,279	74,727	10,520
Guangxi Purem Yuchai Automotive Technology Co., Ltd.	1,377	(11,278)	(4,508)	(635)
Other joint ventures	454	(2,431)	(4,117)	(579)
	(95,985)	(27,546)	62,083	8,740

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Carrying amount of investments:			
Y & C Engine Co., Ltd	488	12,977	1,827
MTU Yuchai Power Co., Ltd	128,140	203,156	28,599
Guangxi Purem Yuchai Automotive Technology Co., Ltd.	20,377	15,869	2,234
Other joint ventures	5,698	5,227	736
	154,703	237,229	33,396

Details of significant joint ventures of the Group are as follows:

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest 31.12.2022 %	Group's effective equity interest 31.12.2023 %
Held by subsidiaries				
Y & C Engine Co., Ltd ("Y&C")	Manufacture and sale of heavy-duty diesel engines, spare parts and after-sales services	PRC	34.4	34.4
MTU Yuchai Power Co., Ltd ("MTU Yuchai Power")	Manufacture off-road diesel engines	PRC	38.2	38.2
Guangxi Purem Yuchai Automotive Technology Co., Ltd. ("Purem")	Application development, production, sales and service on engine exhaust control systems	PRC	37.4	37.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENT IN JOINT VENTURES (cont'd)

Summarised financial information of the Group's significant joint ventures, based on its IFRS financial statements, and reconciliation with the carrying amount of investment in the consolidated financial statements are as follows:

	31.12.2021			
	Y & C RMB'000	MTU Yuchai Power RMB'000	Purem RMB'000	Total RMB'000
Revenue	2,072,721	467,800	157,316	2,697,837
Depreciation and amortization	(52,881)	(2,377)	(709)	(55,967)
Interest expense	(51,836)	(1,850)	(41)	(53,727)
Profit/(loss) for the year, representing total comprehensive income for the year	(282,205)	54,526	2,811	(224,868)
Proportion of the Group's ownership	45%	50%	49%	
Group's share of results	(126,992)	27,263	1,377	
Unrealized profit on transactions with joint venture	1,139	774	–	
Group's share of results of significant joint ventures	(125,853)	28,037	1,377	(96,439)
Group's share of results of other joint ventures, representing the Group's share of total comprehensive income of other joint ventures				454
Group's share of results for the year, representing the Group's share of total comprehensive loss for the year				(95,985)

	31.12.2022			
	Y & C RMB'000	MTU Yuchai Power RMB'000	Purem RMB'000	Total RMB'000
Non-current assets	616,161	89,353	60,439	765,953
Current assets				
– Cash and bank balances	97,741	291,807	26,744	416,292
– Others	502,174	209,696	31,512	743,382
Total assets	1,216,076	590,856	118,695	1,925,627
Non-current liabilities	(145,418)	–	–	(145,418)
Current liabilities	(987,638)	(334,576)	(77,109)	(1,399,323)
Total liabilities	(1,133,056)	(334,576)	(77,109)	(1,544,741)
Net assets	83,020	256,280	41,586	380,886
Proportion of the Group's ownership	45%	50%	49%	
Group's share of net assets	37,359	128,140	20,377	
Unrealized profit on transactions with joint venture	(36,871)	–	–	
Carrying amount of significant joint ventures	488	128,140	20,377	149,005
Carrying amount of other joint ventures				5,698
Carrying amount of the investment in joint ventures				154,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENT IN JOINT VENTURES (cont'd)

	31.12.2022			
	Y & C RMB'000	MTU Yuchai Power RMB'000	Purem RMB'000	Total RMB'000
Revenue	1,255,967	594,197	69,380	1,919,544
Depreciation and amortization	(29,617)	(9,733)	(7,726)	(47,076)
Interest expense	(30,547)	470	(469)	(30,546)
Profit/(loss) for the year, representing total comprehensive income for the year	(65,961)	66,076	(23,016)	(22,901)
Proportion of the Group's ownership	45%	50%	49%	
Group's share of results	(29,682)	33,038	(11,278)	
Unrealized profit on transactions with joint venture	(24,434)	7,241	–	
Group's share of results of significant joint ventures	(54,116)	40,279	(11,278)	(25,115)
Group's share of results of other joint ventures, representing the Group's share of total comprehensive loss of other joint ventures				(2,431)
Group's share of results for the year, representing the Group's share of total comprehensive loss for the year				(27,546)

	31.12.2023				
	Y & C RMB'000	MTU Yuchai Power RMB'000	Purem RMB'000	Total RMB'000	Total US$'000
Non-current assets	685,434	74,794	51,877	812,105	114,323
Current assets					
– Cash and bank balances	64,252	523,858	16,171	604,281	85,067
– Others	426,105	226,881	45,009	697,995	98,259
Total assets	1,175,791	825,533	113,057	2,114,381	297,649
Non-current liabilities	(146,218)	(4,825)	–	(151,043)	(21,263)
Current liabilities	(946,348)	(414,396)	(80,672)	(1,441,416)	(202,913)
Total liabilities	(1,092,566)	(419,221)	(80,672)	(1,592,459)	(224,176)
Net assets	83,225	406,312	32,385	521,922	73,473
Proportion of the Group's ownership	45%	50%	49%		
Group's share of net assets	37,451	203,156	15,869		
Unrealized profit on transactions with joint venture	(24,474)	–	–		
Carrying amount of significant joint ventures	12,977	203,156	15,869	232,002	32,660
Carrying amount of other joint ventures				5,227	736
Carrying amount of the investment in joint ventures				237,229	33,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENT IN JOINT VENTURES (cont'd)

	31.12.2023				
	Y & C RMB'000	MTU Yuchai Power RMB'000	Purem RMB'000	Total RMB'000	Total US$'000
Revenue	1,562,179	708,432	79,119	2,349,730	330,780
Depreciation and amortization	(63,648)	(8,682)	(7,557)	(79,887)	(11,246)
Interest expense, net	(22,508)	6,762	36	(15,710)	(2,212)
Profit/(loss) for the year, representing total comprehensive income for the year	(6)	150,030	(9,201)	140,823	19,824
Proportion of the Group's ownership	45%	50%	49%		
Group's share of results	(3)	75,015	(4,508)		
Unrealized profit on transactions with joint venture	(4,016)	(288)	–		
Group's share of results of significant joint ventures	(4,019)	74,727	(4,508)	66,200	9,319
Group's share of results of other joint ventures, representing the Group's share of total comprehensive loss of other joint ventures				(4,117)	(579)
Group's share of results for the year, representing the Group's share of total comprehensive income for the year				62,083	8,740

Note:

The Group assess impairment of investments when adverse events or changes in circumstances indicate that the carrying amounts may not be recoverable. In 2022, impairment loss of RMB 1.0 million was charged to the consolidated statement of profit or loss under "Other operating expenses". In 2023, no impairment was required.

As of December 31, 2023, the Group's share of joint ventures' capital commitment that are contracted but not paid for was RMB 5.7 million (US$0.8 million) (2022: RMB 3.5 million).

As of December 31, 2023, the Group's share of outstanding bills receivables discounted with banks for which Y & C retained a recourse obligation totaled RMB 11.8 million (US$1.7 million) (2022: RMB 5.9 million).

As of December 31, 2023, the Group's share of outstanding bills receivables endorsed to suppliers for which Y & C retained a recourse obligation were RMB 8.8 million (US$1.2 million) (2022: RMB 39.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENT IN JOINT VENTURES (cont'd)

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of joint ventures are:

The Group's share of cash and cash equivalents of RMB 278.5 million (US$39.2 million) (2022: RMB 163.0 million) held in the PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

As of December 31, 2023, the Group's share of restricted cash of RMB 22.3 million (US$3.1 million) (2022: RMB 40.5 million) which was used as collateral by the banks for the issuance of bills to suppliers.

As of December 31, 2023, the Group's share of bills receivables of RMB 2.3 million (US$0.3 million) (2022: RMB 2.3 million) which was used as collateral by banks for the issuance of bills to suppliers.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

6.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	31.12.2021		
	Yuchai RMB'000	HLGE RMB'000	Total RMB'000
Segments			
Type of goods or services			
Heavy-duty engines	7,410,771	–	7,410,771
Medium-duty engines	7,065,283	–	7,065,283
Light-duty engines	2,429,745	–	2,429,745
Other products and services (i)	4,304,918	77	4,304,995
Revenue from hospitality operations	43,417	11,719	55,136
Total revenue from contracts with customers	21,254,134	11,796	21,265,930
Geographical markets			
People's Republic of China	21,206,280	–	21,206,280
Other countries	47,854	11,796	59,650
Total revenue from contracts with customers	21,254,134	11,796	21,265,930
Timing of revenue recognition			
At a point in time	21,210,718	8,067	21,218,785
Over time	43,416	3,729	47,145
Total revenue from contracts with customers	21,254,134	11,796	21,265,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (cont'd)

6.1 Disaggregated revenue information (cont'd)

	31.12.2022		
	Yuchai RMB'000	HLGE RMB'000	Total RMB'000
Segments			
Type of goods or services			
Heavy-duty engines	5,061,991	–	5,061,991
Medium-duty engines	5,066,622	–	5,066,622
Light-duty engines	1,910,923	–	1,910,923
Other products and services [(i)]	3,910,703	176	3,910,879
Revenue from hospitality operations	47,527	32,694	80,221
Total revenue from contracts with customers	15,997,766	32,870	16,030,636
Geographical markets			
People's Republic of China	15,886,210	–	15,886,210
Other countries	111,556	32,870	144,426
Total revenue from contracts with customers	15,997,766	32,870	16,030,636
Timing of revenue recognition			
At a point in time	15,950,239	7,702	15,957,941
Over time	47,527	25,168	72,695
Total revenue from contracts with customers	15,997,766	32,870	16,030,636

	31.12.2023			
	Yuchai RMB'000	HLGE RMB'000	Total RMB'000	Total US$'000
Segments				
Type of goods or services				
Heavy-duty engines	5,552,544	–	5,552,544	781,652
Medium-duty engines	5,696,186	–	5,696,186	801,873
Light-duty engines	1,621,538	–	1,621,538	228,270
Other products and services [(i)]	5,089,069	154	5,089,223	716,429
Revenue from hospitality operations	55,943	30,915	86,858	12,227
Total revenue from contracts with customers	18,015,280	31,069	18,046,349	2,540,451
Geographical markets				
People's Republic of China	17,877,450	–	17,877,450	2,516,675
Other countries	137,830	31,069	168,899	23,776
Total revenue from contracts with customers	18,015,280	31,069	18,046,349	2,540,451
Timing of revenue recognition				
At a point in time	17,959,337	8,115	17,967,452	2,529,344
Over time	55,943	22,954	78,897	11,107
Total revenue from contracts with customers	18,015,280	31,069	18,046,349	2,540,451

Note:

[(i)] included sales of power generator sets, NEV products and others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (cont'd)

6.2 Contract balances

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Trade receivables (Note 15)	1,516,215	1,093,788	153,976
Capitalized contract cost	197,692	122,627	17,263
Contract liabilities (Note 24)	695,076	691,427	97,334

The contract liabilities comprise short-term advance received from customers and unfulfilled service-type maintenance service. The advance received from customers is recognized as revenue upon the delivery of goods, and the contract liability arising from unfulfilled service-type warranty is recognized upon the completion of the maintenance services. According to the business customary practice, the remaining performance obligations (unfulfilled service-type maintenance service) at the year-end is expected to be satisfied within 2 years.

(a) Set out below is the amount of revenue recognized from:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Amounts included in contract liabilities	544,495	640,864	90,217

(b) Capitalized contract costs

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Capitalized contract costs relating to the projects on development of technology know-how			
At January 1	147,499	197,692	27,830
Addition	50,193	14,628	2,059
Recognized in income statement	–	(89,693)	(12,626)
At December 31	197,692	122,627	17,263

6.3 Performance obligations

The transaction price allocated to the remaining unsatisfied performance obligations as of 31 December are, as follows:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Within one year	117,906	102,978	14,497
More than one year	77,339	52,214	7,350
Total unfulfilled service-type maintenance service (Note 24)	195,245	155,192	21,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 (a) Depreciation and amortization expenses

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Amortization of intangible assets	38,957	64,939	109,913	15,473
Depreciation of investment property	355	348	355	50
Depreciation of property, plant and equipment	492,826	516,276	508,726	71,615
Depreciation of right-of-use assets	41,458	43,129	46,071	6,486
	573,596	624,692	665,065	93,624

(b) Shipping and handling expenses

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

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Cost of sales	194,022	132,117	129,954	18,294
Selling, general and administrative expenses	30,270	18,544	21,019	2,959
	224,292	150,661	150,973	21,253

Management has reclassified certain freight charges from selling, general and administrative expenses to cost of sales. The comparative figures for the full year ended December 31, 2021 and 2022 had been adjusted to conform with current year's presentation (Note 36).

7.2 (a) Other operating income

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Interest income	132,083	131,879	154,129	21,697
Dividend income from quoted equity securities	168	13	–	–
Gain on disposal of:				
– associate	–	1,329	–	–
– property, plant and equipment	1,224	6,535	778	110
– quoted equity securities	5,416	2,291	–	–
– right-of-use assets	14,714	3,929	7,632	1,074
– a subsidiary	–	–	113,042	15,913
Recognition of net gain upon fulfillment of performance obligation relating to capitalized contract asset	–	–	11,696	1,646
Government grants	152,932	176,264	171,937	24,204
Fair value gain on quoted equity securities	138	–	–	–
Others	19,496	12,109	10,086	1,421
	326,171	334,349	469,300	66,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.2 (b) Other operating expenses

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Impairment loss on investment in joint venture	–	990	–	–
Impairment on property, plant and equipment	–	–	36,720	5,169
Reversal of provision for onerous contract, net	(8,810)	(4,829)	–	–
Foreign exchange loss, net	1,739	555	482	68
Written off/(write-back) of unrecoverable value-added tax	11,164	–	(11,164)	(1,572)
Others	5,889	877	900	127
	9,982	(2,407)	26,938	3,792

7.3 Finance costs

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Bank term loans	82,109	65,440	59,672	8,400
Bills and other discounting	27,864	23,922	33,946	4,779
Bank charges	4,136	4,563	4,588	646
Interest on lease liabilities (Note 17)	1,819	1,547	1,969	277
	115,928	95,472	100,175	14,102

7.4 Staff costs

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Wages and salaries	1,338,777	928,350	1,193,214	167,973
Contribution to defined contribution plans	386,551	371,458	354,014	49,836
Executive bonuses	19,355	16,500	24,200	3,407
Staff welfare	93,992	79,206	74,727	10,520
Staff severance cost	11,771	19,531	35,547	5,004
Others	4,887	3,875	3,542	499
	1,855,333	1,418,920	1,685,244	237,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended December 31, 2021, 2022 and 2023 are as follows:

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Current income tax				
- Current year	48,856	72,909	81,365	11,454
- (Over)/under provision in respect of prior years	(21,523)	27,406	27,837	3,919
Deferred tax				
- Movement in temporary differences	16,483	(41,147)	(14,837)	(2,089)
- (Over)/under provision in respect of prior years	–	(103)	54,131	7,620
Consolidated income tax expense reported in the statement of profit or loss	43,816	59,065	148,496	20,904

The reconciliation between tax expense and the product of accounting profit multiplied by the PRC income tax rate of 15% (being tax rate of Yuchai) for the years ended December 31, 2021, 2022 and 2023 for the following reasons:

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Profit before tax	451,710	394,726	571,352	80,431
Income tax expense at 15%	67,757	59,209	85,703	12,064
Adjustments:				
Non-deductible expenses	17,795	7,924	5,888	829
Tax-exempt income	(2,181)	(500)	(11,993)	(1,688)
Utilization of deferred tax benefits previously not recognized	(29)	(3,093)	(6,211)	(874)
Deferred tax benefits not recognized	10,356	22,606	42,830	6,029
Tax credits for research and development expense	(59,633)	(76,835)	(85,372)	(12,018)
Tax rate differential	16,517	10,901	21,542	3,032
(Over)/under provision in respect of previous years	(21,523)	27,303	81,968	11,539
Withholding tax expense	14,639	11,535	14,872	2,094
Others	118	15	(731)	(103)
Total	43,816	59,065	148,496	20,904

Global minimum top-up tax

The Group has applied a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and accounts for it as a current tax when it is incurred.

The Group is in the progress of assessing the exposure to the Pillar Two income taxes arising from the legislation. Due to the complex nature of the legislation and the calculations including the determination of the adjustments required under the Pillar Two legislation, the Group assessed that the quantitative impact of the potential top-up tax arising from the enacted/substantively enacted legislation is not yet reasonably estimatable. The Group continues to assess the impact of the Pillar Two legislation on its financials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE (cont'd)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of profit or loss			
	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Accelerated tax depreciation	(122,298)	(77,806)	(10,953)	(37,968)	16,472	44,492	6,263
Interest receivable	(3,033)	–	–	(1,459)	363	3,033	427
PRC withholding tax on dividend income (i)	(61,825)	(64,717)	(9,110)	(14,529)	(11,458)	(14,457)	(2,035)
Effect of change in residual value and impairment of property, plant and equipment	69,641	2,866	404	25,264	4,273	(66,774)	(9,400)
Write-down of inventories	29,503	37,120	5,226	(2,378)	9,253	7,617	1,072
Impairment losses on trade receivables	7,071	7,426	1,045	(1,267)	282	355	50
Accruals	234,586	232,048	32,666	(15,339)	(48,841)	(2,505)	(352)
Deferred income	56,480	79,896	11,247	(11,114)	(41,348)	23,416	3,296
Losses available for offsetting against future taxable income	139,747	112,601	15,851	23,072	116,675	(27,146)	(3,821)
Others	39,185	31,854	4,484	19,235	(4,421)	(7,325)	(1,031)
Deferred tax (expenses)/benefits				(16,483)	41,250	(39,294)	(5,531)
Net deferred tax assets	389,057	361,288	50,860				
Reflected in the consolidated statement of financial position as follows:							
Deferred tax assets	450,882	426,377	60,023				
Deferred tax liabilities	(61,825)	(65,089)	(9,163)				
	389,057	361,288	50,860				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE (cont'd)

Deferred tax (cont'd)

Note:

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

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
At January 1	(65,544)	(61,825)	(8,703)
Provision made to consolidated statement of profit or loss	(11,458)	(14,457)	(2,035)
Utilization	15,177	11,565	1,628
December 31	(61,825)	(64,717)	(9,110)

The Corporate Income Tax ("CIT") law 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 profit 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 deferred tax liability 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, 2023, the deferred tax liability for withholding tax payable was RMB 64.7 million (US$9.1 million) (2022: RMB 61.8 million). The amount of unrecognized deferred tax liability relating to undistributed earnings of the PRC enterprises is estimated to be RMB 204.7 million (US$28.8 million) (2022: RMB 190.7 million).

Deferred tax assets have not been recognized in respect of the following items:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Unutilized tax losses	473,456	628,534	88,481
Unutilized capital allowances and investment allowances	100,643	94,447	13,296
Other unrecognized temporary differences relating to asset impairment and deferred grants	142,851	156,226	21,993
	716,950	879,207	123,770

Unrecognized tax losses for the Group are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which the Group operates. The unutilized tax losses for PRC subsidiaries and Malaysia subsidiaries expire within the next 5 to 10 years and 10 years, respectively. These losses may not be used to offset taxable income elsewhere in the Group. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilize the benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company 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:

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Profit attributable to equity holders of the Company	272,673	218,581	285,518	40,193
Weighted average number of ordinary shares	40,858,290	40,858,290	40,858,290	40,858,290

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:

	31.12.2021	31.12.2022	31.12.2023
Weighted average number of shares issued, used in the calculation of basic earnings per share	40,858,290	40,858,290	40,858,290
Diluted effect of share options	–	–	–
Weighted average number of ordinary shares adjusted for effect of dilution	40,858,290	40,858,290	40,858,290

270,000 (2022: 270,000; 2021: 270,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings and improvements RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Office furniture, fittings and equipment RMB'000	Motor and transport vehicles RMB'000	Total RMB'000
Cost							
At January 1, 2022	13,464	2,546,285	405,430	6,224,902	222,380	119,169	9,531,630
Additions	–	8,768	312,442	13,469	12,413	6,256	353,348
Disposals	–	(5,530)	–	(54,323)	(964)	(6,568)	(67,385)
Transfers	–	72,252	(369,120)	288,475	8,491	–	98
Write-off	–	(14,827)	–	(1,081)	(10,754)	(2,465)	(29,127)
Translation difference	1,190	3,836	17	404	763	145	6,355
At December 31, 2022 and January 1, 2023	14,654	2,610,784	348,769	6,471,846	232,329	116,537	9,794,919
Additions	–	2,903	149,846	18,676	7,151	300	178,876
Disposal of subsidiary	–	(80,585)	–	(21,632)	(5,568)	–	(107,785)
Disposals	–	–	–	(7,000)	(772)	(23,039)	(30,811)
Transfers	–	38,506	(244,741)	201,642	4,593	–	–
Write-off	–	(2,890)	–	(7,474)	(3,229)	(171)	(13,764)
Translation difference	402	(233)	(139)	(197)	(360)	20	(507)
At December 31, 2023	15,056	2,568,485	253,735	6,655,861	234,144	93,647	9,820,928
Accumulated depreciation and impairment							
At January 1, 2022	457	1,023,456	–	4,069,642	168,930	71,236	5,333,721
Charge for the year	–	101,709	–	398,465	22,005	11,598	533,777*
Disposals	–	(3,166)	–	(51,290)	(960)	(6,255)	(61,671)
Write-off	–	(11,855)	–	(978)	(10,559)	(2,440)	(25,832)
Impairment loss	–	–	14,060	3,218	–	–	17,278
Translation difference	20	984	–	204	571	123	1,902
At December 31, 2022 and January 1, 2023	477	1,111,128	14,060	4,419,261	179,987	74,262	5,799,175
Charge for the year	–	92,919	–	402,554	21,568	10,515	527,556
Disposal of subsidiary	–	(44,274)	–	(17,225)	(5,175)	–	(66,674)
Disposals	–	–	–	(5,456)	(687)	(18,779)	(24,922)
Write-off	–	(2,068)	–	(6,681)	(3,123)	(161)	(12,033)
Impairment loss	–	9,162	561	34,458	438	48	44,667
Translation difference	(13)	(37)	–	(132)	(281)	21	(442)
At December 31, 2023	464	1,166,830	14,621	4,826,779	192,727	65,906	6,267,327
Net book value							
At December 31, 2022	14,177	1,499,656	334,709	2,052,585	52,342	42,275	3,995,744
At December 31, 2023	14,592	1,401,655	239,114	1,829,082	41,417	27,741	3,553,601
US$'000	2,054	197,316	33,661	257,487	5,830	3,905	500,253

* In 2023, RMB 16.6 million (US$2.3 million) (2022: RMB 14.9 million) were capitalized as development costs and RMB 2.2 million (US$0.3 million) (2022: RMB 2.6 million) were capitalized as capitalized contract cost.

Impairment loss of RMB 8.0 million (US$1.1 million) (2022: RMB 17.3 million; 2021: RMB 7.2 million) and RMB 36.7 million (US$ 5.2 million) (2022: Nil; 2021: Nil) were charged to the consolidated statement of profit or loss under "Cost of sales" and "Other operating expenses" respectively, for the Group's plant and equipment within the Yuchai segment. The impairment loss was due to assets that were not in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENT PROPERTY

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Cost			
At January 1	31,810	32,389	4,560
Translation difference	579	1,258	177
At December 31	32,389	33,647	4,737
Accumulated depreciation			
At January 1	26,724	27,633	3,890
Charge for the year	348	355	50
Translation difference	561	1,556	220
At December 31	27,633	29,544	4,160
Net carrying amount	4,756	4,103	577
Fair value	11,686	11,453	1,612
Consolidated statements of profit or loss:			
Rental income from an investment property			
– Minimum lease payments	176	154	22
Direct operating expenses (including repairs and maintenance) arising from the rental generating property	(118)	(720)	(101)

The Group has no restrictions on the realizable of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using straight-line method to allocate the depreciable amounts over the estimated useful life of 30 years.

The fair value is determined by independent professional qualified assessor. The fair value of investment property is determined by the market comparison and cost methods. In valuing the investment property, due consideration is given to factors such as location and size of building, building infrastructure, market knowledge and historical comparable transactions to arrive at their opinion of value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENT PROPERTY (cont'd)

The following table shows information about fair value measurement of the investment property using significant unobservable inputs (Level 3):

	Valuation techniques	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
2023	Market comparison and cost method	Comparable price: - RMB 189 to RMB 458 (US$ 27 to US$ 64) per square foot	The estimated fair value increases with higher comparable price
2022	Market comparison and cost method	Comparable price: - RMB 182 to RMB 441 per square foot	The estimated fair value increases with higher comparable price

12. INTANGIBLE ASSETS

	Goodwill RMB'000	Technology Know-how RMB'000	Development costs RMB'000	Trademarks RMB'000	Total RMB'000
Cost					
At January 1, 2022	218,311	551,526	992,290	169,811	1,931,938
Addition	–	–	181,181	–	181,181
Transfer	–	121,227	(121,227)	–	–
At December 31, 2022 and January 1, 2023	218,311	672,753	1,052,244	169,811	2,113,119
Addition	–	–	186,222	–	186,222
Transfer	–	754,407	(754,407)	–	–
At December 31, 2023	218,311	1,427,160	484,059	169,811	2,299,341
Accumulated amortization and impairment					
At January 1, 2022	5,675	167,681	–	–	173,356
Amortization	–	64,939	–	–	64,939
At December 31, 2022 and January 1, 2023	5,675	232,620	–	–	238,295
Amortization	–	109,913	–	–	109,913
At December 31, 2023	5,675	342,533	–	–	348,208
Net carrying amount					
At December 31, 2022	212,636	440,133	1,052,244	169,811	1,874,824
At December 31, 2023	212,636	1,084,627	484,059	169,811	1,951,133
US$'000	29,933	152,687	68,143	23,905	274,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS (cont'd)

Goodwill

Goodwill represents the excess of purchase consideration 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 manufacturing business.
- Yulin Hotel. Goodwill allocated to Yulin Hotel was fully impaired in 2008.

Carrying amount of goodwill allocated to the cash-generating unit:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Yuchai manufacturing business	212,636	212,636	29,933

Yuchai manufacturing business

The Group performs its impairment test annually. The recoverable amount was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections was 15.10% (2022: 14.34%) and cash flows beyond the five-year period are extrapolated using a 1% growth rate (2022: 5%), a modest long-term growth rate after taking into consideration of industry outlook with management estimation. No impairment was identified for this unit.

Key assumptions used for value in use calculations

Key assumptions used in estimation of value in use were as follows:

- Profit from operation
- Discount rate

Profit from operation – Profit from operation is based on management's estimate with reference to historical performance and future business outlook of Yuchai manufacturing business.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS (cont'd)

Goodwill (cont'd)

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 demand by 12.85% (2022: 26.64%) would result in impairment.

Discount rate – A rise in pre-tax discount rate to 20.94% (2022: 17.92%) would result in impairment.

With regard to the assessment of value in use of the Yuchai manufacturing business, 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.

Technology know-how

The Group has an intangible asset representing technology development costs relating to the production of 4Y20 engines. As of December 2023, the carrying amount of the asset is RMB 5.0 million (US$ 0.7 million), net of the accumulated impairment loss that was brought forward from prior years amounting to RMB 126.7 million.

In late 2018, the Group had commenced the production of 4Y20 engines. In 2021, 2022 and 2023, management believed that there was no indicator for further impairment. Also, having considered that there was no significant change of the market demand and economic environment which will have a favorable effect to the recoverable amount of the intangible asset, management had concluded that no reversal of impairment was necessary in 2021, 2022 and 2023.

In 2023, the development of certain engine platform relating to National VI and Tier 4 engines were completed, and the related development costs amounting to RMB 754.4 million (US$ 106.2 million) (2022: RMB 121.2 million) were transferred from development costs to technology know-how, and amortization were charged accordingly based on the Group's policy.

Development costs

During 2022 and 2023, the Group has capitalized development costs of RMB 181.2 million and RMB 186.2 million (US$ 26.2 million), respectively, mainly for new engines that comply with National VI and Tier 4 emission standards. As of December 31, 2023, the total capitalized development costs are RMB 484.1 million (US$ 68.1 million) (2022: RMB 1,052.2 million). These development costs relate to on-going development efforts and, accordingly, have not yet been available for use, and therefore no amortization charges were recorded.

In 2022 and 2023, the Group performs an impairment test on the development costs that are not available for use. No impairment has been identified. The recoverable amount was determined based on its value in use using the discounted cash flow approach. Cash flows were projected based on historical growth, past experience and management best estimation of future business outlook. In 2023, the Group used 6-10 years (2022: 7 years) forecast and were based on the updated financial budgets approved by the senior management with no terminal value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS (cont'd)

Development costs (cont'd)

Key assumptions used in estimation of value in use were as follows:

- Profit from operation – Profit from operation is based on management's estimate with reference to historical revenue generated, growth rate and estimation of future business outlook. In 2023, the Group estimated the revenue growth rate is the range of 10% to 25% year-on-year from 2024 to 2029 in view of the implementation of new emission standard for powertrain solutions for on- and off- road engine business. Management expected an accelerated growth for new energy products due to the government's emphasis on new energy and low carbon emission commitment in domestic and international market.

  In 2022, the Group estimated the revenue growth rate is the range of 15% to 20% year-on-year from 2023 to 2027 in view of the implementation of new emission standard and management expect an accelerated growth for new energy products due to the government's emphasis on new energy. Management assumes the revenue for the year 2028 and 2029 remain the same level as 2027.

- 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. The Group has applied a pre-tax discount rate of 15.10% (2022: 14.34%).

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 demand by 6.56% (2022: 4.88%) would result in impairment.

Discount rate – A rise in pre-tax discount rate to 15.99% (2022: 19.17%) would result in impairment.

With regard to the assessment of value in use, 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.

Trademarks

In 2019, Yuchai entered into a trademark license agreement with GY under which Yuchai was granted the exclusive and perpetual use of the trademarks listed in the trademark license agreement for a one-time usage fee of RMB 169.8 million.

Management has assessed and concluded that the right granted by the trademark license, according to the terms and conditions of the trademark license agreement, is indefinite.

In 2022 and 2023, the Group performed an annual impairment review by taking Yuchai as a cash–generating unit. Using the same cash flow projection and assumptions for goodwill impairment test disclosed above, management concluded that no impairment charge is to be recognized in 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INVENTORIES

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Raw materials and consumables	2,339,933	2,201,886	309,968
Work in progress	24,312	19,423	2,734
Finished goods	2,573,510	2,427,718	341,759
Total inventories at the lower of cost and net realizable value	4,937,755	4,649,027	654,461

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Inventories recognized as an expense in cost of sales	16,457,476	11,991,899	13,444,277	1,892,601
Inclusive of the following charge/(credit):				
– Inventories written down	32,813	86,650	77,466	10,905
– Reversal of write-down of inventories	(41,823)	(31,765)	(27,447)	(3,864)
– Inventories written off	10,085	–	–	–

The reversal of write-down of inventory was made when the related inventories were sold above their carrying value or consumed for production.

14. OTHER CURRENT ASSETS

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Development properties	16,710	16,733	2,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Trade receivables, gross	1,549,462	1,148,682	161,704
Less: Allowance for expected credit losses	(33,247)	(54,894)	(7,728)
Net trade receivables (Note 6.2)	1,516,215	1,093,788	153,976
Bills receivable [i]	4,970,880	6,318,789	889,519
Total (Note 32, Note 35)	6,487,095	7,412,577	1,043,495
Amounts receivable:			
– associates and joint ventures (trade)	125,489	187,944	26,458
– associates and joint ventures (non-trade)	11,230	10,212	1,438
– related parties (trade)	180,374	212,706	29,943
– related parties (non-trade)	3,476	4,016	565
Bills receivable in transit	8,172	49,696	6,996
Grant receivables	62,000	62,000	8,728
Estimated sales consideration on disposal of a subsidiary due from the acquirer	–	236,734	33,326
Others	49,763	68,052	9,580
Less: Impairment losses – other receivables	(5,754)	(7,710)	(1,085)
Other receivables carried at amortized cost (Note 35)	434,750	823,650	115,949
Tax recoverable	290,596	108,844	15,322
Advances paid to suppliers	81,861	77,527	10,914
Right of return assets	17,045	36,026	5,072
Net other receivables	824,252	1,046,047	147,257
Total trade and other receivables	7,311,347	8,458,624	1,190,752

Note:

[i] As of December 31, 2023, bills receivable includes bills received from joint ventures and related parties amounted to RMB 5.3 million (US$ 0.7 million) (2022: RMB 0.1 million) and RMB 987.9 million (US$ 139.1 million) (2022: RMB 763.4 million) respectively.

As of December 31, 2023, bills receivable amounted to RMB 12.5 million (US$ 1.8 million) (2022: RMB 12.6 million) was pledged to secure bank facilities (Note 26).

Trade receivables are non-interest bearing and are generally on 60 - 90 days' term. They are recognized at their original invoice amounts, net of sales rebates in the financial year.

Non-trade balance due from associates, joint ventures and other related parties are unsecured, interest-free, and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the allowance for expected credit losses of trade and other receivables is as follows:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
At January 1	39,441	39,001	5,490
(Credit)/charge to consolidated statement of profit or loss (under "Selling, general and administrative expenses")	(459)	23,858	3,359
Written off	(5)	(264)	(37)
Translation difference	24	9	1
At December 31	39,001	62,604	8,813

As of December 31, 2022 and 2023, outstanding bills receivable discounted with banks for which the Group retained a recourse obligation totaled RMB 936.9 million and RMB 1,659.4 million (US$ 233.6 million) respectively. All bills receivable discounted have contractual maturities within 12 months at time of discounting.

As of December 31, 2022 and 2023, outstanding bills receivable endorsed to suppliers with recourse obligation were RMB 1,032.1 million and RMB 1,629.8 million (US$ 229.4 million) respectively.

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

16. CASH AND BANK BALANCES

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Non-current			
Long-term bank deposits	20,000	–	–
Current			
Cash and cash equivalents	4,451,489	5,544,376	780,502
Short-term bank deposits (i)	351,567	467,096	65,755
Restricted cash	27,687	27,999	3,942
	4,830,743	6,039,471	850,199
Cash and bank balances	4,850,743	6,039,471	850,199

Note:

(i) Short-term bank deposits 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, 2023 for the Group ranged from 2.8% to 5.8% (2022: 0.8% to 4.4%). These short-term bank deposits are not considered as cash equivalents.

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 and short-term bank deposits) as of December 31, 2023 for the Group ranged from 2.5% to 5.7% (2022: 1.3% to 5.2%).

As at December 31, 2023, there is fixed deposits of RMB 51.2 million (US$ 7.2 million) held with a related party (2022: RMB 36.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CASH AND BANK BALANCES (cont'd)

As of December 31, 2023, the Group's restricted cash of RMB 28.0 million (US$ 3.9 million) (2022: RMB 27.7 million) was used as collateral by the banks for the issuance of bills to suppliers.

As of December 31, 2022 and 2023, the Group had RMB 518.0 million and RMB 534.5 million (US$ 75.2 million) respectively, of undrawn borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at December 31:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Cash at banks and on hand	3,730,372	4,963,232	698,692
Short-term bank deposits [(i)]	721,117	581,144	81,810
Cash and cash equivalents	4,451,489	5,544,376	780,502

Note:

(i) This relates to other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

17. LEASES

Group as a lessee

The Group has lease contracts for land, motor vehicles, office space and staff accommodations used in its operations. These leases are generally with lease term of between 1 and 12 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of office space and staff accommodations with lease terms of 12 months or less. The Group has applied the "short-term leases" recognition exemptions for these leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. LEASES (cont'd)

Group as a lessee (cont'd)

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year.

	Leasehold land RMB'000	Building and office space RMB'000	Office furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000	Total US$'000
At January 1, 2022	304,645	40,118	51	–	344,814	48,541
Addition	–	49,421	–	314	49,735	7,001
Depreciation expenses	(12,324)	(30,772)	(14)	(19)	(43,129)	(6,071)
Disposal	(3,256)	–	–	–	(3,256)	(458)
Termination	–	(6,187)	–	–	(6,187)	(871)
Translation difference	–	159	5	–	164	22
At December 31, 2022 and January 1, 2023	289,065	52,739	42	295	342,141	48,164
Addition	–	31,082	–	1,002	32,084	4,517
Depreciation expenses	(12,282)	(33,671)	(7)	(111)	(46,071)	(6,486)
Disposal of subsidiary	(22,782)	–	–	–	(22,782)	(3,207)
Disposal	(5,564)	–	–	–	(5,564)	(783)
Termination	–	(1,382)	–	–	(1,382)	(195)
Translation difference	–	18	1	–	19	3
At December 31, 2023	248,437	48,786	36	1,186	298,445	42,013

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 RMB'000	2023 RMB'000	2023 US$'000
At January 1	40,531	59,641	8,396
Additions	49,735	32,084	4,517
Accretion of interest (Note 7.3)	1,547	1,969	277
Payments	(26,144)	(43,073)	(6,063)
Termination	(6,187)	(1,382)	(195)
Translation difference	159	42	6
At December 31	59,641	49,281	6,938
Current (Note 25)	31,433	33,272	4,684
Non-current (Note 25)	28,208	16,009	2,254
Total	59,641	49,281	6,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. LEASES (cont'd)

Group as a lessee (cont'd)

The following are the amounts recognized in profit of loss:

	2022 RMB'000	2023 RMB'000	2023 US$'000
Depreciation charge for right-of-use assets	43,129	46,071	6,486
Interest expenses on lease liabilities (Note 7.3)	1,547	1,969	277
Expenses relating to short-term leases (included in selling, general and administrative expenses and research and development expenses)	25,022	18,275	2,573
Total amount recognized in profit or loss	69,698	66,315	9,336

In 2023, the Group had total cash outflows for leases of RMB 61.3 million (US$ 8.6 million) (2022: RMB 51.2 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of RMB 32.1 million (US$ 4.5 million) in 2023 (2022: RMB 49.7 million). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 30.

Group as a lessor

The Group has entered into operating leases on some of its assets, including surplus offices and warehouses. These leases have terms between 1 to 20 years. Rental income recognized by the Group during the year is RMB 25.8 million (US$ 3.6 million) (2022: RMB 18.1 million).

Future minimum rental receivables under non-cancellable operating leases as of 31 December are as follows:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Within 1 year			
– related parties	17	2,012	283
– joint venture	1,587	3,329	469
– third parties	8,136	7,898	1,112
After 1 year but within 5 years			
– related parties	17	7,988	1,125
– joint venture	6,292	11,697	1,647
– third parties	19,364	22,235	3,130
More than 5 years			
– joint venture	9,690	7,504	1,056
– third parties	26,566	34,523	4,860
	71,669	97,186	13,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. ISSUED CAPITAL

	31.12.2022 thousands	31.12.2023 thousands
Issued capital		
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, 2022, December 31, 2022 and December 31, 2023	40,858,290	2,081,138
US$'000		292,969

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Special share issued and fully paid			
One special share issued and fully paid at US$ 0.10 per share	*	*	*

* Less than RMB 1 (US$ 1)

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

The holder of special share is entitled to elect a majority of directors of the Company. In addition, no shareholders' resolution may be passed without the affirmative vote of the special share, including any resolution to amend the Memorandum of Association or Bye-laws of the Company. The special share is not transferable except to Hong Leong Asia Ltd. ("HLA"), Hong Leong (China) Limited ("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.

19. DIVIDENDS DECLARED AND PAID

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Declared and paid during the year			
Dividends on ordinary shares:			
Final dividend paid in 2023: US$ 0.28 per share (2022: US$ 0.40 per share)	109,684	80,238	11,295
Dividend paid in cash	109,684	80,238	11,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RESERVES

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Statutory reserve			
Statutory general reserve (i)			
At January 1	283,531	310,029	43,644
Transfer from retained earnings	26,498	45,989	6,474
At December 31	310,029	356,018	50,118
General surplus reserve (ii)			
At January 1 and December 31	25,706	25,706	3,619
Total	335,735	381,724	53,737
Capital reserves (iii)			
At January 1	30,704	(4,196)	(591)
Issuance of put option to non-controlling interest of subsidiary	(34,900)	(14,040)	(1,976)
At December 31	(4,196)	(18,236)	(2,567)

Note:

(i) 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 shareholders 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.

(ii) 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.

(iii) Capital reserves consist of reserve resulted from (i) a capital transaction in 2015 and (ii) the put option granted to the non-controlling interests of Yuchai's subsidiary in 2022 and 2023. Further details are given in Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RESERVES (cont'd)

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Other components of equity			
Foreign currency translation reserve (i)	(44,699)	(27,971)	(3,937)
Performance shares reserve (ii)	19,758	19,758	2,781
Premium paid for acquisition of non-controlling interests	(9,463)	(7,986)	(1,124)
Fair value reserve of financial assets at FVOCI (iii)	(30,591)	(22,454)	(3,161)
Total	(64,995)	(38,653)	(5,441)

Note:

(i) 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.

(ii) Performance shares reserve comprises the cumulative value of employee services received in return for share-based compensation. The amount in the reserve is retained when the option is expired.

(iii) Fair value reserve of financial assets at FVOCI relates to the subsequent measurement of the Group's bills receivable at fair value through OCI.

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

In 2021, 2022 and 2023, there was no expense arising from equity-settled share-based payment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. 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 share options 2022	WAEP 2022	Number of share options 2023	WAEP 2023
Outstanding at January 1 and December 31	270,000	US$ 21.11	270,000	US$ 21.11
Exercisable at December 31	270,000	US$ 21.11	270,000	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 behavioral considerations.

Fair value of share options and assumptions

	On July 29, 2014
Date of grant of options	
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 as of December 31, 2023 was US$21.11 dollar (2022: US$21.11 dollar).

The weighted average remaining contractual life for the share options outstanding as of December 31, 2023 was 0.6 (2022: 1.6) 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 granted. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the service to be received at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE AND OTHER PAYABLES

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Current			
Trade payables	4,199,072	3,999,224	562,986
Bills payables (i)	2,356,574	3,248,066	457,242
Other payables	319,723	402,516	56,664
Accrued expenses	159,735	226,745	31,920
Accrued staff costs	422,045	499,230	70,278
Refund liabilities	222,342	324,161	45,633
Dividend payable	30,205	30,899	4,350
Amount due to:			
– joint ventures (trade)	67,556	83,590	11,767
– joint ventures (non-trade)	22	–	–
– related parties (trade)	296,219	303,393	42,710
– related parties (non-trade)	7,289	36,083	5,079
Financial liabilities carried at amortized cost (Note 32, Note 35)	8,080,782	9,153,907	1,288,629
Deferred grants (Note 27)	13,404	8,064	1,135
Advance from customers	254	248	35
Other tax payable	44,968	65,105	9,165
Total trade and other payables (current)	8,139,408	9,227,324	1,298,964

(i) As of December 31, 2023, the bills payables include bills payable to joint ventures and other related parties amounted to RMB 4.0 million (US$ 0.6 million) (2022: RMB 36.3 million) and RMB 435.3 million (US$ 61.3 million) (2022: RMB 192.6 million) respectively.

(ii) Terms and conditions of the above financial liabilities:

- Trade and other payables are non-interest bearing and are normally settled on agreed credit terms ranging from 60 to 90 day terms.
- The non-trade balances due to joint ventures and related parties are unsecured, interest-free and repayable on demand.

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Non-current			
Other payables (i) (Note 32, Note 35)	189,366	181,155	25,502

(i) This relates to accrual for bonus, which is non-interest bearing and not expected to be settled within next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. PROVISIONS

	Provision for warranty RMB'000	Provision for onerous contract RMB'000	Total RMB'000	Total US$'000
At January 1, 2022	248,199	4,829	253,028	35,620
Provision made	317,076	–	317,076	44,636
Provision utilized	(345,161)	–	(345,161)	(48,590)
Provision reversed	–	(4,829)	(4,829)	(680)
At December 31, 2022 and January 1, 2023	220,114	–	220,114	30,986
Provision made	414,021	–	414,021	58,283
Provision utilized	(375,910)	–	(375,910)	(52,918)
Disposal of a subsidiary	(2,145)	–	(2,145)	(302)
At December 31, 2023	256,080	–	256,080	36,049

24. CONTRACT LIABILITIES

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Unfulfilled service-type maintenance services	195,245	155,192	21,847
Advance from customer	499,831	536,235	75,487
Total	695,076	691,427	97,334
Current	617,737	639,213	89,984
Non-current	77,339	52,214	7,350
Total contract liabilities (Note 6.2)	695,076	691,427	97,334

25. LEASE LIABILITIES

	Interest rate %	Maturity	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Current (Note 17)	1.3 - 6.7	2024	31,433	33,272	4,684
Non-current (Note 17)	1.3 - 6.7	2025-2034	28,208	16,009	2,254

26. LOANS AND BORROWINGS

	Weighted average interest rate %	Maturity	31.12.2022 RMB'000
Current			
Renminbi denominated loans	0.9 – 3.7	2023	2,141,432
Non-current			
Renminbi denominated loans	3.0	2025	200,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. LOANS AND BORROWINGS (cont'd)

	Weighted average interest rate %	Maturity	31.12.2023 RMB'000	31.12.2023 US$'000
Current				
Renminbi denominated loans	1.2 – 2.1	2024	1,850,294	260,473
Non-current				
Renminbi denominated loans	2.8	2025-2026	690,000	97,134

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

On June 25, 2021, the Company entered into an uncommitted revolving credit facility agreement with DBS with an aggregate value of S$ 30.0 million for renewal of the S$30.0 million facility that matured on June 1, 2021. The facility may be used to finance the Group general working capital requirements. Among other things, the terms of the facility required that at all times (i) the Company retains at least 76.4% ownership in Yuchai, (ii) HLA retains ownership of the special share, directly or indirectly retains at least 35% ownership of the Company and that the Company remains a subsidiary of HLA, and (iii) HLGE remains listed on the Main Board of Singapore Exchange. The terms of the facility also included certain financial covenants with respect to the Company's consolidated tangible net worth (as defined in the agreement) not being less than US$ 400 million, and the ratio of the consolidated total debt (as defined in the agreement) to consolidated tangible net worth not exceeding 1.0 times.

S$30.0 million credit facility with MUFG Bank Ltd, Singapore Branch ("MUFG")

On August 18, 2023, the Company entered into an uncommitted and unsecured multi-currency short-term loan agreement with MUFG for an aggregate value of S$ 30.0 million for renewal of the S$ 30.0 million facility that matured on March 17, 2020. The facility may be used to finance the Company's general working capital requirements. Among other things, the terms of the facility required that at all times (i) HLA maintain legal and beneficial ownership of at least 7,290,000 issued and paid-up shares in the Company, and that the Company remains a consolidated subsidiary of HLA, (ii) the Company directly or indirectly retains at least 76.4% ownership in Yuchai, and (iii) HLGE remains listed on the Main Board of Singapore Exchange. The terms of the facility also include certain financial covenants with respect to the Company's tangible net worth (as defined in the agreement) not being less than US$ 120 million at all times and the ratio of the Company's total net debt (as defined in the agreement) to tangible net worth not exceeding 2.0 times at all times, as well as negative pledge provisions and customary drawdown requirements.

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

On June 24, 2020, the Company entered into an uncommitted and unsecured multi-currency short-term revolving credit facility agreement with SMBC for an aggregate value of US$ 30.0 million for renewal of the US$ 30.0 million facility that matured on March 18, 2020. This facility may be used by to finance the Company's general working capital requirements. The terms of the facility require, among other things, that HLA maintain legal and beneficial ownership of at least 7,290,000 issued and paid-up shares in the Company, retains ownership of the special share and that the Company remains a subsidiary 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 of June 30 and December 31 of each year not less than US$ 200 million and the ratio of the Company's consolidated total net debt (as defined in the agreement) to consolidated tangible net worth as of June 30 and December 31 of each year not exceeding 2.0 times, as well as negative pledge provisions and customary drawdown requirements. On April 12, 2022, the Company enter into a supplement agreement with SMBC to amend the maximum tenor of each drawdown under the facility to 6 months for US$ and 3 months for S$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. DEFERRED GRANTS

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
At January 1	424,140	489,788	68,949
Received during the year	186,993	145,330	20,459
Grant disbursed to partner of joint project	(13,243)	(16,423)	(2,312)
Released to consolidated statement of profit or loss	(108,102)	(59,818)	(8,421)
Reclassification to other payables	–	(98,919)	(13,925)
At December 31	489,788	459,958	64,750
Current (Note 22)	13,404	8,064	1,135
Non-current	476,384	451,894	63,615
	489,788	459,958	64,750

The government grant that have been received in PRC was to support and fund Yuchai's production facilities, research and development activities for product innovations and developments.

28. OTHER FINANCIAL LIABILITY

In November 2022, Yuchai Xin-Lan received RMB 50.0 million from an investor for its 9.1% of shareholding in Yuchai Xin-Lan. In February 2023, Yuchai Xin-Lan received another RMB 20.0 million (US$ 2.8 million) from two new investors for its 3.2% of shareholding in Yuchai Xin-Lan. At the same time, Yuchai has granted a put option to these investors (non-controlling interest of its subsidiary company, Yuchai Xin-Lan). These options may be exercised at cost plus agreed interests (based on a fixed interest rate) if certain conditions are not met by end of 2027. Accordingly, the Group recognized a financial liability based on the present value of the amount payable upon exercise of the put. A corresponding capital reserve was recognized (Note 20).

29. RELATED PARTY DISCLOSURES

The ultimate parent

As of December 31, 2023, the controlling shareholder of the Company, HLA, indirectly owned 18,270,965, or 44.7% (2022: 18,270,965, or 44.7%), 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 HL Technology Systems Pte. Ltd. ("HLT"), a wholly-owned subsidiary of HLC. HLT owns approximately 23.3% (2022: 23.3%) 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 21.4% (2022: 21.4%) 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.

In 2023, there were transactions other than dividends paid, between the Group and HLA of RMB 0.5 million (less than US$ 0.1 million) (2022: RMB 0.4 million; 2021: RMB 0.5 million). The transaction relates to consultancy fees charged by HLA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (cont'd)

Entity with significant influence over the Group

As of December 31, 2023, the Yulin City Government through Coomber Investment Ltd. owned 18.2% (2022: 17.2%) of the ordinary shares in the capital of the Company.

The following provides the significant transactions that have been entered into with related parties for the relevant financial year.

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Sales of engines and parts				
– associates and joint ventures	393,440	411,010	924,971	130,212
– GY and its affiliates	3,223,785	2,262,306	2,034,304	286,376
Purchase of parts, supplies and engines				
– associates and joint ventures	2,036,675	1,396,611	1,614,814	227,323
– GY and its affiliates	1,307,137	1,053,607	1,804,457	254,020
Hospitality, restaurant, consultancy and other service income charged to				
– a joint venture	2,152	5,803	18,427	2,594
– GY and its affiliates	6,609	10,398	18,023	2,537
Service charge charged by				
– joint ventures	5,023	128	2,094	295
Rental income				
– joint ventures	4,415	4,634	3,834	540
– GY and its affiliates	275	580	12,227	1,721
Sales of an intangible asset to a joint venture	–	–	101,390	14,273
Property management service expenses				
– GY and its affiliates	21,978	22,128	24,668	3,473
Selling, general and administrative expenses				
– a joint venture	2,530	–	–	–
– GY and its affiliates	9,315	30,151	34,178	4,811
– HLA and its affiliates	7,188	8,994	9,194	1,294
Delivery, storage, distribution and handling expenses				
– GY and its affiliates	300,699	201,669	212,566	29,924
Payment for lease liabilities				
– GY and its affiliates	17,215	19,802	19,615	2,761
Purchases of vehicles and machineries				
– GY and its affiliates	3,460	2,513	–	–

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.

The transactions with related parties are made at terms agreed between the parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel of the Group

	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Short-term employee benefits	25,289	25,011	30,147	4,244
Contribution to defined contribution plans	273	208	305	43
	25,562	25,219	30,452	4,287

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

30. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has various lease contracts that have not yet commenced as of December 31, 2023. The future lease payments for these non-cancellable lease contracts are as follows:

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Within 1 year	–	98	14
After 1 year but within 5 years	–	198	28
After 5 years	–	–	–
	–	296	42

Capital commitments

As of December 31, 2022 and 2023, the Group had capital expenditure (mainly in respect of property, plant and equipment) contracted for but not paid and not recognized in financial statements amounting to RMB 319.5 million and RMB 175.9 million (US$ 24.8 million) respectively. The Group's share of joint venture's capital commitment is disclosed in Note 5.

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 for on- and off-road powertrain solutions and applications which are mainly distributed in the PRC market.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SEGMENT INFORMATION (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Year ended December 31, 2021	Yuchai RMB'000	HLGE RMB'000	Corporate RMB'000	Eliminations/ adjustment RMB'000	Consolidated financial statements RMB'000
Revenue					
Total external revenue (Note 6.1)	21,254,134	11,796	–	–	21,265,930
Results					
Interest income	129,520	1,363	1,200	–	132,083
Interest expense	(111,747)	(19)	(26)	–	(111,792)
Depreciation and amortization	(567,465)	(5,221)	(910)	–	(573,596)
Share of results of associates and joint venture	(96,658)	763	–	–	(95,895)
Income tax expense	(29,043)	(245)	–	(14,528)(1)	(43,816)
Other material non-cash items					
Impairment of property, plant and equipment	(7,227)	–	–	–	(7,227)
Warranties	(292,157)	–	–	–	(292,157)
Segment profit after tax	443,499	(6,728)	(20,321)	(8,556)	407,894
Total assets	23,897,506	368,415	2,146,060	(1,506,672)	24,905,309
Total liabilities	(13,206,953)	(10,322)	(13,550)	(59,140)(2)	(13,289,965)
Others					
Investment in joint ventures	147,106	3,989	–	–	151,095
Capital expenditure	474,562	4,310	19	–	478,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SEGMENT INFORMATION (cont'd)

Year ended December 31, 2022	Yuchai RMB'000	HLGE RMB'000	Corporate RMB'000	Eliminations/ adjustment RMB'000	Consolidated financial statements RMB'000
Revenue					
Total external revenue (Note 6.1)	15,997,766	32,870	–	–	16,030,636
Results					
Interest income	116,668	2,902	12,309	–	131,879
Interest expense	(90,846)	(49)	(14)	–	(90,909)
Depreciation and amortization	(619,000)	(4,770)	(922)	–	(624,692)
Share of results of associates and joint venture	(29,554)	461	–	–	(29,093)
Income tax expense	(47,555)	(39)	(9)	(11,462)[1]	(59,065)
Other material non-cash items					
Impairment of property, plant and equipment	(17,278)	–	–	–	(17,278)
Warranties	(317,076)	–	–	–	(317,076)
Segment profit after tax	354,865	5,152	(18,245)	(6,111)	335,661
Total assets	23,020,241	405,871	2,215,652	(1,504,208)	24,137,556
Total liabilities	(12,220,938)	(12,062)	(14,256)	(55,236)[2]	(12,302,492)
Others					
Investment in joint ventures	150,219	4,484	–	–	154,703
Capital expenditure	352,737	564	47	–	353,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SEGMENT INFORMATION (cont'd)

Year ended December 31, 2023	Yuchai RMB'000	HLGE RMB'000	Corporate RMB'000	Eliminations/ adjustment RMB'000	Consolidated financial statements RMB'000	Consolidated financial statements US$'000
Revenue						
Total external revenue (Note 6.1)	18,015,280	31,069	–	–	18,046,349	2,540,451
Results						
Interest income	108,792	9,545	35,792	–	154,129	21,697
Interest expense	(95,483)	(42)	(62)	–	(95,587)	(13,456)
Depreciation and amortization	(659,426)	(4,934)	(705)	–	(665,065)	(93,624)
Gain on disposal of a subsidiary	113,042	–	–	–	113,042	15,913
Share of results of associates and joint venture	62,041	37	–	–	62,078	8,739
Income tax expense	(131,021)	(535)	(14,048)	(2,892)[(1)]	(148,496)	(20,904)
Other material non-cash items						
Impairment of property, plant and equipment	(44,667)	–	–	–	(44,667)	(6,288)
Warranties	(414,021)	–	–	–	(414,021)	(58,283)
Segment profit after tax	431,697	9,534	(11,420)	(6,955)	422,856	59,527
Total assets	24,579,069	423,968	2,258,575	(1,503,994)	25,757,618	3,625,995
Total liabilities	(13,486,829)	(11,307)	(22,070)	(61,787)[(2)]	(13,581,993)	(1,911,987)
Others						
Investment in joint ventures	235,558	1,671	–	–	237,229	33,396
Capital expenditure	176,782	2,059	35	–	178,876	25,181

Note:

(1) This relates mainly to the deferred tax expense relating to withholding tax on dividends from Yuchai.

(2) This relates mainly to the deferred tax liabilities relating to cumulative withholding tax on dividends that are expected to be declared from income earned after December 31, 2007 by Yuchai.

Geographic information

The geographic information for revenue from external customers is disclosed in Note 6.1.

Major customer

Revenues from two customers of Yuchai segment amounted to RMB 2,433.2 million (US$ 342.5 million) (2022: RMB 2,346.9 million; 2021: RMB 5,231.7 million) and RMB 2,034.3 million (US$ 286.4 million) (2022: RMB 2,262.3 million; 2021: RMB 3,223.8 million) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SEGMENT INFORMATION (cont'd)

Non-current assets

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
People's Republic of China	6,281,907	5,957,205	838,617
Other countries	90,520	87,554	12,325
	6,372,427	6,044,759	850,942

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, investment in joint ventures and associates, investment property, intangible assets and goodwill.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liability arising from a put option to a non-controlling interest. 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 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 or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The sensitivity analyses in the following sections relate to the position as of December 31, 2022 and 2023.

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, 2023.

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 to the Group's interest-bearing loans and borrowings from banks. The interest-bearing loans and borrowings of the Group are disclosed in Note 26.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Interest rate risk (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing loans and borrowings 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 points increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rate had been 50 (2022: 50) basis points higher or lower and all other variables were held constant, the profit before tax for the year ended December 31, 2023 of the Group would increase/decrease by RMB 12.7 million (US$ 1.8 million) (2022: increase/decrease by RMB 11.7 million).

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to this risk relates primarily to the cash and bank balances, purchases and sales that are denominated in currencies other than the respective functional currencies of the entities within the Group. The currencies giving rise to this risk are primarily the Singapore Dollar, US Dollar and Euro.

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:

	31.12.2022			
	Singapore Dollar RMB'000	Euro RMB'000	US Dollar RMB'000	Others RMB'000
Trade and other receivables	1,504	7,328	4,484	218
Cash and bank balances	166,517	1,282	26,521	15,340
Financial liabilities	(202)	–	–	–
Trade and other receivables	(5,064)	(11,586)	(7,258)	(2,579)
Net assets/(liabilities)	162,755	(2,976)	23,747	12,979

	31.12.2023			
	Singapore Dollar RMB'000	Euro RMB'000	US Dollar RMB'000	Others RMB'000
Trade and other receivables	1,700	13,686	7,221	377
Cash and bank balances	157,073	5,337	18,162	24,114
Financial liabilities	(1,565)	–	–	–
Trade and other payables	(7,568)	(13,689)	(20,453)	(12,795)
Net assets/(liabilities)	149,640	5,334	4,930	11,696
US$'000	21,065	751	694	1,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency exchange rate risk (cont'd)

Foreign currency exchange rate 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 before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax		
	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Singapore Dollar	16,276	14,964	2,107
Euro	(298)	533	75
US Dollar	2,375	493	69

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.

An impairment analysis is performed at each reporting date using a provision matrix. The provision rates are determined based on days past due for groupings of various customer segments with similar loss patterns (i.e. by profiles of the customers). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off at management's discretion after assessment and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. The Group's share of bills receivables of a joint venture which was used as collateral as security is disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Trade receivables				
			Days past due			
As of December 31, 2022	Total RMB'000	Current RMB'000	0-90 days RMB'000	91-180 days RMB'000	181-365 days RMB'000	>365 days RMB'000
Expected credit loss rate	2.1%	–	0.2%	0.2%	0.6%	63.1%
Estimated total gross carrying amount at default	1,549,462	1,138,365	216,355	80,132	63,477	51,133
Expected credit loss	33,247	–	500	124	372	32,251

		Trade receivables				
			Days past due			
As of December 31, 2023	Total RMB'000	Current RMB'000	0-90 days RMB'000	91-180 days RMB'000	181-365 days RMB'000	>365 days RMB'000
Expected credit loss rate	4.8%	–	0.1%	0.8%	2.2%	59.7%
Estimated total gross carrying amount at default	1,148,682	521,234	350,376	97,382	93,015	86,675
Expected credit loss	54,894	–	294	753	2,067	51,780

At December 31, 2023, the Group had top 5 customers (2022: top 5 customers) that owed the Group more than RMB 597.7 million (US$ 84.1 million) (2022: RMB 993.1 million) and accounted for approximately 40.0% (2022: 53.5%) of trade receivables (including trade amounts due from related parties but excluding bills receivables) respectively. These customers are located in the PRC. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Note 15. The Group's share of bills receivables of a joint venture which was used as collateral as security is disclosed in Note 5.

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

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk (cont'd)

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

As of December 31, 2022	1 year or less RMB'000	2 to 5 years RMB'000	After 5 years RMB'000	Total RMB'000
Financial assets				
Trade and bills receivables	6,487,095	–	–	6,487,095
Other receivables, excluding tax recoverable	434,750	–	–	434,750
Cash and bank balances	4,830,743	20,000	–	4,850,743
	11,752,588	20,000	–	11,772,588
Financial liabilities				
Loans and borrowings	2,158,839	209,400	–	2,368,239
Trade and other payables (Note 22)	8,080,782	189,366	–	8,270,148
Lease liabilities	33,102	26,928	216	60,246
Other financial liability	–	–	58,212	58,212
	10,272,723	425,694	58,428	10,756,845

As of December 31, 2023	1 year or less RMB'000	2 to 5 years RMB'000	After 5 years RMB'000	Total RMB'000	Total US$'000
Financial assets					
Trade and bills receivables	7,412,577	–	–	7,412,577	1,043,495
Other receivables, excluding tax recoverable	823,650	–	–	823,650	115,949
Cash and bank balances	6,039,471	–	–	6,039,471	850,199
	14,275,698	–	–	14,275,698	2,009,643
Financial liabilities					
Loans and borrowings	1,880,251	710,772	–	2,591,023	364,748
Trade and other payables (Note 22)	9,153,907	181,155	–	9,335,062	1,314,131
Lease liabilities	32,436	18,016	797	51,249	7,215
Other financial liability	–	81,368	–	81,368	11,454
	11,066,594	991,311	797	12,058,702	1,697,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debts and equity attributable to the equity holders of the Company as disclosed in the table below. Management reviews the capital structure on an on-going basis, considering the cost of capital, the tenure and the risks associated with each class of capital. Management makes adjustments to capital structure, 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.

There were no changes in the Group's approach to capital management.

	31.12.2022 RMB'000	31.12.2023 RMB'000	31.12.2023 US$'000
Loans and borrowings (current and non-current)	2,341,432	2,540,294	357,607
Lease liabilities (current and non-current)	59,641	49,281	6,938
Trade and other liabilities (current and non-current)	8,374,724	9,475,529	1,333,905
Less: Cash and bank balances	(4,850,743)	(6,039,471)	(850,199)
Net debts	5,925,054	6,025,633	848,251
Equity attributable to equity holders of the Company	9,008,946	9,226,528	1,298,853
Total capital and net debts	14,934,000	15,252,161	2,147,104

As disclosed in Note 20, 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, 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FAIR VALUE MEASUREMENT

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as of December 31, 2022:

		Fair value measurement using		
	Date of valuation	Total RMB'000	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000
Assets measured at fair value				
Debt financial assets [i]:				
Bills receivable	December 31, 2022	3,227,295	–	3,227,295

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as of December 31, 2023:

		Fair value measurement using			
	Date of valuation	Total US$'000	Total RMB'000	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000
Assets measured at fair value					
Debt financial assets [i]:					
Bills receivable	December 31, 2023	539,132	3,829,777	–	3,829,777

Note:

[i] The fair values of the Group's debt financial assets at fair value through OCI were measured using the discounted cash flows model. The model incorporates market observable input including the interest rate of similar instruments.

There have been no transfers between Level 1 and Level 2 during 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	Financial assets at amortized costs RMB'000	Fair Value through OCI RMB'000	Other financial liabilities at amortized cost RMB'000	Total RMB'000
As of December 31, 2022					
Financial assets					
Trade and bills receivable	15	3,259,800	3,227,295	–	6,487,095
Other receivables	15	434,750	–	–	434,750
Cash and bank balances	16	4,850,743	–	–	4,850,743
		8,545,293	3,227,295	–	11,772,588
Financial liabilities					
Trade and other payables	22	–	–	8,270,148	8,270,148
Loans and borrowings	26	–	–	2,341,432	2,341,432
Other financial liability	28	–	–	45,950	45,950
		–	–	10,657,530	10,657,530

	Note	Financial assets at amortized costs RMB'000	Fair Value through OCI RMB'000	Other financial liabilities at amortized cost RMB'000	Total RMB'000	Total US$'000
As of December 31, 2023						
Financial assets						
Trade and bills receivable	15	3,582,800	3,829,777	–	7,412,577	1,043,495
Other receivables	15	823,650	–	–	823,650	115,949
Cash and bank balances	16	6,039,471	–	–	6,039,471	850,199
		10,445,921	3,829,777	–	14,275,698	2,009,643
Financial liabilities						
Trade and other payables	22	–	–	9,335,062	9,335,062	1,314,131
Loans and borrowings	26	–	–	2,540,294	2,540,294	357,607
Other financial liability	28	–	–	67,050	67,050	9,439
		–	–	11,942,406	11,942,406	1,681,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

Changes in liabilities arising from financing activities

	January 1, 2022 RMB'000	Cash flows RMB'000	Addition RMB'000	Accretion of interest RMB'000	Termination RMB'000	Translation reserve RMB'000	Others RMB'000	December 31, 2022 RMB'000
As of December 31, 2022								
Loans and borrowings								
– current	2,103,000	(61,568)	–	–	–	–	100,000	2,141,432
– non-current	100,000	200,000	–	–	–	–	(100,000)	200,000
Lease liabilities								
– current	27,125	(26,144)	–	1,547	(6,187)	239	34,853	31,433
– non-current	13,406	–	49,735	–	–	(80)	(34,853)	28,208
Other financial liability	–	–	45,675	275	–	–	–	45,950
Total liabilities from financing activities	2,243,531	112,288	95,410	1,822	(6,187)	159	–	2,447,023

	January 1, 2023 RMB'000	Cash flows RMB'000	Addition RMB'000	Accretion of interest RMB'000	Termination RMB'000	Translation reserve RMB'000	Others RMB'000	December 31, 2023 RMB'000	December 31, 2023 US$'000
As of December 31, 2023									
Loans and borrowings									
– current	2,141,432	(291,138)	–	–	–	–	–	1,850,294	260,473
– non-current	200,000	490,000	–	–	–	–	–	690,000	97,134
Lease liabilities									
– current	31,433	(43,073)	–	1,969	(1,382)	–	44,325	33,272	4,684
– non-current	28,208	–	32,084	–	–	42	(44,325)	16,009	2,254
Other financial liability	45,950	–	18,372	2,728	–	–	–	67,050	9,439
Total liabilities from financing activities	2,447,023	155,789	50,456	4,697	(1,382)	42	–	2,656,625	373,984

The 'Others' column includes the effect of reclassification of non-current portion of loans and borrowings, including obligations under lease liabilities due to the passage of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. COMPARATIVE FIGURES

Management has reclassified certain freight charges from selling, general and administrative expenses to cost of sales. These freight charges were incurred prior to ownership transfer as part of the obligation to fulfil deliveries to the customers. Accordingly, the comparative figures in the Consolidated Statement of Profit or Loss for the full year ended December 31, 2021 and 2022 had been adjusted to conform with the current year's presentation. The changes to 2021 and 2022 comparatives have no impact on the operating profit for the period of the Group, its Consolidated Statement of Financial Position or Consolidated Statement of Cash Flows.

REFERENCE INFORMATION

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