

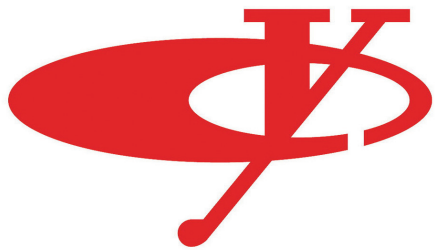


# 2011 Green Development & All Win in Harmony Sustainable Development Report



1951-2011

Guangxi Yuchai Machinery Group Co.,Ltd.  
Yulin • China



## Group Logo—YC

The Group Logo "YC" is designed based on the acronym of the English name of the company.

"YC" represents initials of Yuchai and Yulin China, demonstrating that Yuchai is firmly determined to build an internationally recognized Chinese brand. The letter "C" is like the earth movement trajectory in the space, symbolizing Yuchai Group's global development trend and that it is on the road of becoming a multinational conglomerate. The dynamic letter "Y" conveys the Group's strategic objective and pursuit of excellence.

The shape of the Logo is mature in shape, sober mixed with dynamic, plain but passionate. It incarnates that Yuchai is a group full of passion and is pursuing "Green Development" and "All-win in Harmony" as the most complete spectrums of internal-combustion engine manufacturing base and the most complete spectrums of excavator producer. The logo highlights Yuchai Group's global brand image of "Excellence in Quality & Global Yuchai".



In order to facilitate presentation and reading, "Guangxi Yuchai Machinery Group Co., Ltd." in this report is also referred to as "Yuchai Machinery Group", "Yuchai Group", "the Group corporation", "Yuchai", "the Group", "the Company" and "we" or "us".

## Report Coverage

**The report mainly covers Yuchai Group's sustainable development activities from January 1st to December 31st, 2011. Moreover, it gives a brief historical overview of Yuchai for 60 years and also covers relevant information on subsidiaries.**

## The Release of the Report

The Sustainability Report was firstly released in June 2008—"Sustainable Development Report 2007", and has since been running for four consecutive years. The Report 2011 is the fifth of its kind.

## Note on the Statistics in the Report

The Report reflects sustainable activities of Yuchai Group. Data comes from official documents and statistical reports released by the Group and its subsidiaries and affiliated companies. Financial figures come from Annual Financial Report 2011 of the Group.

## Availability of the Report

This report is published both in Chinese and English: To obtain a printed report, please write to Guangxi Yuchai Machinery Group Co. Ltd. You can also find the PDF version of this document on the group's website.

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## Reliability Commitment of the Report

Group Board of Directors and all directors promise that the Report does not contain any false records, misleading statements or material omissions; they will shoulder individual and joint liability for violation of the truthfulness, accuracy and completeness of the Report.

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# Chairman's Message





## Chairman's Message

This is the 5th sustainable development report published by Yuchai Group. On behalf of all the employees of Yuchai Group, I would like to take this precious opportunity to express my sincere thanks to our leaders at all levels who have showed great concern, trust and support to us over the years, our new and existing customers, all stakeholders and the readers of this report.

The year 2011 is the 60th Anniversary of the foundation of Yuchai Group and it is significant to us. In the past 60 years, Yuchai Group has been developed from small to large, from weak to strong, from a small workshop to a large-scale modern corporation group which implements a strategic pattern of "Two product chains and diversified industrial clusters", has leading engine technologies in the world, and is striding forward to a company with annual sale amount of RMB 100 billion Yuan. I firmly believe that in the future, Yuchai Group will become the backbone of China's national industry.

In 2011, Yuchai adhered to its core philosophy "Green Development & All Win in Harmony". Guided by our business policy "maintaining the openings, laying emphasis on the projects and nurturing our advantages", Yuchai accelerated our pace of technological innovation and research and development, implemented a project to enhance our product quality by further 50%, introduced lean manufacturing throughout the production process, and built a lean operating system (YCOS) with Yuchai's feature. We have continued to seriously fulfill our corporate social responsibility, intensified our efforts on building our corporate culture, and made great efforts to enhance our core competitiveness. Thanks to the great efforts of our staff, we have made a breakthrough in our sales revenue in 2011, which has exceeded RMB 40 billion Yuan and reached to an amount of RMB 42.921 billion Yuan. We have sold 716,900 engines in the whole year. In the past 60 years, our cumulative output and sales volume of engines has exceeded 4.6 million sets.

In 2011, despite the volatile market conditions at home and abroad, Yuchai continued to make great efforts on self-technological innovation. Yuchai has made a new breakthrough on R&D and manufacturing of environmental-friendly products. We are the first enterprise in China that has launched a diesel engine product that conforms to Euro VI Standard. We officially launched our own low speed and high power marine diesel engine products and broke the pattern that Chinese marine diesel engine market was dominated by foreign products. A new stage for China's development history of marine diesel engines has been created. We began the mass production of engines that conform to National IV and National V Emission Control Standard. We have made a breakthrough in excavators manufacturing and chemical products. In the future, we will continue to make self-innovation on our products, and thus motivate the Yuchai products to climb to new peaks.

In 2011, Yuchai has continued to intensify its efforts on green manufacture. Yuchai's awareness of environmental protection has deeply rooted in its long-term pursuit of green products. Yuchai casting center put into operation reflects Yuchai's progress on environment governance throughout the entire manufacturing process, powerfully interpreting Yuchai's unremitting efforts on environment protection. In today's Yuchai, the working environment is cleaner and the manufacturing processes are safer. In this way, we ensure the safety and occupational health of our employees.

In 2011, the relation between Yuchai and its stakeholders has been more harmonious. Our employees have acquired broader space of career development. We have protected the interests of our suppliers and they have achieved a better development. We provide better service to our customers. All of our stakeholders have achieved a harmonious development.

2012 is the second year for Yuchai to implement its "12th Five-Year" strategy. Based on its firm ground of great achievement accumulated by the last 60 years and the joint efforts of various aspects, Yuchai will make more efforts on technological innovation, turn our technological innovation achievements into productive force, develop more outstanding and suitable products, further enhance the quality of our products, and build core competitiveness on our manufacturing processes. We will also make more innovations on service pattern, construct the advantages of Yuchai services, and maintain our leading position in marketing service. We will intensify our construction of corporate culture, turn cultural consciousness into cultural confidence and make progress to cultural self-improvement. We will tenaciously strive to succeed, continue to make progress, and achieve a sustainable development by making ceaseless self-improvement. I firmly believe that in the future, Yuchai will make more outstanding achievements, create new magnificence and take a leading position in the global market.

Bureau of Directors,  
Yuchai Machinery  
Group Co., Ltd.

Chairman of the Board



# 2011 Highlights

## ..... An Inspection Visit at Yuchai by Jia Qinglin, Member of the Political Bureau of the Standing Committee of CPC and President of CPPCC

Jia Qinglin, Member of the Political Bureau of the Standing Committee of CPC and President of CPPCC, accompanied by Guo Shengkun, Secretary of the Party Committee of Guangxi Zhuang Autonomous Region, etc., visited Yuchai on November 19, 2011 and inspected Yuchai's status of development and independent innovation. Jia Qinglin has appreciated Yuchai's 60-year developmental achievements and made important instructions on its development and technological innovation while encouraging Yuchai to conquer more core technologies and build itself into a world class engine production enterprise.



## ..... Grand Celebration of 60th Anniversary of Yuchai's Foundation

On December 18, 2011, Yuchai Group held conference to celebrate its 60th anniversary at Yuchai's headquarter in Yulin, Guangxi. This has been Yuchai's largest-scaled and highest-leveled historical event of commemorative activities with maximum participants and the most abundant elements, revealing Yuchai's glorious achievements of development over 60 years.



### New Mission Put Forward: Lead Our Partner and the Public's Trust Much More Valuable

On December 18, 2011 when Yuchai's 60th anniversary conference was held, Yuchai Group's new mission—Lead Our Partner and the Public's Trust Much More Valuable—was put forward, which expresses Yuchai's solemn promise for the partners, public and social communities and Yuchai's determination of leading the development of national industrial with excellent and straightening the backbone of national industry.



### Management Goal of RMB 40 billion Yuan Achieved on time

In 2011 when facing severe the market situation, Yuchai successfully completed its management goal of RMB 40 billion Yuan planned at early 2011 and realized its spanning development. The annual accumulative total sales income is RMB 42.921 billion Yuan, up by 15.86% over the previous year. The sales volume of engines is 716,900 sets and engineering machinery is 8,527 sets.

### China's First Diesel Engine for Vehicles Meeting the Euro VI Emission Regulations was Made by Yuchai

Since June 29, 2011, Yuchai has revealed a new page in the R & D history of internal combustion engines since it had developed China's first diesel engine for vehicles meeting the Euro VI emission requirement—YC6L-60. Only 2 years after the release of Euro VI Standard, could Yuchai take the lead to develop out the Euro VI Standard diesel engine not only filling the blank of efficient cleaning diesel engine to promote Chinese technological level for developing engines of high emission level, but meaning that Yuchai has had independently capability to synchronously develop advanced efficient cleaning diesel engines with the international level and mastered the most up-to-date core technologies for diesel combustion.

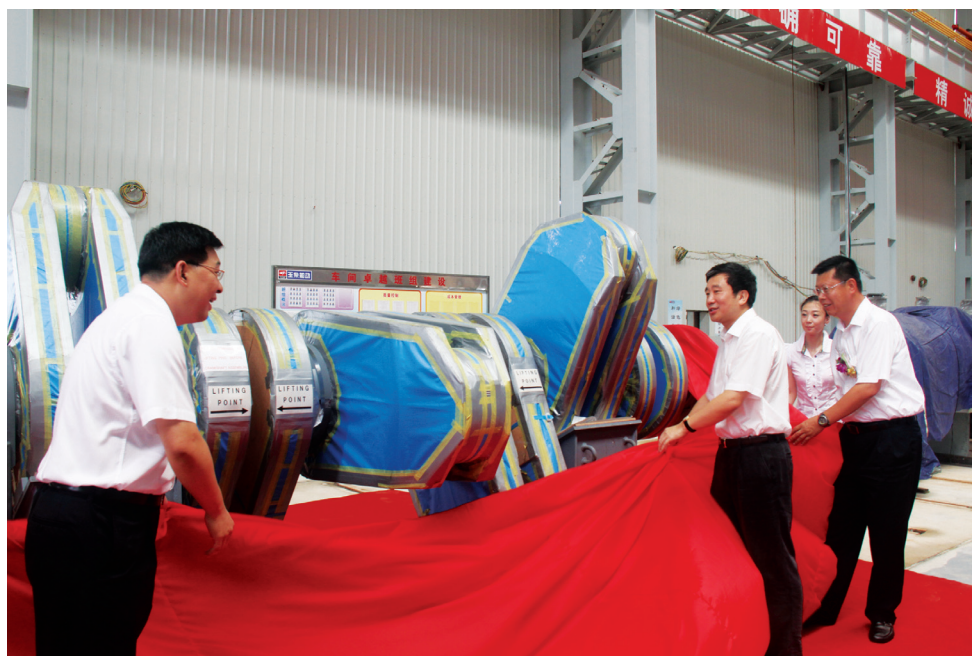




## 2011 Highlights

### Yuchai Marine Power Co., Ltd Put Into Production to Press onward to International Ocean Shipping Power Industry

On July 13, 2011, the first manufacturer of low-speed high-power marine diesel engine in South China, Yuchai Marine Power Co., Ltd., started its formal production at its newly built workshop in Zhuhai, Guangdong, which marks that Yuchai made another solid step along the process towards international ocean shipping power industry.



### National Laboratory of Efficient Energy-saving and Environment-protection Internal Combustion Engine Settled in Yuchai

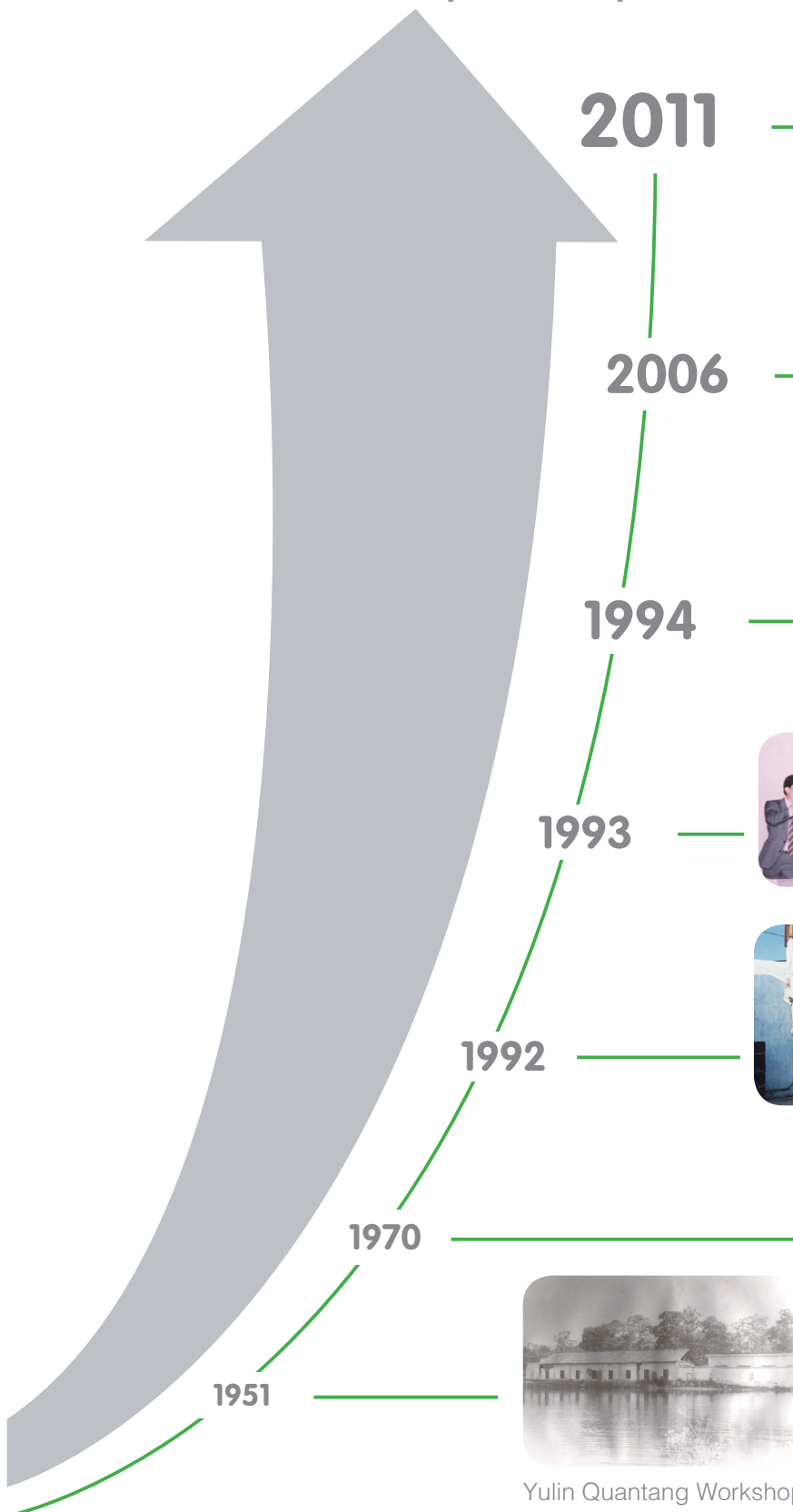
On November 2<sup>nd</sup>, 2011, approved by the National Development and Reform Committee, the national engineering laboratory of efficient energy-saving and environment-protection internal combustion engine, which represents China's highest level of internal combustion engine industry, was formally settled in Yuchai, and its construction will be undertaken by the Yuchai Group. Such a laboratory will be built into a technological R & D platform as well as a platform for the transformation of R & D achievements, a platform opened for the entire industry which will play a key role in the enhancement of technological innovation capability for China's internal combustion engine and the core competitiveness of the relevant industries. Besides, it will fill the blank of zero national engineering laboratory of efficient energy-saving and environment-protection internal combustion engine.



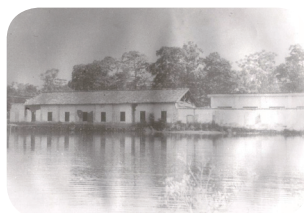


# Looking Back Over 60 Years

From a Small Workshop to an International Enterprise Group



1951



Yulin Quantang Workshop, as former of Yuchai, was founded.

1970



Yulin Diesel Engine Factory was founded.

1992



Guangxi Yuchai Machinery Group Co. Ltd. and Guangxi Yuchai Machinery Co., Ltd. were established upon their completion of stock system reform.

1993



Guangxi Yuchai Machinery Co., Ltd. was reformed into a stock-system sino-foreign joint company.

1994



The international stocks of Yuchai-China started their official listing onto the New York Stock Exchange.

2006



Put forward the operation philosophy "Green Development & All-Win in Harmonious" which was confirmed as strategic thinking and as core philosophy in 2007.

2011

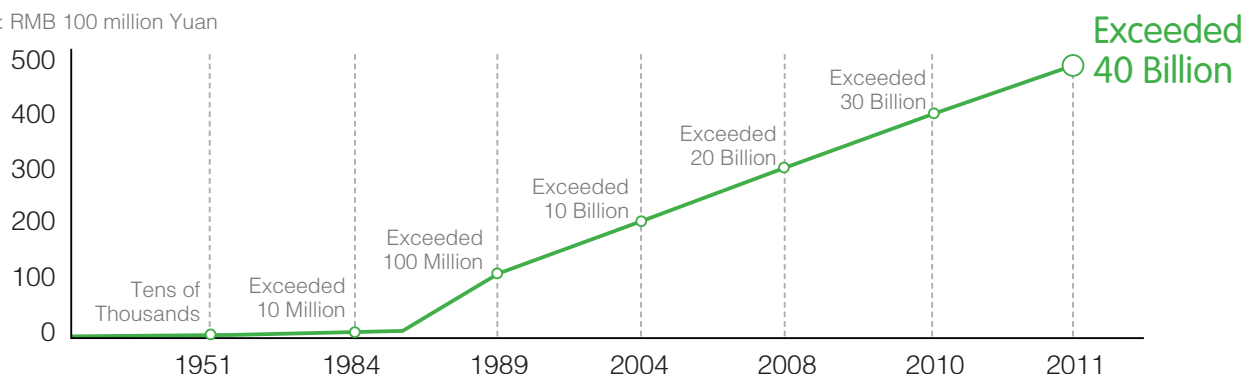


Yuchai's industry layout of "Two product chains and diversified industrial clusters" has been realized while services and sales covered all continents of the world.

## Looking Back Over 60 Years

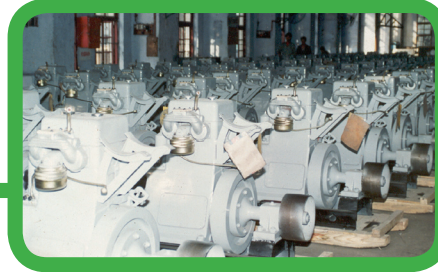
### Sales Revenue from Tens of Thousands of RMB Yuan to Today's Sale of over RMB 40 Billion Yuan

Unit: RMB 100 million Yuan

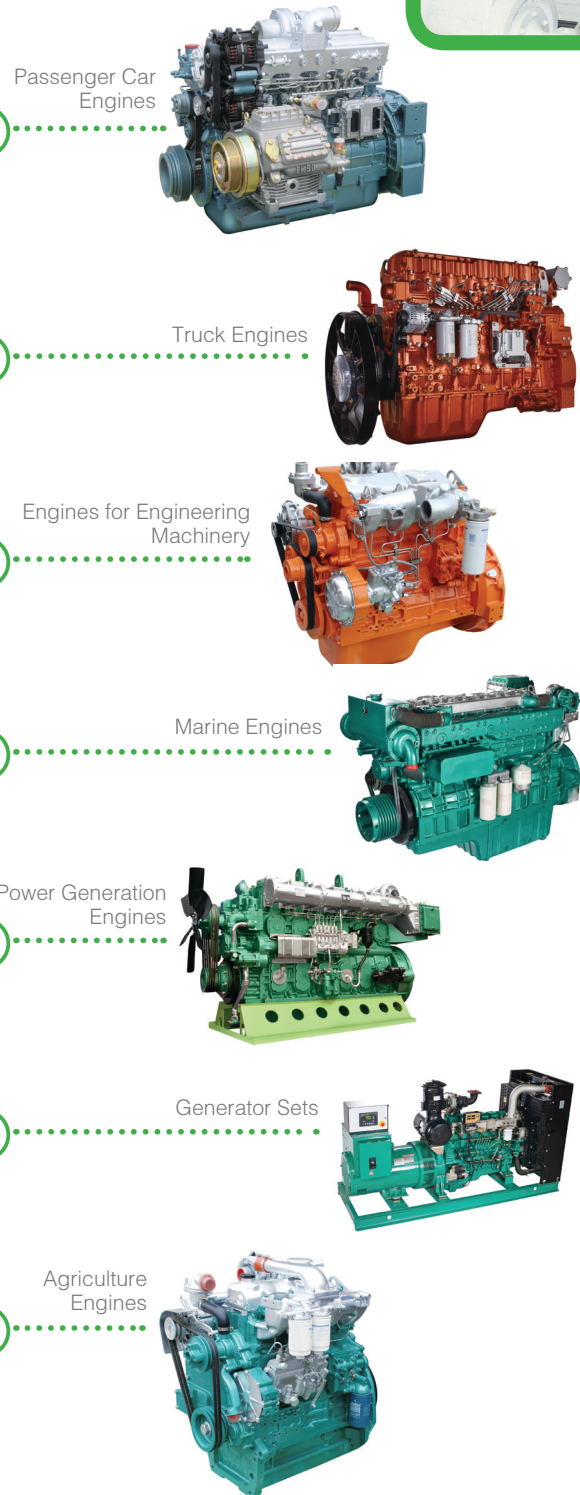


From Single Production of Engines to a Development Pattern of "Two Product Chains"

Single Production of Engines



Product Chain of Engines



Product Chain of Construction Machinery



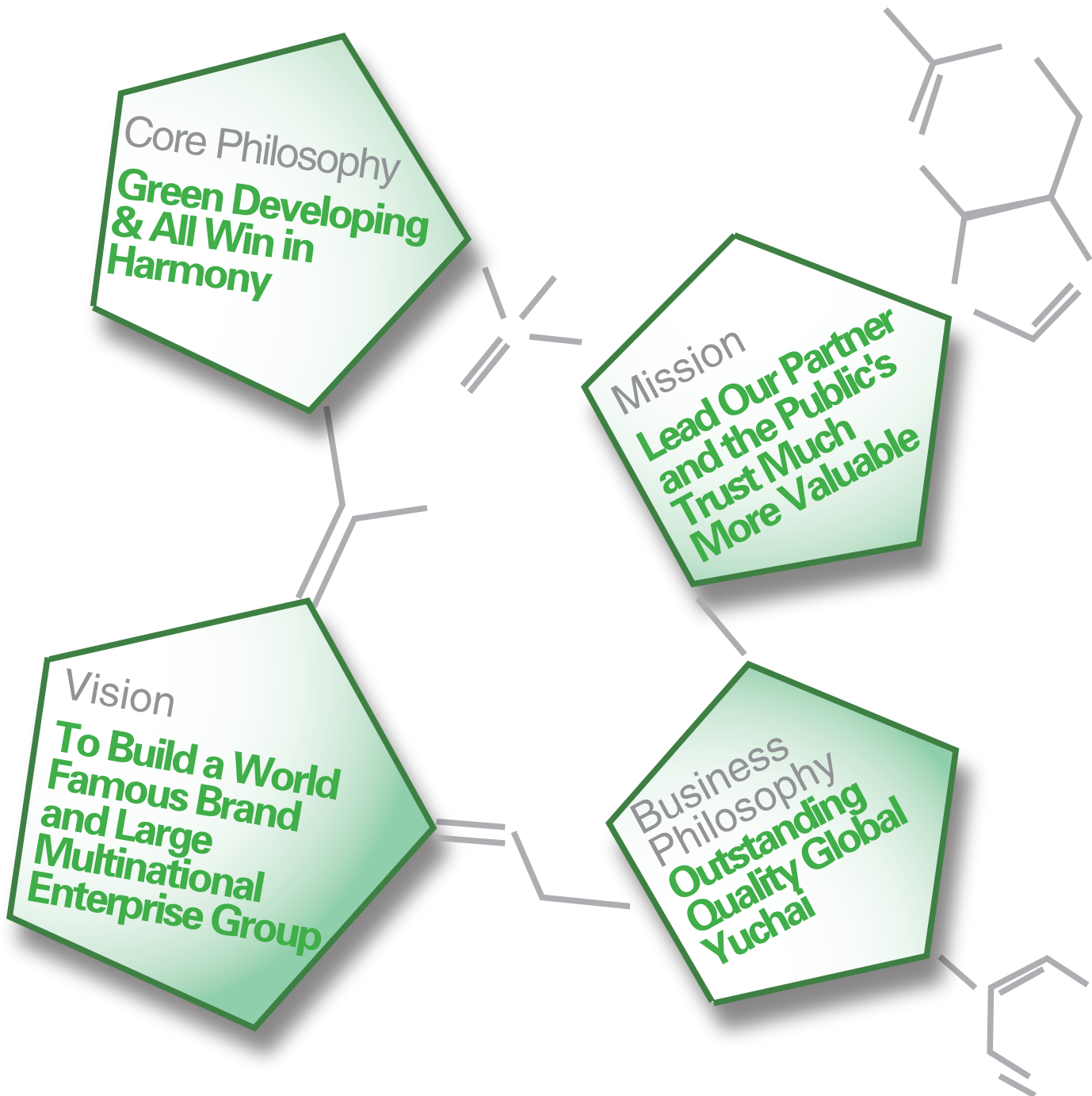




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# Yuchai Philosophy





### Yuchai's Mission: Lead Our Partner and the Public's Trust Much More Valuable

On December 18, 2011, Yuchai Group put forward its new mission—Lead Our Partner and the Public's Trust Much More Valuable.

The "Partners" include all Yuchai's staff interrelated by flesh and blood, business partners in the same boat and the nature closely related. The "Public" includes both those users who directly or indirectly choose Yuchai's products or services and the social public directly or indirectly support the development of Yuchai.

To gain the "trust" from partners and public is the target Yuchai people have been striving for and it is also a solemn commitment of Yuchai. "More Valuable" is the terminal aim of Yuchai's mission since Yuchai has been existed and developed to better return to "trust", which is reflected as follows:

For all staff, Yuchai would provide the business platform with infinite space where they can have their career climbing to the peak;

For all partners, Yuchai would fully arouse the related industrial potential to create more value of the

industry while paying attention to sharing benefit with partners;

For natural environmental circumstances, Yuchai would continuously improve its ratio of input-output resources so that the gifts of natural environmental circumstances can benefit in maximization. Besides, Yuchai would stick to the road of developing in green environment and spare no effort in the maintenance of better environmental circumstances;

For users, Yuchai has kept innovating tirelessly and updating the related industry standards continuously to meet not only the needs of users, but also the needs created for users, by which users may perpetuate their expects from Yuchai;

For the general public, Yuchai has contributed a great deal to the country by acting as China's national pride. Meanwhile, Yuchai has actively contributed to social communities by bringing more enterprise citizens involved in the related participation to favor the public mass.

## Stakeholders

- Stakeholders
- Stakeholders' Expectations
- Responses and Measures



Sustainable Development Performance 2011

● Improving; ○ Maintain; △ Worsening

Sustainable Operation		
Sustainable Development	Specific Performance	Compared with 2010
Operation Capacity	Main businesses revenue raised remarkably	●
	Income taxes increased continuously	●
	Total assets increased constantly	●
Management Capability	Strengthen anti-corruption	●
	Strengthening quality management	●
	Enhance lean management	●
	Strengthen closed-loop management	●
	Comprehensive budget management	●
	Improve internal auditing management	○
Innovation ability	Develop new products on continuous basis	●
	Patent number has been increasing	●
	Research team expanding constantly	●
	Stable growth in R & D funding	●
Partner's Responsibility	Strategic partnership has been strengthened	●
	Information communication with upstream and downstream partners has been enhanced	●
	Push partners to implement CSR	●
Customer service	Customer satisfaction has been improved	●
	Service capabilities have been improved	●
Environmentally Friendly		
Sustainable Development	Specific Performance	Compared with 2010
Green Products	R&D breakthrough in green products	●
	Reduce noise of products	○
Green Manufacturing	Reduce energy consumption	●
	More renewable materials are used in R&D and production	●
	Reproduction capabilities are upgraded greatly	●
Environmental Governance	Reduce discharge of wastes(oil, water and materials)	○
	Reduce use of dangerous chemicals; categorized management	○
	Enhance reuse of wastes(oil, water and materials)	●
Care for Staff		
Sustainable Development	Specific Performance	Compared with 2010
Democratic Management	Increase communication and consultation channels between staff and management	●
	Improve system of Workers Congress	●
Capacity Management	Improve staff productivity	●
	Increase ratio of highly skilled personnel	●
	Provide multi-layer and multi-channel training opportunities	●
	Improve career development platform	○
Rights and Interests Protection	100% labor contract signing	●
	Wages and benefits grow at the same pace with financial performance	○
	100% social insurance coverage	●
	Prohibit discrimination & promote fairness in employment	●
	Further improve staff welfare	●
	Organize colorful staff activities	●
Occupational Safety and Health	Low work safety incidence	●
	Zero major safety accident	●
	Continuous reduction of occupational disease incidence	●
Social Harmony		
Sustainable Development	Specific Performance	Compared with 2010
Improve Community Development	Help with community employment	○
	Localized sourcing	●
	Promote local economic development	●
Public Welfare	Make donations	●
	School donations	●
	Volunteer activities	●



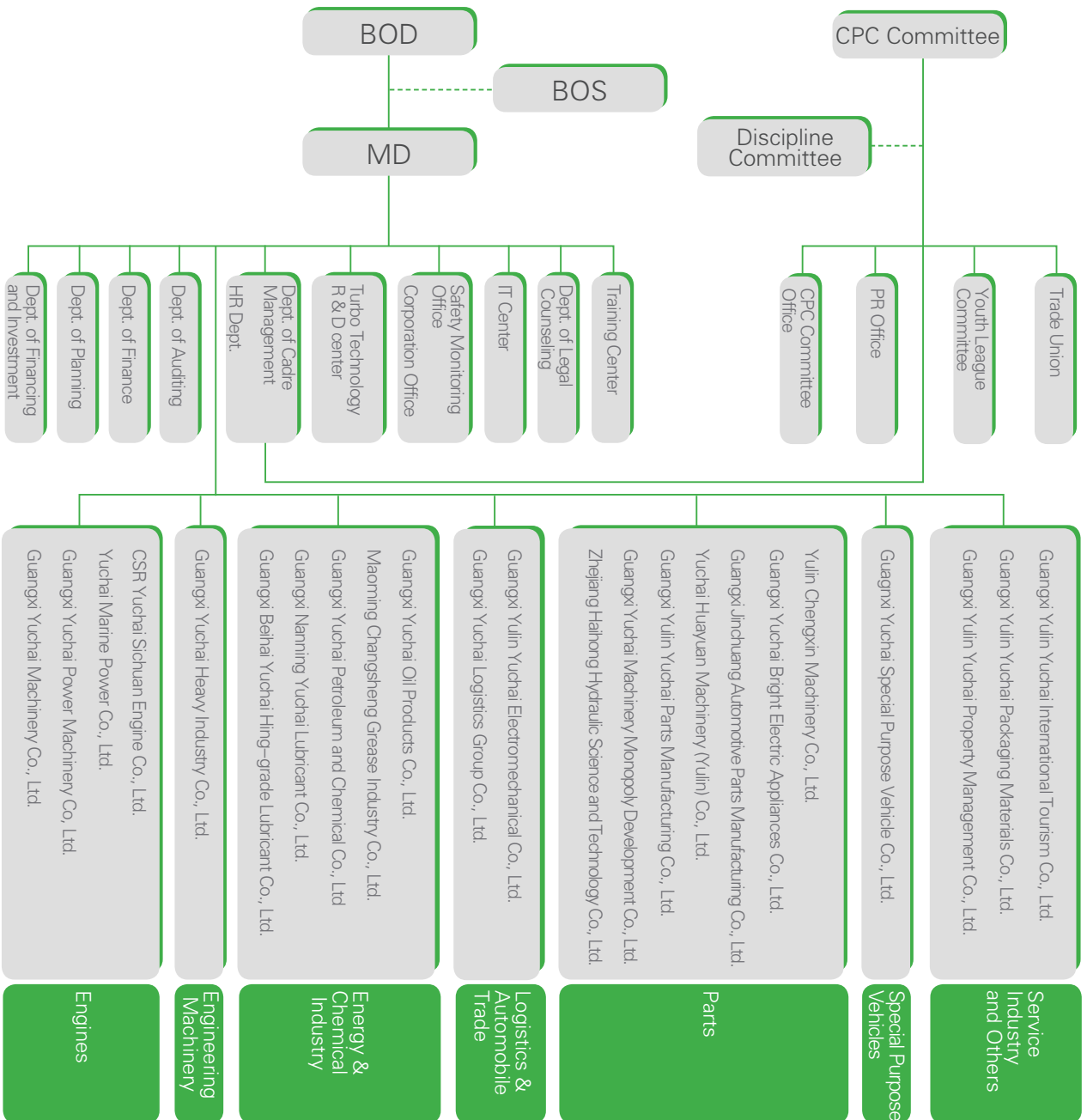
## Responsibilities Governance

- 2.1 Perfecting Strategic System while Strengthening Brand Management
- 2.2 Strengthening Manufacturing Execution System, Innovating Quality of Management
- 2.3 Deepening Cultural Construction while Promoting Social Responsibilities





## 2011 Yuchai Group Organization Chart



## Responsibilities Governace

### 2.1 Perfecting Strategic System while Strengthening Brand Management

#### Perfecting Strategic System

Yuchai is one of the four enterprises under the strategic planning of "10 Billion Goal" of the 12th Five-Year Plan put forward as a whole by Guangxi Autonomous Region. In order to promote the implementation of such strategic planning, Yuchai has further adjusted its strategic management system, strengthened its functions corresponding to strategic work and improved its efficiency of strategic management by strengthening the five-link work on "strategic analysis – strategic decision – strategic planning – strategy implementation – strategic control" in the loop management. The Group is about to establish business planning

implementation ledgers and make clear those key matters and nodes, stress business planning implementation and promote the landing accomplishment of business planning measures; and promote the formulation and release of functional planning to realize the replenishment and perfection of five major functional planning. The Group has the contents modified and perfected for several times before the present Guangxi Yuchai Machine Group's Strategic Planning for Investment and Financing in the 12th Five-Year Plan was officially issued, which would provide the guidance function for Group's investment and financing work.

#### Strengthen Brand Management

Having Yuchai Group's brand status summarized and diagnosed, it has made clear the focus of brand building, made clear the use scope and responsible authority of each business brand and regulated the subsidiaries' use of VI at large-scale exhibitions to ensure that VI of Yuchai Group is presented clearly. In 2011, Yuchai further strengthened the brand management and

identified and released Yuchai's new mission; refined and given connotation to Yuchai's new logo of Yuchai Machinery; organized the first seminar on brand communication, carried out in-depth investigation on brand communication system and perfected brand communication system; and carefully plan to promote high-end brand construction.

#### Yuchai's Brand Value and Rank Enhanced

Year	Brand Value ( RMB 100 million Yuan )	Rank
2011	98.69	107
2010	80.09	109
2009	71.19	111
2008	63.58	112
2007	53.36	117
2006	46.82	119



#### Guangxi Yuchai Machinery Co., Ltd. Launched its New Brand Logo

Guangxi Yuchai Machinery Co., Ltd. had its grand launch of its new logo "YC Diesel" at the 2011 Marketing Service Conference, of which the color of red represents "passion" and "China" while the blue represents "science and technology" and "the world". The colourful combination of "Chinese Red" and "World Blue" implies Yuchai's international strategy based on markets of China while aiming at the world by devoting passion to expand the market space abroad. The English word Diesel represents that "YC Diesel" would carry forward the innovation spirit of Rudolf Diesel inventing the first engine and the eternal power of Diesel engine would inherit passion while driving excellent achievements. Of the six English letters, D means "devote", I represents "international", E refers to "environmental", S represents "science", E represents "excellent" and L represents "leader". All of the six letters together reflects that Yuchai would devote itself to the internationalization way and create powerful circumstances for environmental protection, science and excellent achievements to become a market leader under sustainable development strategies.



(Former Logo)



(New Logo)

## 2.2 Strengthening Manufacturing Execution System, Innovating Quality of Management

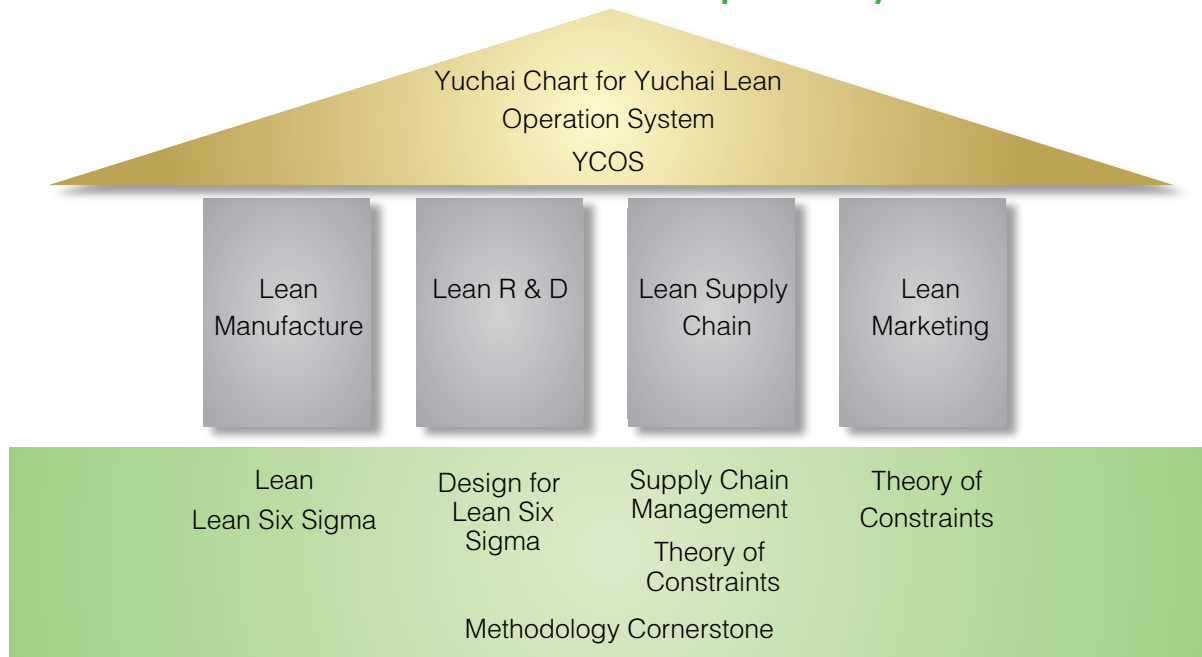
### Introducing Lean Manufacture

Yuchai has designed and forged the "Lean Operation" system, clearly illustrated long term plan and goals for 3 to 5 years. Started Lean Manufacture Project, determined the "Overall Design—Step Execution—Pilot Promotion", and made it clear eight major pilot programs to build the organizational structure and management mode for projects.

According to the planning schedule for Stage-I of Lean Manufacture Project, eight major pilot projects are

made clear in their periodical goals. By December 2011, upon the continuous improvement, each project had kept its momentum up to the rated standards and some items had realized the rated standards in advance. Lean Manufacturing has begun to form its atmosphere among all employees, which has laid the foundation for a comprehensive introduction in relation to the gradual building of Yuchai's Lean Operation System.

### Yuchai Chart for Yuchai Lean Operation System



### Overall Quality Management

2011 was the quality year of Yuchai when the company proposed a strategic target of promoting the quality by 100% in three years, for the year of 2011 the quality promotion shall be 50%.

Being guided by the goal of "quality promotion by 50%" and decomposed the target indexes at different levels, the senior/middle leadership of company signed the responsible agreement on quality objectives with a view to promote all quality responsibility units to improve product quality by concerted efforts. During the establishment of targeted indexes based early process-preventing warning system, more than 2000 key process-preventing warning QC points have been set up in the entire company; at the same time, by integrated all workers' posts into the quality early preventing and warning system as well as the requirements of PFMEA, all aspects from people, machines, materials, methods, links and measuring could be controlled during the whole working process so as to promote the process consistency control, to perfect quality

control requirements, and to ensure the quality consistency of products. Having the professional teams of technician playing the leading role, the quality competition activities as "zero error", "zero wrong inspection", "zero fault" and others were started, which are related to quality improvement participated by workers involved in every link of quality. Meanwhile, by strengthening the quality responsibility mechanism, the quick quality-issue closed loop processing has also been drawn. In order to meet clients' excelsior demands on quality, the company has set up 39 product quality improvement groups which have used quality statistics techniques, organized various resources of expert teams, customers, suppliers, etc., to conduct joint efforts to solve those difficult problems. These project teams have totally formulated quality promotion projects items up to a number of 694, of which 634 items have been finished that is a completion rate of 91.4%. Among the total of 4520 plans formulated, 4035 items have been finished, a completion rate up to 89.2%.



## New Quality Concepts and New Quality Policies

2011, Yuchai put forward its new quality ideas of "Zero Defect, Zero Tolerance", by which the quality culture and quality management of the company have been closely combined.

"Zero Defect" is ultimate goal of quality work for the company, which reflects that Yuchai people are featured by confidence and persistence in their pursuit of excellence. For "Zero Tolerance", there are two meanings. Firstly, one should do things well from the very beginning. It requires quality links like market research, product planning, product development, process development; manufacturing process and after-sales service to be completed properly by every staff the first minute doing them. Secondly, no employees are allowed to accept, to manufacture or to deliver any defects, i.e., every post is requested to do without accepting, manufacturing or delivering quality defects. Yuchai's new quality policies issued simultaneously: "professional, lean, innovation, and pilot".

Yuchai has also established a special column of "Quality Window" to promote quality control related activities, produced "quality educational warning film" for all employees to improve their quality consciousness. Besides, there have been organized quality competitions for all workers, which were participated actively by departments' personnel, and an atmosphere stressing quality, pursuing quality and advocating quality has been formed throughout the company.



## Deepening Order Management

Holding profound analysis on existing problems related to order management over years, reformation measures have been put forward and "Order Business Management System" was revised and perfected. At the same time, in order to strengthen the decision and guidance roles played by purchasing planning ability and sales planning on the company, 2011's Order Index System was optimized and adjusted to form a new System,

which takes ten-day forecast accuracy as main body, on-time storage-delivered rate and production & sales forecast accuracy as supporting, and purchasing forecast accuracy and sales planning forecast accuracy as auxiliary base. In 2011, loss ratio for 3-guarantees was 1,503 PPM (expected target was 1,022 PPM), whose year-on-year drop reached 4.46%.

### Constructing 3-level Inspectors System

By further constructing the 3-level inspectors system composed of company inspectors, cross-department inspectors and unit inspectors, there organized to revise the inspectors management system, integration of platform, key projects management, etc. Then, "Inspectors Management System" has been revised and OA "Business Planning" platform has been

formed by integrating. YC6K, YC6MK, casting center, phase-II and other major quality projects were overseen according to the idea of "One center, one major line, level-to-level management and inspectors' evaluation". All of these have effectively promoted the execution of business plans and project closed-loop management efficiency.

### Norm Management and Control of Internal Audit

Yuchai's internal audit focused mainly on two aspects, i.e. the risk management and internal control in 2011, with a view to control management, control behavior and reduce the operating risk of subsidiaries. First, contract normative special audit and audit for board chair leaving position were conducted against Logistic Group and Beihai Yuchai Hing-Grade Lubricant, and improving

suggestions were made for new management groups to consider. Second, following audits were conducted to subsidiaries as energy, chemicals, packaging, Chengxin, Jinchuang and Zhuanqi companies, the role of which is to promote those subsidiaries to implement related rectification in respect to the problems found so that the role of audit has truly realized.

## 2.3 Deepening Culture Construction while Promoting Social Responsibilities

### Further Deepening Culture Construction of Company

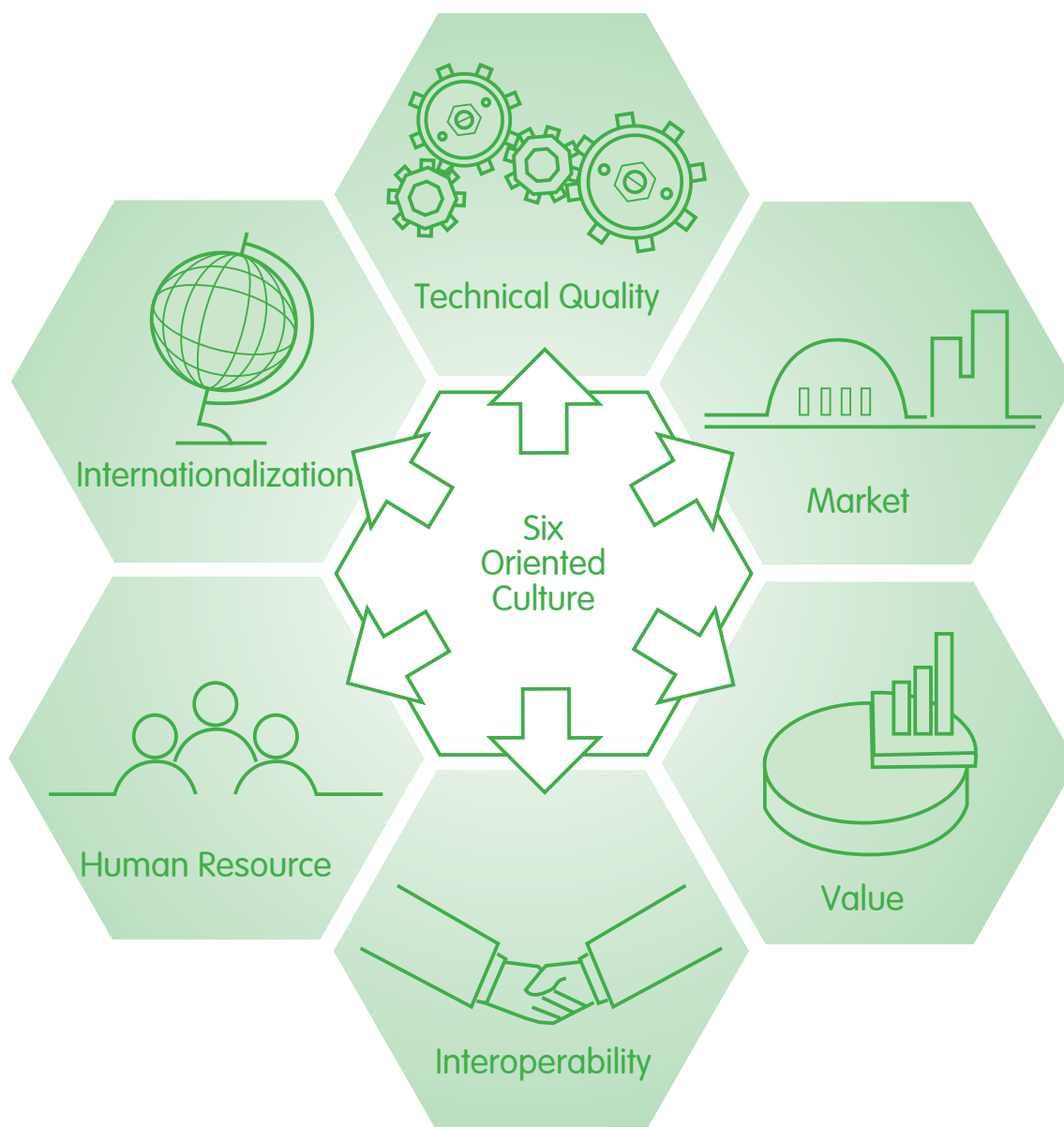
In 2011, Yuchai continued to deepen the promotion of enterprise culture construction. The main activities carried out include: implementing "Yuchai Group Enterprise Cultural Strategies", breaking down and implementing the main points of 2011 strategies; holding the meeting of enterprise culture oriented research work to discuss the dissemination and penetration of enterprise culture, the construction of sub-culture, the construction of enterprise culture demonstration base, the assessment of implementation of enterprise culture

strategies and related work; releasing Yuchai Group's new mission—contributing partners and public trust more value—to further enrich and perfect Yuchai's ideas; organizing activities such as "Yuchai workers visiting Yuchai", "Yuchai in my heart" signatures, all employees visiting Yuchai enterprise culture and products displays etc to increase their collective sense of honor and belonging. Yuchai Group was awarded titles of "Excellent Enterprise Cultural Construction Unit" and "Demonstration Unit of Enterprise Cultural Construction" in 2011.





## Responsibilities Governace



### Major Points for Enterprise Culture Oriented Research Work:

(1) Narrowing "four gaps" in Yuchai Enterprise Culture: positioning gap, cognitive gap, construction gap, sustained construction gap;

(2) Paying special attention to two "key points", i.e., paying attention to "market-oriented" cultural construction and "quality-oriented cultural construction";

(3) Stressing eight-word request in enterprise culture work: "deepening, supplementing, consensus, consolidating";

(4) Each project team is requested to pay more attention to their strict observation of the overall scheme and promotion plan to organize their promotion in relation to the improvement of enterprise culture to a new level under the leadership of the expert panel(s).



### Yuchai Group Awarded Titles of Excellent Enterprise Cultural Construction Unit.

2011 Beijing Summit of Sino-foreign Enterprise Culture was held from 12th to 14th, at which Yuchai Group won the award of "Excellent Enterprise Cultural Construction Unit", Mr. Yan Ping, chairman of the Board of Yuchai Group, won the title of "10 Model Characters Practicing Enterprise Culture Over 30 Years", and Mr. Guo Deming, Vice Secretary of Party Committee of Yuchai Group, won the title of "2011 Annual Advanced Workers of Enterprise Cultural Construction". Guo attended the summit and accepted the awarded prizes on behalf of enterprises and individuals, giving a speech about the "Construction of Characteristic Culture to Promote Yuchai Realizing Enterprise Spanning Development" which caused a strong reaction.



### Promoting Organizational Construction for Social Responsibilities

Based on the performing social responsibilities, compiling and releasing reports on social responsibilities, Yuchai established in 2011 the Social Responsibility Office and set up special posts responsible for the promotion of social responsibilities. This marks that Yuchai has made

its crucial step towards the social responsibilities in the systematical implementation and management, which has laid a good foundation for the comprehensive integration of social responsibilities into enterprise's activities.



### Yuchai Won "Model Practice Award" at 3rd Session of Global Compact Chinese Enterprise Social Responsibility Model Report

On November 22, 2011, the 1st Conference of Sustainable Development and Competitive Power of Enterprise was held in Beijing. The ceremony of "Model Practice Award" for Chinese Enterprise Social Responsibility was held at the Conference and Yuchai Group, as the only one enterprise from machinery industry won this Award took part in the event.





## **Sustainable Operation**

- 3.1 Sale Income Realizing Jumping Increase**
- 3.2 Sustainable Expanding Overseas Business**
- 3.3 Satisfactory Progress of Projects Constructed**
- 3.4 Developing Technology and Tamping Foundation**
- 3.5 Continuously Leading Industrial Status**



### 3.1 Sale Income Realizing Jumping Increase

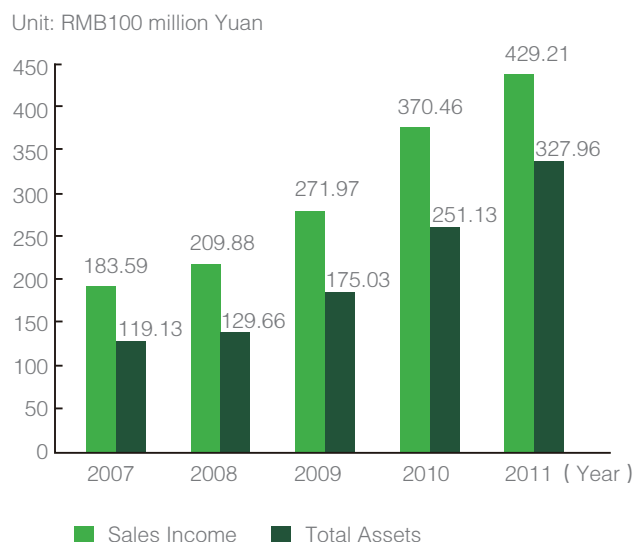
In 2011, influenced by China's domestic macro-policy adjustment and other factors such as U.S. debt and European debt crisis, market of China was weak and the internal combustion engine industry appeared overall decline. Facing such severe market situation, Yuchai, under the guidance of management policy of "start-assured, project-assured, advantage-assured", made crucial efforts to realize a jumping increase in sale income.

In 2011, Yuchai Group's accumulative total sales income was RMB 42.921 billion Yuan, reaching a year-to-year growth of 15.86% smoothly exceeding RMB 40 billion Yuan, Completed 107.18 % of the goal signed with the government.

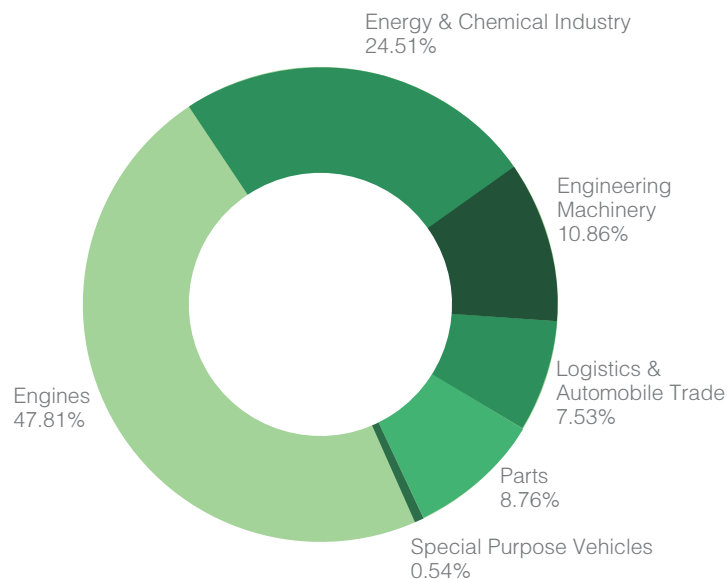
In 2011, Yuchai sold 716.9 thousand sets of engines, whose sales returned to the first position of the domestic field. For market share from 18.18% in 2010 to 19.23% in 2011, there is a 1.05% increase. Then, the sectors of energy and chemicals sprung up, whose annual sales income of 2011 was RMB 10.519 billion Yuan, accounting for a quarter

of the total sales income of Yuchai Group, becoming another sector exceeding RMB 10 billion Yuan after the sector of engine. The sector of Yuchai Heavy Industry continued to be developed by leaps and bounds. In face of the influence of Japanese earthquake on engineering machinery market, it actively developed new products and opened new market potential in 2011, by which its sales income had the growth rate of over 60%. The sector of special vehicles was adjusted in its structure of products, whose market sales income of 2011 was increased, reaching 24.08% of year-on-year growth. Facing the downturn of automotive industry market, the sector of auto parts were actively pioneering the external market in 2011 and its sales income was RMB 3.759 billion Yuan, a year-on-year increase of 9.13%. The sector of logistics and auto trade were perfected in their project management and their annual sales income of 2011 was RMB3.232 billion Yuan, accounting for 7.53% of the total sale income of Yuchai Group.

**Yuchai Group Sales Income and Total Assets, 2007-2011**



**Yuchia Group Sales Income Proportion of Each Business Segment, 2011**



## Sustainable Operation

### Sales Income of Six Segments of Yuchai Group's Business in 2011

	Engine	Energy and chemical products	Engineering Machinery	Auto Trade logistics	Parts	Special-purpose auto
Sales in 2011 (RMB100 million Yuan )	205.19	105.19	46.6	32.32	37.59	2.32
Increased Compared with Last Year (%)	0	61.38	60.41	-6.91	9.13	24.08



### The 4600000th Engine as well as 300000th New Energy of Engine Yuchai Rolled Off the Assembly Line

On December 18th morning, Yuchai group saw its successful referrals of 4600000th engine as well as 300000th new energy engine-China-V Gas Engine. rolled off the assembly line successfully. Huang Daowei, member of the Standing Committee of Party Committee of Guangxi Zhuang Autonomous Region and Vice-chairman of Guangxi Zhuang Autonomous Region Government, and Yan Ping, Chairman of the Board of Yuchai Group jointly pressed the start button of referrals and unveiled the event for this engine. This is an important moment of milestone significance in the history of Yuchai, marking that engines made by Yuchai has not only seen the breakthrough in quantity, but furthermore, realized a leading position in professional new energy power, which has laid a solid foundation along its green development road.



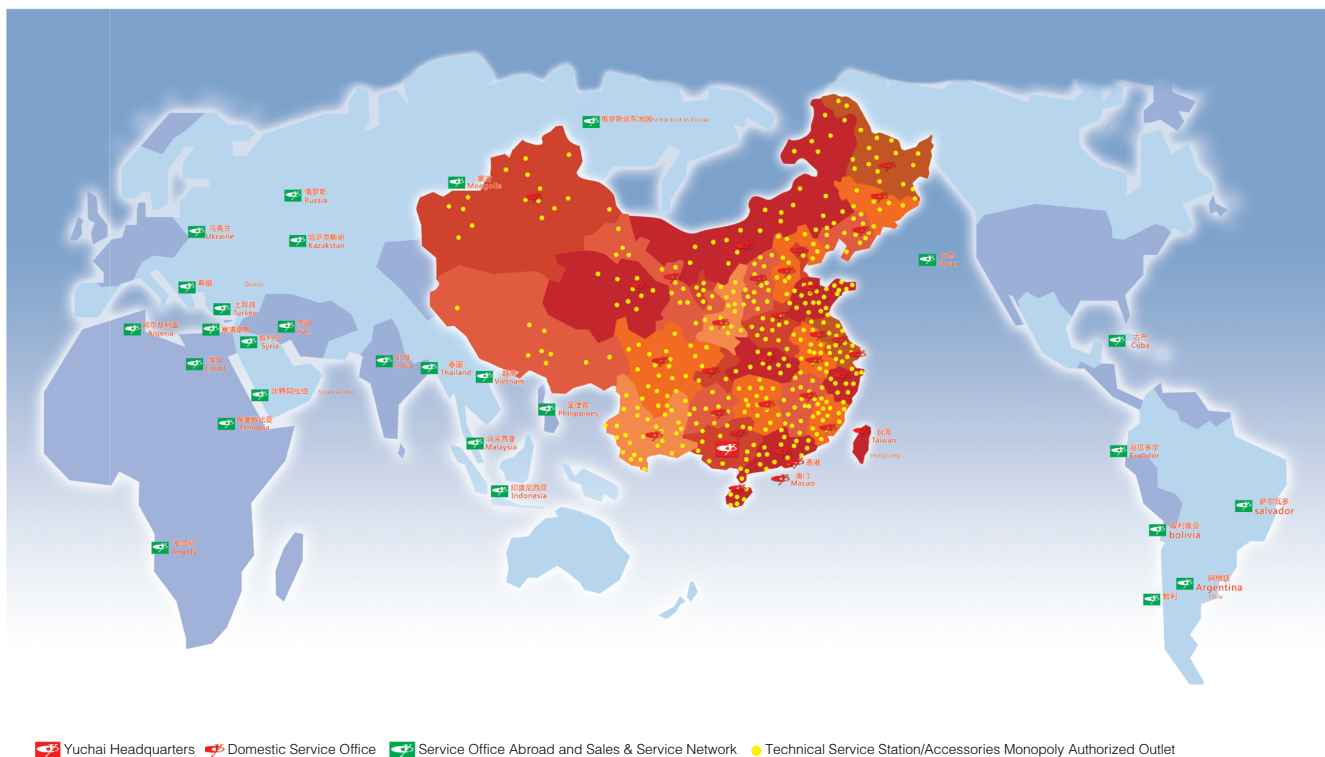
## 3.2 Sustainable Expanding of Overseas Business

In 2011, without Cuba project, Yuchai realized an export of 27033 sets of engines, presenting a year-on-year increase of 2.45%. Yuchai's overseas supporting export saw its speedy growth and its cooperation in relation to Dongfeng system, Fukuda system and three major auto makers in export business. Besides, its cooperation relationship to Enyka, Zhongtong and Xugong manufacturers in export cooperation has made new progress while there has been a substantial growth in sales. Then, new breakthrough made into overseas markets developed, including not only the Russian where warmed up and South America that continued to grow, but also Myanmar, North Korea, Chile, Macau, West Africa and other potential markets entered in batch. In the Middle East, Saudi's order of 3000 sets of YC6A260-20 engine supporting

HFF6121GZ-4 a school bus was the record refreshing Yuchai's largest export orders this year, which is also the biggest order of the Chinese vehicle exports.

In respect to engineering machinery, it continued to implement the construction and promotion of overseas market channels by successfully opening sales channels of Russia, Brunei, Turkey and several other areas and achieving larger sales growth in Finland, New Zealand, etc., where there had been less sales in the past. Since 2011, Yuchai has its first engine awarded with authentication of E-mark for exporting to European engineering machinery, which symbolized that YC6J-T30 series may enter Europe engineering machinery industry based on such authentication of E-mark while filling the blank of Yuchai's engineering machinery in the European market.

## Engine Products Global Network



Market share of Yuchai Engines has been the top of the list in the market of the motor of medium size trucks, passenger cars and 30.Wheel Loaders. Among them, the passenger car powers count for 55% domestic market, Euro III engines count for 50% of the domestic bus market.

Yuchai service enjoys very high reputation among costumers. Its service semi-diameter is the shortest, the free service mileage is the longest and the reaction to requirement of the customer is the shortest. Now, Yuchai service offices have covered all provinces in China, the number of service stations are more than 2500.

Yuchai sets up a telephone service short number 95098 providing service for 24 hours a day, which is the unique in the industry.

## Sustainable Operation

### Construction Machinery Products Global Distribution Map



#### Europe:

Russia, France, Germany, Italy, Poland, Czech Republic, the Netherlands, Belgium, Switzerland, United Kingdom, Portugal, Spain, Turkey, Ukraine, Sweden, Finland, Denmark, Romania, Iceland, Croatia, Serbia, Bosnia-Herzegovina, Norway, Austria, Slovakia, Hungary, Bulgaria, San Marino, Greece, Ireland, Lithuania, Latvia, Cyprus, Estonia

#### Africa:

South Africa, Guinea, Congo, Egypt, Ghana, Reunion, Algeria, Seychelles, Angola, Malta, Morocco

#### Asia:

China, North Korea, South Korea, UAE, Saudi Arabia, Thailand, Vietnam, Myanmar, India, Indonesia, Bangladesh, Philippines, Iran, Maldives, Cambodia, Qatar, Lebanon

#### Americas:

United States, Canada, Mexico, Brazil, Chile, Colombia, Costa Rica, Barbados, Guadeloupe

#### Oceania:

New Zealand, Australia, Guam, Polynesian, New Caledonia



### Significant Breakthrough in Saudi Market

In 2008, Yuchai supplied its engines, for the first time, to Zhongtong's 1,600 passenger coaches exported to Saudi Arabia, which won the praise of the Saudi market. Since then quite a lot of such supplies have been provided to Zhongtong's coaches exported to Saudi Arabia with Yuchai engine. In 2011, Yuchai had its new breakthrough in Saudi market. After supplying 700 of its engines to Zhongtong's coaches for exported orders, Yuchai received in May the export order of YC6A260-20 engines for 3,000 Ankaï passenger coaches exported to Saudi Arabia. Such an order is the largest export order of Yuchai's coach engines in 2011, which has greatly promoted the development of Yuchai's overseas market of passenger coaches. Since then, Yutong bus, Large Golden Dragon bus and Small Golden Dragon bus have also gradually established their relationship with Yuchai in their export business overseas.



### Yuchai Machinery Enjoys Reputation in ASEAN

The ASEAN market is the earliest overseas market for Yuchai. Starting from 1960s, Yuchai diesels have been exported to Vietnam and now Yuchai has its possession of machinery units of more than 50000 sets in ASEAN, which have been deeply trusted by ASEAN countries. In October, Wu-Ding Angminwu, Myanmar's Vice President, led the Burmese government delegation visiting Yuchai's production lines of processing, assembling and testing of heavy machinery when they paid a visit in Yuchai.

As a diesel engine production enterprise having the most extensive service network in China, Yuchai has built 13 overseas offices, including five in ASEAN countries where there have been 30 Yuchai's sales service network agents and nearly 100 service networks, occupying 50% of Yuchai's global sales service network agents. In addition, Yuchai has put 50% of its funds for overseas brand construction into the ASEAN market and Yuchai sales of products in ASEAN are accounted for half of Yuchai's sales abroad.



### 3.3 Satisfactory Progress of Projects Constructed

Since 2011, Yuchai has carried out a number of major projects whose construction progress is satisfactory and actual effect has been obtained.

#### South Locomotive & Yuchai, Successfully Developed NY9320, China's First Hi-power Medium-speed Engine

On March 7, 2011, there inaugurated in Beijing the South-Locomotive-Yuchai Sichuan Engine Stock Co., Ltd. jointly invested by a power-and-power union of Yuchai Group, China South Locomotive and Sichuan Nanjun. This newly established joint-venture will be engaged in the R&D of high-speed and medium-speed engines applied to four major fields of automobiles, locomotives, ships and land used power generation of western mainland. Its registered capital for phase-I is RMB 300 million Yuan and the total investment amount is RMB 3 billion Yuan, by which the annual output capacity of high speed will be 200000 engines while that of medium-speed 700 engines.

On December 18, 2011, NY9320 high-power

medium-speed engine, which has fully independent intellectual property rights, independently researched and developed by South-Locomotive-Yuchai Company, passed its trial completion and won the first batch of orders over one hundred million Yuan. This type of engine applies EFI technology, whose cylinder power is up to 500kW or above, which is featured by high power, high strength, low noise, low emission, low maintenance, long service life and other advantages. It can use 700cst heavy oil, with fuel consumption only 183g/kW.h, and the emissions meet the Tier II Standard stipulated in IMO. All of these specifications have reached the international advanced level.



## Sustainable Operation

### Yuchai Marine Power Company Formally Put into Production and the Successful trial Actuation of its First Global W-6x35 Low-speed Diesel

On July 13, 2011, Yuchai's first low-speed hi-power machine power production enterprise in southern China, Yuchai Marine Power Co., LTD. was formally put in production in its newly built assembling and testing workshop at Zhuhai City, Guangdong Province. On November 11, 2011, Yuchai Marine Power held a grand actuation ceremony at Fushan Mountain Industrial Park of Zhuhai for its first global W-6x35 low-speed diesel.

RT-flex series of fully electric controlled CR common rail used low-speed diesel is a project cooperated between and by Yuchai Marine Power and Wartsila Corporation, the world's top manufacturer of marine diesel engine. 70% of China's shipbuilding sector has been relying on foreign suppliers to provide high-power diesel engines. To promote the national shipbuilding industry, Yuchai Group positively responds the "Adjusting and Revitalizing Plan of Shipbuilding Industry" and, under the guidance of the strategic policy of "Aiming one main sector integrating

depth development", actively expands its industrial chain while actively participating in international competition.

The first global W-6x35 is a global brand new design type of low-speed marine diesel engine produced and completed at China's newly built factory, which has marked that the production of low-speed diesel engine has achieved its breakthrough in south China to open a new chapter of the development of Chinese shipping industry. At the same time, Yuchai Marine Power has also set two records in the history of Chinese shipping: Setting the fastest global construction speed of low speed machinery industry, which only took eight months from plant construction to operation put into production; and setting the fastest global output speed of low-speed machinery industry, which only took twelve months from plant construction to successful commissioning. These two records have added new luminescent spots onto China's marine power sector.







Chen Qiuping, National May Day Labor Medalist, President of Guangxi Yuchai Petrochemical Co., Ltd.

“ Petrochemical is a sector featured by high investment, high risk and high return. When we are engaged in such a business, if we do not consider environmental protection, we would make money very quickly. Nevertheless, Yuchai pays much attention to social responsibilities and our orientation is in green energy chemicals. So far from the starting of the project, we have been attaching great importance to wastewater treatment, resource conservation and safety in production. We should put funds into these aspects since social responsibilities can not be finished today or tomorrow and they require long term responsibilities and obligations. ”

### Successful Trial-production for Annual 200000-ton Megilp Project of Petrochemical Sector of Yuchai

The annual 200000-ton solvent project of Petrochemical sector of Yuchai was constructed for 14 months. Then, on September 7, 2011, it was succeeded in its feeding trial production to have product output that day and each product has its indexes meeting the national standards. The success trial-production of this project marks that formal production has been transferred from its construction into production and operation, which has been the first petrochemical enterprise put into production in Guangxi to support the undertaking of downstream industry of Petro China, thus laying a solid foundation for the subsequent development of Yuchai's energy and

chemical sectors. Petrochemical sector is an important step of the three-step layout construction of Yuchai's petrochemical industrialization chain. The project took only 14 months from the day when equipment were formally started to the day when it was completed and put into production, which is far shorter than 18 to 24 months of construction period, the average level for a petrochemical project in the field. Therefore, the project has created "Yuchai Speed". By the end of 2011, the said petrochemical company put into production for nearly four months achieved its sales revenue exceeding RMB 500 million Yuan.



## Sustainable Operation

### 3.4 Developing Technology and Tamping Foundation

#### Setting up the High-standard Technological Platform in the Industry

Yuchai has been developed towards the building of core technological brand instead of just developing new technological products. At present, Yuchai has owned three core technological platforms including "Technological Platform of High-temperature Air Combustion (HTAC), Technological Platform of Electronic Control and Technological Platform of Power Train" and the technological platform of product structure is building, now. In 2011, Yuchai developed China's first V-type engine and horizontal engine.

In respect to engines, Yuchai has owned several leading new technologies like "European-III ~ European-VI emission control technology, hybrid power train technology, two-stage supercharging technology, air hybrid technology, diesel petrol mixed HTAC technology, emulation technology, post-processing technology", etc.. In respect to engineering machinery

development, Yuchai has owned 5 major mature hydraulic system technologies like "loading sensor, cocurrent-flow control, regeneration oil makeup, maintaining valve, straight-line treading valve" and other advanced technologies like "streamline and animal emulation oriented design of mainstream appearance, intelligent electronic control system", etc..

At present, Yuchai has led tide in China's technological innovation of auto power system and realized five aspects taking the lead: taking the lead in supporting China-made systems, taking the lead in putting forward the idea applying electronic combination pumps to medium-weighted and light-weighted diesel engines, taking the lead in introducing after-sale diagnostic instruments, taking the lead in achieving autonomous calibration, and taking the lead in promoting and pushing heavy diesel engine SCR technology.

#### Setting up the High-standard Trial Platform in the Industry

On November 2nd, 2011, the national engineering laboratory of efficient energy-saving and environment-protection internal combustion engine, which represents China's highest level of internal combustion engine industry, has been formally settled in Yuchai, whose construction is undertaken by the Yuchai Group.

It would be built to become a R & D institution in accordance with the highest standard and the highest level, which would be focused on solving industrial energy conservation, emission reduction, noise reduction, lightweight, control technologies and other aspects of key common technologies so that the innovation achievements of Chinese independent intellectual property rights can be formed and promoted as well as the industrial technical route and the industrialization standards can be created to lead the industrial progress of technologies, to improve the overall level of China's internal combustion

engine technologies, to shorten the technological gap with that of developed countries, and to strengthen the industrial competitiveness of internal combustion engine industry and other sectors taking internal combustion engine as core component, such as vehicle industry, engineering machinery industry, farm machinery industry, shipping or shipbuilding industry and other pillar industries of national economics.

Such a laboratory built as the R & D platform where achievements researched and developed will be truly opened to all in the field, which would play an important role on the enhancement of China's internal combustion engine technology innovation capability and the enhancement of core competitiveness of relevant industries. After its completion, it will become the first-class R & D experimental base of the internal combustion engine industry, the first-class talent training base and the first-class industrialization base.



### Yuchai's 5-dimensional Honorable Technologies Enjoying Continuous Escort of China's Coach Industry

On May 12, 2011, the opening meeting for three-day 2011 Beijing Exhibition of International Road Transport, Urban Buses and Parts was held at the Chinese National Convention Center of Asian Sports Village in Beijing. Yuchai held its news conference there on the theme of "strength-honorable enjoying" about the upgrading power for buses and released four groups of powerful data and 5-dimensional honorable technologies, which have created new vitality into China's bus power to continuously lead in the field in the future.

5-dimensional honorable technologies enjoying Yuchai's technological strength and market experience condensed for years: 1) Two-stage supercharging technology succeeded in solving the power contradiction of high and low speed of engines used in highway passenger vehicles, which has created great value for nearly 100000 users every year; 2) Hybrid power train technology helping Yuchai become an outstanding supplier of China's hybrid power train industry; 3) Intelligent electronic control system providing the core basis to intelligent vehicles; 4) Electric autonomous calibration technology by which Yuchai's power for passenger vehicles would meet the customers' diversification demands; 5) Application integration technology for the purposes to be more simple and more efficient. At present, the hybrid combination of "Yuchai engine + generators + control system + transmission system + batteries" has become standard and direction for cross-border supply of new generation of hybrid commercial applications.



Yuchai conference on upgrading power for buses



### Strengthening Cooperation between Enterprise, University and Research Unit while Establishing Technological Alliance

Yuchai continue to strengthen technological cooperation of domestic and international well-known universities and research institutes and increase R & D investment to create its core technologies while promoting the development of Yuchai Group.

Yuchai has been maintaining a long-term friendly and cooperative relation with Bruner University UK, Tsinghua University, Beijing University of Aeronautics and Astronautics, Huazhong University of Science and Technology and Tianjin University. Yuchai and Guangxi University jointly signed their agreement on a strategic cooperative frame to have a joint laboratory built by both parties on February 18, 2011. On March 18, 2011, Yuchai and Dalian University of Communications jointly signed to build turbocharging

technology R & D center; On March 29, 2011, the forums of Internal Combustion Engine Institute of German Aachen University (FVK) was held at Yuchai; And on June 17, 2011, Yuchai Heavy Industry and Beijing Science and Technology University jointly signed their strategic cooperation agreement on overall development. Conducting thoroughly the technological exchanges and services involved in the field and the increasing the transformation of all kinds of technological achievements researched and developed and force of application and promotion, Yuchai has effectively realized the circulation of production, study, research and application, by which China's technological strength of internal combustion engines has reached the international advanced level.



### 46 International Famous Germany Experts of Internal Combustion Engines Gathering at Yuchai

On March 29, 2011 Annual Forums of Internal Combustion Engine Institute of German Aachen University (hereinafter called as FVK) was held at Yuchai; 46 German experts and professors like Franz Pischinger and Stefan Pischinger, who are famous in the world for internal combustion engines, gathered at Yuchai. This was the first time for FVK to be held in Asia.

FVK is composed mainly by learnt scholars led by two generations of Professor Pischinger and part of personnel related to the Internal Combustion Engine Institute. Two generations of Professor Pischinger are all international well-known masters of internal combustion engines, who have had their students everywhere. They and their students, FVK members, have made outstanding contribution to the international industry of internal combustion engines. All the professors of German Aachen University participating in the present activities are the top international experts representing Germany's top manufacturing and even the world's most advanced design and development level of diesel power. This FVK currently has more than 300 members.



## Sustainable Operation

### Remarkable Achievements in Scientific Projects Researched

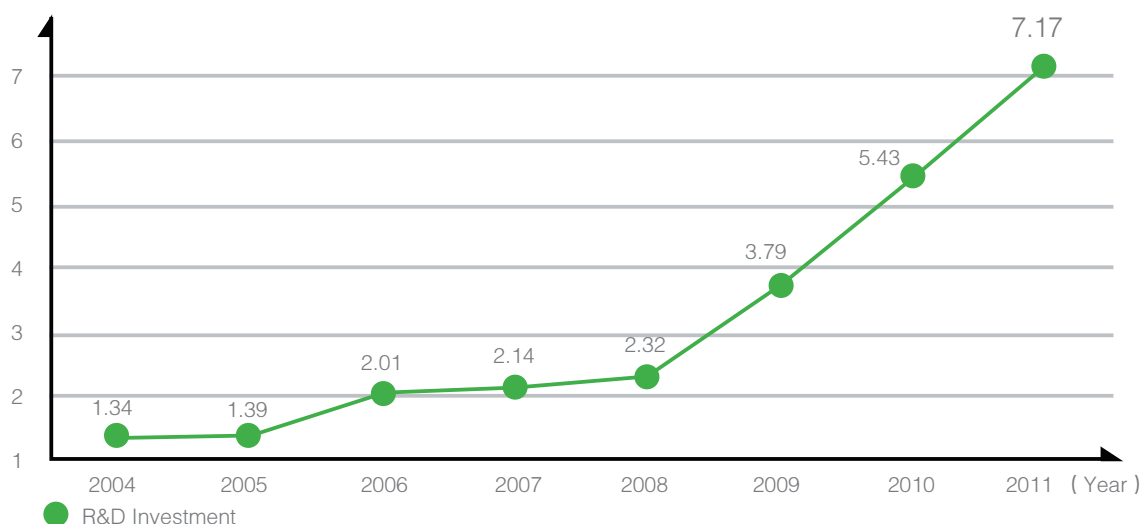
Yuchai has continuously increased the investment put into scientific research. In 2011, the funds investing research reached RMB 717 million Yuan, a year-to-year growth up by 32%. By 2011, Yuchai had undertaken 189 research projects, including 9 national projects. On November 26, 2011, two of Yuchai's undertaken topics on "heavy commercial diesel engine technology development" and "car engine development technology" smoothly passed the technical acceptance organized by the Modern Traffic Technology Office of Plan-863 of the Ministry of Science and Technology. At 2011 Guangxi Annual Heavy Industry Advanced Process, Tooling and Excellent Equipment Reform Achievement Evaluation Conference, Yuchai Heavy Industry was awarded for

all its 26 declared projects among which, six projects including "YC135 Platform Subject Baseboard Welding Deformation Process Improvement" and "Robot Cutting Machine Dust-removed System Reform" won first prizes and "YC230LC Hydraulic Excavator" was awarded as the national key new product project.

In 2011, Yuchai's performance of patents declared made another historical high record, and a total number of patents declared reached 414 items and 258 of them have been approved as patented items. Among these items, 283 were declared by Yuchai Stock Company and 199 of them have been approved as patented items and 127 were declared by Yuchai Heavy Industry and 57 of them have been approved as patented items.

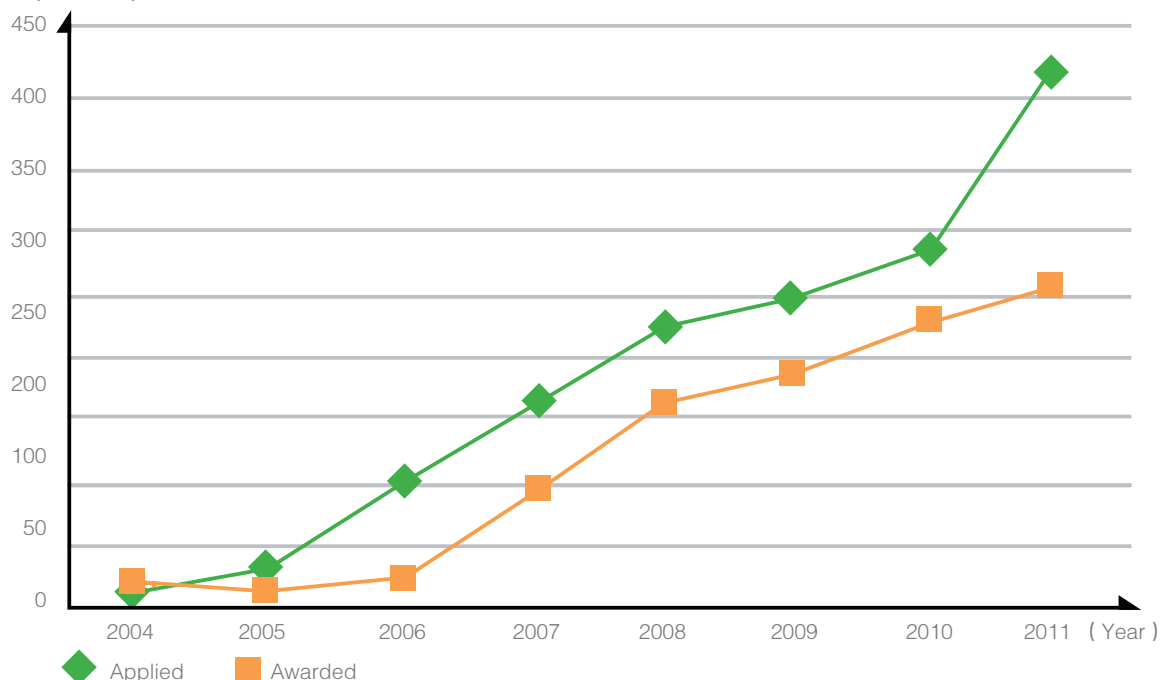
### 2004-2011 R&D Investment

Unit: RMB 100 million Yuan



### Number of Patents Applied and Awarded of Yuchai, 2004-2011

( Number )



### 3.5 Continuously Leading Industrial Status

Yuchai ranked China Enterprises' top 500 (12 positions ahead of the last ranking)	Yuchai ranked China Machinery's top 500 (one position ahead of the last ranking)
Ranked 215 in 2011	Ranked 19 in 2011
Ranked 227 in 2010	Ranked 20 in 2010
Ranked 265 in 2009	Ranked 21 in 2009
Ranked 257 in 2008	Ranked 22 in 2008
Ranked 269 in 2007	Ranked 24 in 2007
Ranked 249 in 2006	Ranked 25 in 2006
Ranked 255 in 2005	Ranked 37 in 2005
Ranked 334 in 2004	Ranked 39 in 2004

#### List of Awards and Honorary Titles Awarded to Yuchai Group in 2011

Sort	Descriptions	Awarding Rewards Units/Issuing Authorities
Comprehensive Awards	2011 China Enterprises' top 500	China Enterprise Confederation China Entrepreneur Association
	2011 China Manufacturing Industry Top 500	China Enterprise Confederation China Entrepreneur Association
	2011 China Machinery top 500	China Machinery Industrial Enterprise Management Association
	Equipment China Exploit Enterprise	China Machinery Industry Federation
	China Industrial Pioneer Demonstration Unit	China Industrial Forum Organizing Committee
	2011 Internal Combustion Engines and Parts Manufacturing Industry Leading Enterprise	China Industry Press
Technological Awards	2011 Guangxi Top 10 Enterprise	Guangxi Enterprise and Entrepreneur Federation
	National Engineering Laboratory	National Development and Reform Commission
	National Technical Innovation Demonstration Enterprise	Ministry of Industry and Information Technology
	2011 2nd China (Kunming) New Energy Bus Series Excellent Power System Award	Science & Technology Branch of China Urban Public transportation Association, Kunming Bus Group Co., Ltd., Hangzhou Bus Group Co., Ltd., Tianjin Bus Group (holding) Co., Ltd., Jinan Public Transportation Corporation, Ningbo Public Transportation Corporation
	"China Road Transport Cup" 2011's Best Coach Parts Award	Organizing Committee 2011 Beijing Exhibition of International Road Transport, Urban Buses and Parts
Brand Awards	2011 Guangxi Annual Special Scientific and Technological Contribution Award	The People's Government of Guangxi Zhuang Autonomous Region
	China's 500 Most Valuable Brands	World Brand Laboratory
	Users' Most Satisfied Internal Combustion Engine Brand	Industry and Market Research Institute of Machinery Industry Information Research Institute
	China Auto Engine Enterprises' Ten-year Influential Brand	China Auto Press
	2011 China Top 10 Bus and Parts Brands	China Urban Public Transport Association
	China Top 10 Engineering Machinery Industry Influential Brands	China United Commercial Newspaper, Brand Magazine, Chinese Wisdom Research Association, China Management Science Institute, China International Brand Society, National high-tech Industrial Brand Promotion Council
Management Awards	China Engineering Machinery Industry's Most Competitive Brands	Industrial Economic Research Center of China Industry Newspaper Association, China Competitiveness Forum Summit Organizing Committee
	National Machinery Industry Outstanding Enterprises of Quality Management Activities	China Machinery Industry Quality Management Association, National Committee of Trade Union of China Machinery, Metallurgy, Building Materials, etc.
	National Model Enterprise for Harmonious Labor Relationship	Ministry of Human Resources and Social Security of People's Republic of China, All China Federation of Trade Unions, China Enterprise Confederation, China Entrepreneur Association, All China Federation of Industry and Commerce
	2011 Enterprise Culture Construction Excellent Unit	China Research Institute of Enterprise Culture
	2010-2011 National Enterprise Culture Outstanding Achievements	China Enterprise Confederation, China Entrepreneur Association
Educational Award	2011 Global Compact • China Enterprise Social Responsibility Model Report Model Practice Award	Global Compact China Network Center Office
	7th Session of China Top 100 of Enterprise Education Advanced Unit	China Top 100 of Enterprise Education Organizing Committee





# Green Manufacturing

- 4.1 Strictly Controlling the Emission, New Products Constantly Coming Out
- 4.2 Reusing Waste Materials through Remanufacture
- 4.3 Technological Innovation Improving Working Condition
- 4.4 Energy–Material–Saving Further Reducing Energy Consumption

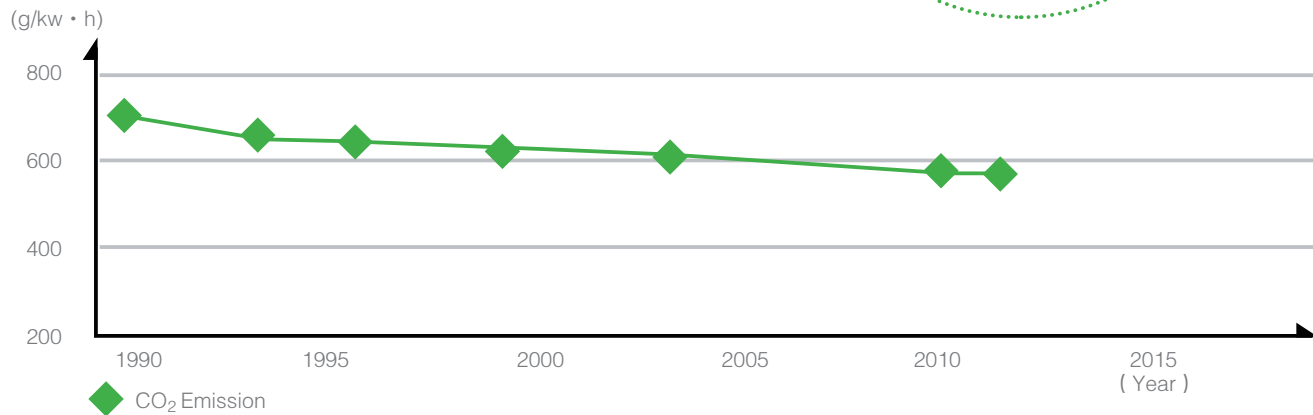
## 4.1 Strictly Controlling the Emission, New Products Constantly Coming Out

In 2011, Yuchai Group has made new progress in green product development and manufacturing, and has further expanded its scale and types of green products. All the engine products of the company conform to China 4 Emission Control Standard. The company has started the mass production of engines conform to China 5 Emission Control Standard and the batch production of hybrid engine facilities. Apart from these products, Yuchai Group has developed several green products. For example, Yuchai Group has completed the mass production of YC4DN natural gas engine, launched the first YC6L-60 vehicle diesel engine in China that conforms to Euro VI Emission Standard, and developed its first YC6T510L-C31 autonomous electronic controlled marine diesel engine. In the past two decades, Yuchai Group has reduced the carbon dioxide emission of its engine products. The sales volume of engines has increased 8 times compared with that in 1994, but the total emission of particles has basically remained the same as in 1994. Yuchai Group plays an important role in controlling dynamic pollution sources and has become the backbone force in pollution control.

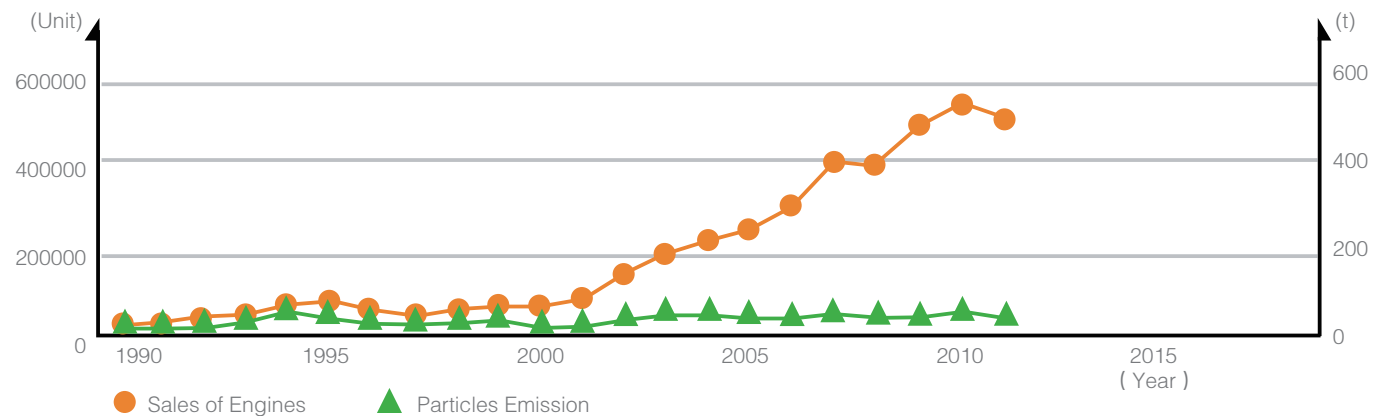
Yuchai Engine's Emission has been Reduced by **20%** Compared with that of 1990

The Total Particles Emission of Yuchai Engines has Basically Remained the same as in 1990

### The Changes on Emission of Yuchai Engines



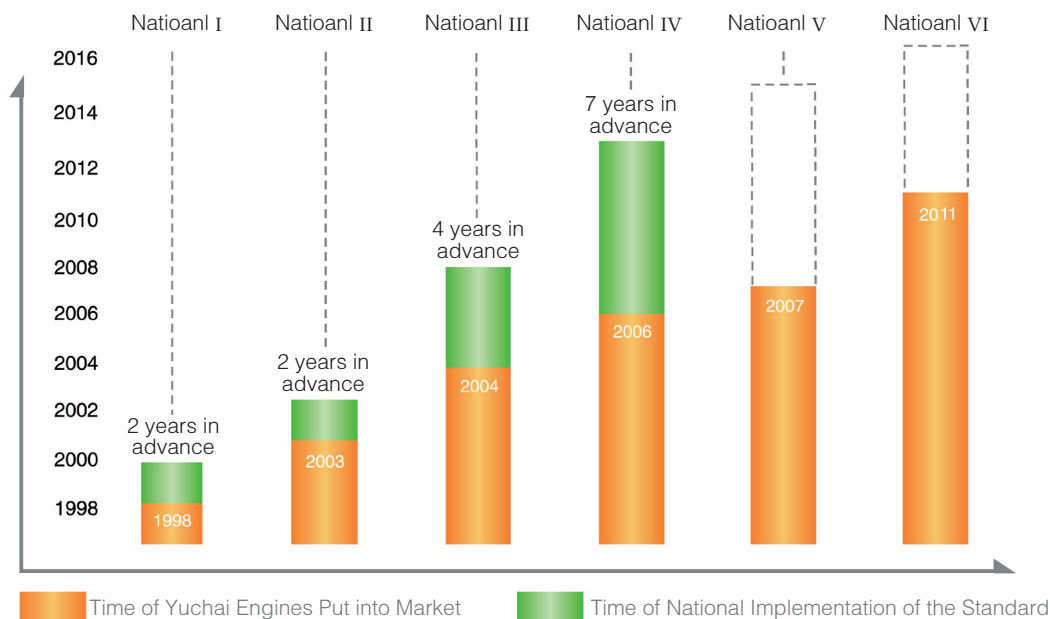
### Sales and Particulate Emission of Yuchai Multi-cylinder Engines





# Green Manufacturing

## Leading Domestic Level of Emissions Control



## Hybrid Power and Gaseous Fuel Engines Dominated the Market

Yuchai Group has started its R&D of mixed-power engine and gas engine since 1998. In 2001, Yuchai Group launched the first LPG gas engine on the domestic engine market in China. Currently, Yuchai Group has started the mass production and commoditization of this product. This product is very popular among the customers, and its sales volume has been increasing by several times year on year, from only 119 in early 2009 to 30,000 currently. In May 2011, Yuchai Group successfully won the orders of National V Emission Control Standard natural gas engines

for buses in Beijing, and became the first enterprise in China for successfully developing the engine products that conform to Euro V Emission Control Standard. So far, buses with Yuchai hybrid power and gaseous fuel engines are available in many cities in China, including Beijing, Shanghai, Guangzhou, Sanya and Chongqing, with over 80% market share on the domestic engine market. The mixed-power engine and gas engines have excellent professional performance and take a leading position in China's passenger cars industry.



## Two Gas Engines of Yuchai Displayed on the Exhibition of Achievements on Constructing Ecological Civilization in China

On July 15, the "Exhibition of the Achievements on Constructing Ecological Civilization in China & China-Guiyang Energy-Saving, Green Products and Technology Exhibition" opened in Guiyang City of Guizhou Province. Two gas engine products of Yuchai Group, YC6G230N and YC6L260N were displayed.

These two engines conform to China 4 Emission Control Standard and China 5 Emission Control Standard respectively. They are compressed natural gas engines (CNG/LNG), which were specifically designed for buses in cities. As the main products of Yuchai Group, these engines are energy-saving, environmental-friendly, reliable, with long service life and low fuel consumption. The tail-gas pollution of buses, as well as the fuel costs of transportation companies can be greatly reduced by these engines.

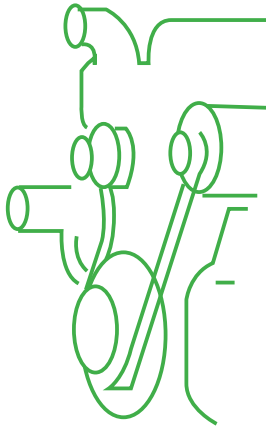
The Yuchai gas engine is energy-saving and environmental-friendly. Thanks to these advantages, 175 gas engines were purchased by Guiyang Public Transportation (Group) Co., Ltd on the exhibition. These engines installed on the company's vehicles for transporting passengers on the 9th National Ethnic Minorities Sports Meeting.





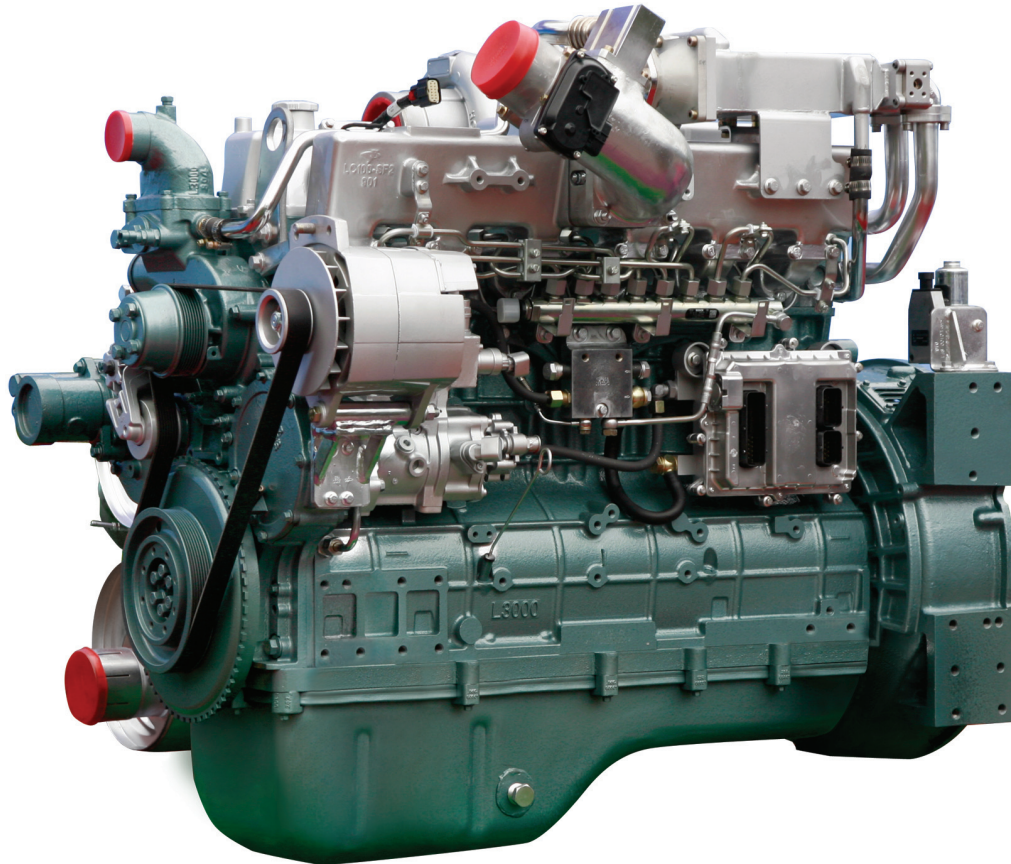
### Stunning Debut of Yuchai New Green Products

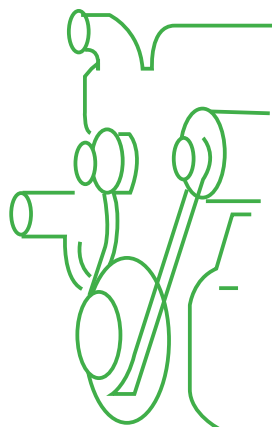
In 2011, Yuchai Group has completed more than 140 R&D projects. The company has launched a lot of new products on the market. Among these the most representative products are shown as follows:



### The First Vehicle Diesel Engine in China that Conforms to Euro VI Emission Standard

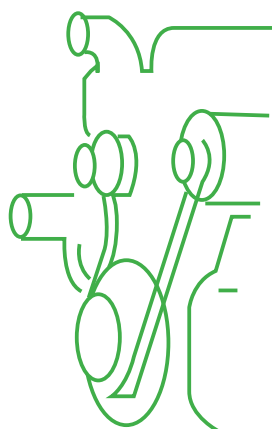
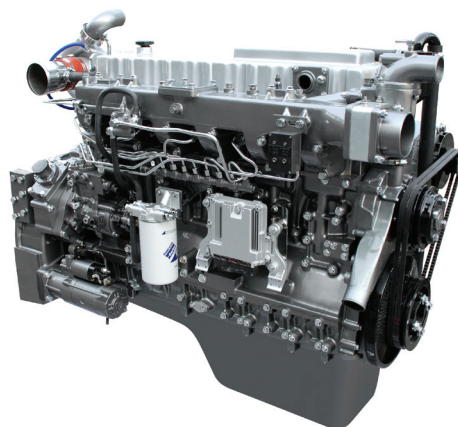
In 2011, Yuchai Group launched the first vehicle diesel engine in China that conforms to Euro VI Emission Control Regulation (refers to the EU 595/2009 Regulation) by cooperating with the State Key Laboratory of Internal Combustion Engine, Tianjin University. The Euro VI Emission Control Regulation, which will be implemented by EU in 2013, is regarded as one of the most stringent regulations in the world on controlling the hazardous emission of vehicles. Nowadays, many automotive engine manufacturers in Europe are developing similar products in accordance with this new regulation. The successful launch of this diesel engine signifies that Yuchai Group has been able to develop its own highly-effective clean diesel engines that conform to the most advanced standard. The company has grasped the most advanced core technology of diesel engine combustion, and can develop products as fast as those global leading corporations can.





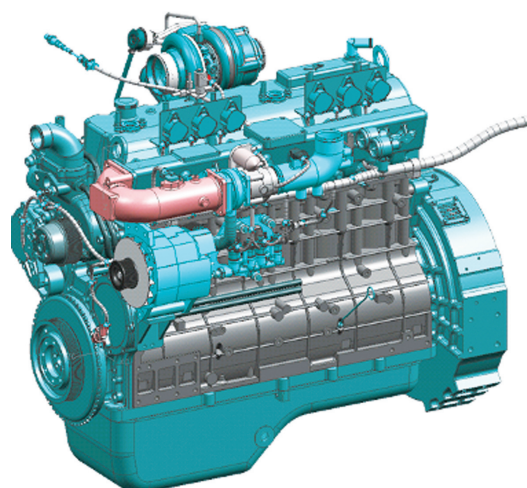
### YC6MK Diesel Engine

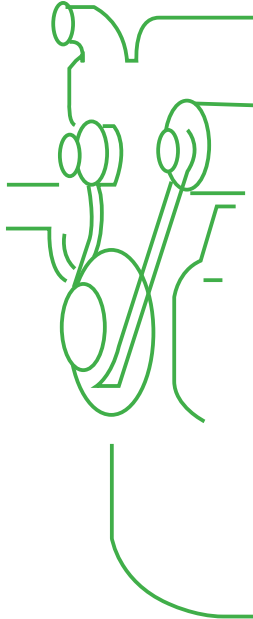
YC6MK is a new-generation type of 10L automotive heavy diesel engine which was developed by Yuchai Group. This engine has an integrated cylinder head, with a uniformly-distributed cylinder block of 6 bolt holes. With this innovative design, the diesel engine not only conforms to the China 4 Emission Control Standard, but can also be updated in accordance with the China 5 Emission Control Standard and Euro 6 Emission Control Standard. This product was developed by strictly following the YCEDP procedure, and advanced technologies were introduced to increase its reliability. The B10 service life of YC6MK diesel engine can be extended to 1 million kilometers. Currently, this product has been launched on the market in batches. Compared with other 10L automotive diesel engines in China, this product has good fuel economy and outstanding dynamic strength.



### YC6LN-50 Natural Gas Engine

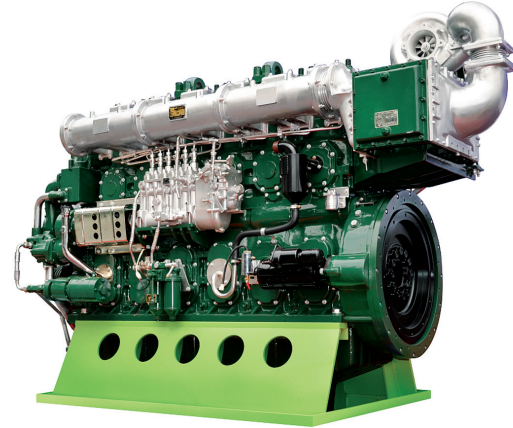
YC6LN-50 is the first natural gas engine being developed by Yuchai Group that has adopted its solely-developed gas burning system and conforms to the Euro V Emission Control Standard. Based on the mature technologies of 4-valves YC6L diesel engine, this engine has outstanding performances that conform to international standards thanks to its optimization on control system, controlling strategies, burning system, and the adoption of lean combustion technology. The engine has adopted a self-developed selective reduction after-treatment system, which enables the product to conform to the Euro V Emission Control Standard, and has low gas consumption, low noise and high reliability. Yuchai Group has independent intellectual property rights on the design of YC6LN-50 engine, integration and strategic development of gas control system and after-treatment system. Yuchai Group is the first enterprise in China that has successfully developed a natural gas engine that conforms to the China 5 Emission Control Standard.





### Yuchai C Series: YC6C Marine/Power-Generating Diesel Engine

YC6C marine/power-generating diesel engine, a self-developed product of Yuchai Group, is the company's first high power marine/power-generating diesel engine with a 200mm cylinder bore. The generator power of a single engine is 780kW. This engine has adopted cast iron crank shafts, high-intensity cylinder head made of high-quality alloy cast iron, high-intensity cylinder block, impulse type exhaust pipes, and other light-weight and energy-saving technologies. Compared with the products under the same categories (200mm cylinder bore) in China, this diesel engine has the smallest size, lighter weight than the competitor's products. Currently, the YC6C diesel engine has been launched on the market in batches.



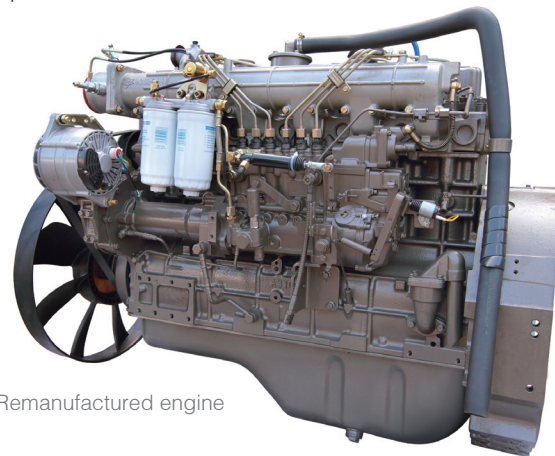
## 4.2 Reusing Waste Materials through Remanufacture

As a socially, environmentally responsible corporation, Yuchai Group is willing to shoulder the responsibilities for the society, environment and its employees. Yuchai Group attaches great importance to the transformation of economic development pattern, and has made great efforts to develop circular economy. Yuchai Group is focusing on implementing a remanufacturing project of engines and their spare parts,

and a recycling and industrialization project of foundry waste sand. Thanks to these projects, the company has generated good social and economic effects, saved much energy, reduced the consumption of raw materials, protected the environment, created a huge amount of wealth for the company and the society, and provided clean, effective green power to its customers.

### Remanufacturing of Engines

The remanufacturing project of engines is the most effective method for Yuchai Group to develop circular economy and can effectively reduce energy consumption and emission. In the past 3 years, Yuchai Group has been capable of disassembling and remanufacturing 30,000 engines and spare parts annually. Compared with a newly-manufactured engine, the design indicator of energy consumption is 68.42% lower on a remanufactured engine; the design indicator of energy consumption is 41.54% lower per ten thousand Yuan output. In 2011, Yuchai Group has provided several product series to its customers, including high quality cylinder blocks (short stroke engines), high quality cylinder heads, basic engines (long stroke engines), remanufactured engines and spare parts with over 60 types. The total output of these products is as highly as 4.8 billion Yuan. 95 million Yuan of economic efficiency was created for the company. More than 200 jobs were created for the



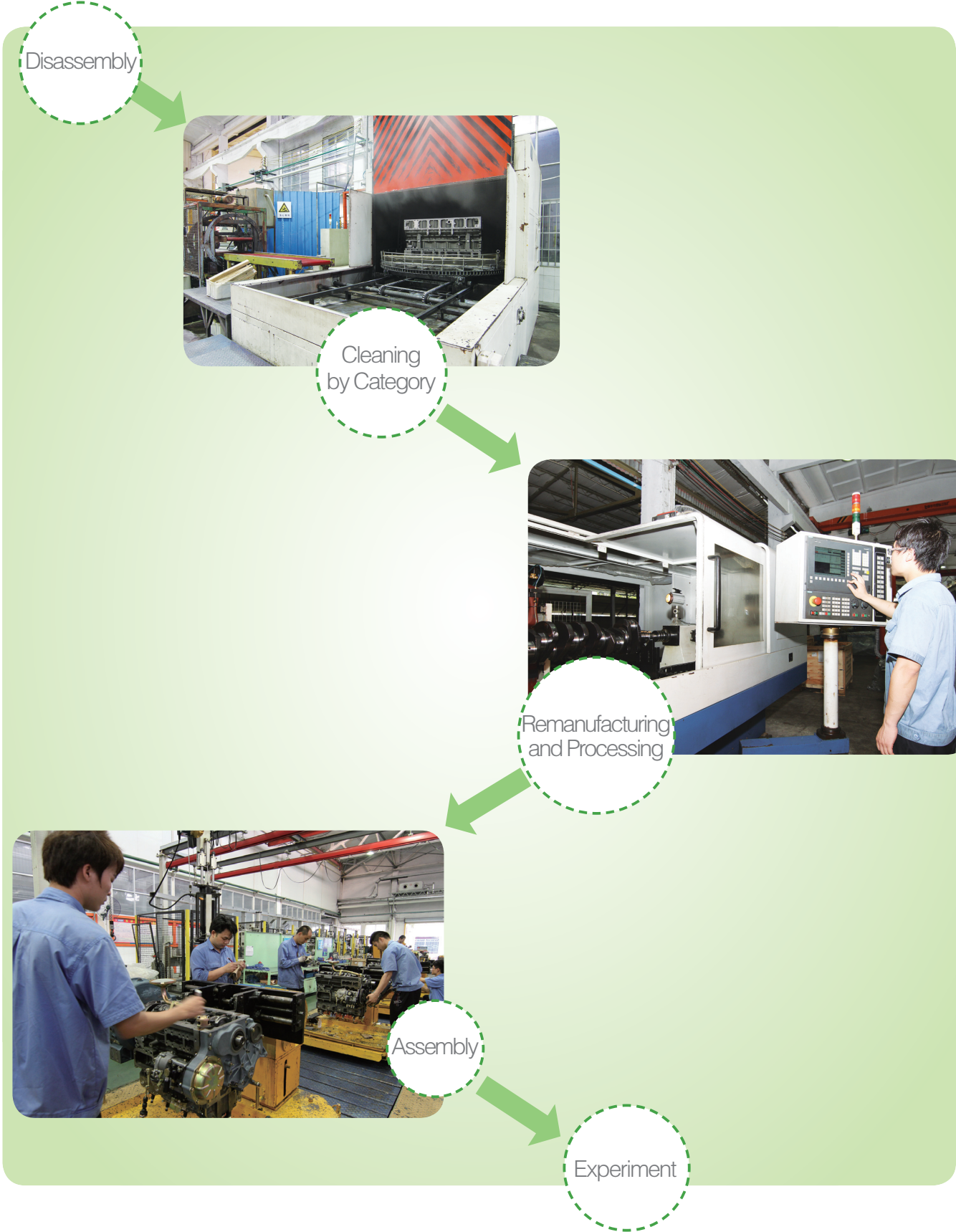
Remanufactured engine

workers. 1,044 tons of coals were saved and 3,000 tons of carbon dioxide emission was reduced. Meanwhile, other auxiliary factories were encouraged to implement projects on remanufacturing engine products. Another 200 new jobs were created by these factories, achieving good social and economic benefit.



# Green Manufacturing

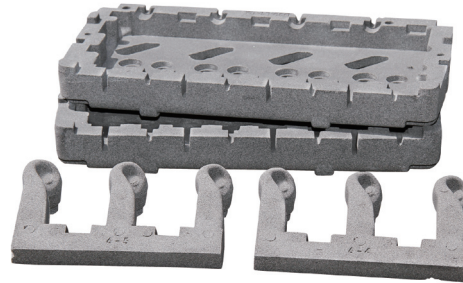
## Engine Remanufacturing Process Diagram



### Recycling of Foundry Waste Sand

Recycling and industrializing of foundry waste sand is another important project of Yuchai Group to ensure a smooth development of circular economy. In 2011, Yuchai Group completed its test base for the industrialization of recycled sand, in which 100 ton sand can be recycled every day. The comprehensive utilization rate of waste sand has exceeded 99.5%. The recovery rate of recycling sand accounts for 80% of the total volume of waste sand. All recycled sand products have passed the batch production verification by the casting plant of Yuchai, and conform to the company's specifications and requirements for resin sand. So far, the recycled sand can be sent back in continued, large-scale amounts to the casting factory and casting center for a secondary usage. The recycled sand products of Yuchai Group take a leading position in China in terms of several comprehensive indicators. When using 100% recycled sand and adding the same quantity of resin into it, the strength of core sand equals to that of the new scrubbed sand.

The castings being produced by recycled sand have a higher quality than those being produced by new scrubbed sand, with fewer quality defects, such as grooves and agglomeration. In 2011, the recycling and industrialization project of foundry waste sand has created an output value of 3 million Yuan.

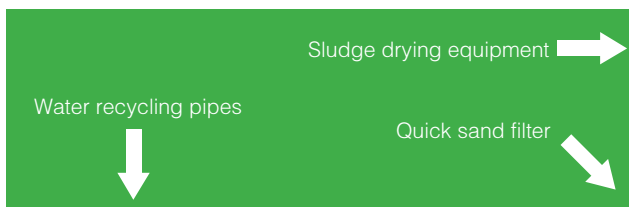


Mud core produced by reclaimed sand

### Recycling of Waste Water, Waste Oil and Waste Residue

In recent years, Yuchai Group has been continually implementing circular economy developing projects involving in the recycling of waste water, oil and residue. In 2011, most units, subsidiaries and factories affiliated to Yuchai Group have completed the renovation of its water recycling system. After the renovation was completed, more than 400 ton of water could be saved every day. After the wastewater was treated, it will be intensely treated for a second time (being filtered with quick sand and disinfected with chlorine dioxide). In this way, the recycled water will be up to the national standard and can be used in boilers and cupolas. The recycled water can also be sprayed in factories to reduce dust hazards. It can also be used for washing waste cleaning clothes and in the cooling test of diesel engines. Water consumption for each product is decreasing year by year.

In 2011, 79.8% of industrial water can be repeatedly used. Water consumption and wastewater discharge has been reduced to a great extent. Yuchai Group has also made great achievements in recycling waste oil and waste residue, and has made great achievements on this aspect.





## Green Manufacturing

### Recycling of Waste Oil, Waste Residue and Waste Water in 2011

Item	Unit Price of Recycling	Quantity of Recycling in 2011	Amount of Recycling (Yuan)
Waste Oil	2,850 Yuan/ton	360.515 ton	1,027,468
Waste Residue	18 Yuan/ton	11,696.20 ton	210,531.60
Waste Water	1.22 Yuan/cubic meter	27,589 cubic meters	33,658.58

### 4.3 Technological Innovation Improving Working Environment

In 2011, Yuchai has made a structural adjustment on technique management. Yuchai has combined its technological department with its material department, and has established a new technological managerial department. New technologies, new equipment and innovative processes were adopted in the entire manufacturing process. Robots

were used in several manufacturing processes. In this way, the working conditions in work place were greatly improved. The labor intensity of workers was greatly reduced. The workers are no longer exposed to the occupational health hazards and few of them will suffer from occupational diseases.

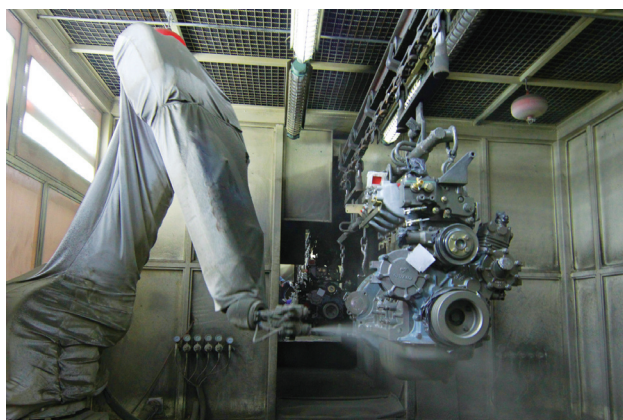
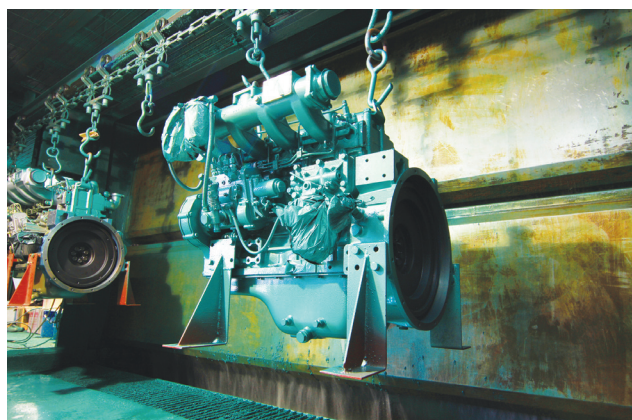
#### Water-curtain Spray Painting

In the past, a dry-spray painting method was used for all engines before they left the Yuchai Engine Factory. Air exhausters and filter screens will be installed in the work place to extract the paint spray out of the plant. However, this method has low efficiency and the filter screens will easily be clogging and harm the effects of air draft. Moreover, the paint powder on the filter screens might drop down on the floor. Consequently, the air quality in the work place will be lowered and the working conditions will deteriorate, and it will be harmful to the workers' occupational health. In 2011, a water-curtain spray painting method was adopted in the factory. Air exhausters and water curtains have been used to bring the painting spray rapidly away from the work place. In this way, the air quality and the working conditions in the work place have been greatly improved. In addition, the effects

and quality of spray-painting on engines has also been improved to a great extent. The workers will not be exposed to occupational health hazards and eliminate the possible suffer from occupational diseases to workers.

#### Robot Spray Painting

Yuchai Group has purchased two robots in 2011. Now the company has used robots to replace the artificial painting approach. In this way, the diesel engine products made by the plant have an aesthetic, better appearance and improved the efficiency. The production efficiency of workers can be greatly enhanced. More importantly, the working environment will be greatly improved. The workers will be liberated from the bad working conditions.





### Online Cleaning of Casting

In the approach of online cleaning of casting, the process of manufacturing and storage will be synchronized during the entire process of core-making, molding, melting, cleaning and storage. In this way, the castings will not be piled up or detained in the warehouse. A one-stream production can be achieved in which the castings' circulation cycle will be reduced and it is unnecessary for workers to manually flip the castings over. Workers will stand on a most suitable working height in

the manufacturing process. In this way, the labor intensity can be reduced to a great extent. The collision between different castings can also be avoided and the quality of castings can be enhanced to a great extent. Potential safety hazards and pollution can be reduced, and the sanitary conditions in working place can be greatly improved. The logistics process will be smoother, and the on-site conditions will be cleaner. In summary, this method has satisfied the demands of lean manufacturing, achieved a transition of management concepts from an output-oriented one to a quality-oriented one, and greatly enhanced social and economic benefit.



Before improvement

After improvement



## Green Manufacturing

### Adopt the Lost Foam Casting Method

Yuchai Group officially launched the first-stage construction for its lost foam casting production line on February 1, 2011. The capacity of the production line is 800 pieces/day and 10,000 ton finished products can be produced annually. The technological process of lost foam casting is easy to grasp, with low finishing allowance and high dimensional accuracy. There is no limitation for the shape and structure of castings. The labor intensity for workers is low. The working conditions are favorable. Much energy can be saved and much emission can be reduced during the manufacturing process.



Lost foam production site

## 4.4 Energy–Material–Saving Further Reducing Energy Consumption

In 2011, Yuchai Group further strengthened its efforts on saving energy and raw materials. New technologies, equipment and processes were adopted to save energy and reduce emission in the manufacturing process. In this way, the energy consumption, raw material consumption, and water consumption for producing each engine was greatly reduced. In 2011, the energy consumption ratio for each engine declined

by 25.97% compared with that in 2006; water consumption reduced by 59.36%; coal consumption reduced by 57.60%.

Iron containers is gradually introduced and reused to gradually replace the original package of products. Compared with wood containers, iron containers are recyclable and can reduce the consumption of wood and lower the pollution to the environment as well.

### Adopt Frequency Inversion Techniques for High Flow Water Pumps

In 2011, Yuchai Group initiated a project to renovate and save energy for high flow water pumps. An intelligent motor electricity-saving system was installed. After the renovation, the control system will determine how many water pumps will be needed by examining the demands of water supply. The water

consumption in peak hours can be adjusted automatically to ensure a stable pressure in the water supply line. The power consumption of water pumps can be greatly reduced by satisfying the water flow of each water pump unit. 15%~25% of electricity can be saved based on different working conditions.

### Adopt an Intermediate Frequency Induction Furnace Smelting Technology

In 2011, Yuchai adopted an intermediate frequency induction furnace smelting technology. By adopting this approach, no hard coke and limestone would be contained in the furnace charge. After charging materials into the furnace, the furnace charge will not be exposed to external impacts. Few dusts will be produced by the furnace. It will be relatively simpler to install a de-dusting system and it is unnecessary to pelletize the furnace slag. Therefore, less investment should be made on environmental protection facilities and it is beneficial for environmental protection. Scrap steel could be added during the smelting process in a single electric induction furnace. In this way, the costs can be reduced further. When this project was implemented in the factory, much space of storage yard could be saved, the surrounding environment of the factory would be improved, and the quality of liquid iron would be enhanced to a great extent. According to initial statistics, when smelting iron in a single intermediate frequency induction furnace, the power consumption would be 550kWh when each ton of liquid iron was heated to pouring temperature; rate of iron

loss was 2% and the energy charge was 60 Yuan for one ton of liquid iron. Compared with cupola, 26 Yuan/ton of liquid iron could be saved in terms of the operational costs.



Intermediate frequency induction furnace



### Adopt an Air Energy Heat Pump Scheme

Yuchai Group began to implement a heat pump scheme to replace coal furnace in 2011. Yuchai Group is the first machinery manufacturing enterprise in China using heat pump on machining works. The heat pump scheme proves to be successful in the past year. It has not only satisfied the manufacturing requirements of the factory, but has also saved much energy for the factory. The heat produced by a heat pump is 2.71 times higher than that

of an electric heating device under the same conditions. When calculating from the production scale, 3 million Yuan could be saved annually after reforming the heating facilities. Supposed that the service life of an ordinary device is 10 years (12 years according to the design of the factory), 30 million Yuan could be saved in the next 10 years. Heat pump can also reduce the emission of carbon dioxide and sulfur dioxide.



### Energy Consumption per Unit Product over Past 6 Years

Year	2006	2007	2008	2009	2010	2011
Energy Consumption per Engine Produced (kilo standard coal/engine)	151.86	136.30	150.41	119.80	112.59	112.42

### Water, Electricity and Coal Consumption over Past 6 Years

Year	2006	2007	2008	2009	2010	2011
Water(cubic meters/engine)	6.57	3.21	3.55	2.23	2.39	2.67
Electricity (KWH/engine)	351.09	390.82	436.71	349.09	429.24	449
Coal(kilo/engine)	55.72	36.68	51.49	28.38	21.31	23.62

Note: Water, electricity, coal appeared a slight increase compared to 2000 due to the commissioning of Casting Center Project Phase I and an increase in dust removal equipment, etc.

### Energy Consumption per Ton of Molten Iron over Past 6 Years

Year	2006	2007	2008	2009	2010	2011
Energy Consumption per ton of Molten Iron (Kilo Standard Coal/Ton )	308.00	311.18	315.51	294.15	265.22	276.29

Note: Energy consumption per ton of molten iron appeared a slight increase compared to 2000 due to the commissioning of Casting Center Project Phase I and an increase in dust removal equipment, etc.





# Employee Development

- 5.1 Safeguarding Employees' Basic Rights and Interests
- 5.2 Promoting Employees' Development Planning
- 5.3 Implementing Fair Distribution Mechanism
- 5.4 Reinforcing Safety in Production
- 5.5 Caring for Employees' Life



## 5.1 Safeguarding Employees' Basic Rights and Interests

To fully protect employees' basic rights and interests, Yuchai Group has always strictly implemented Chinese labor laws and regulations which include the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", "Employment Promotion Law of the People's Republic of China" and "Trade Union Law of the People's Republic of China". The company also safeguards its employees' rights to hold collective bargaining via the trade union, sign collective

contracts with management, and have equal employment and career promotion opportunities. The company respects and safeguards the other basic rights and interests of its employees, including their legal rights in the labor hour, time for relaxation and holiday, salary allocation, social security, occupational security and health, and their legal rights to participate in the democratic management of the company.

### Workers Conference Representatives Actively Participate in Corporate Management Activities

On February 26, 2011, the 3rd Session of the 16th Workers Conference was held by Yuchai Group Co., Ltd. Several topics were discussed on the conference, including the specific measures for Yuchai Group to complete its "RMB 40 billion Yuan Goal" in 2011 and its "RMB 100 billion Yuan Goal" at

the end of the company's "12th Five-Year Strategy". On the conference, the factory leadership submitted their work report for scrutiny, and the workers held a democratic appraisal for the factory leaders.



## Employee Development

### Signing A New-round Collective Contract

Yuchai Group has signed collective contracts annually with its employees in accordance with the 'Labor Law of the People's Republic of China' since the 1990s. Since 2008, collective contracts have been signed every three years. In 2011, Yuchai Group signed a new-round of collective contracts and special collective contracts with all of its female employees. The new contracts were modified in accordance with the latest labor

laws and regulations of China, and these contracts were drafted after careful discussions and seeking the opinions from the representatives of workers. These contracts will play an important role to improve the worker's labor and living conditions, enhance their enthusiasm towards work and working efficiency, guarantee the legal rights of the company and its employees, and establish a stable, harmonious labor relation within the company.



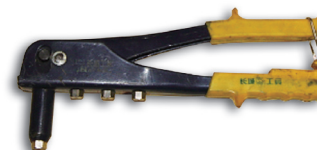
### Yuchai Group's Total Number of Employees and its Composition in 2011

Number of Employees	Women		Minorities	
	Number	Percentage	Number	Percentage
23,454	4,935	21%	1,739	7.42%

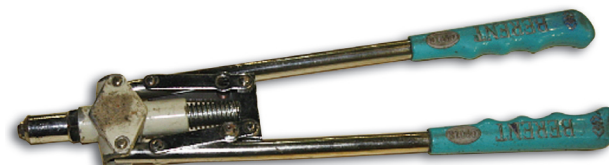


### Reducing Labor Intensity by Applying Ergonomics

In 2011, Yuchai Group applies the science of Ergonomics in its workshops. This measure aims to stimulate the worker's creativity, make their work more comfortably with satisfaction, and encourage them to study the problem of coordination between the machinery and the working environment. By applying Ergonomics, the environment in workshops has become more comfortable and employees' working conditions were greatly improved.



The old tool handle is short, time-consuming



The new tool handle is long, Labor-saving

### Encouraging Employees to Make Reasonable Suggestions

In 2011, Yuchai Group has received 7,520 reasonable pieces of suggestions submitted by its employees, in which 3,806 were accepted by the company, and 557 small-scale reform measures, in which 516 were completed by the company. Thanks to these useful suggestions and small-scale reform measures, Yuchai Group has reduced its production cost and enhanced the workers' work efficiency and product quality. Meanwhile, the workers' labor intensity was also reduced and the work safety coefficient in the factory was enhanced to a great extent. For

example, after the company adopted a small-scale reform measure of "building the facilities for the lifting and lowering functions of drive power head on imported final assembled floor chain cars by self-inspection", the acceptability of repairing for small cars' drive power head has been enhanced from 30% to 90%. "The Installing Stability Device on Final Assembled Small Cars" project has stabilized the final assembly of small cars and enhanced the efficiency and quality of assembly.

### Number of Rationalization Suggestions and Small Scale Reform Measures, 2009–2011

Year	Rationalization Suggestions		Small Scale Reform Measures	
	Submitted	Adopted	Declared	Completed
2011	7,520	3,806	557	516
2010	4,428	2,588	495	471
2009	1,608	590	199	141



Xuan Yi: An Outstanding Worker for Giving Reasonable Suggestions

“

In 2010 and 2011, I was awarded as an "Outstanding Worker in Yuchai Casting Factory for Giving Reasonable Suggestions" for two consecutive years. 62 suggestions of mine have been accepted by the factory, more than a dozen of them are small-scale reform measures, covering various aspects, such as safety production, improvement of equipment, technical innovation, energy saving and emission reduction. These measures have reduced the labor intensity of workers and enhanced the company's economic efficiency. In my opinion, individual wisdom is limited. More economic efficiency can be created only with collective wisdom. I wrote several articles based on my own experiences, such as "My Opinions on Reform Measures", "How to Build a High-quality Maintenance Team" and "My Experiences on Making Reforms". I hope to encourage my fellow workers to provide better suggestions to the factory.

”

## Employee Development

### 5.2 Promoting Employees' Development Planning

Yuchai Group has made its “12<sup>th</sup> Five-Year” human resource strategic plan, development goals and main tasks to provide more talents for the Group to implement its developing strategies. Yuchai Group has provided regular guidance to its subsidiaries on how to reserve and provide trainings to talents preponsely. Yuchai Group also helped these subsidiaries to enhance their level of performance management, scientifically

assess their management level, effectively manage their total amount of salary, modify their salary allocation system and enhance their overall level of salary management. Subsidiaries are encouraged to take measures to regulate their human resource management. Legal risks should be avoided, and a harmonious labor relation should be created in the entire organization.

#### Improving Human Resources Management System

The Yuchai Group made a human resources reserving and a salary policy for recruiting human resources to guide the subsidiaries on reserving sufficient talents. An innovative talent construction mechanism was made to explore new measures for talent construction. A program was made and implemented for selecting and training reserve leaders for the company. More

exploration will be made on the new mechanism for reserving and nurturing reserve leaders. The existing career planning measures will be modified to create a new mechanism for nurturing innovative talents. A new mechanism for nurturing high-level technical staffs will be established on the basis of a staff career planning method and platform.

#### Educated Background of Yuchai Employees

Year	MA and Above	BA	College
2011	1.77%	18.44%	24.09%
2006	1.02%	13.01%	17.35%

#### Skill Structure of Yuchai Workers

Year	Senior Masters	Masters	Senior	Medium	Junior
2011	2.96%	12.62%	33.14%	37.28%	13.99%
2006	0.48%	4.20%	12.03%	26.70%	19.74%

#### Establishing a Mechanism to Nurture Innovative Talents

A new, all-round pattern for training talents will be established which covers diversified channels, different categories and multi-levels. Yuchai Group has fully integrated its educational and training resources, and actively expanded its training channels. The company has strengthened its cooperation with universities, trade associations and training institutions nationwide. For example, in 2011, the company has organized an on-job training class by cooperating with Hunan University and Guangxi University, which aims to help employees to get a

master degree on engineering science. The company attaches great importance to the employees' professional ethics, and has made great efforts to nurture high-level, application-based and interdisciplinary talents, technical and managerial staffs. The company helps its employees to plan their careers, create a comfortable, relaxed and harmonious working environment for them. In this way, the employees would live, study and work in a happy mood. A harmonious development could be achieved between the company and its employees.

### The Yuchai Group's Employee Training, 2007–2011

Year	Training Terms	Training Persons/Times	Total Training Hours
2011	1,934	262,083	1,212,417
2010	1,899	218,055	760,523
2009	1,668	154,211	755,055
2008	1,577	143,639	728,623
2007	1,455	120,279	527,594

### Building an Outstanding Talent Team

A situational education was carried out in the entire company. All the managerial staffs and employees are required to understand the current situations in social and economic development. In this way, they would be more confident to seize the opportunities on market. A program was made to enhance the capabilities of leadership. Training sessions were provided to managerial staffs and reserve leaders for enhancing their professional skills. Factory leaders were encouraged to learn the valuable, advanced managerial experiences from other corporations and further enhance their management level. Much

emphasis should be laid on "decision-making ability, innovation ability, implementing competence, coordination skills and balancing capability". In terms of team construction, the company will encourage its employees to be devoted to their work, and enhance their "innovation ability, implementing competence and communication skills". In terms of management construction, Yuchai has made a new strategic plan and a strict assessment mechanism, to form a core management team in which every member would be prepared for crisis and unexpected situations, robust working style, and are willing to take responsibility.



### Improving the Mechanism for Introducing High-end R&D Talents

A joint conference system was established to strengthen the communication between the Group and the returned overseas Chinese students, particularly those returned overseas talents who are originally from Guangxi Province. The company has organized a joint recruitment group to recruit high-end talents from abroad, and encourage them to work in China. By adopting these measures, Yuchai Group would further enhance its research and development capabilities in its factories and subsidiaries.

### Implementing a Career Development Channel that is Beneficial to Employees' Transverse Growth and Promotion

In 2011, after several years' trial and promotion, Yuchai Group began to fully implement its career development planning for employees. So far, 15 post sequences, including 35 subsequences have been established in the entire Group. Different standards have been established for different sequences and levels. Employees would be able to understand their own career development orientation according to these standards. Human resource authorities in the Group would organize targeted training sessions for employees based on these standards. Employees would be able to get a promotion or work under different shifts under the instructions of the human

resource department if appropriate. In Yuchai Group, all high-skilled talents who have made outstanding contributions to the company can be appointed as Chief Skill Masters, On-post Skills Masters or Outstanding Skill Masters, and they would be paid with high salary and enjoy appropriate benefit packages. Skilled workers can be appointed to managerial posts. For example, Lin Jiejun, a "master of testing machines", is now the Deputy Director of Yuchai No.2 Engine Plant. Su Wei, a skill master on electrical maintenance, is now the Deputy Manager of the Production Department.



## Employee Development



### Contestants of Yuchai Group Achieved Success in the Guangxi "WULING Cup" and "YUCHAI Cup" Professional Skills Contest

WULING Cup' and 'YUCHAI Cup', a professional skills contest was closed on Oct. 31. Yuchai workers achieved outstanding results on different subjects. Zheng Tianshu, Yang Jian, Mo Hanzhong, Deng Yuanyun, Li Haifei, Zhong Yuejiang, Lu Yaogan, Lu You, and Chen Xingyu achieved a good result at pre-nine places in fork lifter project. Liang Hua won the car welding project in fourth, and at the same time, Yuchai captures forklift worker groups first, automobile industry group second.



### The Glory of Industrial Workers: Yuchai Technicians Exhibit Their New Technical Achievements

On Dec. 7, 2011, Yuchai Group held a technicians exhibition to display the latest achievements of its technicians. 29 material technical objects and 28 categories of photographs were displayed on this exhibition. Technicians displayed their excellent machinery operating skills to visitors. Yan Ping, Chairman of the Board of Yuchai Group, attended the exhibition and praised the achievements of technicians. He said, "I appreciate the outstanding achievements made by our industrial workers and skilled masters. Based on our existing institutional foundation, we would establish a series of incentive mechanism that will advance with times. Under such mechanism, all industrial workers and skilled masters would have the same respect and payment just as our engineers and R&D experts had."



### 5.3 Implementing Fair Distribution Mechanism

Yuchai Group has established and implemented a relatively perfect allocation system based on the workers' performance and capabilities. Yuchai Group has distributed allowance for its scientists and engineers on professional technical posts, incentive annual pension to technical staffs, and commission reward to workers who have invented new products. 'Yuchai Reword Project on Technological outcome of High Skilled Talent', and 'Yuchai Group Measure on Outstanding Technology Assessment' was made for high skilled talents and their output. Thanks to this measures, Yuchai's outstanding skilled masters

entitled to the salary, which is no less than that of a middle level manager. Yuchai Group will assess the values of all posts and further optimize its salary structure. Meanwhile, the company will strengthen the control of the secondary salary allocation among different units. An internally equal, externally competitive salary allocation system will be established to encourage the sound development of the enterprise. This system should be established on the basis of various factors, including the value of posts, individual capabilities, performance, and the salary level on the human resource market and in the entire industry.



### Yuchai Group Rewarded Million Yuan to High-skilled Talents

In 2011, Yuchai Group once again spent RMB million Yuan to reward its high-skilled talents. This measure aims to praise the great achievements that the ordinary skilled workers have made to the company. It also aims to encourage talented workers to enhance their professional skills on their posts, enhance their skills by learning from other senior workers, and teach their own professional skills to their apprentices. In this way, an innovative labor group would be built in the factories. Talented, high-skilled workers would be more respected by others. A technician team with high skills, creativity and good professional ethics would be built in which everyone would be able to display their talent and make more contributions to the factory. 23 projects were awarded the "High-skill Talent Award on Technological Achievements". Among these projects, the "Improvement on Core Setting Methods", which is invented by Li Guohua, the "Optimizing the Manufacturing Techniques of Hydraulic Excavator Arm", which is invented by Ou Jinyong from Yuchai Heavy Industry, and the "Reducing the Rejection Rate by Turn-broaching Machine", which is invented by Liang Jiajian from Yuchai Cold Processing Factory, won the first prize. 6 projects won the second prize, e.g. the "Molding Application of Lost Foam", which is invented by Chi Zhaojiu from the Craft Equipment Factory; 14 projects won the third prize, e.g. the "Enhancing the Performance of Second Cylinder Body Line OP90 by Deep Hole Drill", which is invented by Lin Yongxian from Yuchai No.2 Engine Works;



### 5.4 Reinforcing Safety in Production

#### Improving the Company's Existing Safety Production System and Enhance the Worker's Safety Awareness

Safety production, occupational safety and occupational health is not only closely related to the manufacturing techniques, procedures and environment of a company, but also related to the life, safety and physical health of workers. Yuchai Group has attached great importance to occupational safety. Yuchai has taken effective measures to ensure the worker's safety and these measures proved to be very successful. In 2011, Guangxi Yuchai Machinery Group Co., Ltd has implemented a "Work & Implementation Program for Safety Production" to further strengthen its standards on production safety and product quality.

The safety concept that "everyone should be responsible for safe production" should be implemented. The workers' safety awareness should be enhanced on an ideological level. Positive actions should be taken and specific measure should be made to implement safety measures in the factory's work places. A leadership working group should be established to ensure

safety production in all workplaces. Organizations should be established and the allocation of staffs should be further improved. An additional security officer should be appointed to each working team in the factory. The existing security system should be further improved by strengthening supervision, examination and modification. The security funds should be included in budget management to ensure the investment of security facilities. More efforts should be made on on-site safety management. A security officer should be appointed to supervise the safety conditions in all the functional areas in the company. All safety devices should be checked and maintained by professional technicians on a regular basis. A personal responsibility system should be made and everyone should fulfill their own responsibility on safety. Diversified training sessions on safety production should be provided to employees. Emergency drills should be organized on a regular basis.

## Employee Development

### Laying Emphasis on Enterprise Security and Precaution

"Precaution should be taken as the priority and effective measures should be taken in various sectors." Yuchai Group has adhered to this concept and laid much emphasis on constructing a safety culture within the company and enhance the employees' awareness towards safety. Strict measures have been taken on safety management and the following measures have been taken to ensure the enterprise safety:

1. Measures have been taken to prevent "flood, electric shock, fire and burglary" and eradicate potential safety hazards.
2. Fire department has been invited to provide trainings to employees on theoretical knowledge and how to use fire-fighting equipment.
3. Fire drills have been organized on an irregular basis for security guards and employees.
4. In addition to its existing fire-fighting equipment, the company has built more effective fire-fighting facilities within the factory facilities.
5. A security system has been constructed to achieve a seamless defense network.

In 2011, Yuchai Group has eliminated all the potential safety hazards within the company and has achieved all of its security targets. Meanwhile, the company has fundamentally controlled the hazardous factors of occupational disease from the sources by actively adopting new technologies, equipment and improving the working conditions of employees. Yuchai Group has also

created a health document for each employee, particularly for those workers who were exposed to the hazards of occupational disease. In this way, the company would better supervise the occupational health of its employees. In 2011, no fatal accidental work injury, fire disaster, fatal plant accident, motor vehicle accident and occupational disease were detected in the factory.

### Safety Indicators in 2011

Indicator	Target	Performance	Note
Fatality	0	0	
Major Accidents ( Equipment and Fire )	0	0	
Major Injury	≤0.30‰	0	
Minor Injury	≤3‰	0	
Correction	100%	100%	
Discharge of Wast Air, Water and Slag	Reach the Mark	Reach the Mark	
Occupational Diseases Prevention Rate	100%	100%	Workers handling toxic and hazardous materials undergo full medical examination

### Strengthening Hazardous Material Management and Risk Assessment

The company has strictly followed the systems, rules and regulations for managing hazardous materials, including the "Control Procedures for Flammable & Explosive Chemical Materials", "Control Procedures for Wastes" and "Control Procedures for Waste Oil". Appropriate environmental management system and occupational health management system was established by the company and was under constant update. The company has also made great efforts to identify

and assess hazardous materials in its various affiliated units, and manage these hazardous materials by making procedure documents, management programs and emergency response plans. The company's hazardous disposing departments also cooperated with professional units that are qualified for disposing hazardous wastes in accordance with environmental laws and regulations to dispose hazardous wastes properly, without causing any secondary pollution.

## 5.5 Caring for Employees' Life

Yuchai Group adheres to a " People-oriented " principle. Yuchai Group takes care of the employees' life and development, by providing comprehensive services to all employees. For example, the company has established a canteen for employees' lunch during their working hours, organized youth culture and Art Festival, family culture and Art Festival and other various

sporting events to enrich workers' amateur life. In addition, the company also annually held "sunset red" Old-Age Culture and Art Festival for retired workers. All these diversified, rich and colorful recreational activities and initiatives greatly benefit Yuchai employees and fully stimulated their enthusiasm to love home and work hard for the company.



### Enriching Employees' Spare Time via Sports and Recreational Activities

Employees enjoy rich leisure activities. Except organizing matches on football team, basketball team, volleyball and swimming teams, the company also organizes festival celebrating games and garden-visiting activities on the important celebrating



events. In addition, the Trade Union of the Group also weekly projects popular movies in the Cultural Center for all employees and their family members and holds various reading activities so that enrich cultural life of Yuchai workers.



### To Organize Health Rehabilitation and Study Visit for Outstanding Employees

In recent years, Yuchai Group has organized its model workers, outstanding technical staffs and advanced workers, who have devoted to the company on ordinary frontline posts, to go out for a trip of health rehabilitation and study. This approach aims to stimulate the enthusiasm of the staffs and encourage them to

make more contributions to the company. In 2011, 200 Yuchai Group organized advanced technicians and workers, advanced CPC members and outstanding team leaders to Deqing County of Guangdong Province for a rehabilitation and study trip. This shows the company caring for its employees.



### Yuchai Machinery Co., Ltd Awarded "A Model of National Harmonious Labor Relation Enterprise"

On August 15 and 16, 2011, a commendation and experience-exchanging conference opened curtain in the Great Hall of the People in Beijing. In the meeting, Yuchai Machinery Co., Ltd was awarded "A Model of National Harmonious Labor Relation Enterprise". 8 enterprises in Guangxi Province have won this honorary title. Li Tiansheng, Deputy Secretary of CPC Committee of Yuchai Group and Secretary of CPC Committee of Yuchai Machinery Co., Ltd, attended the meeting and accepted the award on behalf of the company. He also made a speech titled "Build a Harmonious Enterprise by Taking 4 Drastic Measures" on behalf of Guangxi Zhuang Autonomous Region.





## Promoting Services

- 6.1 Service System Further Improved
- 6.2 Service Network Further Expanded
- 6.3 Special-Service Succeeded in Supporting Service Brand
- 6.4 Skill-Contest Promoting Service Level
- 6.5 Satisfaction Improved by Active Service



## 6.1 Service System Further Improved

Yuchai Group provides all-round service to its customers. First, Yuchai Group has initiatively enhanced its consciousness of service and its overall image of service. Second, Yuchai Group has moved forward its service position by strengthening communicating with its service objects, understanding the customer's needs and providing high-quality service to them based on their needs. Third, Yuchai Group has enhanced its speed of response, focused on the specialized services to its customers, and enhanced its service quality on grand events. To strengthen its

comprehensive efficiency of service, in 2011, Yuchai Group completed a new building of customer service center. In this way, Yuchai Group's comprehensive service efficiency, as well as its customer service capabilities was greatly enhanced. As a comprehensive service base of Yuchai Group, the new customer service building covers an area of 42-mu, with a floor space of 12,000 square meters, and combines several functions together, including office, training and technical analysis.



Yuchai's newly completed customer service center building



### To Enhance Service Quality by Providing Training to Ten Thousands of Service Station Staffs

Yuchai Group has organized an internal training program within its service stations nationwide, which aims to fully implement the company's service concept and requirements, and enhance customer satisfaction by making a targeted improvement on service quality. From April 1 to July 31, 2011, a meticulously organized internal training program was launched within 2,263 service stations nationwide. Ten thousands of staffs have attended the training sessions, which aim to enhance their service quality and customer satisfaction.

The contents of training include: Analyze what kind of problems existed in customer satisfaction and how to solve these problems; what are the specific measures to enhance service quality and customer satisfaction, and examples should be given to explain these specific measures. The training program was divided into two phases: Phase 1 includes lectures, discussion meetings and written tests; phase 2 includes statistics, return visit, examining and solidifying the effectiveness of training.



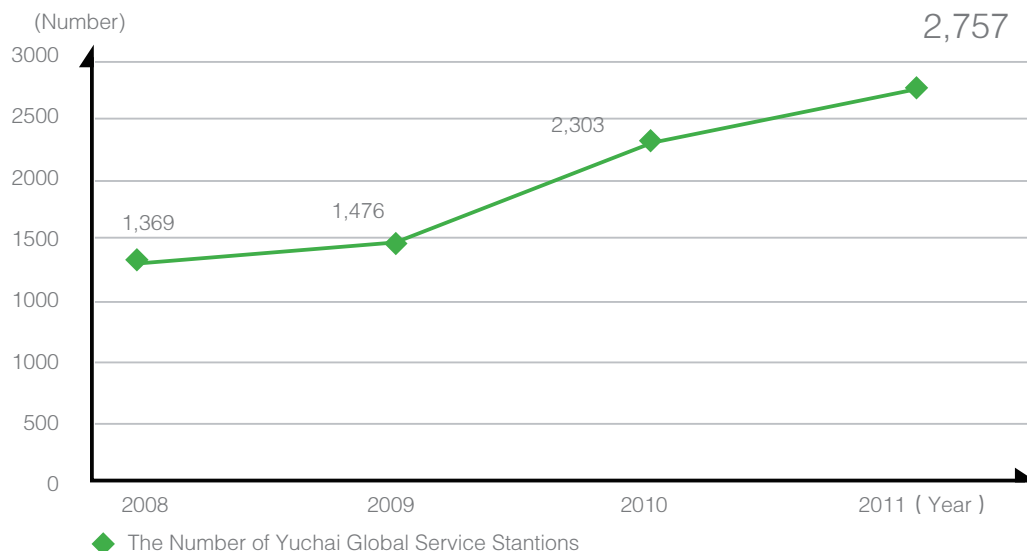
## Promoting Services

### 6.2 Service Network Further Expanded

In 2011, Yuchai Group's customer service capability has been rapidly enhanced. So far, the company has established 2,757 service stations nationwide, providing delicate, sophisticated services to customers. The company's service category covers trucks, passenger trains, mechanical engineering, agricultural engines, and marine electric equipment and passenger cars. A 4-tier management mode has been applied in all service stations, providing diversified services to customers via key service stations and being supported by professional service stations. Yuchai Group has

made great efforts to construct its capabilities of electronic-controlled services. After several years' efforts, Yuchai Group has established 1,240 electronic-controlled service stations nationwide. The company's service capabilities on electronic-controlled equipment have been greatly enhanced. Yuchai Group is also stably expanding its overseas service network in the world. So far, the company has established 13 offices, 77 service agencies and 132 service outlets in 32 countries in South-east Asia, Middle East, North Africa, East Europe, Central Asia, Central and South America.

#### The Change Chart of Number of Yuchai Global Service Stations in Recent Years



Yuchai technicians are guiding Yuchai Cuba service station staff to installate Yuchai engine

### 6.3 Special-Service Succeeded in Supporting Service Brand

#### Yuchai Group Initiates “Heavy Machinery Service Month”

In May 2011, Yuchai Group initiated its “Heavy Machinery Service Month” nationwide. This event has been initiated in large scale with all service stations nationwide being participated in this grand event. The executives of Yuchai Group organized 10 working teams to visit building sites, mines and wharfs where the users are most concentrated in, and held user’ s forums in 10 regions in China, such as Qinghai and Shanxi province, to provide on-field question solving services, track down services for users. 15,000 users have benefited from this series of special service campaigns.



#### To Serve the Farmers in Summer Harvest by Providing Agricultural Engines

In May 2011, a cross-regional machine harvest ceremony for “three-summer” wheat was held in Tongzhaipu Town of Tanghe County, Nanyang City, Henan Province. Yuchai Group attached great importance to the annual summer harvest in rural areas. The Yuchai Service Center, together with its 20 branch offices and 103 service stations nationwide, provided warm support to the summer

harvest by providing agricultural engines and machines to the farmers. The company has fulfilled their promises by taking specific actions for supporting the summer harvest. So far, the reserve of Yuchai agricultural engines has exceeded 100,000. The agricultural machinery products of Yuchai Group have become the preferred dynamic power of farmers nationwide.





## Promoting Services

### 6.4 Skill-contest Promoting Service Level

In 2011, Yuchai Group held its 1st Service Skills Contest, with 1,060 contestants nationwide participated in the contest. All the participants are from the service stations nationwide that are qualified for the maintenance of Yuchai electronic-controlled engines. After a strict qualification confirmation and selection, 142 service engineers participated in the selective trials and 38 of them were selected to the finals. On the finals, engineers competed with each other on several items,

including principles of internal combustion engine, failure diagnosis and troubleshooting for internal combustion engine, BOSCH High Pressure Common Rail System, DELPHI High Pressure Common Rail System, principles of close-coupled pump, failure diagnosis and troubleshooting. Contestants have demonstrated their excellent professional skills to the judge panels, as well as the high service standards of Yuchai Group to its customers.

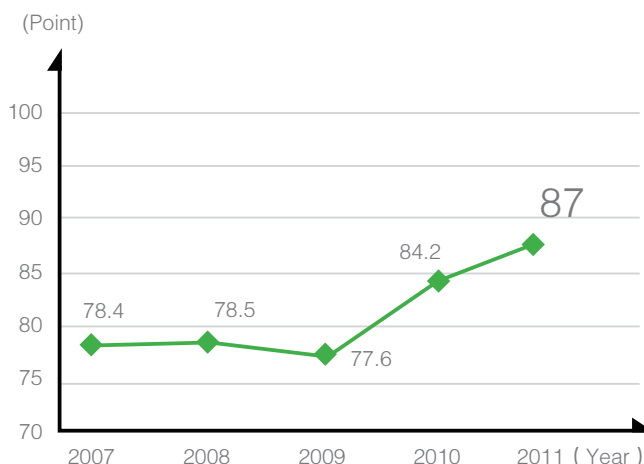


The elegance of the players in the game scene

### 6.5 Satisfaction Improved by Active Service

In 2011, Yuchai Customer Service Center has made great efforts to enhance its level of customer satisfaction. Actions were taken from factors, such as service attitude, efficiency, promptness and management, which are critical factors that will determine the level of customer satisfaction in the end. The Yuchai Customer Service Center has made a year-round working plan to enhance its service standards and implement effective policies for supervising its service quality.

#### Yuchai Service Satisfaction Index over the Years

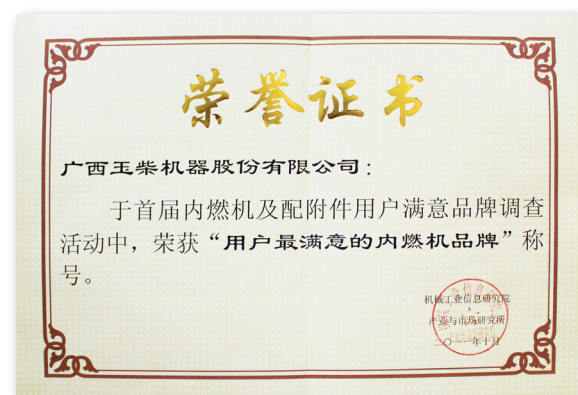






## Yuchai Machinery Co.,Ltd Awarded “The Most Satisfactory Internal Combustion Engine Brand among Customers”

In October 2011, the 4<sup>th</sup> (the 5<sup>th</sup> Outreach) Leadership Session of China Internal Combustion Engine Industry Association & Internal Combustion Engine Summit, were held in Beijing. Due to the excellent technology, quality, quick service and satisfaction of the customer, Yuchai Group was awarded “The Most Satisfactory Internal Combustion Engine Brand among Customers”.







# Harmonious Communities

- 7.1 Boosting Regional Development of Economics and Social Communities
- 7.2 Rewarding Social Communities



## 7.1 Boosting Regional Development of Economics and Social Communities

Yuchai Group adheres to its core philosophy "Green Development & All Win in Harmony". The Group has not only achieved outstanding performance in leading the development of national machinery industry, but made important contributions to promoting local economic development.

Based on Yuchai's industry and brand advantage, the industrial parks such as Luchuan Yuchai Industrial Park, Yuchai heavy Industry Park, Bobai Yuchai Assort Industry Park were built up, they all made a important

contribution. Among these parks, Yuchai Heavy entered Industry concentrated area in north region Luchuan county, and strongly drive industrial economy development in the region, makes it become a major production site. The machinery industry in Luchuan developed from few to 28 companies in few years, the industry output increased from few hundred million to 7.5billion, account for 40% of total industry output in the county. The industry become the NO. one pillar industry in the country and employees are over 10,000.

### Yuchai Industrial Park Accelerates Urban–Rural Integration in Yulin City

In the past five years, Yuchai Industrial Park is undergoing rapid development. The total area of the industrial park is nearly 6,000–mu. RMB 6 billion Yuan of investment have been made in the park as fixed assets. The industrial park has mature supporting facilities, including roads, water pipes and electricity. Currently, among the 46 projects being implemented in the industrial park, 25 have been completed and put into operation, with a total contracted investment of RMB 8.462 billion Yuan. In 2011, the gross industrial output value has reached RMB 29.03 billion Yuan and the industrial added value was RMB 6.102 billion Yuan, with a year–on–year growth of 32.57% and 7.2% respectively. So far, Yuchai Industrial Park has become a State–Level Demonstration Base for Innovative Mechanical Industry, a key industrial park and urban functional area in Yulin City, a representative area for coordinating urban–rural development and integration, a Class–A Key Industrial Park in Guangxi Province, and a critical industrial park being mentioned in the "Opinions of the State Council on

Promoting Social and Economic Development in Guangxi Province". The Yuchai Industrial Park will further implement Yuchai Group's strategy: "Making the Yuchai Group stronger and Yulin City more prosperous". It will also play a more and more important part in accelerating the social and economic development in Yulin City.



### Create More Jobs for the Society

Yuchai Group has been developed rapidly and has created a huge amount of high–quality jobs for the Yulin city. From 2005 to 2011, Yuchai Group has created 5,673 jobs for the society, with 945.5 jobs being created

annually. Yuchai Group has not only provided stable jobs to its employees, but also made active contributions for constructing a harmonious society in Yulin City.

### New Job Creation by Yuchai over the Past Seven Years

Year	2005	2006	2007	2008	2009	2010	2011
Num. of Jobs	1,076	496	872	0	1,258	1,222	782



## Harmonious Communities

### 7.2 Rewarding Social Communities

Yuchai Group actively supports and participates in community construction. The Group has implemented a community policy of “mutual construction, resource sharing, mutual benefit through mutual aid” to manifest

its core ideology: “To achieve harmony and a win-win situation through green development” and its concept of humanities: “philanthropy and wellbeing” .

#### Donate Money for Education

Yuchai Group continued to actively donate money for educational assistance. In 2011, Yuchai Group has been donating educational-assistance funds to the “Spring Buds Program” for 6 consecutive years. Since the “Spring Buds Program” was launched in 2006, so far, Yuchai Group has donated 1.53 million RMB to the program,

helping 500 poor girls in Yulin City to go to school. Yuchai Group has also provided 833,000 RMB to 357 employees as financial aids for their children to finish school. Yuchai Group has set up a scholarship in Haerbing University and Tianjin University, providing scholarship to students who are outstanding both on study and behaviour.



### Yuchai Group Held the “2011 Spring Buds Program” Donation Ceremony

Yuchai Group held its “2011 Spring Buds Program” donation ceremony at Yuchai Cultural Center. Li Tiansheng, Deputy Secretary of the Party Committee of Yuchai Group, attended the ceremony and donated 150,000 RMB to the representatives of the municipal Women’s Federation. He also donated stationery and books to 51 “Spring Buds Girls” from various counties and districts in Yulin City. Each girl received donations worth 300 RMB. After the ceremony, these “Spring Buds Girls” were invited to visit the factory of Yuchai Group and the product display area for the 60th Anniversary of the founding of Yuchai Group which improved their understanding of the company.



“Spring Buds Girls” visited the factory of Yuchai Group



### Volunteer Services

Yuchai Group is always encouraging its employees to participate in volunteer services. Many young employees enthusiastically responded the company's initiative by organizing their own volunteer groups. In their spare time, volunteers would visit childless elderly people in nursing homes and orphans in charity houses, offer "one to one" help to poor families in the community, provide

home schooling service to the children of Yuchai Group's employees, give volunteer medical consultation to elderly people or give them a haircut free of charge. So far, more than 80 employees have joined the volunteer groups. 505 volunteer activities have been organized in 2011, 1,637 hours of volunteer service were provided



### International Volunteer Day: Yuchai Volunteers in Action

On December 5, which is the 24th "International Volunteer Day", volunteers from Yuchai Cold Machining Factory visited the rural areas of Yulin City and provided volunteer services to elderly people. The volunteers, led by Chen Tinghan, the leader of the volunteer group, and Qin Shoudun, the deputy leader of the volunteer group, departed from the factory at 8:30 a.m. They went to Renhou Township and the locomotive depot respectively for visiting the elderly people. Chen Tinghan and his volunteers sent milk and noodles to elderly people in Cenmao Village of Renhou Township. They also helped the elderly to open up soils in vegetable fields. The other volunteer group, led by Qin Shoudun, sent cotton-padded shoes and clothes to the elderly people, ensuring them to live comfortably in winter.



Volunteer team member grow vegetables for the elderly



Volunteer team visited the elderly





VIII

# Outlook of 2012



## Overall Objective

In 2012, Yuchai Group ushers in the second year for implementing its “Twelfth Five-Year Strategy”. Yuchai Group has accumulated much strength over the past 60 years and based on the solid foundation of this 60 year’s power, the company has laid a solid foundation for future development. Yuchai Group will continue to observe the state policy of “Scientific Outlook on Development” and implement its strategy of “making the Yuchai Group stronger and Yulin City more prosperous”. Meanwhile, Yuchai Group will explore new forms of investment for its projects, nurture new points of economic growth for the

company, accelerate its steps of personnel construction, promote its product brands by implementing its strategic planning, further enhance its overall management level and ensure that it matches the company’s pace of scale expansion. We are not afraid of difficulties. We will work hard despite much difficulty and we will overcome the difficulties as best as we can. We will try to make our sales revenue exceed 46 billion RMB in this year, and make more contributions to the social and economic development in Yulin City.

## General Idea

Yuchai Group’s strategic positioning, “Two product chains and diversified industrial clusters” should be taken as our guidance. Yuchai Group’s management principle, “Improve product quality, maintain business growth, and stimulate development by widening sources”, should be observed by everyone to implement the Group’s functional strategies in various business sectors and subsidiaries. In 2012, we would adhere to our management principle and business objective, as well as

the principle of “solidifying our foundation and focusing on the key points”. We would further improve our standard of business operation, strengthen our existing management system and enhance its efficiency. Meanwhile, we would make more efforts to supervise the implementation of our key projects, make innovation on our investment forms and improve our industrial layout. In this way, we would make more progress and achieve a breakthrough in our daily business operation.

## Management Principle and Business Objective

Management Principle: Improve product quality, maintain business growth, and stimulate development by widening sources.

Business Objective: The sales revenue would exceed RMB 46 billion Yuan, and the total profit tax would increase in pace with the sales revenue.

