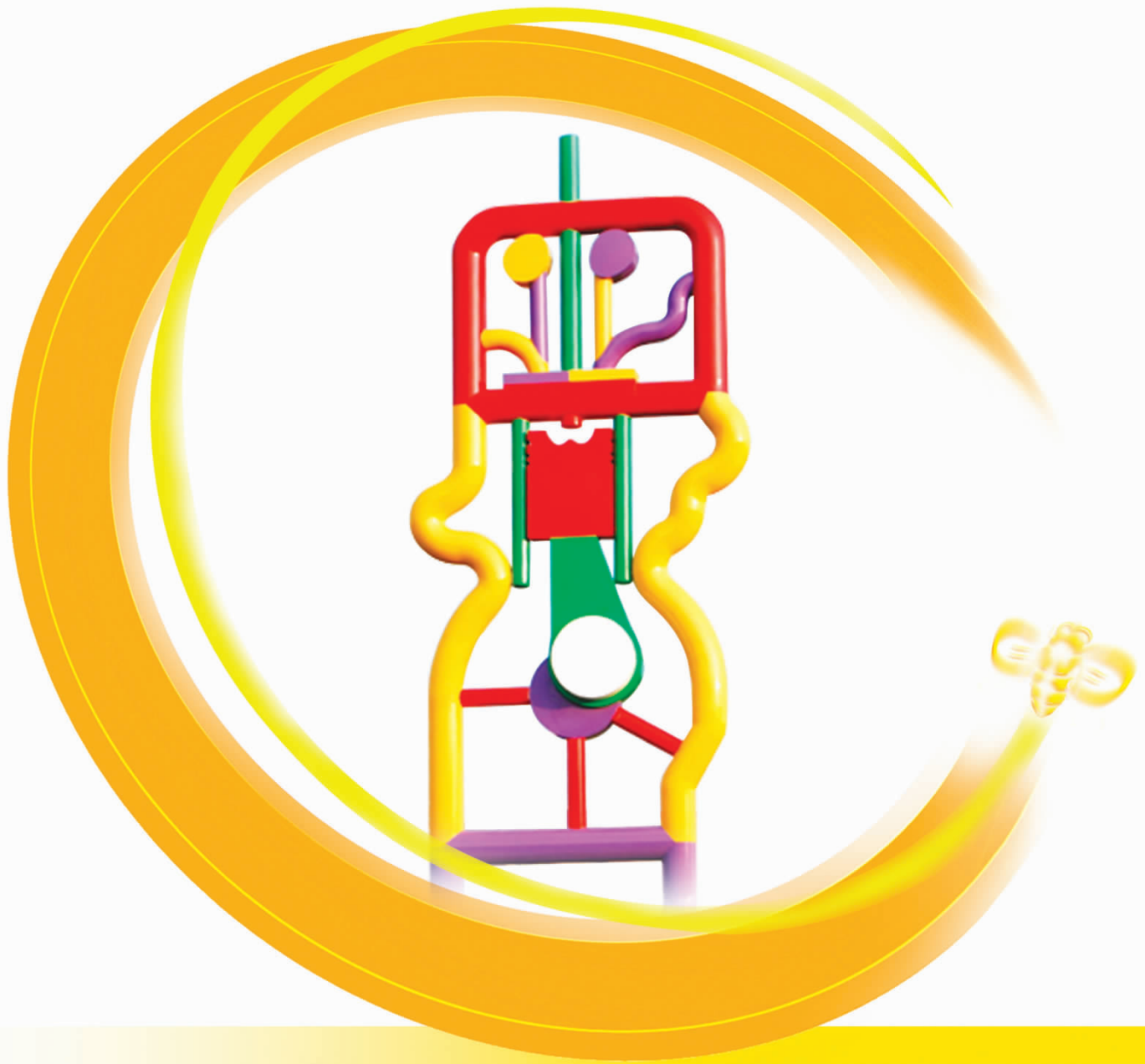


# Sustainable Development Report **2009**





### **Group Logo-YC**

The Group Logo is designed basing on "YC", which is the acronym of its English name. The letter "C", surrounding the letter "Y", looks like the earth movement trajectory in the space, symbolizing Yuchai Group's pursuit of excellence and its strategic objective of becoming a large multinational conglomerate. The smooth and dynamic shape of the letter "C" symbolizes Yuchai Group's global development trend, and the angles of the letter "Y" expressively convey the Group's enterprising spirit.

The shape of the Logo is full, sober mixed with dynamic, plain but containing passion. It incarnates that Yuchai, China's largest internal-combustion engine manufacturing company, and the largest producer and exporter of small and medium sized construction machines, is a group full of true passion and in pursuing "Green Development, All win in harmony". The logo highlights Yuchai Group's brand image of "Pursuing Excellence, All win and Internationalization".

# Yuchai Sustainable Development Philosophy

**Core philosophy: Green Development, All win in harmony**  
It is the historical position of Yuchai in the new era; the basis of Yuchai's corporate culture; a guideline of the conduct for Yuchai's development and progress; and a general guidance of Yuchai's business strategy.

Green

## Yuchai's outlook of responsibility

Yuchai considers it as its own duty to take the path of green industrial development and to provide cost-effective green power and green machines, to show a healthy and environmental-friendly corporate image, to achieve sustainable development.

Development

## Yuchai's outlook of Excellence

Strengthen and expand its core businesses, tap the potential businesses, develop related industrial chains, achieve Yuchai's global strategy and build Yuchai into a world-renowned brand and a large multinational corporation.

Harmony

## Yuchai's outlook of Humanism

Build basic elements of harmonious Yuchai, cultivate a corporate culture of loyalty, love, cooperation, and well-being, and enable both the business and the staff to achieve the best simultaneously.

All win

## Yuchai's outlook of Value

It is Yuchai's management philosophy and business strategy of survival and development. The philosophy of All win runs through the whole process of Yuchai's development. It highlights sharing the business accomplishments with stakeholders and the society, achieving maximum and long-term all win situation.

In general, the core philosophy of Green Development, All win in harmony is to implement the scientific outlook of development and achieve sound, rapid and green development; to maintain the business vitality, so that Yuchai can stand invincible against market competition; to share the accomplishments of business operations and build a harmonious Yuchai family; to unite and motivate the most majority of employees to build Yuchai into a famous global brand and a multinational corporation, in order to realize sustainable development.

# Editor's Note

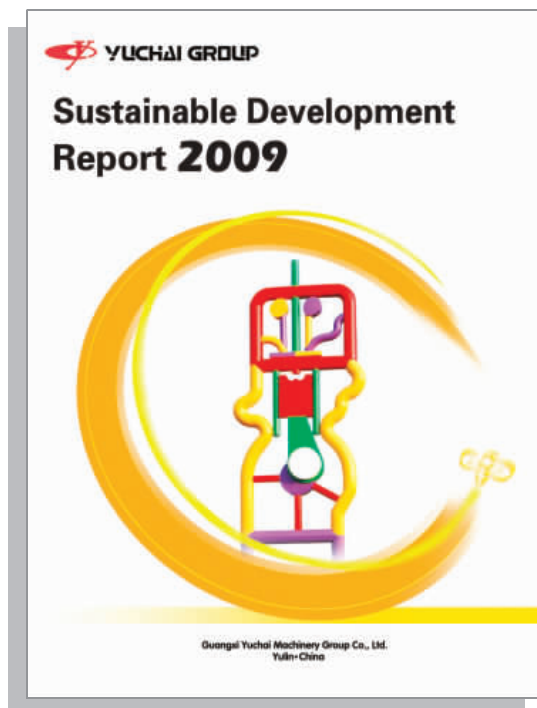
In order to facilitate presentation and reading, "Guangxi Yuchai Machinery Group Co., Ltd." in this report is also referred to as "Yuchai Machinery Group" "Yuchai Group", "the Group corporation", "Yuchai", "the Group", "the Company" and "we or us".

## **Report Time Frame**

The report mainly covers Yuchai Group's sustainable development activities from January 1st to Dec 31st, 2009. If necessary, the activities before that may also be involved.

## **The Release Cycle of the Report**

The Report is released on an annual basis. "Sustainable Development Report 2009" is the annual report of 2009.



## **Report Coverage**

It mainly centers on the activities in the areas of sustainable development of Yuchai Group supplemented by those of its affiliated branches and subsidiaries.

## **Previous Release of the Report**

The first report is the "Sustainable Development Report 2007", released in June 2008 and second the "Sustainable Development Report 2008", released in May 2009.



## **Major Changes of the Report Structure and Content:**

This Report is the third report on Yuchai Group's Sustainable Development. In previous two reports, history and current situation of sustainable development of the Group was covered, based on which the 2009 report mainly highlights sustainable development strategy, major activities and key achievements in 2009; in particular, significant achievements scored through the implementation of "All win in harmony" strategy.

## **This report is published both in Chinese and English:**

To obtain a copy, 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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# Chairman's Message

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Memorable 2009! Looking back, we feel no regrets and we have no qualms!

In the financial Tsunami, Yuchainess, with their willpower, hardworking spirit and wisdom, created a miracle with unprecedented business achievements beyond expectations, which makes us to feel proud and inspired! Yuchai have seen business expansion from the engine business to all six segments, registering not only increased sales revenue but bigger business achievements. Its restructuring is beginning to pay off. "Yuchai Model" is becoming the benchmark in the industry.

Years of ups and downs record Yuchai people's hardworking and fighting spirit! In the year of 2009, several large engine facilities made breakthroughs in production capacity. They made arrangement of production scientifically and reasonably, bringing their advantages to the full extent, continuing to serve as the pillar of the Group; the research & development team tried very hard to make innovations. They worked to catch up with internationally advanced technology and made great achievements—the world first "Renewable Air Hybrid Engine" prototype came to light, putting Yuchai under the spotlight of the industry. The company was also very effective in supply chain building, lowering costs more than ever. Yuchai's great quality improvement and low complaint and reparation ratio topped the industry. Yuchai made breakthroughs in sales and built its market advantages, thus witnessing satisfactory sales growth. In terms of safety management, Yuchai achieved "double zero" for the whole year, attaining good performance in safety and health.

All of these results are derived from Yuchai's social responsibility concept of "green development, all win in harmony ", while it insists business policy of "Capacity Building for future Development". The year of 2009 registered Yuchai's achievements in social responsibility. Yuchai signed with its partners the Social Responsibility Commitment and conscientiously followed it; Yuchai was listed as one of the top 100 companies in "China Corporate Social Responsibility Ranking 2009"; Yuchai won the "2009 China Corporate Social Responsibility Special Award" ; It got China's Corporate Social Responsibility Special Prize for "Suppliers"; it was awarded "the 20th-Anniversary Contribution

Award of the Guangxi Hope Project", becoming the model for Chinese companies in performing corporate social responsibility. During the financial crisis, Yuchai continued to build harmonious relations with employee, suppliers and customers, as well as the community. It also tried hard to build a harmonious service system. "Harmony" gave energy to Yuchai and Yuchai advanced triumphantly in harmonious environment.

Yuchai has been publishing sustainable development report for two consecutive years since 2007. The 2008 report highlighted Yuchai's concept of green development— great efforts and remarkable success made in providing green products, strengthening green production and green emissions. The Sustainable Development Report of this year will focus on the concept of "All win in harmony ", striving to create a harmonious internal and external environment to fully realize the sustainable development of Yuchai. Yuchai people believe that social responsibility is the cornerstone of the success of Yuchai and fulfilling social responsibility is reflected in every aspect of the development of Yuchai. Yuchai's footprints are reflecting shining of social responsibility, and the achievement in fulfilling social responsibility has made Yuchai to stand out among other companies in the industry.

Looking forward to the year of 2010, Yuchai will stick to the concept of sustainable development— "continuing to build internal capacity, to ensure goal achievement and to consolidate foundation for the future development". Yuchai will review itself comprehensively, identify shortcomings, strengthen weaknesses and continue capacity building centering on management improvement; Yuchai will work hard to achieve the goal of 30 billion RMB of sales revenue, and realize leap-forward growth; Yuchai will be dedicated to nurturing its businesses and subsidiaries, forming the core competitiveness and building a development potential for the "12th Five Year Plan" period; Yuchai will give priority to major projects for sustainable development, strengthen and promote project management, build advantages of the two product lines, namely "Engine Products Line" and "Construction Machinery Products Line"; Yuchai will also be active in the capital markets, laying solid foundation for its taking-off.

The new year is a new start. Yuchainess will be striving with high morale and passion as well as inexhaustible creative power! We will take social responsibility as our obligations, joining hands with all stakeholders, progressing

with the times, and achieving collaborative and leap-forward development. Yuchai will create a history with its new achievements and write a new chapter of "Green Development, All win in harmony"!



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

Chairman:

# U nique Advantages Fruitful Achievements

Yuchai Group is China's largest internal-combustion engine manufacturing company, and the largest producer and exporter of small and medium sized construction machines. It has more than 30 wholly-owned companies and subsidiaries with controlling or holding shares, more than 18,000 employees and the total assets of 17.5 billion Yuan. Yuchai's current business covers six areas which are engines, construction machinery, automobile trade logistics, spare parts, special-function automobiles, energy and chemical products, of which the engine business accounts for 59.02%, construction machinery 6.74%, spare parts 11.74%, energy and chemical products 12%, automobile trade logistics 8.88%, and special-purpose automobile 0.87%. Yuchai diesel engine production and sales per plant rank the first in the sector of heavy and medium-sized commercial vehicles globally for 6 consecutive years. Yuchai products are well sold to more than 80 countries and regions including mainland China, Southeast Asia, the Middle East, Latin America, Eastern Europe and Africa. The total number of Yuchai diesel engines has reached more than three million.

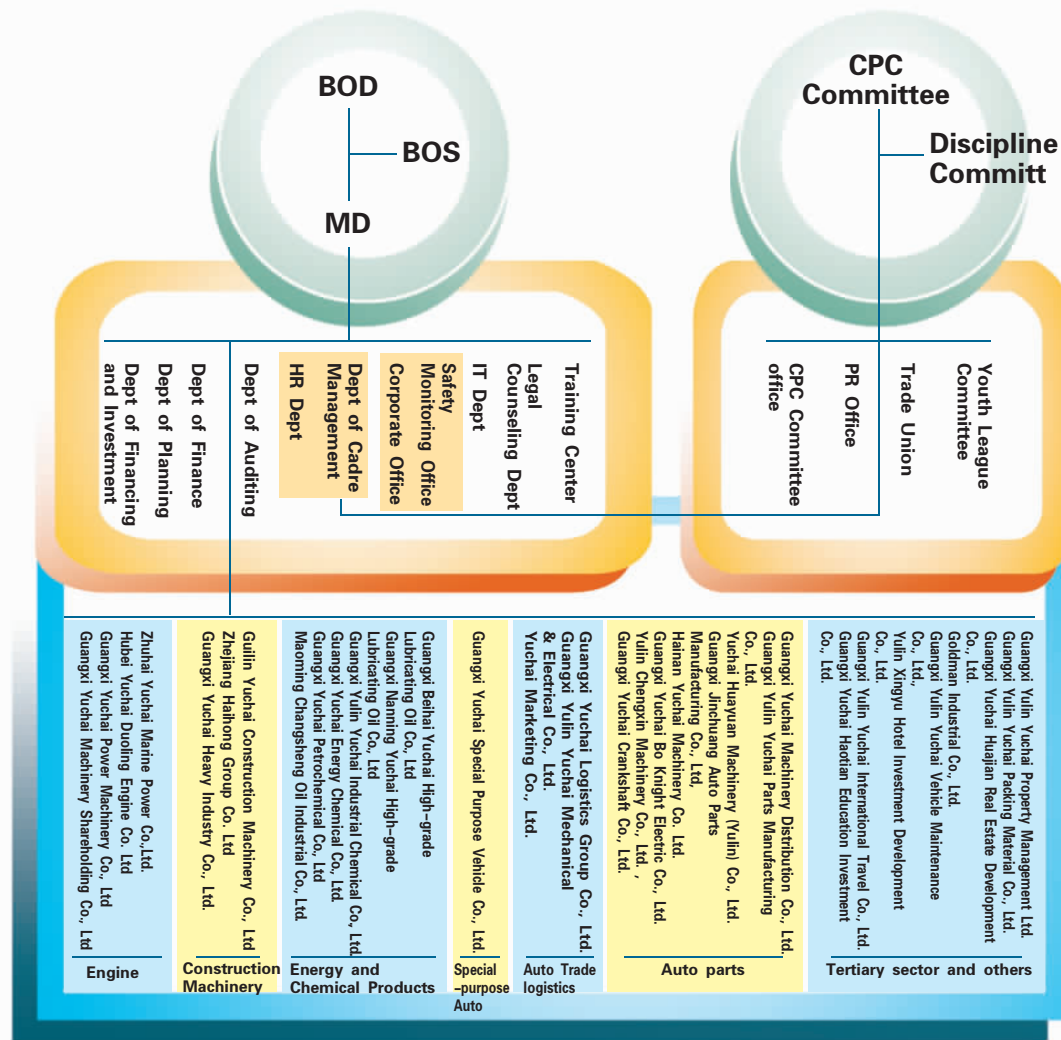


## Corporate Governance

The Group positions itself as an investment and financing management company, aiming at building a management and control system with clear layer and responsibilities, appropriate delegation, strong regulation, high efficiency, practicability and standardization. The company is implementing a control model combining strategic control and financial management. Its five core functions are strategic planning, investment and financing management, financial management, auditing and HR management. Its five basic functions are to be information center, legal consultation, education and training, administrative affairs and affairs of the CPC

committee, trade union and etc. Yuchai conducts indirect management of its subsidiaries, performing responsibilities as a financier by assigning property rights representatives and financial officers, setting personalized management mode for the subsidiaries according to the responsibility and authority prescribed in the subsidiary's articles of association and to specific circumstances. Property rights representatives vote on behalf of shareholders at the subsidiary's conferences of Board of Directors or shareholders to implement the Group's strategic intent to ensure that the Group and subsidiaries are consistent in strategic direction.

## Yuchai Group Organization Chart



# Unique Advantages, Fruitful Achievements

## Unique Advantages

Yuchai Group accumulated eight unique advantages after 60 years of sustainable development, which created Yuchai's brilliant past and will create an even brighter future. They are as follows:



2009 Yuchai Engineering Research Institute Colloquium

### R & D Advantage

Yuchai has three levels of technology centers—national, autonomous regional and corporate level; it has the industry's only nationally recognized laboratory with the best conditions and the highest level technologies and a group of domestically unique test platforms; it has many nationally leading technologies such as diesel engine structure design, combustion organizations, electronic control, emission control and energy saving, and gas engine, hybrid energy, diesel engine remanufacturing and so on; it has wide

### Cultural Advantage

Yuchai has profound culture and a set of unique corporate culture and philosophy has been formed. The Yuchai culture takes in the essence of traditional Chinese culture, full of vitality and energy.

### HR Advantage

Yuchai has a R&D team of people who have multinational company working experience and rich practical experience. The team has almost 1,200 researchers, of which 6 enjoy the State Council special allowance, 11 are national-level technical experts, 21 are doctors, 229 masters, and 184 senior engineers. They have accumulated development experience of 22 large series products on 5 large platforms. It has an expert committee comprising of more than 30 leading experts from domestic auto industry, including 2 Academicians and 16 professorial-level experts.

cooperation with world-renowned research institutions in Germany, Austria, Britain, the United States and Japan and with around 10 elite domestic universities, including Tsinghua University, Tianjin University and Shanghai Jiaotong University to establish jointly the R & D centers or work stations; it has participated in 14 national standards setting projects and undertaken six "863" national high-tech cutting-edge research missions; it is a long-term leader in domestic development of Euro III, Euro IV and Euro V series of diesel engines.



Yuchai and Tianjin University Signed the Agreement of Strategic Cooperation

### Yuchai Group's Patent Application and Warrant 2002-2009

	2002	2003	2004	2005	2006	2007	2008	2009
Application	11	28	12	32	99	164	223	247
Warrant	11	5	20	12	23	95	160	185

## Yuchai Received Nationally Accredited Award for Corporate Technology Center Achievement

The National Development and Reform Commission, PRC, the Ministry of Science and Technology, PRC, the Ministry of Finance, PRC, the General Administration of Customs, PRC and the State Administration of Taxation jointly issued on 9th November, 2009 a document (NDRC-Hi-tech "2009" No. 2806), awarding Guangxi Yuchai Machinery

Group Co., Ltd. Technology Center with "Nationally Accredited Award for Corporate Technology Center Achievement"

The 5 ministries evaluated 575 nationally accredited corporate technology centers in 2007 and 2009, Yuchai Technology Center ranked the 27<sup>th</sup> for comprehensive strength and No. 1 for its engines.

### Equipment Advantage

Yuchai is equipped with domestically leading foundry, processing, assembly and testing lines and internationally advanced processes and corresponding equipments for residual stress elimination, anti distortion, automatic sand rolling and core making, spindle hole positioning, quilting hinge technology, high pressure cleaning and electrolytic debur, etc; Yuchai has the two-dimensional code QDM quality assurance, document preparation and maintenance systems, MES manufacturing execution system and equipment precision

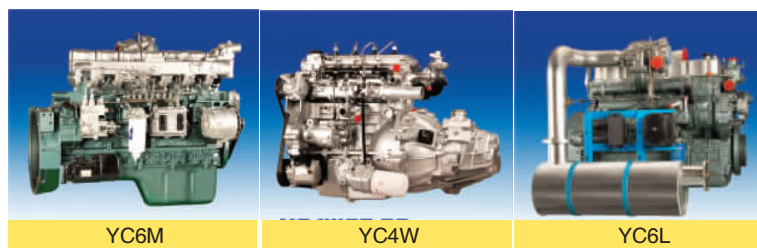
testing system of the highest level in the industry; Yuchai also has the world's leading heavy engine processing workshops, heavy engine testing workshops and advanced light engine workshops. The first stage of the project to build Asia's largest diesel engine production assembly line with an annual production capacity of 100,000 engines and China's largest production line of small construction machinery with an annual production capacity of 10,000 units, as well as Asia's biggest diesel engine castings manufacturing base is going to be completed.

# Unique Advantages, Fruitful Achievements

## Product Advantages

In terms of engine products, Yuchai has 22 series of light, medium and heavy multi-cylinder diesel engines, covering a power range of 55 to 860 kilowatts, which could be used on commercial vehicles, passenger vehicles, engineering machinery, agricultural machinery, ships and power generators. Yuchai is currently the only company with mass production capacity of Euro IV and Euro V low-emission diesel engines. Its products are featured with high-power, high torque, high reliability, low fuel consumption, low emission, low noise and strong suitability.

Regarding the construction machinery products, Yuchai has more than 70 different types of excavators of 23 series ranging from 0.8 to 36 tons, YCH08-8 Skid Loaders, as well as four series of 5-22 ton rotary drilling rigs. The products are characterized with compact structure, beautiful appearance, stable performance, convenient operation, high power and high efficiency.



YC135-8 Excavator



YC230LC-8 Excavator



YC255LC-8(5) Excavator

## Market Advantage

Yuchai engines have been holding the highest market share in the market of medium-sized trucks, passenger vehicles and 30 loaders, of which the market share of passenger vehicles engines is as high as 55%; its Euro III engines' market share in domestic bus is above 50% and the Euro IV engines sales is up to 1150 units; the total domestic and overseas sales of Yuchai under-5 ton excavators ranks the first in the industry, of which export accounts for 40.34%.

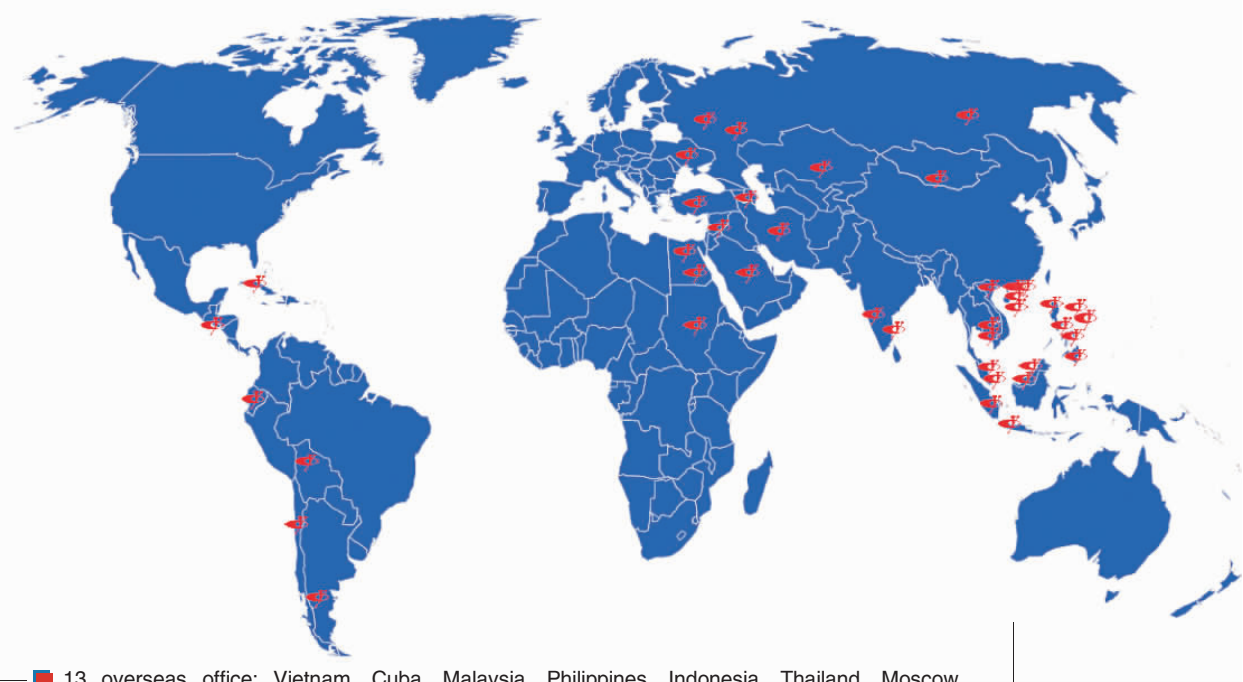


Yuchai Machines Exhibited at the Sixth China-ASEAN Expo

## Service Advantage

Regarding engine business unit, Yuchai conducts whole-process customer satisfaction management including pre-sale, in-sale and after-sale management and has built in China a three-tier service network with the integrated station as the core, the professional station as the support, licensing service as the supplement, which is the most complete and efficient network in the whole industry. Currently the average service radius is shorter than 40km. Yuchai's construction machinery service network covers more than 30 provinces, municipalities and regions, providing free technical training and counseling and 5 voluntary visits within the warrant period, which is also a rare practice in the industry.

Yuchai has 13 overseas offices and 40 service agents, trying its best to provide overseas customers with satisfied services.



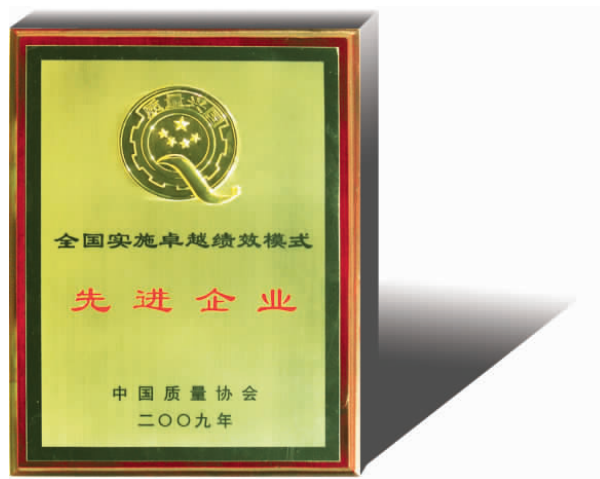
■ 13 overseas office: Vietnam, Cuba, Malaysia, Philippines, Indonesia, Thailand, Moscow, India, Egypt, Algeria, Turkey, Iran and Middle East

■ 40 overseas service agents. Vietnam, Thailand(2), Malaysia(4), Philippines(6), Indonesia(2), India (2), Mongolia, Russia (3), Ukraine, Azerbaijan, Kazakhstan, Turkey, Syria, Saudi Arabia, Egypt(2), Ethiopia, Cuba, Ecuador, Bolivia, Salvador, Chile, Argentina, Hongkong(3), Macao, etc.

# Unique Advantages, Fruitful Achievements

## Management Advantage

Yuchai carries out quality management, information management and team management, and has achieved remarkable results in these areas. Yuchai is the industry's first company that has won National Quality Award and the only one that has attained the qualification of "export inspection exemption". It has an IT system covering all of its businesses and key work processes, ranking among the top 100 enterprises of IT application in China. Yuchai has 415 outstanding teams, made over 200 innovations each year, and has won 10 Awards of National Excellence in QC Activities.



## Yuchai Group's Multilingual Website Operated

Yuchai Group multilingual website is consists of the Chinese, English, Russian and Spanish web pages of the Group and the 9 key subsidiaries. Through the online platform, customer service, online consulting, online recruiting, GPS vehicle in-transit checking services are available.

In the year of 2010, the website functions will be further developed, giving full play to the electronic and information technology in marketing, image building and customer interaction, driving the process of internationalization of the Yuchai brand, products, services and information.

## 2009 Business Achievements

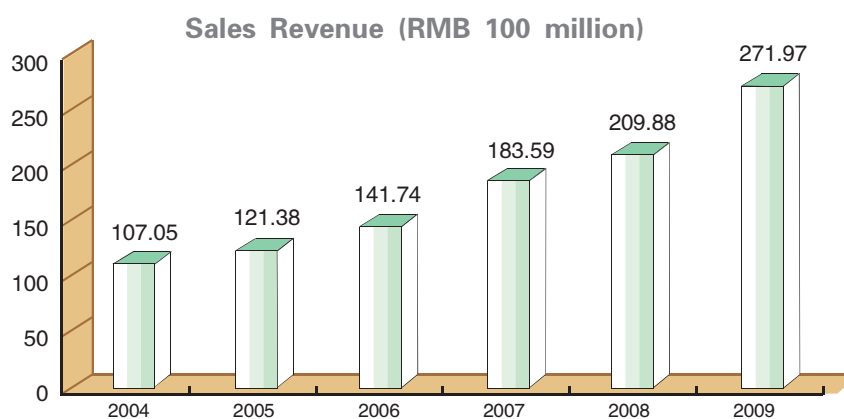
The year of 2009 is Yuchai's year of turning crises into opportunities and continuing to create brilliance. Yuchai took scientific outlook of development as guidance, actively implemented the internally-driven growth strategy and the business policy of "Capacity Building for Future Development", tackled setbacks and moved against the wave, successfully overcome the negative impact of 2009 international financial crisis and exceeded the overall business objectives set for 2009. Yuchai sales revenue of 2009 was RMB 27.197 billion, increase of 29.58% as the same period of last year. The engine sales surpassed RMB 16.05 billion, increase of 31.04 %, as the same period of last year,

and its sales volume exceeded 670,000 units with topping domestic counterparts for 9 consecutive years; automobile trade logistics sales was RMB 2.415 billion, up by 43.63% compared with last year; construction machinery sales was RMB 1.834 billion, up by 61.17 % year-on-year; energy and chemical products sales was RMB 2.733 billion up by 32.63% compared with last year; automotive parts sales was RMB 3.322 billion ,increase of 7.64% compared with last year. In overseas markets, with China-ASEAN Free Trade Area Agreement to be signed, Yuchai export to the ASEAN countries registered a growth of 25% against the general trend, leading the whole industry.

### Business Indicators Accomplished in 2009

Unit: RMB100 million

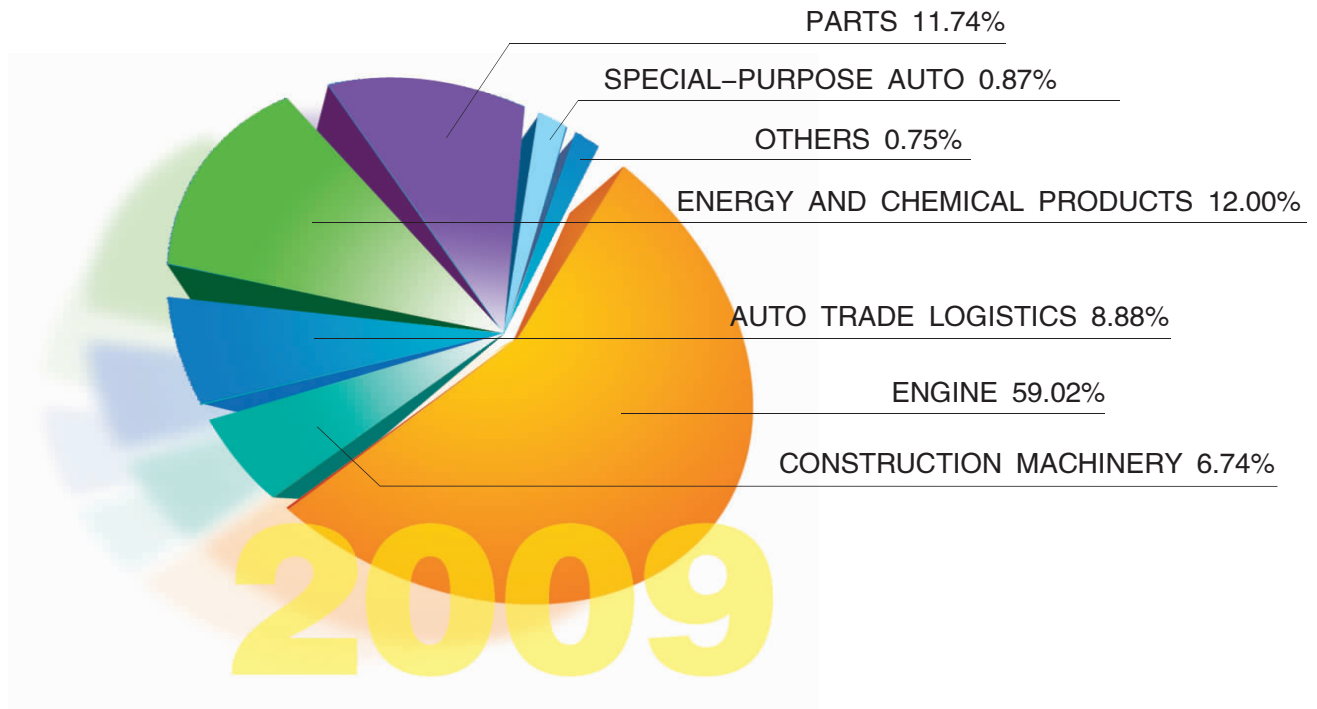
Year	2005	2006	2007	2008	2009
<b>Objectives</b>					
Sales Revenue (before tax)	121.38	141.74	183.59	209.88	271.97
Total Assets	95.89	96.77	119.13	129.66	175.03



### Sales Revenue of Six Fields of Yuchai's Business

Business Fields	Engine	Construction Machinery	Auto Trade Logistics	Energy and Chemical Products	Parts	Special Purpose Auto
Sale Amount in 2009 (RMB100 million)	160.53	18.34	24.15	32.63	33.22	2.37
Increased Compared with Last Year	31.04%	61.17%	43.63%	27.33%	7.64%	12.20%

# Unique Advantages, Fruitful Achievements



## Industrial Status

In 2009, Yuchai Group ranked the 265th among the top 500 Chinese enterprises, the 141th among top 500 Chinese manufacturers, the 21st among top 500 China's machinery producers, the 3rd among top 100 Chinese auto parts producers, the 168th among top 500 Chinese most competitive groups and the 111th among China's 500 most valuable brands with the brand value of RMB7.119 billion. "Yuchai" trademark was awarded "China's Famous Trademark" and its products were awarded "China's Brand Products." In addition, regarding the performance of corporate social responsibility, Yuchai is the first to release the "social responsibility report" in the engine industry and in the western region of China.

Yuchai Stockholding Co. Ltd and Yuchai Heavy Industries under Yuchai



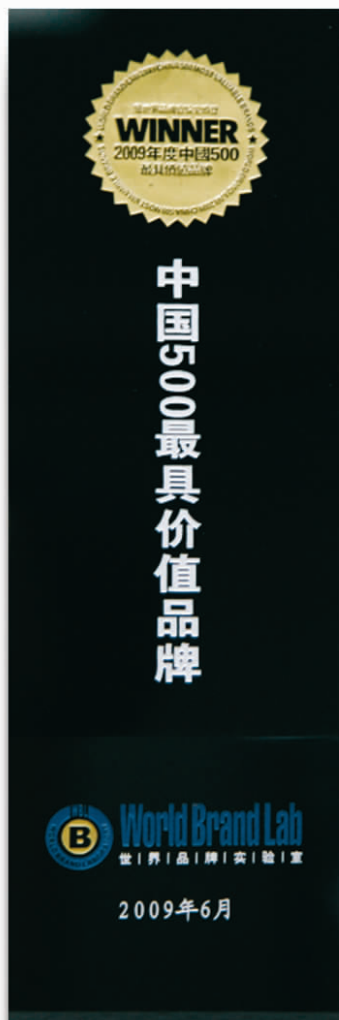
Group are both "National High-tech Enterprise". Yuchai Logistics is awarded as "Chinese Users' Most Satisfied Top Ten Logistics Brands," Yuchai Heavy Industries has also won awards like "Five-star Brand for Market Satisfaction", "Leading Industry Brand" and "the Leading Brand", etc.



## Awards and Honorary Titles won by the Yuchai Group in 2009

Award Time	Award (Honor) Title	Award Issuer (Confirmer)
Jan. 2009	The Second National Civilization Units	The Central Government Spiritual Civilization Steering Committee
Jan. 2009	The Fifth (2008) China Construction Machinery Industry Top Ten Influential Brands	China United Business Newspaper, the People's Daily News Front Magazine, the Brand Magazine, the Shopping Guidance Newspaper, China's Economic Newspapers Association, China International Brand Association, China Top Brand Research Center, the National Committee for Promoting High-tech Brands
Feb. 2009	China National Industrial Economy Pioneering Demonstration Unit	The Organizing Committee of China Industrial Forum
Mar. 2009	2008 China Energy-Saving and Emission-Reduction Meritorious Enterprise	China Environment Federation, China Enterprise Newspaper
May 2009	China's Auto Industry Innovation Award	The Selection Committee of Independent Innovation in China
May 2009	The Demonstration Community of Guangxi Energy-Saving and Emission-Reduction Families and Demonstration Community	The Organizing Committee of Guangxi Energy-Saving and Emission-Reduction Families and Demonstration Community
Jun. 2009	China's 500 Most Valuable Brands	The World Brand Lab
Jun. 2009	Golden Bee ·Responsible Procurement Award	The WTO Tribune Magazine
Ju.I 2009	China Machinery Top 500 Companies	China Machinery Enterprise Management Association
Jul. 2009	The Fifth Chinese Enterprise Training and Demonstration Base	The Organizing Committee of China Top 100 Enterprise Education
Jul. 2009	The Fifth Top 100 Advanced Chinese Enterprises in Education	The Organizing Committee of China Top 100 Enterprise in Education
Jul. 2009	The Fifth China Enterprise Education and Training Excellence Award	The Organizing Committee of China Top 100 Enterprise in Education
Aug. 2009	Top 500 Chinese Enterprises	China Enterprise Confederation and China Entrepreneurs Association
Aug. 2009	The Top 500 Chinese Manufacturers	China Enterprise Confederation and China Entrepreneurs Association
Aug. 2009	The National Advanced Enterprise for Implementation of Excellence Performance Model	China Quality Association
Sep. 2009	2009 Special Awards for Corporate Social Responsibility in China	China Enterprise Newspaper, China CSR Research Centre
Oct. 2009	2009 China – ASEAN Expo Strategic Partner	China – ASEAN Expo Secretariat, Guangxi International Expo Affairs Bureau
Oct. 2009	The Sixth National 100 Outstanding Auto Parts Suppliers and Excellent Engine Suppliers	China Automotive Daily, the Chinese Auto Parts Enterprises Information Alliance
Oct. 2009	The Brilliant Achievement – Construction Machinery Industry Achievement Exhibition "Construction Machinery Industry Promotion Award" for the 60th Anniversary of the Founding of PRC	The Organizing Committee of Construction Machinery Industry Achievement Exhibition for the Sixtieth Anniversary of the Founding of PRC
Nov. 2009	The National Accredited Enterprise Technology Center Achievement Award	The National Development and Reform Commission), the Ministry of Science and Technology, the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation
Nov. 2009	The National Advanced Unit for Employees' Education and Training	China Association of Staff Education and Training
Nov. 2009	The Customer Satisfaction Product	China Quality Association and the National Users Committee
Dec. 2009	The Seventh (2009) China Construction Machinery Industry Top Ten Influential Brands	China United Business Newspaper, the People's Daily News Front Magazine, Brand Magazine, Shopping Guidance Newspaper, China's Economy Newspapers Association, China International Brand Association, China Top Brand Research Center, the National Committee for Promoting High-tech Brands

# Unique Advantages, Fruitful Achievements



## Yuchai Heavy Industry co. Ltd won the China Construction Machinery Industry Top Ten Influential Brands for Six Consecutive Years

In December 2009, Yuchai Heavy Industry co., Ltd. was awarded the "Seventh (2009) China Construction Machinery Industry Top Ten Influential Brands" for the sixth year consecutively.

With 2008 global financial crisis, many excavator companies experienced a drastic shrinking in exports, declining in domestic sales and funding chain breaking, while Yuchai Heavy Industry still achieved good results in terms of the sales of under-15 ton excavators,

ranking the second in total sales and the first in export. In 2009, Yuchai Heavy Industry focused on strengthening the brand image, starting to create a new image of "Yuchai Heavy Industry", executing a new brand strategy, implementing the new business plan, making efforts to improve quality of the products, implementing differentiated marketing strategy and expanding overseas markets, which have attained good results.





# Social Responsibility Active Practice

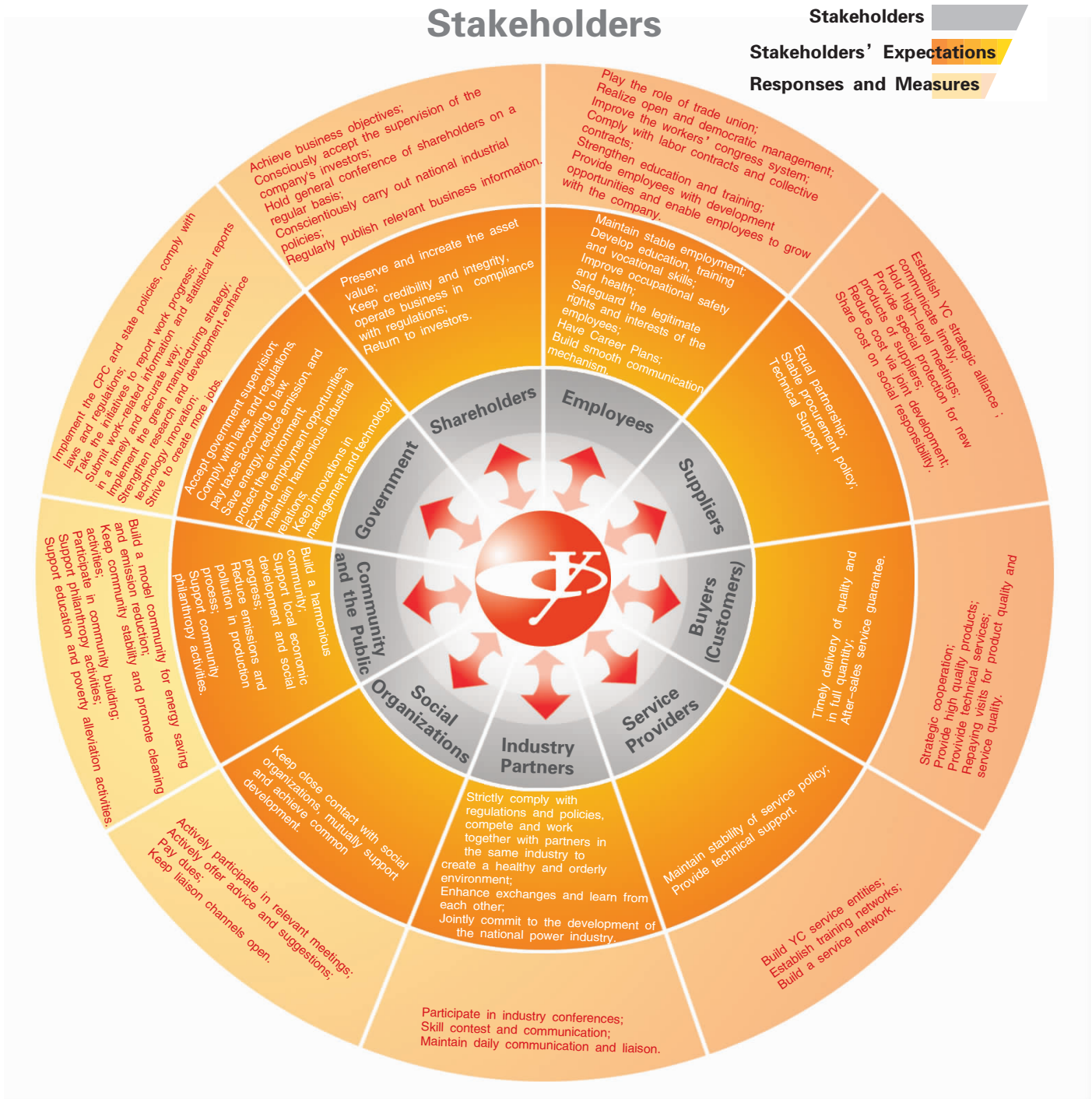
As a large group with diesel engine manufacturing as its main business and a leader in the internal combustion engine industry in China, Yuchai spares no effort to practice the concept of sustainable development, strengthen communication with all stakeholders, and present the sustainable development results through releasing the annual report, which spurs itself to keep promoting and implementing corporate social responsibility. Yuchai has played a leading role in promoting the harmonious development of society and the environment.

Yuchai conscientiously implements the ten principles of the United Nations Global Compact and actively participates in international standardization organizations' development of the guidelines for social responsibility- ISO26000 and the related activities, which not only demonstrates the concept of global responsibility of Yuchai, but also shows Yuchai's efforts in incorporating the concept of corporate social responsibility and sustainable development into practical actions.

## Active Communication with Stakeholders

Yuchai takes a various ways to communicate with stakeholders, like regularly holding meetings to hear the views of stakeholders, inviting key stakeholders to participate in corporate activities, and

regularly publishing social responsibility reports. Yuchai takes communication with stakeholders and the stakeholders' involvement in sustainable development as an important business principle and means.



# Social Responsibility, Active Practice

Vice Chairman of the Board of Directors of Yuchai Group and General Manager of Yuchai Machinery Shareholdings Co., Ltd.

## Mr. Li Tiansheng



To make a summary of Yuchai model of fulfilling its social responsibility: focus on development responsibility, environmental responsibility and education responsibility and take measures of raising awareness, building mechanism and emphasizing actions to achieve high degree of unity between social responsibility and Yuchai development.

Along with the development, Yuchai's capacity of fulfilling social responsibility has been further enhanced, scope broadened and content enriched, so the effect of social responsibility will be generated continuously and amplified constantly, form a social responsibility synergy which become the core driving force for Yuchai's sustainable, rapid and healthy development.

## Participated Actively in Social Responsibility Activities

### Released Sustainable Development Report 2008

On May 26, 2009, 19 companies including Yuchai Group, State Grid and Baosteel Group jointly released their "2008 Sustainability Development Report" at the "2009 Press Conference on Corporate Social Responsibility Report of China's Industrial Economy", showing social responsibility implementation results. This is the second time Yuchai releases the CSR

report in Beijing, following the 2008 release of "Sustainable Development Report 2007".

The Expert Review Group gave high recognition to Yuchai's "Green Development, All win in harmony – 2008 Sustainable Development Report", hoping that Yuchai Group would continue to follow the scientific outlook on development, integrating corporate social responsibility and sustainable development concepts into the daily management and operation of enterprises to realize the strategic objective of "creating world-renowned brand and build large-scale multinational group".



President Xu Kuangdi, Minister Li Yizhong, and other high officials issuing certificates to companies which released their social responsibility reports and taking photos with the representative of these companies (back row, second from right- Liang Ping, CPC committee secretary of Yuchai Shareholdings Co. Ltd.)



### Held Executives Forum on Corporate Social Responsibility jointly with Xinhua News Agency

On July 3, 2009, Yuchai and the Xinhua News Agency "Executives Information" Editorial unit as well as Guangxi Branch of Xinhua News Agency jointly organized 'CSR under the Influence of the Financial Crisis ' Guangxi · Executives Forum". The government officials, experts and entrepreneurs who participated the forum discussed how companies facing the crisis can better take responsibility and contribute to social stability and development. The meeting highly appreciated a number of Guangxi enterprises which insisted on CSR implementation during the financial crisis, shouldered duties of driving economic development and created jobs, as they set an example for a large number of enterprises.



CSR Executives Forum

### Participated in China–European Union–Germany CSR Forum

Guo Deming, Secretary General of Yuchai Group Council attended China–European Union–German CSR Seminar on November 26, 2009 held in EU headquarter in Brussels, and delivered a speech entitled "Yuchai Group: China's Green Power Leader", making an introduction that Yuchai stick to green development, actively carry out energy conservation and emission reduction and enhance environmental protection from concept to real action, from its own efforts to involving the supply chain. He also touched on how the Group continuously made exploration and moved forward and integrated corporate social responsibility into enterprise production and management--Yuchai's practice impressed all the participating experts and was highly appraised.



Guo Deming, Secretary General of Yuchai Group Council delivering speech on China–European Union–Germany CSR Seminar

# Social Responsibility, Active Practice

## CSR Practice Recognized by the Society

### Won "2009 China Corporate Social Responsibility Special Award"

On September 19, 2009, "China Corporate Social Responsibility Conference 2009" was held in Beijing, and the list of Top 100 "2009 China Corporate Social Responsibility" was released. Yuchai Group, with 84.46 points, ranked the 14<sup>th</sup> on the List and won the "2009 China Corporate Social Responsibility Special Award", becoming a model of corporate social responsibility.

Yuchai representative briefed the meeting on the experience of corporate social responsibility fulfillment--Yuchai sticking to green industry development, practicing green development concept, implementing green development strategies, and building green power and green machines.



### Won the Golden Bee·Responsible Procurement Award

On June 5, 2009, at the briefing conference of the "2008 Golden Bee CSR·China List" hosted by "WTO Tribune", Yuchai stood out of 352 candidate companies from 22 provinces, municipalities

and autonomous regions, and won the Golden Bee·Responsible Procurement Award. The "Golden Bee CSR·China List" is released every year and this is the second year.



Yuchai won the Golden Bee·Responsible Procurement Award and Liang Ping (first from the left), CPC Committee secretary of Yuchai Shareholdings Co. Ltd was receiving the trophy and certificate.





**Sales Director of Heavy Vehicles of NGK (Suzhou) Environmental Ceramics Co., Ltd.**

**Mr. Sawara**



Yuchai is an internationally renowned diesel engine giant, taking a leading position in terms of the company size and technological level. In recent years, Yuchai initiated the green power concept in China, calling for companies not only to pursue profitability, but also to give greater attention to social responsibility and to take social responsibility as an important part of the business. We witnessed Yuchai has spent huge sums of money to develop Euro IV and Euro V engines, which is socially responsible and environmentally friendly, reflecting the green spirit of the company.

Therefore, we are pleased to form strategic alliance with such an internationally famous enterprise which promotes green power and focuses on social responsibility. This will enable us to make a contribution to protecting the environment. Yuchai is heading towards the development of a green business. I believe that after a few years, as we enjoy the green environment and fresh air, we will think of Yuchai's green power and will be thankful to the internationally known enterprise which advocates green power and social responsibility.

### Yuchai "Sustainable Development Report 2008" won the Special Award for "Suppliers"

On December 2, 2009, "Golden Bee 2009 Outstanding Corporate Social Responsibility Report" release conference was held in Beijing. It is the first time that China's corporate social responsibility report list was released and Yuchai "Sustainable Development Report 2008" received the Special Award for "Suppliers"

The Report Review Group believed that Yuchai "Sustainable Development Report 2008" focused on 'Green development, All win in harmony', giving a full disclosure of the Group's responsibility concepts, measures and achievements in green development, customer service, employee development and business collaboration. The Report highlighted the responsibility philosophy of "Being nice to the suppliers is being nice to oneself" and disclosed responsibility fulfillment measures like signing social responsibility agreements with its suppliers, which were conducive to improving the CSR fulfillment of the supply



chain businesses and achieving win-win situation with the suppliers.

Statistics shows that from January 1, 2009 to October 31, 2009, there have been 582 corporate social responsibility reports being released across the nation. The 36 reports reward this time can be said representing the highest level of CSR report of Chinese businesses.



# Energy Conservation Emission Reduction

## Environmental Protection

As the largest manufacturer of diesel engines, Yuchai has always regarded energy conservation and emission reduction as the largest corporate responsibility. In the process of product development, Yuchai has taken efforts to provide green products pioneering in the industry, and strived to make the largest moving polluter to be a clean emission source; in the production process, Yuchai has strived to reduce emissions of all kinds of waste and pollution, and advanced bravely to the peak of clean production. In 2009, Yuchai moved to a new level in green energy-saving product development and environmental protection.

## Developing Green Products

Senior Technical Advisor to the Chairman of the BOD of Yuchai Machinery Shareholdings Co., Ltd.

### Mr. Zhuo Bin



I believe that technology must be combined with social responsibility to better promote social development. Over the years, Yuchai, with its independently innovated technology, has made a great contribution to the society and brought the whole industry with a lot of innovations, which served as a great impetus for the progress of the industry. Yuchai has been playing a leading role in each innovation for low emission, the industrial application of natural gas engines and the development of single-axis parallel hybrid engines. Yuchai has also developed a number of standards, which are pioneering in the industry. Each and every concept proposed by Yuchai, such as the establishment of Yuchai service network and the changes made to suit users' needs, is the contribution to the whole

industry and also a full embodiment of Yuchai's corporate social responsibility. In its future development, Yuchai will work harder to develop technology of its own and introduce a way of thinking that takes into account social responsibility considerations, so that the technologies can promote both corporate progress and social development in harmonious and healthy manner.

With the low-carbon economy era coming, Yuchai has set new product policy of "Covering market with detailed segment, upgrading environmental protection technology, and leading technological development while paying attention to applicability"; and has been focusing on "independent innovation and advanced technology" and actively making positive

breakthroughs in core technologies. Yuchai has developed 196 basic types of products throughout the year, up by 22.5% compared with last year; commercial launch of new products reached 104,000 units, registering an annual increase of 11.19%.

In 2009, Yuchai made great efforts in green product research and development for lower fuel consumption, higher comfortability and lightweight. Yuchai completed functional verification of the world's first renewable air hybrid engine; achieved new breakthroughs in the development of new energy technologies and their applications, reaching internationally advanced level; developed a low-carbon and energy-efficient engine and succeeded in its trial run on vehicles, making Yuchai the first in developing a commercial engine with power exceeding 40kW / L per liter and the first to achieve successful trial run on vehicles of the double turbocharged diesel engines.



Vehicles Equipped with Yuchai Euro IV Engines for NPC and CPPCC(2009)

## Yuchai Developed the World's First Renewable Air Hybrid Engine

On December 21, 2009, Yuchai Group held in Yuchai Engineering Research Institute a press conference on "Achievement of the Renewable Air Hybrid Powered Engine Technology", which showed the latest achievements out of the cooperation between Yuchai and the United Kingdom Brunel University – the first renewable air hybrid engine in the world. The system adopts coaxial parallel structure, with compact coaxial arrangement of engine and low-speed, high-torque, permanent-magnet synchronous motor; it adopts modular design, with high degree of integration, versatility, quality and small size, which makes it easy to install; it also is equipped with start-stop and automatic feedback devices to meet the working conditions in the environment of Chinese cities and improve the fuel-saving rate and efficiency.



Renewable Air Hybrid Powered Engine has six advantages—renewable compressed air energy, excellent fuel efficiency, low carbon emission, improved engine performance and reduced maintenance costs and lower cost. The successful use of renewable air hybrid power technology fully reflected Yuchai's core concept of Green Development, All Win in Harmony and the consistent philosophy of "Putting Technology First and Achieving Green Growth and All Win Results". It also accelerated the application of green emission technologies, making tangible contribution to the realization of energy efficiency and emission reduction.

## Low-Carbon and Energy-Efficient Engines' Installment and Trial Run



Energy Efficient, Low-carbon and Effective Engine Demonstration Vehicles Operation Test Performance

On December 28, 2009, Yuchai held a release conference on "Low-Carbon and Energy-Efficient Engines' Installment and Trial Run", showing the result of Yuchai's successful collaboration with the Tianjin University – YC6J350-40 and YC4FA185-40, two double turbocharged, low-carbon and energy-efficient engines, of which YC6J350-40 was successfully installed and in trial operation. This is the second time that Yuchai released energy-efficient and emission-reduced products after releasing Renewable Air Hybrid Powered Engine Technology on Dec. 21, 2009.

The result is the combination of its proprietary technologies, including product design, combustion system, electronic control systems, power assembly matching techniques, etc. with three major advantages –low carbon emission, energy saving and small size. Both diesel engines will be mass produced in 2010.

Yuchai completed mission of developing national project on "863 CNG Engine for Large Buses". Yuchai gas engines (LPG, CNG, LNG) development represents its professional advantages, especially in energy saving and environmental protection. Yuchai won all the CNG

engine biddings of the 24th World University Winter Games, becoming the core force for transporting guests and athletes. It was accredited by the clients as "Excellent engine with environmental-friendly low emission, superior quality, good service, credibility and reliability".

Director of Project Management of Honeywell Automotive Parts Services (Shanghai) Co., Ltd.

## Mr. Chen Qifu



Yuchai exceeded the average market development rate each year, which fully proves the effectiveness of Yuchai's strategic development philosophy and the corporate culture as well as its competitiveness. Yuchai has an ambitious development plan for the coming years, which are very encouraging. Yuchai has many aspects worthy of learning, one of which is Yuchai focusing not only on operating results, but also on fulfilling their social responsibilities. This is reflected in Yuchai adding values to products and meeting more needs of users; in addition, Yuchai advocated green concept in product development and manufacturing is in line with current global trend of low-carbon economic development model and contributing to improvement of human living environment. "

Yuchai's newly developed green products in 2009 include YC HPT hybrid engine, YC6L-50 models reaching Euro V emission standard, YC4FA-40 combining economic features of Japanese products and the reliability and strong power of European products, YC4BJ--specialized engine for the Vehicle Subsidy Program for Rural Areas, YC6A/6J/6B--specialized engine for large

trailers, YC6G--golden engine for 50 loaders, YC6M-40 specially designed for highway transportation conditions, YC6MKN--heavy-duty natural gas engine, YC6MK--best 10-liter ship engine, YC6K--the world's new generation of heavy-duty engines, YC6T-T2--leading engine for heavy-duty mining vehicles, YC6C--the new generation 40L ship engines, etc..

## Wan Gang Highly Appraised Yuchai Hybrid Power Systems

December 11-13, 2009 the convention of "China Annual Conference of Intelligent Transportation 2009--the Sixth International Forum and Exhibition of Energy-Saving and New-Energy Automobile Innovation and Development" was held in Shenzhen. Yuchai displayed multiple new-energy engines, including Yuchai YCHPT hybrid power system. Wan Gang, the Vice Chairman of National Committee of the Chinese People's Political Consultative Conference (CPPCC) and Minister of Science and Technology, visited Yuchai Booth in person. Zhuo Bin, the senior technical advisor to the chairman of Yuchai Shareholdings and elaborated Mr. Wan on Yuchai YCHPT hybrid system's performance, features and application. He explained that, with good value for money, YCHPT hybrid power system has been put into a small batch of trial production and is being used now in hybrid passenger vehicles of Hengtong, Zhongtong, Guangzhou Auto, Wuhan Yangtze River, Suzhou Jinlong and JAC, with an average fuel saving rate of



Wan Gang (front line, the third from right) Visited Yuchai YCHPT Hybrid System.

over 25% and the maximum rate of 30%. Wan Gang congratulated Yuchai on the achievements in new energy field and highly appraised YCHPT hybrid system. He expected that Yuchai's independently developed new-energy engines can be more widely applied, making special contribution to China's energy saving and new energy strategies.

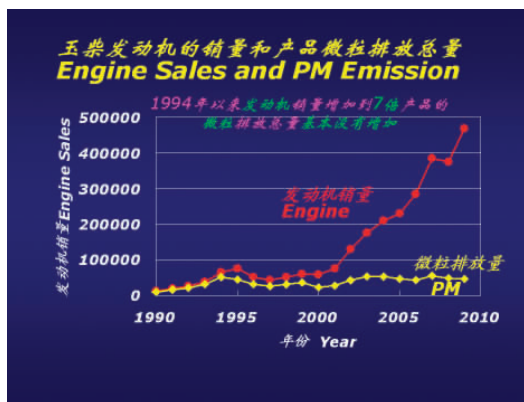
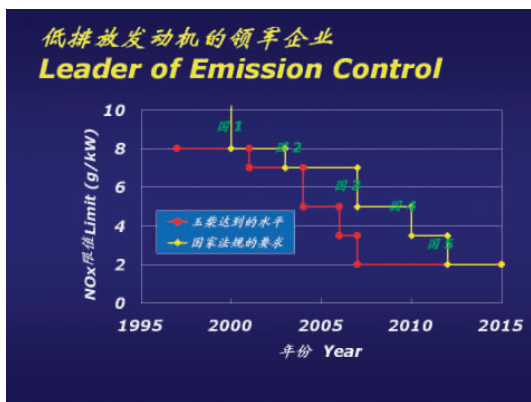
## Yuchai accomplished the following results in key technology development in 2009

- Achieved functional verification of the world's first renewable air hybrid powered engine;
- Successfully developed China's first EGR + POC technical route that met the emission requirements of Euro IV passenger vehicle engines;
- Achieved installment and trial run of low-carbon and energy-efficient engines;
- Created a development platform for hybrid power technology;
- Yuchai's independently developed electronic controller was used in Euro III and Euro IV diesel engines and gas engines.

As "low carbon" economy with low energy consumption, low environment pollution and low gas emission has become a global focus of attention and consensus, Yuchai has been launching leading technologies to actively fulfill its social responsibility and contribute more to the sustainable development of the

society.

By the end of 2009, Yuchai engines of four and more cylinders saw a sales volume increase of more than 7 times, but the total product particulate emission remains unchanged basically. Yuchai has become a leader in low emission engines in China.



Senior Technology Adviser to the Chairman of Yuchai Machinery Shareholdings Co., Ltd.

**Mr. Li Qin**



Business interests and social responsibilities can inevitably come into conflict. The practice of releasing annual social responsibility report shows Yuchai's determination of shouldering corporate social responsibility, indicating the direction for us to make specific technical decisions and allowing us to confidently consider the engine emission control strategy proceeding from the actual social impact.

China's urban public transport conditions have deviated from the control of emission-related regulations. Our sense of social responsibility drives us to take initiatives to do more than what the regulations require us to do, reducing over 10 tons of NOx emission each day while the 4000 Eruo IV diesel engines running in the Beijing street.

## Energy Conservation & Emission Reduction

Yuchai Group has always attached importance to energy conservation and emission control, earnestly implemented relevant national and local energy-saving laws and regulations, kept promoting the implementation of energy-saving and emission-reduction projects, and conducted in-depth technical and management innovation. In 2009, Yuchai achieved remarkable results in promoting the application of new energy technologies and transforming energy-saving technologies. According to statistics, comprehensive energy consumption per unit product decreased by 21.66% compared with that of last year and the overall energy consumption per 10,000 Yuan of output dropped by 26.04 % compared with that of last year. Yuchai realized 100% compliance in discharging and treating industrial waste gas, waste water and waste solid materials.

### Strengthening Leadership and Building a Sound Energy Management System

Yuchai established a three-tier energy management system, covering functional departments, plants and workshops (Working Sections), appointed relevant management, set clear job responsibilities and management authorities and established an accountability system for energy conservation.

### Implementation of Energy Consumption Quota Management

Earlier this year, the Group set energy consumption quota targets according to the annual business objectives, and assigned those targets to plants, workshops, working teams and all the way down to individuals, combining energy-saving tasks with individual economic responsibilities and strengthening the supervision and assessment on energy consumption.

### Enhancing Awareness and Training of Energy Conservation and Emission Reduction

During the Energy Conservation Promotion Week and the Work Safety Month, Yuchai launched a series of initiatives like energy-saving and environmental-protection knowledge contest, energy-saving campaigns competition, energy-saving inspection and appraisal, energy-saving knowledge quiz with awards, energy-saving and emission-reduction initiatives, promoted and implemented the "Energy Conservation Law of PRC" and its related regulations, popularized knowledge of energy saving and emission reduction, improved all employees' awareness of energy saving, emission reduction, resources conservation and environmental protection.



Yuchai Safety Staff Rendering Work Safety Consulting Services



Yuchai Employees Visiting Safety Knowledge Corridor

## Promoting the Application of New Energy-saving Technologies

1, Yuchai strictly abides by the requirements of rational use of energy and norms of energy-saving design in its plant planning and construction. In 2009, in its construction of 35,000 square-meter new casting center facilities, Yuchai adopted energy-saving building structures, materials, equipment and products, and used natural light and natural ventilation, which reduced energy consumption in heating, cooling and lighting.

2, Yuchai gives more consideration to low energy-consuming equipment in adding and updating equipment. Earlier this year, the Group invested more than RMB 200 million to add and update a group of highly efficient and low energy-consuming equipment; transformed and eliminated more than 30 sets of high energy-consuming equipment and a group of outdated motors and air conditioners.

3, Yuchai conducted company-wide green lighting renovation project, replacing the common lamps with high-frequency plasma electrodeless discharge lamps (EDL); establishing database for lamp power, number and illumination by



Workshop with EDL

surveying all the existing lightening facilities; selecting and installing EDL of different specifications according to different lighting requirements. The year of 2009 has seen a total of 5000 EDLs replacement with same illumination yet a reduction of over 500 kilowatts lighting electricity and over 2 million KWH of electricity annually.



## Conducting Energy Conservation and Emission Reduction Technology Transformation

1, Yuchai implemented the cooling water circulation renovation project to reduce water consumption. Yuchai invested more than RMB60 million in improving the reclaimed water reuse pipeline system in 2009, using reclaimed water instead of tap water as the cooling water for diesel engine testing, which reduced water consumption of more than 2000 tons per day.

2, Yuchai implemented Casting Melting System Transformation project to reduce emissions. Since May 2009, Yuchai has invested more than RMB 4.5 million in a new 3,000-kilowatt smelting furnace in the new foundry workshop to replace the cupolas, which reduced 190 tons of soot emissions and 12 tons of sulfur dioxide emissions annually.

3, Yuchai changed its melting method and melting process to reduce emissions. In its Foundry Center project, Yuchai invested RMB 32 million, introducing in six medium-frequency melting furnaces (with a total power of 240,000 kilowatts) to replace cupolas, leading to an annual reduction of more than 1,000 tons of soot emissions and more than 80 tons of sulfur dioxide emissions.

4, Yuchai installed a boiler fume on-line



Medium-frequency Melting Furnace

monitoring system to achieve real-time monitoring of fume emission. According to the national requirements on energy conservation and emission reduction and the requirements of Commitment to Yulin City on Main Pollutants' Emission Reduction during the 11th Five-Year Plan Period signed with Yulin Environmental Protection Bureau, Yuchai invested RMB300,000 in the installation of the boiler fume on-line monitoring system to realize real-time monitoring of fume, sulfur dioxide and dust emissions. Now, Yuchai has met emission standards and has passed the inspection of the Environmental Protection Bureau.

## Strengthening Waste Disposal and Sewage Treatment

1, Yuchai safely disposes hazardous waste. For the paint residue, scum of sewage treatment station, phosphate slag and other hazardous wastes generated in the production process, Yuchai conducted harmless treatment in accordance with the requirements of national environmental regulations, with a total annual disposal of 82 tons of hazardous wastes.

2, Yuchai improves its sewage treatment capacity. In 2009, it invested RMB200,000 to

buy a Cavitation Air Floatation (CAF) machine with sewage treatment capacity of 400M<sup>3</sup>/H, leading to 100% waste water treatment and up-to-standard discharge. Meanwhile, considering disadvantages of the existing drying pool—long drying cycle, low dehydration efficiency, labor-intensive clean-up and high operating cost, Yuchai invested RMB 500,000 to purchase a box filter press, conducting filtering and pressure test on sludge, which helped upgrade the sludge drying processing capacity and drying effect.

### Recycling of Waste Oil, Waste Slag and Sewage Water in 2009

Item	Unit	Unit Treatment Cost	Recycling Capacity in 2009	Value of Recycling (RMB)
Waste Oil	Tons	RMB 2655/Ton	391.5	1,039,433
Waste Slag	Tons	RMB 18/Ton	14874.5	267,741
Sewage Water	Cubic Meters	RMB 0.45/m <sup>3</sup>	164433	73,995

The background of the page features a photograph of a team of people in a raft navigating turbulent white-water rapids. The raft is a long, narrow wooden structure with several people seated along its length, each holding a long wooden paddle. The water is a mix of blue and white, indicating fast-moving rapids. The raft is positioned vertically in the center of the frame. At the bottom left, there is a stylized, semi-circular graphic of a globe showing the continents in white against a blue and purple background. The text is overlaid on the upper portion of the image.

# E

## mployee Development

### Labor Relations

### Harmonized

In 2009, Yuchai implemented open and transparent management policies, enhancing employee participation in the democratic management, safeguarding interests of the employees, strengthening vocational training and opening up channels for the career development of employees, which leads to harmonious development of Yuchai.

## Strengthening Institutional Building and Safeguarding the Interests of Employees

### Strengthening Implementation and Supervision of Collective Contracts

Yuchai promulgated the following institutionalization measures in 2009—*Work Plan of Three Supervisory Commissions of the Sixteenth Employee Congress of Yuchai Group, Specialized Collective Contract for Women Workers' Protection of Guangxi Yuchai Machinery Group Co., Ltd., Specialized*

*Collective Contract for Women Workers' Protection of Guangxi Yuchai Machinery Shareholdings Co., Ltd. and Yuchai Group Trade Union Membership Handbook based on provisions of the Labor Contract Law of the PRC and the Collective Contract of Yuchai Group in 2008.*

### The Group held its first signing ceremony of the Specialized Collective Contract for Women Workers' Protection

To establish stable and harmonious labor relations and better safeguard the special interests of women workers, the Group held the first signing ceremony of *Specialized Collective Contract for Women Workers' Protection (2009–2011)* on July 31, 2009. After signing the contract, the Group administrative department and the trade union worked together to ensure its implementation. The first is to promote the Group-wide implementation of the Contract, and the second is to guide sub-level trade unions on signing such contracts with women workers and focusing on effective execution of the signed contracts. The Group's trade union conducted regular or irregular check on fulfillment of the signed collective contracts, promptly delivered the findings to the administrative departments and urge them to take corrective measures.

Yuchai Group held the First Session of the Sixteenth Employee Representative Congress, reviewing the Company's relevant institutions and programs, including *Rule on Employee Exit Management, Departmental Compensation Distribution Plan of Guangxi Yuchai Machinery Shareholdings Co., Ltd in 2009–2011, Rules on Labor Contract Management* and *Work Plan of Three Supervisory Commissions of the Sixteenth Employee Congress of Yuchai Group*, and monitored the implementation of these institutions.



Yuchai 2009–2011 "Women Workers Special Rights and Interests Protection Collective Contract" Signing Ceremony

Yuchai strengthened the check of the execution of the collective contracts, tracking and implementing the proposals made at the Employee Representative Congress—including monitoring workers income distribution; following up front-line workers' PPE lifetime, leaves and vacations, work safety, dust and noise control, road lighting, women workers' protection during five special period, employees' health care, recreational activities and sports facilities and residential quarter improvement.

# Employee Development, Labor Relations Harmonized



Yuchai Trade Union Visiting Yuchai Engineering Research Institute for Checking the Collective Contracts, Operation Transparency and Paycheck, etc.



Yuchai "Collective Contracts" Implementation Inspection Meeting

## Deepening Open Plant Affairs System, and Conducting Transparent Corporate Management

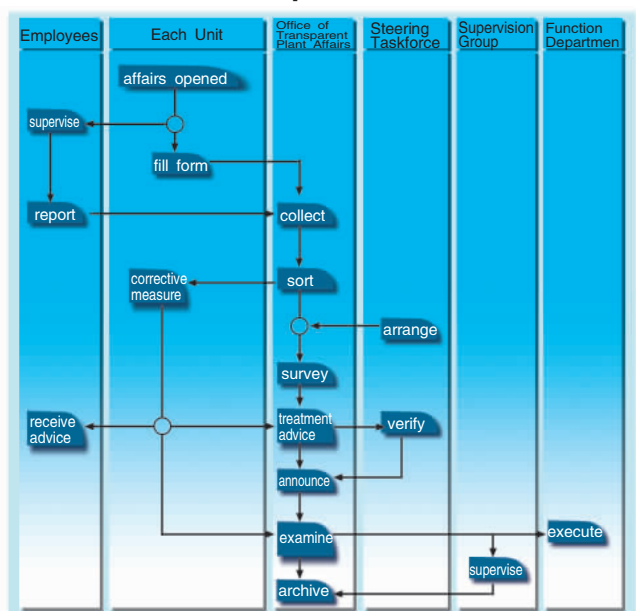
Yuchai implemented transparent management at the Group, factory, work team levels that any issues involving the interests of employees and operation management—product output, quality, incentives, cost, assessment, personnel, promotion competition, recruitment, income and so on are all made public in the column of Transparent Plant Affairs to keep staff informed. In addition, Yuchai also publishes information through irregular Employee Democratic Consultation Meetings, operation information briefings, trade union chairman's e-mail and bulletins, among others.

A Steering Taskforce of Transparent Plant Affairs has been formed for this particular purpose. Chairman of the Board serves as the head of the Taskforce and the heads of each business unit are held responsible for transparent plant affairs in their each unit.

under the Steering Taskforce, whose main duties are: developing annual plans of transparent plant affairs; approving major issues to be made public; guiding, inspecting and supervising implementation of related work; receiving advice and recommendations from business units and employees; reporting to the Steering Taskforce; establishing accountability system, rewarding and punishing accordingly.

A supervision group was set up under the Steering Taskforce, who is responsible for supervising whether the released information is true, comprehensive and timely, whether it is in line with laws and regulations, and whether employees' feedback is implemented, as well as reviewing the transparent policy and regularly reporting to the Steering Taskforce.

### Flow Chart of Transparent Plant Affairs



Yuchai Attending the National Survey on Transparent and Democratic Management Forum

## Raising Wages and Benefits and Improving Incentive Measures

### Raising Wages and Improving Benefits

Yuchai has been making efforts to improve benefits of workers by the establishment of a practical, efficient and fair employee performance evaluation and incentive mechanism, so that employees' salary can keep pace with company revenue growth. In 2009, the Group's staff wage increased with corporate revenue and profit growth and average staff income continued to go up. To ensure the living standards of the staff, the Company increased social insurance payment for all employees in accordance with relevant regulations. In addition, paid leaves, tours and leisure vacation were also rendered to the staff.



Yuchai Organized Labor Models and Top-notch Technicians to Go Abroad for a Study Tour

### Performance Management: a Win-win Situation for both the Group and the Staff

In 2009, Yuchai implemented a set of performance management measures and developed the *Rules on the Group Headquarters' Performance Management and Rules on Performance Management of the Heads of Subsidiaries*. It also set up a three-level incentive system—low, medium and high levels on the basis of contributions by employees, which covers all business units and meets both short-term, medium-term and

long-term effectiveness. Yuchai moved from being efficiency-oriented to being both efficiency and returns-oriented, paying more attention to encouraging return contributions, integrating the corporate, departmental and individual performance results and implementing the performance-based compensation incentive system.

- **Yuchai implemented an optional welfare incentive model with multiple choices:** in addition to including all employees in the social insurance system, the Company also considered personalized welfare needs and implemented flexible benefit plans, such as house purchasing and car purchasing support programs, commercial life insurance programs and overseas vacation programs.
- **Yuchai established a compensation mechanism which links product quality with staff remuneration:** based on the diesel engine quality evaluation system, the company links total remuneration of workers with the quality of products, controlling the entire amount of remuneration.
- **Yuchai implemented a project scoring incentive system:** for major projects of developing new products and their supporting products, Yuchai implemented a project accountability system. Scores were given to the project based on measures such as project review upon completion against the preset project timeline, and then incentives were provided accordingly.
- **Yuchai implemented commission system for new products market performance:** based on new product's sales after three years of launching, the company rendered commission to those who contributed to the new product development in proportion.
- **Yuchai implemented an annuity option incentive system:** for the core technical staff who have served in the key positions and key areas for 15 years and have outstanding achievements and contributions, Yuchai gave scores to them based on their annual performance, comprehensive abilities and loyalty, etc. and then determined their annuity option, which can be cashed in lump-sum after the expiry.

## Chief Engineer of Commercial Vehicle Engine Combustion Development of Yuchai Engineering Research Institute

### Dr. Lin Tiejian



I have worked in Yuchai for almost five years since my graduation. As a technical staff responsible for developing new products and new technologies, the greatest pleasure in the work is regular contact with new knowledge and new challenges, which is what I have exactly found in Yuchai. Every time that Yuchai launches new product or new technology, I always feel very proud.

Yuchai commitment to corporate social responsibility is not only reflected in its responsibility toward the community, but also to the employees. I deeply felt the care from the company in all aspects of work and life. As a technician of Yuchai, I believe to implement the social responsibilities of Yuchai in our daily work is the best support to the enterprise.

## Dedicating in Employee Capacity Building to Promote Personal Development of Employees

### Opening up Channels for Staff Career Development

Human resources development and providing space for staff development is an important part of building a harmonious Yuchai Group.

Yuchai has built four accesses and nine-level development platforms for management, technical staff, skilled workers and ordinary staff. Employees can gradually grow from the grassroots management to medium and senior-level management or from basic professional level to higher levels in their own line of technology or

skill. And skilled workers can also move from lower levels gradually to higher levels and all the way up to a senior mechanics. In addition, Yuchai allowed flexible staff development—everyone can move from management positions to professional positions or from professional positions to management positions according to their professional orientation and their abilities, to ensure that all personnel while improving skills/performance, can achieve career development and salary raise.

## Workers Representative from Processing Equipment Factory

### Mr. Su Gui Shu



Since I joined Yuchai in 1992, I grew from an ordinary worker with no mechanical knowledge to a competent mechanic in Guangxi facility. My development in the past 10 years proves that it was the rapid development of Yuchai that gave me the opportunity to grow up; it was Yuchai's unique corporate culture that gave me strength to move ahead; and it was Yuchai's atmosphere of innovation that gave me encouragement to innovate and reform. This innovation and reform do not only improve the production efficiency and reduce costs, but also let me feel the joy of success. The sweat does not flow in vain, the big melting pot - Yuchai has made me grow into an excellent technician, being proficient in integrating, sawing, filing, shoveling, scraping, grinding, assembling, debugging and so on. And Yuchai has given me great honors— in 2008, I was awarded the

national "May 1st" Labor Medal. I feel greater responsibility on my shoulders. I want to turn the honors into driving forces, making persistent efforts, keeping on learning and innovation and moving beyond the individual progress into a team growth, so as to make greater contribution to Yuchai for its takeoff.

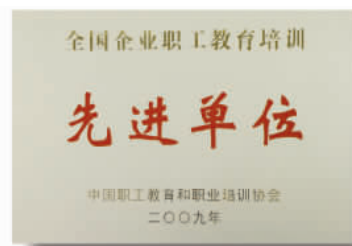
## Conducting Full Staff Training, Improving Staff Quality and Optimizing the Personnel Structure

Yuchai places significance to staff training, focusing on competence enhancement, operational skills and potential exploitation, which enables mutual progress of staff and the business. Yuchai has four types of training programs— "basic training, skill training, quality training and academic degree training," and a network of the company-level, departmental and work team-level training programs. A training system including 11 quality system documents and management rules has been established to ensure training needs to be met, new training models and projects to be

implemented and training effectiveness to be achieved. A good learning atmosphere has been formed with on-job trainings and practices, vocational skills competitions and capability recognition. A variety of training has been carried out, including three-tier apprentice training, six-step multi-post skill upgrading, monthly forum, English corner, ELN online learning, distant learning, and staff learning platform. Yuchai created for the staff a platform for capability and career development through its Technician Association, English Association and Trainers Association.

## Yuchai was Awarded the "National Advanced Enterprise in Staff Education and Training"

On November 28, 2009, the Awarding Ceremony of National Advanced Businesses and Individuals in Staff Education and Training" was held in Beijing Convention Center. Zhang Xiaojian, Vice Minister of Human Resources and Social Security attended the meeting and made a speech. Lin Yongsan, CPPCC National Committee member and chairman of China Staff Education and Vocational Training Association chaired the ceremony. More than 500 delegates attended the meeting. The meeting awarded 69 "Outstanding Presidents of Chinese Vocational Schools", 128 "Outstanding Teachers of Chinese Vocational Schools", 203 "National Advanced Enterprises in Staff Education and Training", as well as 196 "National Advanced Individuals in Staff Education and Training". Yuchai, with its outstanding staff training achievements, once again won the collective honor—"National Advanced Enterprise in Staff Education and Training". Wan Shenglan, Yuchai Training Centre Director was also elected as "National Advanced Individual in Staff Education and Training".



## Yuchai won "Chinese Top 100 Advanced Units in Corporate Education Award" and Many Other Awards

The Fifth Annual Award Ceremony of "Chinese Top 100 Advanced Units in Corporate Education Award" & 2009 Chinese Enterprise Education and Training Conference was held on 11-12 July 2009 in Beijing. Yuchai Group won the "Chinese Top 100 Advanced Units in Corporate Education Award", "Chinese Enterprise Training Excellence Award" and "Chinese Enterprise Training Model Base" and many other awards. Yuchai has won "Chinese Top 100 Advanced Units in Corporate Education Award" for four consecutive years.



"Chinese Top 100 Advanced Companies in Corporate Education" Awarding Ceremony (Wan Shenglan, director of Yuchai training center, fourth from left).





### The Status of Yuchai Group's Staff Training, 2005-2009

In 2009, Yuchai gave priority to general training in corporate culture, safety, environmental protection and energy saving as well as targeted technical training, held 1668 training courses and trained more than 150,000 people/times in total.

Vocational skills competition also played a role of enhancing staff skills. Yuchai held annually vocational skills competition of general professions prescribed in the national vocational standards and corporate combustion engine installment and testing profession. From 2006 to 2009, a total of 935 staff participated in vocational skills competition and a group of talents stood out. Those outstanding staff also participated in the regional and national vocational skills competitions, regional young workers' vocational skills competitions and the "Revitalization Cup"—a National Youth Vocational Skills Competition.

Year	Training Courses	Number/Times of Trainees	Total Course Hours
2005	647	33816	485553
2006	1365	71630	497080
2007	1455	120279	527594
2008	1577	143639	728623
2009	1668	154211	755055



Yuchai Group-level Apprentice Program 2009 Signing Ceremony



Yuchai Staff Participated in Guangxi "Yuchai Cup" Engine Installation Skills Competition

### The Status of Yuchai Group's Participation in Vocational Skills Competition, 2006-2009

	2006	2007	2008	2009
Category of Workers	8	1	11	8
Number of Participants	158	29	384	374

### The Skill Structure of Yuchai Group's Production Workers

Year	Number of Production Workers	Senior Technician		Technician		Senior Skill Worker		Medium Skill Worker		Junior Skill Worker	
		N	P	N	P	N	P	N	P	N	P
2009	11603	104	0.9%	706	6.08%	1840	15.86%	2574	22.18%	1558	13.43%
2006	7329	35	0.48%	308	4.2%	882	12.03%	1957	26.70%	1447	19.74%
Year-on-year Growth	4274	69	197.14%	398	129.22%	958	108.62%	617	31.53%	111	24.83%

N=Number; P=Percentage

## Yuchai Young Employees Received Great Achievements in the Third National Vocational Skill Competition

On October 23, 2009, the Finals of "Li Bin Cup" CNC Machine Tool Installment and Maintenance Workers of the Third National Vocational Skill Competition ended in Shanghai. 54 workers from 18 provinces, municipalities and autonomous regions participated in the competition. Tan Zhu, a young worker from the cold processing facility of Yuchai Shareholdings Co., Ltd., participated in the competition on behalf of Guangxi team for the first time and ended up with the 18th place.



Awarding Ceremony (second from the left - Yuchai player, Tan Zhu)

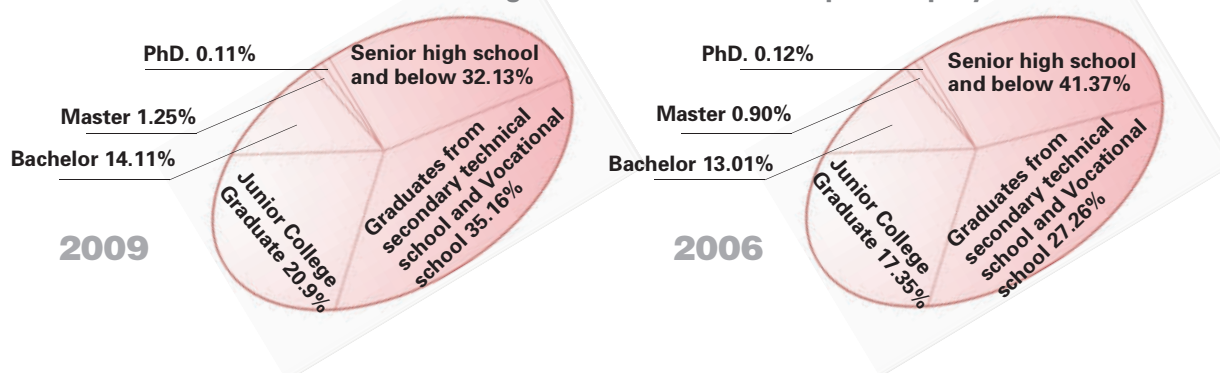
Staff training and vocational skills competition greatly enhanced the capacity and quality of staff, which was beneficial to staff development and optimization of the talent structure of the company. In 2009, the Group has 250 PhD and Master degree holders, 112 senior professional title holders, and 810 technicians and senior technicians.

### The Total Number, Education Background and Composition of Yuchai Group's Employees

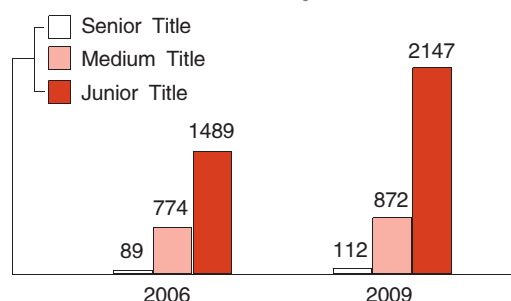
Total Number of Group Staff	Women		Ethnic Minority Groups		The Disabled	
	N	P	N	P	N	P
18287	3924	21.46%	1331	7.28%	29	0.16%

N=Number; P=Percentage

### The Educational Background of Yuchai Group's Employees



### The Structure of Staff Professional Titles of Yuchai Group



In accordance with the requirement of strategic development, the Group has built a human resources management system of "three-levels and a platform", optimizing the personnel structure of its various business units, raising the proportion of senior personnel. The aim is by 2015, senior and medium-level professional technical staff will account for 35% of the total professional technical staff, technicians and senior technicians will account for 20% of production skill workers; senior management will account for 20% of management, and senior marketing personnel will account for 30% of marketing staff.

## Strengthening Work-place Safety and Health and Protecting Physical and Mental Health of Staff

Work-place safety and health refers to safe working environment and production safety, and staff safety and health, which is a

big issue. Yuchai attaches great importance to this and has taken a series of safeguard measures and achieved good results

### Providing a Safe Workplace

■ **Yuchai strengthened safety management and carried out internal safety checks.** The Group implemented the safe and healthy technology transformation projects under the planned 2009 capital expenditure (environment and safety category). The Group sent people to the subsidiaries to carry out internal safety inspection and corrective actions. It also held many meetings on work safety, seriously conducted hazard identification and correction, enhanced basic management of work safety, increased input in enhancing safety, continuously improved working conditions and safety guarantee conditions, which has led to the remarkable achievement of "zero accident, zero injury, and zero loss" for the whole year.



Safe Workshop



Yuchai Safety Site Inspection



Yuchai 119 Fire-Fighting Contest

■ **Yuchai strengthened hazardous material management and risk assessment.** In 2009, the Group developed hazardous material management institutions and rules including Control Procedures on Chemical and Inflammable and Explosive Materials, Control Procedures on Wastes and Control Procedures on Waste Oil; established and maintained environmental and occupational health management system and carried out hazardous material identification and assessment in all its business units; conducted control and management through procedural documents, management schemes and emergency response plans; entrusted qualified hazardous waste disposal agencies to work with our hazardous waste treatment department to properly handle them for safety and environmental protection, eliminating secondary pollution.

■ **Yuchai conducted vocational training on safety.** In 2009, a total of 1778 new employees received Group-level occupational safety training, 286 safety officers got certified training and 814 contracted construction personnel got occupational safety training, which greatly increased their safety awareness and safe operating skills.

# Employee Development, Labor Relations Harmonized

2009 Operation Table on Safety Indicators

Indicators	Requirement	Attainment	Note
Fatality	0	None	
Major accidents(equipment and fire)	0	None	
Major injury	≤0.30‰	None	
Minor injury	≤3‰	None	
Correction	100%	100%	
Emissions of waste air, water and slag	Reach the required standard	Reach the required standard	
Occupational disease control	100%	100%	Workers handling toxic and hazardous materials undergo full medical examination

## Yuchai Shareholdings Co., Ltd. Passed the Audit on Quality, Environmental, Occupational Health and Safety Management System

Yuchai Shareholdings Co.Ltd received audits of ISO/TS16949 quality management system , GB/T24001 environmental management system and GB/T28001 occupational health and safety management system during December 8–11, 2009. Audit team believes that the company's quality, environmental and occupational health &

safety management systems are up to standard requirements and also consistent with the company's actual operating conditions, which are very feasible and under control, so they can meet the customers needs very well and ensure compliance with corresponding standards and applicable laws and regulations.

### Occupational Disease Prevention Activities

In 2009, the company further strengthened prevention and treatment of occupational diseases

- According to national laws and regulations, issuing PPE to staff handling hazardous materials and monitoring implementation.
- Investing RMB 8 million in improving subsidiary facilities workshops' floor conditions. The Center for Disease Control of Yulin detected that benzene concentration at operating sites had decreased from 137.52mg / m<sup>3</sup> (TWA) to 0.83 mg / m<sup>3</sup> (TWA), which was in full compliance with occupational exposure limits.
- According to Law of Occupational Disease Prevention, conducting physical check-ups for the personnel handling toxic and hazardous materials.

## **Yuchai Organizing Staff Handling Toxic and Hazardous Materials to Go Through Physical Check-ups**

To effectively prevent the occurrence of occupational diseases and effectively protect the health of employees, Yuchai Group takes occupational health check-up for employees who handling toxic and hazardous materials in the

municipal GuiNan hospital each year. This year, more than 3,000 front-line employees doing painting, cleaning, simulating and other special types of work went through medical examination and no occupational diseases were identified.

## **Creating Favorable Conditions and Attracting Talents Through Multi-channels**

Yuchai has been committed to attracting, nurturing and protecting talents for many years, making great efforts to

build a team of internationally competitive staff, which has yielded remarkable achievements.

### **Broadening Recruitment Channels and Introducing Talent**

Using channels including online application, university recruitment, cooperating with professional research institutions to establish research and development centers, internal referral to introduce human resources at various levels' and project cooperation, short-term cooperation, part-time job, technology as equity, outsourcing, etc to recruit senior-level talents for key technology research and development, manufacturing and materials, international trade positions, as well as senior management.

### **Implementing a "Push-pull" Talents Cultivating Mode**

Establishing channels of domestic and international academic exchanges for technical staff; establishing mechanisms for performance management, employee competition; creating the conditions for employees to enhance their ability and establishing corresponding systems; for those who fail to meet performance requirements, measures like demotions, changing posts or canceling their bonus or transportation subsidies are taken, urge employee can keep learning and surpassing themselves.

## Recruiting Team Headed by Corporate Leadership in Prestigious Universities

With the company's rapid development, there is a growing demand for talents. In November 2009, the Group chairman—Yan-ping, vice chairman—Li Tiansheng and Managing Director—Gu Shengtang led recruitment teams respectively to Tianjin University, Huazhong University of Science, Xi'an Jiaotong University, Harbin Engineering University and other prestigious universities to recruit graduates. 110 graduates signed employment agreements, including 88 undergraduates and 22 master degree graduates.



Yuchai Group Recruitment at Harbin Engineering University

## Providing Employees with a Rich Cultural Life

In order to enrich the cultural life of employees and to create a good corporate culture, Yuchai Group established 15 associations covering English, photography, painting, singing, football, basketball, badminton, dance, yoga and others. They hold a variety of cultural and leisure activities with trade unions and Communist Youth Leagues, such as the annual top ten singer contest, beauty contest, painting

competition, photography competition, movies and concerts, etc.

In addition, the Group also purchased cultural and sports facilities for the workers' living quarters, so that employees could live in an area with beautiful, comfortable and pleasant environment. The area has been awarded as the autonomous region's "Outstanding Community of Civilization" and "Green Community", etc.

## Yuchai English Association Celebrating the Second Anniversary



On December 5, 2009, Yuchai English Association held the Second Anniversary celebration ceremony in Yulin Guishan Resort. Yuchai Training Center director—Wan Sheng—lan, Yulin Normal College foreign teachers, more than 40 members and English fans attended the event. Since its founding, Yuchai English Association has attracted nearly 200 members and held several English speech contests, English parties, Thursday English corners and English movie festivals and

other events. There are some members, through two years of uninterrupted study, having been able to meet their professional needs and promoted to new jobs.

## Yuchai Group "Staff Library" Opens All Year Round

Yuchai Group's "Staff Library" is divided into physical book reading-room and electronic book-reading room. Physical book reading-rooms have a total collection of more than 500,000 books, distributed in major Yuchai employees working and living areas. A number of subsidiaries also have the same arrangements; electronic book reading room is located in Yuchai Group Training Centre Building to facilitate staff access to electronic information. The reading rooms are equipped with full-time administrators, opening each and everyday to employees, enriching their cultural life.

In April 2008, Yuchai Group "Staff Library" was approved as a demonstration program for the whole Yulin municipality.



A Corner of Yuchai Group "Workers Library"

# Achieving Harmonious Win-win Business Partnership

Building a harmonious upstream and downstream industry chain through a variety of ways to strengthen collaboration with buyers and suppliers is a good example of Yuchai's idea of All Win in Harmony. Yuchai harmonious industrial chain building includes building strategic cooperation with buyers, establishing a permanent mechanism of the supply chain, conducting joint technical research and cost reduction activities with suppliers, ensuring interests of suppliers in terms of product development, and shoulder CSR with the suppliers. A harmonious industrial chain ensures the common development of all parties.



## Strengthening Strategic Cooperation With the Buyers

Yuchai's development process is a process of continually improving customer service. In this process, Yuchai high-quality engines drive the buyers' cars and Yuchai quality services adequately meet the needs

of buyers. In 2009, Yuchai not only strengthened cooperation with existing clients, but also establish a strong partnership with a number of new customers which provided a strong impetus for all parties development.

**General Manager of Dongfeng Commercial Vehicle**

**Mr. Huang Gang**



As early as 1980s, Yuchai began its cooperation with Dongfeng. After dozens of years of friendship and cooperation, the two sides have established a strategic partnership featuring credibility and win-win results and they have also forged deep friendship. Yuchai has added unique value to Dongfeng and Dongfeng customers. In recent years, the rapid development, independent innovation, technology development and management upgrade have enabled Yuchai to a leading position of production and sales in the engine industry in China. After the financial crisis, the development capacity of Yuchai has further improved. Dongfeng Commercial Vehicle Unit sincerely hopes Yuchai to continue its development and add greater value to its partners and customers, as well as making greater contribution to the whole society.

**GM of Touring Vehicle Branch of Shouqi Group**

**Mr. Zhu Suzeng**



As one of China's largest diesel engine manufacturers, Yuchai has been committed to environment protection and energy-saving product development. It launched low-emission diesel engine and went beyond the industry emissions standards to meet customer demand for environmentally friendly products. Shouqi Group undertakes the transportation task for all major political events of the country over the years, so we have a large high quality fleet and shoulder heavy responsibilities. Therefore, we are very cautious in selection of the vehicles, particularly focusing on engines that are known as the heart of vehicles. We select Yuchai Machinery completely out of trust in Yuchai quality and its after-sales services with the feature of responsible, efficient, fast, high quality and professional. We hope Yuchai could continue to fulfill social responsibility while growing bigger and stronger, making greater contributions to the national auto industry.

## Yuchai with Guangzhou Automobile Group, Combining Strengths for Strategic Alliance

On June 10, Guangxi Yuchai Machinery Co., Ltd. and Guangzhou Automobile Group Co., Ltd. formally signed a strategic cooperation framework agreement. Yuchai Machinery and Guangzhou Automobile Group have cooperated for more than 20 years, and with the execution of the Agreement, the two parties further consolidated complementary advantages, resources sharing, long-term and stable cooperation and win-win strategic partnership. The Agreement strengthened bilateral cooperation in passenger cars and commercial vehicles, promoted mutual technological innovation and market development capabilities, which is a powerful marriage. This is of far-reaching significance to both the two partners and to the economic development of Guangdong and Guangxi provinces.



Yuchai and Guangzhou Automobile Signing Strategic Cooperation Agreement



## Xiamen Golden Dragon Bus Co., Ltd Awarded Yuchai 2009 "Excellent Supplier"

On the Suppliers General Assembly 2009 held by Xiamen Golden Dragon Bus Co., Ltd., Yuchai won the title of "2009 Excellent Supplier". In 2009, Yuchai supplied around 5000 engines of various types to Xiamen Golden Dragon, accounting for 70.41% of Xiamen Golden Dragon's total passenger bus engines. With high quality products and excellent after-sales service, Yuchai deserved this honor.

## YC Alliance Helps Create a Harmonious Supply Chain

YC strategic alliance is a permanent mechanism for building supply chain harmony. Yuchai and its suppliers, in the spirit of "consistent purpose, common philosophy, practical communication, coordinated operation, mutual trust and support, taking proactive measures and offering joint assurance", conducted timely communication, information sharing and regular meetings to discuss within the alliance the problems concerned by supplier, challenges and market conditions Yuchai facing, etc. Strategic alliance initiatives



Yuchai 2009 YC Service System Council Meeting

enhanced communication among members, making information flow smoother, response and resolution of problems more timely and planning more effectively implemented. Meanwhile, Yuchai also attaches great importance to good corporate culture and social responsibility initiatives and integrates them into the alliance practices, which has been well received by alliance members. In such good atmosphere, the suppliers, no matter facing what pressure, prioritize Yuchai orders to meet Yuchai needs. To encourage the advanced performance, the alliance every year elected and recognized outstanding suppliers of the year

### Background YC strategic alliance

Yuchai proposed to establish YC strategic alliance at the Suppliers General Assembly 2008. The Alliance consists of Yuchai Group and its supporting companies. It is a platform for the implementation of Yuchai manufacturing technology, quality management, social responsibility and information exchange and is also a bridge for close cooperation among member enterprises, effective communication and resources sharing. Strategic alliance founded in 1992 was originally known as YC Associated Organization, later renamed "YC Alliance", and further renamed as "Yulin Yuchai Suppliers Alliance" in November 2006 as registered with Yulin City Bureau of Civil Affairs. Its purpose is, based on long-term strategic development objectives of Yuchai and the core concept of "Green Development, All Win in Harmony", building a strategic and cooperative relations between Yuchai and its suppliers, enhancing the comprehensive competitiveness of the supply chain, achieving synchronous, win-win and sustainable development of Yuchai Group and other member companies.

## Creating a Harmonious and Win-win Relationship with the Suppliers

Yuchai insisted on the core concept of "All Win in Harmony", creating a win-win model of joint implementation of social responsibility with all supply chain companies for coordinated development. In 2009, the financial crisis led to rising prices of raw materials and increasing manufacturing cost for the suppliers, and Yuchai sent personnel to the suppliers to help improve their technical capacity and took the initiative to share CSR cost.

### Reducing Cost by Technological Support

Yuchai and suppliers developed jointly the system promotion program to reduce the cost and provide help and support to suppliers in technology, quality, production and other aspects, thereby increasing their production management and technology development capability, and ultimately reduce the their production costs.

Vice General Manager of Bosch Automotive Diesel Systems Co., Ltd.

### Mr. Wang Xiaodong



Yuchai, as a heavyweight corporation of China diesel engine industry, has been committed to creating first-class supply chain. Bosch feels quite honored to be a member of the supply system. Bosch and Yuchai have established good cooperation mechanism and the two sides hold regular high-level annual summits, planning the future of both sides and implemented by specific functional departments of both companies. In 2009, Yuchai and Bosch were productive in joint technical research to develop a variety of high quality new products to meet market demands.

For the diesel engine industry, protecting the environment is an important aspect of corporate social responsibility. Yuchai was leading the industry to launch low-emission engines by investing a lot of manpower, material and financial resources in creating green power and development of environmentally friendly products, hence having contributed to the environmental protection campaign of China.

## Special Protection for Supplier Product Development

In order to protect rights and interests of suppliers in developing new products and to enhance suppliers' enthusiasm in developing new products, Yuchai has developed rules to protect the interests of suppliers in their new product development—on the one hand, Yuchai gives

2 to 3 years interests protection period to the suppliers who meet the development requirements; on the other hand, Yuchai strengthens approval procedures so that during the protection period, no other suppliers can be allowed to supply the same parts.

**Chairman of Ningbo Rhine Auto Parts Co., Ltd.**

**Mr. Zheng Feixiang**



AT Supplier General Assembly last year, Yuchai proposed the principle of "those who developed new product, should benefited", which gave us great encouragement. Now some vendors around are competing to develop new products and my company is no exception. Thus, this principle proposed by Yuchai boosted the confidence of suppliers in investing in the development of new products.

## Site Support by Yuchai Technical Staff

For the fact that some parts suppliers have insufficient production capacity and are weak in technology development, Yuchai strengthened technical support for these vendors, by sending technical staff to suppliers' factories to give technical assistance, which effectively improved their production and technology development capabilities. For example, Hunan Shimen Baochuang Rod Manufacturing received Yuchai's assistance to improve team competence, equipments and management capability, seeing their capacity increased from the original 2300 rods to the current 4000 rods, which effectively met Yuchai export demand. In addition, Qinglong Corporation's A44J1-1308102 / Pad casting quality problems were also resolved with Yuchai personnel help.



Yuchai Technical Staff Provide Technical Assistance to Parts Suppliers

# Achieving Harmonious and Win-win Business Partnership

**Vice Chairman and General Manager of Yaxin Kenanyue (Hengyang) Ltd.**

**Mr. Fan Jiang**



Yuchai relationship with Yaxinke Nanyue is the relationship between the big river and the small river: when the big river is rich in water, so is the small river ; when the big river dries up, the same with the small one; and big river waves are derived from numerous streams of the small rivers. Nanyue and Yuchai grow and develop together. Nanyue not only provides products for the Yuchai, but also solutions, creating value for customers together with Yuchai. We would also like to learn from Yuchai couraging to become the vanguard of the industry to break the foreign monopoly in electronic control fuel systems and to beat the imported brands, thus becoming an independent supplier of high-pressure fuel pump domestic supplier and a recognized leader in the industry.

**Chairman of Guilin Fuda Group Co., Ltd.**

**Mr. Lifuchao**



Fuda, with Yuchai's support and help, grew from a small workshop 20 years ago into an auto parts company of large scale. This process has fully proved that Yuchai business philosophy of "Businesses of all sizes are equal and mutually beneficial" is the alliance foundation for common development. Yuchai's corporate culture influenced Fuda and Fuda will follow the example Yuchai, taking social responsibility and making efforts to build a harmonious society.

## Listening to the Voices of Suppliers to Create a Harmonious and Win-win Industrial Chain

In 2009, Yuchai broke the normal practice of convening only one Suppliers General Assembly a year in previous years to hold several high-level forums to solicit opinions and suggestions from its suppliers and inform supplier representatives of implementation and optimization of issues such as technology updates, new product development and communication mechanisms, evaluation system construction, suppliers interests protection, etc. Meanwhile, Yuchai also held discussions with suppliers on issues they encountered in producing matching products and jointly studied solutions.



Yuchai Suppliers Technical Communication

## Actively Promoting the Suppliers to Fulfill Corporate Social Responsibility

Under the guidance of the core concept of "Green Development, All Win in Harmony", Yuchai has been committed to energy conservation, emission reduction and green economy, becoming a good corporate citizen, and at the same time it actively penetrates a culture of responsibility to the suppliers, to enhance consciousness of corporate social responsibility among the suppliers. Yuchai and suppliers began to sign social responsibility management agreements since 2006. And 263 environmental / occupational health and safety management agreements have been signed with the suppliers through friendly consultations. In addition, Yuchai also signed 255 agreements on anti-corruption and mutual protection. In 2009, Yuchai, together with upstream suppliers and downstream buyers, distributors and service providers signed the corporate



Yuchai Group and Its Partners Signed Commitment to CSR on 2009 Press Conference and Marketing Services Conference

social responsibility commitment letter, leading a group of upstream and downstream enterprises to actively implement social responsibility.

# Quality Service

## Integrity and CSR Fulfillment

The year of 2009 is Yuchai service branding year, during which, Yuchai held active communications with customers to understand the user feedback in a timely manner; provided customers with high quality service through YC services mechanism; provided detailed services through the establishment of service and training network. Yuchai service brand glowed brightly in 2009.





## YC Service Body Established

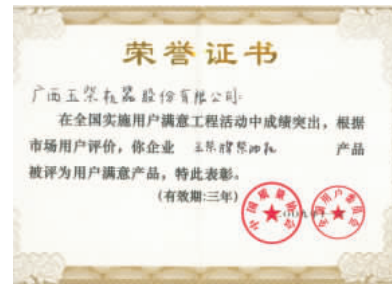
YC service body is an important mechanism for cooperation. Yuchai service providers coordinate service policies and to discuss problems through the body. The role of body members is to provide excellent services directly to customers; to provide for Yuchai with user feedback and market information; to supervise Yuchai marketing policy and service management



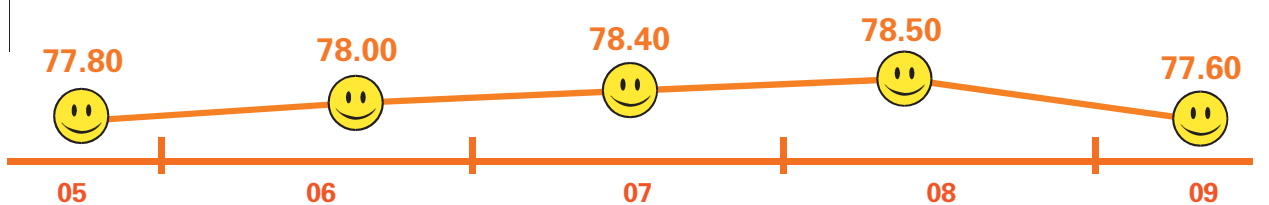
Li Tiansheng, Vice Chairman of the BOD  
Issuing Letters of Appointment to Elected Councilor

measures; and to make recommendations to Yuchai and the service body.

Through the joint efforts of all members of the body, Yuchai's service quality improved steadily. China Quality Association's ongoing customer satisfaction survey data shows that Yuchai's customer satisfaction has remained at a high level. In 2009, China Quality Association changed the evaluation methods and evaluation was done through three stages, and focused on major weaknesses. Yuchai was still given the highest score—77.6 in customer satisfaction in the industry .



## Yuchai Customer Satisfaction Score Over the Years



### Head of Yuchai Yulin Yunmei Service Station

#### Mr. Li Haiquan



The cooperation between my service station with Yuchai began in 1989 and the two decades of close cooperation witnessed Yuchai growing from an unknown small factory into a nationally and internationally known modern business

Guided by the service concept of "making greatest efforts to meet customer needs and keeping credibility", I have been caring about each user and each engine, which have won me the customers' trust and praise, leading to steady growth of business year after year.


The relationships of Yuchai with service stations is like the relationships between the tree and its roots. Yuchai cannot make it to today without the support from these stations. Conversely, if service stations do not rely on Yuchai—the big tree, they will find it difficult to survive and develop. With the good faith of both sides to further their close cooperation, Yuchai will become a deeply rooted giant tree.

## Strengthen Services to End Group Customers

Yuchai provides specialized services to group customers, which is Yuchai service's unique feature. Yuchai's specialized services for group customers include sending rapid - response service teams to group customers' site, ect..

In promoting Euro III engines, Yuchai provided users with a set of thoughtful and careful maintenance knowledge and

measures. Before the user using the product, Yuchai technical staff told them the similarities and difference between the Euro II and Euro III engines in fuel and routine maintenance requirements and daily running concerns that deserve special attention. By doing that, Yuchai helped customers ensure fuel efficiency, saving maintenance costs and reducing failure rate.



**Vice General Manager of Tianjin Bus Corporation**

**Mr. Lu Guoqing**

78% out of 220 new buses purchased by Tianjin Bus Corporation this year are installed with Yuchai engines, and 85% of its previous fleet of 559 Guo 3 buses were installed with Yuchai engines. Yuchai has set up a special office for us to provide maintenance and repair services anytime we need, and whenever we encounter difficult problems, they are keen to solve them in a very thoughtful way. In addition, Yuchai optimizes the engines to ensure best effectiveness in fuel economy and driving power, by taking bus transportation conditions in Tianjin into consideration

While we found that the first batch of the buses installed with Guo 3 engines had an idling speed of 1700 after one month running, the Yuchai service station sent technicians to us the same night to replace the diesel fuel filters which worth tens of thousands RMB, when we reflected this situation to Yuchai service station that evening.

# Acknowledgement Letter

Qiqihar Tiancheng Transport  
Industry Group  
November 28, 2009



Yuchai Leadership:

We are Qiqihar Tiancheng Transport Industry Group. We have nearly 3,000 passenger vehicles, trucks and cars, 100 of which have been renewed recently equipped with Yuchai engines, which turned out to be very effective. Everyone in our Corporation says Yuchai engines are good and service is even better.

On November 22, the snow and the low temperature of minus 20 degrees , two of our coaches stucked 180 kilometers and 360 kilometers away from urban areas. We asked for help from Yuchai Tiancheng service station. Mr. Zhang, the head of the station immediately led a team to the site in the snow. When the service car drived to 100 kilometers away from the scene, due to slippery road and heavy snow, the car sloppered into the roadside ditch, the car was damaged and people were injured. But that did not block Mr. Zhang and the maintenance team from going to rescue us. At that time, the visibility was very bad because of the snow, for the protection of the passing vehicles and safety of the maintenance staff, Zhang held in his hands the warning signs to warn passing vehicles and the maintenance personnel were lying in the snow to repair the machine. The drivers and passengers were well touched. There are many other examples like this. We admire Tiancheng service station's dedication. It is their superior technology and timely service that ensure passengers avoiding being hurt by frostbite. We sincerely thank you for your high-quality services.

Yours sincerely

## Yuchai Engines Powered Transportation for the Eleventh National Games

In the evening of 28 October 2009, the closing ceremony of the 11th National Games 2009 was held in Jinan Olympic Sports Center Donghe Stadium. Yuchai took part in another major sporting events transport services and successfully completed the task.



More than 500 vehicles were mobilized in the National Games and they were all equipped with Yuchai engines, 200 of which were equipped with LCK6129HBA and YC6L330-30 engines. In the Games, the vehicles completed the mission of transporting athletes, coaches, journalists and other staff.



Eleventh National Games Vehicles Supported by Yuchai Service

## Yuchai Successfully Completed the Transportation Service Task for the Sixtieth National Day

On the day of October 1, 2009, our great motherland greeted her 60th birthday. During the National Day, to ensure transporting soldiers, representatives of all walks of life in the parade, and staff to participate in the celebration activities, there were more than 5,000 buses to take nearly 200 000 people, nearly 2,500 of which were installed with Yuchai engines, taking nearly 120 000 people of various identities.

Yuchai Customer Service Centre, Yuchai Beijing Office and Yuchai service stations make every effort to do engine maintenance and service. In 3 rehearsals and the National Day celebration, Yuchai engines operated without any failure, serving as a strong guarantee for the safe

arrival and evacuation of people. During the past two years, Yuchai has accomplished many large-scale political events transport tasks such as NPC & CPPCC, the Seventeenth Congress of the CPC, Africa Forum and the Beijing Olympic Games.



Vehicles Equipped with Yuchai engines on the National Day

## Yuchai Services to Famers for Good Harvest



Yuchai agricultural engines began to be used in combine harvesters in 2001, started from 30 units to the present more than 70,000 units— Yuchai has become the preferred driving power of agricultural machinery.

On May 22, 2009, Yuchai held 2009 Summer Harvest Service Mobilization Meeting,

placing service responsibilities on individuals. On May 23, Yuchai sent 10 technical service personnel to Zhumadian City, Henan Province from Yulin city, explaining common failures and solutions, repairing for free the failed agricultural machinery. The good service of Yuchai has helped the peasants win 2009 summer harvest.

## Visiting End-users

Visiting end-user is an important measure of Yuchai to provide quality services. In 2009, Yuchai carried out a nation-wide campaign visiting end-users, and in its key sales areas. Yuchai also held an "Autumn Return to 6MG Engine Users" activity which lasted for a month. For example, Henan visiting group worked tirelessly to climb over mountains to visit the users. Wherever they went, they did questionnaire survey, asking about customer experience of using the engines,

checking the engines, explaining maintenance key points, listening to opinions and suggestions of users, and giving out free air filters, machine filters and diesel filters to the users. By doing so, they found out the actual operation situation of Yuchai engines, got feedback from large users and users who complained a lot, and building closer relationship with customers. Many users said that in the future they will certainly prefer to choose Yuchai engines.

# Quality Service, Integrity and CSR Fulfillment

## Building Service Network

In 2009, the number of Yuchai domestic service stations has reached 1,600, of which 800 are Euro III services standards, covering all regions of the country. At the same time for the heavy trucks, medium trucks, light trucks, buses, construction machines, agricultural machinery, marine machinery, generators and other markets, Yuchai has set up professional services networks to provide all-weather, all-round and dedicated professional services. At present, there have been 13 foreign offices located in Vietnam, Thailand, Malaysia, Indonesia, the Philippines, India, Russia, Cuba, Peru, Egypt, Saudi Arabia, Algeria and Iran. Yuchai's overseas service network construction is also simultaneously strengthened and there are already 40 overseas agents—Yuchai footprints continue to extend to every corner of the world. In Southeast Asia, Yuchai has set up self-inclusive marketing service network, which effectively meets the local customer

service needs. In 2009, the number of Yuchai engines sold overseas has reached more than 100,000 and the number of the export destinations has reached more than 150 countries and regions.



The loaders equipped with YC6M engine in Austria



The buses equipped with Yuchai engines are ready for departure for Middle East



The trucks equipped with Yuchai engines in Vietnam



The heavy-duty trucks equipped with YC6M engines are running in the plateau of Peru



The boats equipped with YC6M marine engines in India

The mini buses equipped with YC4M engines in Ecuador



The buses equipped with Yuchai engines are running in the northern areas of Australia

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## Building Service Providers Training Network

Yuchai has established a service training system and network of "headquarters training base and more than 30 second-level training bases", making services available in a timely manner to members of the Service Body and VIP customers, like remote training, online testing, technical exchanges, trainee management and so on.

In 2009, 30 domestic offices of Yuchai strengthened training for VIP customers, distributors, agents and service stations. In Beijing, Shanghai and Shenzhen, Yuchai established eight training bases, forming a

"multi-base and full-coverage" training pattern. At the same time, Yuchai also increased its service skills and business systems operations training for foreign agents on a regular basis. During 23 overseas offices training campaigns, Yuchai sent additional service engineers abroad to do training. In addition, a period of two weeks of intensive training for foreign services providers in vessel electricity, engineering, gas machine, Euro III / Euro IV engines were held in Yulin headquarter this year.

## The Second Overseas Service Agents Training Program

From 21 to 25 October, 2009, the Second Overseas Service Agents Training Program was held. 24 people from Malaysia, Indonesia, the Philippines, India, Thailand, and Syria's service agents participated in the training.

According to the overseas market and agents' demand, the training combined theoretical and practical approach and carried out ship-engine and CNG engine technology training. During the training, agents studied Yuchai engine product technology,

dismantled the boat electric engine and CNG engines, and discussed with technical staff problems in using Yuchai engines, and finally, the agents visited the first engine factory, the second engine factory, cold processing workshops and CNG laboratory.

Through this training, the foreign agents had a better understanding on Yuchai and the application techniques of Yuchai engines. It also served as a basis for further expanding overseas markets for Yuchai.

# D

# eveloping Community

# Contributing to

# Society

Yuchai, with its sense of social responsibility, takes corporate citizenship as the goal and takes social and community development as its mission. It actively participated in community public welfare undertakings including energy conservation, emission reduction, stability maintenance, cleaning, comfort, helping the poor, making donations to schools, providing relief, etc, which promoted social and community harmony, stability and development and established a good image of the enterprise. Yuchai has won awards of national "Loving Star Unit", "Warmth-Sending Advanced Unit", and "National Civilized Unit".



## Building Demonstration Community of Energy Conservation and Emission Reduction



Yuchai Group carried out Energy Conservation and Emission Reduction campaigns in living and production areas, improving resource utilization efficiency. Yuchai Group Women Workers Committee and Yuchai Community promoted actively and extensively energy conservation and popularized relevant knowledge, promoting the use of home energy saving tips, ideas and technology, holding energy conservation

knowledge competition and carrying out "Energy Saving Family" selection program, which implanted the awareness of Energy Conservation and Emission Reduction into people's heart. Yuchai Community participated in Guangxi competitions of energy conservation, winning the award of Guangxi Demonstration Community of Energy Conservation and Emission Reduction, the only one that got this award in Yulin City.

## Actively Taking Part in the National Fitness Campaign

In 2009, Yuchai Group won the honorary title of "Advanced Organization of National People Sports" and "National Workers Sports Demonstration Unit" awarded by the Federation of Trade Unions and the Sports General Administration. "Advanced Unit of National People Sports" is the highest sports award, selected every four years.

Over the years, Yuchai Group adheres to staff-oriented policies, seriously implementing the "National Fitness Program", carrying out a variety

of sports activities, so that there are activities every day and competition every month. Yuchai adheres to the principles of building healthy and harmonious relationship with the staff and upholds the concept of "caring, providing convenience to and benefiting staff", and carry out sports activities to improve the physical quality of workers, to build a harmonious Yuchai Family and to promote professional sports and sports diversity, covering all staff in the fitness campaign.



## The Group Held the Third Sunset Senior Citizens Culture Festival Aerobics Performances

To celebrate the Double Ninth Festival, and to fully display the spirit of senior workers, Yuchai Group held its third Sunset Senior Citizens Culture Festival Aerobics Performances on October 20 in Ying Wa stadium. More than 400 retired workers performed aerobics and fitness dance with passion and energy, which fully displayed their healthy, happy, productive and energetic state of life.



## Conveying Greetings to Model Workers, Science and Technology Staff and Families of Martyrs



Yan Ping , Chairman of the Board of Yuchai Group  
Visiting Science and Technology Staff

During Spring Festival, Mid–Autumn Festival, National Day and New Year period,

for those who have worked and are working to make positive contributions to the country and Yuchai – labor models, Women's Federation recognized model female workers, scientific and technical personnel, retired staff, disabled soldiers and martyrs, Korean War veterans and military–transformed–civilian cadres, the Group leaders went to visit all of them and asked whether they have difficulties in their lives and whether they are covered in medical care, and brought them holiday gifts as thanks for their outstanding contributions. Yuchai also held entertainment activities such as chess game, so that they share the holiday joys, and held forums to listen to their views and suggestions.

## Carrying out "Physicians Visiting the Community and Bringing Health into Family" Campaign



On August 1, 2009 Yuchai Community Health Center held a "Physicians Visiting the Community and Bringing Health into Family" Campaign in the Yu Chai Yinghua Community, visiting households to launch the health record system. The center later sent professional doctors and nurses to



form community health teams to visit Yuchai residents, rendering the following services: setting up a health record, chronic disease treatment and management, women's health care, child health care and health education.

## Carrying out Activities of Poverty Alleviation and Educational Assistance



Yuchai Holding the Fourth "Spring Bud Plan" Ceremony in Lianhe Primary School, Shanxin Town

Yuchai has invested more than RMB600 million in financing education, health, environmental protection, charity, culture and sports and other public welfare. Yuchai made a total donation of RMB 7.5 million to Guangxi Hope Project for many years, gave annual funding to 500 Spring Bud Girls for education for 4 years, contributed RMB 500,000 to Tianjin University to support poor students in freshman year in May 2009, then established Tianjin University scholarship to reward outstanding students. In addition, Yuchai Youth League also kept carrying out "one helps one, more help one" education financing program with the theme of "big hands holding little hands and loving heart - to- heart", funding more than 30 poor school students around Yulin city. Yuchai Group won the "20th Anniversary of Guangxi Hope Project Contribution Award", " Guangxi Spring Bud Plan Advanced Group", " Yulin Advanced Unit in Hope Project ", a few among many others.



Yuchai won "20th Anniversary of Guangxi Hope Project Contribution Award"

## No. 36 Yuchai Hope Primary School Completed

In the morning of March 31, 2009, inauguration ceremony of Songtao Yuchai Hope Primary School located in Ziyang City, Sichuan Province was held. This is the 36th Hope Primary School built with financial help of Yuchai. Yuchai believes that education is the foundation of development. Yuchai has emotional ties to the disaster areas and gives generous reconstruction assistance, making a total contribution of RMB1.5 million to build new Songtao Yuchai Hope Primary School. Songtao Yuchai Hope Primary School covers an area of 15mu and building area of 1,688 square meters, which can accommodate 800 pupils.



Inauguration Ceremony of Songtao Yuchai Hope Primary School located in Ziyang City

## Carrying out the Program of "Building Emotional Ties to Students—Yuchai Youth Volunteers Visit to Hope Schools"

Sion Yuchai hope school located in Shahe Town, Bobai County is one of the first Yuchai financed hope schools. On November 15, 2009, 30 Yuchai young volunteers led by Huang Youyan, secretary of the Communist Youth League, went to the school to carry out the program of "Building Emotional Ties to Students—Yuchai

Youth Volunteers Visit to Hope Schools". Volunteers had cordial conversation with teachers and students to learn more about the construction of schools and learning profiles of students, distributed study and sports supplies to the students, and warmly encouraged them to study hard and grow up to serve the motherland.



Yuchai Young Volunteers and Students Exchanging Ideas

## A Thanks Letter by He Yingli on behalf of the Spring Bud Girls

Dear Yuchai Group uncles and aunts:

Hope this letter finds you well!

I am a fifth grade student named He Yingli from Lianhe Primary School of Shanxin Town. When I was four, my father left us forever because of disease and my family therefore owed a lot of debt. Mom could not afford to face the facts and went away without any information, so since then, I and my brother who is two years younger than me have been relying on my grandma and grandpa. When I felt lost, lonely and helpless, it was Yuchai Group aunts and uncles extended love and help to me, giving me material assistance and spiritual encouragement, so I could continue to go to the classroom to study. Since then, I had grateful heart to study hard and make progress. Your love is like a seed in my heart that takes root and sprouts, encouraging me to work hard with gratitude. Here today, on behalf of the students funded by you, I would like to express my sincere thanks to you that we will live up to your expectations, study hard and grow up to be knowledgeable and caring people, so as to make contributions to the society.

Finally, aunts and uncles, I sincerely wish you good health, smooth career and happy family life!

He Yingli

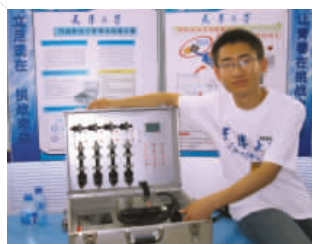


## Tianjin University Beiyang – Yuchai Scholarship Established

In order to promote the development of education of Tianjin University, Yuchai funded poor students in Tianjin University to complete their studies, inspiring them to study hard and develop in an all-round way to serve the country in future. In 2009, Guangxi Yuchai Group decided to donate RMB 500,000 one time to establish in Tianjin University Beiyang – Yuchai Scholarship. Beiyang – Yuchai Scholarship

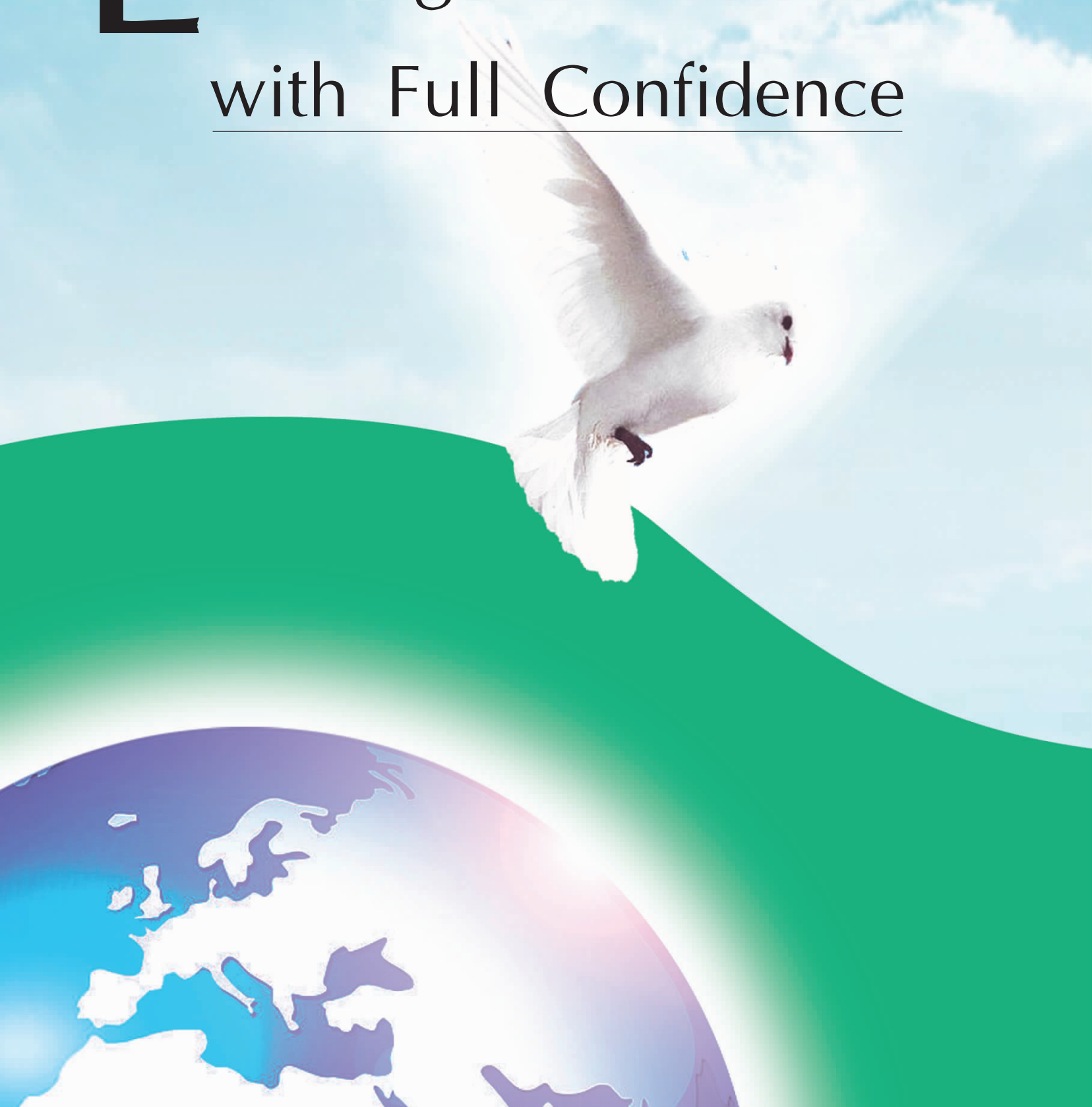
provides not only financial assistance, but also spiritual support, hoping the students to be able to use their knowledge and wisdom learned to work hard and give back to the society. It is also hoped that recipients will pay back to Beiyang – Yuchai Scholarship through their career development, so that more students can benefit from the scholarship and a virtuous circle can be formed.

**Student at Graduate Institute of Mechanics, Tianjin University, Yuchai Scholarship Recipient:  
Ling Jian**



I feel that Yuchai attached great importance to R & D, which is very attractive to our mechanical engineering students. Yuchai's corporate culture is even more fascinating to me—Yuchai incentive policy on talents has provided unlimited room for development of young people. I really want to be a member of Yuchai family.

# Looking to the Future with Full Confidence



## Strategic Objective

**Yuchai strategic objectives** are to ensure sustainable, balanced, healthy and coordinated development of the group's "two product lines and many industrial clusters", and to achieve sales revenue of RMB 30 billion in 2010, RMB 40 billion in 2011 and RMB 50 billion in 2012, striving to reach a sales revenue of RMB80–100 billion in 2015, so that the Group steps into the camp of RMB100 billion sales businesses. And total profit and sales should see simultaneous increase.

**Talent development objective** is to build network of professional and international teams.

**Research and innovation objectives** are to form self-innovation capacity and transfer the following technologies into industrial results—including engine combustion, electronically controlled fuel injection system, calibration technology, NVH, reliability studies, emission control technology, modern internal combustion engine design, advanced casting,

manufacturing process, matching technology, thermal management, hybrid power control technology and other advanced technologies.

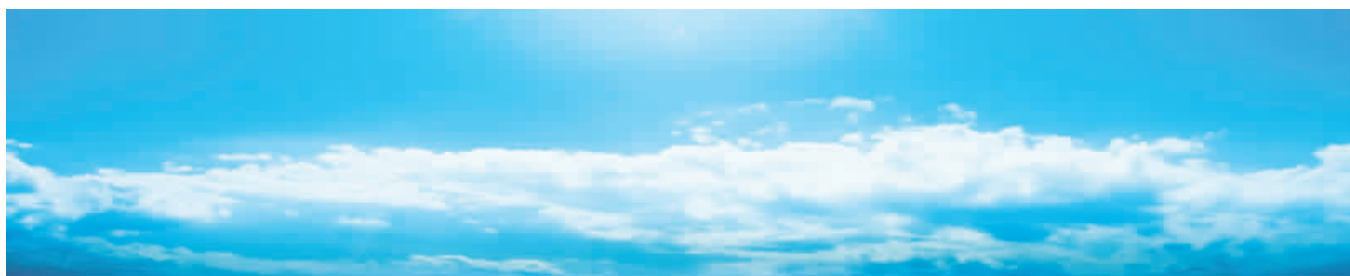
**Culture objectives** are inclusiveness, openness and advancement. Brand building objective is to create a world famous brand.

**Social responsibility objectives** are to continue to adhere to the core concept of "green development, harmony and win-win cooperation", to comprehensively practice the cooperation philosophy of "honest, trustworthy, fair and just", to strengthen the social responsibility system and mechanisms, to implement CSR in the whole industrial chain by extending it to upstream and downstream businesses.

**Internationalization strategic objectives** are to gradually enter the North America, Western Europe and other developed markets, to achieve annual export of 300,000 engine units, accounting for 30% of annual sales.



# Looking to the Future with Full Confidence



## Major Initiatives and Measures in 2010

### (A) Closed-loop Strategic Management

In accordance with the Group's strategic management system, Yuchai vigorously promoted and standardized five aspects of strategic analysis, strategic decision-making, strategic planning, strategy implementation and strategic control, so as to form an effective closed-loop, to ensure the effective operation of the strategic management system, providing the Group and its business units with effective strategic decision-making basis.

### (B) Deepening the Managerial and Control System

The second phase of building managerial and control system has started, which was divided into three parts. The first part is to promote the Group's performance management system building in a systematic and standardized way; secondly, to improve the internal audit system and achieve initial realization of professional audit; thirdly, to promote investment management performance evaluation system. Yuchai, through further standardized control system, played a leading role as a group and raised the level of subsidiary management, as well as improved business performance.

### (C) Projects Propelled Development

Under the group's major project management system, Yuchai strengthened the Eastern Base, Zhuhai Ship Machinery, Qinzhou Petrochemical, and other major projects resource allocation and project tracking to ensure the smooth running of the project construction to act as new economic drivers to the Group as scheduled.

### (D) Direct Financing Breakthrough

Enhancing the ability to understand and control the capital market in order to achieve the direct financing in the capital market to solve problems of insufficient self-owned funds and high capital cost.

### (E) Improving Investment Mechanism

Building a sound investment mechanism covering investment analysis, investment decision-making, project implementation, investment performance evaluation. Developing viable short and long-term investment planning based on Group development strategy.

### (F) Improving Financial Management

Broadening financing channels, improving financing modes, reducing financing costs and changing the situation of investing short-term loans into long-term projects, enhancing the stability of asset structure, so as to save energy for the company's long-term stable development. Meanwhile, developing financial support program for the subsidiaries, detailing financial early warning mechanism to ensure funding chain security and enhance fund utilization efficiency and reduce financial risks.

### (G) Brand Building System

Clarifying Group brand structure – corporate brand, industry brand and product brand positioning; effectively managing and maintaining the brands of Yuchai; with product quality as the core, continuing to enhance brand competitiveness, digging Yuchai brand culture and enhancing brand heritage, so that "brand" value can elevate the overall group value.

### (H) Innovating Management Mechanism

Conducting comprehensive analysis of the Group Human Resource Management, and, improving innovation and human resources management under the guidance of "selecting, nurturing, using and keeping talents".

### (I) Promoting Corporate Culture

Promoting and improving the corporate culture system building to further promote employees' sense of responsibility and innovation and enhancing enterprise cohesion.

### (J) Strengthening CSR System Building

Strengthening CSR systems and mechanisms to reinforce the capacity of implementing social responsibility.

### (K) Strengthening Safety Management

Fully implementing safety and on-site management standardization to improve safety management. Establishing seven safety assurance systems and implementing work safety accountability system to create a new safety situation with a sound system, effective operation and standardized management.