



**China Yuchai International Ltd.
Piper Jaffray
China Growth Conference**

May 17, 2011



Agenda

- Market and Economics Overview
- 2009 – Focus Areas
- What we have done
 - Expand Capacity of HD Products
 - Strategic Partnerships
 - Diversify to non-automotive markets
 - Expand International Sales
 - Invest in R&D
 - Quality Improvements and Cost reductions
- 2010 Performance
- Moving Forward
- Key Takeaways
- Financials
- Questions



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Market Overview: Commercial Vehicle

▶ China Truck Market

- 2009 – **2.95 million** units in total
82.5% diesel powered
- 2010 - **3.85 million** units in total
82.2% diesel powered

➤ Truck Market Drivers

- China's economic growth
- Infrastructure projects
- Urbanization
- Logistics Networks
- Stringent emission standards

▶ China Bus Market

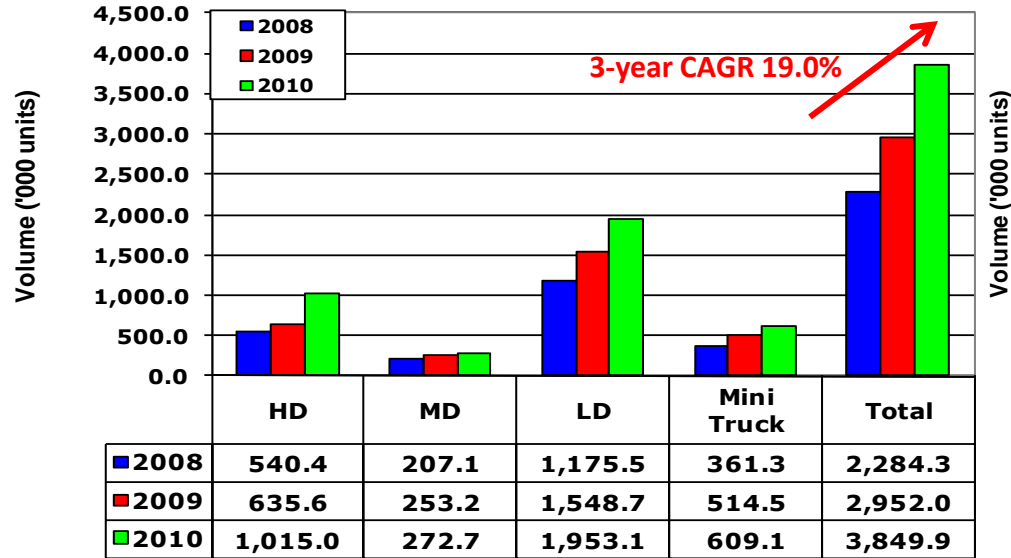
- 2009 – **356,054** units in total
70.9% diesel powered
- 2010 – **443,051** units in total
72.8% diesel powered

➤ Bus Market Drivers

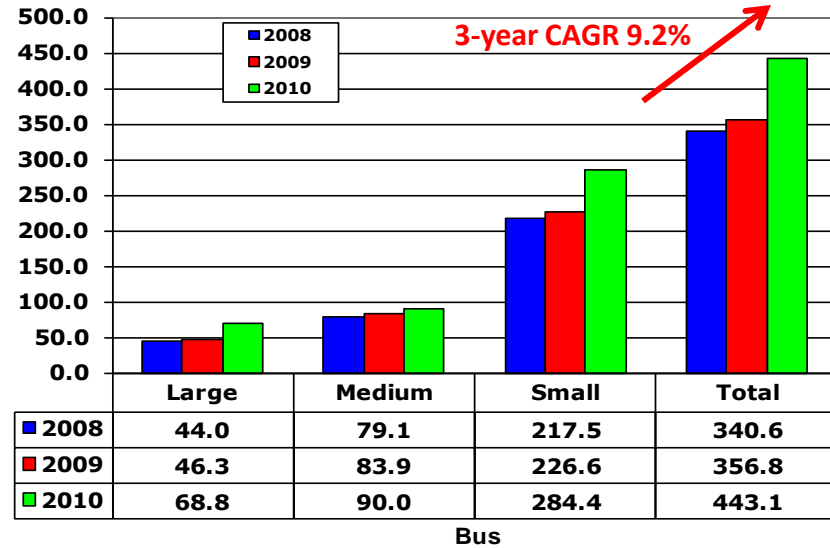
- Rapid development in rural area
- Booming tourism
- Highway expansion
- Continued Urbanization
- Growing commercial conventions and exhibitions.



China Truck Market 2008-2010



China Bus Market 2008-2010



Bus

- China Truck Market 3-Year CAGR at 19.0%. HD Truck exceeded 1M units in 2010.
- China Bus Market 3-Year CAGR at 9.2%. Small bus market largest increase in 2010.



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Key Focus Areas - 2009



- Invest in R&D to meet stringent emission standards
- Expand capacity in HD product lines
 - Xiamen Yuchai capacity 100,000 units p.a.
 - Foundry capacity – 1 million components p.a.
- Further develop Marine and Power generation markets
- Strategic partnerships with vehicle manufacturers and OEMs
 - 2 Joint Ventures including Geely capacity 300,000 units
 - 2-3 additional manufacturing plants
- Expand sales and strategic alliances in overseas markets
- Quality improvements and cost reductions through lean manufacturing and six sigma.

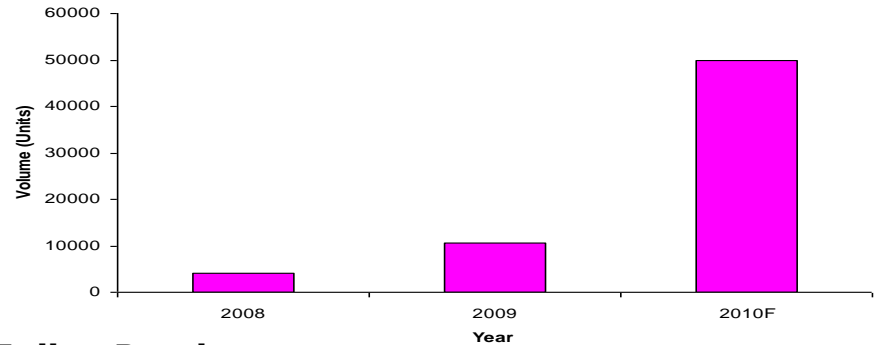


Xiamen Yuchai Additional Capacity



Xiamen Yuchai Factory and Assembly Line

**Xiamen Yuchai Volume
(Units)**



- **Started in September 2009 at Xiamen, Fujian Province**
- **Ramping up production to supply engines in South-Central China customers.**
- **Capacity to reach 70K units in 2011.**



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Capacity Expansion New Foundry Center



New Foundry Center

Casting Process

- **Trial production started on March, 2010**
- **Ramping up from 200 molds per day to 500 molds per day**
- **Efficient casting and molding lines with automation**
- **Total annual capacity 1M engine heads/blocks in two phases.**

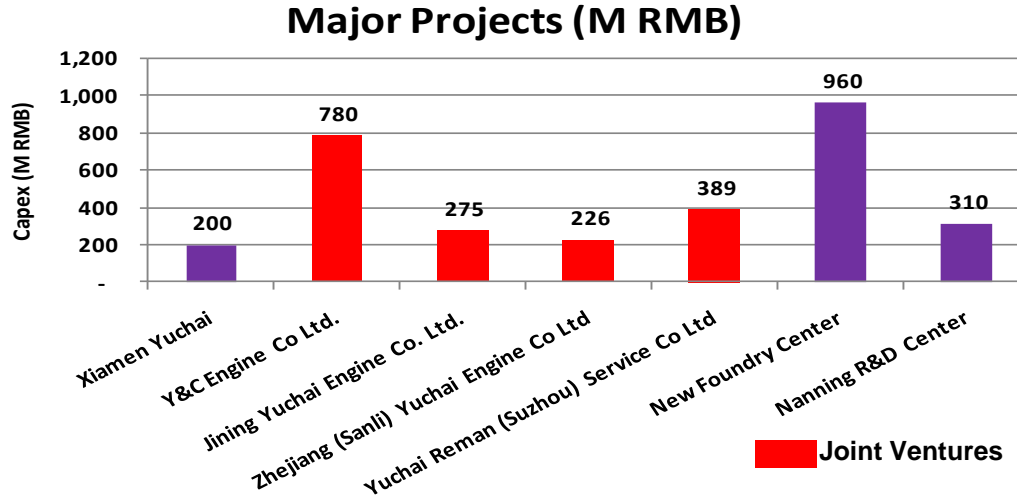


Investment Locations





Strategic Partnerships



	Y&C Engine Co Ltd	Jining Yuchai	Zhejiang Sanli Yuchai Engine Co Ltd	Yuchai Caterpillar Remanufacturing JV
Location	Wuhu City Anhui Province	Jining City Shandong Province	Tian Tai County Zhejiang Province	Suzhou Industrial Park Jiangsu Province
Products	YC 6K, 12/13L @ 380-550PS HD	4D20, 2/3L @ 90 - 140 PS LD	4D20, 2/3L @ 90 - 140PS LD	Remanufacturing components and engines
Expected Production Date	December 2010	Q3 2012	Q3 2012; (partial crankshaft production mid 2011)	January 2010
Ownership	45% GYMCL,	52% GYMCL,	52% GYMCL,	51% Yuchai,



YC6K Engine

- JV Engine at Y&C Engine Co. Ltd.
- 12L/13L capacity
- Rated 380 ~ 550Ps
- National 3,4,5 certified
- Compliant up to Euro VI emissions standard.
- Designed for 21 models/600 series Jirui Heavy-duty Trucks.





2010 Beijing Auto Show Jirui Heavy Duty Truck powered by YC6K Engine



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Jirui Heavy-duty Truck: Cement Mixer

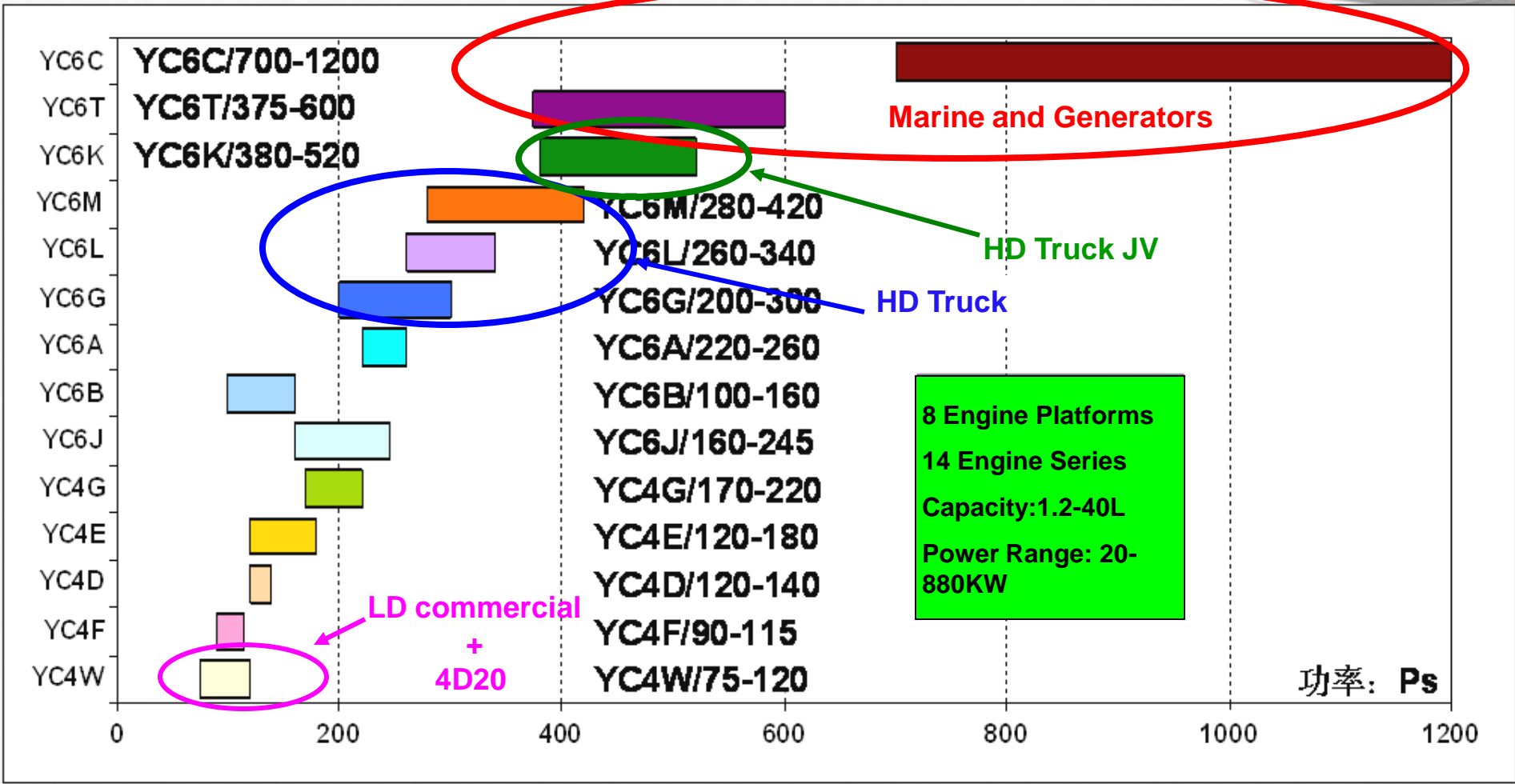


Jirui Heavy-duty Truck
UE-460, 6x4 Tractor

- Opening up new Market Opportunities

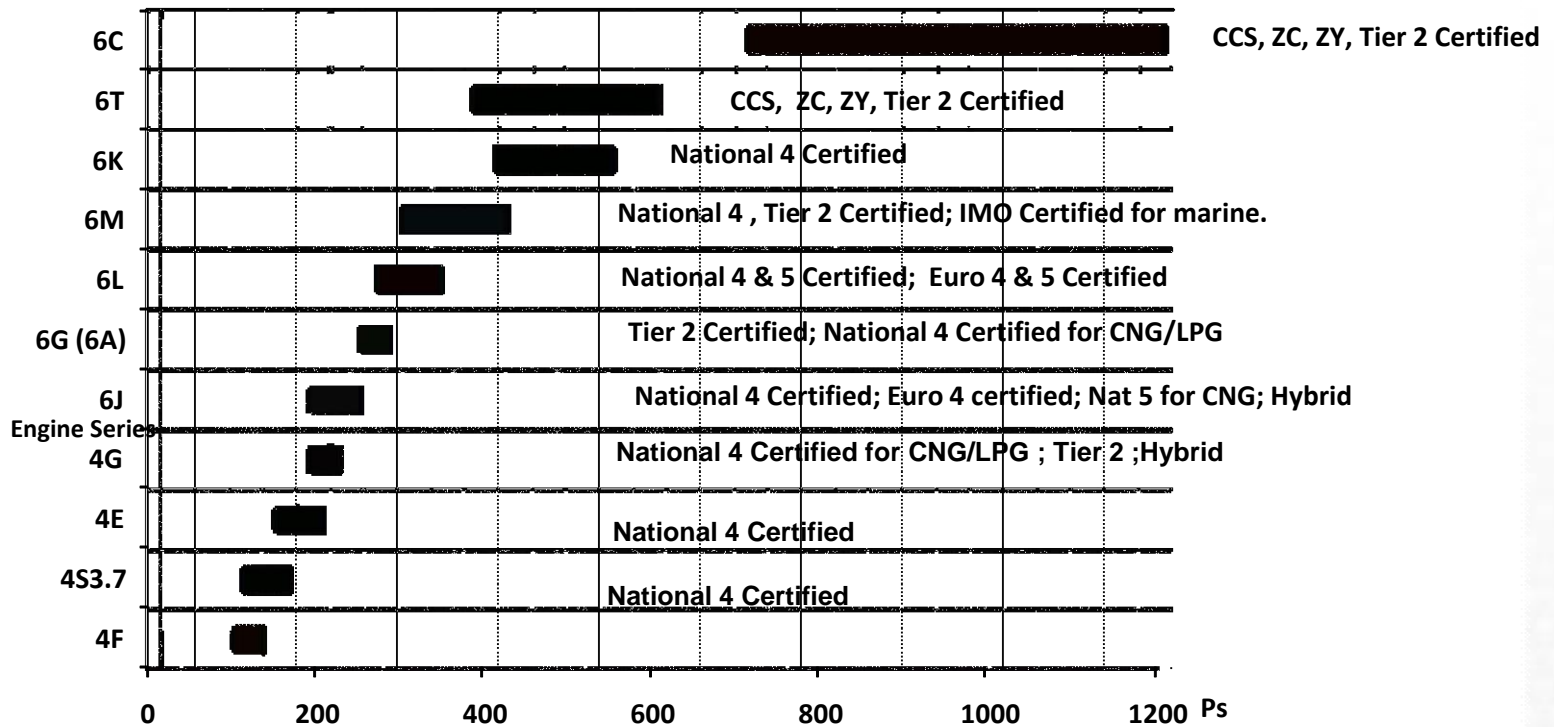


Products





Meeting Stringent Emissions Standards

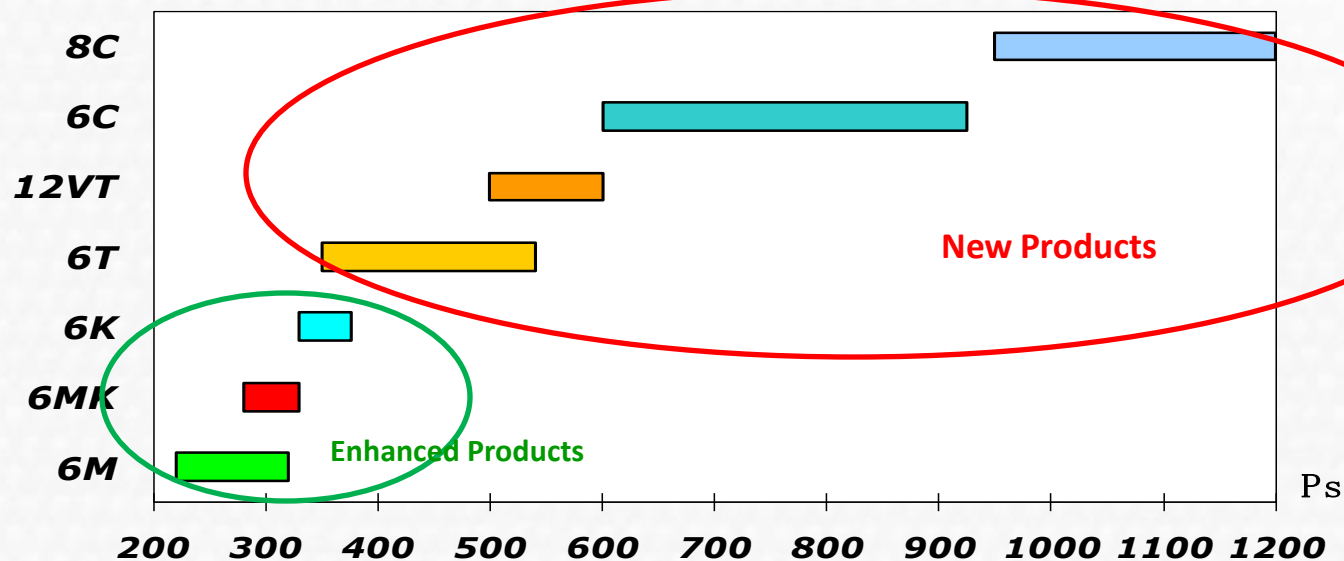


- China National 4 will likely be introduced in January 2012.
- Beijing, Shanghai, Guangzhou and Shenzhen has introduced National 4 emissions standard.



HD Products

New Products
Marine & Power Generators



- New Engine Products up to 53 liters with maximum rating at 1200 Ps (900KW).
- Use of existing engine configuration to extend to other applications.
- 6M, 6MK and 6K are for Heavy Duty Truck applications.



China Distribution Network



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2300 Service Stations in China
32 Regional Sales Center
Customer Service is key to our success.



International Offices



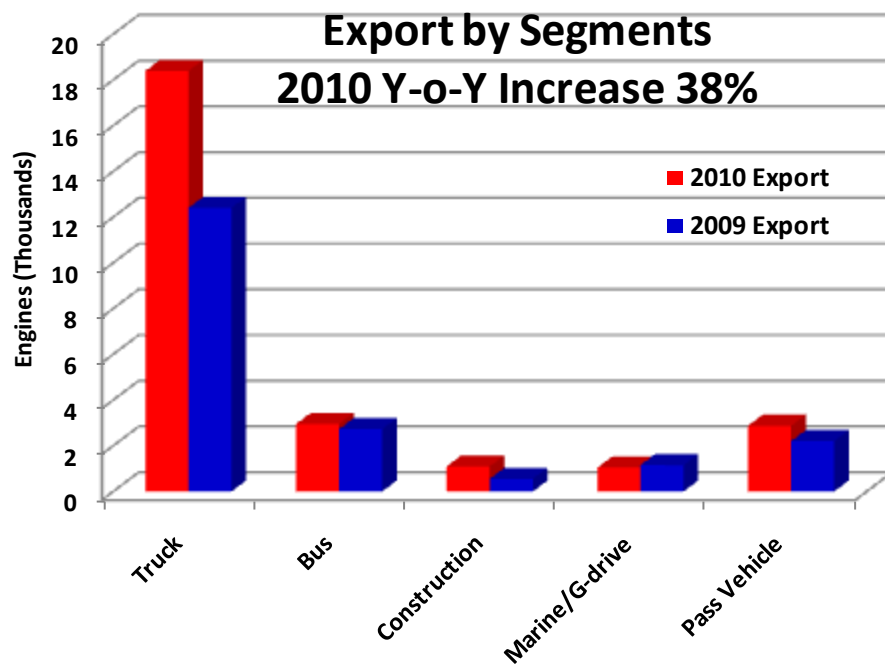
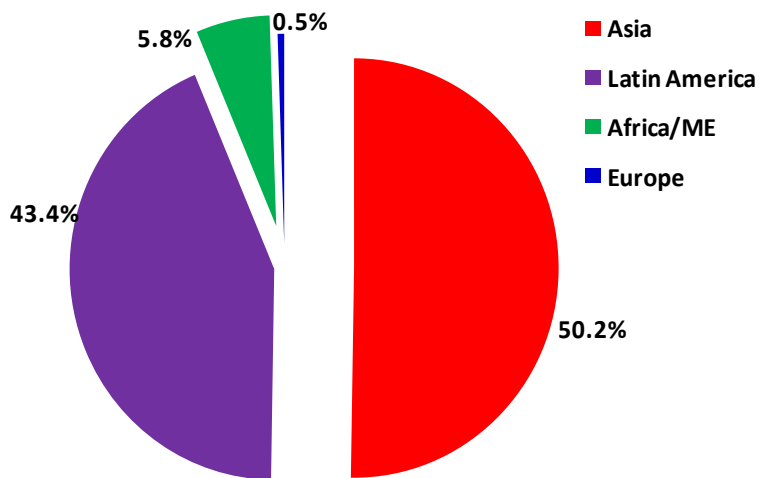
- **Currently, a Total of 13 Yuchai International Offices located internationally to support Sales and Service of Yuchai Products.**



Yuchai Engine Export Market

2010 Regional Sales (Percent)

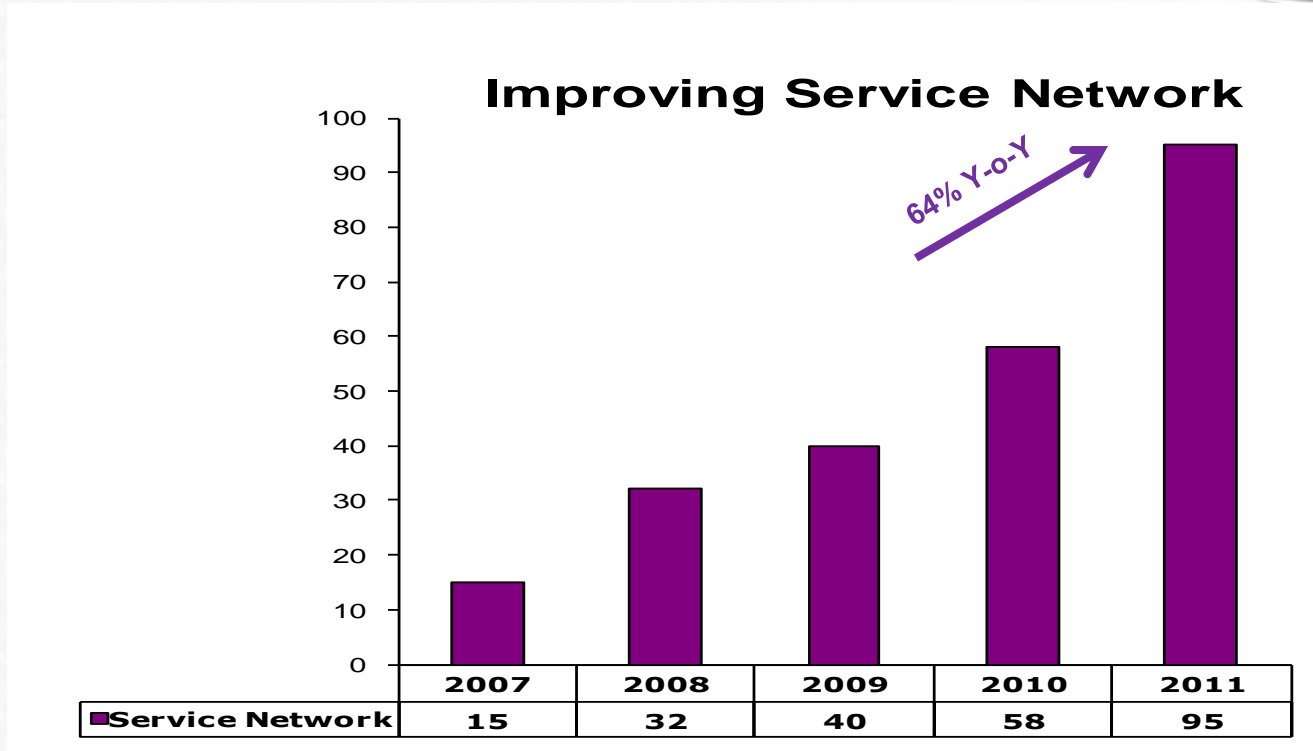
Total Volume: 26,400 units



- Export Volume increase 38% in 2010 Year-on-year.
- Truck engines were the largest export by volume.



International Service Support Network

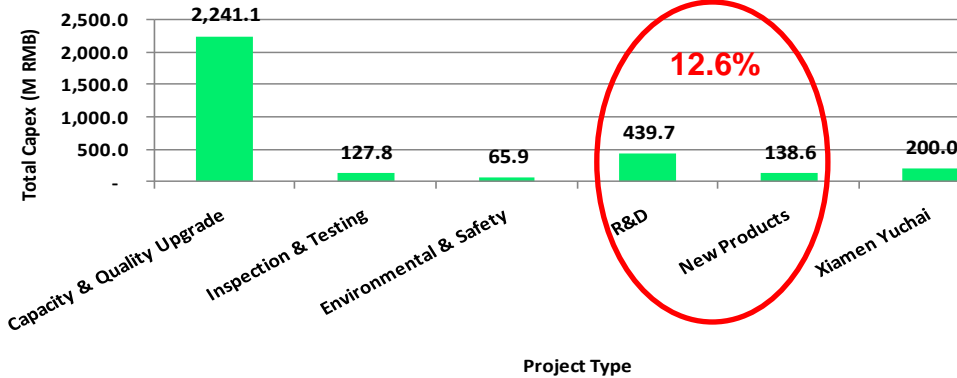


- Yuchai engines are sold to a total of 23 countries with engine population of over 121K units.
- In 2010 there are 58 Service Dealers in 20 countries.
- Service Support is critical to Yuchai Product sales in international markets.

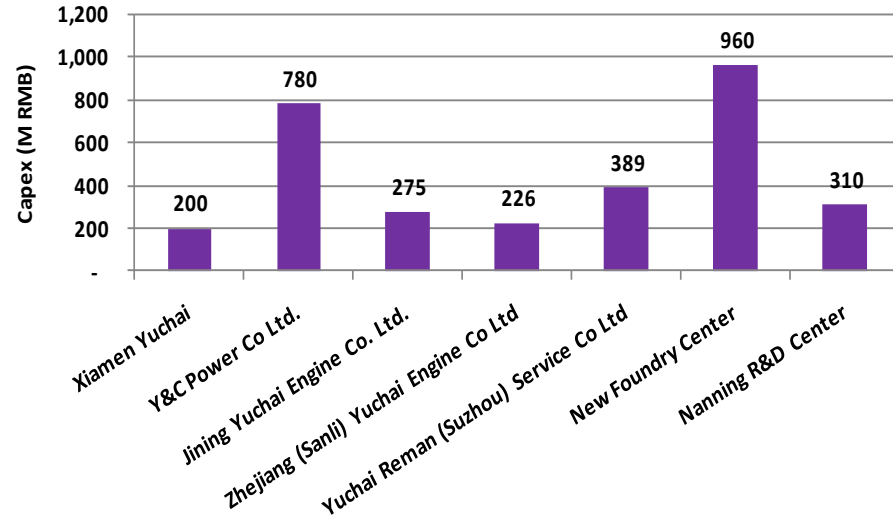


New Products and R&D

Total Internal Capex 2005-2011



Major Projects (M RMB)



- Total Capex for last 6 years: 4.59B RMB
- R&D and New Products: 12.6%
- 2010 R&D and New Products expenses: 2% of total revenue.



Green Technology (1)

- **National 4 & 5 Emissions (Equivalent to Euro IV & V)**
 - **Buses powered by Nat 4 & 5 running in cities like Beijing & Shanghai**
 - **Availability of the low emissions products.**
- **Natural Gas (CNG, LNG) and LPG engines**
 - **Over 1,000 LPG engines powered buses in Guangzhou**
 - **Sold natural gas engines to Beijing, Thailand and Latin America where requirements for low emissions and natural gas are available.**



Green Technology (2) Hybrid Engines



Yuchai engine coupled to Electric Motor Drive



Yuchai hybrid engine in OEM Bus

- **Hybrid engines are available in 4G, 6G and 6J series engines**
- **Tested 150,000 Kms and expected to reduce fuel consumption by 25-30%**



R&D Leadership (1)



- 433 engineers including 22 PhDs and 76 Master Degrees in R&D team
- Total 882 patents including 113 patent for Invention.
- 102 projects related to product development and 61 projects for technical development in 2010.
- Euro IV engines as 4G, 6J and 6L launched in the market
- Euro III engines(4FB) for passenger vehicles available in the market
- R&D expenditure was 2% of total revenue in 2010.
- The first Regenerative Hybrid engine passed the functional testing in FY2009 (first in China), product launch for public bus market in 2010.
- China Classification of Shipping (CCS) authorized product inspection and testing center



R&D Leadership (2)



- Developed YCECU with independent intellectual property rights
- Currently, leading factory with Euro 5 engines production of in China
- Developed China's first diesel engine for passenger cars
- Developed China's first Euro V electronic-controlled diesel engine
- Produced China's first Euro IV emission standard diesel engine
- Created China's first 4-cylinder ISG hybrid bus engine



Improvements and Cost Reductions

Lean Six Sigma

- 33 Six Sigma Projects completed in 2010 with total savings 30M RMB.
- 62 Green belts completed training.
- 3 black belts trained
- 206 employees attended Lean Six Sigma introduction training.
- Launching Lean Six Sigma program for whole organization.

New Foundry

- Material cost savings 5% per block.
- Rejection rate reduced from 2-3% to less than 1.9%.



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Financial Performance

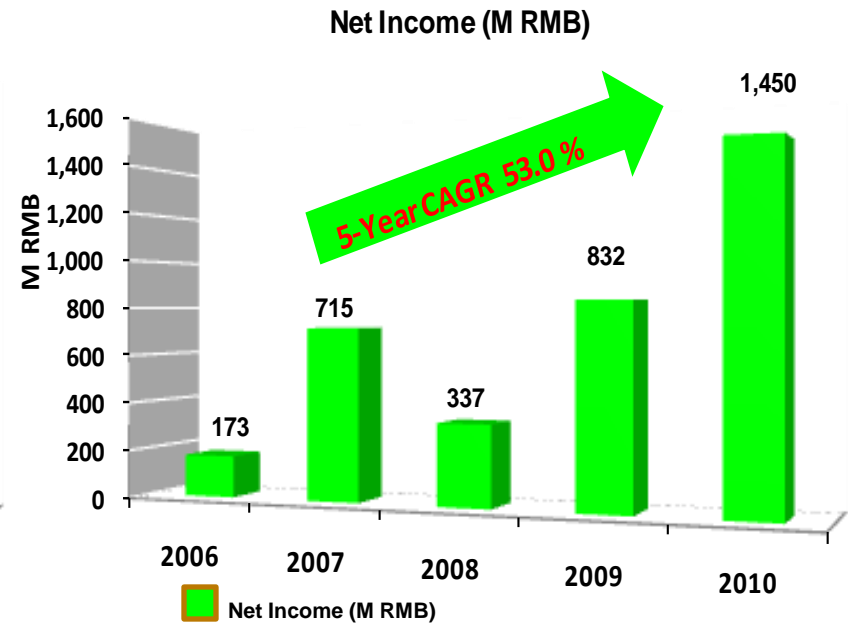
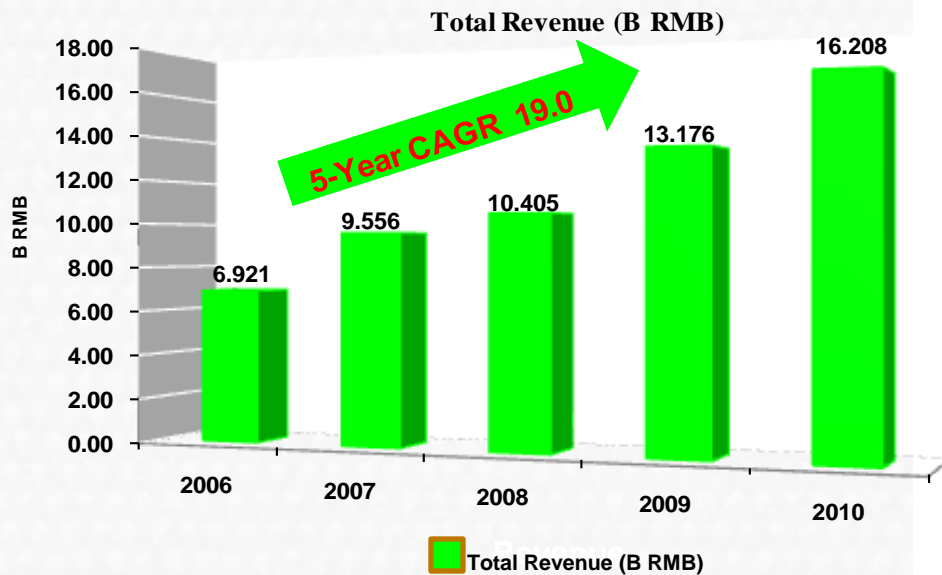
Key Financials

➤ 2010

- Revenue increased 23.0% y-o-y.
- Net Income increased 74.2% y-o-y.
- Gross margin 24.7%, Operating margin 12.0%

➤ 2009

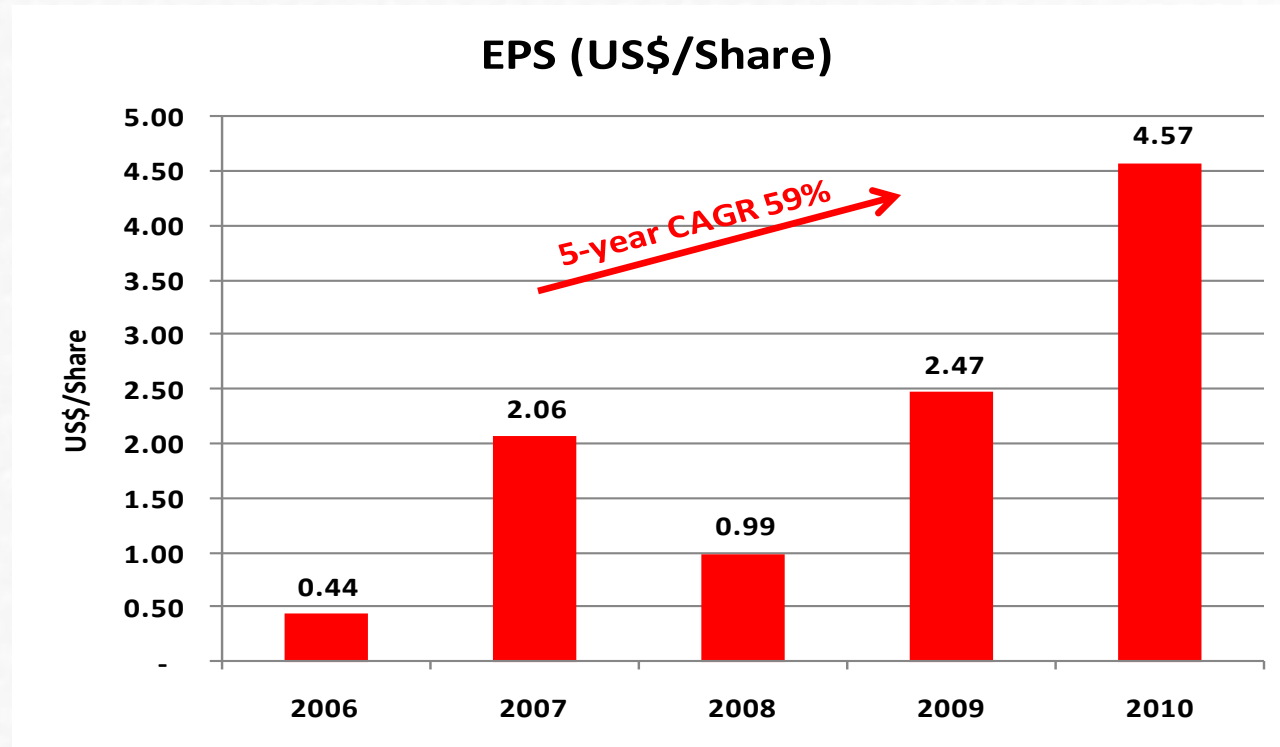
- Gross margin 19.3%, Operating margin 6.5%





Growing Earnings per Share

- Growing Earnings-per-share
 - 2009 US\$ 2.47; 2010 US\$ 4.57 → 85% Increase





Strong Balance Sheet



	<i>RMB FY 08</i>	<i>RMB FY 09</i>	<i>RMB FY 10</i>
<i>Cash & Cash Equivalents</i>	<i>823.7 million</i>	<i>3.7 billion</i>	<i>4.1 billion</i>
<i>Inventories</i>	<i>2.3 billion</i>	<i>2.1 billion</i>	<i>2.6 billion</i>
<i>Accounts receivable</i>	<i>2.5 billion</i>	<i>2.5 billion</i>	<i>3.2 billion</i>
<i>Trade accounts payable</i>	<i>2.6 billion</i>	<i>4.7 billion</i>	<i>5.7 billion</i>
<i>Short-term and long-term borrowing</i>	<i>1.3 billion</i>	<i>1.1 billion</i>	<i>625.4 million</i>



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Moving Forward

- Expand HD Products to improve margins.
- Launch JVs product to support future profitable growth
- Meet stringent emissions across all products.
- Expand construction, marine and power generators markets
- Grow international business
- Great customer service support
- Implement improvements and cost reductions through Lean Six Sigma.
- Finally, maximize our shareholders value



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Key Takeaways

- 2010 Revenue increased 23.0%; Net Income increased 74.2%; Improving product mix with better margins.
- Generate free cash flow and strong balance sheet.
- Leading R&D program in Chinese diesel engine industry
- In-sourcing capability through world-class foundry.
- Good business in emerging markets
- Right strategic focus to grow business
- Execute on growth plans



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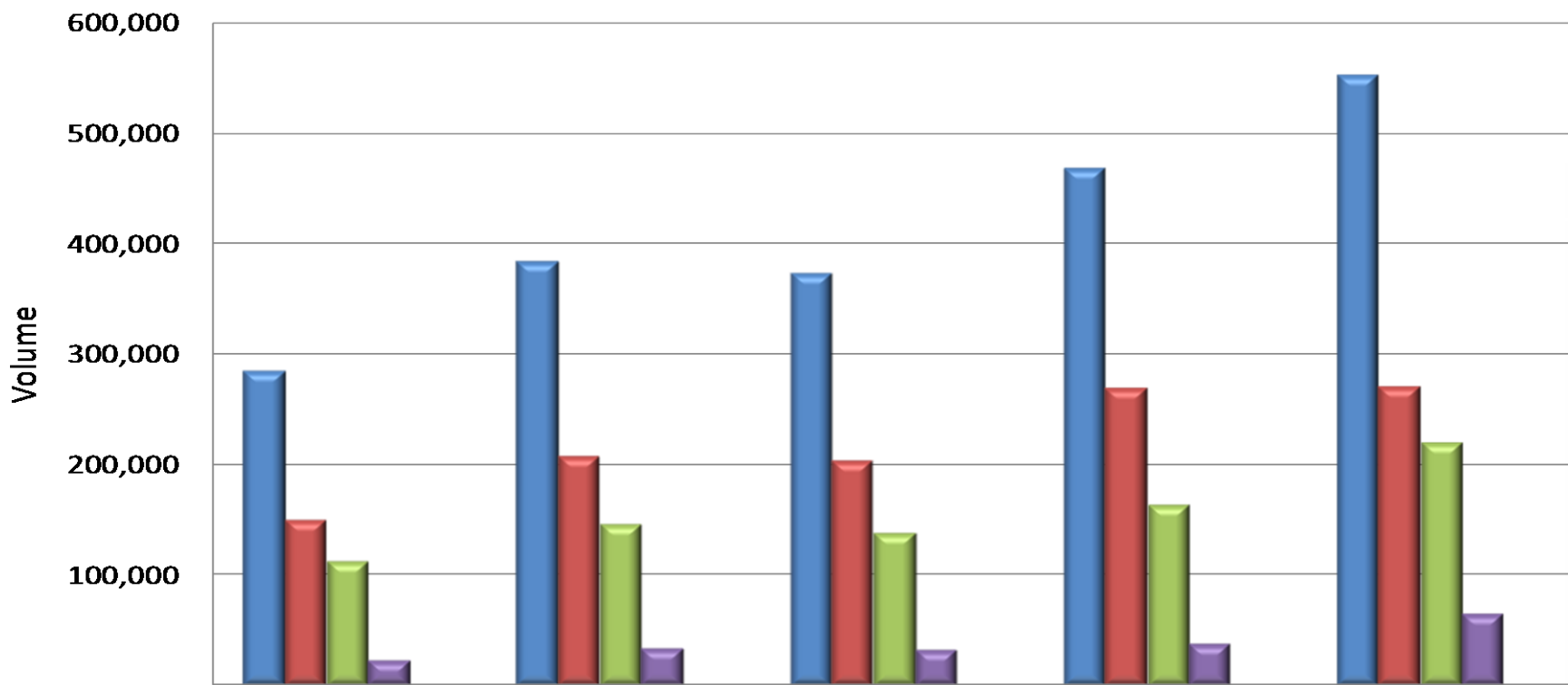
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Unit Sales 2006-2010



Unit Sales from 2006 - 2010

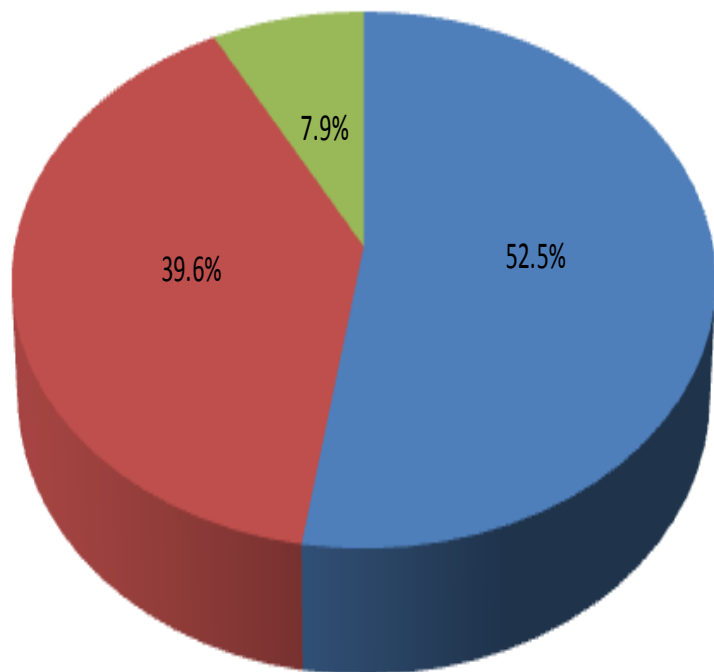


	2006	2007	2008	2009	2010
■ Total	283,583	383,677	372,280	467,899	551,592
■ Light duty engines	148,941	206,558	202,798	268,430	269,031
■ Medium duty engines	112,189	144,815	137,367	162,320	218,344
■ Heavy duty engines	22,330	32,116	31,969	37,094	64,147
■ Others	123	188	146	55	70



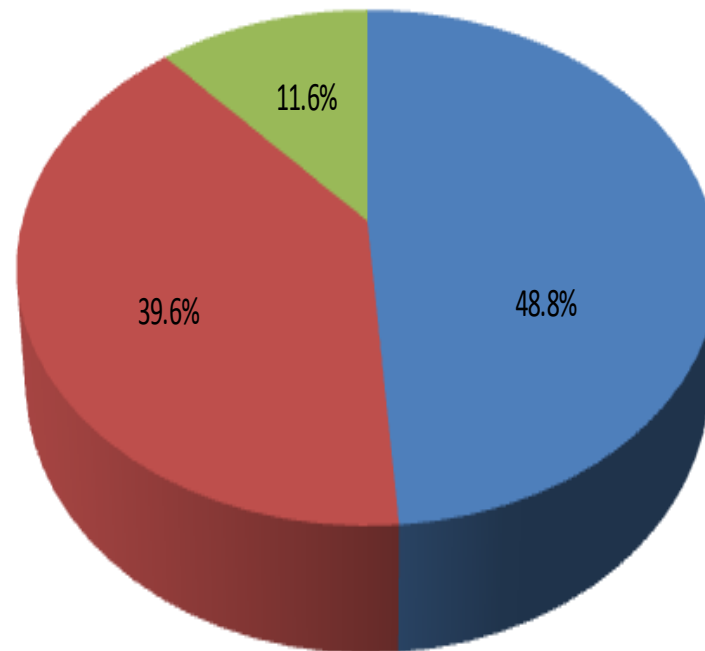
Sales Mix (unit sales)

2006 Sales Mix



■ Light Duty ■ Medium Duty ■ Heavy Duty ■ Others

2010 Sales Mix



■ Light Duty ■ Medium Duty ■ Heavy Duty ■ Others

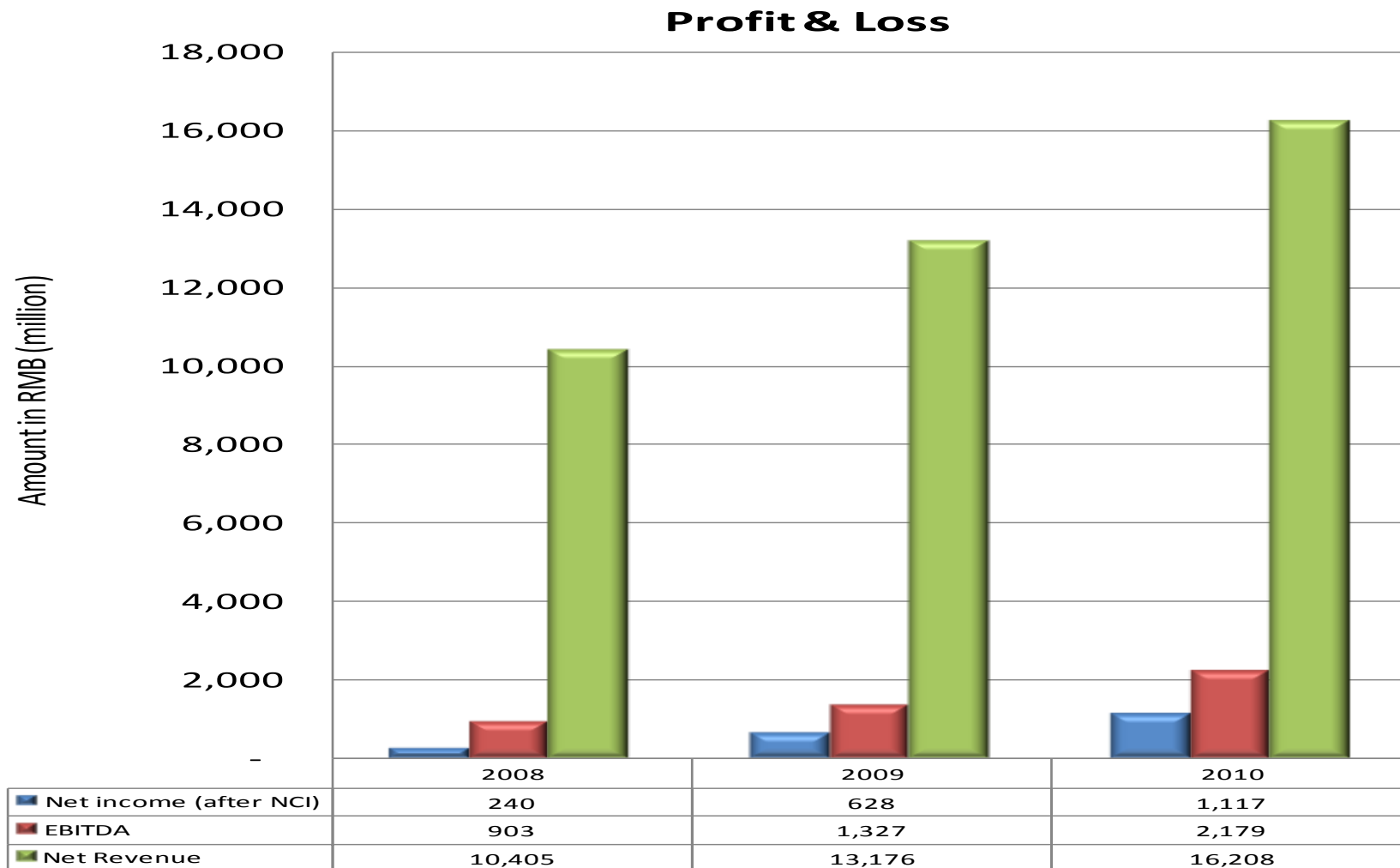


CAGR (2006-2010) – unit sales

Light duty engines	12.6%
Medium duty engines	14.2%
Heavy duty engines	23.5%
Total	14.2%



Profit & Loss 2008-2010

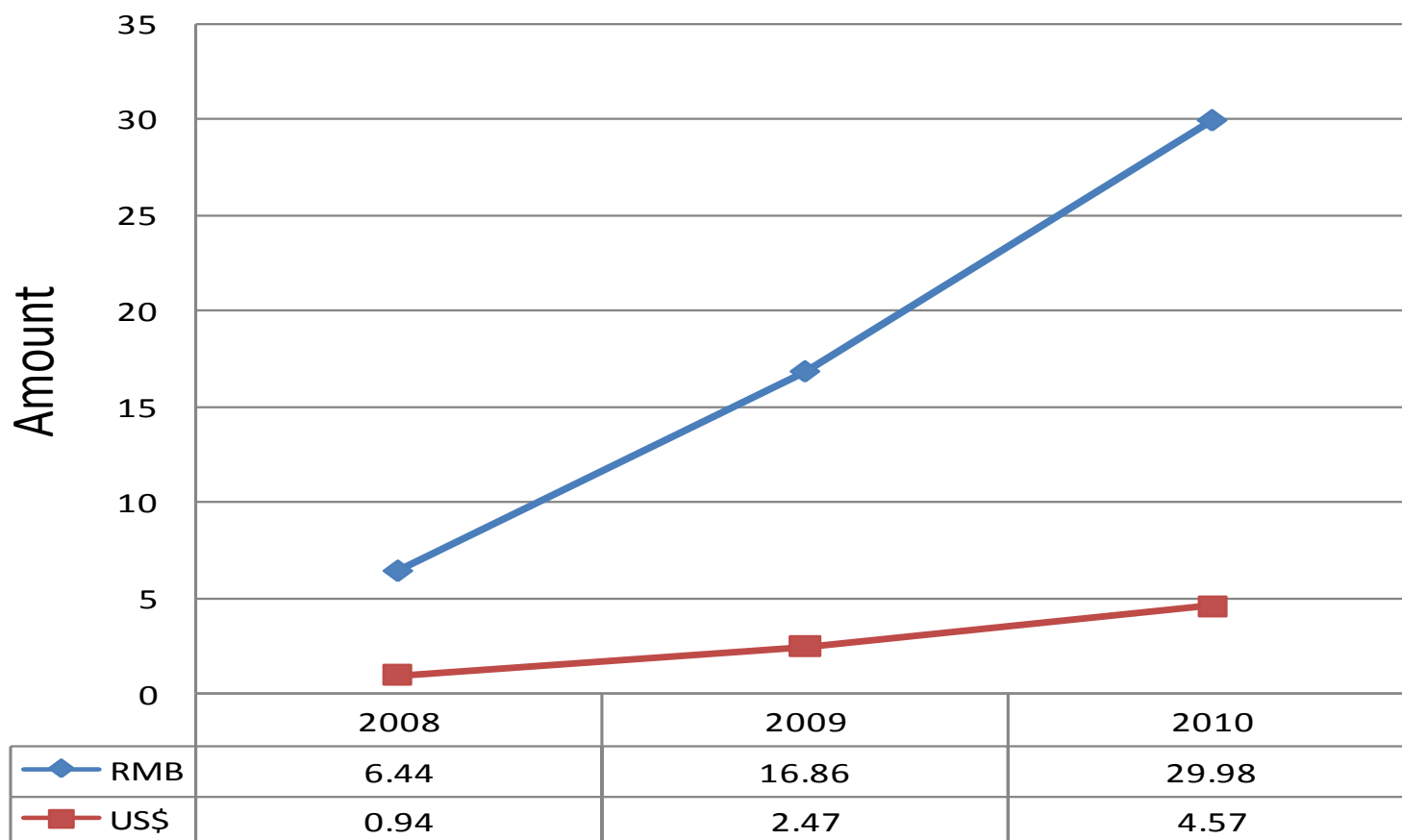




Earnings Per Share 2008-2010



Earnings Per Share 2008 - 2010





CAGR (2008-2010) – P&L

Net income (after NCI)	67.0%
EBITDA	34.1%
Net Revenue	15.9%



P&L (RMB Millions)



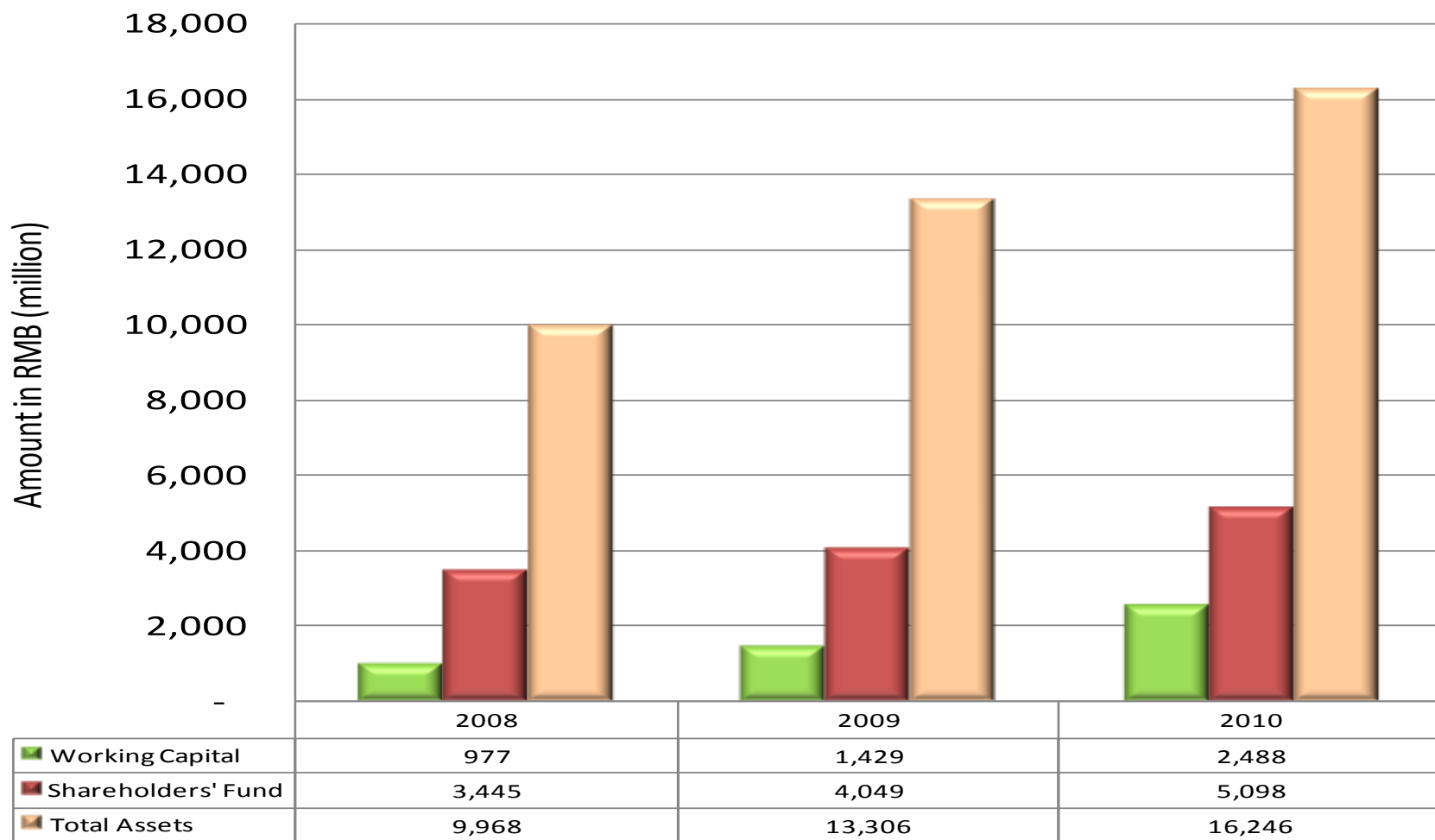
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	FY2009		FY2010	
Revenue, net	13,176	100.0%	16,208	100.0%
Cost of goods sold	10,630	80.7%	12,199	75.3%
Gross profit	2,546	19.3%	4,009	24.7%
Other income	(78)	-0.7%	(88)	-0.5%
Research & development costs	297	2.3%	324	2.0%
Selling, general and administrative expenses	1,472	11.2%	1,823	11.2%
Operating profit	855	6.5%	1,950	12.0%
Finance cost	78	0.6%	130	0.8%
Share of profit of associates	(3)	0.0%	-	0.0%
Share of loss of joint ventures	16	0.1%	55	0.3%
Gain on acquisition of Guangxi Yulin Hotel Company in settlement of past loan	(203)	-1.5%	-	0.0%
Profit before tax from continuing operations	967	7.3%	1,765	10.9%
Income tax expense	148	1.1%	328	2.0%
Profit for the period from continuing operations	819	6.2%	1,437	8.9%
Discontinued operations	(13)	-0.1%	(13)	-0.1%
Profit for the period	832	6.3%	1,450	9.0%
Attributable to:				
Owners of the Parent	628	4.8%	1,117	6.9%
Non-controlling interests	204	1.5%	333	2.1%
	832	6.3%	1,450	9.0%



Balance Sheet 2008-2010

Balance Sheet

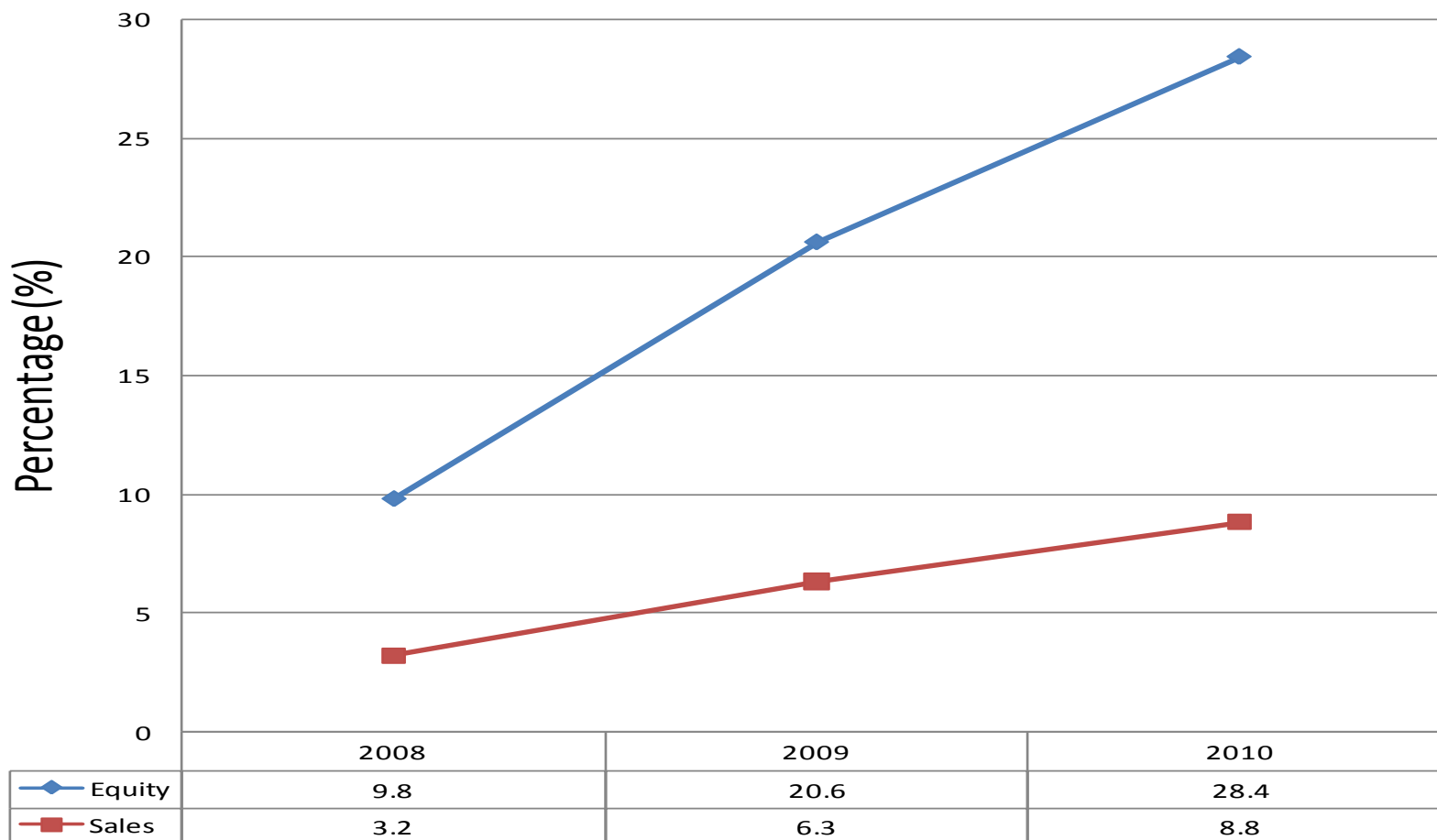




Return on Equity & Sales 2008-2010



Return on Equity & Sales
2008 - 2010





CAGR (2008-2010) – Balance Sheet

Shareholders' fund

14.0%

Total assets

17.7%



Key Balance Sheet items

	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Cash and cash equivalents	824	3,658	4,061
Trade and bills receivable, net	2,538	2,507	4,234
Inventories, net	2,250	2,130	2,633
Current assets	6,135	8,679	11,381
Property, plant and equipments	2,549	2,975	3,276
Total assets	9,968	13,306	16,246
Trade and bills payable	2,619	4,750	5,699
Short-term and long-term interest bearing loans and borrowings	1,325	1,079	625
Equity attributable to owners of the Parent	3,445	4,049	5,098



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Questions

Thank You



Safe Harbor

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China Yuchai International (NYSE: CYD)

Thank You

