

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(RMB AND US\$ AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER SHARE DATA)

6. Investment in joint ventures (cont'd)

Note:

- (i) As of December 31, 2012, the investment in SIEH was presented as "Assets classified as held for sale" and was subsequently disposed of on May 23, 2013 (Note 22).
- (ii) HL Heritage Sdn. Bhd. ("HL Heritage") was incorporated on June 12, 2013 with an initial capital of RM2.00. HLGE will increase its interest in HL Heritage to 60% pursuant to the joint venture agreement entered into with Heritage Hallmark Sdn Bhd ("Heritage Hallmark") on November 2, 2012. HLGE together with Heritage Hallmark have joint control over HL Heritage.
- (iii) On February 8, 2013, Yuchai, pursuant to a joint venture agreement entered into with Guangxi Skylink Software Technology Co., Ltd. ("Guangxi Skylink"), incorporated Guangxi Yineng IOT Science & Technology Co., Ltd. ("Yineng") in Nanning, Guangxi province to design, develop, manage and market an Electronic Operations Management Platform. The registered share capital of Yineng is Rmb 36 million. Yuchai holds 40% and Guangxi Skylink holds the remaining 60% in the joint venture. Yuchai and Guangxi Skylink hold joint control in governing the financial and operating policies of the joint venture.

During the current financial year, the Group recognized an impairment loss of Rmb 10,371 (US\$1,695) (2012: Rmb Nil) in "Share of losses of joint ventures" in line item of profit or loss for the investment in Yuchai Remanufacturing within the Yuchai segment. Cash flows were projected based on historical growth and past experience and did not exceed the estimated long-term average growth rate of the business in China market. The recoverable amount of the investment in Yuchai Remanufacturing was based on its value in use. The Group used an eight-year forecast annual revenue growth rate of 5% to 15% per annum and a discount rate of 8.7%. If the present value of estimated future cash flows decreases by 5% from management's estimate, the Group's impairment loss on investment in Yuchai Remanufacturing will increase by Rmb 1,112 (US\$182).

The Group also recognized an impairment loss of Rmb 21,932 (US\$3,583) (2012: Rmb Nil) in "Share of losses of joint ventures" in line item of profit or loss for the investment in Copthorne Qingdao within the HLGE segment. Cash flows were projected based on historical growth and past experience and did not exceed the estimated long-term average growth rate for the business in China market. The recoverable amount of the investment in Copthorne Qingdao was based on its value in use. The Group used an eleven-year forecast annual revenue growth rate of 3% per annum and a discount rate of 10%. If the present value of estimated future cash flows decreases by 5% from management's estimate, the Group's impairment loss on investment in Copthorne Qingdao will increase by Rmb 6,762 (US\$1,105).

The Group has included in its consolidated financial statements its share of assets and liabilities incurred by the joint ventures and its share of the results of the joint ventures using equity method.