

CHINA YUCHAI INTERNATIONAL LTD

Form 424B2

March 25, 2004

Table of Contents

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-111106

PROSPECTUS

China Yuchai International Limited

9,931,169 Shares

Common Stock

(par value \$0.10 per share)

The selling shareholders named in this prospectus may offer and sell from time to time up to 9,931,169 shares of our common stock. The selling shareholders will receive all of the proceeds from the sale of the shares. We will not receive any of the proceeds from the sale of the shares.

Our common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol CYD. Our selling shareholders plan to offer their shares from time to time depending on market conditions and other factors in one or more transactions on the NYSE, in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at negotiated prices or at fixed prices.

The selling shareholders may offer the shares from time to time in any manner permitted by law, including through underwriters, brokers, dealers or agents, and directly to one or more purchasers. To the extent required, a prospectus supplement will be distributed, which will set forth the number of shares being offered and the terms of the offering, including the names of the selling shareholders and underwriters, any discounts, commissions and other items constituting compensation to underwriters, dealers or agents, the public offering price and any discounts, commissions or concessions allowed or reallocated or paid by underwriters to dealers.

Investing in our common stock involves risks. See Risk Factors beginning on page 1 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 24, 2004.

TABLE OF CONTENTS

THE COMPANY

RISK FACTORS

FORWARD-LOOKING STATEMENTS

USE OF PROCEEDS

SHARE PRICE INFORMATION

CAPITALIZATION

SELLING SHAREHOLDERS

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

WHERE YOU CAN FIND MORE INFORMATION

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

ENFORCEABILITY OF CIVIL LIABILITIES

Table of Contents**TABLE OF CONTENTS****Prospectus**

	Page
THE COMPANY	1
RISK FACTORS	1
FORWARD-LOOKING STATEMENTS	2
USE OF PROCEEDS	2
SHARE PRICE INFORMATION	3
CAPITALIZATION	4
SELLING SHAREHOLDERS	5
PLAN OF DISTRIBUTION	6
LEGAL MATTERS	7
EXPERTS	7
WHERE YOU CAN FIND MORE INFORMATION	8
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	8
ENFORCEABILITY OF CIVIL LIABILITIES	9

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

All references in this prospectus to our, we or us are to China Yuchai International Limited and its consolidated subsidiaries. All references in this prospectus to Yuchai are to Guangxi Yuchai Machinery Company Limited. All references to China in this prospectus are references to The People's Republic of China. Unless otherwise specified, all references in this prospectus to U.S. dollars, dollars, US\$ or \$ are to United States dollars, and all references to Renminbi or Rmb are to Renminbi, which is the legal tender currency of China.

Table of Contents

THE COMPANY

We are a Bermuda holding company established in April 1993 to own a controlling interest in Guangxi Yuchai Machinery Company Limited, or Yuchai, a Sino-foreign joint stock company which primarily manufactures and sells diesel engines in The People's Republic of China. We own, through six wholly owned subsidiaries, 76.4% of the outstanding common shares of Yuchai. Our sole operating asset is our ownership interest in Yuchai, and our only sources of cash flow are our share of dividends, if any, paid by Yuchai and investment interest thereon. We currently are controlled by Hong Leong Asia Ltd., or HLA, a member of the Hong Leong Group, although we may experience a change of control as a result of this offering as described under the caption "Selling Shareholders" below.

Our principal executive office is located at 16 Raffles Quay #26-00, Hong Leong Building, Singapore 048581. Our telephone number is 65-6220-8411.

RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this prospectus, any supplement to this prospectus and the documents incorporated or deemed to be incorporated by reference in this prospectus, before buying securities in this offering. These risks are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations.

The market price for our common stock may be volatile.

In recent periods, there has been volatility in the market price for our common stock. The market price could fluctuate substantially in the future in response to a number of factors, including the following:

our interim operating results;

the public's reaction to our press releases and announcements and our filings with the Securities and Exchange Commission (or SEC);

changes in financial estimates or recommendations by stock market analysts regarding us, our competitors or other companies that investors may deem comparable;

operating and stock price performance of our competitors or other companies that investors may deem comparable;

changes in general economic conditions;

the announcement by us or our competitors of a significant acquisition; and

increases in labor and other costs.

Recent market activity of our stock price on the New York Stock Exchange has been unpredictable. During the 12-month period ended February 29, 2004, our share price has ranged from US\$5.07 to US\$37.24. See "Share Price Information" below. During the same period, the average daily trading volume per month for our shares has ranged from 60,771 shares to 4,111,878 shares. We cannot assure you that the recent increased trading price and volume for our shares will be sustained. In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These broad market fluctuations may materially adversely affect our stock price.

Future sales of our common stock in the public market could materially adversely affect the price of our common stock.

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could materially adversely affect prevailing market prices of our common stock. All of the

Table of Contents

shares sold in this offering will be freely tradable, other than those shares sold in this offering to any of our affiliates.

We may experience a change of control as a result of this offering.

We currently are controlled by Hong Leong Asia Ltd., or HLA, a member of the Hong Leong Group. HLA is the parent company of HL Technology Systems Pte Ltd, or HLT, which owns 7,831,169 shares of our common stock, as well as our special share, which entitles HLA through HLT to select a majority of our board of directors and to veto shareholder resolutions. If HLT reduces its shareholding to less than 7,290,000 shares of our common stock as a result of this offering, the special share held by HLT will cease to carry any rights, and HLA may as a result cease to have control over us.

We believe that our only other significant shareholder is Coomber Investments Limited, or Coomber, which is also registering shares for sale in this offering. If HLT sells all of the shares being registered for sale by HLT in this offering, HLT will cease to own any of our shares and we have been advised that Coomber is expected to continue to own beneficially approximately 24.3% of our shares. No other shareholder has reported current beneficial ownership of 5% or more of our shares of common stock. As a result, at this time we cannot determine what control arrangements will arise as a result of this offering, or assess what effect those control arrangements may have, if any, on our business, results of operations, financial condition, prospects or share price.

Our business is subject to various risks, which may materially adversely affect our business, results of operations, financial condition and prospects.

For a description of principal risk factors associated with our business, refer to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002. The risk factors described in that annual report, and in the other documents referred to below under the caption Incorporation of Certain Documents by Reference , are incorporated by reference in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates statements that are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. These statements can be identified by the use of forward-looking language such as will likely result , may , are expected to , is anticipated , estimate , projected , intends to , or other similar terms. Our actual results, performance or achievements could be significantly different from the results expressed in or implied by these forward-looking statements.

These statements are subject to certain risks and uncertainties, including but not limited to certain risks described in this prospectus or the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks, uncertainties and other cautionary statements made in this prospectus. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should refer to our periodic and current reports filed with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are discussed under the heading Risk Factors above and elsewhere in this prospectus.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of common stock by the selling shareholders.

Table of Contents**SHARE PRICE INFORMATION**

The high and low sales prices for shares of our common stock on the NYSE for the periods indicated during 2003 and 2004 were as follows:

Period	High	Low
	US\$	US\$
January 2003	5.05	4.45
February 2003	5.23	4.72
March 2003	7.10	5.10
First Quarter 2003	7.10	4.45
April 2003	7.95	5.90
May 2003	6.80	5.80
June 2003	8.88	6.19
Second Quarter 2003	9.20	5.60
July 2003	8.35	6.60
August 2003	17.50	8.09
September 2003	19.03	15.36
Third Quarter 2003	19.30	6.59
October 2003	31.21	17.42
November 2003	36.45	25.56
December 2003	32.25	27.57
Fourth Quarter 2003	37.24	17.00
January 2004	32.22	21.80
February 2004	22.50	19.27
March 2004 (through March 10)	22.75	20.11

Table of Contents**CAPITALIZATION**

The following table sets forth our unaudited consolidated cash and cash equivalents and capitalization as of January 31, 2004.

	As of January 31, 2004	
	Rmb	US\$(1)
	Unaudited (in thousands, except number of shares authorized and outstanding)	
Cash and cash equivalents	271,744	32,831
Short-term and long-term bank borrowings	290,000	35,037
Stockholders' equity:		
Common stock	30,349	3,667
Ordinary shares US\$0.10 par value; authorized 100,000,000 shares; issued and outstanding 35,340,000 shares at January 31, 2004		
Special share US\$0.10 par value; authorized 1 share; issued and outstanding 1 share at January 31, 2004		
Contributed surplus	1,486,934	179,646
Statutory general reserve(2)	232,285	28,064
Retained earnings	256,024	30,932
 Total stockholders' equity(3)(4)(5)(6)	 2,005,592	 242,309

- (1) Solely for the convenience of the reader, translation of amounts from Renminbi to U.S. dollars has been made at the rate of Rmb 8.2770 = US\$1.00, the rate quoted by the People's Bank of China on January 31, 2004. No representation is made that the Renminbi amounts could have been, or could be, converted into U.S. dollars at that rate or at any other rate.
- (2) Yuchai and its subsidiaries follow accounting principles and relevant financial regulations applicable to joint stock companies as promulgated by the Ministry of Finance of the People's Republic of China (Chinese GAAP) in the preparation of their accounting records and Chinese GAAP statutory financial statements. Chinese GAAP requires Yuchai and its subsidiaries to provide for certain statutory reserves which are designated for specific purposes. Such reserves are not distributable in the form of cash dividends. Article 177 of the Company Law of China requires companies to allocate 10% of their annual net income to their statutory general reserve and 5% to 10% to their statutory public welfare fund. Yuchai and its subsidiaries made total appropriations of 15% of its net income to the statutory reserves for the one month period ended January 31, 2004. For the purpose of calculating the transfers to reserves, net income is determined based on distributable profit reported in the Chinese GAAP financial statements.
- (3) In 2002, our sole operating subsidiary, Yuchai, was involved in legal proceedings instituted by the Yulin Road Bureau against Yuchai and Nanning Hengji Company, an unrelated third party. In these proceedings, the Yulin Road Bureau has sought payment of Rmb 7,259,000 from Yuchai and Nanning Hengji Company, as the construction cost of a road built by Yulin Road Bureau near Yuchai's factory. At trial, a Yulin court ordered Yuchai and Nanning Hengji Company to pay Rmb 4,595,000 to the Yulin Road Bureau. Yuchai has appealed this decision to a Guangxi court, and Yuchai has won this appeal. The Yulin Road Bureau has subsequently applied for a further appeal, which if granted would result in a re-trial. We had previously made a provision of Rmb 4,595,000 for these proceedings, which has not been reversed, pending the final outcome of these proceedings. We do not believe these proceedings will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.
- (4) Yuchai has been involved in legal proceedings instituted by a contractor arising from an EPC contract for the construction of Yuchai's 6112 diesel engine facility. The contractor had claimed a total of Rmb 5,493,394 from a Yulin government works department and Yuchai as co-defendants. At trial, a Yulin court dismissed all claims against Yuchai, however the contractor has appealed this decision. A re-trial is

expected, but the date

Table of Contents

of the re-trial has not been established. While Yuchai has been advised by PRC counsel that Yuchai's likelihood of prevailing in these proceedings is high, Yuchai has proceeded to make a provision for this claim of Rmb 4,023,000 in its 2003 financial statements. We do not believe that these proceedings will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

- (5) In 2003, the Bank of China initiated legal proceedings to recover Rmb 6,602,853 from Yuchai based on an irrevocable letter of guarantee issued by Yuchai to the Bank of China in 1993 to secure a loan of US\$550,000 to a Yuchai affiliate. At trial, a Yulin court ruled that if the borrower could not repay the loan, Yuchai would be liable to the Bank of China. Yuchai subsequently appealed, but lost the appeal. In January 2004, Guangxi Yuchai Machinery Holding Company, or the State Holding Company, which is a 22.1% shareholder of Yuchai, issued a letter of commitment confirming that it would reimburse Yuchai in the event that Yuchai was required to pay on this guarantee. On the basis of this letter of commitment, and based on the advice of PRC counsel, Yuchai has not made any provision for this claim, and we do not believe that the Bank of China's claim against Yuchai will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.
- (6) We are involved in various other claims and legal actions arising in the ordinary course of business. We do not believe the ultimate disposition of these matters will have a material adverse effect on our consolidated financial positions, results of operations, or liquidity.

SELLING SHAREHOLDERS

All of the shares offered by this prospectus are beneficially owned by the selling shareholders named below. The following table sets forth information, as of March 10, 2004, about the selling shareholders and their beneficial ownership of our shares. The selling shareholders may sell all, some or none of the shares of common stock being offered. The information in the table is based upon our review of public filings and information provided by or on behalf of the selling shareholders.

Name	Beneficial Ownership Prior to the Offering(1)		Anticipated Shares Being Offered		Beneficial Ownership After Offer and Sale(2)	
	Number of Shares	Percent	Number of Shares	Percent	Number of Shares	Percent
HL Technology Systems Pte Ltd(3) 16 Raffles Quay #26-00 Hong Leong Building Singapore 048581	7,831,169	22.2%	7,831,169	22.2%	0	0%
Coomber Investments Limited(4) Flat E, 21/F, Ka On Bldg. 8-14 Connaught Rd West Hong Kong	8,601,550	24.3%(5)	2,100,000	5.9%	6,501,550	18.4%(5)

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Ownership percentage is based on 35,340,000 shares of our common stock outstanding as of March 10, 2004.
- (2) Assumes the sale of all shares of common stock offered herein.
- (3) Based on Amendment No. 6 to the Schedule 13D filed by HLA and others with the SEC on December 1, 2003, HL Technology Systems Pte Ltd, or HLT, is an indirect wholly owned subsidiary of HLA. Accordingly, HLA has beneficial ownership of the 7,831,169 shares of our common stock offered herein.
- (4) Based on Amendment No. 4 to the Schedule 13D filed by Coomber and others with the SEC on December 23, 2003, Coomber is a wholly owned subsidiary of Goldman Industrial Ltd, which is indirectly owned and controlled by Yulin City Municipal Government, or Yulin City Government, in Guangxi Zhuang Autonomous Region, PRC. Accordingly, the Yulin City Government is the ultimate beneficial owner of the 8,601,550 shares of our common stock held of record by Coomber.
- (5) Coomber has advised us of the following information. Coomber has entered into forward sale agreements with a financial institution as a counterparty, with respect to a total of 1,900,000 shares of our common stock.

Table of Contents

On the respective settlement dates of these forward sales agreements, Coomber will have the option to settle the forward sales by delivery of cash or common stock. The counterparty may borrow the pledged shares from Coomber in connection with that party's hedging of its exposure under the forward sale arrangements. Coomber will temporarily cease to have voting rights with respect to any common stock borrowed by the counterparty but will reacquire such voting rights when the counterparty returns the borrowed shares to Coomber. In the event Coomber elects to settle the forward sale agreement or agreements entirely by delivering shares of our common stock, its beneficial ownership of our common stock could, depending on the number of shares of our common stock delivered, decrease to 6,701,550 shares, or approximately 19% of our common stock (without taking into account any sales made pursuant to this prospectus), or to 4,601,550 shares, or approximately 13% of our common stock, if it sells 2,100,000 shares pursuant to this prospectus.

In addition to the 7,831,169 shares of our common stock beneficially owned by it, HLA also controls one special share through HLT. Our special share entitles HLA to select a majority of our board of directors and to veto shareholder resolutions. Our bye-laws provide that our special share shall cease to carry any rights in the event that HLA and its affiliates cease to own, directly or indirectly, at least 7,290,000 shares of our common stock. If 541,169 or more of the shares offered by this prospectus are sold by HLT, HLA will cease to hold the special share and may as a result cease to have control over us.

Pursuant to a shareholders agreement dated November 9, 1994, HLA is entitled to designate six of our directors. HLA has designated Messrs. Wrixon Frank Gasteen, Gan Khai Choon, Gao Jia Lin, Kwek Leng Peck, Philip Ting Sii Tien and Wong Hong Ren as its directors. For 2002, HLA charged Yuchai a management fee of US\$500,000 for management services, including the services of our President and Chairman and our Chief Financial Officer, each of whom are employees of HLA.

In addition to beneficially owning 24.3% of our common stock, the Yulin City Government also beneficially owns, through the State Holding Company, approximately 22.1% of the shares of our sole operating subsidiary, Yuchai. This gives the Yulin City Government an effective indirect equity interest of approximately 40.7% of Yuchai. Mr. Wang Jianming is the Chairman, legal representative and Chief Executive Officer of Yuchai, as well as the Chairman and legal representative of the State Holding Company.

For a description of other material relationships between the selling shareholders and us or any of our predecessors or our affiliates during the last three years, see our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 and the audited financial statements and related notes thereto included therein.

PLAN OF DISTRIBUTION

Our selling shareholders have advised us that they plan to offer their shares from time to time depending on market conditions and other factors in one or more transactions on the NYSE, in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at negotiated prices or at fixed prices. The shares may be offered from time to time in any manner permitted by law, including through underwriters, brokers, dealers or agents, and directly to one or more purchasers. Sales of the shares may involve (a) sales to underwriters who will acquire shares for their own account and resell them in one or more transactions at fixed prices or at varying prices determined at the time of sale, (b) a block transaction in which the broker or dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction, (c) purchases by a broker or dealer as principal and resale by such broker or dealer for its account, (d) an exchange distribution in accordance with the rules of any such exchange, and (e) ordinary brokerage transactions and transactions in which a broker receives concessions or commissions. In addition, the selling shareholders may sell any shares that qualify for sale pursuant to Rule 144 under that Rule rather than pursuant to this prospectus.

In the event a selling shareholder engages an underwriter (or an entity deemed to be acting as an underwriter) in connection with the sale or other distribution of the shares, to the extent required, a prospectus supplement will be distributed, which will set forth the number of shares being offered and the terms of the offering, including the names of the selling shareholders and underwriters, any discounts, commissions and other

Table of Contents

items constituting compensation to underwriters, dealers or agents, the public offering price and any discounts, commissions or concessions allowed or reallocated or paid by underwriters to dealers.

Brokers, dealers and underwriters that participate in the distribution of the shares may be deemed to be underwriters under the Securities Act, and any discounts or commissions received by them from the selling shareholders and any profit on the resales of shares by them may be deemed to be underwriting discounts and commissions under the Securities Act. Each selling shareholder may be deemed to be an underwriter under the Securities Act.

In addition, the selling shareholders may from time to time sell shares in transactions under Rule 144 promulgated under the Securities Act.

The selling shareholders will pay all applicable stock transfer taxes, brokerage commissions, underwriting discounts or commissions and the fees of selling shareholders' counsel, but we will bear all other expenses in connection with the offering made hereunder. Pursuant to the Registration Rights Agreement entered into between us and the selling shareholders in 1994, we have agreed to indemnify the selling shareholders and underwriters of the selling shareholders against certain liabilities, including certain liabilities under the Securities Act, in connection with the registration and the offering and sale of the shares. These liabilities generally include losses suffered by the selling shareholders and their underwriters arising from untrue statements or omissions of material facts, subject to certain limitations and exclusions, included in this prospectus and in the related registration statement.

The following table sets forth all of the fees and expenses payable in connection with the distribution of the shares being registered under the registration statement of which this prospectus is a part. All such fees and expenses will be paid by us. All the amounts shown are estimates, except for the SEC registration fee.

SEC registration fee	\$ 28,016
Printing expenses	25,000
Legal fees and expenses	75,000
Accounting fees and expenses	53,000
Miscellaneous	8,984
	<hr/>
Total	\$ 190,000
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We have advised the selling shareholders that they are required to comply with Regulation M promulgated under the Exchange Act during such time as they may be engaged in a distribution of the common stock offered hereby. With some exceptions, Regulation M precludes the selling shareholders, any affiliated purchasers and any broker-dealer or other person who participates in such distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security that is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of the common stock.

LEGAL MATTERS

The validity of the shares offered hereby is being passed upon for us by our Bermuda counsel, Conyers, Dill & Pearman, Hamilton, Bermuda. Our Chinese counsel is Jingtian & Gongcheng, Beijing, China.

EXPERTS

Our consolidated financial statements as of December 31, 2002 and 2001 and for each of the years in the three-year period ended December 31, 2002 have been incorporated by reference herein in reliance upon the report of KPMG, independent certified public accountants, and upon the authority of said firm as experts in accounting and auditing.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Reports and other information we file with the SEC can be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file reports and other information with the SEC electronically.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents which we have filed or furnished, as applicable, with the SEC pursuant to the Exchange Act are hereby incorporated by reference in, and shall be deemed a part of, this prospectus:

- (a) The description of our Common Stock incorporated by reference into our Registration Statement on Form 8-A (File No. 1-13522) filed with the SEC on December 9, 1994 from our Registration Statement on Form F-1 (File No. 33-86162) filed with the SEC on November 9, 1994, including any amendment or reports filed for the purpose of updating such description;
- (b) Our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 filed with the SEC on July 15, 2003;
- (c) Our Current Report on Form 6-K furnished to the SEC on August 4, 2003;
- (d) Our Current Report on Form 6-K furnished to the SEC on August 8, 2003;
- (e) Our Current Report on Form 6-K furnished to the SEC on August 26, 2003;
- (f) Our Current Report on Form 6-K furnished to the SEC on September 5, 2003;
- (g) Our Current Report on Form 6-K furnished to the SEC on September 29, 2003;
- (h) Our Current Report on Form 6-K furnished to the SEC on November 12, 2003;
- (i) Our Current Report on Form 6-K furnished to the SEC on January 14, 2004;
- (j) Our Current Report on Form 6-K furnished to the SEC on February 13, 2004; and
- (k) Our Current Report on Form 6-K furnished to the SEC on February 27, 2004.

In addition, all reports on Form 20-F which we file with the SEC and, to the extent, if any, designated therein, certain reports on Form 6-K which we furnish to the SEC after the date of this prospectus and prior to the termination of the offering of the shares offered hereby, shall be deemed to be incorporated by reference in this prospectus from the date of filing or furnishing of such documents or reports, to the extent not superseded by documents or reports subsequently filed or furnished.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference (other than certain exhibits to such documents). Any request should be directed to China Yuchai International Limited, Investor Relations, 16 Raffles Quay #26-00, Hong Leong Building, Singapore 048581 (telephone number: +65-6220-8411).

Any statement contained herein, in any supplement hereto or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, in any supplement hereto or in any subsequently filed documents which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this

prospectus or any supplement hereto.

Table of Contents

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Bermuda holding company and all or a substantial portion of our assets are located outside the United States. It may be difficult for investors to enforce outside the United States judgments against us obtained in the United States, including judgments based upon the civil liability provisions of the securities laws of the United States.

In addition, certain of our directors and officers are nationals or residents of countries outside of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to enforce against them judgments obtained in United States courts, including judgments based on the civil liability provisions of the securities laws of the United States.

We have been advised by our Bermuda counsel, Conyers, Dill & Pearman, and our Chinese counsel, Jingtian & Gongcheng, that there is uncertainty as to whether the courts of Bermuda or China would enforce (1) judgments of United States courts obtained against us or the directors and officers described above based on the civil liability provisions of the securities laws of the United States or (2) in original actions brought in Bermuda or China, liabilities against us or the directors and officers described above based on the securities laws of the United States.

Table of Contents

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International Limited**

9,931,169 Shares

Common Stock

(par value \$0.10 per share)

PROSPECTUS
