



第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED

(A joint stock limited company incorporated in the People's
Republic of China with limited liability)
(Stock Code : 0038)

2014

INTERIM REPORT



The board (the “**Board**”) of directors (the “**Directors**”) of First Tractor Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2014 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2013. The condensed consolidated interim financial statements herein are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

The Board does not recommend payment of interim dividend for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 June 2014*

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
		RMB'000	and restated)
<i>Note</i>		RMB'000	<i>RMB'000</i>
Revenue	6, 7	5,473,576	6,634,407
Cost of sales		(4,527,456)	(5,648,591)
Gross profit		946,120	985,816
Other income and gains	7	57,558	40,268
Selling and distribution costs		(260,484)	(228,613)
Administrative expenses		(480,576)	(452,938)
Other operating expenses, net		(70,740)	(59,694)
Finance costs	8	(57,046)	(29,485)
Share of profits of associates		211	527
Profit before income tax	6, 9	135,043	255,881
Income tax expense	10	(23,865)	(52,517)
Profit for the period		111,178	203,364

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

For the six months ended 30 June 2014

	For the six months ended 30 June	
Note	2014 (Unaudited) RMB'000	2013 (Unaudited) and restated RMB'000
Other comprehensive income/ (expense), net of tax:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	2,390	(9,828)
Fair value loss on available-for-sale financial assets	(401)	(6,958)
	<hr/> 1,989 <hr/>	<hr/> (16,786) <hr/>
Other comprehensive income/ (expense) for the period	<hr/> 1,989 <hr/>	<hr/> (16,786) <hr/>
Total comprehensive income for the period	<hr/> 113,167 <hr/> <hr/>	<hr/> 186,578 <hr/> <hr/>
Profit for the period attributable to:		
Owners of the Company	112,428	186,234
Non-controlling interests	(1,250)	17,130
	<hr/> 111,178 <hr/> <hr/>	<hr/> 203,364 <hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(CONTINUED)*

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
		RMB'000	and restated)
<i>Note</i>			<i>RMB'000</i>
	Total comprehensive income for the period attributable to:		
	Owners of the Company	114,602	171,086
	Non-controlling interests	(1,435)	15,492
		113,167	186,578
	Dividends	—	—
	Earnings per share attributable to owners of the Company		
	Basic and diluted	RMB11.29 cents	RMB18.70 cents

The notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014	31 December 2013
		(Unaudited) RMB'000	(Unaudited and restated) RMB'000
	Note		
Non-current assets			
Property, plant and equipment	13	3,204,165	3,110,325
Investment properties		30,485	31,160
Prepaid operating leases	14	850,760	863,294
Intangible assets		66,590	64,962
Interests in associates		9,396	9,185
Available-for-sale financial assets		134,749	137,581
Loan receivables	15	5,897	15,360
Deferred income tax assets		84,259	76,350
		<hr/>	<hr/>
Total non-current assets		4,386,301	4,308,217
Current assets			
Inventories		1,512,821	1,766,268
Trade and bill receivables	16	2,456,084	2,337,387
Loan receivables	15	928,628	709,963
Prepayments, deposits and other receivables	17	672,146	701,415
Income tax recoverable		10,591	11,099
Financial assets at fair value through profit or loss		328,368	359,095
Held-to-maturity financial assets		864,916	25,602
Pledged bank deposits	18	355,296	180,276
Cash and cash equivalents	18	1,093,929	1,703,203
		<hr/>	<hr/>
		8,222,779	7,794,308
Assets classified as held for sale	23	49,741	—
		<hr/>	<hr/>
Total current assets		8,272,520	7,794,308

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

	Note	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Unaudited and restated) RMB'000
Current liabilities			
Trade and bill payables	19	2,974,364	2,749,894
Other payables and accruals	20	681,782	670,302
Customer deposits	21	784,047	565,022
Placements from banks and non-bank financial institutions		—	350,000
Borrowings	22	1,050,394	592,437
Current income tax liabilities		4,956	24,342
Provisions		45,637	42,092
		5,541,180	4,994,089
Liabilities directly associated with assets classified as held for sale	23	30,620	—
Total current liabilities		5,571,800	4,994,089
Net current assets		2,700,720	2,800,219
Total assets less current liabilities		7,087,021	7,108,436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

	Note	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Unaudited and restated) RMB'000
Non-current liabilities			
Borrowings	22	1,553,989	1,573,962
Deferred income		175,719	182,419
Deferred income tax liabilities		48,773	49,917
Provisions		44,982	44,620
		1,823,463	1,850,918
Net assets		5,263,558	5,257,518
Equity			
Attributable to owners of the Company			
Share capital		995,900	995,900
Reserves		3,524,908	3,447,458
Proposed final dividend		—	59,754
		4,520,808	4,503,112
Non-controlling interests		742,750	754,406
Total equity		5,263,558	5,257,518

The notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

		Unaudited and restated											
		Attributable to owners of the Company											
Note	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	General and statutory fund RMB'000	Available-for-sale financial assets RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013													
As previously reported	995,900	2,163,671	73,448	238,134	64,744	6,570	3,197	(27,444)	799,271	99,590	4,417,061	525,488	4,942,569
Business combination under common control	-	-	21,180	-	-	-	-	-	13,279	-	34,459	-	34,459
As restated	995,900	2,163,671	94,628	238,134	64,744	6,570	3,197	(27,444)	812,550	99,590	4,451,540	525,488	4,977,028
Comprehensive income													
Profit for the period	-	-	-	-	-	-	-	-	186,234	-	186,234	17,130	203,364
Other comprehensive expense													
Currency translation differences	-	-	-	-	-	-	-	(8,223)	-	-	(8,223)	(1,605)	(9,828)
Fair value loss on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(6,925)	-	-	-	(6,925)	(3)	(6,958)
Total other comprehensive expense, net of tax	-	-	-	-	-	-	(6,925)	(8,223)	-	-	(15,148)	(1,638)	(16,786)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(6,925)	(8,223)	186,234	-	171,086	15,492	186,578
Contributions by and distributions to owners of the Company, recognised directly in equity													
Acquisition of a subsidiary	26	-	-	-	-	-	-	-	-	-	-	159,904	159,904
Acquisition of additional interest in a subsidiary	25	-	-	(3,529)	-	-	-	-	-	-	(3,529)	(498)	(4,027)
Business combination under common control	24	-	-	(104,478)	-	-	-	-	-	-	(104,478)	-	(104,478)
Contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	50,960	50,960
Contribution from former holder of an operation related to business combination under common control	-	-	1,497	-	-	-	-	-	-	-	1,497	-	1,497
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(260)	(260)
Final 2012 dividend declared	-	-	-	-	-	-	-	-	(99,590)	-	(99,590)	-	(99,590)
Total contributions by and distribution to owners of the Company, recognised directly in equity	-	-	(106,510)	-	-	-	-	-	(99,590)	(206,100)	210,106	4,006	4,006
Balance at 30 June 2013 (restated)	995,900	2,163,671*	(11,882)*	238,134*	64,744*	6,570*	(3,728)*	(35,667)*	998,784*	-	4,416,526	751,086	5,167,612

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2014

Note	Unaudited													Total equity RMB'000
	Attributable to owners of the Company													
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	General and statutory fund RMB'000	Available-for-sale financial assets reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000		
Balance at 1 January 2014														
As previously reported	995,900	2,163,671	(8,501)	262,004	64,744	7,097	8,158	(16,002)	937,070	59,754	4,473,895	754,406	5,228,301	
Business combination under common control	-	-	10,803	-	-	-	-	-	18,414	-	29,217	-	29,217	
As restated	995,900	2,163,671	2,302	262,004	64,744	7,097	8,158	(16,002)	955,484	59,754	4,503,112	754,406	5,257,518	
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	112,428	-	112,428	(1,250)	111,178	
Other comprehensive (expense)/income														
Currency translation Differences	-	-	-	-	-	-	-	2,525	-	-	2,525	(135)	2,390	
Fair value loss on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(351)	-	-	-	(351)	(50)	(401)	
Total other comprehensive (expense)/income, net of tax	-	-	-	-	-	-	(351)	2,525	-	-	2,174	(185)	1,989	
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(351)	2,525	112,428	-	114,602	(1,435)	113,167	
Contributions by and distributions to owners of the Company, recognised directly in equity														
Business combination under common control	-	-	(37,152)	-	-	-	-	-	-	-	(37,152)	-	(37,152)	
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(10,221)	(10,221)	
Final 2013 dividend declared	-	-	-	-	-	-	-	-	(59,754)	(59,754)	-	-	(59,754)	
Total contributions by and distribution to owners of the Company, recognised directly in equity	-	-	(37,152)	-	-	-	-	-	-	(59,754)	(96,906)	(10,221)	(107,127)	
Balance at 30 June 2014	<u>995,900</u>	<u>2,163,671*</u>	<u>(34,850)*</u>	<u>262,004*</u>	<u>64,744*</u>	<u>7,097*</u>	<u>7,807*</u>	<u>(13,477)*</u>	<u>1,067,912*</u>	<u>-</u>	<u>4,520,808</u>	<u>742,750</u>	<u>5,283,558</u>	

* These reserve accounts comprise the condensed consolidated reserves of approximately RMB3,524,908,000 (six months ended 30 June 2013 (restated): approximately RMB3,420,626,000).

The notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2014*

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	and restated)
		RMB'000
Cash flows used in operating activities - net	(365,339)	(790,974)
Cash flows used in investing activities - net	(666,163)	(362,126)
Cash flows generated from financing activities - net	388,728	930,929
Net decrease in cash and cash equivalents	(642,774)	(222,171)
Cash and cash equivalents at beginning of period	1,618,450	1,628,112
Effect of exchange rate changes, net	646	(6,986)
Cash and cash equivalents at end of period	976,322	1,398,955
Analysis of cash and cash equivalents		
Cash and bank balances	976,322	1,398,955

The notes are an integral part of the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2014

1. GENERAL INFORMATION

First Tractor Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacture and sale of agricultural machinery, power machinery and other machinery, and also engaged in the provision of loans, bills discounting, bills acceptance and deposit-taking services.

The Company is a joint stock limited liability company established in the People’s Republic of China (the “**PRC**”) with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**SEHK**”) and the Shanghai Stock Exchange from 23 June 1997 and 8 August 2012, respectively. The registered office and principal place of business of the Company is located at 154 Jian She Road, Luoyang, Henan Province, the PRC.

In the opinion of the directors, the immediate holding company is YTO Group Corporation Limited (the “**Holding Company**”) and the ultimate holding company is China National Machinery Industry Corporation (the “**Parent**”), both of which are established in the PRC.

The condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Group, and all values are rounded to the nearest thousand unless otherwise stated.

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 26 August 2014. These condensed consolidated interim financial statements have not been audited.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

2. BASIS OF PREPARATION

- (a) These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standards 34, “Interim Financial Reporting” and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).
- (b) In accordance with the Acquisition Agreements entered into between the Company and the Holding Company on 21 January 2014, the Company purchased the assets and liabilities of the techniques and materials research centre and the calibration and testing centre (“**YTO Target**”) from the Holding Company at a consideration of approximately RMB36,866,000. The acquired assets and liabilities constituted to a business, and the Group has de facto control over it as prescribed in the HKFRS 10 “Consolidated Financial Statements”, and the respective business is consolidated by the Group. The acquisition transaction was completed on 31 January 2014.

The aforementioned acquisition of business from the Holding Company has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accounts. As a result, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior periods or years have been restated to include the operating results and cash flows of YTO Target. The consolidated statements of financial position as at 31 December 2013 and the results for the six months ended 30 June 2013 have been restated to include the assets and liabilities of YTO Target and results for the six months ended 30 June 2013. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out below in Note 24.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) - Interpretation 21	Levies

The adoption of the new and amended standards had no material effect on the amounts reported and disclosures set out in the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

3. ACCOUNTING POLICIES (*CONTINUED*)

(b) The following new standards, amendments and interpretations to standards have been issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ¹

¹ *Effective for annual periods beginning on or after 1 July 2014.*

² *Effective for annual periods beginning on or after 1 January 2016.*

³ *Effective for annual periods beginning on or after 1 January 2017.*

⁴ *Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

3. ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards, amendments and interpretations to standards have been issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group: (Continued)**

The Group is in process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. FAIR VALUE ESTIMATION

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

4. FAIR VALUE ESTIMATION (CONTINUED)

The following tables present the Group's assets that are measured at fair value at 30 June 2014 and 31 December 2013.

	30 June 2014			
	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
Assets				
Financial assets at fair value through profit or loss				
Trading securities				
– Retail industry	189	–	–	189
– Multimedia industry	153	–	–	153
– Banking industry	6,795	–	–	6,795
– Investment property industry	574	–	–	574
– Pharmaceutical industry	6	–	–	6
– Utilities industry	1,651	–	–	1,651
Debt investment				
– Debt securities with fixed interest rate	319,000	–	–	319,000
Available-for-sale financial assets				
Trading securities				
– Retail industry	–	–	2,200	2,200
– Banking industry	53,905	–	78,130	132,035
– Utilities industry	–	–	514	514
Total assets	<u>382,273</u>	<u>–</u>	<u>80,844</u>	<u>463,117</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

4. FAIR VALUE ESTIMATION (CONTINUED)

	31 December 2013			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at fair value through profit or loss				
Trading securities				
– Retail industry	264	–	–	264
– Multimedia industry	81	–	–	81
– Banking industry	3,352	–	–	3,352
– Investment property industry	3,910	–	–	3,910
– Utilities industry	1,488	–	–	1,488
Debt investment				
– Debentures	2,000	–	–	2,000
– Debt securities with fixed interest rate	348,000	–	–	348,000
Available-for-sale financial assets				
Trading securities				
– Retail industry	–	–	2,200	2,200
– Banking industry	54,487	–	78,130	132,617
– Utilities industry	2,250	–	514	2,764
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>415,832</u>	<u> </u>	<u>80,844</u>	<u>496,676</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

4. FAIR VALUE ESTIMATION (CONTINUED)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The instruments are included in level 1. Instruments included in level 1 comprise primarily Hang Seng Index, SSE Composite Index and SZSE Component Index listed equity investments (classified as financial assets at fair value through profit or loss or available-for-sale financial assets).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data (if it is available) and rely as little as possible on entity specific estimates. If all significant inputs required to fair value instruments are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

4. FAIR VALUE ESTIMATION (CONTINUED)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

There were no changes in valuation techniques during the periods.

The movements in level 3 instruments for the period ended 30 June 2014 are as follows:

	Available-for-sale financial assets RMB'000
Opening and closing balance (Unaudited)	80,844
Total gains for the period including in profit or loss for assets held at the end of the reporting period	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

4. FAIR VALUE ESTIMATION (*CONTINUED*)

The movements in level 3 instruments for the year ended 31 December 2013 are as follows:

	Available-for-sale financial assets RMB'000
Opening balance	81,024
Disposals	(180)
	<hr/>
Closing balance	80,844
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Total losses for the year including in profit or loss for assets held at the end of the reporting period	(180)
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Fair value measurements and valuation processes

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors of the Company has set up a Strategy and Investment Committee (the "**Committee**"), which is headed up by the Chairman of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses mark-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified external valuers to the valuation. The Committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the financial model. The Chairman reports the Committee's findings to the board of directors of the Company timely to explain the cause of fluctuations in the fair value of the assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

4. FAIR VALUE ESTIMATION (*CONTINUED*)

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

5. ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

6. SEGMENT INFORMATION

The chief operating decision making unit is the Board of the Company. Management uses operating segments with reference to the Group's internal reports, and submits to the Board for assessment the results and allocation of resources to such operating segments.

For management purposes, the Group is organised into business units based on their products and services and has four business segments as follows:

- (a) the "agricultural machinery" segment engages in research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and components;
- (b) the "power machinery" segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets;
- (c) the "other machinery" segment engages in the manufacture and sale of forklifts, mining trucks and other machinery; and
- (d) the "financial services" segment engages in the provision of loans, bills discounting, bills acceptance and deposit-taking services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. These business segments are the basis on which the Group reports its segment information and no operating segments have been aggregated to form the above reportable operating segments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effect of non-recurring expenditure from operating segments. Other information provided, except as noted below to the Board is measured in a manner consistent with that in the condensed consolidated financial information.

Segment assets excluded available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, interests in associates and others, etc. These assets are managed on a central basis by the Group and which are part of the reconciliation to total assets shown as per segment information.

Segment liabilities excluded borrowings, deferred income tax liabilities, provisions and others, etc. These liabilities are managed on a central basis by the Group and which are part of the reconciliation to total liabilities shown as per segment information.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are transacted at prevailing market prices.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC, and over 90% of the Group's assets are located in the PRC.

During the period, no revenue from transactions with a single external customer accounted for 10% or more of the Group's total revenue.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2014 and six months ended 30 June 2013, respectively:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2014 (Unaudited):

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operations RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Revenue:						
Third party	4,554,397	818,127	63,777	37,275	—	5,473,576
Intersegment revenue	299,869	356,045	34,494	20,018	(710,426)	—
Total	<u>4,854,266</u>	<u>1,174,172</u>	<u>98,271</u>	<u>57,293</u>	<u>(710,426)</u>	<u>5,473,576</u>
Result:						
Profit/(loss) before income tax	<u>113,358</u>	<u>43,365</u>	<u>(41,816)</u>	<u>42,447</u>	<u>(22,311)</u>	<u>135,043</u>

For the six months ended 30 June 2013 (Unaudited and restated):

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operations RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Revenue:						
Third party	5,657,950	851,265	91,718	33,474	—	6,634,407
Intersegment revenue	282,693	416,905	10,381	18,929	(728,908)	—
Total	<u>5,940,643</u>	<u>1,268,170</u>	<u>102,099</u>	<u>52,403</u>	<u>(728,908)</u>	<u>6,634,407</u>
Result:						
Profit/(loss) before income tax	<u>167,827</u>	<u>63,910</u>	<u>(9,546)</u>	<u>36,447</u>	<u>(2,757)</u>	<u>255,881</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

The following tables present segment assets and liabilities of the Group's operating segments as at 30 June 2014 and 31 December 2013, respectively:

As at 30 June 2014 (Unaudited):

	Agricultural machinery	Power machinery	Other machinery	Financial services	Unallocated adjustments/ eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets:						
Segment assets	8,369,225	2,228,887	188,294	2,964,279	(1,757,464)	11,993,221
Interests in associates						9,396
Unallocated assets						656,204
						<u>12,658,821</u>
Total consolidated segment assets						<u><u>12,658,821</u></u>
Liabilities:						
Segment liabilities	2,761,685	775,434	307,775	2,560,911	(1,757,464)	4,648,341
Unallocated liabilities						2,746,922
						<u>7,395,263</u>
Total consolidated segment liabilities						<u><u>7,395,263</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

As at 31 December 2013 (Unaudited and restated):

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial services RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Assets:						
Segment assets	7,660,651	2,207,700	421,039	2,977,879	(1,855,383)	11,411,886
Interests in associates						9,185
Unallocated assets						<u>681,454</u>
Total consolidated segment assets						<u><u>12,102,525</u></u>
Liabilities:						
Segment liabilities	2,730,316	823,061	276,521	2,564,350	(1,855,383)	4,538,865
Unallocated liabilities						<u>2,306,142</u>
Total consolidated segment liabilities						<u><u>6,845,007</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

Reconciliation for earnings before interest, tax, depreciation and amortisation (“EBITDA”) to profit before income tax is as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
EBITDA	302,972	378,088
Depreciation		
— Property, plant and equipment	(132,041)	(108,554)
— Investment properties	(675)	(676)
Amortisation of prepaid operating leases	(12,534)	(10,220)
Amortisation of intangible assets	(368)	—
Corporate income/(expenses), net	10,104	(2,022)
	<hr/>	<hr/>
Operating profit	167,458	256,616
Interest, dividend and investment income	24,420	28,223
Finance costs	(57,046)	(29,485)
Share of profits of associates	211	527
	<hr/>	<hr/>
Profit before income tax	135,043	255,881
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities are summarised as below:

	30 June 2014	31 December 2013
	(Unaudited) RMB'000	(Unaudited and restated) RMB'000
Segment assets as allocated by business segments	11,993,221	11,411,886
Unallocated assets:		
Available-for-sale financial assets	134,749	137,581
Deferred income tax assets	84,259	76,350
Financial assets at fair value through profit or loss	328,368	359,095
Interests in associates	9,396	9,185
Others	108,828	108,428
	<hr/>	<hr/>
Total assets as per condensed consolidated statement of financial position	12,658,821	12,102,525
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

6. SEGMENT INFORMATION (CONTINUED)

	30 June 2014	31 December 2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	<i>RMB'000</i>
Segment liabilities as allocated by business segments	4,648,341	4,538,865
Unallocated liabilities:		
Borrowings	2,604,383	2,166,399
Deferred income tax liabilities	48,773	49,917
Provisions	90,619	86,712
Others	3,147	3,114
	<hr/>	<hr/>
Total liabilities as per condensed consolidated statement of financial position	7,395,263	6,845,007
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of trade discounts and returns, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Revenue		
Sale of goods	5,436,301	6,600,933
Interest income from financial services	37,275	33,474
	5,473,576	6,634,407
Other income		
Bank interest income	2,126	2,793
Dividend income from listed investments	—	919
Dividend income from unlisted investments	21,496	16,122
Government grants	11,711	5,749
Others	9,293	6,897
	44,626	32,480

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

7. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Other gains		
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	2,910	(349)
Loss on disposal of available-for-sale financial assets, net	(117)	(2,336)
Gain on disposal of financial assets at fair value through profit or loss, net	10,133	11,074
Gain/(loss) on disposal of property, plant and equipment, net	6	(601)
	12,932	7,788
	5,531,134	6,674,675

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

8. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable within 5 years	57,046	34,722
Less: Interest capitalised into construction in progress	—	(5,237)
	57,046	29,485
	=====	=====

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting) the following:

	For the six months ended 30 June	2013
	(Unaudited) RMB'000	(Unaudited and restated) RMB'000
Amortisation of prepaid operating leases	12,534	10,220
Amortisation of intangible assets	368	—
Bank interest income	(2,126)	(2,793)
Cost of inventories sold	4,519,630	5,641,145
Depreciation of property, plant and equipment	132,041	108,554
Depreciation of investment properties	675	676
Dividend income from listed investments	—	(919)
Dividend income from unlisted investments	(21,496)	(16,122)
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	(2,910)	349
Loss on disposal of available-for-sale financial assets, net	117	2,336
Minimum lease payments under operating leases of land and buildings, and plant and machinery	10,559	7,546
Gross rental income	(4,811)	(8,609)
Interest expenses from financial services	17,171	16,852
Interest income from financial services	(37,275)	(33,474)
Gain on disposal of financial assets at fair value through profit or loss, net	(10,133)	(11,074)
(Gain)/loss on disposal of property, plant and equipment, net	(6)	601
Impairment loss on goodwill	—	14,298
Provision for/(reversal of) impairment of loan receivables, net	4,450	(500)
Provision for impairment of trade receivables, net	72,087	37,546
Reversal of impairment of other receivables, net	(663)	(481)
Reversal of impairment of inventories, net	(9,345)	(9,406)
	<u><u> </u></u>	<u><u> </u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current - PRC corporate income tax	33,205	59,885
Deferred income tax	(9,340)	(7,368)
	23,865	52,517

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two periods ended 30 June 2014 and 2013.

The PRC corporate income tax for the Company and the majority of its subsidiaries is calculated at rates ranging from 15% to 25% (six months ended 30 June 2013: 15% to 25%) on their estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries operating outside the PRC are subject to the rates applicable within the jurisdictions in which they operate. No provision for overseas income tax has been made as the Group had no overseas assessable profits during the two periods ended 30 June 2014 and 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

11. DIVIDENDS

A dividend that relates to the year ended 31 December 2013 and that amounts to RMB59,754,000 was approved in the Annual General Meeting held on 29 May 2014 which was paid on 11 July 2014.

The Board of Directors does not recommend payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to owners of the Company of approximately RMB112,428,000 (six months ended 30 June 2013 (restated): approximately RMB186,234,000) and the weighted average of 995,900,000 (six months ended 30 June 2013: 995,900,000) ordinary shares in issue during the period.

No diluting events occurred during the two periods ended 30 June 2014 and 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired construction in progress and items of property, plant and equipment in an aggregate amount of approximately RMB235,310,000 (six months ended 30 June 2013 (restated): approximately RMB155,643,000) and disposed of items of property, plant and equipment with an aggregate net book value of approximately RMB6,345,000 (six months ended 30 June 2013: approximately RMB8,268,000) resulting in a net gain on disposal of approximately RMB6,000 (six months ended 30 June 2013: net loss of approximately RMB601,000). No impairment of items of property, plant and equipment was recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the period (six months ended 30 June 2013: Nil).

The majority of the Group's buildings are located in the PRC under medium-term leases.

The Group has not held, nor leased out, any items of property, plant and equipment under finance lease agreements.

14. PREPAID OPERATING LEASES

The prepaid operating leases comprise leasehold land in the PRC under medium-term leases.

15. LOAN RECEIVABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Analysis by nature:		
Loan borrowings, net	681,906	504,180
Discounted bills, net	252,619	221,143
	<hr/> 934,525 <hr/> <hr/>	<hr/> 725,323 <hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

15. LOAN RECEIVABLES (CONTINUED)

	Note	30 June 2014			31 December 2013		
		Gross amount	Provisions	Net	Gross amount	Provisions	Net
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	RMB'000	RMB'000	RMB'000
Analysis by customer:							
Loans to the Holding Company	(i)	611,187	13,250	597,937	350,000	8,750	341,250
Loans to related companies	(ii)	103,353	1,829	101,524	60,987	1,477	59,510
Loans to customers	(iii)	238,032	2,968	235,064	327,933	3,370	324,563
		952,572	18,047	934,525	738,920	13,597	725,323
Portion classified as current assets		(946,493)	(17,865)	(928,628)	(723,095)	(13,132)	(709,963)
Non-current portion		6,079	182	5,897	15,825	465	15,360

Notes:

- (i) The loans to the Holding Company are granted by YTO Group Finance Co., Ltd. ("**YTO Finance**"), and are unsecured, bear interest at rates ranging from 2.57% to 4.67% (31 December 2013: 3.43% to 4.67%) per annum and repayable within one year (31 December 2013: within one year).
- (ii) The loans to related companies (fellow subsidiaries and associates of the Holding Company) are unsecured, bear interest at rates ranging from 5% to 7% (31 December 2013: 5% to 6.64%) per annum and repayable within one year (31 December 2013: within one year).
- (iii) The loans to customers represent loans granted to certain customers as permitted by the regulations of the People's Bank of China (the "**PBOC**").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

15. LOAN RECEIVABLES (CONTINUED)

The maturity profile of the Group's loan receivables at the end of the reporting period is analysed by the remaining periods to their contractual maturity dates, as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Repayable:		
Within three months	513,062	158,834
Within one year but over three months	433,431	564,261
Within five years but over one year	5,900	15,632
Over five years	179	193
	<hr/> 952,572 <hr/> <hr/>	<hr/> 738,920 <hr/> <hr/>

16. TRADE AND BILL RECEIVABLES

The Group's trading terms with its customers are mainly on credit, where payment in advance from customers is normally required. The credit periods granted to its customers are ranging from 30 to 90 days (31 December 2013: from 30 to 90 days); otherwise, cash terms are normally required. The Group seeks to maintain strict control over its outstanding receivables. Trade receivables are non-interest bearing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

16. TRADE AND BILL RECEIVABLES (CONTINUED)

An aged profile of the trade and bill receivables as at the end of the reporting period, based on the invoice date, and net of provisions, is as follows:

	30 June 2014	31 December 2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Within 90 days	1,222,564	1,583,816
91 days to 180 days	915,489	491,253
181 days to 365 days	166,849	214,776
1 to 2 years	151,182	47,542
	2,456,084	2,337,387

At 30 June 2014 and 31 December 2013, no amounts are due from the associates.

The trading balance due from the Holding Company of approximately RMB717,000 (31 December 2013 (restated): approximately RMB14,030,000) is unsecured, interest-free and repayable on demand.

The trading balances due from related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB27,358,000 (31 December 2013 (restated): approximately RMB4,460,000) are unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

16. TRADE AND BILL RECEIVABLES (CONTINUED)

At 30 June 2014, certain of the Group's bill receivables of approximately RMB135,344,000 (31 December 2013: approximately RMB209,826,000) are pledged for the issuance of bill payables.

At 30 June 2014, no bill receivables of the Group are pledged as security for borrowings (31 December 2013: approximately RMB142,655,000) (Note 22).

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables include the balances due from the Holding Company and related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB4,923,000 (31 December 2013 (restated): approximately RMB17,883,000) and RMB7,037,000 (31 December 2013: approximately RMB2,716,000), respectively. These balances are unsecured, interest-free and repayable in accordance with agreed terms.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2014	31 December 2013
	(Unaudited) RMB'000	(Unaudited and restated) RMB'000
Cash and bank balances - (note i)	1,208,918	1,212,570
Mandatory reserve deposits with the PBOC - (note ii)	117,607	84,753
Time deposits	122,700	586,156
	1,449,225	1,883,479
Less: Pledged bank deposits for bill payables - (note iii)	(290,179)	(129,915)
Less: Pledged bank deposits for other banking facilities - (note iii)	(65,117)	(50,361)
Cash and cash equivalents in the condensed consolidated statement of financial position	1,093,929	1,703,203
Less: Mandatory reserve deposits with the PBOC - (note ii)	(117,607)	(84,753)
Cash and cash equivalents in the condensed consolidated statement of cash flows	976,322	1,618,450

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (*CONTINUED*)

Notes:

- (i) *The balance included YTO Finance's deposits placed with the PBOC and other banks of approximately RMB213,103,000 (31 December 2013: approximately RMB351,986,000) and approximately RMB238,280,000 (31 December 2013: approximately RMB734,952,000) respectively.*
- (ii) *The balance represents mandatory reserve deposits placed with the PBOC. In accordance with the regulations of the PBOC, the balance should be no less than a specific percentage of the amounts of customer deposits placed with YTO Finance. The mandatory reserve deposits are not available for use in the Group's day-to-day operations.*
- (iii) *As the bank balances were pledged for the Group's trade facilities for issuing bill payables and other banking facilities, they are included in cash and cash equivalents in the condensed consolidated statement of cash flows.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

19. TRADE AND BILL PAYABLES

An aged analysis of the trade and bill payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014	31 December 2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Within 90 days	2,358,785	1,436,895
91 days to 180 days	479,960	974,239
181 days to 365 days	50,680	193,312
1 to 2 years	27,119	85,133
Over 2 years	57,820	60,315
	<hr/> 2,974,364 <hr/> <hr/>	<hr/> 2,749,894 <hr/> <hr/>

Bills payables of approximately RMB1,167,367,000 (31 December 2013: approximately RMB654,281,000) are secured by the pledge of certain of the Group's bank deposits and bill receivables amounting to approximately RMB355,296,000 (31 December 2013: approximately RMB129,915,000) and approximately RMB135,344,000 (31 December 2013: approximately RMB209,826,000) respectively.

The trading balance due to the Holding Company of approximately RMB1,324,000 (31 December 2013: approximately RMB23,564,000) is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

19. TRADE AND BILL PAYABLES (CONTINUED)

The trading balances due to related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB24,881,000 (31 December 2013: approximately RMB29,057,000) are unsecured, interest-free and repayable on demand.

The trading balances due to associates of approximately RMB323,000 (31 December 2013: Nil) are unsecured, interest-free and repayable on demand.

20. OTHER PAYABLES AND ACCRUALS

Other payables include amounts due to the Holding Company and related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB61,913,000 (31 December 2013: approximately RMB50,871,000) and approximately RMB1,722,000 (31 December 2013: approximately RMB2,291,000) respectively.

21. CUSTOMER DEPOSITS

	30 June 2014	31 December 2013
	(Unaudited) RMB'000	(Unaudited and restated) RMB'000
Deposits from the Holding Company	583,580	314,845
Deposits from associates	134	332
Deposits from fellow subsidiaries and associates of the Holding Company	127,901	62,967
Deposits from customers	72,432	186,878
	784,047	565,022

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

21. CUSTOMER DEPOSITS (CONTINUED)

The maturity profile of the Group’s customer deposits at the end of the reporting period is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2014	31 December 2013
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Repayable:		
On demand	559,910	409,749
Within three months	62,827	21,214
Within one year but over three months	161,310	134,059
	<hr/>	<hr/>
	784,047	565,022
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

22. BORROWINGS

	30 June 2014 (Unaudited)			31 December 2013		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank borrowings						
– Secured	1.88%-7.2%	2014	194,092	1.88%-7.2%	2014	231,156
– Unsecured	3.73%-5.48%	2014 - 2015	856,302	2.5%-5.84%	2014	361,281
			<u>1,050,394</u>			<u>592,437</u>
Non-current:						
Bank borrowings						
– Unsecured	3.73%	2018	63,142	4.1%	2018	84,189
Other borrowings						
– Corporate bonds (Note)	4.71%-4.96%	2018	1,490,847	4.71%-4.96%	2018	1,489,773
			<u>1,553,989</u>			<u>1,573,962</u>
			<u>2,604,383</u>			<u>2,166,399</u>
Analysed into:						
Borrowings repayable:						
Within one year on demand			1,050,394			592,437
Between three to five years			1,553,989			1,573,962
			<u>2,604,383</u>			<u>2,166,399</u>

Note:

The Company issued the five-year corporate bonds to the public with an aggregate principal amount of RMB1,500,000,000 (the “**Corporate Bonds**”) in the Shanghai Stock Exchange, subject to the right of sale-back. The Corporate Bonds are divided into two tranches, amounting to RMB800,000,000 (“**Tranche 1**”) issued on 4 March 2013 and RMB700,000,000 (“**Tranche 2**”) issued on 3 June 2013, and carry coupon rates of 4.8% and 4.5% for Tranche 1 and Tranche 2, and will be matured on 4 March 2018 and 30 May 2018, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

22. BORROWINGS (CONTINUED)

Other interest rate information:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Fixed interest rate	2,220,194	1,696,965
Floating interest rate	384,189	469,434
	2,604,383	2,166,399

The borrowings of the Group are secured by:

- (i) At 30 June 2014, buildings and the land use rights with an aggregate net carrying value of approximately RMB151,631,000 (31 December 2013: 153,936,000) (Note 14).
- (ii) At 30 June 2014, no bill receivables are pledged as security (31 December 2013: approximately RMB142,655,000) (Note 16).
- (iii) At 30 June 2014, bank deposits with carrying amount of RMB17,780,000 are pledged as security (31 December 2013: approximately RMB17,780,000).

The carrying amounts of the borrowings approximate to their fair values, which are calculated by discounting the expected future cash flows at prevailing interest rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

23. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 21 January 2014, the Board resolved to dispose of 73% equity interest in Yituo (Luoyang) Agricultural Machinery and Tools Company Ltd. ("**Zhongcheng**") by way of listing-for-sale. As a condition to the sale of the aforementioned equity interest, the successful bidder at the listing-for-sale should have to purchase the tangible assets of Zhongcheng at their appraised asset value as at 31 October 2013.

On 5 May 2014, the Group entered in the equity transfer and tangible assets transfer agreements with the Holding Company to dispose of its 73% equity interest and all tangible assets in Zhongcheng, the considerations were agreed as approximately RMB10,563,900 and approximately RMB4,271,300, respectively. The principal activities of subsidiary are manufacture and sales of agricultural machinery and tools. Such transaction has not yet been completed as at 30 June 2014.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

**23. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS
HELD FOR SALE (CONTINUED)**

The major class of assets and liabilities in the disposal group as at 30 June 2014 are as follows:

	Carrying amount before elimination (Unaudited) RMB'000	Intra-group elimination (Unaudited) RMB'000	Carrying amount after elimination (Unaudited) RMB'000
Assets classified as held for sale:			
Property, plant and equipment	1,196	—	1,196
Inventories	45,910	—	45,910
Trade and bill receivables	9,624	(9,338)	286
Prepayments, deposits and other deposits	2,349	—	2,349
Cash and cash equivalents	3,289	(3,289)	—
Total assets of the disposal group	62,368	(12,627)	49,741
Liabilities directly associated with assets classified as held for sale:			
Trade and bill payables	(43,862)	16,943	(26,919)
Provision	(97)	—	(97)
Other payables and accruals	(6,393)	2,789	(3,604)
Total liabilities of the disposal group	(50,352)	19,732	(30,620)
Total net assets of the disposal group	12,016	7,105	19,121

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

24. BUSINESS COMBINATION UNDER COMMON CONTROL

(a) Acquisition of a business in the current period

On 21 January 2014, the Company purchase the assets and liabilities of the techniques and materials research centre and the calibration and testing centre (“**YTO Target**”) from the Holding Company for a consideration of approximately RMB36,866,000. The Group has de facto control over the acquired assets and liabilities as prescribed in the HKFRS 10 “Consolidated Financial Statements”, and the respective business is consolidated by the Group.

As mentioned in Note 2(b) to the condensed consolidated interim financial statements, the Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” to account for the business combination under common control. Accordingly, YTO Target has been combined since 1 January 2013, the earliest financial period presented, as if the acquisition had been occurred at that time.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

24. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

(a) Acquisition of a business in the current period (Continued)

The reconciliation of the effect arising from the common control combination on the condensed consolidated statement of financial position as at 30 June 2014 and 31 December 2013 is as follows:

	30 June 2014			
	The Group excluding YTO Target	YTO Target	Adjustment	Consolidated
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Assets and liabilities				
Other non-current assets	4,374,480	11,821	–	4,386,301
Cash and cash equivalents	1,093,924	14,014	(14,009)	1,093,929
Other current assets	7,168,137	10,454	–	7,178,591
Customer deposits	(798,056)	–	14,009	(784,047)
Other current liabilities	(4,784,069)	(3,684)	–	(4,787,753)
Other non-current liabilities	(1,821,380)	(2,083)	–	(1,823,463)
Net assets	5,233,036	30,522	–	5,263,558
Equity				
Attributable to owners of the Company				
Issued/paid up capital	995,900	–	–	995,900
Reserves	3,494,386	30,522	–	3,524,908
	4,490,286	30,522	–	4,520,808
Non-controlling interests	742,750	–	–	742,750
Total equity	5,233,036	30,522	–	5,263,558

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

24. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

(a) Acquisition of a business in the current period (Continued)

	31 December 2013			Consolidated (Unaudited and restated) RMB'000
	The Group excluding YTO Target RMB'000	YTO Target (Unaudited and restated) RMB'000	Adjustment (Unaudited and restated) RMB'000	
Assets and liabilities				
Other non-current assets	4,296,103	12,114	–	4,308,217
Cash and cash equivalents	1,700,530	6,761	(4,088)	1,703,203
Other current assets	6,064,017	27,492	(404)	6,091,105
Customer deposits	(569,110)	–	4,088	(565,022)
Other current liabilities	(4,413,851)	(15,620)	404	(4,429,067)
Other non-current liabilities	(1,849,388)	(1,530)	–	(1,850,918)
Net assets	<u>5,228,301</u>	<u>29,217</u>	<u>–</u>	<u>5,257,518</u>
Equity				
Attributable to owners of the Company				
Issued/paid up capital	995,900	–	–	995,900
Reserves	3,477,995	29,217	–	3,507,212
	4,473,895	29,217	–	4,503,112
Non-controlling interests	<u>754,406</u>	<u>–</u>	<u>–</u>	<u>754,406</u>
Total equity	<u><u>5,228,301</u></u>	<u><u>29,217</u></u>	<u><u>–</u></u>	<u><u>5,257,518</u></u>

The above adjustments represent adjustments to eliminate the cash deposit in YTO Finance by YTO Target, and current accounts between the Group and YTO Target as at 30 June 2014 and 31 December 2013, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

**24. BUSINESS COMBINATION UNDER COMMON CONTROL
(CONTINUED)**

(a) Acquisition of a business in the current period (Continued)

The effect of the business combination under common control, described above, on the Group's basic and diluted earnings per share for the period ended 30 June 2013 is as follows:

	Impact on basic earnings per share <i>RMB</i>	Impact on diluted earnings per share <i>RMB</i>
Reported figures before restatement	19.37 cents	19.37 cents
Restatement arising from business combination under common control	<u>(0.67 cents)</u>	<u>(0.67 cents)</u>
Restated	<u><u>18.70 cents</u></u>	<u><u>18.70 cents</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

24. BUSINESS COMBINATION UNDER COMMON CONTROL (*CONTINUED*)

(a) Acquisition of a business in the current period (*Continued*)

The effect of business combination under common control described above on the Group's net profit for the period ended 30 June 2013 is as follows:

	Group Net profit <i>RMB'000</i>
Reported figures before restatement	209,995
Restatement arising from business combination under common control	(6,631)
	<hr/>
Restated	203,364
	<hr/> <hr/>

(b) Acquisition of a subsidiary in 2013

In 2013, the Group acquired a 100% equity interest in YTO (Luoyang) Foundry Company Limited ("YTO Foundry") from the Holding Company at a consideration of approximately RMB104,478,000. As the Company, YTO Foundry are under the common control of the Holding Company immediately before and after the acquisition, the transactions were completed in the first half of that year, these transactions were accounted for as common control business combination, using merger accounting for all periods presented herein as if merger had been consummated since the inception of common control.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

**25. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES IN
2013**

- (i) On 7 June 2013, the Company acquired an additional 2.25% equity interest in Yituo (Luoyang) Fuel Injection Pump Company Limited (“**YLFIP**”) from an independent third party at a consideration of approximately RMB4,027,000. The carrying amount of the non-controlling interests in YLFIP on the date of acquisition was approximately RMB2,786,000. The Group recognised a decrease in non-controlling interests of approximately RMB2,786,000 and a decrease in equity attributable to owners of the Company of approximately RMB1,241,000. The effect of changes in the ownership interest of YLFIP on the equity attributable to owners of the Company in 2013 is summarised as follows:

	31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	2,786
Consideration paid to non-controlling interests	<u>(4,027)</u>
Excess of consideration paid recognised in capital reserve within equity	<u><u>(1,241)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

25. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES IN 2013 (*CONTINUED*)

- (ii) On 14 June 2013, the Company entered into the Capital Increase Agreement with YLFIP, pursuant to which the Company agreed to make capital contribution of RMB105,000,000 in cash to YLFIP. The equity interest in YLFIP is owned as to 42.544% by the Company, 39.272% by Yituo (Luoyang) Diesel Company Limited (“**YLDC**”) and 18.184% by the Holding Company. After the acquisition, the registered capital of YLFIP increased from RMB94,114,000 to RMB161,915,000 and the equity interest in YLFIP were owned as to 66.603% by the Company, 22.827% by YLDC and 10.570% by the Holding Company. The Group recognised an increase in non-controlling interests of approximately RMB2,294,000 and a decrease in equity attributable to equity holders of the Company of approximately RMB2,294,000. The effect of changes in the ownership interest of YLFIP on the equity attributable to owners of the Company during the period is summarised as follows:

	31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	(2,294)
Consideration paid to non-controlling interests	—
	<hr/>
Excess of consideration paid recognised in capital reserve within equity	(2,294)
	<hr/> <hr/>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

**25. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES IN
2013 (CONTINUED)**

- (iii) On 11 July 2013, the Company entered into Capital Increase Agreement (the “**Agreement**”) with two non-wholly owned subsidiaries, Brilliance China Machinery Holdings Limited and YLDC, and the independent third party, Luoyang Yunhao Enterprise Management Consultancy Company Limited (“**Yunhao**”) to make the additional capital contribution (the “**capital contribution**”) through both assets and equity injection into YLDC.

Before the capital contribution, the equity interest in YLDC by the Group was owned as to 81.33%. Upon the completion of the capital contribution on 31 August 2013, the equity interest in YLDC by the Group was increased to 85.47%. The Group recognised a decrease in non-controlling interests of approximately RMB12,983,000 and a decrease in equity attributable to equity holders of the Company of approximately RMB23,391,000. The effect of changes in the ownership interest of YLDC on the equity attributable to owners of the Company during the year is summarised as follows:

	31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	12,983
Consideration paid to non-controlling interests	<u>(36,374)</u>
Excess of consideration paid recognised in capital reserve within equity	<u><u>(23,391)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

25. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES IN 2013 (CONTINUED)

- (iv) On 31 August 2013, the Company acquired an additional 8% direct equity interest in YTO (Luoyang) Power Machinery Company Ltd (“YLPM”) at a consideration of approximately RMB5,024,000. At the same date, the Company transferred its thereby 50% equity interest in YLPM to YLDC through capital contribution (see Note 25(iii)) making YLPM became a 100% owned subsidiary of YLDC. The carrying amount of the non-controlling interests in YLPM on the date of acquisition was a surplus balance of approximately RMB4,087,000. The Group recognised a decrease in non-controlling interests of approximately RMB4,087,000 and a decrease in equity attributable to equity holders of the Company of approximately RMB937,000.

The effect of changes in the ownership interest of YLPM on the equity attributable to owners of the Company during the period is summarised as follows:

	31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	4,087
Consideration paid to non-controlling interests	<u>(5,024)</u>
Excess of consideration paid recognised in capital reserve within equity	<u><u>(937)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

26. ACQUISITION OF SUBSIDIARIES IN 2013

- (i) Changtuo Agricultural Machinery Equipment Group Company Limited (“**Changtuo Company**”)

On 8 February 2013, the Parent, Changchun State-owned Capital Investment and Operation Company Limited (“**Changchun Investment**”), the Company and Changtuo Agricultural Machinery Equipment Group Company Limited (“**Changtuo Company**”) entered into the Capital Increase and Restructure Agreement, pursuant to which the Company agreed to make new capital contribution of RMB94,250,000 in cash to Changtuo Company. Upon completion of this acquisition, the registered and paid-up capital of Changtuo Company will increase from RMB188,000,000 to RMB282,000,000 and the equity interest in Changtuo Company will thereby be owned as to one-third by each of the Parent, Changchun Investment and the Company. Subsequent to the above capital injection for the acquisition, the Parent has assigned all its voting rights in the directors’ and shareholders’ meetings of Changtuo Company to the Company due to strategic reason. Therefore, the Company can exercise control over the financial and operating policies of Changtuo Company. Changtuo Company is principally engaged in the research and development, manufacture and sale of tractors, agricultural machineries and their accessories.

The acquisition was accounted for using the purchase method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

26. ACQUISITION OF SUBSIDIARIES IN 2013 (*CONTINUED*)

- (i) Changtuo Agricultural Machinery Equipment Group Company Limited (“**Changtuo Company**”) (*Continued*)

Net assets acquired in the transactions are as follows:

	31 December 2013 Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	192,698
Prepaid operating leases	45,162
Inventories	6,422
Trade and bill receivables	5,782
Prepayments, deposits and other receivables	11,873
Cash and cash equivalents	94,666
Trade and bill payables	(8,750)
Borrowings	(70,000)
Other payables and accruals	(27,814)
Deferred income tax liabilities	(10,183)
	<hr/>
Net assets acquired	239,856
Non-controlling interests	(159,904)
Goodwill	14,298
	<hr/>
Total consideration	94,250
	<hr/> <hr/> <hr/>
Satisfied by:	
Cash	94,250
	<hr/> <hr/> <hr/>
Net cash inflow in respect of the net assets acquired:	
Cash consideration paid	(94,250)
Cash and cash equivalents acquired	94,666
	<hr/>
Net cash inflow	416
	<hr/> <hr/> <hr/>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

26. ACQUISITION OF SUBSIDIARIES IN 2013 (CONTINUED)

- (i) Changtuo Agricultural Machinery Equipment Group Company Limited (“**Changtuo Company**”) (Continued)

The goodwill arising on the acquisition is attributable to its anticipated potential profitability and historical industry growth in relation to the business at the time of which the transaction was negotiated. However, after the acquisition, the directors of the Company are of the opinion that the performance and profitability of the acquired business cannot be met in the foreseeable future. As a result, the goodwill was fully impaired at 31 December 2013.

Acquisition-related costs amounted to approximately RMB255,000 have been recognised as administrative expenses in the profit or loss for the year ended 31 December 2013.

Included in the revenue and profit for the period ended 30 June 2013 are approximately RMB3,627,000 and a loss of RMB12,032,000 attributable to the additional business generated by this newly acquired subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

26. ACQUISITION OF SUBSIDIARIES IN 2013 (CONTINUED)

- (ii) Yang Dong Company Limited (揚動股份有限公司) (“**Yang Dong**”)

On 17 April 2009, Bank of China-Taizhou Branch, Agricultural Bank of China-Taizhou Branch, Industrial and Commercial Bank of China-Taizhou Branch, China Citic Bank-Taizhou Branch, China Everbright Bank-Nanjing Branch, Jiangsu Jiangyan Rural Cooperative Bank and Taizhou Guoxi Credit Guaranty Co., Ltd. (collectively referred as to the “**Petitioners**”) presented petitions (the “**Petition**”) to the People’s Court of the Jiangsu Province Jiangyan city (the “**Court**”) for the winding up of Yang Dong, as Yang Dong could not meet creditors’ demands for the repayment of its outstanding debts. Upon the application of the Petitioners, 姜堰市光明會計師事務所有限公司 was appointed as an escrow agent of Yang Dong pursuant to the court order dated 29 April 2009.

On 25 January 2010, the Company, YLDC, Yang Dong and Jiangyan Industrial Assets Management Company Limited (the “**Investor**”) entered into a Restructuring Investment Agreement (“**Restructuring Agreement**”) for the implementation of the restructuring proposal on Yang Dong. Pursuant to the Restructuring Agreement, the Company, YLDC and the Investor agreed to set up Yituo (Jiangyan) Power Co., Ltd. (“**YJPL**”) to be the immediate holding company of Yang Dong. YJPL was responsible to the restructuring procedures. The equity interest in YJPL is 38% owned by the Company, 40% by YLDC and 22% by the Investor.

On 8 March 2010, in order to facilitate the restructuring, Yang Dong was placed in the restructuring procedures of a three-year period pursuant to the order made by the Court. On the same date, the Court announced that all equity interest in Yang Dong should be transferred to YJPL at a Nil consideration.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

26. ACQUISITION OF SUBSIDIARIES IN 2013 (CONTINUED)

- (ii) Yang Dong Company Limited (揚動股份有限公司) (“**Yang Dong**”) (Continued)

Pursuant to the Restructuring Agreement, YJPL and Yang Dong entered into a loan agreement (the “**Loan Agreement**”) on 8 March 2010, pursuant to which YJPL agreed to provide an interest-free loan up to RMB100,000,000 to Yang Dong for the full settlement of its external borrowings to ease its financial position. Three interest-free loans of RMB20,000,000, RMB20,000,000 and RMB60,000,000 were drawn down by Yang Dong on 8 May 2010, 8 May 2012 and 1 July 2013, respectively, in respect of the Loan Agreement, these loans will be repaid in five years from the draw down dates. On initial measurement date, the fair value of the above loans were estimated to be approximately RMB85,290,000, which has been arrived using effective interest method by discounting future repayment at a discount rate of 6.4%. The management considered the difference between the carrying value and fair value was insignificant, no adjustment was made.

Pursuant to the Restructuring Agreement, YJPL was responsible to resume the production and technology advancement based on the business of Yang Dong by investing not less than RMB175,000,000 during the restructuring period.

On 29 November 2013, YJPL submitted the company resumption proposal of Yang Dong to the Court as YJPL was able to fulfill and achieve the restructuring and the resumption conditions as mentioned above. After the above submission, the restructuring procedure was confirmed complete pursuant to the order dated 3 December 2013 made by the Court. The acquisition of Yang Dong was then formally completed by the Group on 3 December 2013.

The acquisition was accounted for using the purchase method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

26. ACQUISITION OF SUBSIDIARIES IN 2013 (CONTINUED)

- (ii) Yang Dong Company Limited (揚動股份有限公司) (“**Yang Dong**”)
(Continued)

Net assets acquired in the transactions are as follows:

	31 December 2013 Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	142,689
Prepaid operating leases	71,610
Trade and bill receivables	738
Cash and cash equivalents	30
Trade and bill payables	(172)
Other payables and accruals	(102,903)
Deferred income tax liabilities	(27,510)
	<hr/>
Net assets acquired	84,482
Non-controlling interests	(22)
Gain on bargain purchase	(84,460)
	<hr/>
Total consideration	—
	<hr/> <hr/> <hr/>
Net cash inflow in respect of the net assets acquired:	
Cash and cash equivalents acquired	30
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

27. CONTINGENT LIABILITIES

The contingent liabilities not provided for in the Group's financial statements are as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Financial guarantees to the facilities utilised by:		
— third parties (<i>Note</i>)	238,200	433,100
	<u><u>238,200</u></u>	<u><u>433,100</u></u>

Note: At 30 June 2014, the Group has provided guarantees of approximately RMB1,141,340,000 (31 December 2013: approximately RMB1,466,000,000) to certain banks in the PRC as security for credit facilities granted to certain customers. The facilities were utilised in aggregate to the extent of approximately RMB238,200,000 (31 December 2013: approximately RMB433,100,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

28. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	—	350,665
Investment in associates	4,800	—
	4,800	350,665
Authorised, but not contracted for:		
Purchase of plant and machinery	909,750	1,163,220
	914,550	1,513,885

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

28. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

(i) As lessor

As at the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Within one year	530	530
In the second to fifth years, inclusive	574	883
	1,104	1,413

(ii) As lessee

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 RMB'000
Within one year	995	458

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*CONTINUED*)

30 June 2014

29. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (revised) “Related Party Disclosure”, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Parent and its subsidiaries (other than the Group), other government-related entities and subsidiaries (“**other stated-owned enterprises**”), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

29. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) **The material transactions carried out between the Group, its associates and the Holding Company and its subsidiaries and related companies (fellow subsidiaries and associates of the Holding Company), during the period are summarised as follows:**

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited and restated) RMB'000
Sale of raw materials, finished goods and components	106,045	74,685
Purchases of raw materials and components	187,899	373,877
Purchases of utilities	102,984	108,976
Fees paid for comprehensive services	130,304	68,662
Fees paid for the use of land	10,373	4,966
Rentals paid in respect of:		
Buildings	5,788	5,509
Plant and machinery	1,225	1,677
Rental income received in respect of buildings	206	2
Purchases of plant and machinery	12,177	14,268
Interest income and discounted bills charges	11,885	11,221
Interest paid for customer deposits	3,336	3,083
Research and development income received	1,376	318
	<u><u><u>1,376</u></u></u>	<u><u><u>318</u></u></u>

The above transactions were carried out in the Group's ordinary and usual course of business and in accordance with the terms of the agreements governing the transactions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties

- (i) Designated deposits and designated loans

As at 30 June 2014, the Holding Company placed an aggregate amount of approximately RMB47,000,000 (31 December 2013: approximately RMB47,000,000) with YTO Finance to provide designated loans to the fellow subsidiaries and an associate of the Holding Company.

Since the credit risk is borne by depositors, the related assets and liabilities of these lending transactions by the depositors are not included in the Group's condensed consolidated interim financial statements.

- (ii) Material transactions carried out between the Group and the Parent and its subsidiaries during the period

During the six months ended 30 June 2014, the Group sold raw materials, finished goods and components of approximately RMB14,406,000 (six months ended 30 June 2013: approximately RMB20,730,000) and purchased raw materials and components of approximately RMB33,256,000 (six months ended 30 June 2013: approximately RMB19,976,000) from the Parent and its subsidiaries.

The terms of transactions are equivalent to similar transactions carried out between the Group and the Holding Company and its subsidiaries and related companies.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

- (i) Details of the Group's amount due from/to the Holding Company, and the Group's loans to and deposits from the Holding Company as at the end of the reporting period are disclosed in Notes 15, 16, 17, 19, 20 and 21.
- (ii) Details of the Group's amounts due from/to, and deposits from its associates as at the reporting date are disclosed in Notes 16, 19 and 21.
- (iii) Details of the Group's amounts due from/to its related companies (fellow subsidiaries and associates of the Holding Company) and the Group's loans to and deposits from related companies as at the reporting date are disclosed in Notes 15, 16, 17, 19, 20 and 21.

(d) Significant transactions with other government-related entities

During the six months ended 30 June 2014 and 2013, the Group's significant transactions with other state-owned enterprises (excluding the Parent and its subsidiaries) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all restricted deposits, time deposits, cash and cash equivalents and borrowings as of 30 June 2014 and 2013, and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Short term employee benefits	1,500	1,310
Post-employment benefits	228	197
	<hr/>	<hr/>
Total compensation paid/payable to key management personnel	1,728	1,507
	<hr/> <hr/>	<hr/> <hr/>

During the reporting period, nine key management personnel have waived their emoluments (six months ended 30 June 2013: nine).

30. Reconciliation of Financial Information prepared under PRC GAAP to HKFRS

Other than the differences in the presentations and classification of certain financial statements captions, there is no material difference between the Group's financial position, condensed consolidated interim statement of comprehensive income and condensed consolidated interim statement of cash flows as reported under PRC GAAP and HKFRSs.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2014

31. SUBSEQUENT EVENT

Pursuant the Company's announcement dated 18 July 2014, the Company and the independent third party, ZF (China) Investment Co. Ltd ("**ZF (China)**"), a wholly-owned subsidiary of ZF Friedrichshafen AG, a limited company incorporated in Germany, will enter into an JV agreement and establish a company ("**JV Company**") with registered capital of RMB283,000,000 (equivalent to approximately HKD359,410,000). The Company agreed to contribute RMB138,670,000 (equivalent to approximately HKD176,110,900) and ZF (China) agreed to contribute RMB144,330,000 (equivalent to approximately HKD183,299,100), representing 49% and 51% of the equity interest of the JV Company respectively. The business scope of the JV Company will include product development, application engineering, manufacturing, assembling and sales of driven steer axle products for the agricultural machinery vehicles for the local and global market.

IMPORTANT NOTICE

- I. The board of directors (the “**Board**”) and board of supervisors (the “**Board of Supervisors**”) of First Tractor Company Limited (the “**Company**”), and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management confirm that there are no false information, misleading statements or material omissions contained in this interim report (the “**Interim Report**”), and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. Hong Xianguo, an independent non-executive Director of the Company, has appointed Xing Min, an independent non-executive Director, to attend the Board meeting and to vote on his behalf; Wu Yong, a Director, has appointed Zhao Yanshui, the Chairman, to attend the Board meeting and to vote on his behalf. Save as disclosed, all other Directors attended the Board meeting for the purpose of considering the interim report of the Company in person.
- III. The interim financial statements for the six months ended 30 June 2014 are unaudited.
- IV. Mr. Zhao Yanshui (the Chairman of the Company), Mr. Yao Weidong (Person in charge of the accounting function) and Ms. Zhou Juan (Person in charge of the Accounting Department) have confirmed the truthfulness, accuracy and completeness of the financial statements in the Interim Report.
- V. Forward-looking statements in relation to the future development strategy and business plan do not constitute any substantial commitment to investors by the Company. Investors are advised to pay attention to any investment risks.
- VI. There was no misappropriation of the Company’s funds (not in the ordinary course of business of the Company) by the controlling shareholders or its associates
- VII. There was no external guarantee provided by the Company in violation of any established decision-making procedures

I DEFINITIONS

I. Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

A Share	means	ordinary shares as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on domestic stock exchanges, denominated, subscribed for and traded in RMB
CBRC	means	China Banking Regulatory Commission
Changtuo Company	means	Changtuo Agricultural Machinery Equipment Group. Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Changxing Company	means	Luoyang Changxing Agricultural Machinery Co., Ltd. (洛陽長興農業機械有限公司), a controlled subsidiary of the Company
Company	means	First Tractor Company Limited (第一拖拉機股份有限公司)
Controlled subsidiary	means	A company held as to more than 50% by the Company; a company actually controlled by the Company through agreement and arrangement
crawler tractors	means	tractors with the crawler as walking device
CSRC	means	China Securities Regulatory Commission
Group	means	First Tractor Company Limited and its controlled subsidiaries
H Share	means	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars

hi-powered wheeled tractor	means	wheeled tractor with a power of 70 horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
Jiangyan Power	means	YTO (Jiangyan) Power Machinery Co., Ltd. (一拖(姜堰)動力機械有限公司), a controlled subsidiary of the Company
low-powered wheeled tractor	means	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	means	wheeled tractor with a power of 25 (inclusive) to 70 horsepower
PRC	means	The People's Republic of China which, for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Prospectus	means	the "prospectus in connection with the initial public offering of A Shares of First Tractor Company Limited" (《第一拖拉機股份有限公司首次公開發行A股股票招股說明書》) prepared under relevant laws and regulations for the initial public offering of A Shares
SASAC	means	State-owned Assets Supervision and Administration Commission of the State Council
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
Sinomach	means	China National Machinery Industry Corporation (中國機械工業集團有限公司), the ultimate controlling shareholder of the Company
Stock Exchange	means	the Stock Exchange of Hong Kong Limited
subsidiary	means	A subsidiary as defined under the Listing Rules

Tractors Research Company	means	Luoyang Tractors Research Institute Co., Ltd. (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Axle	means	YTO (Luoyang) Drive Axle Company Limited (一拖(洛陽)車橋有限公司), a wholly owned subsidiary of the Company
YTO Diesel	means	YTO (Luoyang) Diesel Engine Co., Ltd. (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	means	YTO Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company
YTO Flag	means	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly owned subsidiary of the Company
YTO Forklift	means	YTO (Luoyang) Forklift Co., Limited (一拖(洛陽)叉車有限公司), a wholly owned subsidiary of the Company
YTO Foundry	means	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), a wholly owned subsidiary of the Company
YTO France	means	YTO France SAS, a wholly owned subsidiary of the Company
YTO Injection Pump	means	YTO (Luoyang) Fuel Injection Pump Co., Ltd. (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company
YTO International	means	YTO International Ltd. (一拖國際經濟貿易有限公司), a wholly owned subsidiary of the Company
YTO Shentong	means	YTO (Luoyang) Shentong Construction Machinery Co., Ltd. (一拖(洛陽)神通工程機械有限公司), a wholly owned subsidiary of the Company
YTO Transportation	means	YTO (Luoyang) Transportation Machinery Co., Ltd. (一拖(洛陽)搬運機械有限公司), a controlled subsidiary of the Company

II COMPANY PROFILE

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉機股份有限公司
Short name in Chinese	一拖股份
English name of the Company	First Tractor Company Limited
Legal representative of the Company	Mr. Zhao Yanshui

II. CONTACT PERSON AND METHODS

	Secretary to the Board	Representative in charge of securities affairs
Name	Ms. Yu Lina	Ms. Wei Yajun
Contact address	No.154 Jianshe Road, Luoyang, Henan Province, the PRC	No.154 Jianshe Road, Luoyang, Henan Province, the PRC
Telephone	(0379)64967038	(0379)64967038

III. BASIC INFORMATION

Registered address of the Company	No.154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the registered address of the Company	471004
Office address of the Company	No.154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471004
Company's website	www.first-tractor.com.cn
E-mail	msc0038@yotgroup.com

IV. INFORMATION DISCLOSURE AND THE PLACE FOR DOCUMENTS INSPECTION

Name of newspapers designated for dissemination of information	China Securities Journal and Shanghai Securities News
Internet website for publication of Interim Report as designated by the CSRC	www.sse.com.cn
Internet website for publication of Interim Report as designated by the Stock Exchange	www.hkex.com.hk
Place for inspection of the Interim Report (China)	Secretarial Office of the Company, No.154 Jianshe Road, Luoyang, Henan Province, the PRC
Place for inspection of the Interim Report (Hong Kong)	Li & Partners 22/F, World-Wide House, Central, Hong Kong

V. BASIC INFORMATION OF THE COMPANY'S SHARES

Type	Stock exchanges for listing	Abbreviated name of shares	Stock code
A Share	Shanghai Stock Exchange	一拖股份	601038
H Share	The Stock Exchange	First Tractor	0038

VI. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

There is no change in the registration of the Company during the Reporting Period.

III ACCOUNTING DATA AND FINANCIAL INDICATOR SUMMARY

I. Key Financial Data and Indicators

(I) Key financial data summary

Unit: RMB'000

Key financial data	For the	For the corresponding period		Year-on-year increase / decrease (%)
	Reporting Period (January to June)	After restatement	Before restatement	
Operating revenue (Note)	5,436,301	6,600,933	6,598,744	-17.64
Net profit attributable to shareholders of the Company	112,428	186,234	192,865	-39.63
Net profit attributable to shareholders of the Company after non-recurring items	103,759	172,122	178,795	-39.72
Net cash flows from operating activities	(365,339)	(790,974)	(759,965)	N/A
				Increase/ Decrease as at the end of the Reporting Period compared with the end of last year (%)
	As at 30 June 2014	As at 31 December 2013 After restatement	Before restatement	
Net assets attributable to shareholders of the Company	4,520,808	4,503,112	4,473,895	0.39
Total assets	12,658,821	12,102,525	12,060,650	4.60

Note: Operating revenue excludes interest income, fees and commissions generated from the Group's financial services.

(II) *Major financial indicators*

Major financial indicators	Reporting Period (January to June)	Corresponding period of the previous year		Year-on-year
		After restatement	Before restatement	Increase / Decrease (%)
Basic earnings per share (RMB/share)	0.1129	0.1870	0.1937	-39.63
Diluted earnings per share (RMB/share)	0.1129	0.1870	0.1937	-39.63
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.1042	0.1728	0.1795	-39.70
Weighted average return on net assets (%)	2.49	4.19	4.35	Decreased by 1.70 percentage points
Weighted average return on net assets after deduction of non-recurring items (%)	2.30	3.87	4.03	Decreased by 1.57 percentage points

(III) *Explanation of the Key Financial Data and Indicators of the Company*

1. The basic earnings per share and diluted earnings per share showed a year-on-year decrease of 39.63%, mainly due to a decrease in the net profit attributable to shareholders of the Company during the period.
2. Basic earnings per share after deduction of non-recurring items presented a year-on-year decrease of 39.70%, mainly due to a decrease in the net profit attributable to shareholders of the Company after deduction of non-recurring items during the period.

II. Differences between the PRC Accounting Standards and Hong Kong Financial Reporting Standards

Unit: RMB'000

	Net profit attributable to the owners of the Company		Net assets attributable to owner of the Company	
	For the reporting period	For the previous reporting period	As at the end of the reporting period	As at the beginning of the reporting period
Under PRC Accounting Standards	112,428	186,234	4,520,808	4,503,112
Under Hong Kong Financial Reporting Standards	112,428	186,234	4,520,808	4,503,112

III. Non-recurring Items and Amounts

Unit: RMB'000

Non-recurring Items	Amounts
Gain from disposal of non-current assets	6
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with national policies and continuously received in certain standard amounts and quantities)	11,711
Net profit from the beginning of the reporting period to the acquisition date attributable to the subsidiaries acquired through business combination under common control	(1,267)
Gains or losses from changes in fair values of trading financial assets and trading financial liabilities held by the Company, and investment gains or losses from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, other than effective hedging activities associated with normal business operations of the Company	798
Other gains which fall within the definition of non-recurring item	2,157
Effect of minority interests	(2,134)
Effect of income tax	(2,602)
Total	8,669

IV. REPORT OF THE DIRECTORS

I. THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATION AND BUSINESS FOR THE REPORTING PERIOD

The domestic and overseas economic situations remained complex and severe in the first half of 2014. The recovery of global economy was slow. The foundation was still unstable and there were many uncertainties and unstable factors; the overall operation of domestic economic was stable, while the economy was still confronted with a relatively large downward pressure because the PRC is currently in the critical period of transformation and upgrading as well as seeking for a new balance.

Under the aggregate impact of full implementation of full-payment policy for purchase of agricultural machinery, decrease in income of farmers and other factors, the market of the agricultural machinery industry presented a sluggish situation and the industry's growth obviously declined. The sales volume in the tractor market showed an overall decline trend in the first half of this year. In January to June 2014, the tractor industry realized a total industrial output value of RMB47.768 billion, representing a 3.39% year-on-year decrease. The sales volume of the hi-powered and mid-powered tractor industry reached 198,400 units, representing a 17.16% year-on-year decrease, of which the sales volume of hi-powered wheeled tractors was 68,500 units, representing an 11.7% year-on-year decrease, the sales volume of hi-powered wheeled tractors with a power of 100 horsepower or above was 24,000 units, representing an 8.2% year-on-year decrease, and the sales volume of mid-powered wheeled tractors was 129,500 units, representing a 19.7% year-on-year decrease.

During the Reporting Period, the Company paid close attention to the macro-economic situation and new changes in the market, and promptly take various measures to stably proceed with various works, striving to maintain stable development of production and operation of the enterprise against the adverse environment. As the entire agricultural machinery industry was weak, the sales volume of the Company's leading products showed declines of different extents. Under such impact, in the first half of this year, the Company recorded operating revenue of RMB5,436.30 million, representing a decrease of 17.64% over the corresponding period of the previous year; and net profit attributable to the Company amounted to RMB112.43 million, representing a decrease of 39.63% over the corresponding period of the previous year.

In respect of agricultural machinery, in the first half of this year, the Company sold 45,400 units of hi-powered and mid-powered tractors, representing a year-on-year decrease of 18.25%, including 18,861 units of hi-powered wheeled tractors, representing a year-on-year decrease of 18.3%, 7,326 units of hi-powered wheeled tractors with a power of 100 horsepower or above, representing a year-on-year decrease of 7.9%; and 26,097 units of mid-powered wheeled tractors, representing a year-on-year decrease of 17.9%.

In respect of power machinery, due to the overall decline in the sales volume of agricultural machinery including tractors, harvesters, etc., during the Reporting Period, 96,029 units of diesel engines were sold, representing a year-on-year decrease of 8.49%; of which external sales accounted for 63,730 units, representing a year-on-year decrease of 4.21%.

Against the severe situation of decline in the industry and the unfavorable situation of sales drop of the Company, in the first half of 2014, the Company insisted on implementing the annual operation policy of “adjusting structure, improving quality, transferring mechanism and increasing efficiency” and was committed to promoting technology upgrading of leading products and adjustment of product mix and market structure. In the first half of the year, the pace of listing powershift transmission tractors for sale by the Company accelerated and the sales volume exceeded the sales volume of the entire last year. The proportion of tractors with a power of 100 horsepower or above was further increased; exports to international key markets had obtained important progress; the Company’s cost control and management capacity was further strengthened and the products’ gross profit margin was improved through deepening the management of strategic procurement, enriching the measures for management and control of procurement cost, internal integration of assets and business, and other measures.

In the second half of 2014, although subsidies for agricultural machinery purchase will increase over the corresponding period of the previous year, the slowing down of growth of the industry is likely to continue, the market demand will be likely to remain under certain pressure, the market environment of the Company will still be severe and the operation pressure of the Company will increase due to the continuous impact of serious drought in main grain producing areas, decrease in income of farmers and other factors.

The Company will proactively cope with the changes in the industry. On the one hand, it will speed up product upgrade, and constantly promote adjustment of product structure, strengthen the Company's advantages and improve the enterprise's core competitiveness through the construction of key projects, e.g. enhancement of the core capability of new wheeled tractors, national III emission diesel switching operation, etc., laying a solid foundation for the subsequent development of the enterprise. On the other hand, it will seize key markets in the second half year centering on operation in the current period and promote product sales through reinforcing channel planning capacity, strengthening channel management, etc.; strengthen the development of key international markets and lay a foundation for the establishment of a sound foreign sales network by breakthroughs in major markets and projects; strengthen risk control and avoid operation risks while providing financial service support in a proactive and stable way; center on further focusing on resources, improve the operational efficiency of assets and speed up the disposal of low efficiency assets; and strive to improve the quality of economic operation by various measures.

(I) ANALYSIS OF OPERATING RESULTS

1. *Principal business by segment*

By segment	Revenue			Profit before tax		
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	Year-on-year change %	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	Year-on-year change %
Agricultural machinery business	4,854,266	5,940,643	-18.3%	113,358	167,827	-32.5%
Power machinery business	1,174,172	1,268,170	-7.4%	43,365	63,910	-32.1%
Other machinery business	98,271	102,099	-3.7%	(41,816)	(9,546)	N/A
Financial services	57,293	52,403	9.3%	42,447	36,447	16.5%
Unallocated and eliminations	(710,426)	(728,908)	N/A	(22,311)	(2,757)	N/A
Total	5,473,576	6,634,407	-17.5%	135,043	255,881	-47.2%

Under the impact of full implementation of full-payment policy for purchase of agricultural machinery, decrease in income of farmers and other factors, the operating revenue and pre-tax profit of the agricultural machinery business presented a year-on-year decline; the operating revenue and pre-tax profit of the power machinery business also decreased due to the overall decline in the sales volume of agricultural machinery including tractor, harvester, etc.; the continuous sluggish situation of the domestic coal industry gave rise to a low demand for mining truck products and a slight decrease in revenue from other machinery business. However, due to the increase of age of account receivables, the estimated bad debt risk increased, resulting in a substantial drop of pre-tax profit.

2. *Principal business by regions*

Regions	Major Operating Revenue <i>(RMB'000)</i> <i>(Note)</i>	Year-on- year increase/ decrease <i>(%)</i>
Within PRC	5,171,375	-18.1
Outside PRC	<u>235,822</u>	<u>-7.2</u>

Note: Prepared in accordance with the PRC Accounting Standards

3. *Gross profit and gross profit margin*

During the Reporting Period, revenue of the Company recorded a year-on-year decrease of 17% as affected by the slowdown in demand of the agricultural machinery industry. The gross profit of the Group was RMB946,120,000, representing a year-on-year decrease of RMB39,696,000, while the gross profit margin showed a year-on-year increase of 2.4 percentage points, mainly due to: (i) increase in both gross profit and selling expenses resulted from the fact that transportation fees were included in product prices during the Reporting Period; (ii) overall profitability was enhanced as the Company strengthened its effort to optimize costs and quality improvement projects.

4. Expenses during the reporting period

- (1) Selling expenses recorded a year-on-year increase of RMB31,871,000. The major reason is that the Company changed its selling policy to responsible for transportation and bearing the transportation costs, therefore resulting in a significant year-on-year increase in selling expenses.
- (2) Administrative expenses recorded a year-on-year increase of RMB27,638,000, mainly due to the increase in new consolidated units and in employee remuneration.
- (3) Finance costs recorded a year-on-year increase of RMB27,561,000, mainly due to the increase in interests expenses resulted from the constant increase in investment and the expansion in the scale of financing of the Company.
- (4) Other expenses increased by RMB11,046,000 over the previous reporting period, mainly due to the increase in the estimated risk of bad debts as a result of the increase in trade receivables and the increase of aged debts.

5. Income tax

During the Reporting Period, the Group's income tax expenses amounted to RMB23,865,000, representing a year-on-year decrease of RMB28,652,000, mainly due to the year-on-year decrease in profit during the Reporting Period. The income tax rates of the Company and each of the subsidiaries remained unchanged.

The Company and its subsidiaries, YTO Diesel, Tractors Research Company, Luoyang Xiyuan Vehicles and Power Inspection Institute Co., Ltd. (洛陽西苑車輛與動力檢驗所有限公司) and YTO Flag are new and high tech enterprises as jointly identified by the provincial Science and Technology Department, the Finance Department, the State Administration of Taxation and the local tax bureau, and are entitled to the 15% preferential income tax rate under the provision of Rule 28 of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法).

Cadfund Machinery (Pty) Ltd, YTO France and YITWO Agro-industrial (all being subsidiaries of the Company) are incorporated overseas and pay income tax at the applicable local rate.

Income tax rate for other subsidiaries of the Company was 25%.

6. *Assets and liabilities*

Items	As at 30	As at 31	Increase/	Percentage
	June 2014 (RMB'000)	December 2013 (RMB'000)	Decrease (RMB'000)	change (%)
Trade and bill receivables	2,456,084	2,337,387	118,697	5.1
Inventories	1,512,821	1,766,268	(253,447)	-14.3
Available-for-sale financial assets	134,749	137,581	(2,832)	-2.1
Held-to-maturity financial assets	864,916	25,602	839,314	3,278.3
Customer deposits	784,047	565,022	219,025	38.8
Placements from banks and non-bank financial institutions	—	350,000	(350,000)	-100.0
Trade and bill payables	2,974,364	2,749,894	224,470	8.2
Borrowings	2,604,383	2,166,399	437,984	20.2
Including: Short-term borrowings	1,050,394	592,437	457,957	77.3
Corporate bonds	1,490,847	1,489,773	1,074	0.1
Long-term borrowings	63,142	84,189	(21,047)	-25.0

- (1) The trade and bill receivables increased by RMB118,697,000 as compared with that at the beginning of the Reporting Period, mainly because of that the payment settlement of the State's subsidy on the purchase of agricultural machinery has been deferred and that the trade receivables of the first half year of 2014 have not yet been due.
- (2) The inventories decreased by RMB253,447,000 as compared with that at the beginning of the Reporting Period, mainly as a result of the utilization of the stocked inventories formed at the beginning of this year.

- (3) Held-to-maturity financial assets increased by RMB839,314,000 as compared with that at the beginning of the Reporting Period, which mainly represented the wealth management products purchased by the Company using the short-term idle proceeds.
- (4) Short-term borrowings increased by RMB457,957,000 as compared with that at the beginning of the Reporting Period, which mainly represented newly made short-term borrowings from banks.
- (5) Customer deposits increased by RMB219,025,000 as compared with that at the beginning of the Reporting Period, which mainly represented the increase of deposits in YTO Finance by YTO.
- (6) Placements from banks and non-bank financial institutions decreased by RMB350,000,000 as compared with that at the beginning of the Reporting Period, which mainly represented the decrease in placements from banks and non-bank financial institutions of YTO Finance.
- (7) Trade and bill payables increased by RMB224,470,000 as compared with that at the beginning of the Reporting Period, which was mainly because the Company used more bills so as to take full advantage of bills settlement.

7. *Financial ratios*

Items	Basis of calculation	As at 30 June 2014	As at 31 December 2013
Gearing Ratio	Total liabilities/ Total assets x 100%	58.42%	56.56%
Current Ratio	Current assets/ Current liabilities	1.48	1.56
Quick Ratio	(Current assets – Inventories) Current liabilities	1.21	1.21
Debt equity Ratio	Total liabilities/ Shareholders' equity ^(Note) x 100%	164.00%	152.00%

Note: Shareholders' equity excludes non-controlling interest.

8. Pledge of assets

Bank deposits of RMB290,179,000 (31 December 2013: RMB129,915,000) and bill receivables of RMB135,344,000 (31 December 2013: RMB209,826,000) were respectively pledged to secure the Group's bill payables of RMB1,167,367,000 (31 December 2013: RMB654,281,000).

As at 30 June 2014, certain borrowings of the Group were pledged by the follows: (i) property and land use right with a net carrying amount of approximately RMB151,631,000 (31 December 2013: approximately RMB153,936,000); (ii) no bills receivables are pledged as security (31 December 2013: approximately RMB142,655,000); and (iii) banks deposits with carrying amount of RMB17,780,000 are pledged as security (31 December 2013: approximately RMB17,780,000).

9. Cash flow analysis

- (1) Net cash outflows from operating activities were RMB365,339,000, representing a year-on-year decrease of RMB425,635,000. Such increase was mainly due to: the Company adjusted its sales policy to increase the discount for sales made by cash and resulted in accelerated pace of cash collection; and the Company strictly enforced the timely payment principle in purchase and increased the proportion of acceptance bills used in external payment .
- (2) Net cash outflows from investment activities recorded a year-on-year increase of RMB304,037,000, which was mainly due to the wealth management made by the Company using the idle proceeds and the increase in investment on capital construction during the Reporting Period for the purpose of realizing optimization of product cost or quality increase over the same period last year.
- (3) Net cash inflows from fund raising activities recorded a year-on-year decrease of RMB542,201,000, which was mainly from the issuance of corporate bonds by the Company in the same period last year.

10. Contingent liabilities

Save for the disclosure made under the heading "Guarantees", the Company did not have any other significant contingent liabilities as at 30 June 2014.

11. *Currency exchange rate risk*

During the Reporting Period, the Group has adopted various measures to effectively reduce the impact of the fluctuation in the currency exchange rates on the operating results of the Company. The Group will monitor the fluctuation in the currency exchange rates in the future, and will formulate timely corresponding measures to reduce the risk of currency exchange rates of the Group.

As at 30 June 2014, no deposits in foreign currency of the Group were pledged.

(II) **ANALYSIS OF CORE COMPETITIVENESS**

During the Reporting Period, there was no material change in the core competitiveness of the Company.

(III) **ANALYSIS OF INVESTMENTS**

1. *Overall analysis of external equity investments*

During the Reporting Period, the Company had no new external equity investments.

2. *Use of proceeds from share issue*

- (1) Overall status of uses of proceeds from share issue

Unit: RMB0'000

Year of fundraising	Fundraising method	Total proceeds	Total amount used in the Reporting Period	Amount used on an accumulative basis	Total unutilized amount	Use of the unutilized proceeds
2012	Initial public offering	81,000	11,533.89	57,437.02	19,936.29	Idle proceeds of RMB40 million used to temporarily replenish working capital after being approved by the 10th meeting of the sixth session of the Board of the Company. The remaining proceeds are deposited in the designated bank account.
2013	Corporate bonds	150,000	-	150,000	-	-

(2) Use of proceeds by the projects intended to be financed by the raised proceeds

Unit: RMB0'000

Project name	Any changes to the project	Intended investment amount of proceeds	Investment in this year	Accumulative investment amount	Project schedule (%)	Expected return	Profit generated	Explanations on failures		Reason for changes and explanation on the change procedures
								Whether in line with expected return	in meeting the schedule or expected return	
Hi-powered agricultural diesel engines project	Yes	26,000	—	26,000	100	—	—	—	Under construction	Approved in the 2013 second extraordinary general meeting of the Company
The project on establishment of tractors assembly station(s) in Xinjiang	No	11,000	1,171.31	5,701.83	51.83	—	—	—	Under construction	No change
The project on enhancement of the core capability of new wheeled tractors	No	30,000	9,306.48	24,257.55	80.86	—	—	—	Under construction	No change
The project on upgrading, capacity-enhancement and improvement of the fuel injection system products	No	10,373.31	1,066.11	1,477.64	14.24	—	—	—	Under construction	No change
Total		<u>77,373.31</u>	<u>11,533.90</u>	<u>57,437.02</u>						

For the details of deposit and uses of the raised proceeds of the Company during the Reporting Period, please refer to the “Special report on the deposit and actual use of raised proceeds of the Company”.

(3) Changes in project intended to be financed by raised proceeds

Pursuant to the business planning of powered machinery and the needs of market presence, in order to strengthen the progress of hi-powered agricultural diesel engines project and unleash synergy effects of the resources, in July 2013, the Company made additional capital contribution to YTO Diesel by way of injecting assets construed by the hi-powered agricultural diesel engines project. According to the “Shanghai Stock Exchange Administrative Measure on Raised Fund” (上海證券交易所募集資金管理辦法), the use of part of the assets created by projects intended to be financed by the raised proceeds constitute change in project intended to be financed by raised proceeds. Such matters has been considered and approved by the 5th meeting of the sixth session of the Board and the 2013 second extraordinary general meetings. For details please see the “Connected transaction announcement of First Tractor Company Limited relating to its capital injection to Controlled subsidiaries” (《第一拖拉機股份有限公司關於向控股子公司增資的關聯交易公告》) published on the website of Shanghai Stock Exchange and in China Securities Journal and Shanghai Securities News on 11 July 2013.

3. Analysis of major subsidiaries and companies that the Company has invested in

(1) Information on major subsidiaries

Name of companies	Registered capital	Principal activities	As at 30 June 2014		Realized during the Reporting Period	
			Total assets (RMB0'000)	Net assets (RMB0'000)	Operating revenue (RMB0'000)	Net profit (RMB0'000)
YTO Finance	RMB500 million	Provision of financial services	331,209	66,233	5,742	3,140
YTO Diesel	USD16 million	Manufacture and sales of engines	162,318	81,455	92,797	5,619
Jianguan Power	RMB200 million	Manufacture and sales of small multi-bore diesel engines and castings	52,152	27,319	22,212	-76
YTO Injection Pump	RMB161.92 million	Manufacture and sales of fuel injection products	33,153	23,220	11,441	452
YTO Flag	RMB120 million	Production and sales of covering parts, structural components and parts of vehicles and agricultural machineries	33,703	27,388	21,203	936
YTO Axle	RMB50 million	Manufacture and sales of axles and boxes for agricultural machinery	33,264	24,969	23,988	1,852
YTO Foundry	RMB168.83 million	Processing and sales of castings, rough and semi-finished products and finished products	21,289	12,611	18,216	294
Tractors Research Company	RMB445 million	Development and research of tractor products	67,328	60,877	9,026	518
YTO International	RMB66 million	Sales of agricultural machineries	17,608	6,763	15,786	387
YTO France	EUR34.6 million	Manufacture and sales of agricultural machinery accessories	23,599	13,507	8,532	-2,663
Changtuo Company	RMB282 million	Manufacture and sales of agricultural machineries and its accessories	28,012	16,001	3,655	-1,940
YTO Shentong	RMB53 million	Manufacturing and sale of mining trucks and other agricultural machinery products	25,194	-8,800	3,440	-3,931

(2) Acquisition and disposal of subsidiaries during the Reporting Period

During the Reporting period, the Company disposed 73% equity interest in YTO (Luoyang) Zhongcheng Machinery Company Limited to YTO at RMB10,563,900 by way of public listing-for-sale. The share transfer has been completed in July 2014 and the Company will no longer consolidate the accounts of YTO (Luoyang) Zhongcheng Machinery Company Limited in the future.

(3) Subsidiaries contributing to more than 10% of the Company's net profit

Name	Revenue for the Reporting Period (RMB0'000)	Operating profit for the Reporting Period (RMB0'000)	Net profit for the Reporting Period (RMB0'000)
YTO Finance	5,742	4,234	3,140
YTO Diesel	92,797	6,163	5,619
YTO Axle	23,988	2,486	1,852
YTO France	8,532	(3,604)	(2,663)
Changtuo Company	3,655	(1,945)	(1,940)
YTO Shentong	3,440	(3,947)	(3,931)
Changxing Company	278,154	(2,965)	(2,971)

4. Projects not funded by proceeds from fundraising activities

During the Reporting Period, the Company did not have any significant project for which the total investment exceeding 10% of the audited net assets of the Company as at the end of the previous year and which was not funded by proceeds from fundraising activities.

II. PLANS FOR DISTRIBUTION OF PROFIT OR CONVERSION OF RESERVE INTO CAPITAL

On 29 May 2014, the profit distribution proposal for 2013 was considered and approved at the 2013 annual general meeting of the Company, pursuant to which the Company distributes a cash dividend of RMB0.06 (tax inclusive) for every share on the basis of the total share capital of the Company of 995,900,000 shares. The total amount of the cash dividend was RMB59.754 million. On 11 July 2014, the Company completed the dividend distribution. The announcement on the implementation of the dividend distribution was published on China Securities Journal, Shanghai Securities News and on the website of Shanghai Stock Exchange on 10 July 2014.

III. THE GROUP'S STAFF, REMUNERATION POLICY AND TRAINING FOR STAFF

As at 30 June 2014, the Group had in place 13,835 employees. During the reporting period, the total remuneration paid to employees of the Group was approximately RMB578.511 million. The emolument policies for the staff of the Group are set up by the human resources department on the basis of their work performance, competence and qualification. The Group provided staff training in various forms and improved the professional quality of the Group's employees.

V SIGNIFICANT EVENTS

I. MATERIAL CONNECTED TRANSACTIONS

(I) *Connected transactions related to ordinary and usual operations*

1. *Matters which have been disclosed in the announcement of the Company and which have further developments or changes*

Unit: RMB0'000

Counterparty	Relationship	Content of the connected transaction	Pricing principle	Estimated annual cap for 2014	Actual transaction amount in January - June 2014
YTO	Controlling shareholder	Purchase of goods from YTO by the Company	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	145,000	25,279
YTO	Controlling shareholder	Provision of certain welfare, storage, transportation, consumption services, administrative services for retired employees etc. to the Company and its subsidiaries by YTO	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	25,400	13,030
YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	29,000	10,298
YTO	Controlling shareholder	Sales of goods to YTO by the Company	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	13,500	7,687
YTO	Controlling shareholder	lease of properties to the Company and its subsidiaries by YTO	Market price; if there is no comparable market price, the rent to be determined based on the annual depreciation expenses and the management fee which was not more than 5% of the net book value of the relevant premises and the relevant taxes	1,200	579
YTO	Controlling shareholder	lease of lands to the Company and its subsidiaries by YTO	Market price; if there is no comparable market price, the rent to be determined based on the annual depreciation expenses and the management fee which was not more than 5% of the net book value of the relevant premises and the relevant taxes	1,650	1,037

Counterparty	Relationship	Content of the connected transaction	Pricing principle	Estimated annual cap for 2014	Actual transaction amount in January - June 2014
Tractors Research Company	Subsidiary of YTO	provision of technology research and development, technology consultation and other technology services by Tractors Research Company to the Company	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	10,000	4,113
YTO	Controlling shareholder	provision of loan services by YTO Finance to YTO	a. the rate prescribed by CBRC or the People's Bank of China; b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	69,000	68,000
YTO	Controlling shareholder	provision of bills acceptance services by YTO Finance to YTO	a. the rate prescribed by CBRC or the People's Bank of China; b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	40,000	20,390
YTO	Controlling shareholder	provision of bills discounting services by YTO Finance to YTO	a. the rate prescribed by CBRC or the People's Bank of China; b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	46,000	18,017

Note: As authorized by Sinomach, YTO, on behalf of Sinomach, entered into relevant connected transaction agreements in connection with sales and purchase of goods, therefore, the estimated annual caps and actual transaction amounts for such connected transaction included the amounts of transactions between the Company and Sinomach and its subsidiaries.

2. *Connected transactions not disclosed in the announcements of the Company*

Unit: RMB0'000

Counterparty	Relationship	Content of the connected transaction	Pricing principles	Estimated annual cap for 2014	Actual transaction amount in January-June 2014
YTO	Controlling shareholder	lease of properties from the Company and its subsidiaries	Market price	300	21
YTO	Controlling shareholder	lease of lands from the Company and its subsidiaries	Market price	200	11
YTO	Controlling shareholder	provision of technology services to YTO	Market price	300	112
YTO	Controlling shareholder	provision of calibration and testing services to YTO	Market price	150	26

Note: According to relevant requirements of the listing rules of Shanghai Stock Exchange and the Stock Exchange, pricing principles mentioned above were in compliance with the relevant provisions under the listing rules, and the relevant amounts did not reach the standard for disclosure.

(II) **Connected transactions arising from acquisition and disposal of assets**

Unit: RMB0'000

Counterparty	Relationship	Content of the connected transaction	Pricing principle	Carrying value of the asset	Valuation value of the asset	Transaction price	Settlement method	Effects on the operating results and financial position of the Company
YTO	Controlling shareholder	Acquisition of assets of the techniques and materials research centre and the calibration and testing centre	Appraised value	2,927.32	3,686.59	3,686.59	Payment in cash	The acquisition constitutes business combination under common control, the techniques and materials research centre and the calibration and testing centre are consolidated into the consolidated statements of the Company
		Disposal of 73% equity interest in YTO (Luoyang) Zhongcheng Machinery Company Limited* (一拖(洛陽)中成機械有限公司) ("Zhongcheng Company")	Based on the appraised value and determined by way of public listing	771.54	1,056.38	1,056.39	Payment in cash	Upon completion of the equity interest transfer, the Company will no longer consolidate the accounts of YTO (Luoyang) Zhongcheng Machinery Company Limited* (一拖(洛陽)中成機械有限公司)
		Disposal of certain tangible assets leased out by Zhongcheng Company as held by the Company		359.01	427.13	427.13	Payment in cash	

(III) *Connected transaction relating to external investments*

The Company was not engaged in any connected transaction relating to external investments during the Reporting Period.

(IV) *Related creditor's right and debt transactions*

N/A

II. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) *Custody and contracting matters*

1. Custody: As agreed between the Company and Sinomach, Sinomach entrusted the Company with the exclusive right to exercise the voting rights and the power of supervision and management held by it in proportion to its 33.33% equity interest in Changtuo Company. There was no change in custody during the Reporting Period.
2. The Company does not have contracting matter during the Reporting Period.

(II) Guarantees

Unit: RMB0'000

**Total amount of the guarantees provided by the Company
(excluding guarantees provided for its subsidiaries)**

Guarantor	Relationship of the Guarantor with the		Amount of the guarantee	Date of agreement	Type of guarantee	Whether discharged	Whether overdue	Whether any counter-	Whether related party	Connected relationship
	Company	Beneficiary						guarantee	guarantee	
The Company	Company headquarter	Distributors of business of Quanchengtong (全程通)	4,688	2013.4.1	Guarantee with joint liability	No	No	Yes	No	Nil
		Distributors of business of Nongjiwang (農機網)	4,322	2014.6.27	Guarantee with joint liability	No	No	Yes	No	Nil
		Distributors of business of Dianpiaotong (電票通)	13,494	2014.6.27	Guarantee with joint liability	No	No	Yes	No	Nil
		Distributors of business of Changshangyin (廠商銀)	500	2013.7.24	Guarantee with joint liability	No	No	Yes	No	Nil
		Mining truck users	433	2012.1.29	Guarantee with joint liability	No	No	Yes	No	Nil
Changxing Company	Wholly-owned subsidiary	Customer of buyer's credit business of agricultural machinery	383	2014.4.15	Guarantee with joint liability	No	No	Yes	No	Nil

Total amount of the guarantees provided by the Company during the Reporting Period (excluding guarantees provided for its subsidiaries)	37,661
Total outstanding amount of guarantees as at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)	23,820

Guarantees provided by the Company for its subsidiaries

Total amount of the guarantees provided by the Company to its subsidiaries during the Reporting Period	7,400
Total outstanding amount of the guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	7,900

**Total amount of the guarantees provided by the Company
(including guarantees for its subsidiaries)**

Total amount of guarantees (A+B)	31,720
Percentage of the total amount of guarantees to the net assets of the Company (%)	7.02
Of which:	
Amount of guarantees provided by the Company for its shareholders, de facto controller and related parties (C)	—
Amount of guarantees directly or indirectly provided for parties with a gearing ratio exceeding 70% (D)	1,900
The portion of total amount of guarantee in excess of 50% of net assets (E)	—
Total amount of the above three categories of guarantees (C+D+E)	1,900

III. FULFILLMENT OF UNDERTAKINGS

(I) *Undertakings made by the Company, shareholder holding 5% or more of the Company's shares, controlling shareholder and ultimate controller during or subsisting to the Reporting Period*

Background	Type	Party making the undertaking	Content	Explanation on performance
Undertaking related to the initial public offering	Solutions to business competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Farming Implements Company Limited no longer engaged in the purchase, assembly and sales of farming implements products other than the supporting sale of the farming implements products which have been purchased or ordered. The Company and all its controlled subsidiaries shall not engage in the processing, production or assembly of farming implements, except the supporting sales and relevant procurement.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Solutions to business competition	YTO	YTO will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operations. In addition, where YTO or other enterprises controlled by it may bring unfair impact on the Company in respect of market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Solutions to business competition	Sinomach	Sinomach will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operations. In addition, where Sinomach or other enterprises controlled by it may bring unfair impact on the Company in respect of market share, business opportunity and resources allocation, Sinomach will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Restriction trading of shares	Sinomach	Within 36 months after the date of initial public offering, listing and trading of A shares of the Company, Sinomach will not transfer or engage others to manage the shares of the Company issued before the initial public offering of shares of the Company directly and indirectly held by Sinomach, nor allow the Company to repurchase such shares.	Honoring commitment and normal performance

Background	Type	Party making the undertaking	Content	Explanation on performance
Undertaking related to the initial public offering	Restriction trading of shares	YTO	Within 36 months after the date of initial public offering, listing and trading of A shares of the Company, YTO will not transfer or engage others to manage the shares of the Company issued before the initial public offering of shares of the Company directly and indirectly held by YTO, nor allow the Company to repurchase such shares.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Size of deposit and loan	YTO	On 16 August 2010, YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual cap of loan obtained by YTO and its subsidiaries (excluding the Company) from YTO Finance. YTO further undertook that, on the basis of the aforesaid Deposit Agreement and Loan Agreement and cap amount of connected transactions, the loan of YTO and its subsidiaries (excluding the Company) obtained from YTO Finance will be less than their deposits placed with YTO Finance, and ensured the safety of its subsidiaries' loans through various measures.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Improvement of asset integrity	YTO	As to the patents related to the products of the Company and its subsidiaries which are in the process of application, YTO undertook to transfer the relevant 50 patents to the Company at nil consideration upon completion of the applications. Except for the aforesaid patents which are in the process of application, YTO will no longer apply for patents related to the products of the Company and its subsidiaries in its own name. YTO will transfer to the Company at nil consideration any such new technologies related to the products of the Company and its subsidiaries that may be developed by YTO after issue of the undertaking letter, and patents in respect of such technologies will be applied for directly in the name of the Company.	Honoring commitment and normal performance

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

(1) Appointment and dismissal of accounting firm

As considered and approved by the shareholders at the 2013 annual general meeting of the Company, Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited were appointed as the PRC and international auditors of the Company respectively for the year 2014. Baker Tilly China Certified Public Accountants was also appointed as the internal control auditors of the Company for 2014.

(2) Change of accounting firm during the auditing period

In light of the acceptance by the Stock Exchange of Mainland incorporated companies listed in Hong Kong to prepare their financial statement under China Accounting Standards for Business Enterprises and be audited by qualified Mainland accounting firms, on 26 August 2014, the 15th meeting of the sixth session of the Board of the Company approved and agreed to cease to appoint Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited as its PRC financial report auditors and Hong Kong financial report auditors for the year 2014 of the Company respectively and cease to appoint Baker Tilly China Certified Public Accountants as its internal control auditors, and appoint ShineWing Certified Public Accountants (Special General Partnership) as the auditors for the Company's financial statement for the year 2014 and the internal control auditors. Such matters are subject to the consideration and approval by the general meeting of the Company.

V. PUNISHMENT ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES, DE FACTO CONTROLLER AND ACQUIRING PARTY AND THE RECTIFICATION THEREOF

During the Reporting Period, neither the Company nor any of its Directors, Supervisors, senior management, shareholders holding 5% or more of the shares, de facto controller or acquiring party was a subject of any inspection, administrative penalty or circulation of a notice of criticism by CSRC or public censure by the stock exchange.

VI. CORPORATE GOVERNANCE

(I) Corporate Governance

During the Reporting Period, the Company operated in strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and other laws and regulations of the PRC, as well as the regulatory requirements of the places where the shares of the Company are listed and is constantly improving the corporate governance structure, further advancing its corporate governance standards. There are no significant difference between the actual situation of the Company's corporate governance and the Company Law of the PRC and relevant provisions and requirements of the CSRC and the places where the shares of the Company are listed.

In accordance with the requirements of domestic and foreign regulatory institutions, and taking into account the actual operating situation of the Company, the Company made amendments to the Articles of Association, the Rules of Procedures for the Supervisory Committee, the Administrative Measures for Information Disclosure (《信息披露管理辦法》) and other systematic documents of the Company, further improved the standardization of the corporate governance and information disclosure of the Company. Meanwhile, the Company also formulated the “Administrative System of Shareholdings by Directors and Senior Management and the Changes Therein” (《董事、高管人員持股及變動管理制度》) (the “**Administrative System**”), which further specified and standardized the management of the act of holding shares of the Company by its Directors, Supervisors and senior management and the changes therein.

During the Reporting Period, certain Directors and Supervisors of the Company resigned their respective positions due to work changes. In order to guarantee the improvement and the effective operation of the Company’s corporate governance structure, the Company filled the vacancy of Directors and Supervisors according to the legal procedures in a timely manner and make corresponding adjustment to the every special committees under the Board.

During the Reporting Period, the corporate governance structure of the Company duly operated, with one general meeting, five Board meetings, three meetings of the Audit Committee under the Board and two meetings of the Board of Supervisors being held. During the Reporting Period, the Company strictly complied with relevant requirements of the listing rules of both the Shanghai Stock Exchange and the Stock Exchange and the relevant requirements of the Company, thereby timely fulfilling its information disclosure obligation.

During the Reporting Period, under the premise of strict compliance with regulatory rules and based on the information disclosed in announcements, the Company actively communicated with public investors. Since the announcement of results for the year 2013, the Company convened on-site and online results presentation, respectively; the management interacted and communicated with both domestic and foreign institutions and individual investors through 14 one-to-one and group meetings, 1 major results release conference, and by means of online interaction. During the Reporting Period, the Company also organized 4 patches of visits and held 12 telephone conferences with domestic and foreign institutional investors.

(II) *Corporate Governance Code*

The Board is of the view that during the Reporting Period, the Company has complied with the principles and most code provisions under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, except for the deviation from Code Provision A.2.1 which sets out that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Board believes that this structure will not affect the balance of powers between the Board and the management.

(III) *Audit Committee under the Board*

The Audit Committee of the Company consists of 3 Directors, with majority members being independent non-executive Directors. During the Reporting Period, Mr. Zhang Qiusheng, the chairman of the Audit Committee, resigned as an independent non-executive Director and the chairman of the Audit Committee. The Company timely appointed Mr. Yu Zengbiao, a new independent non-executive Director, as a member of the Audit Committee under the Board, and elected Mr. Wu Tak Lung, a Director of the Company, as the chairman of the Audit Committee. The members of the Audit Committee under the Board are in compliance with the provisions under Rule 3.21 of the Listing Rules of the Stock Exchange.

During the Reporting Period, three meetings of the Audit Committee under the Board were held, at which the committee reviewed the Company's 2013 annual report and disclosure work plan, implementation of the continuing connected transactions for 2013, internal control and self-evaluation of the Group for 2013, and the appointment of auditors and internal control auditor for 2014. The Audit Committee under the Board has fully discharged its duties.

The Audit Committee under the Board has reviewed the Group's 2014 Interim Report and agreed with the financial accounting principles, standards and methods adopted for the preparation of the Group's unaudited 2014 Interim Report for the six months ended 30 June 2014.

(IV) *Model Code for Securities Transactions by Directors*

The Company has adopted a set of code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, and prescribed the Administrative System. The Company, having made specific enquiries to all the Directors, confirmed that all Directors have complied with the required standards as set out in the Model Code, the Administrative System and the Company’s code of conduct in relation to Directors’ securities transactions during the Reporting Period.

VII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. Interests for both the 2012 first tranche of public-issued corporate bonds and the 2012 second tranche of public-issued corporate bonds were timely and fully paid to investors by the Company on 4 March 2014 and 30 May 2014, respectively.
2. On 21 July 2014, the Company and ZF (China) Investment Co., Ltd.* (采埃孚(中國)投資有限公司) entered into the “Agreement on the Joint Establishment of ZF YTO (Luoyang) Axle Co., Ltd.” (《合資成立采埃孚一拖(洛陽)車橋有限公司協議書》). For details please see the “Announcement on External Investment”(《對外投資公告》) numbered “Lin.2014-34” (臨2014-34號) and the Announcement on the Progress of External Investment numbered “Lin.2014-35” (臨2014-35號) published on the website of Shanghai Stock Exchange and in China Securities Journal and Shanghai Securities News on 19 July 2014 and 23 July 2014 respectively.

VI CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARES

(I) Table of changes in shares

1. Table of changes in shares

Unit: Share

	Before movement		New issue	Bonus issue	Increase/ decrease (+/-) Capitalisation of capital reserves	Others	Sub-total	After movement	
	Number of Shares	Percentage (%)						Number of Shares	Percentage (%)
(1) Shares subject to selling restrictions	443,910,000	44.574	-	-	-	-	-	443,910,000	44.574
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	443,910,000	44.574	-	-	-	-	-	443,910,000	44.574
3. Shares held by other domestic investors	-	-	-	-	-	-	-	-	-
Of which: Shares held by domestic non-state-owned legal persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Of which: Shares held by foreign legal persons	-	-	-	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-	-	-	-
(2) Tradable shares not subject to selling restrictions	551,990,000	55.426	-	-	-	-	-	551,990,000	55.426
1. RMB-denominated ordinary shares	150,000,000	15.062	-	-	-	-	-	150,000,000	15.062
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	401,990,000	40.364	-	-	-	-	-	401,990,000	40.364
(3) Total	995,900,000	100.00	-	-	-	-	-	995,900,000	100.00

2. Explanation on changes in shares

During the Reporting Period, there was no change in the total number of shares of the Company.

(II) Changes in shares subject to selling restrictions

During the Reporting Period, there is no change in shares subject to selling restrictions of the Company.

II. INFORMATION ON SHAREHOLDERS

(I) Number of shareholders and their shareholdings

Total number of shareholders as at the end of the Reporting Period	30,673 shareholders (including 30,270 shareholders holding A shares and 403 shareholders holding H shares)
Total number of Preference Shareholders with voting rights restored as at the end of the Reporting Period	Nil

(II) Shareholdings of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held (Share)	Increase/decrease during the Reporting Period (Share)	Number of shares held subject to selling restrictions (Share)	Number of shares pledged of frozen (Share)
YTO	State-owned legal-person	44.57	443,910,000	—	443,910,000	Nil
HKSCC Nominees Limited	Holder of H shares	39.98	398,195,398	(28,000)	—	Unknown
Zhu Cuifeng (朱翠鳳)	Domestic natural person	0.23	2,283,898	2,283,898	—	Unknown
Huang Hui (黃慧)	Domestic natural person	0.18	1,795,802	862,502	—	Unknown
Meng Yongfeng (門永峰)	Domestic natural person	0.09	941,080	941,080	—	Unknown
Luo Xiuzhen (羅秀珍)	Domestic natural person	0.08	802,483	(278,868)	—	Unknown
Zhu Aimei (朱愛媿)	Domestic natural person	0.07	746,329	746,329	—	Unknown
LIU HON NAM	Overseas natural person	0.07	726,000	—	—	Unknown
Ye Bin (葉斌)	Domestic natural person	0.07	693,108	84,400	—	Unknown
Han Xiqiu (韓希秋)	Domestic natural person	0.05	511,700	511,700	—	Unknown

Note: according to the register of members of the Company as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company.

(III) Shareholdings of the top ten holders of shares not subject to selling restrictions

Name of shareholder	Number of shares held not subject to selling restrictions <i>(Share)</i>	Class of share
HKSCC Nominees Limited	398,195,398	H share
Zhu Cuifeng (朱翠鳳)	2,283,898	A share
Huang Hui (黃慧)	1,795,802	A share
Meng Yongfeng (門永峰)	941,080	A share
Luo Xiuzhen (羅秀珍)	802,483	A share
Zhu Aimei (朱愛媿)	746,329	A share
LIU HON NAM	726,000	H share
Ye Bin (葉斌)	693,108	A share
Han Xiqiu (韓希秋)	511,700	A share
Gao Shengyu (高勝玉)	510,000	A share

Connections or parties acting in concert among the aforesaid shareholders

Of the top 10 shareholders and top 10 holders of shares not subject to selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert (as defined in the Administrative Measures on Acquisitions by Listed Companies) with, any of other shareholders. The Company is not aware of any connected relationship among the aforesaid shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.

Preference Shareholders with voting rights restored and number of Shares held thereby

Nil

Note: according to the register of members of the Company as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company.

(IV) Shareholdings of the top ten holders of shares subject to selling restrictions and the terms of the selling restrictions*Unit: share*

Name of holders of shares subject to selling restrictions	Number of shares held subject to selling restrictions (Shares)	Release of selling restrictions		Selling restrictions
		Expiry date of selling restrictions	Number of additional shares available for listing and selling	
YTO	443,910,000	8 August 2015	—	A lock-up period of 36 months after the listing
Connections or parties acting in concert among the aforesaid shareholders				Nil

(V) Substantial shareholders' interests and short positions disclosed in accordance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")

As at 30 June 2014, the following shareholders of the Company (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number of shares interested ¹	Percentage of the relevant class of issued share capital (%)	Percentage of the total issued share capital of the Company (%)	Class of share
YTO ²	Beneficial owner	443,910,000(L)	74.74(L)	44.57(L)	A share
The Capital Group Companies, Inc.	Interest in controlled corporations	36,062,000(L)	8.97(L)	3.62(L)	H share
JPMorgan Chase & Co.	Custodian/ Beneficial owner/ Investment manager	20,597,920(L)	5.12(L)	2.07(L)	H share
	Beneficial owner	736,000(S)	0.18(S)	0.07(S)	H share
	Custodian	19,227,000(P)	4.78(P)	1.93(P)	H share

Note 1: (L) - Long position, (S) - Short position, (P) - Lending pool

Note 2: Sinomach is the controlling shareholder of YTO. Sinomach is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 443,910,000 A Shares of the Company.

Save as disclosed above, there are no other persons who, as at 30 June 2014, had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

III. CHANGES IN CONTROLLING SHAREHOLDER OR ULTIMATE CONTROLLER

During the Reporting Period, there was no change in the controlling shareholder or ultimate controller of the Company.

IV. DETAILS OF PREFERRED SHARES

The Company had no preferred shares during the Reporting Period.

V. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries repurchased, sold or redeemed the Company's listed securities during the Reporting Period.

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGE IN SHAREHOLDINGS

- (l) Change in shareholdings of incumbent and resigned Directors, Supervisors and senior management members during the Reporting Period

None of the Directors, Supervisors and senior management held or dealt in the shares of the Company during the Reporting Period.

- (II) Directors', Supervisors' and the Company's chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at 30 June 2014, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ associated corporation	Capacity	Name and class of securities	Percentage of relevant class of issued share capital (%)	Percentage of total issued share capital (%)
Wu Tak Lung	The Company	Beneficial owner	10,000 H Shares Long Position	0.00025	0.00010

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2014, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the Reporting Period, there were two Directors, one independent non-executive Director, one Supervisor and one staff representative Supervisor resigned from their respective positions due to work changes, and the Company correspondingly filled the vacancy of two Directors, one independent non-executive Director, one Supervisor and one staff representative Supervisor, details of which were set out below:

Type	Name	Position	Change	Reason of change
Change of Director	Su Weike	Director, Vice Chairman	Resigned	Work changes
	Qu Dawei	Director	Resigned	Work changes
	Zhang Qiusheng	Independent non-executive Director	Resigned	Work changes
	Wu Zongyan	Director	Appointed	Elected at the general meeting to fill the casual vacancy
	Wang Kejun	Director	Appointed	Elected at the general meeting to fill the casual vacancy
	Yu Zengbiao	Independent non-executive Director	Appointed	Elected at the general meeting to fill the casual vacancy
Change of Supervisor	Xu Weilin	Staff representative Supervisor	Resigned	Work changes
	Xu Shidong	Supervisor	Resigned	Work changes
	Zhao Guozhong	Staff representative Supervisor	Appointed	Elected at the staff representative meeting to fill the casual vacancy
	Xu Weilin	Supervisor	Appointed	Elected at the general meeting to fill the casual vacancy

Chairman: **Zhao Yanshui**
First Tractor Company Limited
 26 August 2014