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

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0038)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(Financial Highlights)

Revenue	**:**	**RMB11,328,545,000**
Profit attributable to owners of the Company	**:**	**RMB410,819,000**
Earnings per share attributable to owners of the Company	**:**	**RMB0.4857**

The board (the "**Board**") of directors (the "**Directors**") of First Tractor Company Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2011 (the "**Reporting Period**"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the same period in 2010, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi).

Pursuant to the resolution in relation to the refreshment of specific mandate for the issue of A shares passed at the extraordinary general meeting and the respective class meetings for holders of H shares and domestic shares of the Company convened on 15 August 2011(details of which was set out in the announcement of results of the extraordinary general meeting, H shares class meeting and domestic shares class meeting of the Company dated 15 August 2011), the Board does not recommend payment of cash dividend for the financial year ended 31 December 2011.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	**2011**	2010
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	5	**11,328,545**	10,265,832
Cost of sales		**(9,768,885)**	(8,748,714)
Gross profit		**1,559,660**	1,517,118
Other income and gains	5	**75,505**	219,801
Selling and distribution costs		**(360,144)**	(368,055)
Administrative expenses		**(677,204)**	(645,974)
Other operating expenses, net		**(7,937)**	(49,829)
Finance costs	7	**(54,162)**	(28,166)
Share of profits of associates		**324**	1,247
Profit before income tax	6	**536,042**	646,142
Income tax expense	8	**(78,537)**	(84,093)
Profit for the year		**457,505**	562,049

Profit attributable to:			
Owners of the Company		**410,819**	542,670
Non-controlling interests		**46,686**	19,379
		457,505	562,049
Dividends	9	**—**	169,180
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share	10	**RMB48.57cents**	RMB64.15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**457,505**	562,049
Other comprehensive (expense)/income:		
Currency translation differences	**(16,820)**	(1,125)
Fair value loss of available-for-sale financial assets, net of tax	**(65,947)**	(6,296)
Deferred income recognised	**—**	7,990
Other comprehensive (expense)/ income for the year, net of tax	**(82,767)**	569
Total comprehensive income for the year	**374,738**	562,618
Attributable to:		
Owners of the Company	**332,650**	542,342
Non-controlling interests	**42,088**	20,276
Total comprehensive income for the year	**374,738**	562,618

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment		**2,063,595**	1,830,551	1,238,691
Investment properties		**33,861**	35,302	—
Prepaid operating leases		**685,202**	208,385	95,445
Intangible assets		**61,631**	—	—
Interests in associates		**13,314**	15,121	14,281
Available-for-sale financial assets		**179,350**	289,465	168,476
Loan receivables		**34,302**	44,858	135,278
Deferred income tax assets		**46,667**	38,825	59,376
Total non-current assets		**3,117,922**	2,462,507	1,711,547
Current assets				
Inventories		**1,110,557**	1,376,835	1,060,047
Trade and bill receivables	11	**2,391,219**	1,555,731	951,108
Available-for-sale financial assets		**23,360**	—	—
Loan receivables		**671,423**	503,231	412,123
Prepayments, deposits and other receivables		**572,302**	751,097	750,225
Tax recoverable		**10,116**	2,672	2,118
Financial assets at fair value through profit or loss		**77,398**	251,994	28,942
Held-to-maturity financial assets		**—**	1,000	11,140
Placements with banks and non-bank financial institutions		**—**	350,000	—
Pledged bank deposits		**123,334**	179,728	310,321
Cash and cash equivalents		**1,389,091**	1,182,835	949,845
Total current assets		**6,368,800**	6,155,123	4,475,869

Current liabilities				
Trade and bill payables	12	**2,193,221**	2,026,864	1,730,426
Other payables and accruals		**793,435**	970,679	634,387
Customer deposits		**1,112,774**	540,420	260,223
Repurchase agreements		**—**	99,500	—
Placements from banks and non-bank financial institutions		**200,000**	100,000	—
Borrowings		**969,468**	425,726	156,000
Current income tax liabilities		**42,535**	29,850	62,970
Provisions		**43,839**	69,405	36,369
Total current liabilities		**5,355,272**	4,262,444	2,880,375
Net current assets		**1,013,528**	1,892,679	1,595,494
Total assets less current liabilities		**4,131,450**	4,355,186	3,307,041
Non-current liabilities				
Borrowings		**186,000**	600,000	13,473
Deferred income		**111,728**	106,748	115,597
Deferred income tax liabilities		**15,130**	27,062	13,109
Provisions		**43,004**	77,348	90,323
Total non-current liabilities		**355,862**	811,158	232,502
Net assets		**3,775,588**	3,544,028	3,074,539

Equity			
Attributable to owners of the Company			
Share capital	**845,900**	845,900	845,900
Reserves	**2,477,600**	2,238,208	1,897,200
Proposed final dividend	**—**	67,672	101,508
	3,323,500	3,151,780	2,844,608
Non-controlling interests	**452,088**	392,248	229,931
Total equity	**3,775,588**	3,544,028	3,074,539

Notes

1. GENERAL INFORMATION

First Tractor Company Limited (the "Company") is a limited liability company established in the People's Republic of China (the "PRC"). The registered office and principal place of business of the Company is located at 154 Jian She Road, Luoyang, Henan Province, the PRC. The Company has its primary listing on the Stock Exchange of Hong Kong Limited.

The Company is engaged in investment holding, manufacture and sale of agricultural machinery. During the year, the Group is engaged in the following principal activities, mainly in the PRC:

- manufacture and sale of agricultural machinery
- manufacture and sale of power machinery
- manufacture and sale of other machinery
- provision of loans, bills discounting and deposit-taking services

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

The consolidated 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 consolidated financial statements have been approved for issue by the Board of Directors on 24 February 2012.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale financial assets, and financial assets at fair value through profit or loss.

3. ACCOUNTING POLICIES

New and amended standards adopted by the Group:

In the current year, the Group has applied the following new and revised HKFRSs, Amendments to HKFRSs and Interpretations issued by the HKICPA (the "new and revised HKFRSs").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with requirement to disclose:

— The name of the government and the nature of their relationship;
— The nature and amount of any individually significant transactions; and
— The extent of any collectively significant transactions qualitatively or quantitatively.

New and amended standards not yet effective and not yet adopted by the Group

It also clarifies and simplifies the definition of a related party.

The Group has not early applied the following new standards, amendments and interpretations to standards that have been issued but are yet effective for the financial year beginning 1 January, which are relevant to the Group and have not been early adopted:

HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
	Disclosures - Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory effective date of HKFRS 9 and transaction disclosures[6]
HKFRS 9	Financial Instruments[4]
HKFRS10	Consolidated Financial Statements[4]
HKFRS11	Joint Arrangements[4]
HKFRS12	Disclosure of Interests in Other Entities[4]
HKFRS13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax - Recovery of Underlying Assets[2]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 27 (Revised)	Separate Financial Statements[4]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. 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.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represent a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the four business segments are as follows:

(a) the "agricultural machinery" segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, related 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 operation segment engages in the provision of loans lending, bills discounting and deposit-taking services.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted according to the relevant prevailing market prices.

Although the other machinery segment does not meet the quantitative thresholds required by HKFRS 8 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored by the Group's management as a potential growth region and is expected to materially contribute to revenue of the Group in the future.

Segment results are presented as profit before income tax. Other information is also disclosed, including depreciation and amortisation, corporate income and expenses, finance costs, gain on disposal of subsidiaries, share of profits or losses of associates, and income tax expenses. There are the details reported to management, which, together with other reportable data, serves to provide better information to management, and investors can assess annual segment results from this information.

The following tables present revenue, profit or loss and certain information about assets, liabilities and expenditure for the Group's business segments for the year ended 31 December 2011.

	Agricultural machinery	Power machinery	Other machinery	Financial operation	Unallocated and eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement						
Revenue:						
Sales to external customers	9,356,125	1,470,155	436,128	66,137	—	11,328,545
Intersegment sales *(Note)*	523,136	740,907	58,344	28,620	(1,351,007)	—
	9,879,261	2,211,062	494,472	94,757	(1,351,007)	11,328,545

Interest, dividend and investment income					50,308	
Corporate income, net					3,202	
Finance costs					(54,162)	
Share of profits of associates					324	
Profit/(loss) before income tax	297,660	191,227	(6,314)	53,797	(328)	536,042
Income tax expense						(78,537)
Profit for the year						457,505
Other segment information:						
Capital expenditure	815,849	80,793	2,285	227	—	889,154
Depreciation of property, plant and equipment	89,465	36,750	2,923	277	—	129,415
Depreciation of investment properties	1,441	—	—	—	—	1,441
Amortisation of prepaid operating leases	7,457	774	503	14	—	8,748
Amortisation of intangible assets	1,996	—	—	—	—	1,996
Provision for product warranties	66,736	43,430	2,975	—	—	113,141
Provision for/(reversal of) impairment of trade receivables, net	4,815	(6,661)	1,864	—	—	18
Provision for/(reversal of) impairment of other receivables, net	1,351	238	(159)	—	—	1,430
Provision for/(reversal of) impairment of inventories, net	(8,755)	1,799	60	—	—	(6,896)
Provision for impairment of loan receivables, net	—	—	—	3,054	—	3,054

Statement of financial position

Assets						
Segment assets	6,436,762	1,461,046	367,317	2,682,192	(1,860,371)	9,086,946
Interests in associates						13,314
Unallocated assets						386,462
Total consolidated assets						9,486,722
Liabilities						
Segment liabilities	3,079,309	703,402	323,287	2,204,854	(1,860,371)	4,450,481
Unallocated liabilities						1,260,653
Total consolidated liabilities						5,711,134

Note: Intersegment sales are priced with reference to market prices.

The following tables present revenue, profit and certain information about assets, liabilities and expenditure for the Group's business segments for the year ended 31 December 2010.

	Agricultural machinery	**Power machinery**	**Other machinery**	**Financial operation**	**Unallocated and eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Income statement						
Revenue:						
Sales to external customers	8,140,502	1,225,215	854,841	45,274	—	10,265,832
Intersegment sales *(Note)*	655,343	716,851	129,508	16,430	(1,518,132)	—
	8,795,845	1,942,066	984,349	61,704	(1,518,132)	10,265,832

Interest, dividend and investment income					52,671	
Gain on disposal of subsidiaries					108,779	
Corporate income, net					1,002	
Finance costs					(28,166)	
Share of profits of associates					1,247	
Profit before income tax	257,374	179,900	36,277	37,058	135,533	646,142
Income tax expense						(84,093)
Profit for the year						562,049

Other segment information:

Capital expenditure	839,070	114,347	4,085	772	—	958,274
Depreciation of property, plant and equipment	101,224	41,074	12,133	379	—	154,810
Depreciation of investment properties	270	—	—	—	—	270
Amortisation of prepaid operating leases	3,036	—	612	4	—	3,652
Provision for product warranties	34,320	58,864	13,875	—	—	107,059
Impairment of property, plant and equipment	2,075	—	—	—	—	2,075
Provision for/(reversal of) impairment of trade receivables, net	12,288	1,511	(7,316)	—	—	6,483
Provision for/(reversal of) impairment of other receivables, net	4,212	836	190	(59)	—	5,179
Provision for/(reversal of) impairment of inventories, net	12,882	(3,033)	1	—	—	9,850
Provision for impairment of loan receivables, net	—	—	—	1,663	—	1,663

Statement of financial position

Assets						
Segment assets	5,370,943	1,262,768	337,796	1,874,304	(881,893)	7,963,918
Interests in associates						15,121
Unallocated assets						638,591
Total consolidated assets						8,617,630
Liabilities						
Segment liabilities	2,464,806	641,791	298,887	1,341,829	(881,893)	3,865,420
Unallocated liabilities						1,208,182
Total consolidated liabilities						5,073,602

Note: Intersegment sales are priced with reference to market prices.

Reconciliation for earnings before interest, tax, depreciation and amortisation to profit before income tax is as follows:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Earnings before interest, tax, depreciation and amortisation of business segments	**677,970**	669,341
Depreciation of property, plant and equipment	**(129,415)**	(154,810)
Depreciation of investment properties	**(1,441)**	(270)
Amortisation of prepaid operating leases	**(8,748)**	(3,652)
Amortisation of intangible assets	**(1,996)**	—
Corporate income, net	**3,202**	1,002

Operating profit	**539,572**	511,611
Interest, dividend and investment income	**50,308**	52,671
Gain on disposal of subsidiaries	**—**	108,779
Finance costs	**(54,162)**	(28,166)
Share of profits of associates	**324**	1,247
Profit before income tax	**536,042**	646,142

Assets are attributed to the segments based on the operations of each segment and the location of the assets. The Group's equity and other investments (classified as available-for-sale financial assets and financial assets at fair value through profit or loss) are not recognised as segment assets, as they are managed by treasury departments responsible for the Group's finance.

Segment assets are summarised as below:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Segment assets as allocated by business segments	**9,086,946**	7,963,918
Unallocated assets:		
Available-for-sale financial assets	**202,710**	289,465
Deferred income tax assets	**46,667**	38,825
Financial assets at fair value through profit or loss	**77,398**	251,994
Interests in associates	**13,314**	15,121
Others	**59,687**	58,307
Total assets as per consolidated statement of financial position	**9,486,722**	8,617,630

Liabilities are attributed to the segments based on the operations of each segment. The Group's borrowings are not recognised as segment liabilities, as they are managed by treasury departments responsible for the Group's finance.

Segment liabilities are summarised as below:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Segment liabilities as allocated by business segments	**4,450,481**	3,865,420
Unallocated liabilities:		
Borrowings	**1,155,468**	1,025,726
Deferred income tax liabilities	**15,130**	27,062
Provisions	**86,843**	146,753
Others	**3,212**	8,641
Total liabilities as per consolidated statement of financial position	**5,711,134**	5,073,602

There are no single customers that comprise over 10% of the total revenue of the Group for both years.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, mainly 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:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Sales of goods	**11,262,656**	10,220,804
Interest income from financial operation	**60,914**	40,705
Fee and commission income from financial operation	**4,975**	4,323
	11,328,545	10,265,832

Other income		
Bank interest income	**4,956**	15,072
Dividend income from listed investments	**1,831**	3,212
Dividend income from unlisted investments	**7,710**	4,328
Government grants	**10,689**	15,728
Others	**9,303**	19,723
	34,489	58,063
Other gains		
Compensation received from former shareholders of a subsidiary	**—**	10,940
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	**(11,769)**	1,947
Fair value gain on remeasurement of interests in associates	**123**	11,832
Gain on bargain purchase	**2,693**	—
Gain on disposal of available-for-sale financial assets, net	**35,973**	14,127
Gain on disposal of financial assets at fair value through profit or loss, net	**8,790**	2,153
Gain on disposal of property, plant and equipment, net	**4,827**	5,029
Gain on disposal of subsidiaries	**—**	108,779
Write-off of other payables	**379**	6,931
	41,016	161,738
	75,505	219,801

6. PROFIT BEFORE INCOME TAX

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories sold	**9,755,600**	8,577,581
Depreciation of property, plant and equipment	**129,415**	154,810
Depreciation of investment properties	**1,441**	270
Impairment of property, plant and equipment	**—**	2,075
Amortisation of prepaid operating leases	**8,748**	3,652
Amortisation of intangible assets	**1,996**	—
Provision for impairment of trade and bill receivables, net	**18**	6,483
Provision for impairment of other receivables, net	**1,430**	5,179
Provision for product warranties	**113,141**	107,059
Provision for impairment of loan receivables, net	**3,054**	1,663
(Reversal of)/provision for impairment of inventories, net	**(6,896)**	9,850
Interest expense from financial operation	**19,842**	12,068
Fee and commission expenses from financial operation	**222**	295
Interest income from financial operation	**(60,914)**	(40,705)
Fee and commission income from financial operation	**(4,975)**	(4,323)
Bank interest income	**(4,956)**	(15,072)
Dividend income from listed investments	**(1,831)**	(3,212)
Dividend income from unlisted investments	**(7,710)**	(4,328)
Gain on bargain purchase	**(2,693)**	—
Compensation received from former shareholders of a subsidiary	**—**	(10,940)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**11,769**	(1,947)

Fair value gain on remeasurement of interests in associates	**(123)**	(11,832)
Gain on disposal of available-for-sale financial assets, net	**(35,973)**	(14,127)
Gain on disposal of financial assets at fair value through profit or loss, net	**(8,790)**	(2,153)
Gain on disposal of property, plant and equipment, net	**(4,827)**	(5,029)
Gain on disposal of subsidiaries	**—**	(108,779)
Write-off of other payables	**(379)**	(6,931)
Foreign exchange differences, net	**(1,952)**	1,882
Gross rental income	**(4,927)**	(5,438)

7. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other borrowings wholly repayable within 5 years	**62,549**	28,166
Less: Interest capitalised	**(8,387)**	—
	54,162	28,166

8. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Current – PRC corporate income tax		
Charge for the year	**80,244**	65,295
Adjustments in respect of prior years	**863**	(1,929)
Deferred income tax	**(2,570)**	20,727
Total income tax charge for the year	**78,537**	84,093

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25%) (2010: 15% to 25%) on their estimated assessable profits for the year, based on existing legislation, interpretations and practices.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two years ended 31 December 2011 and 2010.

Profits tax of the subsidiaries operating outside the PRC is subject to the rates applicable within the jurisdiction in which it operates. No provision for overseas profits tax has been made for the Group as there were no assessable profits for the year (2010: Nil).

9. DIVIDENDS

The dividends paid in 2011 and 2010 were RMB67,672,000 (RMB0.08 per share) and RMB203,016,000 (RMB0.24 per share) respectively.

	2011	2010
	RMB'000	*RMB'000*
Interim dividend paid, of Nil (2010: RMB12 cents) per ordinary share	**—**	101,508
Final dividend, proposed, of Nil (2010: RMB8 cents) per ordinary share	**—**	67,672
	—	169,180

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with the PRC accounting standards; and (ii) the net profit determined in accordance with the accounting standards of the overseas place where the Company's shares are listed (i.e. Hong Kong Financial Reporting Standards).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB410,819,000 (2010: approximately RMB542,670,000) and the weighted average of 845,900,000 (2010: 845,900,000) ordinary shares in issue during the year.

No diluting events occurred during the years ended 31 December 2011 and 2010.

11. 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 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.

The carrying amounts of the Group's trade and bill receivables approximate to their fair values and the majority of which are denominated in Renminbi.

An aged analysis 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:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**1,071,941**	990,569
91 days to 180 days	**1,222,207**	524,949
181 days to 365 days	**83,994**	31,067
1 to 2 years	**13,077**	9,146
	2,391,219	1,555,731

12. 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:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**903,803**	1,750,261
91 days to 180 days	**809,337**	156,674
181 days to 365 days	**407,261**	36,085
1 to 2 years	**38,372**	39,239
Over 2 years	**34,448**	44,605
	2,193,221	2,026,864

BUSINESS REVIEW

The year of 2011 witnessed a slowdown of the world's economic growth, upheaval in the international financial markets and a noticeable increase in various types of risks. In terms of the domestic environment, the economy of China showed a steady slowdown trend. Downward pressure on economic growth also increased. With more fluctuations in the prices of bulk raw materials, the economic climate was complex. The agricultural machinery industry, however, by benefiting from a series of state policies of "agriculture, countryside and farmers", continued to maintain a steady growth.

During the Reporting Period, in face of a complicated and capricious macro environment and a grave situation with increasing difficulty in operation and management, the Group maintained a steady growth momentum on the whole by focusing on its core resources, core businesses and core markets, enhancing resources collaboration and optimization, proactively grasping the pattern of industrial development and effectively implementing product structural adjustment.

In 2011, as the Group leveraged its competitive advantages and seized market opportunities, each of the businesses of the Group maintained a satisfactory growth momentum and sales of key products continued to grow. Sales of hi-powered, mid-powered and low-powered wheeled tractors amounted to 47,633 units, 34,880 units and 45,678 units respectively, representing a year-on-year increase of 8.4%, 38.6% and 17.8% respectively. The Group's hi-powered wheeled tractors continued to lead the market, whereas the mid-powered wheeled tractors moved up to the third in the market. 168,896 units of diesel engines were sold, representing a year-on-year increase of 14.5%, of which, 114,536 units were sold to the external customers of the Group, representing a year-on year increase of 25.9%.

In 2011, the Group steadily promoted its projects of key technology renovation. The batch production of 220-horsepower wheeled tractors has been achieved, the second trial production of powershift transmission tractors has completed, the research and development of the electronic control system of the diesel engines have achieved an important breakthrough; and project of hi-powered agricultural diesel engines (Phase 1) has completed. The construction project of Xinjiang base has completed the trial batch production and the construction project of Heilongjiang base proceeded in accordance with the set timetable, further improving the geographical presence of the Group's business; the construction projects of research and development progressed smoothly, the completion of projects will further enhance the Group's capability in research and development.

In March 2011, with a view to enhancing its core business competitiveness and perfecting its business chain, the Group successfully completed acquisition of the assets of Mc Cormick France SAS ("**McC France**"), which laid a foundation for rapid acquisition of the manufacture capability of powershift transmission system of tractors, upgrading of the technological level and competitive advantage of key products and continuous expansion of its market share in high-end tractors, and provided benefit for accelerating the integrated innovation and advancing its internationalised operation.

During the Reporting Period, in a bid to perfect the industrial chain, improve assets integrity and reduce connected transactions, the Group, from time to time, acquired the 100% equity interests in each of YTO (Luoyang) Forklift Co., Ltd. (一拖(洛陽)叉車有限公司) ("**YTO Forklift**") and YTO International Economic and Trading Co., Ltd. (一拖國際經濟貿易有限公司) ("**YTO International**"), the trademarks "东方红" and "" held by YTO Group Corporation (中國一拖集團有限公司) ("**YTO**"), and certain lands and buildings for the Group's production and operation. The series of assets and business acquisitions, despite increasing the capital pressure of the Group in short term, have made the Group's productive factors more comprehensive, enhanced the independence and business synergy, and paved the way for further resources integration, market expansion and business co-ordination and planning.

During the Reporting Period, the Group recorded an operating revenue of RMB11,328,545,000, representing a year-on-year increase of 10%. However, due to factors such as losses incurred by a newly-consolidated enterprise at its early-stage integration and the non-recurrent revenue, the overall profit level of the Company declined. During the Reporting Period, net profit attributable to owners of the Company amounted to RMB410,819,000, representing a year-on-year decrease of 24.3%. Earnings per share was RMB0.4857, down RMB0.1558 over the corresponding period last year. Excluding the effects of factor such as loss incurred by the newly-consolidated company and the non-recurrent losses and profits, net profit attributable to owners of the Company during the Reporting Period still increased 11.2% year on year.

During the Reporting Period, the Board of the Company actively responded to the requirement of the China Securities Regulatory Commission ("**CSRC**") in respect of the dividend distribution policy of listed companies, amended the articles of association of the Company (Draft) (the "**Articles of Association (Draft)**") on the principle of ensuring continuity and stability of dividend distribution and taking into account the sustainable development of the Company and reasonable return to investors, in which provisions on dividend distribution policies has been added and approved at the Company's extraordinary general meeting. The Articles of Association (Draft) will come into force upon the issue of the Company's A shares.

In 2011, the Company continued its efforts to return to the A share market, and has obtained the approval from the Public Offering Review Committee of the CSRC for the Company's initial public offering of A shares on 11 January 2012, which marked a significant progress in its issue of A shares. Currently, the Company is awaiting the formal approval document from the CSRC.

PROSPECTS

In 2012, against the backdrop of a grim and complicated global economic outlook and rising instability and uncertainty in the world economic recovery, the PRC Government set the keynote for the national economic work in 2012 as "to make progress while ensuring stability". As the State endeavours to boost domestic demand as an important measure to stabilize economic growth, to develop grain and agricultural production as an important means to stabilize commodity prices, proactive fiscal policies such as increase in investment in "agriculture, countryside and farmers" will be fully reflected. Meanwhile, the State will attach more importance to developing the real economy. All these factors will provide a favourable external environment for the healthy operation of the Company.

Under the state policies of supporting and benefiting agriculture, the income of farmers recorded a relatively rapid growth for eight consecutive years. The structure of rural labour force in China, the way of organization of agricultural production and the way of organization of agricultural machinery production is in a profound stage of reform; in recent years, the State has, based on the Law on the Promotion of Agricultural Mechanization (《農業機械化促進法》), promulgated a series of important policy documents such as the Opinion On Promoting Agricultural Mechanization As Well As Rapid And Healthy Development Of Agricultural Machinery Industry (《國務院關於促進農業機械化和農機工業又好又快發展的意見》), the Government is now capitalizing on the prevailing circumstances to promote the change from the increase in quantity to enhancement in quality in agricultural mechanization; the agricultural machinery industry will enter into a transition period of rapid upgrade in future.

In 2012, however, pressures from declining domestic economy and inflation both exist, which will pose challenge to the Company's comprehensive operation capabilities, the Group will proactively seize opportunities, calmly deal with the challenges to face global competition, continuously improve operation capability; by focusing on structure optimization, promote transformation and upgrading; by strengthening management for excellence, facilitate corporate endogenous development. Specifically, the Group will speed up the commercialization of new products such as powershift transmission tractors and hi-powered agricultural diesel engines, to lead the tractor industry by technological upgrade of the products, continue to consolidate and promote the position of the Group's power machinery products in the field of off-highway power machinery; strengthen the support to YTO France SAS ("**YTO France**") so as to develop it into a production, marketing and R&D centre of the Group in Europe, vigorously promote the issue of A shares of the Company and use the fund to be raised in financing the construction of key projects, and intensify business reorganisation to consolidate internal and external resources, further improve the industrial chain and enhance business collaboration.

In 2012, the Group will make full use of all favourable conditions, firmly grasp opportunities while demonstrating our edge, continue to provide high-quality products and services for customers, reward shareholders with even better operating results, benefit the staff, contribute to the society, and is committed to become an excellent global supplier of agricultural equipments.

ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, in order to improve its industrial chain, reduce its connected transactions and minimize potential business competition, the Company acquired, from its controlling shareholder YTO, 86.82% equity interest in YTO Forklift (as well as the remaining equity interest in YTO Forklift from its natural person shareholders), and 100% equity interest in YTO International. As the aforesaid acquisitions of equity interests constitute "business combinations under common control", relevant comparative figures in the consolidated financial statements have been restated, and accordingly, relevant financial figures mentioned in the discussion and analysis of the Group's principal businesses below are restated figures.

Unit: RMB'000

By segment	Revenue					Segment results		
	2011		2010 (Restated)		Change of revenue from external customers over last year			
	Segment revenue	**Revenue from external customers**	Segment revenue	Revenue from external customers	*(%)*	**2011**	2010 (Restated)	Change over last year *(%)*
Agricultural machinery business	**9,879,261**	**9,356,125**	8,795,845	8,140,502	**14.9%**	**297,660**	257,374	**15.7%**
Power machinery business	**2,211,062**	**1,470,155**	1,942,066	1,225,215	**20.0%**	**191,227**	179,900	**6.3%**
Other machinery business	**494,472**	**436,128**	984,349	854,841	**-49.0%**	**(6,314)**	36,277	**—**
Financial business	**94,757**	**66,137**	61,704	45,274	**46.1%**	**53,797**	37,058	**45.2%**
Unallocated and eliminations	**(1,351,007)**	**—**	(1,518,132)	—	**—**	**(328)**	135,533	**—**
Total	**11,328,545**	**11,328,545**	10,265,832	10,265,832	**10.4%**	**536,042**	646,142	**-17.0%**

Notes:

1. During the Reporting Period, YTO International and YTO France newly merged by the Company were categorized in the segment of agricultural machinery business. YTO Forklift was categorized in the segment of other machinery business.

2. "Restated" represents retrospective adjustments made to 2010 figures in accordance with the requirements of "business combinations under common control".

3. "Other machinery business" in 2010 included the revenue from external customers and segment results of the four construction machinery companies (which were disposed by the Group at the end of September 2010) for the period from January to September in 2010.

4. "Unallocated and eliminations" mainly includes finance costs, interests, dividends and investment income, etc.

AGRICULTURAL MACHINERY BUSINESS

In 2011, in the face of a complex and volatile international landscape and the new conditions and difficulties in domestic economic operation, the State continued to adopt the proactive fiscal policy and prudent monetary policy. The overall national economy operated smoothly. Despite being affected by such factors as prices of raw materials hovering at high levels, rise in labor cost and tight monetary policies, China's agricultural machinery industry, benefiting from the favourable policies of the State to support "agriculture, countryside and farmers", still maintained a steady growth. The comprehensive mechanization rate in cultivation, planting and harvesting was estimated to be over 54.5%, representing a year-on-year increase of 2.2 percentage points. According to the statistics from China's tractor industry, during the Reporting Period, 371,189 units of hi-powered and mid-powered tractors were sold in the country, representing a year-on-year increase of 14.8%, and 384,309 units of low-powered tractors were sold, representing a year-on-year increase of 8.8%. In addition, export of agricultural machineries continued to grow at a fast pace, with the export of hi-powered and mid-powered tractors recorded a year-on-year increase of 49.7%.

During the Reporting Period, the Group, while adhering to the overall guideline of "increasing efforts in market development and enhancing competitiveness in the market", effectively promoted product sales through strengthened marketing planning and flexible use of product pricing strategy with an accurate grasp of market dynamics. During the Reporting Period, the Group sold 84,838 units of hi-powered and mid-powered tractors, representing a year-on-year increase of 18.1%, among which 47,633 units were hi-powered wheeled tractors, representing a year-on-year increase of 8.4% and maintaining its first position in the industry; and 34,880 units were mid-powered wheeled tractors, representing a year-on-year increase of 38.6% and an increase of 2.2 percentage points in market share, becoming the third in the industry. 2,325 units of crawler tractors were sold, representing a year-on-year decrease of 14.9%; and 45,678 units of low-powered wheeled tractors were sold, representing a year-on-year increase of 17.8% and an increase of 1 percentage point in market share, ranking the third in the industry.

In March 2011, the Company established in France a wholly-owned subsidiary, YTO France, which acquired the relevant assets from McC France at a consideration of EUR8,000,000 by way of bidding, representing an important step of the Company towards internationalization. During the Reporting Period, the Company injected a total capital of EUR19,600,000 (equivalent to approximately RMB177,030,000) into YTO France. YTO France will become the manufacturing base, R&D center and sales center of the Company's products in Europe. Upon completion of the said acquisition, the Company dispatched a management team to YTO France and hired locals as senior managers, and proactively facilitated the resumption of production and management integration in YTO France. During the Reporting Period, YTO France produced a total of 611 tractor transmission systems, and achieved sales revenue of EUR10,447,000 (equivalent to approximately RMB92,961,000). However, as it was at its initial stage of integration, the total profit of YTO France still recorded a loss of EUR8,457,000 (equivalent to approximately RMB74,228,000).

During the Reporting Period, the Company acquired the 100% equity interest in YTO International from YTO at a consideration of RMB81,393,000, which was completed in June 2011. Upon completion of the acquisition, YTO International became a wholly-owned subsidiary of the Company. YTO International is principally engaged in the import and export business of tractors, other goods and technologies. The acquisition of YTO International will strengthen the Group's international sales channel and facilitate the development of international markets, thereby speeding up the Company's products export and its steps towards internationalization. During the Reporting Period, the Company exported 3,330 units of tractors through YTO International and China-Africa Machinery Corp. (中非重工投資有限公司) ("**CAMACO**") and its subsidiaries, representing a year-on-year increase of 7%.

During the Reporting Period, in light of the expiration of the term of operation of Luoyang Changlun Agricultural Machinery Co., Ltd (洛陽長侖農業機械有限公司) ("**Changlun Company**"), the controlling subsidiary, and the needs of the Group to consolidate marketing resources, Changlun Company was liquidated and deregistered by the Company. Meanwhile, in order to implement the Group's strategic deployment of its agricultural machineries in Northeastern China and enhance its control over subsidiaries, the Company completed the liquidation of YTO Heilongjiang Modern Agricultural Machinery Co., Ltd, a controlling subsidiary which was registered in Harbin city, Heilongjiang province, and invested RMB50,000,000 to incorporate a wholly-owned subsidiary YTO Heilongjiang Agricultural Machinery Co., Ltd (一拖黑龍江農業裝備有限公司) ("**YTO Heilongjiang Company**") in Qiqihar city, Heilongjiang province. YTO Heilongjiang Company is principally engaged in the R&D, manufacturing and sale of and relevant services for tractors and agricultural machineries.

During the Reporting Period, operating revenue from the agricultural machinery business amounted to RMB9,356,125,000, representing a year-on-year increase of 14.9%. Operating results amounted to RMB297,660,000, representing a year-on-year increase of RMB40,286,000 or 15.7%.

POWER MACHINERY BUSINESS

During the Reporting Period, the Group, through swiftly seizing market opportunities, continued to deepen the altering and upgrading of product and market structure, consolidated and enhanced its market share in the conventional business of ancillary equipment and stepped up efforts in the market development for supply to hi-powered agricultural machinery. In particular, the Group steadily secured its market share for supply of ancillary equipments to triple-line corn harvesting machines, realized a mass supply to tractors of over 100 horsepower and combined harvesters of 110 horsepower and above and made a breakthrough in 30 loader market. During the Reporting Period, the heavy-duty diesel engine project (Phase 1) of the Group was completed, which successfully passed the acceptance inspection and possessed basic production capacity, and YTO (Jiangyan) Power Machinery Co., Ltd (一拖(薑堰)動力機械有限公司) ("**Jiangyan Power**") was on the track of normal production and operation. In support of the technological renovation of Jiangyan Power, the Company, YTO (Luoyang) Diesel Engine Co., Ltd (一拖(洛陽)柴油機有限公司) ("**YTO Diesel**") and Jiangyan City Industrial Assets Management Co., Ltd (薑堰市工業資產經營有限公司) made a joint capital contribution of RMB30,000,000 to Jiangyan Power in proportion to their respective shareholdings, of which the Company and YTO Diesel contributed RMB11,400,000 and RMB12,000,000 respectively.

During the Reporting Period, 168,896 units of diesel engines in different types were sold in the power machinery business, representing a year-on-year increase of 14.6%, of which 114,536 units were sold to the external customers of the Group, representing a year-on-year increase of 25.9%. The revenue amounted to RMB1,470,155,000, representing a year-on-year increase of 20%. Operating results amounted to RMB191,227,000, representing a year-on-year increase of 6.3%.

OTHER MACHINERY BUSINESS

In order to enhance business synergy and reduce connected transactions, in June 2011, the Company completed the acquisition of the 100% equity interest in YTO Forklift held by YTO, YTO International and its natural person shareholders at a consideration of RMB7,943,000. Upon completion of the said acquisition, YTO Forklift became a wholly-owned subsidiary of the Company. During the Reporting Period, the Group sold 2,677 units of forklifts, representing a year-on-year increase of 34.6%; 605 units of mining trucks, representing a year-on-year increase of 42%; and 1,753 units of agricultural construction machinery, representing a year-on-year decrease of 6.8%.

During the Reporting Period, operating revenue from other machinery business amounted to RMB436,128,000, representing a year-on-year decrease of 49%; and operating results amounted to RMB-6,314,000, representing a year-on-year decrease of RMB42,591,000. Excluding the effects of the four disposed construction machinery subsidiaries and the newly-consolidated YTO Forklift, operating revenue recorded an increase of 37% and operating results basically remained.

FINANCIAL BUSINESS

Financial business of the Group mainly involves provisions of businesses including internal transfer and settlement, deposit and loan, bills discounting, electronic commercial drafts, finance lease, buyer credit for products and entrusted loan by YTO Group Finance Co., Ltd (中國一拖集團財務有限責任公司) ("**YTO Finance**"), a subsidiary of the Company, to YTO and its member subsidiaries (including the Group and its subsidiaries and non-wholly owned subsidiaries in which the Group holds 20% or more shareholdings). YTO Finance, a non-banking financial institution incorporated with the approval of the People's Bank of China in 1992, is an important platform for internal capital centralisation and enhancing capital utilization efficiency management within the Group.

During the Reporting Period, YTO Finance kept strengthening internal management, actively developed traditional business and vigorously promoted new business such as electronic commercial drafts, striving to provide financial services to the members of the Group to facilitate their production and operation. YTO Finance focused on standardized operation and risk prevention, thus both the ratios of its non-performing assets and non-performing loans remained at zero level, showing good assets quality. During the Reporting Period, operating revenue from the financial business amounted to RMB66,137,000, representing a year-on-year increase of 46.1%, and operating results amounted to RMB53,797,000, representing a year-on-year increase of 45.2%.

ANALYSIS OF FINANCIAL RESULTS

1. Operating revenue

During the Reporting Period, the Group recorded operating revenue of RMB11,328,545,000, representing a year-on-year increase of 10.4%. Of the Group's total operating revenue, agricultural machinery business accounted for 82.6%, representing a year-on-year increase of 3.3 percentage points; power machinery business accounted for 13%, representing a year-on-year increase of 1 percentage point; other machinery business accounted for 3.8%, representing a year-on-year decrease of 4.5 percentage points; and financial business accounted for 0.6%, representing a year-on-year increase of 0.1 percentage point.

2. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group was RMB1,559,660,000, representing a year-on-year increase of 2.8%. Due to factors such as material price hikes, consolidated gross profit margin of the Group was 13.8%, decreased by 1 percentage point as compared with that of last year. In particular, the gross profit margin of agricultural machinery business, power machinery business and other machinery business decreased by 0.8 percentage point, 1.7 percentage points, and 0.4 percentage point respectively.

3. Other income and gains

During the Reporting Period, the Group recorded other income and gains of RMB75,505,000, decreased by RMB144,296,000 year on year, which was mainly because the Group recorded a total investment income of RMB106,026,000 from the disposal of four construction machinery companies and gains of RMB22,772,000 from the merger of Shanghai Dragon (Group) Co., Ltd (上海強農(集團)有限公司) ("**Shanghai Dragon**") in 2010.

4. Period expenses

During the Reporting Period, the period expenses of the Group amounted to RMB1,099,447,000, representing a year-on-year increase of 0.68%; and the expenses ratio during the period was 9.7%, representing a year-on-year decrease of 0.9 percentage point.

Expenses	**2011** ***RMB'000***	2010 *RMB'000* (Restated)
Selling and distribution costs	**360,144**	368,055
Administrative expenses	**677,204**	645,974
Other expenses	**7,937**	49,829
Finance cost	**54,162**	28,166
Total	**1,099,447**	1,092,024

(1) The Group's selling expenses for the Reporting Period amounted to RMB360,144,000, representing a year-on-year decrease of RMB7,911,000 or 2.15%. Thanks to the strengthened cost control, selling expenses ratio of the Group was 3.2%, representing a year-on-year decrease of 0.4 percentage point.

(2) The Group's administrative expenses for the Reporting Period was RMB677,204,000, representing a year-on-year increase of RMB31,230,000 or 4.83%. Such increase was mainly attributable to the increase of RMB25,952,000 in research and development costs for the purpose of enhancing research and development.

(3) The Group's other expenses for the Reporting Period amounted to RMB7,937,000, representing a year-on-year decrease of RMB41,892,000. Such decrease was mainly because the Group improved the ageing structure of its receivables and enhanced assets management during the year.

(4) The Group's finance cost for the Reporting Period amounted to RMB54,162,000, representing a year-on-year increase of RMB25,996,000 or 92.3%. Under the circumstance of the increase of investment and delayed payment of the State's subsidy on the purchase of agricultural machinery products, in order to ensure normal production and operation, the Group has obtained more bank borrowings during the Reporting Period, which resulted in an increase in its average loan size. The interest rate of bank loans also kept rising during the Reporting Period.

5. Income tax

During the Reporting Period, the Group's income tax expenses amounted to RMB78,537,000, representing a year-on-year decrease of RMB5,556,000. The Company and its controlling subsidiaries, YTO Diesel and Luoyang Tractors Research Co., Ltd (洛陽拖拉機研究所有限公司) ("**Tractors Research Company**") and its subsidiary, Luoyang Siyuan Vehicles and Motor Examination Company Limited (洛陽西苑車輛與動力檢驗有限公司) ("**Siyuan Motor**"), were recognized as new and high tech enterprises and enjoyed the preferential income tax rate of 15% from 2008 to 2010. The Company, YTO Diesel and Tractors Research Company and its subsidiary, Siyuan Motor, successfully passed the review for new and high tech enterprise in October 2011, and will continue to enjoy the preferential income tax rate of 15% from 2011 to 2013.

6. Profit

During the Reporting Period, the Group's total net profit was RMB457,505,000 representing a year-on-year decrease of 18.6%, of which net profit attributable to equity holders of the Company amounted to RMB410,819,000, representing a year-on-year decrease of 24.3%. Such decrease in 2011 was attributable to (i) the significant drop in non-recurrent revenue by approximately RMB96,009,000, which decreased from approximately RMB134,368,000 in 2010 generated from the Company's disposal of the equity interests in four construction machinery companies, the merger of Shanghai Dragon and other securities investment, to approximately RMB38,359,000 in 2011 generated from the investment returns; (ii) net profit of a loss of approximately RMB51,945,000 recorded by YTO France as it was at the preliminary stage of business integration and has not achieved a satisfactory level of production; and (iii) the net profit of the four disposed construction machinery companies for 2010 being RMB26,751,000. Excluding the aforesaid factors such as drop of non-recurrent revenue and the effects of YTO France and the four construction machinery companies, net profit attributable to equity holders of the Company recorded an year-on-year increase of 11.2%.

7. Other comprehensive income

During the reporting period, the Group's other comprehensive income amounted to RMB-82,767,000, including: (i) due to stock market downturn,the Group disposed of part of the shares held in order to reduce the investment risk, and the fair value of shares held was decreased by RMB65,947,000; (ii) currency translation differences was RMB-16,820,000, mainly due to the significant fluctuations of Euro, YTO France incurred a translation difference of RMB-10,427,000.

ASSETS AND LIABILITIES

1. Analysis on assets

As at 31 December 2011, the Group's total assets amounted to RMB9,486,722,000 (31 December 2010: RMB8,617,630,000).

(1) **Non-current assets**: As at 31 December 2011, the Group's total non-current assets amounted to RMB3,117,922,000 (31 December 2010: RMB2,462,507,000). The items which underwent major changes from the same period of last year are as follows:

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000* (Restated)	Increase/ (decrease) *RMB'000*	Percentage of increase/ (decrease) %
Prepaid operating leases	**685,202**	208,385	476,817	228.8%
Intangible assets	**61,631**	—	61,631	—
Available-for-sale financial assets	**179,350**	289,465	-110,115	-38.0%
Deferred income tax assets	**46,667**	38,825	7,842	20.2%

Prepaid operating leases: As at 31 December 2011, prepaid operating leases of the Group increased by RMB476,817,000 over the beginning of the Reporting Period. The increase mainly represents RMB417,460,000 paid by the Company for the acquisition of the land from YTO during the Reporting Period.

Intangible assets: As at 31 December 2011, intangible assets of the Group increased by RMB61,631,000 over the beginning of the Reporting Period. The increase mainly represents the consideration of RMB59,501,000 paid by the Company for the acquisition of trademarks such as "东方红" from YTO during the Reporting Period.

Available-for-sale financial assets: As at 31 December 2011, the available-for-sale financial assets of the Group decreased by RMB110,115,000 over the beginning of the Reporting Period. Such a decrease is mainly because that the Company sold the shares of Daye Special Steel Co., Ltd. during the Reporting Period with the investment gain being included in "OTHER INCOME AND GAINS", which resulted in a reduction of RMB35,021,000 under this accounting item; and that YTO Finance sold the available-for-sale financial assets it held, which resulted in a decrease of RMB45,916,000 under this item.

Deferred income tax assets: As at 31 December 2011, deferred income tax assets of the Group increased by RMB7,842,000, which mainly represents the effect of the provision for deferred income tax assets for the recoverable losses of YTO France.

(2) **Current assets:** As at 31 December 2011, current assets of the Group amounted to RMB6,368,800,000 (31 December 2010: RMB6,155,123,000). The items which underwent major changes from the same period of last year are as follows:

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000* (Restated)	Increase/ decrease *RMB'000*	Percentage of increase/ decrease %
Trade and bill receivables	**2,391,219**	1,555,731	835,488	53.70%
Available-for-sale financial assets	**23,360**	—	23,360	—
Inventories	**1,110,557**	1,376,835	-266,278	-19.3%
Financial assets at fair value through profit or loss	**77,398**	251,994	-174,596	-69.3%

Trade and bill receivables: As at 31 December 2011, bill receivables and trade receivables of the Group amounted to RMB1,538,507,000 and RMB852,712,000 respectively, representing an increase of RMB568,789,000 and RMB266,699,000 respectively over the beginning of the Reporting Period, which was mainly due to the deferred payment of the State's subsidy for purchase of agricultural machinery products.

During the Reporting Period, the turnover of trade receivables was 23 days, which is 3 days slower than that in the corresponding period last year.

Available-for-sale financial assets: As at 31 December 2011, available-for-sale financial assets of the Group increased by RMB23,360,000 over the beginning of the Reporting Period, which is because the 2.75% equity interest (the "**Southwest Equity**") in Southwest Stainless Steel Co., Ltd. (西南不銹鋼有限責任公司) held by the Company in 2010, was offered for sale by the Company through public listing at China Beijing Equity Exchange at the end of 2011. The Southwest Equity was reclassified from Non-current Assets to "Available-for-sale financial assets" under Current Assets.

Inventories: As at 31 December 2011, the inventories of the Group amounted to RMB1,110,557,000, representing a decrease of RMB266,278,000 over the beginning of the Reporting Period, which was mainly because, due to the uncertain movements of raw materials prices and the enhancement of production capacity, the reserve was decreased so as to reduce the capital appropriation and improve the value of capital utilization at the end of year 2011.

During the Reporting Period, the turnover of the inventories was 46 days, which is 4 days faster than that in the corresponding period last year.

Financial assets at fair value through profit or loss: As at 31 December 2011, the Group's financial assets at fair value through profit or loss amounted to RMB77,398,000, representing a decrease of RMB174,596,000 over the beginning of the Reporting Period, which was mainly because YTO Finance sold most of the debentures it held to avoid losses as the stock market declined with volatility.

2. Analysis on liabilities

As at 31 December 2011, the Group's total liabilities amounted to RMB5,711,134,000 (31 December 2010: RMB5,073,602,000). The items which underwent major changes from the same period of last year are as follows:

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000* *(Restated)*	Increase/ decrease *RMB'000*	Percentage of increase/ decrease %
Trade and bills payables	**2,193,221**	2,026,864	166,357	8.2%
Bank borrowings	**969,468**	425,726	543,742	127.7%
Placements from banks and non-bank financial institutions	**200,000**	100,000	100,000	100.0%

Trade and bill payables: As at 31 December 2011, the Group's trade payables amounted to RMB1,608,179,000, representing an increase of RMB125,831,000 over the beginning of the Reporting Period, which was mainly due to (i) the increase in purchase of raw materials as a result of the growth of the Group's product sales; and (ii) the negotiated extended payment deadlines with its suppliers by the Company in order to seize market opportunities and to address the challenges posed by the prolonged payment of sale of agricultural machinery. Bill payables amounted to RMB585,042,000, representing an increase of RMB40,526,000 over the beginning of the Reporting Period, which was mainly because the Group used more bills in the tightened credit environment.

Bank borrowings: As at 31 December 2011, the Group's bank borrowings amounted to RMB969,468,000, representing an increase of RMB543,742,000 over the beginning of the Reporting Period. This was mainly because the Group obtained more bank borrowings during the Reporting Period to ensure normal production and operation as a result of the increased investment of the Group and the delayed payment of the State's subsidy for purchase of agricultural machinery products.

Placements from banks and non-bank financial institutions: As at 31 December 2011, the Group had placements from banks and non-bank financial institutions of RMB200,000,000, which represents the capital placed from the accredited members of National Inter-bank Funding Center in an amount of RMB200,000,000 at the end of December 2011 for a term up to 7 days pursuant to previous agreement between YTO Finance and them, mainly in order to meet the capital needs by the Group for production and operation at the end of 2011. In early January 2012, the placements were repaid in full as scheduled.

3. Indicators of financial ratio

Items	Basis of calculation	31 December 2011	31 December 2010 (Restated)
Gearing ratio	Total liabilities/ total assets x 100%	**60.2%**	58.9%
Current ratio	Current assets/ current liabilities	**1.19**	1.44
Quick ratio	(Current assets — inventories)/current liabilities	**0.98**	1.12
Debt equity ratio	Total liabilities/shareholders' equity# x 100%	**171.8%**	161.0%

Note: Shareholders' equity excludes minority interests.

As at 31 December 2011, the gearing ratio of the Group increased by 1.3 percentage points to 60.2% as compared with that at the beginning of the year. As a result of the expansion of revenue base, the capital appropriation and liabilities have increased and the the Group's gearing ratio and debt equity ratio have increased and the current ratio and quick ratio have declined.

4. Capital structure

As at 31 December 2011, the total equity of the Group increased by 6.5% year on year to RMB3,775,588,000, of which equity attributable to equity holders of the Company was approximately RMB3,323,500,000, increased by 5.5% year on year.

Analysis of equity and reserves

Item	**31 December 2011** *RMB'000*	31 December 2010 *RMB'000* (Restated)	Increase/ (decrease) *RMB'000*
Share capital	**845,900**	845,900	—
Reserve	**2,477,600**	2,238,208	239,392
Proposed final dividend	**—**	67,672	(67,672)
Total	**3,323,500**	3,151,780	171,720

As at 31 December 2011, the Group's reserve amounted to RMB2,477,600,000, representing a year-on-year increase of RMB239,392,000, which was mainly due to the operation accumulation for the year and the effects from events including business combination under common control (acquisition of YTO International, YTO Forklift).

SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS OF THE GROUP IN FUTURE

In 2012, the Group intends to invest RMB741,650,000, which will be mainly used for the project on hi-powered diesel engines for agricultural use (Phase 2), construction project on Xinjiang agricultural equipment, project on enhancement of core capability of new-type wheeled tractors, project on product upgrading, capacity expansion and enhancement of the fuel injection system, project on capacity expansion and enhancement of LR diesel engine, project of 100,000-unit light diesel engines (Phase 1), project of forged crankshaft processing line, as well as the project of relocation and technology renovation of machine work of No. 3 Fabricating Factory of the Company and the project on capacity enhancement of cylindrical gear and quality improvement of heat treatment, etc. The said investments will be mainly financed by internal resources of the Group and bank loans.

Some of the aforesaid projects such as the project on hi-powered diesel engines for agricultural use (Phase 2), the construction project on Xinjiang agricultural equipment, the project on enhancement of core capability of new-type wheeled tractors as well as the project on product upgrading, capacity expansion and enhancement of the fuel injection system have been included in the list of projects which will be funded by the proceeds from the Company's issue of A shares. Upon completion of the issue of A shares and receipt of the proceeds, the Company will, subject to relevant regulations, swap the capital that has been injected in such projects after going through relevant procedures.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SIGNIFICANT EVENTS

(1) On 27 June 2011, the Board passed the resolution on extension of the valid period of specific mandate for the initial public offering and listing of RMB-dominated ordinary shares (A Shares) to apply for the issue and listing of not more than 150,000,000 ordinary shares (A shares) within the valid period, which was approved by the shareholders at the Company's second extraordinary general meeting for 2011 and the respective 2011 first class meetings for holders of domestic shares and H Shares held on 15 August 2011. The A Share Issue has passed the examination by the Public Offering Review Committee of the CSRC on 11 January 2012, pending the issurance of official approval documents by CSRC.

(2) During the Reporting Period, movements of the Company's Directors and senior management members are as follows:

(a) On 25 March 2011, Mr. Li Xibin resigned as an executive Director and Deputy General Manager of the Company and Mr. Jin Yang resigned as the Deputy General Manager of the Company.

(b) On 17 June 2011, at the 2010 annual general meeting of the Company, Mr. Su Weike, Mr. Li Youji and Mr. Liu Jiguo were elected as Directors of the Company with a term of office from 17 June 2011 to 30 June 2012.

(c) On 27 June 2011, at the 22nd meeting of the fifth session of the Board, the Board approved the election of Mr. Su Weike as the Vice Chairman of the Board, the appointment of Mr. Su Weike and Mr. Liu Jiguo as members of the Strategy & Investment Committee and the termination of appointment of Mr. Qu Dawei as a member of the Strategy & Investment Committee.

(d) On 1 December 2011, at the 25th meeting of the fifth session of the Board, Ms. Yu Lina was appointed as the company secretary of the Company. Ms. Liu Pui Yee no longer served as the joint company secretary (Ms. Liu Pui Yee resigned as the joint company secretary of the Company on 1 December 2011). Details were set out in the announcement of the Company dated 1 December 2011.

(3) In December 2011, the Company's Dongfanghong hi-powered wheeled tractor product won the bid for the "Project of Government Procurement of Tractors as Prizes for Outsanding Grain Production and Sale Households 2011", which was the only type of vehicle prize which won the bid at the conference. The successful bidding will increase the influence of the Group's hi-powered wheeled tractors in the domestic market and further strengthen the brand image of Dongfanghong among its users.

(4) During the Reporting Period, the Company and its subsidiaries, Tractors Research Company and YTO Diesel, passed the 2011 annual review for new and high tech enterprise of Henan Province, the PRC and were accordingly entitled to enjoy the 15% preferential income tax rate for another term of three years.

(5) During the Reporting Period, none of the Company, its Directors, supervisors or senior management was involved in any material litigation or arbitration.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the opinion that the Company has complied with the requirements of the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Reporting Period.

SECURITIES TRANSACTION BY DIRECTORS

During the Reporting Period, the company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all Directors and all of them have complied with the Model Code.

DIVIDEND

Pursuant to the resolution in relation to the refreshment of specific mandate for the issue of A shares passed at the extraordinary general meeting and the respective class meetings for holders of H shares and domestic shares of the Company convened on 15 August 2011(details of which was set out in the announcement of results of the extraordinary general meeting, H shares class meeting and domestic shares class meeting of the Company dated 15 August 2011), the Board does not recommend payment of final dividend for the financial year 2011.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the fifth session of the Board has reviewed the accounting principles and practices adopted by the Group, and discussed matters such as the internal control and financial reports. The Audit Committee convened 2 meetings with the General Manager, the financial controller and the external auditors of the Company.

The Audit Committee has also reviewed the 2011 interim financial report and the 2011 annual report of the Group and the implementation of the connected transactions, and made recommendation on the appointment and remuneration of the external auditors to the Board.

By Order of the Board
Zhao Yanshui
Chairman

Luoyang, the PRC
24 February 2012

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman and executive Director of the Company and Mr. Su Weike is the vice Chairman and non-executive Director of the Company. Other members of the Board are, three executive Directors, namely, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Liu Jiguo; two non-executive Directors, namely, Mr. Yan Linjiao and Mr. Liu Yongle; and four independent non-executive Directors, namely, Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng.

* *For identification purposes only*