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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 2013

(Financial Highlights)

Revenue	**:**	**RMB11,037,840,000**
Profit attributable to owners of the Company	**:**	**RMB221,950,000**
Earnings per share attributable to owners of the Company	**:**	**RMB0.2229**

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 2013 (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 2012, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000 (Restated)
Revenue	5	**11,037,840**	11,508,044
Cost of sales		**(9,332,664)**	(9,956,425)
Gross profit		**1,705,176**	1,551,619
Other income and gains	5	**157,884**	99,169
Selling and distribution costs		**(403,516)**	(355,033)
Administrative expenses		**(845,227)**	(765,671)
Other operating expenses, net		**(201,244)**	(7,540)
Finance costs	6	**(80,013)**	(62,686)
Share of profits of associates		**904**	1,629
Profit before income tax	7	**333,964**	461,487
Income tax expense	8	**(72,229)**	(71,101)
Profit for the year		**261,735**	390,386
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**9,593**	(2,412)
Reclassification adjustments related to available-for-sale financial assets disposed of during the year		**16,981**	—
Net (loss)/gain on revaluation of available-for-sale financial assets		**(10,975)**	2,557
Other comprehensive income for the year		**15,599**	145
Total comprehensive income for the year		**277,334**	390,531

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**221,950**	324,964
Non-controlling interests		**39,785**	65,422
		261,735	390,386
Total comprehensive income for the year attributable to:			
Owners of the Company		**238,353**	325,630
Non-controlling interests		**38,981**	64,901
		277,334	390,531
Dividends	9	**59,754**	99,590
Earnings per share			
Basic and diluted	10	**RMB22.29 cents**	RMB36.27 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	**2013**	2012	2011
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		**3,098,211**	2,558,568	2,290,789
Investment properties		**31,160**	32,511	33,861
Prepaid operating leases		**863,294**	757,715	695,853
Intangible assets		**64,962**	63,685	61,631
Interests in associates		**9,185**	7,810	19,815
Available-for-sale financial assets		**137,581**	159,450	179,350
Loan receivables		**15,360**	45,653	34,302
Deferred income tax assets		**76,350**	64,585	46,667
Total non-current assets		**4,296,103**	3,689,977	3,362,268
Current assets				
Inventories		**1,766,106**	1,469,866	1,294,690
Trade and bill receivables	11	**2,321,906**	2,335,126	2,530,470
Available-for-sale financial assets		**—**	—	23,360
Loan receivables		**709,963**	748,078	579,187
Prepayments, deposits and other receivables		**689,970**	758,963	637,123
Income tax recoverable		**11,099**	8,621	6,252
Financial assets at fair value through profit or loss		**359,095**	306,801	77,398
Held-to-maturity financial assets		**25,602**	52,090	—
Pledged bank deposits		**180,276**	197,201	185,748
Cash and cash equivalents		**1,700,530**	1,771,296	1,434,750
Total current assets		**7,764,547**	7,648,042	6,768,978

	Note	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)
Current liabilities				
Trade and bill payables	12	**2,746,608**	2,703,480	2,569,078
Other payables and accruals		**658,372**	907,571	897,959
Customer deposits		**569,110**	1,046,641	1,047,071
Placements from banks and non-bank financial institutions		**350,000**	360,000	200,000
Borrowings		**592,437**	451,241	969,468
Current income tax liabilities		**24,342**	30,297	37,885
Provisions		**42,092**	70,611	76,676
Total current liabilities		**4,982,961**	5,569,841	5,798,137
Net current assets		**2,781,586**	2,078,201	970,841
Total assets less current liabilities		**7,077,689**	5,768,178	4,333,109
Non-current liabilities				
Borrowings		**1,573,962**	617,500	186,000
Deferred income		**180,889**	161,440	111,728
Deferred income tax liabilities		**49,917**	15,209	15,130
Provisions		**44,620**	31,460	43,004
Total non-current liabilities		**1,849,388**	825,609	355,862
Net assets		**5,228,301**	4,942,569	3,977,247

	Note	**2013**	2012	2011
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Equity				
Attributable to owners of the Company				
Share capital		**995,900**	995,900	845,900
Reserves		**3,418,241**	3,321,591	2,593,448
Proposed final dividend	9	**59,754**	99,590	—
		4,473,895	4,417,081	3,439,348
Non-controlling interests		**754,406**	525,488	537,899
Total equity		**5,228,301**	4,942,569	3,977,247

AUDITOR'S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

NOTES

1. GENERAL INFORMATION

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 (the "SSE") since 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.

The principal activities of the Group are:

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

In the opinion of the directors of the Company, 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 are established in the PRC.

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 basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised HKFRSs issued by HKICPA.

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group.

HKFRS 10, Consolidated Financial Statements

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates an investee. HKFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, HKFRS 10 requires the Group consolidates investees that it controls on the basis of de facto circumstances.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 as to whether or not the Group has control over the investee in accordance with the new definition of control and the related guidance set out in HKFRS 10, and concluded that the adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[2]
HK(IFRIC) - Interpretation 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

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

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

The Group is assessing of the impact of these amendments, new standards and interpretations in the period of initial application, but is not yet in a position to state whether these would have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's business segments. No 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. The Group's 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, 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 service" segment engages in the provision of loans, 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 area and is expected to materially contribute to the Group's revenue in the future.

Segment results are presented as profit before income tax. Other information of each segment 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, serve to provide better information to management, and investors can assess annual segment results from this information.

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 2013.

	Agricultural machinery *RMB'000*	**Power machinery** *RMB'000*	**Other machinery** *RMB'000*	**Financial service** *RMB'000*	**Unallocated adjustments/ eliminations** *RMB'000*	**Total** *RMB'000*
Revenue:						
Sales to external customers	**9,383,328**	**1,463,591**	**118,145**	**72,776**	**—**	**11,037,840**
Intersegment sales *(Note)*	**489,180**	**766,394**	**59,072**	**33,389**	**(1,348,035)**	**—**
	9,872,508	**2,229,985**	**177,217**	**106,165**	**(1,348,035)**	**11,037,840**
Interest, dividend and investment income					**53,899**	
Gain on bargain purchase					**84,460**	
Corporate expenses, net					**(32,566)**	
Finance costs					**(80,013)**	
Share of profits of associates					**904**	
Profit/(loss) before income tax	**236,850**	**98,445**	**(85,185)**	**57,170**	**26,684**	**333,964**
Income tax expense						**(72,229)**
Profit for the year						**261,735**

	Agricultural machinery *RMB'000*	Power machinery *RMB'000*	Other machinery *RMB'000*	Financial service *RMB'000*	Unallocated adjustments/ eliminations *RMB'000*	Total *RMB'000*
Other segment information:						
Capital expenditure	213,127	467,508	1,126	31	—	681,792
Depreciation of property, plant and equipment	217,888	214,000	3,250	265	—	435,403
Depreciation of investment properties	1,351	—	—	—	—	1,351
Amortisation of prepaid operating leases	21,463	1,926	594	14	—	23,997
Amortisation of intangible assets	1,012	—	—	—	—	1,012
Provision for product warranties	68,923	54,827	731	—	—	124,481
Provision for impairment of trade receivables, net	77,215	562	41,645	—	—	119,422
Provision for/(reversal of) impairment of other receivables, net	366	(65)	15	—	—	316
Provision for impairment of inventories, net	8,695	959	3,239	—	—	12,893
Reversal of impairment of loan receivables, net	—	—	—	(4,331)	—	(4,331)
Provision for impairment of property, plant and equipment	—	13,424	—	—	—	13,424
Provision for impairment of available-for-sale financial assets	—	—	—	10,070	—	10,070
Provision for impairment of goodwill	14,298	—	—	—	—	14,298
Assets						
Segment assets	7,614,687	2,207,700	421,039	2,977,879	(1,851,295)	11,370,010
Interests in associates						9,185
Unallocated assets						681,455
Total consolidated assets						12,060,650
Liabilities						
Segment liabilities	2,713,571	823,060	276,521	2,564,350	(1,851,295)	4,526,207
Unallocated liabilities						2,306,142
Total consolidated liabilities						6,832,349

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 2012.

	Agricultural machinery RMB'000 (Restated)	Power machinery RMB'000	Other machinery RMB'000	Financial service RMB'000	Unallocated adjustments/ eliminations RMB'000 (Restated)	Total RMB'000 (Restated)
Revenue:						
Sales to external customers	9,811,937	1,224,001	384,976	87,130	—	11,508,044
Intersegment sales *(Note)*	688,852	780,944	62,173	23,746	(1,555,715)	—
	10,500,789	2,004,945	447,149	110,876	(1,555,715)	11,508,044
Interest, dividend and investment income					61,037	
Corporate expenses, net					(13,181)	
Finance costs					(62,686)	
Share of profits of associates					1,629	
Profit/(loss) before income tax	332,885	89,983	(9,989)	61,809	(13,201)	461,487
Income tax expense						(71,101)
Profit for the year						390,386

	Agricultural machinery *RMB'000* (Restated)	Power machinery *RMB'000*	Other machinery *RMB'000*	Financial service *RMB'000*	Unallocated adjustments/ eliminations *RMB'000* (Restated)	Total *RMB'000* (Restated)
Other segment information:						
Capital expenditure	497,852	38,218	8,204	60	—	544,334
Depreciation of property, plant and equipment	162,356	37,412	2,952	259	—	202,979
Depreciation of investment properties	1,350	—	—	—	—	1,350
Amortisation of prepaid operating leases	14,701	1,759	562	14	—	17,036
Amortisation of intangible assets	8	—	—	—	—	8
Provision for product warranties	51,247	45,315	5,903	—	—	102,465
(Reversal of)/provision for impairment of trade receivables, net	(4,538)	547	1,991	—	—	(2,000)
Provision for/(reversal of) impairment of other receivables, net	6,166	(79)	237	—	—	6,324
Provision for/(reversal of) impairment of inventories, net	11,754	(391)	598	—	—	11,961
Provision for impairment of loan receivables, net	—	—	—	409	—	409
Assets						
Segment assets	7,323,231	1,599,775	399,856	2,985,108	(1,637,850)	10,670,120
Interests in associates						7,810
Unallocated assets						660,089
Total consolidated assets						11,338,019
Liabilities						
Segment liabilities	3,006,598	952,677	207,429	2,677,355	(1,637,850)	5,206,209
Unallocated liabilities						1,189,241
Total consolidated liabilities						6,395,450

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:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Earnings before interest, tax, depreciation and amortisation of business segments	**769,043**	696,061
Depreciation of property, plant and equipment	**(435,403)**	(202,979)
Depreciation of investment properties	**(1,351)**	(1,350)
Amortisation of prepaid operating leases	**(23,997)**	(17,036)
Amortisation of intangible assets	**(1,012)**	(8)
Corporate expenses, net	**(32,566)**	(13,181)
Operating profit	**274,714**	461,507
Interest, dividend and investment income	**53,899**	61,037
Gain on bargain purchase	**84,460**	—
Finance costs	**(80,013)**	(62,686)
Share of profits of associates	**904**	1,629
Profit before income tax	**333,964**	461,487

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:

	2013 *RMB'000*	2012 *RMB'000* (Restated)
Segment assets as allocated by business segments	**11,370,010**	10,670,120
Unallocated assets:		
Available-for-sale financial assets	**137,581**	159,450
Deferred income tax assets	**76,350**	64,585
Financial assets at fair value through profit or loss	**359,095**	306,801
Interests in associates	**9,185**	7,810
Others	**108,429**	129,253
Total assets as per consolidated statement of financial position	**12,060,650**	11,338,019

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:

	2013 *RMB'000*	2012 *RMB'000* (Restated)
Segment liabilities as allocated by business segments	**4,526,207**	5,206,209
Unallocated liabilities:		
Borrowings	**2,166,399**	1,068,741
Deferred income tax liabilities	**49,917**	15,209
Provisions	**86,712**	102,071
Others	**3,114**	3,220
Total liabilities as per consolidated statement of financial position	**6,832,349**	6,395,450

There are no single customers that comprise 10% or more 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 are as follows:

	2013	2012
	RMB'000	*RMB'0000*
		(Restated)
Revenue		
Sales of goods	**10,965,437**	11,421,299
Fee and commission income from financial service	**1,686**	4,689
Interest income from financial service on:		
Loans and advances to customers	**50,259**	66,609
Finance lease obligations	**266**	4,674
Due from central bank, other banks and financial institutions	**20,192**	10,773
	11,037,840	11,508,044
Other income		
Bank interest income	**11,759**	7,394
Dividend income from listed investments	**2,563**	2,510
Dividend income from unlisted investments	**16,124**	30,672
Government grants	**17,821**	34,152
Others	**22,518**	11,548
	70,785	86,276

	2013	2012
	RMB'000	*RMB'0000*
		(Restated)
Other gains		
Fair value gain on financial assets at fair value through profit or loss, net	**676**	3,460
Fair value gain on remeasurement of interests in associates	**—**	938
(Loss)/gain on disposal of available-for-sale financial assets, net	**(9,167)**	4,236
Gain on disposal of financial assets at fair value through profit or loss, net	**13,611**	11,827
Loss on disposal of property, plant and equipment, net	**(2,925)**	(9,025)
Write-off of other payables	**444**	1,457
Gain on bargain purchase	**84,460**	—
	87,099	12,893
	157,884	99,169

6. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other borrowings wholly repayable within 5 years	**85,357**	83,739
Less: Interest capitalised into construction in progress	**(5,344)**	(21,053)
	80,013	62,686

7. PROFIT BEFORE INCOME TAX

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Amortisation of prepaid operating leases	**23,997**	17,036
Amortisation of intangible assets	**1,012**	8
Auditors' remuneration	**2,400**	2,317
Bank interest income	**(11,759)**	(7,394)
Cost of inventories sold	**9,318,046**	9,846,895
Depreciation of property, plant and equipment	**435,403**	202,979
Depreciation of investment properties	**1,351**	1,350
Dividend income from listed investments	**(2,563)**	(2,510)
Dividend income from unlisted investments	**(16,124)**	(30,672)
Employee benefits expenses (excluding directors' and supervisors' remuneration):		
Wages and salaries	**946,016**	889,216
Pension scheme contributions	**145,802**	145,075
Provision for early retirement benefits	**32,918**	15,692
Fair value gain on financial assets at fair value through profit or loss, net	**(676)**	(3,460)
Fair value gain on remeasurement of interests in associates	**—**	(938)
Fee and commission income from financial service	**(1,686)**	(4,689)
Fee and commission expenses from financial service	**223**	337
Foreign exchange differences, net	**32,732**	2,223
Loss/(gain) on disposal of available-for-sale financial assets, net	**9,167**	(4,236)
Gain on disposal of financial assets at fair value through profit or loss, net	**(13,611)**	(11,827)

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Loss on disposal of property, plant and equipment, net	**2,925**	9,025
Gain on bargain purchase	**(84,460)**	—
Gross rental income	**(9,329)**	(7,687)
Interest income from financial service on:		
Loans and advances to customers	**(50,259)**	(66,609)
Finance lease obligations	**(266)**	(4,674)
Due from central bank, other banks and financial institutions	**(20,192)**	(10,773)
Interest expenses from financial service	**14,395**	11,283
Minimum lease payments under operating leases of land and building, and plant and machinery	**5,859**	16,972
Provision for product warranties	**124,481**	102,465
(Reversal of)/provision for impairment of loan receivables, net	**(4,331)**	409
Provision for impairment of available-for-sale financial assets	**10,070**	—
Provision for impairment of goodwill	**14,298**	—
Provision for impairment of inventories, net	**12,893**	11,961
Provision for/(reversal of) impairment of trade receivables, net	**119,422**	(2,000)
Provision for impairment of other receivables, net	**316**	6,324
Provision for impairment of property, plant and equipment	**13,424**	—
Research and development costs	**399,132**	392,304
Write-off of other payables	**(444)**	(1,457)

8. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Current – PRC corporate income tax		
Charge for the year	**87,437**	88,695
(Over)/underprovision in prior years	**(2,826)**	559
Deferred income tax	**(12,382)**	(18,153)
Total income tax charge for the year	**72,229**	71,101

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25% (2012: 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 2013 and 2012.

Profits tax of the subsidiaries operating outside the PRC and Hong Kong 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 (2012: Nil).

9. DIVIDENDS

The dividends paid in 2013 was RMB99,590,000 (RMB0.10 per share). No dividend was paid in 2012.

	2013	2012
	RMB'000	*RMB'000*
Final dividend, proposed, of RMB6 cents (2012: RMB10 cents) per ordinary share	**59,754**	99,590

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

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB221,950,000 (2012: approximately RMB324,964,000 (restated)) and the weighted average number of 995,900,000 (2012: 895,900,000) shares in issue during the year.

The diluted earnings per share for the years ended 31 December 2013 and 2012 are the same as the basic earnings per share as there were no potential dilutive shares outstanding during both years.

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 ranging from 30 to 90 days (2012: 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 ageing 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:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**1,569,435**	1,521,133
91 days to 180 days	**490,629**	670,156
181 days to 365 days	**214,366**	127,980
1 to 2 years	**47,476**	15,824
Over 2 years	**—**	33
	2,321,906	2,335,126

12. TRADE AND BILL PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**1,435,418**	1,935,462
91 days to 180 days	**973,908**	537,585
181 days to 365 days	**192,772**	110,844
1 to 2 years	**84,726**	63,570
Over 2 years	**59,784**	56,019
	2,746,608	2,703,480

BUSINESS REVIEW

Looking back into 2013, macro-economy was complex and changeable. The PRC central government adopted the overall work keynote of seeking improvement while maintaining stability and maintained the steady economic development. Mechanical industry rebounded slowly and saw moderate development. Agricultural machinery industry led the mechanical industrial development and sustained quicker growth due to the support from the PRC national policies, Given the shift of focus of national subsidy for machinery purchase, the market demand for traditional products decreased gradually, trend for upgrading of customer's demands emerged and the divergence of development of the industry continued. At the same time, the continuous flourishing agricultural machinery industry attracted more and more competitors, resulted in increased competition in the agricultural machinery industry and a decrease in market concentration.

In face of the complicated external situation, the Company adhered to the development mindset of "focusing on the core areas for stronger businesses" (聚核鑄強), insisted on driving with innovation, speeded up the transformation and upgrading, and strengthened the integration of internal resources.

During the Reporting Period, the Twelve-Five Science and Technology Support Plan of the Ministry of Science and Technology, i.e. "Joint Development Project for Manufacture Technology of High-powered Powershift Transmission Tractors" (大功率動力換擋拖拉機製造技術聯合研發項目), which was assumed by the Company, had passed the inspection of the expert team in the Ministry of Science and Technology, and filled up the space in the domestic manufacture technology of high-powered powershift transmission tractors. The powershift transmission tractors realized batch sales and the Company completed the qualification test of the national III diesel engines matched for major machines, a crucial step for the transformation and upgrade of major products. At the beginning of 2013, the Company made additional contribution to Changtuo Agricultural Machinery Equipment Group Company Limited and further improved the business layout of the Company in northeastern regions; the completion of the asset reorganization of the power machinery segment had further optimized the internal resources allocation of the Company and enhanced the internal synergistic effects. Meanwhile, YTO (Jiangyan) Power Machinery Co., Ltd., a controlled subsidiary of the Company, participated in and completed the bankruptcy reorganization of Yangdong Company Limited as the investor, which consolidated the development foundation of the company's light diesel engine business.

At the same time, the expansion in international market has made a progress. The Company successfully implemented the Ethiopia comprehensive agricultural mechanization projects, with a total contract amount of USD100 million. In particular, the exportation of 1,480 units of wheeled tractors in phase I had refreshed the record of amount of single export order for high-powered and mid-powered wheeled tractors in China, as a result, not only expanded the international impact of "Dongfanghong" products, but also saw a new breakthrough in innovation of export business mode.

During the Reporting Period, the Company issued corporate bonds of RMB1.5 billion successfully, which not only improved the Company's debt structure, the low interest rate also helped to save financial costs, thus enhanced the profitability of the Company. The Company adhered to standard operation. In 2013, the Company was elected to be set on the listed companies corporate governance index plate of the Shanghai Stock Exchange, and became an index sample stock for corporate governance on the Shanghai Stock Exchange. This embodied the affirmation of capital market upon the governance mechanism and standard operation of the Company.

Reviewing the works in the past year, despite various measures, the Company recorded a decline in the Company's results for the reporting period due to the underperformed sales of hi-powered wheeled tractors, the principal product of the Company, the mining truck business as a result of the sluggish coal market, and that the effects of integration of the businesses of the newly acquired subsidiaries has not yet revealed, etc. Though the commercialization of new products made progress, the total volume was still low and insufficient to support business.

PROSPECTS

In respect of external environment, on the one hand, benefiting from the positive effects from national preferential agricultural policies and under the policy orientation that PRC continues to give priority to ensuring food safety, the future development of agricultural machinery industry is bright. On the other hand, after successive years of hot sales, the tractor industry also faces difficult situations, such as the slower growth, severer competition and huger pressure for upgrading towards high-end. Looking from the internal status, after these years' unremitting efforts, the Company has been equipped with basic conditions for upgrading major product technologies, with the core parts supply system being improved day by day, and the strategic developmental layout is formed preliminarily. Meanwhile, the year of 2014 will still be a peak period for product research and development as well as investment in technological innovation, with the implementation of projects and achievement of efficiency still facing huge pressure. The Company is in a "climbing period" of strategic development.

"It's like rowing upstream, not to advance is to drop back". The Company will proactively respond to challenges, adhere to the strategic mindset of "focusing on the core areas for stronger businesses" (聚核鑄強), firmly accelerate the upgrading of major product technology, improve the sales volume of powershift products and promote the shift work of diesel engine at national III level, so as to stabilize and enhance its advantages in high and low-end market. At the same time, the Company will focus on the technological upgrade of major products and seek for external cooperation with an open mind, based on its own resources and advantages. The Company will strengthen the business guidance and integration for mergers and acquisition of enterprises, clarify the strategic location and promote the synergistic effect, so as to improve the operating results. The Company will also further center on core business, proactively push forward the resource reorganization and seek for necessary exit of business, thus to focus on its core business, and achieve progress in providing series of resolutions for users based on the advantages and resources of the Company, with a profound insight into users' demands.

ANALYSIS OF PRINCIPLE BUSINESSES

Agricultural machinery business continued to grow under the strong growth in market demand and the impulse of purchase subsidy policies, yet witnessed a slower growing speed. According to the statistics from the Association of Agricultural Machinery Industry of China, agricultural machinery enterprises with national-scale recorded a revenue of RMB357,158 million from principal business for 2013 during the Reporting Period, a year on year increase of 16.31% but the growth rate is approximately 1.53 percentage points lower than the same period of 2012. Driving forces for tractor industry was weaken as influenced by factors such as adjustments of the purchase subsidy policy, significant reduction in subsidy increment and the transference of subsidy focuses. According to the statistics of China's tractor industry, 373,616 units of hi-powered and mid-powered tractors were sold during the Reporting Period, representing a year-on-year increase of 3.18%, mainly due to the decline in the growth rate of high-powered wheeled tractors and the higher growth in mid-powered wheeled tractors; and 331,866 units of low-powered wheeled tractors were sold, representing a year-on-year decrease of 6.4%.

Faced with complex external environment, the Company positively responded to difficulties and challenges posed by the slowdown in the domestic economic growth and the increasing competition in the industry, focusing on the improvement of developmental quality and effectiveness, entertained firm confidence to overcome difficulties, endeavored to expand market and improve quality, solidly improved management and made effort to control operational risks. During the Reporting Period, the sales of major products, such as high-powered and mid-powered wheeled tractors recorded a slight growth. However, as the sales of mining truck and other businesses were weak, the integration effect of mergers and acquisition has not revealed and the provision for accounts receivables increased, in 2013, the Company recorded operating revenue of RMB11,037,840,000, representing a year-on-year decrease of 4.1%; net profit attributable to the owners of the Company of RMB221,950,000, representing a year-on-year decrease of 31.7%.

Unit: RMB'000

By segment	Operating Revenue 2013 Segment revenue	2013 Revenue from external customers	2012 (Restated) Segment revenue	2012 (Restated) Revenue from external customers	Change of revenue from external customers	Segment Results 2013	2012 (Restated)	Change over last year
					%			%
Agricultural machinery business	**9,872,508**	**9,383,328**	10,500,789	9,811,937	–4.4	**236,850**	332,885	–28.9
Power machinery business	**2,229,985**	**1,463,591**	2,004,945	1,224,001	19.6	**98,445**	89,983	9.4
Other machinery business	**177,217**	**118,145**	447,149	384,976	–69.3	**(85,185)**	(9,989)	N/A
Financial business	**106,165**	**72,776**	110,876	87,130	–16.5	**57,170**	61,809	–7.5
Unallocated and eliminations	**(1,348,035)**	**—**	(1,555,715)	—	—	**26,684**	(13,201)	N/A
Total	**11,037,840**	**11,037,840**	11,508,044	11,508,044	–4.1	**333,964**	461,487	–27.6

AGRICULTURAL MACHINERY BUSINESS

During the Reporting Period, the Company intensified the efforts for the marketing of marketable products by implementing the marketing strategy of "unique strategy for one region, one product and one shop" on key products and areas based different market competition in different regions; formulated specific incentive policies to effectively increase the regional sales volume of areas where we had no or minor market share. We continued to strengthen product improvement and timely introduced new products with reference to the changes of market demand. Mass-quantity on-sale of LY1104 and LX1104 for winter wheat growing regions, economic model 504/554 for paddy regions and 900 (narrow wheelbase) of the ME series, etc. laid the foundation for the increase of the sales volume in regional markets. Commercial promotion of new type of powershift transmission hi-powered wheeled tractors was accelerated and mass-quantity sales in key markets such as Xinjiang and Heilongjiang has been achieved.

In 2013, the Company sold 87,298 units of hi-powered and mid-powered tractors, representing a year-on-year increase of 2.02%, among which, sales of hi-powered wheeled tractors were 37,337 units, representing a year-on-year decrease of 11.8%; and 48,874 units were mid-powered wheeled tractors, representing a year-on-year increase of 17.13%. 1,087 units of crawler tractors were sold, representing a year-on-year decrease of 28.06%; sales of low-powered wheeled tractors were 18,730 units, representing a year-on-year decrease of 30.48%.

During the Reporting Period, the Company continued to promote the quality enhancement and adaptive improvement of export products, constantly expanded international market, and thus recorded the export of 4,149 units of hi-powered and mid-powered tractors with a year-on-year increase of 36.12% under the background where the industrial export of hi-powered and mid-powered tractors suffered from significant decline.

POWER MACHINERY BUSINESS

In 2013, the Company strengthened the efforts to promote the research and development of new products and upgrade of the existing products while striving to expand the markets for tractors of 100 horsepower and above and the key ancillary markets for wheat/corn harvesters and loaders of 110 horsepower and above, which results in positive achievements; 6S series heavy-duty diesel engines also complete massive installation in hi-powered wheeled tractors of 180 to 220 horsepower for the first time; and breakthroughs were made in ancillary markets for engineering machinery such as 30 loaders and excavators. YTO (Jiangyan) Power Machinery Co., Ltd further consolidated its products accompanying the gradual manifestation of its implementation of technological transformation achievements. Positive results were obtained both in the Company's internal integration and external market exploration. During the Reporting Period, an aggregate of 181,519 units of various diesel engines models were sold by the Company, representing a year-on-year increase of 11.73%, among which, 116,588 units were charged to external sales, representing a year-on-year increase of 14.3%.

OTHER BUSINESS

During the Reporting Period, subject to the insufficient demand in upstream markets of coal like steels, infrastructure construction and electricity, the coal industry of China witnessed a continuing downturn. In order to control operational risks, the Company timely adjusted its operation strategy, substantially curtailing products marketing, resulting in a significant decrease in the sales volume of mining trucks and forklifts.

During the Reporting Period, the Company effectively expanded the role of YTO Group Finance Company Limited as a financial platform and continued to enhance its ability of financial services and support centering on the sales of the Company's primary products and actively boosted the finance lease of agricultural machinery and the pilot and exploration of buyer credit, accomplishing the extension of financing business from dealer to covering end users, providing support to product sales of the Company and a total financing of RMB555,829,600 for dealers and customers of the Company, and driving the Company to achieve RMB793,092,400 of sales revenue.

ANALYSIS OF FINANCIAL RESULTS

1. Revenue

(1) Analysis of factors leading to changes in revenue

During the Reporting Period, the Company recorded operating revenue of RMB11,037,840,000, representing a year-on-year decrease of 4.1%, which was mainly due to the decrease in the sales of the Company's agricultural machinery products.

(2) Analysis of factors affecting the revenue of the Company from sales of products which has a principal business of physical goods sales

Agricultural machinery products: during the Reporting Period, the Company sold 106,028 units of various tractor products, representing a year-on-year decrease of 5.76%; revenue of external sales of agricultural machineries amounted to RMB9,383,328,000, representing a year-on-year decrease of 4.37%. Revenue from agricultural machinery business accounted for 85.01% of the Company's operating revenue.

Power machinery products: in 2013, the Company sold 181,519 units of various diesel engine products, representing a year-on-year increase of 11.73%; among which, 116,588 units were sold externally, representing a year-on-year increase of 14.31%; during the Reporting Period, sales revenue of power machinery products amounted to RMB2,222,985,000, representing a year-on-year increase of 11.22%, among which, RMB1,463,591,000 was external revenue after internal offset, representing a year-on-year increase of 19.57%. Income from power machinery business accounted for 13.26% of the Company's operating revenue.

2. Gross profit margin

During the Reporting Period, the Company realized a gross profit of RMB 1,705,176,000, representing an increase of 9.9% from the pervious period. The consolidated gross profit margin was 15.45%, representing a 1.97 percentage point increase from the previous period.

3. Expenses during the Reporting Period

Unit: RMB'000

Item	**2013**	2012	**Change amount**	**Change**
Selling and distribution expenses	**403,516**	355,033	48,483	13.66%
Administrative expenses	**845,227**	765,671	79,556	10.39%
Finance expenses	**80,013**	62,686	17,327	27.64%
Other expenses	**201,244**	7,540	193,704	2,569%

1. The selling and distribution expenses of the Group increased greatly during the Reporting Period, mainly due to the strengthening of the overseas after-sales service to ensure the repair and maintenance of export products and the strengthening of the domestic brand building and the advertising efforts.

2. The administrative expenses of the Group increased during the Reporting Period primarily due to the increase of costs and worker's wages caused by the newly merged company.

3. The financial expenses of the Group increased greatly during the Reporting Period. It was mainly because investment increased resulting in larger funds used to expand the scale of financing and the interest expenses increased.

4. Other expenses increased in a relatively great extent during the Reporting Period. It was because the large increase of provision for bad debts as a result of the extension of the back section and the increase of aged debts.

4. Income Tax

During the Reporting Period, the Group's income tax expenses amounted to RMB72,229,000, representing a year-on-year increase of RMB1,128,000. The income tax rates of the Company and each subsidiary remained unchanged.

As approved by the Science and Technology Department and the Finance Department of Henan Province, the State Administration of Taxation and the local tax bureau, the Company and its subsidiaries, YTO (Luoyang) Diesel Engine Co., Ltd., Luoyang Tractors Research Institute Co., Ltd. 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 (Luoyang) Flag Auto-Body Co., Ltd. are entitled to the 15% preferential income tax rate for new and high tech enterprises.

5. Research and development costs

(1) Table of research and development costs

Unit: RMB'000

Research and development costs expensed during the Reporting Period	399,132
Research and development costs capitalized during the Reporting Period	0
Total research and development costs	399,132
Total research and development costs as a percentage of net assets *(%)*	7.63%
Total research and development costs as a percentage of operating revenue *(%)*	3.64%

(2) Explanations

During the Reporting Period, research and development costs were mainly used to the development and the complete machine performance research of economic non-road diesel engines nation III, structural upgrading and differentiate development of Dongfanghong tractors of 60-220 horsepower applied in China and foreign countries, development of powershift transmission tractors of LF2204/1504 series, research and development of machinery drive axles and gear boxes for agricultural machinery, so as to enhance technology level of the Company's principal products and consolidate and improve the competitiveness of its products.

6. Cash flows

Unit: RMB'000

Item	For the Reporting Period	For the corresponding period of the previous year	Change amount	Change (%)
Net cash flow from operating activities	**–131,906**	491,563	–623,469	–126.83
Net cash flow from investing activities	**–516,092**	–788,246	272,154	N/A
Net cash flow from financing activities	**655,455**	656,005	–550	–0.1

The net cash inflow from operating activities was RMB623,469,000 less than the corresponding period of the previous year, among which, net cash flow from operating activities of YTO Finance Company Limited was RMB-187,483,000, representing a year-on-year decrease of RMB268,360,000 compared to the amount of RMB80,877,000 in the corresponding period of the previous year; net cash flow from operating activities of principal businesses was RMB55,578,000, representing a year-on-year decrease of RMB355,108,000 compared to the amount of RMB410,686,000 in the corresponding period of the previous year. The decrease was mainly because of the decline in sales of products and the deferral of repayment period in the Reporting Period resulted from the adjustment of the agricultural subsidy policies and the change of the focus of the subsidy.

The net cash outflow from investing activities was RMB272,154,000 less than the corresponding period of the previous year, mainly due to a greater decrease in the amount of payment made for equity investment in the Reporting Period.

Analysis of Assets and Liabilities

Unit: RMB'000

Item	**As at the end of the Reporting Period**	Percentage of total assets as at the end of the Reporting Period (%)	**As at the end of previous reporting period**	Percentage of total assets as at the end of previous reporting period (%)	**Change over the end of previous reporting period** (%)
Property, plant and equipment	**3,098,211**	25.69	2,558,568	22.57	21.09
Interests in associates	**9,185**	0.08	7,810	0.07	17.61
Available-for-sale financial assets	**137,581**	1.14	159,450	1.41	–13.72
Loan receivables (non-current)	**15,360**	0.13	45,653	0.40	–66.35
Loan receivables (current)	**709,963**	5.89	748,078	6.60	–5.10
Deferred income tax assets	**76,350**	0.63	64,585	0.57	18.22
Inventories	**1,766,106**	14.64	1,469,866	12.96	20.15
Trade and bill receivables	**2,321,906**	19.25	2,335,126	20.60	–0.57
Financial assets at fair value through profit or loss	**359,095**	2.98	306,801	2.71	17.04
Held-to-maturity financial assets	**25,602**	0.21	52,090	0.46	–50.85
Cash and cash equivalents	**1,700,530**	14.10	1,771,296	15.62	–4.00
Trade and bill payables	**2,746,608**	22.77	2,703,480	23.84	1.60
Placements from banks and non-bank financial institutions	**350,000**	2.90	360,000	3.18	–2.78
Borrowings	**2,166,399**	17.96	1,068,741	9.43	102.71
Deferred income	**180,889**	1.50	161,440	1.42	12.05

Property, plant and equipment: As at 31 December 2013, property, plant and equipment of the Group increased by RMB539,643,000 from the beginning of the Reporting Period. The increase was mainly because the Group increased investment in fixed assets such as production lines during the Reporting Period in order to enhance competitiveness of its products.

Available-for-sale financial assets: As at 31 December 2013, available-for-sale financial assets of the Group decreased by RMB21,869,000 from the beginning of the Reporting Period, which was mainly because the Group disposed of part of the financial assets such as securities it held in the previous period.

Loan receivables: As at 31 December 2013, loan receivables (non-current) and loan receivables (current) of the Group decreased by RMB30,293,000 and RMB38,115,000 respectively from the beginning of the Reporting Period, which was mainly because of the collection some loans made in previous period by YTO Finance Company Limited during the Reporting Period.

Inventories: As at 31 December 2013, the inventories of the Group increased by RMB296,240,000 from the beginning of the Reporting Period, which was mainly because the Group increased relevant stocks in light of the forthcoming sales peak season in the coming year.

Trade and bill receivables: As at 31 December 2013, bill receivables and trade receivables decreased by RMB45,717,000 and increased by RMB32,497,000 respectively from the beginning of the Reporting Period, which was mainly due to the deferred payment of the State's subsidies for purchase of agricultural machinery products resulted from the change of the settlement method and at the same time the Group's strengthened power of sales and repurchase according to the payment progress of the subsidy.

Financial assets at fair value through profit or loss: As at 31 December 2013, the Group's financial assets at fair value through profit or loss increased by RMB52,294,000 from the beginning of the Reporting Period, which was mainly because of the new purchase of financial assets at fair value through profit or loss by YTO Finance Company Limited.

Held-to-maturity financial assets: As at 31 December 2013, the Group's held-to-maturity financial assets decreased by RMB26,488,000 from the beginning of the Reporting Period, which mainly represented the disposal of corporate bonds by YTO Finance Company Limited during the Reporting Period.

Trade and bill payables: As at 31 December 2013, the Group's bill payables and trade payables increased by RMB77,405,000 and decreased by RMB34,277,000 from the beginning of the Reporting Period, which was mainly due to the increase of bank acceptance bills in order to reduce financing costs and the payment of the purchase of the raw materials during the Reporting Period.

Borrowings: As at 31 December 2013, the Group's borrowings (current) and borrowings (non-current) increased by RMB141,196,000 and RMB956,462,000 respectively from the beginning of the Reporting Period, which was mainly because the Company issued corporate bonds during the Reporting Period.

Indicators of financial ratio

Major financial indicators	**Basis of calculation**	**2013**	2012 (Restated)	2011 (Restated)
Gearing ratio	Total liabilities/ total assets x 100%	**56.6%**	54.4%	60.7%
Current ratio	Current assets/current liabilities	**1.56**	1.37	1.17
Quick ratio	(Current assets — inventories)/ current liabilities	**1.20**	1.11	0.94
Debt equity ratio	Total liabilities/ shareholders' equity x 100%	**152.7%**	144.8%	178.9%

Note: Shareholders' equity excludes non-controlling interests.

CAPITAL REQUIRED FOR MAINTAINING EXISTING BUSINESS AND COMPLETING INVESTMENT PROJECT UNDER CONSTRUCTION

In 2013, the Company issued corporate bonds to finance RMB1.5 billion used for adjusting the Company's liability structure and replenish working capital of the Company. In 2014, the Company will ensure the fund demands of operation through self-raised funds, bank financing, intensified expenses control, acceleration of turnover of funds and reasonable arrangement of fund use plan according to plans of manufacture, operation and investment.

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.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Name	Position	Change	Reason of change
Su Weike	Vice Chairman and member of the Strategy & Investment Committee under the Board	Resigned	Resignation for work changes
Dong Jianhong	Non-executive Director, member of the Remuneration Committee under the Board	Resigned	Resignation for work changes
Qu Dawei	Non-executive Director	Resigned	Resignation for work changes
Wang Erlong	Non-executive Director and Vice Chairman	Appointed	To fill the casual vacancy

During the year, neither the Company nor its Directors, Supervisors, senior management, shareholders holding 5% or more of the shares or de facto controller was a subject of the inspection, administrative penalty or circulation of a notice of criticism by China Securities Regulatory Commission or public censure by the stock exchanges.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has strictly complied with the principles and most code provisions under the Code on Corporate Governance Practices and Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong and formulated the board diversity policy based on the revision of the Code made by the Stock Exchange of Hong Kong Limited. Currently, the Company has a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate people and should not be performed by the same individual.

Mr. Zhao Yanshui acts as the Chairman of the Board and the general manager of the Company. The Board considers that such structure would not affect the balance of power and duties between the Board and the management. The Board of the Company is composed of highly experienced and talented members and meetings are held regularly to discuss issues that may affect the operations of the Company's operations. The operation of the Board is sufficient to ensure the balance of powers and duties. The Board believes that this structure will be helpful in establishing a steady and consistent leadership, which enables the Company to make and implement various decisions efficiently and effectively. The Board is full of confidence in Mr. Zhao and believes that the current appointment of him as the Chairman and general manager of the Company will be beneficial for the business development of the Company.

SECURITIES TRANSACTION BY DIRECTORS

After making enquiries to, and as confirmed by all Directors of the Company, Mr. Wu Tak Lung, an independent non-executive Director of the Company, holds 10,000 H shares of the Company. During the Reporting Period, all Directors of the Company have strictly complied with the code of conduct in relation to the securities transactions by Directors under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules.

DIVIDEND

In accordance with the profit distribution policy of the Articles of Association of the Company, the Board recommends the following the profit distribution proposal for 2013: a cash dividend of RMB0.6 (tax inclusive) for every ten shares on the basis of a total share capital of 995,900,000 shares as at 31 December 2013. The proposal is still subject to the approval of the shareholders in the 2013 annual general meeting.

As the date of the 2013 annual general meeting has not been determined, the relevant record date will be announced later. If the aforesaid proposal is approved by the shareholders, then according to the Income Tax Law of the People's Republic of China effective from 2008 and the implementation rules thereof, the Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348), the final dividend payable to the non-resident enterprise shareholders and individual shareholders whose names appear on the registers of members of the Company's H shares is subject to withholding of enterprise income tax or individual income tax, both at a rate of 10%. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees and other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax of 10%.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee under the sixth session of the Board convened 3 meetings and all members attended the meetings. The Audit Committee has reviewed the 2012 results disclosure plan and the annual audit work plan at the first meeting held on 1 February 2013; the 2012 financial report, implementation of continuing connected transactions in 2012, external guarantee in 2012, internal control self-evaluation report and appointment of external auditors at the second meeting held on 20 March 2013; the 2013 interim report, implementation of continuing connected transactions in the first half of 2013 and appointment of internal control auditors in 2013 at the third meeting held on 16 August 2013.

The Audit Committee under sixth session of the Board has reviewed the Company's 2013 financial reports prepared in accordance with CASBE and HKFRS respectively.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
YU Lina
Company Secretary

Luoyang, the PRC
27 March 2014

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Wang Erlong is the vice Chairman of the Company. Other members of the Board are four Directors, namely, Mr. Yan Linjiao, Mr. Guo Zhiqiang, Mr. Liu Jiguo and Mr. Wu Yong; and four independent non-executive Directors, namely, Mr. Hong Xianguo, Mr. Zhang Qiusheng, Mr. Xing Min and Mr. Wu Tak Lung.

* *For identification purposes only*