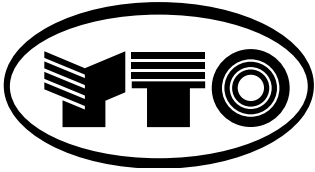


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2014**

### **(Financial Highlights)**

<b>Total operating revenue</b>	<b>:</b>	<b>RMB9,026,978,821.14</b>
<b>Net profit attributable to owners of the Company</b>	<b>:</b>	<b>RMB167,698,247.35</b>
<b>Earnings per share attributable to owners of the Company</b>	<b>:</b>	<b>RMB0.1684</b>

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 2014 (the “**Reporting Period**”), which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises, together with comparative figures for the same period in 2013, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi).

# CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2014

Prepared by First Tractor Company Limited

*Unit: RMB*

<b>Item</b>	<i>Note</i>	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Current assets</b>			
Cash and cash equivalents	6	<b>1,998,159,516.29</b>	1,883,479,523.60
Settlement reserves for balance			
Loans to banks and other financial institutions			
Financial assets at fair value			
through profit or loss		<b>354,360,150.44</b>	359,095,259.97
Derivative financial assets			
Notes receivable		<b>940,748,139.33</b>	1,269,899,186.51
Accounts receivable	7	<b>879,355,043.69</b>	1,067,488,278.19
Advances to suppliers		<b>292,088,912.74</b>	194,539,070.95
Premium receivables			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable		<b>133,472.22</b>	—
Dividend receivable			
Other receivables		<b>228,490,379.91</b>	67,666,099.64
Financial assets purchased with agreement to re-sale			
Inventories		<b>1,447,426,253.97</b>	1,766,268,480.42
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		<b>56,383,561.23</b>	—
<b>Total current assets</b>		<b><u>6,197,145,429.82</u></b>	<b><u>6,608,435,899.28</u></b>

<b>Item</b>	<i>Note</i>	<b>Ending balance</b>	Beginning balance
<b>Non-current assets:</b>			
Loans and advances to customers		<b>1,362,361,447.55</b>	725,322,825.23
Available-for-sale financial assets		<b>285,935,741.41</b>	137,580,990.01
Held-to-maturity investments		—	25,601,874.77
Long-term receivables			
Long-term equity investments		<b>65,849,170.84</b>	9,184,641.20
Investment properties		—	31,160,041.52
Fixed assets		<b>2,738,916,218.10</b>	2,685,745,048.61
Construction in progress		<b>642,813,215.87</b>	424,579,666.44
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		<b>947,153,734.35</b>	958,395,440.46
Research and development expenses			
Goodwill			
Long-term deferred expenses		<b>23,378,553.87</b>	16,919,867.57
Deferred tax assets		<b>92,141,133.86</b>	76,350,097.44
Other non-current assets			
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>6,158,549,215.85</b>	5,090,840,493.25
		<hr/>	<hr/>
<b>Total assets</b>		<b>12,355,694,645.67</b>	11,699,276,392.53
		<hr/> <hr/>	<hr/> <hr/>

Item	Note	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans		<b>1,644,532,646.15</b>	292,437,410.89
Borrowings from central bank			
Receipts of deposits and deposits from other banks		<b>576,246,341.28</b>	565,022,287.05
Loans from other banks		<b>350,000,000.00</b>	350,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		<b>916,374,670.17</b>	654,769,401.01
Accounts payable	8	<b>1,350,582,485.03</b>	2,095,124,850.72
Advance from customers		<b>266,897,178.83</b>	260,683,445.11
Funds from selling out and repurchasing financial assets			
Fee and commission payable			
Employee benefits		<b>100,709,706.51</b>	111,379,298.46
Taxes payables		<b>-326,702,397.31</b>	-351,328,558.11
Interests payable		<b>57,516,420.08</b>	55,028,515.34
Dividends payable			
Other payables		<b>256,876,518.96</b>	213,375,326.11
Reinsurance accounts payables			
Reserves for insurance contracts			
Brokerage for trading securities			
Brokerage for consigning securities			
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>30,055,745.54</b>	301,018,000.00
Other current liabilities		<b>53,243,515.75</b>	87,951,003.54
<b>Total current liabilities</b>		<b><u>5,276,332,830.99</u></b>	<b><u>4,635,460,980.12</u></b>

Item	Note	Ending balance	Beginning balance
<b>Non-current liabilities:</b>			
Long-term loans		46,597,500.00	84,189,000.00
Bonds payable		1,491,971,739.19	1,489,772,818.57
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Provisions			
Deferred income		174,628,692.16	182,418,508.05
Deferred tax liabilities		45,336,983.15	49,917,073.21
Other non-current liabilities			
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>1,758,534,914.50</b>	<b>1,806,297,399.83</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities</b>		<b>7,034,867,745.49</b>	<b>6,441,758,379.95</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Shareholder's equity:</b>			
Share capital		995,900,000.00	995,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,124,246,289.70	2,161,122,028.80
Less: Treasury shares			
Other comprehensive income		16,295,741.20	-2,990,577.79
Special reserves			
Surplus reserves		368,972,848.56	326,747,339.47
General risk reserves		7,683,706.66	7,097,463.55
Retained earnings	9	1,080,369,447.42	1,015,236,952.27
Total equity attributable to shareholders of the Company		4,593,468,033.54	4,503,113,206.30
Minority interests		727,358,866.64	754,404,806.28
		<hr/>	<hr/>
<b>Total shareholder's equity</b>		<b>5,320,826,900.18</b>	<b>5,257,518,012.58</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and shareholder's equity</b>		<b>12,355,694,645.67</b>	<b>11,699,276,392.53</b>
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

Prepared by First Tractor Company Limited

Unit: RMB

Item	Note	Current year	Last year
<b>1. Total operating revenue</b>		<b>9,026,978,821.14</b>	11,057,843,491.06
Including: Operating revenue		<b>8,929,316,050.68</b>	10,985,440,654.79
Interest income		<b>97,253,173.58</b>	70,716,708.55
Fees and commission income		<b>409,596.88</b>	1,686,127.72
<b>2. Total cost of operation</b>		<b>9,138,543,652.57</b>	10,867,008,869.10
Including: Cost of operation		<b>7,457,744,855.37</b>	9,244,069,520.10
Interest expenses		<b>29,170,550.21</b>	14,375,399.37
Fees and commission expense		<b>455,137.26</b>	222,557.94
Business taxes and surcharges		<b>27,702,955.77</b>	29,296,422.85
Selling and distribution expenses		<b>393,300,666.51</b>	374,371,900.53
Administrative expenses		<b>973,938,133.86</b>	924,121,591.05
Financial expenses		<b>89,732,342.21</b>	127,836,040.62
Loss on impairment of assets		<b>166,499,011.38</b>	152,715,436.64
Add: Gain arising from the changes in fair value (loss listed with “-”)		<b>8,113,671.48</b>	676,257.27
Investment income (Loss listed with “-”) Including: income from investments in associates and joint ventures (Loss listed with “-”)		<b>108,929,271.92</b>	38,986,561.99
Exchange gain (Loss listed with “-”)		<b>238,416.56</b>	903,575.37
<b>3. Operating profit (Loss listed with “-”)</b>		<b>5,478,111.97</b>	230,497,441.22
Add: Non-operating income		<b>211,836,734.97</b>	114,905,778.06
Including: Gain from disposal of non-current assets		<b>162,319,571.87</b>	1,514,381.87
Less: Non-operating expenses		<b>5,420,715.28</b>	6,304,825.38
Including: Loss on disposal of non-current assets		<b>1,742,962.60</b>	4,407,074.65
<b>4. Total profit (Loss listed with “-”)</b>		<b>211,894,131.66</b>	339,098,393.90
Less: Income tax expenses	13	<b>47,668,186.23</b>	72,229,037.79
<b>5. Net profit (Net loss listed with “-”)</b>		<b>164,225,945.43</b>	266,869,356.11
Net profit attributable to owners of the company		<b>167,698,247.35</b>	227,084,951.73
Non-controlling interest		<b>-3,472,301.92</b>	39,784,404.38

Item	Note	Current year	Last year
<b>6. Net other comprehensive income after tax</b>		<b>18,801,873.15</b>	15,597,967.42
Net other comprehensive income after tax			
attributable to owners of the parent company		<b>19,286,318.99</b>	16,402,201.94
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		<b>19,286,318.99</b>	16,402,201.94
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets		<b>34,160,499.37</b>	4,960,623.83
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets			
4. Effective part of hedging gains and losses from cash flows			
5. Exchange differences from retranslation of financial statements		<b>-14,874,180.38</b>	11,441,578.11
6. Others			
Net other comprehensive income after tax attributable to minority interests		<b>-484,445.84</b>	-804,234.52
<b>7. Total comprehensive income</b>		<b>183,027,818.58</b>	282,467,323.53
Total comprehensive income attributable to owners of the company		<b>186,984,566.34</b>	243,487,153.67
Total comprehensive income attributable to minority interests		<b>-3,956,747.76</b>	38,980,169.86
<b>8. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)	14	<b>0.1684</b>	0.2280
(2) Diluted earnings per share (RMB/share)	14	<b>0.1684</b>	0.2280

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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 No. 154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China.

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 ("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 "Company"), both are established in China.

## 2. BASIS OF PREPARATION

Based on the going-concern assumption and transactions and events actually incurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises and related regulations (collectively referred as "CASs") issued by Ministry of Finance of PRC, Compilations Rules for Information Disclosure by Companies Offering Securities in Public No. 15 – General Provisions on Financial Statements (amended 2014) formulated by China Securities Regulatory Commission, General Principles for Listing issued by Hong Kong Exchanges and Clearing Limited, disclosure requirements of the Hong Kong Companies Ordinance, and the accounting policies and accounting estimates in Note IV Significant Accounting Policies and Accounting Estimates.



### 3. DECLARATION OF COMPLYING WITH CAS

The financial statements of the Group have been prepared in accordance with the requirements of CASs and present fairly the consolidated financial position as at 31 December 2014, and of the consolidated financial performance and cash flows for the year then ended.

Given the fact that CASs are equivalent to Hong Kong Financial Reporting Standards (HKFRSs), the Hong Kong Securities and Futures Commission and the Hong Kong Stock Exchange have both accepted financial statements prepared by Hong Kong listed companies originally from mainland China in accordance to the CASs and audited by similarly qualified accounting firms based in mainland China. As approved by the Company's 2014 the second extraordinary Shareholders Meeting on 31 October 2014, the Group no longer prepares financial statements under both CASs and HKFRSs from the reporting year of 2014. Financial statements prepared in accordance to only the CASs will be provided to A Share holders and H Share holders of the Company.

### 4. ACCOUNTING POLICIES

#### (1) Accounting period

The accounting period for the Group is from 1 January to 31 December.

#### (2) Reporting currency

The Group's reporting currency is Renminbi (RMB). Its subsidiaries, associates, and joint operators apply their reporting currency based on the consideration of their local economics.

#### (3) **The Group uses Renminbi (RMB) as the reporting currency for the preparation of the financial statements.**

#### (4) **Business combination under common control and not under common control**

The Group, as the acquirer, recognises acquired assets and liabilities under common control at their carrying amounts in consolidated financial statements of the ultimate shareholder on the acquisition date. The difference between the carrying amount of the net assets obtained and the amount of consideration paid for the combinations adjusted to capital reserves. If the balance of capital reserves is insufficient, any excess is adjusted against retained earnings.

Identifiable assets, liabilities and contingencies acquired through business combination not under common control are recognized at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, fair value of non-cash assets, liabilities issued or assumed, equity securities issued on the date of acquisition, and other direct expenses incurred in order to obtain the control over acquire (As for business combination through different transactions by step, its acquisition cost is the sum of the cost of each transaction). Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, the acquirer shall recognise the remaining difference as non-operating income in the current period.

## **(5) Preparation of consolidated financial statements**

The Group's consolidation scope includes all subsidiaries.

When accounting policy and accounting period that subsidiaries adopt are not in accordance with the ones of the Company, subsidiaries' financial statements should be adjusted based on the Company's accounting policy and accounting period when preparing consolidated financial statements.

All significant inter-company balances, transactions and unrealized profits are eliminated on consolidation. Shareholders' equity of subsidiaries not attributable to the parent, net profit and loss, other comprehensive income and the comprehensive income that is attributable to minority interest shall be disclosed as non-controlling shareholders' equity, non-controlling shareholders' profit or loss, other comprehensive income attributable to non-controlling shareholders and total comprehensive income attributable to non-controlling shareholders in consolidated income statements.

For subsidiary acquired through business combination under common control, its operating results and cash flow shall be consolidated from the beginning of the period that the Group acquires its control. Adjustments to prior period during the preparation of consolidated financial statements are considered to exist in the reporting entity after combination since the ultimate control was obtained.

For subsidiaries acquired through business combination not under common control, its operating results and cash flow shall be consolidated from the date that the Group obtain the control. Adjustments to subsidiary shall be made based on fair value of identifiable assets, liabilities and contingent liabilities on acquisition date when preparing consolidated financial statements.

## **(6) Changes in accounting policies**

The Ministry of Finance issued Accounting Standards for Enterprises No.39 Measurement of Fair Value, No.40 Arrangement of Joint Ventures, No.41 Disclosure of Equity in Other Entities; and amended Accounting Standards for Enterprises No.30 Financial Statement Presentation, No.9 Employee Benefits, No.33 Consolidated Financial Statement, No.2 Long-term Equity Investment, No.37 Presentation of Financial Instruments as well as Basic Standard between January and July 2014. The above nine accounting standards shall be implemented from 1 July 2014 except for amended Accounting Standards for Enterprise No.37 Presentation of Financial Instruments and Basic Standard. Basic Standard shall be implemented from 23 July 2014 and Accounting Standards for Enterprise No.37 Presentation of Financial Instruments shall be implemented for the financial statements prepared for the year of 2014 and the subsequent period. The Group made transitional adjustments and other required changes in preparing financial statements for the year of 2014 to reflect adoption of the above nine accounting standards.

The main effect of changes of accounting standards on the Group's financial statements:

As for the equity investments where the Group has no joint control or significant influence over the investee and there is no quotation in active market and the fair value cannot be reliably measured, these equity investments are recognized as long-term equity investments and measured using cost method by the Group before the year of 2014. According to amended Accounting Standards for Enterprises No.2 Long-term Equity Investment, Accounting Standards for Enterprises No.22 Recognition and Measurement of Financial Instrument shall be applied to these above equity investments. As for the above changes in accounting policies, the Group made retrospective adjustments and restated comparatives. Long-term equity investment was reduced by RMB80,843,718.41; financial asset available for sale was increased by RMB80,843,718.41. No changes were made to total assets.

The Group recorded movement in fair value of financial assets available for sale in capital reserve before the year of 2014. According to amended Accounting Standards for Enterprises No.30 – Financial Statement Presentation, the above equity shall be transferred from capital reserve to other comprehensive income. As for the above changes in accounting policies, the Group made retrospective adjustments and restated comparatives. Capital reserve was reduced by RMB13,012,917.24 on balance sheet and changes in shareholders' equity; other comprehensive income was increased by RMB13,012,917.24. No changes were made to shareholder's equity attributable to the parent company.

## 5. 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.

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.

## Segment information for the year ended 31 December 2014

Items	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination	Total
Operating income	7,893,743,200.00	2,067,238,820.84	173,143,999.53	132,520,793.76	-1,239,667,992.99	9,026,978,821.14
Including: External transaction revenue	7,376,960,313.57	1,443,714,408.55	108,397,622.06	97,906,476.96	0.00	9,026,978,821.14
Revenue between segments	516,782,886.43	623,524,412.29	64,746,377.47	34,614,316.80	-1,239,667,992.99	0.00
Total profit for Segment	190,894,808.32	66,711,819.80	-126,198,850.27	87,554,749.01	-7,068,395.20	211,894,131.66
Total assets	9,245,340,398.30	2,211,316,192.56	303,138,400.87	943,348,204.44	-347,448,550.50	12,355,694,645.67
Including: Significant impairment loss on individual assets	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	<u>5,611,735,424.89</u>	<u>1,020,227,054.39</u>	<u>491,844,639.97</u>	<u>228,115,793.56</u>	<u>-317,055,167.32</u>	<u>7,034,867,745.49</u>
<b>Supplementary information</b>						
Capitalized expenditure	979,404,948.62	37,382,731.06	505,956.51	1,197,100.00	0.00	1,018,490,736.19
Recognized loss of impairment	116,986,128.75	4,268,213.87	42,062,288.51	3,182,380.25	0.00	166,499,011.38
Including: Amortization of goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	290,783,610.17	10,972,602.90	3,969,747.35	683,551.75	0.00	306,409,512.17
Non-cash expenses other than impairment loss, depreciation and amortization	<u>60,139,940.13</u>	<u>13,929,836.72</u>	<u>655,181.77</u>	<u>0.00</u>	<u>0.00</u>	<u>74,724,958.62</u>

## Segment information for the year ended 31 December 2013

Items	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination	Total
Operating income	9,892,511,612.56	2,229,984,731.10	177,217,295.22	106,164,928.54	-1,348,035,076.36	11,057,843,491.06
Including: External transaction revenue	9,077,922,894.62	1,757,403,370.92	149,762,016.25	72,755,209.27	0.00	11,057,843,491.06
Revenue between segments	814,588,717.94	472,581,360.18	27,455,278.97	33,409,719.27	-1,348,035,076.36	0.00
Total profit for Segment (total loss)	181,682,501.98	194,266,717.16	-97,194,927.64	71,458,221.32	-11,114,118.92	339,098,393.90
Total assets	9,665,900,386.36	2,310,251,437.06	426,069,804.54	3,358,992,015.44	-4,061,937,250.87	11,699,276,392.53
Including: Significant impairment loss on individual assets	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	<u>5,078,906,733.29</u>	<u>1,159,901,163.14</u>	<u>468,659,302.97</u>	<u>2,706,255,426.02</u>	<u>-2,971,964,245.47</u>	<u>6,441,758,379.95</u>
<b>Supplementary information</b>						
Capitalized expenditure	496,954,193.78	704,635,742.21	1,116,360.66	361,400.00	0.00	1,203,067,696.65
Recognized loss of impairment	93,925,437.97	1,456,788.63	49,930,275.96	7,402,934.08	0.00	152,715,436.64
Including: Amortization of goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	267,264,860.89	212,789,514.87	548,881.32	3,843,826.52	0.00	484,447,083.60
Non-cash expenses other than impairment loss, depreciation and amortization	<u>100,576,000.00</u>	<u>1,457,000.00</u>	<u>44,899,000.00</u>	<u>5,740,000.00</u>	<u>0.00</u>	<u>152,672,000.00</u>

## 6. CASH AND CASH EQUIVALENTS

Items	Ending balance	Beginning balance
Cash on hand	1,225,011.51	1,743,738.88
Cash in bank	1,824,370,871.38	1,677,940,462.29
Other	<u>172,563,633.40</u>	<u>203,795,322.43</u>
Total	<u><u>1,998,159,516.29</u></u>	<u><u>1,883,479,523.60</u></u>
Including: Total amount deposited abroad	<u><u>173,871,582.28</u></u>	<u><u>105,455,593.69</u></u>

*Notes:* As at 31 December 2014, the restricted cash includes statutory reserve of RMB83,555,719.49 at central bank (Last period: RMB85,366,519.69), security deposit of acceptance notes of RMB161,476,511.50 (Last period: RMB129,914,673.72), and other security deposit of RMB3,225,117.09 (Last period: RMB50,361,372.12).

## 7. ACCOUNTS RECEIVABLES

### (1) Breakdown

Item	Ending balance	Beginning balance
Accounts receivable	1,270,883,492.72	1,310,403,882.11
Minus: provision for bad debts	<u>391,528,449.03</u>	<u>242,915,603.92</u>
Net amount	<u><u>879,355,043.69</u></u>	<u><u>1,067,488,278.19</u></u>

### (2) Aging analysis

Aging	Ending balance	Beginning balance
Within 1 year	692,243,522.17	1,007,666,910.70
1–2 years	173,347,290.36	59,486,867.49
2–3 years	13,718,015.86	80,000.00
Over 3 years	<u>46,215.30</u>	<u>254,500.00</u>
Net amount	<u><u>879,355,043.69</u></u>	<u><u>1,067,488,278.19</u></u>

## 8. ACCOUNTS PAYABLE

### (1) Breakdown

<b>Nature</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Purchase payable	<b>1,178,243,379.75</b>	1,967,872,328.76
Construction materials payable	<b>83,787,541.39</b>	69,175,899.89
Service fee payable	<b>40,921,388.89</b>	10,460,552.07
Others	<b>47,630,175.00</b>	47,616,070.00
Total	<b><u>1,350,582,485.03</u></b>	<b><u>2,095,124,850.72</u></b>

### (2) Aging analysis

<b>Aging</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Within 1 year	<b>1,227,246,014.76</b>	1,950,132,678.70
1 to 2 years	<b>53,754,824.26</b>	84,585,319.73
2–3 years	<b>17,044,284.99</b>	19,323,750.65
Over 3 years	<b>52,537,361.02</b>	41,083,101.64
Total	<b><u>1,350,582,485.03</u></b>	<b><u>2,095,124,850.72</u></b>

## 9. RETAINED EARNINGS

### Current year

Items	Amount	Appropriation %
<b>Ending balance of last year</b>	<b>1,015,236,952.27</b>	
Add: Adjustments to beginning balance	0.00	
<b>Beginning balance of current year</b>	<b>1,015,236,952.27</b>	
Add: Net profit for the year attributable to owners of the company	167,698,247.35	
Less: Statutory surplus reserves	42,225,509.09	10% of net profits of current year
General risk reserves	586,243.11	1% of the net profits of the Group's subsidiary — YTO Group Finance Co., Ltd.
Dividends payable on ordinary shares	59,754,000.00	
<b>Ending balance of current year</b>	<b>1,080,369,447.42</b>	

### Last year

Items	Amount	Appropriation %
<b>Ending balance of last year</b>	898,860,043.07	
Add: Adjustments to beginning balance	13,278,696.54	
Including: Changes in accounting policies	0.00	
Corrections of significant errors in prior period	0.00	
Change of consolidation scope under common control	0.00	
Other adjustments	13,278,696.54	
<b>Beginning balance of current year</b>	<b>912,138,739.61</b>	
Add: Net profit for this year attributable to owners of the company	227,084,951.73	
Less: Statutory surplus reserve	23,869,372.76	10% of net profits of current year
General risk reserves	527,366.31	1% of the net profits of the Group's subsidiary — YTO Group Finance Co., Ltd.
Dividends payable on ordinary shares	99,590,000.00	
<b>Current year's ending balance</b>	<b>1,015,236,952.27</b>	



## 10. NET CURRENT ASSETS

Items	Ending balance	Beginning balance
Current assets	<b>6,197,145,429.82</b>	6,608,435,899.28
Less: Current liabilities	<b><u>5,276,332,830.99</u></b>	<u>4,635,460,980.12</u>
Net current assets	<b><u><u>920,812,598.83</u></u></b>	<u><u>1,972,974,919.16</u></u>

## 11. TOTAL ASSETS MINUS CURRENT LIABILITIES

Items	Ending balance	Beginning balance
Total assets	<b>12,355,694,645.67</b>	11,699,276,392.53
Less: Current liabilities	<b><u>5,276,332,830.99</u></b>	<u>4,635,460,980.12</u>
Total assets minus current liabilities	<b><u><u>7,079,361,814.68</u></u></b>	<u><u>7,063,815,412.41</u></u>

## 12. DEPRECIATION AND AMOTISATION

Depreciation and amortization included in the Income Statement for the current year are RMB263,982,811.91 and RMB34,029,757.55 respectively. (Last year: RMB228,499,554.36 and RMB27,935,610.81 respectively)

## 13. INCOME TAX EXPENSES

Items	Current period	Last period
Current income tax expenses	<b>66,264,133.46</b>	93,599,050.19
Deferred income tax expense	<b><u>-18,595,947.23</u></b>	<u>-21,370,012.40</u>
Total	<b><u><u>47,668,186.23</u></u></b>	<u><u>72,229,037.79</u></u>

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 Diesel Engine Co., Ltd., Tractors Research Company, Luoyang Xiyuan Vehicles and Power Inspection Institute Co., Ltd. and YTO Flag Auto-body Company Limited are entitled to the 15% preferential income tax rate for new and high tech enterprises according to Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

## 14. EARNINGS PER SHARE

### (1) Basic earnings per share

Basic earnings per share is calculated as consolidated net profits attributable to shareholders of ordinary shares of the parent company divided by the weighted average of outstanding ordinary shares of the parent company.

Items	Current period	Last period
Consolidated net profit attributable to the ordinary shareholders of the parent company	167,698,247.35	227,084,951.73
Consolidated net profit attributable to the ordinary shareholders of the parent company (deducting extraordinary gains or losses)	-21,999,386.97	152,798,652.61
The weighted average outstanding ordinary shares of the parent company	995,900,000.00	995,900,000.00
Basic earnings per share (RMB/share)	0.1684	0.2280
Basic earnings per share (RMB/share) (deducting extraordinary gains or losses)	<u>-0.0221</u>	<u>0.1534</u>

*Calculation process of weighted average ordinary shares*

Items	Current period	Last period
The beginning balance of issued ordinary shares	995,900,000.00	995,900,000.00
Reserves transferred to share capital	0.00	0.00
The ending balance of issued ordinary shares	<u>995,900,000.00</u>	<u>995,900,000.00</u>

### (2) Diluted earnings per share

Items	Current period	Last period
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent	167,698,247.35	227,084,951.73
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent (deducting extraordinary gains or losses)	-21,999,386.97	152,798,652.61
The adjusted weighted average outstanding basic shares	995,900,000.00	995,900,000.00
Diluted earnings per share (RMB/share)	0.1684	0.2280
Diluted earnings per share (RMB/share) (deducting extraordinary gains or losses))	<u>-0.0221</u>	<u>0.1534</u>

## **15. DIVIDEND**

The Company's 2014 Proposal of Profit Distribution was reviewed and approved by the 2015 first regular Board Meeting of Six Session for the Board of Directors on 30 March 2015. Dividend shall be paid to all shareholders on 995,900,000.00 shares registered as at 31 December 2014 for the total amount of RMB50,790,900.00 (including tax), on the basis RMB0.051 per share (including tax). The proposal has not yet implemented until it is approved by the conference of the Company's shareholders.

## **BUSINESS REVIEW**

In 2014, the domestic and overseas economic situations of the PRC was complex and the downturn pressure of the domestic economy continued to increase. Greater adjustments were seen in agricultural machinery industry after its continuous rapid development. The Company encountered significant challenges in its operations as the markets of agricultural machinery in tilling, planting and harvesting sectors relating to the three major grains, such as tractors, wheat and paddy rice harvesters, decreased with different degrees.

Under such circumstances, sales volume of hi-powered and mid-powered wheeled tractors and power machinery products of the Company decreased as compared with the same period of last year with different degrees. Under the difficulties in the market conditions, the Company stuck to its strategic objectives and insisted on innovation drives. It actively adopted various measures to continue to promote transformation and upgrade and product structure adjustment. During the Reporting Period, market shares of the Company's hi-powered and mid-powered wheeled tractors increased although the sales declined. Significant progress was made to the technological upgrade of the hi-powered and mid-powered wheeled tractors. The products of power shift transmission tractors preliminarily formed a series with breakthrough in sales volume. The Company completed the listing preparation for national III diesel engines of hi-powered and mid-powered wheeled tractors. The commercialization progress of heavy-duty diesel engines continued and significant progress was made in structural adjustment of the Company's main products. By jointly forming a joint venture of axle business with a German Company, ZF Friedrichshafen AG, the Company launched deeper cooperation with international leading corporation in the research, development and production of core parts of tractors.

Under the mindset of “focusing on the core areas for stronger businesses”, the Company made significant progress in major projects construction and resources integration during the year. The project of promotion in core capacity of new hi-powered wheeled tractor and Phase II of the construction of heavy-duty diesel engines were in orderly advancement; the ability in technology research and development and quality control of the Company was strengthened by acquiring the Technology and Material Research Institute and Calibration and Testing Center from YTO; internal resources integration for body panels and castings businesses, etc. achieved significant results in lowering transaction cost and strengthening business synergy of the Company; disposal of non-core ineffective assets such as Shanghai Dragon (Group) Company Limited increased the revenue of the Company and also provided capital support to major business development.

During the Reporting Period, the Company strived to improve the structure of the Board and continued to promote compliance operations. While achieving sustainable development, the Company concurrently attached great importance to implementation of a stable dividend distribution policy and valued reasonable return for investors. Meanwhile, it also focused on information disclosure and continued to strengthen the investors relationship management, and was rated as the “2013 A Class Information Disclosure (Outstanding) Company (2013年度信息披露A類(優秀類)公司)” by the Shanghai Stock Exchange in August 2014.

Reviewing the works in the previous year, despite the Company has achievement in structural adjustment and transformation and upgrade, due to the decline in sales of the main products of the Company, new products were insufficient yet to support the sales of the Company and production bases outside Luoyang were still in construction period, the operating results of the Company saw a larger year on year decline.

## **PROSPECTS**

From the prospective of the external environment, the growth of the agricultural machinery industry will further slow down, shift in growth momentum, change in development mode and advancement in competition become new normal of the industry development. The momentum of the industry development is shifting from policy-driven mode to consumption-driven mode. The development of the agricultural machinery industry is also changing from policy resources oriented mode to innovation-driven and brand operations mode. Meanwhile, industry competition changes from price and product competition to higher level competition including commercial model competition and customer value creation competition. From the prospective of the internal status, with significant progress in technological upgrade of the Company's main products, the Company will take first mover advantages in market competition in the future. In the meantime, there is still pressure in sales growth of the Company's main products. More time is required for the effect of technological improvement projects to take place. In 2015, the Company will still be in the key period of transformation and upgrade and an acceleration period which challenges need to be overcome and problems need to be resolved.

The Company will actively adapt to the new normal of the development of economy and the industry under the current situation; strengthen the strategy of "focusing on the core areas for stronger businesses"; put development of the primary business at the top priority; enhance market expansion; consolidate and improve market competition advantages; endeavor to increase the contribution of new products; actively nurture new business; meanwhile, pay more efforts to improve the operation quality of production bases outside Luoyang and exit from low-and-inefficient assets; deepen system and mechanism reform, steadily carry out capital operation; focus on improving the quality and efficiency in development; coordinate development by maintaining growth, risk control, structure adjustment and promoting upgrade; strengthen corporate renovation and drive by innovation; and promote growth with quality, in order to enable the Company to go through difficult stage smoothly and strive for maintaining stable business development.

## **THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS DURING THE REPORTING PERIOD**

In 2014, agricultural machinery industry ended its several-year-long fast growth. The market of tractors, wheat and paddy rice harvesters, and seeders decreased with different degrees. According to the data of the National Bureau of Statistics of the PRC, in 2014, enterprises with main business in agricultural machinery and with scale to a certain extent in the PRC recorded a revenue of RMB418,065 billion from principal business, representing a year on year increase of 8.79% but the growth rate is approximately 7.52 percentage points lower than 2013.

According to the statistics data of the Association of Agricultural Machinery Industry of China in relation to the sales of products of main enterprises in the tractors industry, 309,000 units of hi-powered and mid-powered tractors were sold in 2014, representing a year-on-year decrease of 17.1%, among which, sales of hi-powered wheeled tractors decreased by 12.8%; and mid-powered wheeled tractors decreased by 19.3%.

Under severe situation that the tractors market generally declined, the Company faced unprecedented pressure. Sales of all main products decreased with different degrees. In 2014, the Company recorded operating revenue of RMB8.929 billion, representing a year-on-year decrease of 18.7%; net profit attributable to the shareholders of the Company of RMB167.6982 million, representing a year-on-year decrease of 26.2%.

### **Agricultural Machinery Business**

During the Reporting Period, the Company actively adapted to changes in market demand and implemented product structure adjustment. The Company focused on new demand of major competitive markets by launching promotional sales plan on targeted products to effectively consolidate market shares in major markets. The commercialization and promotion of high-end products accelerated, new generation of Dongfanhong powershift tractors batch sales achieved breakthrough.

During the Reporting Period, sales of hi-powered wheeled tractors of the Company were 33,634 units, representing a year-on-year decrease of 9.9% which was however better than the decrease in industry by 2.9 percentage points, among which, sales of hi-powered wheeled tractors with a power above 100 horsepower increased by 10.6% against the decrease in the industry; sales of mid-powered wheeled tractors were 40,073 units, representing a year-on-year decrease of 18% which was a bit better than the market level. The market shares of hi-powered wheeled and mid-powered wheeled tractors of the Company still ranked first in the industry. Market demand of crawler tractors and low-powered wheeled tractors continued to shrink with sales of 577 units and 7,753 units respectively, representing a year-on-year decrease of 46.87% and 58.6% respectively.

The export of hi-powered wheeled and mid-powered wheeled tractors of the Company was 2,195 units in aggregate, representing a year-on-year decrease of 47.1%, because some of the overseas project orders of the Company have not entered the execution period.

## **Power Machinery Business**

During the Reporting Period, due to sales decline in industry of tractors and harvesters of power machinery sector, accumulated sales of all diesel engines of the Company were 157,126 units, representing a year-on-year decrease of 13.4%, among which, external sales were 110,297 units, representing a year-on-year decrease of 5.4%. Meanwhile, the Company completed the listing preparation for national III diesel engines of hi-powered and mid-powered wheeled tractors.

## **Other Business**

During the Reporting Period, facing unfavorable situation of downturn of coal market and infrastructure, the Company continued to shrink and adjust mining trucks and forklifts business, focusing on recovery of receivables, regulating and improving business process, in order to reduce business risks and enhance the operating abilities of relevant units. Sales of mining trucks and forklifts decreased by 15.49% and 6.78% respectively as compared with the same period of last year.

During the Reporting Period, the Company participated in establishing BOL Financial Leasing Co., Ltd. and will effectively coordinate with YTO Finance, in order to further enrich financial service products and ways of service and enhance the promotion and sales of high-end agricultural equipment products. YTO Finance actively expanded upstream and downstream businesses of the Company and promoted the sales of Company's products while increasing YTO Finance's return on capital through providing financial instruments such as e-banking acceptance bills and commercial acceptance bills.

# ANALYSIS OF FINANCIAL RESULTS

## 1. Analysis of Changes in Items of Income Statement and Cash Flows Statement

Unit: Yuan Currency: RMB

Item	For the Reporting Period	For the corresponding period of the previous year	Changes (%)
Operating revenue	8,929,316,050.68	10,985,440,654.79	-18.72
Operating costs	7,457,744,855.37	9,244,069,520.10	-19.32
Selling costs	393,300,666.51	374,371,900.53	5.06
Administrative expenses	973,938,133.86	924,121,591.05	5.39
Finance costs	89,732,342.21	127,836,040.62	-29.81
Loss in asset impairment	166,499,011.38	152,715,436.64	9.03
Revenue from investment	108,929,271.92	38,986,561.99	179.40
Revenue from non-operating activities	211,836,734.97	114,905,778.06	84.36
Income tax expenses	47,668,186.23	72,229,037.79	-34.00
Net cash generated from operating activities	74,866,397.52	-141,519,826.21	N/A
Net cash generated from investing activities	-651,099,306.24	-516,207,345.98	N/A
Net cash generated from financing activities	707,727,024.91	655,454,430.91	7.98
Research and development expenses	405,569,602.90	408,486,411.72	-0.71

Loss in asset impairment: Loss in asset impairment increased by 9.03% as compared with the same period last year, mainly due to the impact of delay in settlement of subsidy for agricultural machinery and increase in aging accounts receivable, leading to an increase in the provision for bad debts.

Revenue from investment: Revenue from investment increased by 179.40% as compared with the same period last year, mainly attributable to the revenue gained in disposal of the equity interest in subsidiary by the Company.



Revenue from non-operating activities: Revenue from non-operating activities increased by 84.36% as compared with the same period last year, mainly attributable to the relatively higher revenue gained in the sales of non-current assets by the Company.

Income tax expenses: Income tax expenses decreased by 34% as compared with the same period last year, mainly due to the decrease in operating revenue of the Company.

## **2. Revenue**

### **(1) Analysis of factors leading to changes in revenue**

During the Reporting Period, the Company recorded operating revenue of RMB8,929,316,100, representing a year-on-year decrease of 18.72%, 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: the Company sold 82,037 units of tractors of different types during the year, representing a year-on-year decrease of 22.63%. During the Reporting Period, the operating revenue of agricultural machinery product amounted to RMB7.37696 billion, representing a year-on-year decrease of 18.74%. Revenue from agricultural machinery accounted for 82.62% of the operating revenue of the Company.

Power machinery products: the Company sold 110,297 units of diesel engine products of different types externally during the year, representing a year-on-year decrease of 5.40%. During the Reporting Period, the operating revenue of power machinery product amounted to RMB1.44371 billion, representing a year-on-year decrease of 17.85%. Revenue from power machinery accounted for 16.17% of the operating revenue of the Company.

Other machinery products: the operating revenue from sales of mining track and forklift products of the Company amounted to RMB108.40 million, representing a year-on-year decrease of 27.62%. Revenue of other machinery accounted for 1.21% of the operating revenue of the Company.

### 3. Costs

#### (1) Cost Analysis

Unit: 0'000 Currency: RMB

##### *Classified by industry*

By industry	Cost constituent	For the period	Share of total costs for the period (%)	For the same period last year (adjusted)	Share of total costs for the same period last year (%)	Changes compared with the same period last year (%)
Equipment manufacturing	Material	755,113.49	87.46	946,389.80	89.87	-20.21
	Labour	49,596.00	5.74	52,487.00	4.98	-5.51
	Production costs	58,657.00	6.79	54,214.00	5.15	8.20
Total		<u>863,366.49</u>	<u>100</u>	<u>1,053,090.80</u>	<u>100</u>	<u>-18.02</u>

##### *Classified by products*

By products	Cost constituent	For the period	Share of total costs for the period (%)	For the same period last year (adjusted)	Share of total costs for the same period last year (%)	Changes compared with the same period last year (%)
Agricultural machinery	Material	601,835	89.00	778,118	91.43	-22.66
	Labour	35,522	5.25	37,102	4.36	-4.26
	Production costs	38,896	5.75	35,800	4.21	8.65
Power machinery	Material	139,753	82.65	155,158	84.05	-9.93
	Labour	11,818	6.99	12,596	6.82	-6.18
	Production costs	17,510	10.36	16,853	9.13	3.90
Other machinery	Material	13,526	75.01	13,114	75.09	3.14
	Labour	2,256	12.51	2,789	15.97	-19.11
	Production costs	2,251	12.48	1,561	8.94	44.20

Note: Information in the table is the amount before inter-segment eliminations.

The total cost of materials decreased by 20.21%, mainly attributable to the decline in price of the raw material market during the Reporting Period.

The total labour cost decreased by 5.51%, mainly due to the fact that the Company reasonably controlled the total labour cost by cutting down the number of employees.

The total production cost increased by 8.20%, mainly attributable to the increase in depreciation as the projects in progress invested by the Company in the recent years gradually completed construction and transferred to fixed assets, as well as the increase in repair and maintenance of old equipment, etc.

#### 4. Expenses

*Unit: Yuan Currency: RMB*

<b>Items</b>	<b>For the Reporting Period</b>	<b>For the corresponding period of the previous Year</b>	<b>Change amount</b>	<b>Change (%)</b>
Selling expenses	<b>393,300,666.51</b>	374,371,900.53	18,928,765.98	5.06
Administrative expenses	<b>973,938,133.86</b>	924,121,591.05	49,816,542.81	5.39
Finance costs	<b>89,732,342.21</b>	127,836,040.62	-38,103,698.41	-29.81

During the Reporting Period, the expenses of the Company amounted to RMB1,456,970,000, representing a year-on-year increase of RMB30,640,000 or 2.15%.

The selling expenses increased slightly, mainly due to the change in the sales policy of the Company resulting in that the transportation cost and its relevant cost of certain agricultural machinery products were assumed by the Company, leading to an increase in the transportation expense.

The administrative expenses increased slightly, mainly attributable to factors such as the Company's proposed transfer of its equity interests in YTO Forklift, its wholly-owned subsidiary, and the provision for dismissal welfare for the period upon terminating labour relation with employees.

The finance costs decreased significantly as compared with the same period of last year. The Company, with its loan amount recording a year-on-year increase, adopted various measures to proactively reduce capital cost and effectively mitigate the foreign exchange loss.

## 5. Research and Development Costs

### (1) Table of research and development costs

*Unit: Yuan    Currency: RMB*

Research and development costs expensed during the Reporting Period	405,569,602.90
Research and development costs capitalized during the Reporting Period	0
Total research and development costs	405,569,602.90
Total research and development costs as a percentage of net assets (%)	7.62
Total research and development costs as a percentage of operating revenue (%)	4.54

### (2) Explanations

During the Reporting Period, the research and development costs amounted to RMB405,569,602.90, basically maintaining at the same level as that of the same period of last year. Such costs were mainly used for the research and development of tractor and power machinery related products, 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: Yuan Currency: RMB

Item	For the Reporting Period	For the corresponding period of the previous Year	Change amount	Change (%)
Net cash flow from operating activities	<b>74,866,397.52</b>	-141,519,826.21	216,386,223.73	N/A
Net cash flow from investment activities	<b>-651,099,306.24</b>	-516,207,345.98	-134,891,960.26	N/A
Net cash flow from financing activities	<b>707,727,024.91</b>	655,454,430.91	52,272,594.00	7.98

Net cash flow from operating activities recorded a year-on-year decrease in outflow of RMB216,386,200, mainly attributable to the adjustment to the sales policy during the period resulting in the increase in amount recovered from dealers.

Net cash flow from investment activities recorded a year-on-year increase in outflow of RMB134,892,000, mainly attributable to the increase in the fixed assets acquired and constructed during the period as compared to that of the same period of last year.

# ANALYSIS OF INDUSTRY, PRODUCTS OR REGIONAL OPERATION

## 1. Principal Businesses by Industry and by Product

Unit: 0'000 Currency: RMB

### *Principal businesses by industry*

By industry	Operating revenue	Operating cost	Profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year
Equipment manufacturing	892,931.60	745,774.49	16.48	-18.72	-19.00	Increased by 0.63 percentage point

Note: Information in the above table is the amount after inter-segment eliminations.

### *Principal businesses by products*

By products	Operating revenue	Operating cost	Profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year
Agricultural machinery	789,374.32	676,252.71	14.33	-20.20	-21.00	Increased by 0.36 percentage point
Power machinery	206,723.88	169,080.54	18.21	-7.30	-8.00	Increased by 0.99 percentage point
Other machinery	17,314.40	18,033.24	-4.15	-2.30	3.00	Decreased by 5.61 percentage point
Inter-segment eliminations	<u>-120,481.00</u>	<u>-117,592.00</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	<u>892,931.60</u>	<u>745,774.49</u>	<u>16.48</u>	<u>-18.72</u>	<u>-19.00</u>	<u>Increased by 0.63 percentage point</u>

## 2. Principal Businesses by Geographical Location

*Unit: Yuan    Currency: RMB*

<b>Geographical location</b>	<b>Operating revenue</b>	<b>Increase/ decrease in revenue of principal business compared over last year (%)</b>
Domestic	<b>8,481,144,227.23</b>	-16.72
Overseas	<b>448,171,823.45</b>	-44.07

## ANALYSIS OF ASSET AND LIABILITY

As at the end of the Reporting Period, total assets of the Company amounted to RMB12.35569 billion, increased by 5.61% as compared with the beginning of the period, total liability amounted to RMB7.03487 billion, increased by 9.21% as compared with the beginning of the period, mainly due to an increase in short-term borrowing by 462.35%.

*Unit: Yuan Currency: RMB*

Item	As at the end of the period	Share	As at the end of the previous period	Share	Changes as at the end of the period over the end of the previous period
		of total assets as at the end of the period (%)		of total assets as at the end of the previous period (%)	
Prepayments	292,088,912.74	2.36	194,539,070.95	1.66	50.14
Interests receivable	133,472.22	0.00	0.00	0.00	N/A
Other receivables	228,490,379.91	1.85	67,666,099.64	0.58	237.67
Other current assets	56,383,561.23	0.46	0.00	0.00	N/A
Issue of entrusted loans and advances	1,362,361,447.55	11.03	725,322,825.23	6.20	87.83
Available-for-sale financial assets	285,935,741.41	2.31	137,580,990.01	1.18	107.83
Held-to-maturity investments	0.00	0.00	25,601,874.77	0.22	-100.00
Long-term equity investments	65,849,170.84	0.53	9,184,641.20	0.08	616.95
Investment properties	0.00	0.00	31,160,041.52	0.27	-100.00
Construction in progress	642,813,215.87	5.20	424,579,666.44	3.63	51.40
Long-term deferred expenses	23,378,553.87	0.19	16,919,867.57	0.14	38.17
Short-term borrowing	1,644,532,646.15	13.31	292,437,410.89	2.50	462.35
Bills payable	916,374,670.17	7.42	654,769,401.01	5.60	39.95
Trade payables	1,350,582,485.03	10.93	2,095,124,850.72	17.91	-35.54
Non-current liabilities due within one year	30,055,745.54	0.24	301,018,000.00	2.57	-90.02
Other current liabilities	53,243,515.75	0.43	87,951,003.54	0.75	-39.46
Long-term borrowing	46,597,500.00	0.38	84,189,000.00	0.72	-44.65
Other comprehensive income	16,295,741.20	0.13	-2,990,577.79	-0.03	N/A



1. Prepayments increased by 50.14% as compared with the beginning of the period, mainly due to the increase in the prepayments for external procurement.
2. Interests receivable increased by RMB130,000 as compared with the beginning of the period, mainly due to the increase in interests receivable by YTO Finance.
3. Other receivables increased by 237.67% as compared with the beginning of the period, mainly due to the fact that the receivables from disposal of intangible assets of axle business during the Reporting Period were not yet due to be repaid according to the agreement.
4. Other current assets increased by RMB56,380,000 as compared with the beginning of the period, mainly due to the purchase of structural deposits by the Company during the Reporting Period.
5. Issue of entrusted loans and advances increased by 87.83% as compared with the beginning of the period, mainly due to the increase in purchase of transfer discount bills as compared with last year.
6. Available-for-sale financial assets increased by 107.83% as compared with the beginning of the period, mainly due to the additional investment in BOL Financial Leasing by the Company during the period.
7. Held-to-maturity investments decreased by 100% as compared with the beginning of the period, mainly due to the disposal of financing bonds of the Company.
8. Long-term equity investments increased by 616.95% as compared with the beginning of the period, mainly due to the increase in investments in associated companies by the Company during the period.
9. Investment properties decreased by 100% as compared with the beginning of the period, mainly due to reclassification of investment properties of Shanghai Dragon (Group) Company Limited which is no longer incorporated resulting from disposal of equity interests in Shanghai Dragon (Group) Company Limited.
10. Construction in progress increased by 51.40% as compared with the beginning of the period, mainly due to the increase in investments in technology advancement made by the Company.

11. Long-term deferred expenses increased by 38.17% as compared with the beginning of the period, mainly due to the increase in purchase of mold of the Company which were to be deferred during the period.
12. Short-term borrowing increased by 462.35% as compared with the beginning of the period, mainly due to the increase in borrowing and financing.
13. Bills payables increased by 39.95% as compared with the beginning of the period, mainly due to the increase in bill use in procurement by the Company.
14. Trade payables decreased by 35.54% as compared with the beginning of the period, mainly due to the payment of procurement amount in the beginning of the period by the Company.
15. Non-current liabilities due within one year decreased by 90.02% as compared with the beginning of the period, mainly due to the repayment of long-term borrowing of the Company.
16. Other current liabilities decreased by 39.46% as compared with the beginning of the period, mainly due to the decrease in provision made by the Company during the Reporting Period.
17. Long-term borrowing decreased by 44.65% as compared with the beginning of the period, mainly due to reclassification of part of long-term borrowing due within one year to other non-current liabilities due within one year.
18. Other comprehensive income increased by RMB19,290,000 as compared with the beginning of the period, mainly due to increase in fair value of available-for-sale financial assets held by the Company.

### **Charged Assets**

At the end of the Reporting Period, land use rights amounting to RMB100.0981 million (the amount at the beginning of the Reporting Period was RMB153.9360 million) were charged and bills receivable amounting to RMB300.5028 million (the amount at the beginning of the Reporting Period was RMB142.6550 million) was pledged by the Group to obtain a loan of RMB370.5028 from financial institution.

At the end of the Reporting Period, bills receivable amounting to RMB210.8327 million and deposits amounting to RMB164.7016 million were pledged for bills issued by financial institution amounting to about RMB1.0425808 billion (the amount at the beginning of the Reporting Period was RMB654.281 million).

## Foreign Exchange Risk Management

The business of the Group is mainly situated in the PRC. Since most of the transactions are settled in RMB, the Group does not have to handle massive foreign exchange risk. The foreign exchange risk of the Group is mainly related to the USD, HKD, Euro, Japanese Yen, Australian dollars, West African CFA franc and South African Rand. Foreign exchange risk induced by assets and liabilities of such currency balance may affect the operating results of the Group. The Group is actively following up on the impact of change in currency exchange rates on the Group to reduce foreign exchange risk.

### *Indicators of Financial Ratio*

<b>Item</b>	<b>At the end of the period</b>	<b>At the beginning of the period</b>	<b>Year-on-year increase</b>
Gearing ratio (%)	<b>56.94</b>	55.06	Increased by 1.88 percentage point
Current ratio (%)	<b>117.45</b>	142.56	Decreased by 25.11 percentage point
Quick ratio (%)	<b>90.02</b>	104.46	Decreased by 14.44 percentage point

At the end of the Reporting Period, the gearing ratio of the Company increased by 1.88 percentage points compared to the beginning of the Reporting Period, which was basically in flat. The current ratio at the end of the Reporting Period dropped by 25.11 percentage point compared to the beginning of the Reporting Period and the quick ratio fell by 14.44 percentage point compared to the beginning of the Reporting Period, mainly due to a significant increase of short-term loans of the Company at the end of the Reporting Period.

## Bank Loans

As at the end of the Reporting Period, bank loans due within one year of the Company amounted to RMB1.6631716 billion, in which loans in foreign currency amounted to RMB1.2926689 billion; bank loans due over one year amounted to RMB46.5975 million. Loans of the Company held in cash or cash equivalent was mainly in RMB or USD currency units and the fixed lending rate loans amounted to RMB1.0425808 billion. The Company has good credit rank and domestic and overseas financing ability.

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

In 2014, the Company supplemented the liquid capital through overseas bank financing. In 2015, the Company will, based on the production operating plan and investment plan, ensure demand for operating capital through bank financing, bills financing, speeding up capital turnover rate and reasonable arrangement for capital use plan, etc.

## **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**

<b>Name</b>	<b>Position</b>	<b>Change</b>	<b>Reason of change</b>
Su Weike	Director and Vice Chairman	Resigned	Resignation for work changes
Qu Dawei	Director	Resigned	Resignation for work changes
Zhang Qiusheng	Independent Director	Resigned	Resigned
Wu Zongyan	Director	Appointed	To fill the casual vacancy at the general meeting
Wang Kejun	Director	Appointed	To fill the casual vacancy at the general meeting
Yu Zengbiao	Independent Director	Appointed	To fill the casual vacancy at the general meeting
Xu Weilin	Staff Representative Supervisor	Resigned	Resignation for work changes
Xu Shidong	Supervisor	Resigned	Resignation for work changes
Zhao Guozhong	Staff Representative Supervisor	Appointed	To fill the casual vacancy at the staff representative meeting
Xu Weilin	Supervisor	Appointed	To fill the casual vacancy at the general meeting

During the Reporting Period, neither the Company nor its Directors, Supervisors, senior management, shareholder holding 5% or more of the shares or de facto controller was subject to any punishment.

## **CORPORATE GOVERNANCE REPORT**

During the Reporting Period, the Company strictly complied with the principles and most code provisions under the “Corporate Governance Code and Corporate Governance Report” (the “Code”) as set out in Appendix 14 to the Listing Rules of Hong Kong. Currently, the Company has deviated from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate 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 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. The operation of the Board is sufficient to ensure the balance of powers and duties. The Board considers that such structure would not affect the balance of power and duties between the Board and the management. The Board is full of confidence in Mr. Zhao and believes that the current appointment of him as the Chairman and General Manager will be beneficial for the business development of the Company.

## **SECURITIES TRANSACTIONS 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 profit distribution proposal for 2014: a cash dividend of RMB0.51 (tax inclusive) for every ten shares on the basis of a total share capital of 995,900,000 shares as at 31<sup>st</sup> December 2014. The proposal is still subject to the approval of the shareholders in the 2014 annual general meeting.

As the date of the 2014 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 pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations, which came into force on 1<sup>st</sup> January 2008, and other relevant rules, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the Corporate Income Tax Law of the PRC) shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The individual income tax will not be withheld from the dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company.

## **OPERATION OF THE AUDIT COMMITTEE**

During the Reporting Period, the Audit Committee under the Board convened six meetings, details are set out below:

<b>Session of meeting</b>	<b>Date</b>	<b>Resolutions</b>	<b>Results</b>
First meeting for 2014	2014.1.10	<ol style="list-style-type: none"> <li>1. Overall arrangement for the preparation of the annual report of the Company for 2013</li> <li>2. Audit work on the financial reports of the Company for 2013</li> </ol>	All passed
Second meeting for 2014	2014.3.26	<ol style="list-style-type: none"> <li>1. The annual report and financial report of the Company for 2013</li> <li>2. The internal control evaluation report and internal control auditor report of the Company</li> <li>3. The appointment of internal control auditor for 2014 by the Company and the remuneration thereof</li> </ol>	

<b>Session of meeting</b>	<b>Date</b>	<b>Resolutions</b>	<b>Results</b>
		<ul style="list-style-type: none"> <li>4. The appointment of overseas and PRC auditors for 2014 by the Company and the remuneration thereof</li> <li>5. The execution of connected transactions of the Company for 2013</li> <li>6. The duty performance report of the Audit Committee under the sixth session of the Board for 2013</li> </ul>	
Third meeting for 2014	2014.4.25	The first quarterly report of the Company for 2014	
Fourth meeting for 2014	2014.8.19	<ul style="list-style-type: none"> <li>1. The interim report of the Company for 2014</li> <li>2. The execution of connected transactions for the first half of 2014</li> <li>3. The re-appointment of internal control auditor for 2014 by the Company and the remuneration thereof</li> <li>4. The re-appointment of auditor on financial reports for 2014 by the Company and the remuneration thereof</li> </ul>	
Fifth meeting for 2014	2014.9.23	Resolution on the adjustment to the daily cap of connected transactions for goods sold for 2014 and 2015	
Sixth meeting for 2014	2014.10.24	The third quarterly report of the Company for 2014	

The Audit Committee under the sixth session of the Board has reviewed the Company's 2014 financial reports prepared in accordance with the PRC Accounting Standards for Business Enterprises.

## DEFINITION

Unless the context otherwise requires, the following terms should have the following meanings in this report:

agricultural machinery	means	various machinery used in the crop farming and animal husbandry, and the primary processing of agricultural and animal products
auditor	means	the financial report auditor appointed by the Company, ShineWing Certified Public Accountants LLP as the Company's auditor for the year of 2014
BOL Financial Leasing	means	BOL Financial Leasing Co., Ltd. (洛銀金融租賃股份有限公司), an equity participating company of the Company
Company	means	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	means	a company held as to more than 50% by the Company; a company actually controlled by the Company through agreement and arrangement
crawler tractors	means	tractors with the crawler as walking device
CSRC	means	China Securities Regulatory Commission
diesel engine	means	internal combustion engines that use diesel as fuel
Group	means	First Tractor Company Limited and its controlled subsidiaries
H Share	means	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars



hi-powered wheeled tractor	means	wheeled tractor with a power of 70 (inclusive) horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
Listing Rules of the Stock Exchange	means	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
Listing Rules of the Shanghai Stock Exchange	means	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
low-powered wheeled tractor	means	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	means	wheeled tractor with a power of 25 (inclusive) to 70 horsepower
mining trucks	means	non-road vehicles, mainly used to transport the earth-rock and ores, etc. relating to mine engineering
power machinery	means	diesel engine and fuel injection pump products, etc.
PRC	means	The People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
SASAC	means	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
Stock Exchange	means	the Stock Exchange of Hong Kong Limited
subsidiary	means	a subsidiary as defined under the Listing Rules of the Stock Exchange

YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Finance	means	YTO Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company
YTO Forklift	means	YTO (Luoyang) Forklift Truck Company Limited (一拖(洛陽)叉車有限公司), a wholly owned subsidiary of the Company

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

Luoyang, the PRC  
30 March 2015

*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 six Directors, namely, Mr. Yan Linjiao, Mr. Wu Zongyan, Mr. Wang Kejun, Mr. Guo Zhiqiang, Mr. Liu Jiguo and Mr. Wu Yong; and four independent non-executive Directors, namely, Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao.*

\* *for identification purposes only*