



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

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

2012 Interim Report



The board (the “**Board**”) of directors (the “**Directors**”) of First Tractor Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2012 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2011. The condensed consolidated interim financial statements herein are unaudited, but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

The Board does not recommend payment of interim dividend for the six months ended 30 June 2012.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
Revenue	5, 6	6,304,305	7,164,676
Cost of sales		(5,420,618)	(6,251,279)
Gross profit		883,687	913,397
Other income and gains	6	58,937	58,221
Selling and distribution costs		(189,654)	(227,280)
Administrative expenses		(350,601)	(343,198)
Other operating expenses, net		(6,635)	(16,040)
Finance costs	7	(36,320)	(27,929)
Share of (losses)/profits of associates		(15)	61
Profit before income tax	5, 8	359,399	357,232
Income tax expense	9	(51,015)	(60,110)
Profit for the period		308,384	297,122

CONDENSED CONSOLIDATED INCOME STATEMENT
(CONTINUED)

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Profit attributable to:			
Owners of the Company		286,421	271,236
Non-controlling interests		21,963	25,886
		308,384	297,122
Dividend	10	—	—
Earnings per share attributable to the owners of the Company			
Basic and diluted earnings per share	11	RMB33.86 cents	RMB32.06 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	308,384	297,122
Other comprehensive expense:		
Currency translation differences	(6,846)	(2,904)
Fair value loss of available-for-sale financial assets, net of tax	(32)	(48,239)
Other comprehensive expense for the period, net of tax	(6,878)	(51,143)
Total comprehensive income for the period	301,506	245,979
Attributable to:		
Owners of the Company	279,706	222,451
Non-controlling interests	21,800	23,528
Total comprehensive income for the period	301,506	245,979

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Note</i>	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	12	2,131,392	2,063,595
Investment properties		33,186	33,861
Intangible assets		63,490	61,631
Prepaid operating leases	13	678,162	685,202
Interests in associates		321	13,314
Available-for-sale financial assets		176,708	179,350
Loan receivables	14	151,009	34,302
Deferred income tax assets		53,922	46,667
Total non-current assets		3,288,190	3,117,922
Current assets			
Inventories		945,284	1,110,557
Trade and bill receivables	15	2,950,410	2,391,219
Available-for-sale financial assets		—	23,360
Loan receivables	14	783,467	671,423
Prepayments, deposits and other receivables	16	604,439	572,302
Tax recoverable		8,575	10,116
Financial assets at fair value through profit or loss		225,201	77,398
Held-to-maturity financial assets		74,407	—
Pledged bank deposits	17	143,934	123,334
Cash and cash equivalents	17	1,234,059	1,389,091
Total current assets		6,969,776	6,368,800

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2012

	<i>Note</i>	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Current liabilities			
Trade and bill payables	18	2,627,274	2,193,221
Other payables and accruals	19	576,712	793,435
Customer deposits	20	1,109,663	1,112,774
Placements from banks and non-bank financial institutions		250,000	200,000
Borrowings	21	913,661	969,468
Current income tax liabilities		23,988	42,535
Provisions		62,978	43,839
Total current liabilities		5,564,276	5,355,272
Net current assets		1,405,500	1,013,528
Total assets less current liabilities		4,693,690	4,131,450
Non-current liabilities			
Borrowings	21	374,000	186,000
Deferred income		183,331	111,728
Deferred income tax liabilities		14,935	15,130
Provisions		38,024	43,004
Total non-current liabilities		610,290	355,862
Net assets		4,083,400	3,775,588

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2012

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
<i>Note</i>		
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Equity		
Attributable to owners of the Company		
Share capital	845,900	845,900
Reserves	2,754,324	2,477,600
	3,600,224	3,323,500
Non-controlling interests	483,176	452,088
Total equity	4,083,400	3,775,588
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The notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Unaudited													
	Attributable to the owners of the Company													
	Note	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	General and statutory fund RMB'000	Available- for-sale financial assets RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011		845,900	1,539,938	(2,260)	159,510	64,744	5,869	63,593	(10,337)	417,152	67,672	3,151,781	392,248	3,544,029
Comprehensive income														
Profit for the period		-	-	-	-	-	-	-	271,236	-	271,236	25,886	297,122	
Other comprehensive expense														
Fair value loss on available-for-sale financial assets, net of tax		-	-	-	-	-	(46,450)	-	-	-	(46,450)	(1,789)	(48,239)	
Currency translation differences		-	-	-	-	-	-	(2,335)	-	-	(2,335)	(669)	(2,904)	
Total other comprehensive expense		-	-	-	-	-	(46,450)	(2,335)	-	-	(48,785)	(2,358)	(51,143)	
Total comprehensive income/(expense) for the period		-	-	-	-	-	(46,450)	(2,335)	271,236	-	222,451	23,528	245,979	
Contributions by and distributions to owners of the Company, recognised directly in equity														
Dividends paid to non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	-	-	-	(6,580)	(6,580)	
Business combination														
under common control		-	-	(90,606)	-	-	-	-	-	-	(90,606)	-	(90,606)	
Acquisition of additional interest in subsidiaries	23	-	-	(1,964)	-	-	-	-	-	-	(1,964)	917	(1,047)	
Final 2010 dividend declared		-	-	-	-	-	-	-	-	(67,672)	(67,672)	-	(67,672)	
Total contributions by and distribution to owners of the Company, recognised directly in equity		-	-	(92,570)	-	-	-	-	-	(67,672)	(160,242)	(6,663)	(165,905)	
Balance at 30 June 2011		845,900	1,539,938*	(94,830)*	159,510*	64,744*	5,869*	17,143*	(12,672)*	688,388*	-	3,213,990	410,113	3,624,103

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2012

Unaudited													
Attributable to the owners of the Company													
Note	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	General and statutory fund RMB'000	Available- for-sale financial assets reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	845,900	1,539,938	(85,519)	186,982	64,744	6,291	521	(25,434)	800,077	–	3,323,500	452,088	3,775,588
Comprehensive income													
Profit for the period	–	–	–	–	–	–	–	–	286,421	–	286,421	21,963	308,384
Other comprehensive income/(expense)													
Fair value gain/(loss) on available-for-sale financial assets, net of tax	–	–	–	–	–	–	5	–	–	–	5	(37)	(32)
Currency translation differences	–	–	–	–	–	–	–	(6,720)	–	–	(6,720)	(126)	(6,846)
Total other comprehensive income/(expense)	–	–	–	–	–	–	5	(6,720)	–	–	(6,715)	(163)	(6,878)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	5	(6,720)	286,421	–	279,706	21,800	301,506
Contributions by and distributions to owners of the Company, recognised directly in equity													
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(9,094)	(9,094)
Acquisition of additional interest in a subsidiary	23	–	(2,982)	–	–	–	–	–	–	–	(2,982)	2,982	–
Capital injection from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,400	15,400
Total contributions by and distribution to owners of the Company, recognised directly in equity	–	–	(2,982)	–	–	–	–	–	–	–	(2,982)	9,288	6,306
Balance at 30 June 2012	845,900	1,539,938*	(98,501)*	186,982*	64,744*	6,291*	526*	(32,154)*	1,086,498*	–	3,600,224	483,176	4,083,400

* These reserve accounts comprise the consolidated reserves of approximately RMB2,754,324,000 (six months ended 30 June 2011: approximately RMB2,368,090,000).

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cash flows from operating activities – net	4,226	(142,912)
Cash flows from investing activities – net	(231,651)	(372,927)
Cash flows from financing activities – net	101,891	299,080
Net decrease in cash and cash equivalents	(125,534)	(216,759)
Cash and cash equivalents at beginning of period	1,338,123	1,209,256
Effect of exchange rate changes, net	(1,046)	(1,874)
Cash and cash equivalents at end of period	1,211,543	990,623
Analysis of cash and cash equivalents		
Cash and bank balances	1,211,543	990,623

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2012

1. GENERAL INFORMATION

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

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

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

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

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 24 August 2012. These condensed consolidated interim financial statements have not been audited.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standards 34, "Interim Financial Reporting" and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets

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

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

30 June 2012

3. ACCOUNTING POLICIES (*Continued*)

(b) The following new standards and amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

Improvements to HKFRSs	Annual Improvements to HKFRSs 2009-2011 cycle ²
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised)	Employee Benefits ²
HKAS 27 (Revised)	Separate Financial Statements ²
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³

¹ *Effective for annual periods beginning on or after 1 July 2012.*

² *Effective for annual periods beginning on or after 1 January 2013.*

³ *Effective for annual periods beginning on or after 1 January 2014.*

⁴ *Effective for annual periods beginning on or after 1 January 2015.*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

4. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5. SEGMENT INFORMATION

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

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

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

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

30 June 2012

5. SEGMENT INFORMATION (*Continued*)

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

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

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

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

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

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

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

30 June 2012

5. SEGMENT INFORMATION (Continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2012 and six months ended 30 June 2011, respectively:

For the six months ended 30 June 2012 (Unaudited):

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operations RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Revenue:						
Third party	5,207,832	734,834	312,955	48,684	—	6,304,305
Intersegment revenue	329,247	427,448	24,661	10,381	(791,737)	—
Total	<u>5,537,079</u>	<u>1,162,282</u>	<u>337,616</u>	<u>59,065</u>	<u>(791,737)</u>	<u>6,304,305</u>
Result:						
Profit before income tax	<u>240,536</u>	<u>58,537</u>	<u>2,867</u>	<u>35,441</u>	<u>22,018</u>	<u>359,399</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2011 (Unaudited):

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operations RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Revenue:						
Third party	5,998,770	865,811	274,109	25,986	—	7,164,676
Intersegment revenue	<u>319,974</u>	<u>473,803</u>	<u>36,725</u>	<u>10,257</u>	<u>(840,759)</u>	<u>—</u>
Total	<u>6,318,744</u>	<u>1,339,614</u>	<u>310,834</u>	<u>36,243</u>	<u>(840,759)</u>	<u>7,164,676</u>
Result:						
Profit/(loss) before income tax	<u>222,374</u>	<u>121,249</u>	<u>(321)</u>	<u>28,126</u>	<u>(14,196)</u>	<u>357,232</u>

The following table presents segment assets of the Group's operating segments as at 30 June 2012 and 31 December 2011:

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operations RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Segment assets:						
At 30 June 2012 (Unaudited)	<u>6,448,864</u>	<u>1,734,981</u>	<u>496,777</u>	<u>2,471,259</u>	<u>(893,915)</u>	<u>10,257,966</u>
At 31 December 2011 (Audited)	<u>6,436,762</u>	<u>1,461,046</u>	<u>367,317</u>	<u>2,682,192</u>	<u>(1,460,595)</u>	<u>9,486,722</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

5. SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
EBITDA	421,162	388,590
Depreciation		
— Property, plant and equipment	(73,276)	(63,516)
— Investment properties	(675)	(795)
Amortisation of intangible assets	(36)	—
Amortisation of prepaid operating leases	(9,795)	(2,434)
Corporate income, net	10,227	17,209
Operating profit	347,607	339,054
Interest, dividend and investment income	48,127	46,046
Finance costs	(36,320)	(27,929)
Share of (losses)/profits of associates	(15)	61
Profit before income tax	359,399	357,232

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

30 June 2012

5. SEGMENT INFORMATION (Continued)

Segment assets are summarised as below:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Segment assets as allocated		
by business segments:	9,732,282	9,086,946
Unallocated assets:		
Available-for-sale financial assets	176,708	202,710
Deferred income tax assets	53,922	46,667
Financial assets at fair value		
through profit or loss	225,201	77,398
Interests in associates	321	13,314
Others	69,532	59,687
Total assets as per condensed consolidated statement of financial position	10,257,966	9,486,722

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

6. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	6,255,789	7,138,690
Interest income from financial operations	48,516	25,986
	6,304,305	7,164,676
Other income		
Bank interest income	4,870	4,691
Rental income	168	124
Dividend income from listed investments	2,022	1,743
Dividend income from unlisted investments	30,670	5,344
Government grants	2,956	4,552
Others	7,686	7,500
	48,372	23,954

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

30 June 2012

6. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other gains		
Gain on disposal of available-for-sale financial assets	8,695	33,964
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	2,736	(1,006)
(Losses)/gains on disposal of financial assets at fair value through profit or loss, net	(1,731)	1,309
Fair value gain on remeasurement of interests in associates	865	—
	10,565	34,267
	6,363,242	7,222,897

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

30 June 2012

7. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable within 5 years	36,320	27,929

8. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Amortisation of intangible assets	36	—
Amortisation of prepaid operating leases	9,795	2,434
Bank interest income	(4,870)	(4,691)
Depreciation of property, plant and equipment	73,276	63,516
Depreciation of investment properties	675	795
Dividend income from listed investments	(2,022)	(1,743)
Dividend income from unlisted investments	(30,670)	(5,344)

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

30 June 2012

8. PROFIT BEFORE INCOME TAX (Continued)

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fair value (gains)/losses on financial assets at fair value through profit or loss, net	(2,736)	1,006
Fair value gain on remeasurement of interests in associates	(865)	—
Gain on disposal of available-for-sale financial assets	(8,695)	(33,964)
Gross rental expense	2,006	15,755
Gross rental income	(168)	(124)
Interest expenses on financial operations	16,698	8,285
Interest income from financial operations	(48,516)	(25,986)
Losses/(gains) on disposal of financial assets at fair value through profit or loss, net	1,731	(1,309)
Losses/(gains) on disposal of property, plant and equipment, net	75	(4,291)
Provision for impairment of other receivables, net	2,070	1,126
Provision for impairment of loan receivables, net	836	—
Provision for impairment of trade receivables, net	2,963	10,676
Reversal of impairment of inventories, net	(435)	(9,801)

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

30 June 2012

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax — PRC corporate income tax	59,386	59,599
Deferred income tax	(8,371)	511
	51,015	60,110

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two periods ended 30 June 2012 and 2011.

The PRC corporate income tax for the Company and the majority of its subsidiaries is calculated at rates ranging from 15% to 25% (six months ended 30 June 2011: 15% to 25%) on their estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries operating outside the PRC are subject to the rates applicable within the jurisdictions in which they operate. No provision for overseas income tax has been made as the Group had no overseas assessable profits during the two periods ended 30 June 2012 and 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

10. DIVIDEND

The board of directors does not recommend payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit for the period attributable to owners of the Company of approximately RMB286,421,000 (six months ended 30 June 2011: approximately RMB271,236,000) and the weighted average of 845,900,000 (six months ended 30 June 2011: 845,900,000) ordinary shares in issue during the period.

No diluting events occurred during the two periods ended 30 June 2012 and 2011.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired construction in progress and items of property, plant and equipment in an aggregate amount of approximately RMB124,011,000 (six months ended 30 June 2011: approximately RMB233,581,000) and disposed of items of property, plant and equipment with an aggregate net book value of approximately RMB2,066,000 (six months ended 30 June 2011: approximately RMB13,116,000) resulting in a net loss on disposal of approximately RMB75,000 (six months ended 30 June 2011: net gain approximately RMB4,291,000). No impairment of items of property, plant and equipment was recognised in the condensed consolidated income statement during the period (six months ended 30 June 2011: Nil).

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

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

30 June 2012

13. PREPAID OPERATING LEASES

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

14. LOAN RECEIVABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Analysis by nature:		
Loan borrowings, net	517,936	479,769
Discounted bills, net	374,782	130,896
Finance lease obligations, net	41,758	95,060
	934,476	705,725

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

30 June 2012

14. LOAN RECEIVABLES (Continued)

	Note	30 June 2012			31 December 2011		
		Gross (Unaudited) RMB'000	Impairment allowances (Unaudited) RMB'000	Net (Unaudited) RMB'000	Gross (Audited) RMB'000	Impairment allowances (Audited) RMB'000	Net (Audited) RMB'000
Analysis by customer:							
Loans to Holding Company	(i)	109,808	—	109,808	50,000	500	49,500
Loans to related companies	(ii)	492,053	10,365	481,688	469,251	10,046	459,205
Loans to customers	(iii)	351,320	8,340	342,980	204,343	7,323	197,020
		953,181	18,705	934,476	723,594	17,869	705,725
Portion classified as current assets		(797,145)	(13,678)	(783,467)	(688,236)	(16,813)	(671,423)
Non-current portion		156,036	5,027	151,009	35,358	1,056	34,302

Notes:

- (i) The loans to the Holding Company are granted by YTO Group Finance Co., Ltd. ("YTO Finance"), are unsecured, bear interest at rates ranging from 4.8% to 7.68% (31 December 2011: 4.67% to 5.08%) per annum and are repayable within one year (31 December 2011: within one year).
- (ii) The loans to related companies (fellow subsidiaries and associates of the Holding Company) are unsecured, bear interest at rates ranging from 5.34% to 7.11% (31 December 2011: 4.42% to 7.11%) per annum and are repayable within one year (31 December 2011: within one to two years).
- (iii) The loans to customers represent loans granted to normal customers as permitted by the regulations of the People's Bank of China (the "PBOC").

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

30 June 2012

14. LOAN RECEIVABLES (Continued)

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Repayable:		
Within three months	377,459	224,211
Within one year but over three months	419,686	464,025
Within five years but over one year	155,802	35,026
Over five years	234	332
	953,181	723,594

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

30 June 2012

15. TRADE AND BILL RECEIVABLES

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

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 90 days	1,832,419	1,071,941
91 days to 180 days	959,673	1,222,207
181 days to 365 days	142,333	83,994
1 to 2 years	15,985	13,077
	2,950,410	2,391,219

At 30 June 2012, no amounts were due from the associates. At 31 December 2011, the trading balances due from associates of approximately RMB84,000 were unsecured, interest-free and repayable on demand.

The trading balance due from the Holding Company of approximately RMB10,827,000 (31 December 2011: approximately RMB78,000) is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

15. TRADE AND BILL RECEIVABLES (Continued)

The trading balances due from related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB15,248,000 (31 December 2011: approximately RMB8,494,000) are unsecured, interest-free and repayable on demand.

Bill receivables of approximately RMB217,590,000 (31 December 2011: approximately RMB136,920,000) are pledged for the issuance of bill payables. Bill receivables of approximately RMB32,779,000 (31 December 2011: RMB16,000,000) are pledged as security for borrowings.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables include the balances due from the Holding Company and related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB1,265,000 (31 December 2011: approximately RMB2,160,000) and RMB5,619,000 (31 December 2011: approximately RMB7,467,000), respectively. These balances are unsecured, interest-free and repayable in accordance with agreed terms.

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

30 June 2012

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Cash and bank balances — (note i)	1,064,874	1,116,289
Mandatory reserve deposits with the PBOC — (note ii)	166,450	174,302
Time deposits	146,669	221,834
	1,377,993	1,512,425
Less: Pledged bank deposits for bill payables — (note iii)	(125,919)	(100,466)
Less: Pledged bank deposits for other banking facilities — (note iii)	(18,015)	(22,868)
Cash and cash equivalents in the condensed consolidated statement of financial position	1,234,059	1,389,091
Less: Mandatory reserve deposits with the PBOC — (note ii)	(166,450)	(174,302)
Add: Pledged bank deposits for the issuance of bill payables — (note iii)	125,919	100,466
Add: Pledged bank deposits for other banking facilities — (note iii)	18,015	22,868
Cash and cash equivalents in the condensed consolidated statement of cash flows	1,211,543	1,338,123



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

30 June 2012

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

Notes:

- (i) *The balance included YTO Finance's deposits placed with the PBOC and other banks of approximately RMB114,128,000 (31 December 2011: approximately RMB383,744,000) and approximately RMB764,830,000 (31 December 2011: approximately RMB777,269,000), respectively.*
- (ii) *The balance represents mandatory reserve deposits placed with the PBOC. In accordance with the regulations of the PBOC, the balance should be no less than a specific percentage of the amounts of customer deposits placed with YTO Finance. The mandatory reserve deposits are not available for use in the Group's day-to-day operations.*
- (iii) *As the bank balances were pledged for the Group's trade facilities for issuing bills payable and other banking facilities, they are included in cash and cash equivalents in the condensed consolidated statement of cash flows.*

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

30 June 2012

18. TRADE AND BILL PAYABLES

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 90 days	2,182,529	903,803
91 days to 180 days	326,466	809,337
181 days to 365 days	45,931	407,261
1 to 2 years	26,392	38,372
Over 2 years	45,956	34,448
	2,627,274	2,193,221

The bill payables amounting to approximately RMB444,575,000 (31 December 2011: approximately RMB448,122,000) are secured by the pledge of certain of the Group's bank deposits and bill receivables amounting to approximately RMB125,919,000 (31 December 2011: approximately RMB100,466,000) and approximately RMB217,590,000 (31 December 2011: approximately RMB136,920,000), respectively.

The trading balance due to the Holding Company of approximately RMB15,076,000 (31 December 2011: approximately RMB22,335,000) is unsecured, interest-free and repayable on demand.

The trading balances due to related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB11,949,000 (31 December 2011: approximately RMB13,001,000) are unsecured, interest-free and repayable on demand.

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

30 June 2012

19. OTHER PAYABLES AND ACCRUALS

Other payables include amounts due to the Holding Company and related companies (fellow subsidiaries and the associates of the Holding Company) of approximately RMB135,298,000 (31 December 2011: RMB287,466,000) and approximately RMB4,530,000 (31 December 2011: approximately RMB123,000), respectively.

At 30 June 2012, no balance was due to the non-controlling shareholders of subsidiaries. At 31 December 2011, the balance due to non-controlling shareholders of subsidiaries of approximately RMB3,063,000 was secured, interest-free and repayable on demand.

20. CUSTOMER DEPOSITS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Deposits from the Holding Company	621,513	737,730
Deposits from associates	24	4,204
Deposits from fellow subsidiaries and associates of the Holding Company	275,072	284,778
Deposits from customers	213,054	86,062
	1,109,663	1,112,774

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

30 June 2012

20. CUSTOMER DEPOSITS (Continued)

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Repayable:		
On demand	880,507	960,344
Within three months	114,055	111,997
Within one year but over three months	115,101	40,433
	<u>1,109,663</u>	<u>1,112,774</u>

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

30 June 2012

21. BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Current:				
Bank borrowings				
— Secured	1.88%	2012–2013	32,685	14,400
— Unsecured	2.5%–6.89%	2012–2013	880,976	955,068
			913,661	969,468
Non-current:				
Other borrowings				
— Unsecured	6.9%	2013–2016	374,000	186,000
			1,287,661	1,155,468

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

30 June 2012

21. BORROWINGS (Continued)

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Analysed into:		
Borrowings repayable:		
Within one year or on demand	913,661	969,468
Between one to two years	126,500	44,000
Between two to three years	113,000	44,000
Between three to four years	97,000	98,000
Between four to five years	37,500	—
	1,287,661	1,155,468

Other interest rate information:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Fixed interest rate	768,661	711,705
Floating interest rate	519,000	443,763
	1,287,661	1,155,468

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

21. BORROWINGS (Continued)

Certain Group's borrowings are secured by bills receivable of approximately RMB32,779,000 (31 December 2011: RMB16,000,000). At 30 June 2012, no borrowings are secured by the Group's land use rights. At 31 December 2011, the borrowings were secured by Group's land use rights with a net carrying amount of approximately RMB6,120,000.

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

22. BUSINESS COMBINATION UNDER COMMON CONTROL

In 2011, the Group acquired a 86.82% equity interest in YTO (Luoyang) Forklift Co., Ltd. ("YTO Forklift") at a consideration of approximately RMB6,896,000. In addition, the Company and its subsidiary CAMACO acquired 100% and 93.58% equity interests in YTO International Economic and Trading Co., Ltd. ("YTO International") and YITWO Agro-Industrial, respectively, at considerations of approximately RMB81,393,000 and RMB5,002,000, respectively.

As the Company, YTO Forklift, YTO International and YITWO Agro-Industrial are under the common control of the Holding Company immediately before and after the acquisitions, these transactions were accounted for as common control business combinations, using merger accounting for all periods presented herein as if merger had been consummated since the inception of common control.

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

30 June 2012

23. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

(a) Acquisition of additional interest in a subsidiary in the current period

On 1 June 2012, the Company acquired an additional 24% equity interest in Yituo (Luoyang) Shentong Construction Machinery Company Limited ("YLST") at a consideration of RMB1. The carrying amount of the non-controlling interests in YLST on the date of acquisition was a deficit balance of approximately RMB2,982,000. The Group recognised a decrease in non-controlling interests of approximately RMB2,982,000 and a decrease in equity attributable to owners of the Company of approximately RMB2,982,000. The effect of changes in the ownership interest of YLST on the equity attributable to owners of the Company during the period is summarised as follows:

	30 June 2012 (Unaudited) RMB'000
Carrying amount of non-controlling interests acquired (net liabilities)	(2,982)
Consideration paid to non-controlling interests	—
Excess of consideration paid recognised in capital reserve within equity	(2,982)

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

30 June 2012

**23. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES
(Continued)**

(b) Acquisition of additional interest in subsidiaries in 2011

- (i) On 31 May 2011, the Company acquired an additional 13.18% equity interest in YTO Forklift at a consideration of approximately RMB1,047,000. The carrying amount of the non-controlling interests in YTO Forklift on the date of acquisition was a deficit balance of approximately RMB917,000. The Group recognised a decrease in non-controlling interests of approximately RMB917,000 and a decrease in equity attributable to owners of the Company of approximately RMB1,964,000. The effect of changes in the ownership interest in YTO Forklift on the equity attributable to owners of the Company during the year is summarised as follows:

	31 December 2011 (Audited) RMB'000
Carrying amount of non-controlling interests acquired (net liabilities)	(917)
Consideration paid to non-controlling interests	<u>(1,047)</u>
Excess of consideration paid recognised in capital reserve within equity	<u><u>(1,964)</u></u>

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

30 June 2012

**23. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES
(Continued)**

**(b) Acquisition of additional interest in subsidiaries in 2011
(Continued)**

- (ii) On 30 September 2011, the Company acquired an additional 26% equity interest in Yituo (Luoyang) Shentong Construction Machinery Company Limited (“YLST”) at a consideration RMB45. The carrying amount of the non-controlling interests (Net liability) in YLST on the date of acquisition was approximately RMB3,420,000. The Group recognised a decrease in non-controlling interests of approximately RMB3,420,000 and a decrease in equity attributable to owners of the Company of approximately RMB3,420,000. The effect of changes in the ownership interest in YLST on the equity attributable to owners of the Company during the year is summarised as follows:

	31 December 2011 (Audited) RMB'000
Carrying amount of non-controlling interests acquired (net liabilities)	(3,420)
Consideration paid to non-controlling interests	—
Excess of consideration paid recognised in capital reserve within equity	<u>(3,420)</u>

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

30 June 2012

24. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a subsidiary in the current period

On 31 May 2012, the Group acquired a further 60% equity interest in YTO Shunxing (Luoyang) Spare Parts Co., Ltd. ("YTO Shunxing") at a consideration of approximately RMB20,765,000 from independent third parties. Prior to the acquisition, the Group held a 40% equity interest in YTO Shunxing. YTO Shunxing is principally engaged in the manufacture, sale and service of forged steel crankshafts.

The acquisition was accounted for using the purchase method.

Net assets acquired in the transactions are as follows:

	30 June 2012 (Unaudited) Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	22,673
Inventories	4,402
Trade and bill receivables	7,243
Prepayments, deposits and other receivables	1,341
Cash and cash equivalents	5,242
Trade and bill payables	(5,623)
Other payables and accruals	(670)
Net assets acquired	34,608
Interest transfer from associates	(13,843)
Total consideration	20,765

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

30 June 2012

24. ACQUISITION OF SUBSIDIARIES (Continued)

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

	30 June 2012 (Unaudited) Fair value RMB'000
Satisfied by:	
Cash	20,765
Net cash outflow in respect of the net assets acquired:	
Cash consideration paid	(20,765)
Cash and cash equivalents acquired	5,242
Net cash outflow	(15,523)

Included in the revenue and profit for the period are approximately RMB455,000 and a loss of RMB141,000 attributable to the additional business generated by this new acquired subsidiary .



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

30 June 2012

24. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of a subsidiary in 2011

On 1 October 2011, a 51% owned subsidiary of the Group, Luoyang Tractors Research Institute Co., Ltd (“LTRI”) has acquired a further 70% equity interest in Luoyang Tuoqi Engineering Company Limited (“Tuoqi Engineering”) for a consideration of approximately RMB2,800,000 from independent third parties. Prior to the acquisition, LTRI held a 30% equity interest in Tuoqi Engineering. Tuoqi Engineering is principally engaged in the provision of technology development, transfer and consultancy services.

The acquisition was accounted for using the purchase method.

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

30 June 2012

24. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of a subsidiary in 2011 (Continued)

Net assets acquired in the transactions are as follows:

	31 December 2011 (Audited) Fair value RMB'000
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Net assets acquired:	
Property, plant and equipment	374
Inventories	7,825
Trade and bill receivables	4,584
Prepayments, deposits and other receivables	285
Cash and cash equivalents	1,074
Trade and bill payables	(5,278)
Other payables and accruals	(983)
Current income tax liabilities	(34)
	<hr/>
Net assets acquired	7,847
Interest transfer from associates	(2,354)
Gain on bargain purchase	(2,693)
	<hr/>
Total consideration	<u>2,800</u>
Satisfied by:	
Cash	<u>2,800</u>
Net cash outflow in respect of the net assets acquired:	
Cash consideration paid	(2,800)
Cash and cash equivalents acquired	1,074
	<hr/>
Net cash outflow	<u>(1,726)</u>
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (CONTINUED)**

30 June 2012

25. COMMITMENTS

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	<u>135,507</u>	<u>132,149</u>
Authorised, but not contracted for:		
Purchase of plant and machinery	731,020	1,415,200
Purchase of land use rights	<u>45,000</u>	<u>—</u>
	<u>776,020</u>	<u>1,415,200</u>
	<u>911,527</u>	<u>1,547,349</u>

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

30 June 2012

25. COMMITMENTS (Continued)

(b) Commitments under operating leases

(i) As lessor

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	1,314	1,206
In the second to fifth years, inclusive	507	1,059
	1,821	2,265

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

30 June 2012

25. COMMITMENTS (Continued)

(b) Commitments under operating leases (Continued)

(ii) As lessee

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	3,566	9,881
In the second to fifth years, inclusive	817	—
	4,383	9,881

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

30 June 2012

26. RELATED PARTY TRANSACTIONS

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

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

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

30 June 2012

26. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sale of raw materials, finished goods and components	81,420	92,245
Purchases of raw materials and components	678,725	771,375
Purchases of utilities	48,549	63,332
Fees paid for comprehensive services	59,508	57,610
Research and development expenses paid	1,577	206
Fees paid for the use of land	1,400	10,432
Fees paid for the use of a trademark	—	10,000
Rentals paid in respect of:		
Buildings	1,077	3,914
Plant and machinery	95	125
Rental income received in respect of buildings	3,155	3,078
Purchases of plant and machinery	144	5,057
Interest income and discounted bills charges	16,421	13,774
Interest paid for customer deposits	4,746	1,081
Research and development income received	2,682	9,172

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

- (i) Designated deposits and designated loans

As at 30 June 2012, the Holding Company placed an aggregate amount of approximately RMB47,000,000 (31 December 2011: approximately RMB50,000,000) with YTO Finance to provide entrusted loans to the fellow subsidiaries and an associate of the Holding Company.

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

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

During the six months ended 30 June 2012, the Group sold raw materials, finished goods and components of approximately RMB27,320,000 (six months ended 30 June 2011: approximately RMB34,562,000) and purchased raw materials and components of approximately RMB4,867,000 (six months ended 30 June 2011: approximately RMB2,693,000) from the Parent and its subsidiaries.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2012

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties

- (i) Details of the Group's amount due from/to the Holding Company, and the Group's loans to and deposits from the Holding Company as at the end of the reporting period are disclosed in Notes 14, 15, 16, 18, 19 and 20.
- (ii) Details of the Group's amounts due from, and deposits from, its associates as at the reporting date are disclosed in Notes 15 and 20.
- (iii) Details of the Group's amounts due from/to its related companies (fellow subsidiaries and associates of the Holding Company) and the Group's loans to and deposits from related companies as at the reporting date are disclosed in Notes 14, 15, 16, 18, 19 and 20.
- (iv) Details of the Group's amounts due to the non-controlling shareholders as at the reporting date are disclosed in Note 19.

(d) Significant transactions with other government-related entities

During the six months ended 30 June 2012 and 2011, the Group's significant transactions with other state-owned enterprises (excluding the Parent and its subsidiaries) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all restricted deposits, time deposits, cash and cash equivalents and borrowings as of 30 June 2012 and 2011, and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government.

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

30 June 2012

26. RELATED PARTY TRANSACTIONS (Continued)

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	147	736
Post-employment benefits	34	161
Total compensation paid/payable to key management personnel	181	897

During the reporting period, seven key management personnel have waived their emoluments (six months ended 30 June 2011: Nil).

27. SUBSEQUENT EVENTS

The Company's A Shares were listed on the Shanghai Stock Exchange on 8 August 2012. The number of issued shares in the Company after the A Share issue is 995,900,000 comprising 401,990,000 H Shares, 443,910,000 domestic shares and 150,000,000 A Shares. The net proceeds raised from the A Share issue amounted to approximately RMB773,733,000.

KEY FINANCIAL DATA AND INDICATORS

(I) Financial Data Prepared under PRC Accounting Standards

(Unit: RMB'000)

	As at 30 June 2012	As at 31 December 2011	Increase/ decrease as at the end of the Reporting Period as compared to the end of last year (%)
Total assets	9,946,438	9,167,788	8.49
Equity attributable to owners of the Company	3,600,224	3,323,500	8.33
Share capital	845,900	845,900	—
Net assets per share attributable to owners of the Company (RMB/share)	4.26	3.93	8.33

KEY FINANCIAL DATA AND INDICATORS (CONTINUED)

(I) Financial Data Prepared under PRC Accounting Standards (Continued)

	Reporting Period (January- June)	Corresponding period of the previous year	Year-on- year increase/ decrease (%)
Total revenue	6,304,305	7,164,800	-12.01
Operating profit	354,382	347,254	2.05
Total profit	359,399	357,232	0.61
Net profit attributable to owners of the Company	286,421	271,236	5.60
Net profit after deduction of non-recurring items attributable to owners of the Company	271,779	231,713	17.29
Basic earnings per share (RMB/share)	0.3386	0.3206	5.61
Diluted earnings per share (RMB/share)	0.3386	0.3206	5.61
Weighted average return on net assets attributable to shareholders of the Company (%)	8.07%	8.45%	Decreased by 0.38 percentage points
Weighted average return on net assets attributable to shareholders of the Company after deduction of non-recurring items	7.83%	—	—
Fully diluted return on net assets attributable to shareholders of the Company after deduction of non-recurring items	7.55%	—	—
Net cash flows from operating activities	4,226	-142,912	—
Net cash flows per share from operating activities (RMB/share)	0.005	-0.17	—

KEY FINANCIAL DATA AND INDICATORS (CONTINUED)

(II) Non-recurring Items

(Unit: RMB'000)

Non-recurring Items	Amount
Gain/loss from disposal of non-current assets, including write-off of provision for asset impairment	10,522
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with national policies and continuously received in certain standard amounts and quantities)	2,956
Gains or losses from changes in fair values of trading financial assets and trading financial liabilities held by the Company, and investment gains from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, other than effective hedging activities associated with normal business operations of the Company	2,736
Other non-operating income and expenses other than the aforesaid items	2,137
Effect of income tax	-2,946
Non-recurring profit or loss attributable to minority interests	-763
Total	<u>14,642</u>

(III) Differences between the PRC Accounting Standards and the Hong Kong Financial Reporting Standards (HKFRSs)

(Unit: RMB'000)

	Under PRC Accounting Standards	Under HKFRSs
Net profit attributable to owners of the Company	286,421	286,421
Net assets attributable to owners of the Company	3,600,224	3,600,224

OPERATION REVIEW

In the first half year, China's macro economy witnessed a slowdown, with increased downward pressure on its economic growth. In face of a complex and volatile macro environment and an increasingly challenging environment within the industry, the Company, focusing on the business objectives set at the beginning of the year, strengthened marketing efforts to cope with changing market dynamics; enhanced technological innovation to keep improving its research and development capabilities; stressed on constructions of key projects to tamp its foundation for further development; and carried out comprehensive management improvement campaigns to constantly strengthen corporate fundamental management, thereby making a steady progress in each task. Despite a drop in revenue in the first half year, the Company managed to raise its profitability and profit level.

With respect to the agricultural machinery business, affected by such factors as the delayed launch of the State's agricultural machinery subsidy program and the adjustment to the subsidy implementation policy, the tractor industry experienced a downward trend, with a year-on-year decrease of 2.13% in the sales value of the industry and a year-on-year decrease of 6.02% in the sales volume of hi-powered and mid-powered tractors. During the Reporting Period, due to late start in our primary markets of northeastern China and winter wheat growing regions, the Group sold 52,659 units of hi-powered and mid-powered tractors, representing a year-on-year decrease of 11.43%, among which 26,018 units were hi-powered wheeled tractors, representing a year-on-year decrease of 16.97% and 25,548 units were mid-powered wheeled tractors, representing a year-on-year decrease of 3.09%. 1,093 units of crawler tractors were sold, representing a year-on-year decrease of 37.83%; and 13,060 units of low-powered wheeled tractors were sold, representing a year-on-year decrease of 42.71%. Despite a decline in the sales of hi-powered wheeled tractors, the Company, by enhanced marketing efforts and active responses to market changes, managed to launch its new products including LY1100 and MG804 tractors, etc., to the market and achieved good sales performance. The sales volume of hi-powered wheeled tractors maintained the first position in the industry and the market share of mid-powered wheeled tractors also moved up to the first place in the industry. During the Reporting Period, the operation of YTO France SAS ("**YTO France**"), a subsidiary of the Company, is gradually getting on track, and produced 844 tractor transmission systems, exceeding its annual production volume in 2011.



OPERATION REVIEW (CONTINUED)

With respect to the power machinery business, as affected by the decline in tractor and harvester markets in the first half year, the sales volume of the Group's diesel engines recorded a year-on-year decrease of 10.88%, of which sales to external customers amounted to 63,430 units, representing a year-on-year decrease of 5.42%.

With respect to other machinery business, the Group sold 538 units of mining trucks, representing a year-on-year increase of 31.22%.

During the Reporting Period, the Group recorded an operating revenue of RMB6,304,305,000, representing a year-on-year decrease of 12.01%. Through adjusting product prices, optimizing product sales structure and further reducing cost and raising efficiency, the Group improved its profitability and profit level, with profit attributable to owners of the Company amounting to RMB286,421,000, representing a year-on-year increase of RMB15,185,000 or 5.6%.

BUSINESS PROSPECTS

Although the macroeconomic environment is still subject to a number of instabilities and uncertainties in the second half year, there is no substantive change in the long-term growth trend of domestic economy. From the industry perspective, there are no changes in the State's policies for supporting "agriculture, countryside and farmers" and policy for subsidies for purchase of agricultural machinery products, thus offering great potential for the development of agricultural machinery markets. Given that payments of the State's subsidies for purchase of agricultural machinery products for the first half year will be made in the second half year, the country has enjoyed a bumper crop of summer harvest this year and the farmers' income growth has a solid foundation, despite a decline in tractor market in the first half year, sales is expected to recover in the second half year.

On 8 August 2012, the Company completed its initial public offering of 150,000,000 A shares which were listed on the Shanghai Stock Exchange, marking the official return of the Company to A-share capital market. The proceeds raised from the issue of A shares will facilitate the construction of the Group's key projects and help accomplishing product mix adjustment and business upgrading, thus further raising the Company's core competitiveness.

BUSINESS PROSPECTS (CONTINUED)

In the second half year, the Company will take the listing of A shares as the juncture, and put more efforts in marketing activities, innovate sales models and enhance its presence in key markets. For the agricultural machinery business, in view of the trend to use agricultural machineries for deep-tillage, deep loosening and land cultivation and change in clients' demand for hi-powered agricultural machineries, the Company will speed up product mix adjustment and consolidate the market presence of key leading products. For power machinery business, the Company will continue to carry forward the trial production and promotion of new products and new techniques and strengthen market development for ancillary products of hi-powered tractors and corn harvesters, striving for a rapid growth in market sales. Meanwhile, the Company will accelerate the construction of a research & development center in Europe with YTO France as its manufacturing platform and progressively build up a European sales center, constantly improving its ability to explore the international market. In face of volatile domestic and international circumstances, the Group will proactively make use of favourable factors and is committed to ensuring its annual business objectives would be achieved.

ANALYSIS OF OPERATING RESULTS

Segment results

By segment	Operating revenue			Profit before tax		
	As at	As at	Percentage change	As at	As at	Percentage change
	30 June 2012 (RMB'000)	30 June 2011 (RMB'000)		30 June 2012 (RMB'000)	30 June 2011 (RMB'000)	
Agricultural machinery business	5,207,832	5,998,770	-13.2	240,536	222,374	8.2
Power machinery business	734,834	865,811	-15.1	58,537	121,249	-51.7
Other machinery business	312,955	274,109	14.2	2,867	-321	-
Financial business	48,684	25,986	87.3	35,441	28,126	26.0
Unallocated and eliminations	-	-	-	22,018	-14,196	-
Total	6,304,305	7,164,676	-12.0	359,399	357,232	0.6

ANALYSIS OF OPERATING RESULTS (CONTINUED)

Segment results (Continued)

As affected by factors such as decreased sales of products, the operating revenue of agricultural machinery business and power machinery business declined on a year-on-year basis. Through product structural adjustment, the profitability of agricultural machinery business enhanced with an increase in profit before tax as compared with the corresponding period of last year. Due to a year-on-year drop in the sales of hi-powered and mid-powered diesel engines and increase in the sales of light-duty diesel engines of YTO (Jiangyan) Power Machinery Co., Ltd (“**Jiangyan Power**”), the profit before tax of power machinery business recorded a year-on-year decrease. Driven by the increased sales of mining trucks, the operating revenue and profit before tax of other machinery business both increased.

PRINCIPAL BUSINESS BY GEOGRAPHICAL REGIONS

(Unit: RMB'000)

Region	Operating revenue ^(note)	Year-on-year increase/ decrease (%)
Onshore	5,937,475	-13.37%
Offshore	311,740	12.58%
Total	6,249,215	-12.36%

Note: Prepared under PRC Accounting Standards

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group was RMB883,687,000, representing a year-on-year decrease of RMB29,710,000. As affected by product structural adjustment of the Company and the reduced market price of raw materials, the profit level of the Group was enhanced as a whole. During the Reporting Period, the Group's gross profit margin was 14.02%, representing a year-on-year increase of 1.27 percentage points.

OTHER INCOME AND GAINS

During the Reporting Period, the Group's other income and gains amounted to RMB58,937,000, representing a slight increase year-on-year, mainly attributable to the dividend distribution from its investment in Bank of Luoyang Co., Ltd. and the investment gain on disposal of equity interests in Sichuan South-west Stainless Steel Co., Ltd. ("**South-west Stainless Steel**").

EXPENSES DURING THE REPORTING PERIOD

- (1) The Group's selling expenses for the Reporting Period amounted to RMB189,654,000, representing a year-on-year decrease of RMB37,626,000 or 16.55%, which was mainly attributable to reduced sales of products and enhancement in product quality, among which a year-on-year decrease of RMB34,450,000 was recorded in the expense for "three guarantees (for repair, replacement or compensation of faulty products)" and sales services.
- (2) The Group's administrative expenses for the Reporting Period was RMB350,601,000, representing a year-on-year increase of RMB7,403,000 or 2%, which was mainly attributable to the year-on-year increase of RMB23,741,000 in research and development costs.
- (3) The Group's finance costs for the Reporting Period amounted to RMB36,320,000, representing a year-on-year increase of RMB8,391,000, which was mainly due to the increase in the Group's loan size as a result of tight working capital condition in the first half year and the payment for the balance of consideration for acquisition of land from YTO Group Corporation ("**YTO**").

EXPENSES DURING THE REPORTING PERIOD (CONTINUED)

- (4) The Group's other expenses for the Reporting Period amounted to RMB6,635,000, representing a year-on-year decrease of RMB9,405,000 or 58.63%, which was mainly attributable to price fluctuations of trading financial assets held and the decrease in provision for assets impairment losses.

PROFIT BEFORE TAX

As a result of enhanced gross profit margin and lowered expense during the Reporting Period, the Group's profit before tax increased by RMB2,167,000 year-on-year despite a decline in operating revenue.

INCOME TAX

During the Reporting Period, the Group's income tax expenses amounted to RMB51,015,000, representing a year-on-year decrease of RMB9,095,000. 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 YTO (Luoyang) Diesel Co., Ltd., Luoyang Tractors Research Institute Co., Ltd. and Luoyang Xiyuan Vehicles and Motor Examination Company Limited (all being subsidiaries of the Company) are entitled to the 15% preferential income tax rate for new and high tech enterprises from 2011 to 2013.

OTHER COMPREHENSIVE EXPENSES

During the Reporting Period, the Group's other comprehensive expenses amounted to RMB6,878,000, mainly due to the effect of translation differences in foreign currency-denominated statements.

ASSETS AND LIABILITIES

Items	As at	As at	Increase/ Decrease	Percentage change
	30 June 2012 (RMB'000)	31 December 2011 (RMB'000)		
Trade and bill receivables	2,950,410	2,391,219	559,191	23.4
Including: Trade receivables	1,962,989	852,712	1,110,277	130.2
Bill receivables	987,421	1,538,507	-551,086	-35.8
Inventories	945,284	1,110,557	-165,273	-14.9
Available-for-sale				
financial asset (current)	—	23,360	-23,360	-100.0
Held-to-maturity investment	74,407	—	74,407	—
Interests in associates	321	13,314	-12,993	-97.6
Trade and bill payables	2,627,274	2,193,221	434,053	19.8
Including: Trade payables	1,970,756	1,608,179	362,577	22.5
Bill payables	656,518	585,042	71,476	12.2
Borrowings	1,287,661	1,155,468	132,193	11.4
Including: Short-term borrowings	880,976	955,068	-74,092	-7.8
Discounted liabilities	32,685	14,400	18,285	127.0
Long-term borrowings	374,000	186,000	188,000	101.1

(1) Trade and bill receivables

As at 30 June 2012, the trade and bill receivables of the Group increased by RMB559,191,000 as compared with that at the beginning of the Reporting Period, which was mainly due to the inventories stocked up for spring plowing and deferred payment of the State's subsidy on the purchase of agricultural machinery. With the subsidy on the purchase of agricultural machinery to be gradually put in place in the second half of this year, and the trade receivables generated from sales in the first half of the year to be recovered gradually, there will be a substantial decrease in trade receivables by the end of the year. During the Reporting Period, the Group's turnover day of trade receivables was 41 days, representing an increase of 11 days over that in the corresponding period last year.

ASSETS AND LIABILITIES (CONTINUED)

(2) Inventories

As at 30 June 2012, the inventories of the Group decreased by RMB165,273,000 as compared with that at the beginning of the Reporting Period, mainly because the Company rightly reduced inventories after taking into consideration the sales timing and condition in the tractor market, the trend of raw material prices and the fund use condition. During the Reporting Period, the turnover day of the inventories of the Group was 35 days, 3 days faster than that in the corresponding period last year.

(3) Available-for-sale financial assets (current)

As at 30 June 2012, the Group's available-for-sale financial assets decreased by RMB23,360,000 from the beginning of the Reporting Period, which was mainly attributable to the transfer of equity interests in South-west Stainless Steel held by the Group during the Reporting Period.

(4) Held-to-maturity investment

As at 30 June 2012, the Group's held-to-maturity investment increased by RMB74,407,000 over the beginning of the Reporting Period, which mainly represented the short-term financing bills purchased by YTO Group Finance Co., Ltd ("**YTO Finance**") during the Reporting Period.

(5) Interests in associates

As at 30 June 2012, the Group's interests in associates decreased by RMB12,993,000 from the beginning of the Reporting Period, which was mainly because the completion of the Group's acquisition of 60% equity interest in YTO Shunxing (Luoyang) Spare Parts Co., Ltd. ("**YTO Shunxing Company**") held by Liaoning Shunxing Combustion Engine Crankshaft Company Limited ("**Liaoshun Company**") and the natural persons during the Reporting Period. YTO Shunxing Company has become a wholly-owned subsidiary of the Company, and has been included in the scope of consolidation of the Group since June 2012.

ASSETS AND LIABILITIES (CONTINUED)

(6) Trade and bill payables

As at 30 June 2012, the Group's trade and bill payables increased by RMB434,053,000 as compared with that at the beginning of the Reporting Period, of which the increase in trade payables was RMB362,577,000, mainly due to the effect of seasonal factors of sales during the Reporting Period, and enhanced capital utilization efficiency through strengthening the capital management by the Group. The bills payables increased by RMB71,476,000, which was mainly because the Group used more bills so as to take full advantage of bills settlement.

(7) Borrowings

This item includes the Group's short-term bank borrowings, long-term bank borrowings and discounted liabilities of YTO Finance Co., Ltd.. As at 30 June 2012, the borrowings of the Group amounted to RMB1,287,661,000, increased by RMB132,193,000 as compared with that at the beginning of the year, of which short-term borrowings amounted to RMB880,976,000, decreased by RMB74,092,000 as compared with that at the beginning of the year; discounted liabilities amounted to RMB32,685,000, increased by RMB18,285,000 as compared with that at the beginning of the year; and long-term borrowings amounted to RMB374,000,000, increased by RMB188,000,000 as compared with that at the beginning of the year, which was mainly due to the funds raised for designated fixed assets investments such as the wheeled tractor project of the industrial park and the hi-powered diesel engine project.

FINANCIAL RATIOS

Items	Basis of calculation	As at	As at
		30 June 2012	31 December 2011
Gearing ratio	Total liabilities/Total assets	60.19%	60.20%
Current ratio	Current assets/Current liabilities	1.25	1.19
Quick ratio	(Current assets-Inventories)/Current liabilities	1.08	0.98
Debt equity ratio	Total liabilities/Shareholders' equity ^(Note) x 100%	171.51%	171.80%

Note: Shareholders' equity excludes non-controlling interest.

PLEDGE OF ASSETS

As at 30 June 2012, the Group's deposits of RMB125,919,000 (31 December 2011: RMB100,466,000) were pledged to secure the Group's bill payables of RMB444,575,000 (31 December 2011: RMB448,122,000).

CONTINGENT LIABILITIES

During the Reporting Period, the Company entered into the trade credit agreements ("Trade Credit Agreements") with Bank of Communications Co., Ltd., China Everbright Bank, China Construction Bank Corporation (Henan Branch), YTO Finance, Qilu Bank and Shanghai Bank of Communications Financial Leasing Co., Ltd. (the "Six Financial Institutions") for the purpose of cooperation in trade facilities. Pursuant to the Trade Credit Agreements, the Six Financial Institutions granted to the Group the trade credit lines with a total amount of RMB1,388,200,000 ("Trade Credit Line"). The Trade Credit Line shall be specifically used by the dealers and customers recommended by the Company or its authorized agents for applying to the Six Financial Institutions for issuance of the banks' acceptance bills and dealing with buyer credit and financial leasing business for the purpose of purchasing the Company's products such as agricultural machinery and mining trucks from the Company or its authorized agents. In return, the Company or its authorized agents shall provide guarantees in the form of an undertaking letter or agreement. As at 30 June 2012, the actual guaranteed Trade Credit Line undertaken by the Company totaled RMB696,410,000.

CONTINGENT LIABILITIES (CONTINUED)

Save as disclosed above, the Group did not have any other significant contingent liabilities as at 30 June 2012.

CASH FLOW ANALYSIS

During the Reporting Period, the Group recorded a net decrease of RMB126,580,000 in cash and cash equivalents. Cash inflows from operating activities were RMB4,226,000; cash outflows from investing activities were RMB231,592,000; net cash inflows from financing activities were RMB101,891,000. Effect of exchange rate differences amounted to a loss of RMB1,046,000.

CURRENCY EXCHANGE RATE RISK

As the Group carried out its principal production and business activities in the PRC during the Reporting Period, the fluctuation in the currency exchange rates did not materially affect the operating results of the Group. After the acquisition of YTO International Economic and Trading Co., Ltd. and the establishment of YTO France, as the transactions denominated in foreign currency increase, the fluctuation in the currency exchange rates will have certain impact on the operating results of the Group.

As at 30 June 2012, the Group had no pledge of any deposits in foreign currency.

MATERIAL GUARANTEES OCCURRED IN THE REPORTING PERIOD

(Unit: RMB'000)

External guarantees provided by the Company (excluding guarantees provided in favour of its subsidiaries)

Name of guaranteed party	Effective Date (date of signing the agreement)	Amount of the guarantee	Type of guarantee	Term of the guarantee	Matured or not	Related party guarantee (Yes/No)
Agricultural machinery dealers	27 February 2012	360,000	Joint and several liability guarantee	One year	No	No
Agricultural machinery dealers	28 April 2012	200,000	Joint and several liability guarantee	One year	No	No
Agricultural machinery dealers	20 February 2012	130,000	Joint and several liability guarantee	One year	No	No
Agricultural machinery dealers	10 February 2012	420,700	Joint and several liability guarantee	One year	No	No
Agricultural machinery dealers	28 June 2012	17,500	Joint and several liability guarantee	One year	No	No
Mining truck users	22 February 2012	160,000	Joint and several liability guarantee	One year	No	No
Mining truck users	29 January 2012	100,000	Joint and several liability guarantee	One year	No	No
Total amount of the guarantees provided by the Company during the Reporting Period		1,388,200				
Total outstanding amount as at the end of the Reporting Period (A)		696,410				

MATERIAL GUARANTEES OCCURRED IN THE REPORTING PERIOD (CONTINUED)

Guarantees provided by the Company in favour of its subsidiaries

Total amount of the guarantees provided by the Company to its subsidiaries during the Reporting Period	163,270
Total outstanding amount as at the end of the Reporting Period (B)	163,270

Total amount of the guarantees provided by the Company (including guarantees in favour of its subsidiaries)

Total amount of guarantees (A+B)	859,680
Percentage of the total amount of guarantees to the net assets	23.88%
Of which:	
Amount of guarantees provided by the Company in favour of its shareholders, de facto controller and related parties (C)	Nil
Amount of guarantees directly or indirectly provided to parties with a gearing ratio exceeding 70% (D)	313,840
Total amount of guarantee exceeds 50% of net assets (E)	Nil
Total amount of the above three categories of guarantees (C+D+E)	313,840

SIGNIFICANT INVESTMENTS NOT FINANCED BY PROCEEDS FROM FUNDRAISING ACTIVITIES

(Unit: RMB'000)

Project name	Investment amount	Progress
Hi-powered and mid-powered wheeled tractors project	15,438.40	Completed
Hi-powered diesel engines project	24,558.00	In progress
100,000-unit light-duty diesel engines project (Phase 1)	12,080.00	In progress
Acquisition of 60% equity interests in YTO Shunxing Company	20,765.10	Completed
Acquisition of 0.8% equity interests in YTO Finance	4,623.60	In the process of change of business registration
Capital contribution to YTO (Luoyang) Shentong Construction Machinery Co., Ltd. (" Shentong Company ")	40,000.00	Completed
Capital contribution to Jiangyan Power	54,600.00	Completed
Capital contribution to YTO (Luoyang) Forklift Co., Ltd.	11,000.00	Completed
Total	183,065.10	

OTHER EVENTS

1. ACQUISITION OF SUBSIDIARIES

- (1) On 19 March 2012, the Company entered into the Equity Transfer Agreement with YTO, pursuant to which the Company acquired 24% equity interest in Shentong Company held by YTO at a total consideration of RMB1. The transfer of equity interest in respect of the aforesaid acquisition has completed during the Reporting Period. Upon completion of the acquisition, Shentong Company became a wholly-owned subsidiary of the Company. The equity transfer constituted a connected transaction, details of which were set out in the announcement of the Company dated 19 March 2012. Shentong Company is principally engaged in manufacture and sale of mining trucks.

- (2) On 27 April 2012, the Company entered into the Equity Transfer Agreements with Liaoshun Company and the natural person shareholders of YTO Shunxing Company respectively to acquire 60% equity interest in YTO Shunxing Company held by Liaoshun Company and the natural person shareholders of YTO Shunxing Company at the appraised value of RMB20,465,400. According to the audit results of profit and loss for the period, the final consideration for the equity transfer was RMB20,765,100. The transfer of equity interest in respect of the aforesaid acquisition has completed in the Reporting Period. Upon completion of the acquisition, YTO Shunxing Company became a wholly-owned subsidiary of the Company. YTO Shunxing Company is principally engaged in the processing, sale and service of crankshaft, chain wheel and other spare parts.

OTHER EVENTS (CONTINUED)

1. ACQUISITION OF SUBSIDIARIES (Continued)

- (3) On 30 May 2012, the Company entered into the Equity Transfer Agreement with Luoyang YTO Dongfang Industry Company Limited (“**Dongfang Industry**”) to acquire 0.8% equity interest in YTO Finance held by Dongfang Industry at the appraised value of RMB4,592,500. According to the audit results of profit and loss for the period, the final consideration for the equity transfer was RMB4,623,600. The procedures for change of registration with the authorities for industry and commerce are currently being processed. Upon completion of the acquisition, the Company will hold 88.6% equity interest in YTO Finance.

2. THE GROUP’S STAFF, REMUNERATION POLICY AND TRAINING FOR STAFF

As at 30 June 2012, the Group had in place 11,456 staff members. The emolument policies for the staff of the Group are set up by the human resources department on the basis of their merit, competence and qualification. The Group provided staff training in various forms and improved the professional quality of the Group’s employees.

SHARE CAPITAL, CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

During the Reporting Period, there was no change in the registered capital or issued share capital of the Company, nor did the Company issue any convertible securities, options, warrants or similar rights.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “SFO”), which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions held or deemed to be held by such Directors, supervisors and chief executives under such provisions of the SFO), or to be recorded in the register as described under section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and Code on Takeovers and Mergers.

CHANGE IN SHAREHOLDING AND STRUCTURE OF THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, the Company had a total of 845,900,000 shares in issue. The structure of the share capital of the Company is shown as follows:

Class of shares	Number of shares	Percentage (%)
(1) Non-circulating state-owned legal person shares (the “Domestic Shares”)	443,910,000	52.48
(2) Circulating shares listed on the Stock Exchange (the “H Shares”)	401,990,000	47.52
Total share capital	845,900,000	100.00

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following shareholders of the Company (other than the Directors, supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Domestic Shares

Name of shareholder	Nature of interests	Number of shares	Approximate percentage of the total issued share capital of the Company
YTO	Beneficial owner	443,910,000 ¹	52.48%

H Shares

Name of shareholder	Nature of interests	Number of shares	Approximate percentage of the total issued H Shares of the Company (%)	Approximate percentage of the total issued share capital of the Company (%)
JPMorgan Chase & Co.	Investment manager	42,148,768 ¹	10.49	4.98
The Capital Group Companies, Inc.	Investment manager	36,258,000 ¹	9.02	4.29
Neuberger Berman Group LLC	Investment manager	36,119,180 ¹	8.99	4.27
Lazard Asset Management LLC	Investment manager	24,174,000 ¹	6.01	2.86
UBS AG	Investment manager	17,046,000 ¹	5.09	2.02

Note 1: Represent the entities' long positions in the shares of the Company.

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

H Shares (Continued)

Save as disclosed above, there are no other persons (other than the Directors, supervisors or chief executives of the Company) who, as at 30 June 2012, had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

The Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date before the printing of this interim report.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE INTERESTS OR SHORT POSITIONS IN SHARES AND DEBENTURES

During the Reporting Period, none of the Directors, supervisors of the Company or their respective spouse or minor children were granted any rights to acquire benefits by means of acquisition of the shares in or debentures of the Company or any other body corporate; nor was the Company, its subsidiaries or holding company or any of its subsidiaries a party to any arrangement to enable the Directors or supervisors of the Company to acquire such rights in the Company or any other body corporate.



AUDIT COMMITTEE

The Audit Committee comprises of two independent non-executive Directors and one non-executive Director. The terms of reference thereof are in compliance with C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, and the relevant policies, law and regulations that the Company is subject to.

During the Reporting Period, the Audit Committee held two meetings, at which the committee reviewed the Annual Report 2011 of the Group and the unaudited interim accounts of the Group for the six months ended 30 June 2012 and considered the proposal regarding the appointment of auditors of the Company for 2012 and their remunerations respectively.

The Audit Committee agrees with the financial accounting principles, standards and methods adopted for the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises 5 Directors, of which 3 are independent non-executive Directors. It is mainly responsible for formulating and supervising the remuneration policies and structure for the Directors and senior management of the Company, and making recommendation to the Board.

During the Reporting Period, the Remuneration Committee held one meeting, where the "Interim Measures of Remuneration Performance Management and Medium-to-Long-Term Incentives of Person-in-charge of First Tractor Company Limited 2012" were considered and approved, and proposed for the consideration and approval at the 29th meeting of the fifth session of the Board

SIGNIFICANT EVENTS

1. On 19 January 2012, Mr. Li Youji resigned as the Director of the Company. The Company currently has 11 directors in office.
2. On 19 January 2012 and 6 March 2012, the amendments to the Company's articles of association (draft) ("**Articles of Association (Draft)**") (details of which were set out in the announcements of the Company dated 1 December 2011 and 20 January 2012) were approved at the 2012 first extraordinary general meeting and the 2012 second extraordinary general meeting respectively. The Articles of Association (Draft) have come into effect upon listing of the Company's A shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that at all times of the accounting period covered in this interim results report, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, implemented sound governance and disclosure measures, and improved the internal control systems of its own and its subsidiaries. During the Reporting Period, there was no breach of the Listing Rules or any material uncertainty relating to any events or conditions that may affect the Company's ability to continue operation as a going concern.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Reporting Period, the Company has adopted a code of conduct for securities transactions by its Directors and supervisors in accordance with the required standards of conduct stipulated in the Model Code. Having made specific enquiry to all the Directors and supervisors of the Company, the Company confirmed that all the Directors and supervisors have complied with the Model Code.



MATERIAL LITIGATION

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

By order of the Board
First Tractor Company Limited
Zhao Yanshui
Chairman

Luoyang, the PRC
24 August 2012