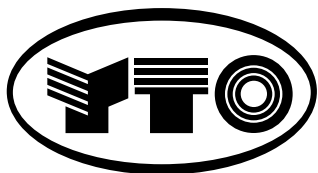


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# 第一拖拉机股份有限公司\*

## FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

### 2013 INTERIM RESULTS ANNOUNCEMENT

#### Financial Highlights

Revenue : RMB6,632,218,000

Profit attributable to the owners  
of the Company : RMB192,865,000

Earnings per share : RMB19.37 cents

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2013 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2012. The condensed consolidated interim financial statements herein are unaudited, but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited and restated)
	Note	RMB'000	RMB'000
<b>Revenue</b>	4, 5	<b>6,632,218</b>	6,690,713
Cost of sales		<u>(5,675,919)</u>	<u>(5,759,048)</u>
Gross profit		<b>956,299</b>	931,665
Other income and gains	5	<b>39,373</b>	60,698
Selling and distribution costs		<b>(228,543)</b>	(194,089)
Administrative expenses		<b>(415,948)</b>	(380,362)
Other operating expenses, net		<b>(59,711)</b>	(22,004)
Finance costs	6	<b>(29,485)</b>	(37,434)
Share of profits/(losses) of associates		<u>527</u>	<u>(15)</u>
<b>Profit before income tax</b>	4, 7	<b>262,512</b>	358,459
Income tax expense	8	<u>(52,517)</u>	<u>(55,654)</u>
<b>Profit for the period</b>		<b><u>209,995</u></b>	<b><u>302,805</u></b>
<b>Profit attributable to:</b>			
Owners of the Company		<b>192,865</b>	261,452
Non-controlling interests		<b>17,130</b>	41,353
		<b><u>209,995</u></b>	<b><u>302,805</u></b>
<b>Dividends</b>	9	<u>—</u>	<u>—</u>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted	10	<b><u>RMB19.37 cents</u></b>	<b><u>RMB30.91 cents</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
<b>Profit for the period</b>	<u>209,995</u>	<u>302,805</u>
<b>Other comprehensive expenses</b>		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(9,828)	(6,846)
Fair value loss on available-for-sale financial assets, net of tax	<u>(6,958)</u>	<u>(32)</u>
<b>Other comprehensive expense for the period, net of tax</b>	<u>(16,786)</u>	<u>(6,878)</u>
<b>Total comprehensive income for the period</b>	<u><u>193,209</u></u>	<u><u>295,927</u></u>
<b>Attributable to:</b>		
Owners of the Company	177,717	254,737
Non-controlling interests	<u>15,492</u>	<u>41,190</u>
<b>Total comprehensive income for the period</b>	<u><u>193,209</u></u>	<u><u>295,927</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		<b>30 June 2013</b>	31 December 2012
		<b>(Unaudited)</b>	(Unaudited and restated)
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,789,068</b>	2,558,568
Investment properties		<b>31,835</b>	32,511
Prepaid operating leases		<b>792,680</b>	757,715
Intangible assets		<b>63,547</b>	63,685
Interests in associates		<b>8,808</b>	7,810
Available-for-sale financial assets		<b>157,991</b>	159,450
Loan receivables		<b>10,214</b>	45,653
Deferred income tax assets		<b>70,400</b>	64,585
		<hr/>	<hr/>
Total non-current assets		<b>3,924,543</b>	3,689,977
<b>Current assets</b>			
Inventories		<b>1,241,730</b>	1,469,866
Trade and bill receivables	11	<b>3,297,509</b>	2,335,126
Loan receivables		<b>797,897</b>	748,078
Prepayments, deposits and other receivables		<b>752,561</b>	758,964
Income tax recoverable		<b>2,894</b>	8,621
Financial assets at fair value through profit or loss		<b>356,465</b>	306,801
Held-to-maturity financial assets		<b>128,210</b>	52,090
Pledged bank deposits		<b>215,248</b>	142,693
Cash and cash equivalents		<b>1,486,754</b>	1,825,804
		<hr/>	<hr/>
Total current assets		<b>8,279,268</b>	7,648,043

<b>Current liabilities</b>			
Trade and bill payables	12	3,214,269	2,703,480
Other payables and accruals		880,362	907,571
Customer deposits		591,001	1,046,641
Placements from banks and non-bank financial institutions		—	360,000
Borrowings		179,030	451,241
Current income tax liabilities		17,031	30,298
Provisions		51,674	57,206
		<hr/>	<hr/>
Total current liabilities		4,933,367	5,556,437
		<hr/>	<hr/>
<b>Net current assets</b>		3,345,901	2,091,606
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,270,444	5,781,583
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Borrowings		1,871,090	617,500
Deferred income		183,700	161,440
Deferred income tax liabilities		24,018	15,209
Provisions		39,944	31,460
		<hr/>	<hr/>
Total non-current liabilities		2,118,752	825,609
		<hr/>	<hr/>
<b>Net assets</b>		5,151,692	4,955,974
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
<b>Attributable to owners of the Company</b>			
Share capital		995,900	995,900
Reserves		3,404,706	3,334,996
Proposed final dividend		—	99,590
		<hr/>	<hr/>
		4,400,606	4,430,486
<b>Non-controlling interests</b>		751,086	525,488
		<hr/>	<hr/>
<b>Total equity</b>		5,151,692	4,955,974
		<hr/> <hr/>	<hr/> <hr/>

## 1. GENERAL INFORMATION

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

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

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 20 August 2013. These condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

- (a) These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standards 34, “Interim Financial Reporting” and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).
- (b) In accordance with the Equity Transfer Agreements entered into between the Company and the Holding Company on 14 November 2012, the Company acquired a 100% equity interest in YTO (Luoyang) Foundry Company Limited (“**YTO Foundry**”) at a consideration of approximately RMB104,478,000. The acquisition of YTO Foundry was completed on 22 January 2013 and have been accounted for as combination of businesses under common control since the Directors consider that the company and YTO Foundry are under common control of the Holding Company.

The aforementioned acquisition of subsidiary from the Holding Company has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. As a result, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of YTO Foundry. The consolidated statements of financial position as at 31 December 2012 have been restated to include the assets and liabilities of YTO Foundry and results for the six months ended 30 June 2012. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

### 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 2012, 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 2013.

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

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.



(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 2013 and have not been early adopted:

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) (Amendments)	Investment Entities <sup>1</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>2</sup> 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.

#### 4. 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 operation” segment engages in the provision of loans, bill discounting and deposit-taking services.

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

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.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2013 and six months ended 30 June 2012, respectively:

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

	<b>Agricultural machinery RMB'000</b>	<b>Power machinery RMB'000</b>	<b>Other machinery RMB'000</b>	<b>Financial operation RMB'000</b>	<b>Unallocated adjustments/ eliminations RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue:</b>						
Third party	5,655,761	851,265	91,718	33,474	—	6,632,218
Intersegment revenue	<u>281,330</u>	<u>416,905</u>	<u>10,381</u>	<u>18,918</u>	<u>(727,534)</u>	<u>—</u>
Total	<u><u>5,937,091</u></u>	<u><u>1,268,170</u></u>	<u><u>102,099</u></u>	<u><u>52,392</u></u>	<u><u>(727,534)</u></u>	<u><u>6,632,218</u></u>
<b>Result:</b>						
Profit/(loss) before income tax	<u><u>174,467</u></u>	<u><u>63,910</u></u>	<u><u>(9,546)</u></u>	<u><u>36,447</u></u>	<u><u>(2,766)</u></u>	<u><u>262,512</u></u>

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

	Agricultural machinery <i>RMB'000</i>	Power machinery <i>RMB'000</i>	Other machinery <i>RMB'000</i>	Financial operation <i>RMB'000</i>	Unallocated adjustments/ eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue:</b>						
Third party	5,597,397	734,834	312,955	45,527	—	6,690,713
Intersegment revenue	<u>630,569</u>	<u>427,448</u>	<u>24,661</u>	<u>13,538</u>	<u>(1,096,216)</u>	<u>—</u>
Total	<u><u>6,227,966</u></u>	<u><u>1,162,282</u></u>	<u><u>337,616</u></u>	<u><u>59,065</u></u>	<u><u>(1,096,216)</u></u>	<u><u>6,690,713</u></u>
<b>Result:</b>						
Profit before income tax	<u>250,304</u>	<u>58,537</u>	<u>2,867</u>	<u>35,441</u>	<u>11,310</u>	<u>358,459</u>

The following table presents segment assets of the Group's operating segments as at 30 June 2013 and 31 December 2012:

	Agricultural machinery <i>RMB'000</i>	Power machinery <i>RMB'000</i>	Other machinery <i>RMB'000</i>	Financial operation <i>RMB'000</i>	Unallocated adjustments/ eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets:</b>						
At 30 June 2013 (Unaudited)	<u><u>8,217,401</u></u>	<u><u>2,021,136</u></u>	<u><u>434,993</u></u>	<u><u>2,034,699</u></u>	<u><u>(504,418)</u></u>	<u><u>12,203,811</u></u>
At 31 December 2012 (Unaudited and restated)	<u><u>7,466,877</u></u>	<u><u>1,599,775</u></u>	<u><u>399,856</u></u>	<u><u>2,985,108</u></u>	<u><u>(1,113,596)</u></u>	<u><u>11,338,020</u></u>

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>RMB'000</b>	<b>RMB'000</b>
EBITDA	<b>383,690</b>	443,879
Depreciation		
— Property, plant and equipment	<b>(107,517)</b>	(86,092)
— Investment properties	<b>(676)</b>	(675)
Amortisation of prepaid operating leases	<b>(10,220)</b>	(9,927)
Amortisation of intangible assets	—	(36)
Corporate income, net	<b>(2,035)</b>	(499)
	<hr/>	<hr/>
Operating profit	<b>263,242</b>	346,650
Interest, dividend and investment income	<b>28,228</b>	49,258
Finance costs	<b>(29,485)</b>	(37,434)
Share of profits/(losses) of associates	<b>527</b>	(15)
	<hr/>	<hr/>
<b>Profit before income tax</b>	<b><u>262,512</u></b>	<b><u>358,459</u></b>

Segment assets are summarised as below:

	<b>30 June 2013</b>	31 December 2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Segment assets as allocated by business segments	<b>11,481,581</b>	10,670,120
Unallocated assets:		
Available-for-sale financial assets	<b>157,991</b>	159,450
Deferred income tax assets	<b>70,400</b>	64,585
Financial assets at fair value through profit or loss	<b>356,465</b>	306,801
Interests in associates	<b>8,808</b>	7,810
Others	<b>128,566</b>	129,254
	<hr/>	<hr/>
<b>Total assets as per condensed consolidated statement of financial position</b>	<b><u><u>12,203,811</u></u></b>	<b><u><u>11,338,020</u></u></b>

## 5. 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 are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue</b>		
Sale of goods	<b>6,598,744</b>	6,645,354
Interest income from financial operation	<b>33,474</b>	45,359
	<hr/>	<hr/>
	<b>6,632,218</b>	6,690,713
	<hr/>	<hr/>
<b>Other income</b>		
Bank interest income	<b>2,798</b>	6,001
Dividend income from listed investments	<b>919</b>	2,022
Dividend income from unlisted investments	<b>16,122</b>	30,670
Government grants	<b>4,849</b>	2,956
Rental income	<b>—</b>	168
Others	<b>6,897</b>	8,421
	<hr/>	<hr/>
	<b>31,585</b>	50,238
	<hr/>	<hr/>

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other gains</b>		
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	<b>(349)</b>	2,736
Fair value gain on remeasurement of interests in associates	—	865
(Loss)/gain on disposal of available-for-sale financial assets, net	<b>(2,336)</b>	8,695
Gain/(loss) on disposal of financial assets at fair value through profit or loss, net	<b>11,074</b>	(1,731)
Loss on disposal of property, plant and equipment, net	<b>(601)</b>	(105)
	<u><b>7,788</b></u>	<u>10,460</u>
	<u><b>6,671,591</b></u>	<u>6,751,411</u>

## 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank and other borrowings wholly repayable within 5 years	<b>34,722</b>	45,686
Less: Interest capitalised into construction in progress	<b>(5,237)</b>	(8,252)
	<u><b>29,485</b></u>	<u>37,434</u>



## 7. PROFIT BEFORE INCOME TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of prepaid operating leases	<b>10,220</b>	9,927
Amortisation of intangible assets	—	36
Bank interest income	<b>(2,798)</b>	(6,001)
Cost of inventories sold	<b>5,649,648</b>	5,737,372
Depreciation of property, plant and equipment	<b>107,517</b>	86,092
Depreciation of investment properties	<b>676</b>	675
Dividend income from listed investments	<b>(919)</b>	(2,022)
Dividend income from unlisted investments	<b>(16,122)</b>	(30,670)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	<b>349</b>	(2,736)
Fair value gain on remeasurement of interests in associates	—	(865)
Loss/(gain) on disposal of available-for-sale financial assets, net	<b>2,336</b>	(8,695)
Minimum lease payments under operating leases of land and buildings, and plant and machinery	<b>7,546</b>	6,710
Gross rental income	<b>(8,609)</b>	(168)
Interest expenses from financial operations	<b>16,745</b>	16,054
Interest income from financial operations	<b>(33,474)</b>	(45,359)
(Gain)/loss on disposal of financial assets at fair value through profit or loss, net	<b>(11,074)</b>	1,731
Loss on disposal of property, plant and equipment, net	<b>601</b>	105
Impairment loss on goodwill	<b>14,298</b>	—
(Reversal of)/provision for impairment of loan receivables, net	<b>(500)</b>	836
Provision for impairment of trade receivables, net	<b>37,563</b>	3,180
(Reversal of)/provision for impairment of other receivables, net	<b>(481)</b>	16,737
Reversal of impairment of inventories, net	<b>(9,406)</b>	(5,623)

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Current - PRC corporate income tax	<b>59,885</b>	64,025
Deferred income tax	<b>(7,368)</b>	(8,371)
	<b><u>52,517</u></b>	<b><u>55,654</u></b>

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 2013 and 2012.

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 2012: 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 2013 and 2012.

## 9. DIVIDENDS

A dividend that relates to the year ended 31 December 2012 and that amounts to RMB99,590,000 was approved in the Annual General Meeting held on 30 May 2013 which was paid on 19 July 2013.

The board of directors does not recommend payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit for the period attributable to owners of the Company of approximately RMB192,865,000 (six months ended 30 June 2012 (restated): approximately RMB261,452,000) and the weighted average of 995,900,000 (six months ended 30 June 2012: 845,900,000) ordinary shares in issue during the period.

No diluting events occurred during the two periods ended 30 June 2013 and 2012.

## 11. TRADE AND BILL RECEIVABLES

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

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

	<b>30 June 2013</b>	31 December 2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>RMB'000</b>	<b>RMB'000</b>
Within 90 days	<b>2,323,413</b>	1,521,133
91 days to 180 days	<b>716,517</b>	670,156
181 days to 365 days	<b>211,879</b>	127,980
1 to 2 years	<b>45,239</b>	15,824
Over 2 years	<b>461</b>	33
	<hr/> <b>3,297,509</b> <hr/>	<hr/> 2,335,126 <hr/>

## 12. TRADE AND BILL PAYABLES

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

	<b>30 June 2013</b>	31 December 2012
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>2,390,288</b>	1,935,462
91 days to 180 days	<b>631,676</b>	537,585
181 days to 365 days	<b>90,468</b>	110,844
1 to 2 years	<b>43,754</b>	63,570
Over 2 years	<b>58,083</b>	56,019
	<hr/> <b>3,214,269</b> <hr/> <hr/>	<hr/> 2,703,480 <hr/> <hr/>

# KEY FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

## (I) Key financial data summary

Unit: RMB0'000

Key financial data	For the Reporting Period (January to June)	For the corresponding period of the previous Year		(%)Year-on-year increase / decrease(%)
		After Adjustment	Before Adjustment	
Operating revenue (Note)	659,874.39	664,535.44	625,578.91	-0.70
Net profit attributable to shareholders of the Company	19,286.57	26,145.18	28,642.07	-26.23
Net profit attributable to shareholders of the Company after non-recurring items	17,879.52	22,189.15	27,177.87	-19.42
Net cash flows from operating activities	-75,996.55	-4,399.42	422.55	N/A

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

	As at 30 June 2013	As at 31 December 2012		Increase/ Decrease as at the end of the Reporting Period compared with the end of last year (%)
		After adjustment	Before adjustment	
Net assets attributable to shareholders of the Company	440,060.66	443,048.76	436,639.72	-0.67
Total assets	1,186,932.39	1,098,837.29	1,073,186.72	8.02

(II) Major financial indicators

Major financial indicators	Reporting Period (January-June)	Corresponding period of the previous year		Year-on-year Increase / decrease (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	0.1937	0.3091	0.3386	-37.33
Diluted earnings per share (RMB/share)	0.1937	0.3091	0.3386	-37.33
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.1795	0.2623	0.3213	-31.57
Weighted average return on net assets (%)	4.35	7.22	8.07	Decreased by 2.87 percentage points
Weighted average return on net assets after deduction of non-recurring items (%)	4.03	6.12	7.83	Decreased by 2.09 percentage points

**DIFFERENCES BETWEEN THE PRC ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS**

*Unit: RMB0,000*

	Net profit	Net assets attributable to shareholders of the Company		
		For the reporting period	For the previous reporting period	As at the end of the reporting period
Under PRC Accounting Standards	19,286.57	26,145.18	440,060.66	443,048.76
Items and amounts adjusted under Hong Kong Financial Reporting Standards:				
Under Hong Kong Financial Reporting Standards	19,286.57	26,145.18	440,060.66	443,048.76

## NON-RECURRING ITEMS AND AMOUNTS

*Unit: RMB 0,000*

<b>Non-recurring Items</b>	<b>Amounts</b>
Gain/loss from disposal of non-current assets	-60.09
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)	484.88
Net profit from the beginning of the reporting period to the acquisition date attributable to the subsidiaries acquired through business combination under common control	29.46
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	1,136.55
Other gains/losses which fall within the definition of non-recurring item	369.54
Effect of minority interests	-115.00
Effect of income tax	-438.29
Total	<u><u>1,407.05</u></u>

## **THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATION AND BUSINESS FOR THE REPORTING PERIOD**

The economic situation of the PRC and the globe remained complex in the first half of 2013. Despite steady performance of the PRC's economy, the agricultural machinery industry was impacted by factors such as the adjustments to subsidy policy for purchasing agricultural machinery and widened implementation of the full-payment policy for purchase of agricultural machinery, which in turn resulted in a varied sales situation among different types of products. In January to June 2013, the hi-powered and mid-powered tractors industry sold 237,200 units, which represented an 11.95% year-on-year increase.

Faced with a complex macro-economic situation and an increasingly competitive market, the Company seized opportunities, adopted flexible approaches and stepped up marketing for marketable products in the first half of this year, drawing on an understanding of actual market demand and market competition dynamics in different regions. The Company's leading products enjoyed a steady footing in the market, owing to their improved market competitiveness. Meanwhile, the Company tightened up cost control and administration and pressed ahead with initiatives like cost optimization projects, thereby enhancing the products' profitability by increasing the consolidated gross profit margin by 0.38 percentage point.

In the first half of the year, the Company sold 55,500 units of hi-powered and mid-powered tractors, representing a year-on-year increase of 5.39%, still maintaining its first place in the industry. 104,900 units of diesel engines were sold, representing a year-on-year increase of 14.14%; of which external sales accounted for 66,500 units, representing a year-on-year increase of 4.89%. 52 units of mining trucks were sold, representing a significant year-on-year decrease from the same period of last year, mainly due to the sluggish coal industry in the first half of this year. The Company has timely adjusted its operation strategies to control relevant business risks.



The government's preferential policy to support and benefit agriculture remains stable in 2013. The full-year subsidies for purchasing agricultural machinery amounted to RMB21.75 billion, slightly higher than last year. But there still exists certain diversion of subsidies toward weak links in agricultural mechanization operations, therefore the market environment faced by the Company will remain difficult in the second half of the year.

In the second half of the year, the Company will continue to step up efforts for adjustment of product mix, speed up the commercialization process of the powershift transmission-series tractors to lay a foundation for future development; steadily expand the utilization of financial instruments such as buyer credit in sales terminals to relieve users' capital pressure with the implementation of the full-payment policy for purchase of agricultural machines; refine channel management by taking full advantage of various marketing approaches to strengthen the PRC market expansion. In respect of international business, the Company will implement in a meticulous manner the plan for venturing into key international markets, implement export products quality improvement and special R&D programs, and continuously enhance the competitiveness of the Company's products in the international market. The Company will strive to accomplish its annual operational objectives by taking various effective measures and improving the quality of economic operation.

## ANALYSIS OF OPERATING RESULTS

### 1. PRINCIPAL BUSINESS BY SEGMENT

	Operating revenue			Profit before tax		
	As at 30 June 2013 (RMB'000)	As at 30 June 2012 (RMB'000)	Year-on-year change (%)	As at 30 June 2013 (RMB'000)	As at 30 June 2012 (RMB'000)	Year-on-year change (%)
By segment						
Agricultural						
machinery business	5,937,091	6,227,966	-4.7	174,467	250,304	-30.3
Power machinery business	1,268,170	1,162,282	9.1	63,910	58,537	9.2
Other machinery business	102,099	337,616	-69.8	-9,546	2,867	N/A
Financial business	52,392	59,065	-11.3	36,447	35,441	2.8
Unallocated and eliminations	-727,534	-1,096,216	-33.6	-2,766	11,310	N/A
<b>Total</b>	<b>6,632,218</b>	<b>6,690,713</b>	<b>-0.9</b>	<b>262,512</b>	<b>358,459</b>	<b>-26.8</b>

Under the impact of the overall economic slowdown in the PRC, the agricultural machinery market started to decelerate after years of fast growth, leading to a year-on-year decline in operating revenue and pre-tax profit of the agricultural machinery business. Operating revenue and pre-tax profit of the power machinery business increased year-on-year with a rise in product sales while both the operating revenue and total profit of other machinery business fell significantly due to a sharp drop in sales of mining trucks.

## 2. **PRINCIPAL BUSINESS BY GEOGRAPHICAL REGIONS**

*Unit: RMB'000*

<b>Region</b>	<b>Operating Revenue (RMB)*</b>	<b>Year-on-year increase/ decrease (%)</b>
Within PRC	6,316,472	-0.17
Outside PRC	254,110	-18.49
Total	<u>6,570,582</u>	<u>-1.03</u>

\*: prepared in accordance with the PRC Accounting Standards

## 3. **GROSS PROFIT AND GROSS PROFIT MARGIN**

During the Reporting Period, the gross profit of the Group was RMB956,299,000, representing a year-on-year increase of RMB24,634,000. As affected by 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 14.42%, representing a year-on-year increase of 0.5 percentage point.

## 4. **OTHER INCOME AND GAINS**

During the Reporting Period, the Group's other income and gains amounted to RMB39,373,000, representing a year-on-year decrease of RMB21,325,000, mainly because there was gain on disposal of equity interests in Sichuan Southwest Stainless Steel Co., Ltd. in the corresponding period.

## **5. EXPENSES DURING THE REPORTING PERIOD**

- (1) The Group's selling expenses for the Reporting Period amounted to RMB228,543,000, representing a year-on-year increase of RMB34,454,000 or 17.75% which was mainly attributable to the enhancement of brand building, the improvement of after-sales services and expenses on newly-acquired companies.
- (2) The Group's administrative expenses for the Reporting Period was RMB415,948,000, representing a year-on-year increase of RMB35,586,000 or 9.36%, which was mainly attributable to the increase in provision for depreciation of fixed assets and in employee remuneration.
- (3) The Group's finance costs for the Reporting Period amounted to RMB29,485,000, representing a year-on-year decrease of RMB7,949,000, which was mainly due to the adjustment of loans structure and the year-on-year decrease in the lending interest rate.
- (4) The Group's other expenses for the Reporting Period amounted to RMB59,711,000, representing a year-on-year increase of RMB37,707,000 or 171.36%, which was mainly attributable to the increase in provision for bad debts and goodwill impairment of the newly-acquired Changtuo Company.

## **6. INCOME TAX**

During the Reporting Period, the Group's income tax expenses amounted to RMB52,517,000, representing a year-on-year decrease of RMB3,137,000. 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, YTO Flag is entitled to 15% preferential income tax rate for new and high tech enterprises from 2013 to 2015, whereas the Company, and YTO Diesel, Tractors Research Company and Luoyang Xiyuan Vehicles and Power Inspection Institute Co., Ltd (洛陽西苑車輛與動力檢驗所有限公司) (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.

## 7. OTHER COMPREHENSIVE EXPENSES

During the Reporting Period, the Group's other comprehensive expenses amounted to RMB16,786,000, mainly due to the effect of translation differences in foreign currency-denominated statements and of fair value movements of available-for-sale financial assets.

## 8. ASSETS AND LIABILITIES

Items	As at 30 June 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Increase/ Decrease (RMB'000)	Percentage change (%)
Trade and bill receivables	3,297,509	2,335,126	962,383	41.2
Including: Trade receivables	2,187,703	1,019,639	1,168,064	114.6
Bill receivables	1,109,806	1,315,487	-205,681	-15.6
Inventories	1,241,730	1,469,866	-228,136	-15.5
Available-for-sale financial asset	157,991	159,450	-1,459	-0.9
Held-to-maturity investment	128,210	52,090	76,120	146.1
Interests in associates	8,808	7,810	998	12.8
Trade and bill payables	3,214,269	2,703,480	510,789	18.9
Including: Trade payables	2,485,426	2,126,605	358,821	16.9
Bill payables	728,843	576,875	151,968	26.3
Borrowings	2,050,120	1,068,741	981,379	91.8
Including: Short-term borrowings	179,030	451,241	-272,211	-60.3
Corporate bonds	1,488,700	—	1,488,700	—
Long-term borrowings	382,390	617,500	-235,110	-38.1

### (1) Trade and bill receivables:

As at 30 June 2013, the trade and bill receivables of the Group increased by 41.2% as compared with that at the beginning of the Reporting Period. Among this, trade receivables increased by 114.6% as compared with that at the beginning of the Reporting Period, representing a year-on-year increase of 7% or RMB14,733,000. This was due to the not yet collected trade receivables and deferred payment of the State's subsidy on agricultural machinery purchasing.

## **(2) Inventories**

As at 30 June 2013, the inventories of the Group decreased by RMB228,136,000 as compared with that at the beginning of the Reporting Period, mainly as a result of the utilization of the stocked inventories formed at the beginning of this year.

## **(3) Held-to-maturity investment**

As at 30 June 2013, the Group's held-to-maturity investment increased by RMB76,120,000 over the beginning of the Reporting Period, which mainly represented the short-term wealth management products purchased during the Reporting Period.

## **(4) Trade and bill payables**

As at 30 June 2013, the Group's trade and bill payables increased by RMB510,789,000 as compared with that at the beginning of the Reporting Period, of which the increase in trade payables was RMB358,821,000, mainly due to the enhanced seasonality of the Company's production and further strengthened control over external payment through active utilization of financial leverage by the Company on the condition that production and operation should not be affected. The bills payables increased by RMB151,967,000, which was mainly because the Group used more bills so as to take full advantage of bills settlement.

## **(5) Borrowings**

As at 30 June 2013, the borrowings of the Group amounted to RMB2,050,120,000, increased by RMB981,379,000 as compared with that at the beginning of the year. This was attributed to the Company's aim to ensure a healthy and stable capital structure, the issue of corporate bonds, the adjustment of the loan structure, and the lowering of the loan interest rates.

## 9. FINANCIAL RATIOS

Items	Basis of calculation	As at 30 June 2013	As at 31 December 2012
Gearing ratio	Total liabilities/ Total assets x 100%	57.8%	56.3%
Current ratio	Current assets/ Current liabilities	1.68	1.38
Quick ratio	(Current assets-Inventories)/ Current liabilities	1.43	1.11
Debt equity ratio	Total liabilities/ Shareholders' equity <sup>(Note)</sup> x 100%	160.3%	144.1%

*Note:* Shareholders' equity excludes non-controlling interest.

## 10. PLEDGE OF ASSETS

As at 30 June 2013, the Group's deposits of RMB215,248,000 (31 December 2012 (restated): RMB142,693,000) and bill receivables of RMB243,414,000 (31 December 2012 (restated): RMB147,378,000) were respectively pledged to secure the Group's bill payables of RMB728,842,000.

As at 30 June 2013, a subsidiary's property, plant and equipment with an aggregate net book value of RMB70,451,000 (31 December 2012: nil) and land use rights with an aggregate net book value of RMB19,136,000 (31 December 2012: nil) were pledged to secure bank loans.

## 11. CONTINGENT LIABILITIES

Save for the disclosure made under the heading "Guarantees", the Company did not have any other significant contingent liabilities as at 30 June 2013.

## **12. CASH FLOW ANALYSIS**

During the Reporting Period, the Group recorded a net decrease of RMB191,163,000 in cash and cash equivalents.

Cash outflows from operating activities were RMB759,965,000, representing a year-on-year increase of RMB715,971,000. Such increase was mainly due to the volatility of the cash flows of YTO Finance which is principally engaged in financial businesses. During the Reporting Period, the cash outflows of YTO Finance amounted to RMB739,460,000, representing a year-on-year increase of RMB570,250,000.

Cash outflows from investment activities were RMB362,127,000, which was mainly due to the installment payment of acquisition of shares of YTO Flag, YTO Axle and YTO Foundry to YTO and the purchase of wealth management products during the Reporting Period.

Cash inflows from funding raising activities were RMB930,929,000, which was mainly from the corporate bonds issued by the Company in the Reporting Period.

The effect of currency exchange rate was -RMB6,986,000.

## **13. CURRENCY EXCHANGE RATE RISK**

During the Reporting Period, the fluctuation in the currency exchange rates had certain impact on the operating results of the Group as the Group's international business grew. Such risk is required to be monitored in the Group's operation in the future.

As at 30 June 2013, no deposits in foreign currency of the Group were pledged.

# ANALYSIS OF INVESTMENTS

## 1. Use of proceeds

Unit: RMB0'000

Year of fundraising	Fundraising method	Total proceeds	Total amount used in the Reporting Period	Total amount used on an accumulative basis	Total unutilized amount	The use and whereabouts of the unutilized proceeds
2012	Initial public offering	81,000	2,610.79	39,975.01	37,398.30	On the premises that the projects to be financed by the raised proceeds would not be affected, the Company used RMB77,000,000 of the idle proceeds to temporarily replenish working capital and RMB128,210,000 of the idle proceeds for cash wealth management. The remaining proceeds are deposited in the designated bank accounts of the Company or its subsidiaries.
Total	/	<u>81,000</u>	<u>2,610.79</u>	<u>39,975.01</u>	<u>37,398.30</u>	/



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

Name of companies	Registered capital	Principal activities	As at 30 June 2013		For the Reporting Period	
			Total assets (RMB0'000)	Net assets (RMB0'000)	Operating revenue (RMB0'000)	Net profit (RMB0'000)
YTO Finance	RMB500 million	Provision of financial services	243,213	64,070	5,257	3,705
YTO Diesel	USD6 million	Manufacture and sales of engines	145,318	50,647	99,422	7,552
YTO Flag	RMB50 million	Production and sale of covering parts of agricultural machineries	36,459	11,775	37,035	2,096
YTO Axle	RMB50 million	Manufacture and sales of axles and boxes for agricultural machinery	32,675	24,746	28,102	2,250
YTO France	EUR20 million	Manufacture and sales of agricultural machinery accessories	23,426	4,964	8,356	-2,075
Changtuo Company	RMB282 million	Manufacture and sales of tractors and its accessories	29,246	19,812	362.66	-2,346

## PLANS FOR DISTRIBUTION OF PROFIT OR CONVERSION OF RESERVE INTO CAPITAL

On 30 May 2013, the profit distribution proposal of the Company for the year 2012 was considered and approved at the 2012 annual general meeting of the Company, pursuant to which the Company distributes a cash dividend of RMB0.1 (tax inclusive) for every share to all shareholders on the basis of the total share capital of the Company of 995,900,000 shares. The total amount of the cash dividend was RMB99,590,000. On 19 July 2013, the Company completed the dividend distribution. The announcement on the implementation of the dividend distribution was published on China Securities Journal, Shanghai Securities News and on the website of Shanghai Stock Exchange on 8 July 2013 and published on Hong Kong Stock Exchange website on 7 July 2013.

## SIGNIFICANT EVENTS

### I. MATERIAL CONNECTED TRANSACTIONS

#### *(I) Connected transaction related to ordinary and usual operations*

*Unit: RMB0'000*

Counterparty	Relationship	Content of the connected transaction	Pricing principle	Estimated annual cap for 2013	Actual transaction amount in January to June, 2013
YTO	Controlling shareholder	purchase of goods from YTO by the Company	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	135,000	44,155
YTO	Controlling shareholder	provision of certain welfare, storage, transportation, consumption services, administrative services for retired employees etc. to the Company and its subsidiaries by YTO	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	22,600	6,865
YTO	Controlling shareholder	provision of energy and related services to the Company and its subsidiaries by YTO	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	25,000	10,898

Counterparty	Relationship	Content of the connected transaction	Pricing principle	Estimated annual cap for 2013	Actual transaction amount in January to June, 2013
YTO	Controlling shareholder	sale of goods to YTO by the Company	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	12,000	5,459
YTO	Controlling shareholder	lease of properties to the Company and its subsidiaries by YTO	Market price; if there is no comparable market price, the rent to be determined based on the annual depreciation expenses and the management fee which was not more than 5% of the net book value of the relevant premises and the relevant taxes	1,000	551
YTO	Controlling shareholder	lease of lands to the Company and its subsidiaries by YTO	Market price; if there is no comparable market price, the rent to be determined based on the annual depreciation expenses and the management fee which was not more than 5% of the net book value of the relevant premises and the relevant taxes	1,350	467
Tractors Research Company	Subsidiary of YTO	provision of technology research and development, technology consultation and other technology services by Tractors Research Company to the Company	the applicable State Price; if there is no State Price, the market price; if there is no State Price nor market price, costs plus a percentage mark-up	10,000	3,929
YTO	Controlling shareholder	provision of deposit services by YTO Finance to YTO	a. the rate prescribed by CBRC or the People's Bank of China ("PBOC"); b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	100,000	57,545
YTO	Controlling shareholder	provision of loan services by YTO Finance to YTO	a. the rate prescribed by CBRC or the PBOC; b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	64,000	56,610

Counterparty	Relationship	Content of the connected transaction	Pricing principle	Estimated annual cap for 2013	Actual transaction amount in January to June, 2013
YTO	Controlling shareholder	provision of bills acceptance services by YTO Finance to YTO	a. the rate prescribed by CBRC or the PBOC; b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	38,000	15,118
YTO	Controlling shareholder	provision of bills discounting services by YTO Finance to YTO	a. the rate prescribed by CBRC or the PBOC; b. if the above rate is not applicable, the rate charged in the same industry in the PRC for comparable transactions; c. if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by a third party in the same industry for the same or similar services	43,000	3,891

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

## (II) Connected transaction relating to external investments

### Summary of the matters

Capital contribution of RMB94,250,000 to Changtuo Company by the Company

### Inquiry index

Announcement of First Tractor Company Limited in relation to an external investment and connected transaction published on China Securities Journal, Shanghai Securities News and Shanghai Stock Exchange website on 18 February 2013 (No. Lin 2013-3) and published on Hong Kong Stock Exchange website on 8 February 2013

## II. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

### (I) Custody and contracting matters

1. Custody: The Company contributed additional capital worth RMB94.25 million to Changtuo Company based on the appraised value of its net assets as at 31 March 2012. Following the capital injection, the Company holds 33.33% of Changtuo Company's equity. As agreed between the Company and Sinomach, Sinomach entrusted the Company with the exclusive right to exercise the voting rights and the power of supervision and management held by it in proportion to its 33.33% equity interest in Changtuo Company.
2. The Company does not have contracting matter.

### (II) Guarantees

*Unit: RMB 0,000*

Total amount of the guarantees provided by the Company to external parties during the Reporting Period (excluding guarantees provided for its subsidiaries)	123,170
Total outstanding amount of the guarantees provided by the Company to external parties as at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)	58,501
Total amount of the guarantees provided by the Company to its subsidiaries during the Reporting Period	12,609.7
Total outstanding amount of the guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	7,700

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

Total amount of guarantees (A+B)	66,201
Percentage of the total amount of guarantees to the net assets of the Company (%)	16.11
Of which:	
Amount of guarantees provided by the Company for its shareholders, de facto controller and related parties (C)	300
Amount of guarantees directly or indirectly provided for parties with a gearing ratio exceeding 70% (D)	6,400
The portion of total amount of guarantee in excess of 50% of net assets (E)	0
Total amount of the above three categories of guarantees (C+D+E)	6,700

Explanation on guarantees      Before the completion of the acquisition of YTO Foundry, YTO Foundry has provided guarantee of an actual amount of RMB3,000,000 to subsidiaries of YTO. After completion, the guarantee constitutes guarantee provided to connected parties. For details, refer to Announcement of First Tractor Company Limited in relation to Equity Acquisitions and Connected Transactions published on Shanghai Stock Exchange website, China Securities Journal, Shanghai Securities News (No. Lin 2012-22) and Hong Kong Stock Exchange website on 15 November 2012

### **III. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM**

As considered and approved by the shareholders at the 2012 annual general meeting of the Company, Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited were appointed as the PRC and international auditors of the Company respectively for the year 2013.

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

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

### **V. CORPORATE GOVERNANCE**

#### **(I) Corporate Governance**

As an A+H-share dual-listed company, the Company operated in strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and other laws and regulations of the PRC, as well as the rules and regulations of the Shanghai Stock Exchange and the Hong Kong Stock Exchange during the Reporting Period. In the first half year of 2013, the Company received affirmation and recognition from regulatory bodies, capital markets and investors, and was selected as one of the Constituent Stocks of the Corporate Governance Sector of the Shanghai Stock Exchange. With a sound corporate governance structure and a standardized operation, the Company has been able to maintain high level of corporate governance and transparency of information disclosure.

During the Reporting Period, the general meetings of the Company, the Board and its committees and the Board of Supervisors duly followed the relevant rules and regulations and performed their respective duties effectively. During the Reporting Period, two general meetings, three Board meetings, two meetings of the Audit Committee under the Board and three meetings of the Board of Supervisors were held. During the Reporting Period, the Company duly discharged its obligations in respect of information disclosure in both the PRC and Hong Kong markets in strict compliance with relevant laws and the requirements of the listing rules of both the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the relevant requirements of the Company, thereby timely fulfilling its information disclosure obligation.

During the Reporting Period, the Company continued to improve its communication mechanism for public investors. The Company organised 8 visits and held 25 telephone conferences with PRC and international institutional investors.

## **(II) Corporate Governance Code**

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



### **(III) Audit Committee**

The Audit Committee of the Company consists of 3 Directors, with majority members being independent non-executive Directors. The members of the Audit Committee under the Board are in compliance with the provisions under Rule 3.21 of the Listing Rules.

During the Reporting Period, two meetings of the Audit Committee was held, at which the committee reviewed the Company's 2012 annual report and disclosure work plan, implementation of the continuing connected transactions for 2012, internal control and self-assessment of the Group for 2012, and the appointment of auditors for 2013. The Audit Committee has fully discharged its duties.

The Audit Committee has reviewed the Group's 2013 Interim Report and agreed with the financial accounting principles, standards and methods adopted for the preparation of the Group's unaudited 2013 Interim Report for the six months ended 30 June 2013.

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

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

## **VI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS**

On 5 February 2013, the Company obtained the “Approval on Public Issue of Corporate Bonds by First Tractor Company Limited” (Zheng Jian Xu Ke [2013] No.89) from CSRC, which approved the public issue of corporate bonds with face value of no more than RMB1.5 billion by the Company. The corporate bonds will be issued in tranches (for details, please refer to the announcement (Lin No. 2013-02) published by the Company on the website of the Shanghai Stock Exchange and on the China Securities Journal and Shanghai Securities News on 7 February 2013).

On 6 March 2013, the Company completed the issue of the 2012 first tranche of corporate bonds with an aggregate principal amount of RMB800 million and a maturity of five years, and attaching options for the issuer to increase the coupon rate at the end of the third year and for the holders to sell back the corporate bonds. The coupon rate of the corporate bonds is a fixed rate of 4.8%. The net proceeds, after deducting the issue related expenses, amounted to RMB794,550,000 (for details, please refer to the Announcement on the Issue of Corporate Bonds (First Tranche) of 2012, Announcement on the Coupon Rate of Corporate Bonds (First Tranche) of 2012, Announcement on the Results of the Issue of Corporate Bonds (First Tranche) of 2012 and Announcement on the Listing of Corporate Bonds (First Tranche) of 2012 Issued through Public Offering published by the Company on the website of the Shanghai Stock Exchange and on the China Securities Journal and Shanghai Securities News on 28 February 2013, 4 March 2013, 7 March 2013 and 2 April 2013 respectively).

On 3 June 2013, the Company completed the issue of the 2012 second tranche of corporate bonds with an aggregate principal amount of RMB700 million and a maturity of five years, and attaching options for the issuer to increase the coupon rate at the end of the third year and for the holders to sell back the corporate bonds. The coupon rate of the corporate bonds is a fixed rate of 4.5%. The net proceeds, after deducting the issue related expenses, amounted to RMB695,100,000 (for details, please refer to the Announcement on the Issue of Corporate Bonds (Second Tranche) of 2012, Announcement on the Coupon Rate of Corporate Bonds (Second Tranche) of 2012, Announcement on the Results of the Issue of Corporate Bonds (Second Tranche) of 2012 and Announcement on the Listing of Corporate Bonds (Second Tranche) of 2012 Issued through Public Offering published by the Company on the website of the Shanghai Stock Exchange and on the China Securities Journal and Shanghai Securities News on 28 May 2013, 30 May 2013, 4 June 2013 and 25 June 2013 respectively).

# CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

## I. CHANGES IN SHARES

During the Reporting Period, there was no change in the total number of shares, the share capital structure, or shares subject to selling restrictions of the Company.

## II. INFORMATION ON SHAREHOLDERS

### (I) Number of shareholders and their shareholdings

**Total number of shareholders as at the end of the Reporting Period** 29,908 shareholders (including 29,510 shareholders holding A shares and 398 shareholders holding H shares)

### (II) Shareholdings of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding Percentage (%)	Number of shares held at the end of the reporting period	Increase/decrease during the reporting period	Number of shares held subject to selling restrictions	Number of shares pledged or frozen
YTO	State-owned legal-person shares	44.57	443,910,000.00	0	443,910,000.00	0
HKSCC Nominees Limited	Holder of H shares	39.99	398,301,398	-84,000	0	unknown
Wang Baohua (王保華)	Domestic natural person	0.24	2,438,614	0	0	unknown
Pan Dutong (潘督童)	Domestic natural person	0.18	1,810,255	1,810,255	0	unknown
Zheng Yuecun (鄭嶽存)	Domestic natural person	0.15	1,522,599	609,399	0	unknown
Wang Xuezhu (王雪竹)	Domestic natural person	0.15	1,512,400	0	0	unknown

Name of shareholder	Nature of shareholder	Shareholding Percentage (%)	Number of shares held at the end of the reporting period	Increase/decrease during the reporting period	Number of shares held subject to selling restrictions	Number of shares pledged or frozen
Wang Rongfang (王榮方)	Domestic natural person	0.12	1,198,000	448,000	0	unknown
Wu Xiaoxian (吳小仙)	Domestic natural person	0.10	1,012,619	1,012,619	0	unknown
Liu Lingmei (劉玲梅)	Domestic natural person	0.10	988,000	188,000	0	unknown
Wang Zhendong (王振東)	Domestic natural person	0.10	978,007	978,007	0	unknown

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

Name of shareholders	Number of shares held not subject to selling restrictions	Share type
HKSCC Nominees Limited	398,301,398	H shares
Wang Baohua (王保華)	2,438,614	A shares
Pan Dutong (潘督童)	1,810,255	A shares
Zheng Yuecun (鄭嶽存)	1,522,599	A shares
Wang Xuezu (王雪竹)	1,512,400	A shares
Wang Rongfang (王榮方)	1,198,000	A shares
Wu Xiaoxian (吳小仙)	1,012,619	A shares
Liu Lingmei (劉玲梅)	988,000	A shares
Wang Zhendong (王振東)	978,007	A shares
LIU HON NAM	726,000	H shares

Connections or parties acting in concert among the aforesaid shareholders

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

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

*Unit: share*

No.	Name of holders of shares subject to selling restrictions	Number of shares held subject to selling restrictions	Release of selling restrictions		Selling restrictions
			Expiry date of selling restrictions	Number of additional shares available for listing and trading	
1	YTO	443,910,000.00	8 August 2015	0	A lock-up period of 36 months after the listing

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

As at 30 June 2013, the following shareholders of the Company (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number of shares Interested <sup>1</sup>	Percentage of the relevant issued class of share capital (%)	Percentage of the total issued share capital of the Company (%)	Type of share
YTO <sup>2</sup>	Beneficial owner	443,910,000(L)	74.74(L)	44.57(L)	A share
The Capital Group Companies, Inc.	Interest in controlled corporation	36,062,000(L)	8.97(L)	3.62(L)	H share
Lazard Asset Management LLC	Interest in controlled corporation	29,132,000(L)	7.25(L)	2.93(L)	H share
JPMorgan Chase & Co.	Trustee/Beneficial owner/Investment manager	32,058,125 (L)	7.97 (L)	3.22 (L)	H share
	Trustee	26,268,700 (P)	6.53 (P)	2.64 (P)	H share
Neuberger Berman LLC <sup>3</sup>	Interest in controlled corporation	27,509,158 (L)	6.84 (L)	2.76 (L)	H share

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

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

Note 3: Neuberger Berman Group LLC holds the entire share capital of Neuberger Berman Holdings LLC, and Neuberger Berman Holdings LLC holds the entire share capital of Neuberger Berman LLC. Neuberger Berman Group LLC and Neuberger Berman Holdings LLC are both deemed to have the same interest (i.e. 27,509,158 H shares) in the Company as those owned by Neuberger Berman LLC by virtue of the SFO.

Save as disclosed above, there are no other persons who, as at 30 June 2013, 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 date hereof.

### **III. CHANGES IN CONTROLLING SHAREHOLDER OR ULTIMATE CONTROLLER**

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

### **IV. 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 SENIOR MANAGEMENT**

### **I. CHANGE IN SHAREHOLDINGS**

As at the end of the Reporting Period, Mr. Wu Tak Lung, an independent non-executive Director of the Company, held 10,000 H shares of the Company, which was purchased by Mr. Wu before he became an independent non-executive Director of the Company on 20 December 2012. During the Reporting Period, Mr. Wu did not increase and/or decrease the shares he held in the Company, with no change in his shareholding. Save as disclosed above, none of the Directors, Supervisors and senior management members held or dealt in the shares of the Company during the Reporting Period.

### **II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS**

During the Reporting Period, there was no change in Directors, Supervisors or senior management members of the Company.

## DEFINITIONS

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

A Share	means	ordinary shares as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on domestic stock exchanges, denominated, subscribed for and traded in RMB
agricultural machinery	means	various machinery used in the crop farming and animal husbandry, and the primary processing of agricultural and animal products
CBRC	means	China Banking Regulatory Commission
Changtuo Company	means	Changtuo Agricultural Machinery Equipment Group Company Limited(長拖農業機械裝備集團有限公司)
Company	means	First Tractor Company Limited
crawler tractor	means	a tractor that moves on continuous belts of metal plates
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 Hong Kong Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars



hi-powered wheeled tractor	means	wheeled tractor with a power of 70 horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	means	the Stock Exchange of Hong Kong Limited
Listing Rules	means	the Rules Governing the Listing of Securities on the Stock Exchange
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 trucks used for transportation of earth and rocks from mining construction
non-road diesel engine	means	diesel engines used for non-road machinery such as construction machinery and agricultural machinery
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
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
Sinomach	means	China National Machinery Industry Corporation (中國機械工業集團有限公司)

subsidiary	means	A company held as to more than 50% by the Company or a company that the Company has de facto control under an agreement
Tractors Research Company	means	Luoyang Tractors Research Institute Co., Ltd (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Axle	means	YTO (Luoyang) Drive Axle Company Limited (一拖(洛陽)車橋有限公司), a wholly owned subsidiary of the Company
YTO Diesel	means	YTO (Luoyang) Diesel Engine Co., Ltd (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	means	YTO Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company
YTO Flag	means	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly owned subsidiary of the Company
YTO Foundry	means	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), a wholly owned subsidiary of the Company
YTO France	means	YTO France SAS, a wholly owned subsidiary of the Company

YTO Injection Pump	means	YTO (Luoyang) Fuel Injection Pump Co., Ltd (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company
YTO International	means	YTO International Ltd. (一拖國際經濟貿易有限公司), a wholly owned subsidiary of the Company
YTO Kintra	means	YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd.(一拖(洛陽)開創裝備科技有限公司)

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

Luoyang, the PRC  
20 August 2013

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

\* *For identification purposes only*