

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 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 Company (the “**Audit Committee**”).

The Board does not recommend payment of interim dividend for the six months ended 30 June 2013.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Note	For the six months ended 30 June	
		2013 (Unaudited) RMB'000	2012 (Unaudited) and restated RMB'000
Revenue	6, 7	6,632,218	6,690,713
Cost of sales		(5,675,919)	(5,759,048)
Gross profit		956,299	931,665
Other income and gains	7	39,373	60,698
Selling and distribution costs		(228,543)	(194,089)
Administrative expenses		(415,948)	(380,362)
Other operating expenses, net		(59,711)	(22,004)
Finance costs	8	(29,485)	(37,434)
Share of profits/(losses) of associates		527	(15)
Profit before income tax	6, 9	262,512	358,459
Income tax expense	10	(52,517)	(55,654)
Profit for the period		209,995	302,805



CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2013

	Note	For the six months ended 30 June	
		2013 (Unaudited) RMB'000	2012 (Unaudited) and restated RMB'000
Profit attributable to:			
Owners of the Company		192,865	261,452
Non-controlling interests		17,130	41,353
		209,995	302,805
Dividends	11	—	—
Earnings per share attributable to owners of the Company			
Basic and diluted	12	RMB19.37 cents	RMB30.91 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 2013

	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) and restated) RMB'000
Profit for the period	209,995	302,805
Other comprehensive expenses		
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	(6,958)	(32)
Other comprehensive expense for the period, net of tax	(16,786)	(6,878)
Total comprehensive income for the period	193,209	295,927
Attributable to:		
Owners of the Company	177,717	254,737
Non-controlling interests	15,492	41,190
Total comprehensive income for the period	193,209	295,927

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013 (Unaudited) <i>RMB'000</i>	31 December 2012 (Unaudited and restated) <i>RMB'000</i>
	Note		
Non-current assets			
Property, plant and equipment	13	2,789,068	2,558,568
Investment properties		31,835	32,511
Prepaid operating leases	14	792,680	757,715
Intangible assets		63,547	63,685
Interests in associates		8,808	7,810
Available-for-sale financial assets		157,991	159,450
Loan receivables	15	10,214	45,653
Deferred income tax assets		70,400	64,585
		<hr/>	<hr/>
Total non-current assets		3,924,543	3,689,977
Current assets			
Inventories		1,241,730	1,469,866
Trade and bill receivables	16	3,297,509	2,335,126
Loan receivables	15	797,897	748,078
Prepayments, deposits and other receivables	17	752,561	758,964
Income tax recoverable		2,894	8,621
Financial assets at fair value through profit or loss		356,465	306,801
Held-to-maturity financial assets		128,210	52,090
Pledged bank deposits	18	215,248	142,693
Cash and cash equivalents	18	1,486,754	1,825,804
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Total current assets		8,279,268	7,648,043

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013

		30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
	Note		
Current liabilities			
Trade and bill payables	19	3,214,269	2,703,480
Other payables and accruals	20	880,362	907,571
Customer deposits	21	591,001	1,046,641
Placements from banks and non-bank financial institutions		—	360,000
Borrowings	22	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/>
Net current assets		3,345,901	2,091,606
		<hr/>	<hr/>
Total assets less current liabilities		7,270,444	5,781,583
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	22	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/>
Net assets		5,151,692	4,955,974
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

As at 30 June 2013

	30 June 2013 (Unaudited) <i>RMB'000</i>	31 December 2012 (Unaudited and restated) <i>RMB'000</i>
<i>Note</i>		
Equity		
Attributable to owners of the Company		
Share capital	995,900	995,900
Reserves	3,404,706	3,334,996
Proposed final dividend	—	99,590
	4,400,606	4,430,486
Non-controlling interests	751,086	525,488
Total equity	5,151,692	4,955,974

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 2013

Note	Unaudited and restated												
	Attributable to owners of the Company												Total equity
	Issued capital	Share premium	Capital reserve	Statutory surplus reserve	General surplus reserve	General and statutory fund	Available-for-sale financial assets	Exchange reserve	Retained earnings	Proposed dividend	Total	Non-controlling interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2012													
As previously reported	845,900	1,539,938	(80,102)	195,038	64,744	6,291	521	(25,434)	867,673	–	3,414,569	537,889	3,952,468
Business combination under common control	–	–	115,918	–	–	–	–	–	(78,083)	–	37,855	–	37,835
As restated	845,900	1,539,938	35,816	195,038	64,744	6,291	521	(25,434)	789,590	–	3,452,404	537,889	3,990,303
Comprehensive income													
Profit for the period	–	–	–	–	–	–	–	–	261,452	–	261,452	41,353	302,805
Other comprehensive income/(expense)													
Currency translation differences	–	–	–	–	–	–	–	(6,720)	–	–	(6,720)	(126)	(6,846)
Fair value gain/(loss) on available-for-sale financial assets, net of tax	–	–	–	–	–	–	5	–	–	–	5	(37)	(32)
Total other comprehensive income/(expense), net of tax	–	–	–	–	–	–	5	(6,720)	–	–	(6,715)	(163)	(6,878)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	5	(6,720)	261,452	–	254,737	41,190	295,927
Contributions by and distributions to owners of the Company, recognised directly in equity													
Acquisition of additional interests in subsidiaries	24	–	(2,982)	–	–	–	–	–	–	–	(2,982)	2,982	–
Capital injection from former shareholders of a subsidiary related to business combination under common control	–	–	50,000	–	–	–	–	–	–	–	50,000	–	50,000
Contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,400	15,400
Dividends paid to former shareholders of a subsidiary related to business combination under common control	–	–	–	–	–	–	–	–	(21,860)	–	(21,860)	–	(21,860)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(26,534)	(26,534)
Total contributions by and distribution to owners of the Company, recognised directly in equity	–	–	47,018	–	–	–	–	–	(21,860)	–	25,158	(8,152)	17,006
Balance at 30 June 2012	845,900	1,539,938*	82,834*	195,038*	64,744*	6,291*	526*	(32,154)*	1,029,182*	–	3,732,299	570,937	4,303,236



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2013

Note	Unaudited												
	Attributable to owners of the Company											Non-controlling interests	
	Issued capital	Share premium	Capital reserve	Statutory surplus reserve	General surplus reserve	General and statutory fund	Available for sale financial assets			Retained earnings	Proposed dividend		Total
							Reserve	Reserve	Reserve				
RMB'000							RMB'000	RMB'000	RMB'000				
Balance at 1 January 2013													
As previously reported	995,900	2,163,671	(92,470)	238,134	64,744	6,570	3,197	(27,444)	914,504	99,590	4,366,396	525,488	4,891,684
Business combination under common control	-	-	165,918	-	-	-	-	-	(101,828)	-	64,090	-	64,090
As restated	995,900	2,163,671	73,448	238,134	64,744	6,570	3,197	(27,444)	812,676	99,590	4,430,486	525,488	4,955,974
Profit for the period	-	-	-	-	-	-	-	-	192,865	-	192,865	17,130	209,995
Other comprehensive expense													
Currency translation differences	-	-	-	-	-	-	-	(8,223)	-	-	(8,223)	(1,605)	(9,828)
Fair value loss on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(6,925)	-	-	-	(6,925)	(33)	(6,958)
Total other comprehensive expense, net of tax	-	-	-	-	-	-	(6,925)	(8,223)	-	-	(15,148)	(1,638)	(16,786)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(6,925)	(8,223)	192,865	-	177,717	15,492	193,209
Contributions by and distributions to owners of the Company, recognised directly in equity													
Acquisition of a subsidiary	25	-	-	-	-	-	-	-	-	-	-	159,904	159,904
Acquisition of additional interest in a subsidiary	24	-	(3,529)	-	-	-	-	-	-	-	(3,529)	(488)	(4,027)
Business combination under common control	23	-	(104,478)	-	-	-	-	-	-	-	(104,478)	-	(104,478)
Contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	50,960	50,960
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(260)	(260)
Final 2012 dividend declared	-	-	-	-	-	-	-	-	(99,590)	(99,590)	-	-	(99,590)
Total contributions by and distribution to owners of the Company, recognised directly in equity	-	-	(108,007)	-	-	-	-	-	(99,590)	(207,597)	210,106	2,509	2,509
Balance at 30 June 2013	995,900	2,163,671*	(34,559)*	238,134*	64,744*	6,570*	(3,729)*	(35,667)*	1,005,541*	-	4,400,606	751,086	5,151,692

* These reserve accounts comprise the condensed consolidated reserves of approximately RMB3,404,706,000 (six months ended 30 June 2012 (restated): approximately RMB2,886,399,000).

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 2013

	For the six months ended 30 June	
	2013 (Unaudited) <i>RMB'000</i>	2012 (Unaudited) and restated <i>RMB'000</i>
Cash flows used in operating activities - net	(759,965)	(43,994)
Cash flows used in investing activities - net	(362,127)	(261,741)
Cash flows generated from financing activities - net	930,929	110,662
Net decrease in cash and cash equivalents	(191,163)	(195,073)
Cash and cash equivalents at beginning of period	1,811,501	1,456,708
Effect of exchange rate changes, net	(6,986)	(1,046)
Cash and cash equivalents at end of period	1,613,352	1,260,589
Analysis of cash and cash equivalents		
Cash and bank balances	1,613,352	1,260,589

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2013

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, bills 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.

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

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

30 June 2013

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. The impact of the restatements is set out below in Note 23.



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

30 June 2013

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 HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of and Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement

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

30 June 2013

3. ACCOUNTING POLICIES (Continued)

**(a) New and amended standards adopted by the Group
(Continued)**

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

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

² *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 2013

4. FAIR VALUE ESTIMATION

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 30 June 2013.

	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
Assets				
Financial assets at fair value through profit or loss	8,465	—	348,000	356,465
Available-for-sale financial assets	66,474	—	91,517	157,991
Total assets	74,939	—	439,517	514,456

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

30 June 2013

4. FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2012.

	Level 1 (Unaudited and restated) RMB'000	Level 2 (Unaudited and restated) RMB'000	Level 3 (Unaudited and restated) RMB'000	Total (Unaudited and restated) RMB'000
Assets				
Financial assets				
at fair value through profit or loss	86,801	—	220,000	306,801
Available-for-sale financial assets	78,426	—	81,024	159,450
Total assets	165,227	—	301,024	466,251

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The instruments are included in level 1. Instruments included in level 1 comprise primarily Hang Seng Index, SSE Composite Index and SZSE Component Index listed equity investments (classified as financial assets at fair value through profit or loss or available-for-sale financial assets).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

4. FAIR VALUE ESTIMATION (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data (if it is available) and rely as little as possible on entity specific estimates. If all significant inputs required to fair value instruments are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

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

30 June 2013

4. FAIR VALUE ESTIMATION (Continued)

The movements in level 3 instruments at the period ended 30 June 2013 are as follows:

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Available-for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance (Unaudited and restated)	220,000	81,024	301,024
Additions	279,000	10,493	289,493
Disposals	(151,000)	—	(151,000)
Closing balance (Unaudited)	348,000	91,517	439,517
Total gains for the period including in profit or loss for assets held at the end of the reporting period	13,214	—	13,214



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

30 June 2013

4. FAIR VALUE ESTIMATION (*Continued*)

The movements in level 3 instruments at the year ended 31 December 2012 are as follows:

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Available-for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance			
(Unaudited and restated)	11,470	103,404	114,874
Additions	220,000	980	220,980
Disposals	(11,470)	(23,360)	(34,830)
	<u> </u>	<u> </u>	<u> </u>
Closing balance			
(Unaudited and restated)	220,000	81,024	301,024
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
Total gains for the year including in profit or loss for assets held at the end of the reporting period	12,854	10,598	23,452
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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

30 June 2013

5. 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 2012.

6. 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, bills discounting, bills acceptance and deposit-taking services.



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

30 June 2013

6. 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.

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:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

6. SEGMENT INFORMATION (Continued)

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

	Agricultural machinery <i>RMB'000</i>	Power machinery <i>RMB'000</i>	Other machinery <i>RMB'000</i>	Financial operations <i>RMB'000</i>	Unallocated adjustments/ eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue:						
Third party	5,655,761	851,265	91,718	33,474	—	6,632,218
Intersegment revenue	281,330	416,905	10,381	18,918	(727,534)	—
Total	<u>5,937,091</u>	<u>1,268,170</u>	<u>102,099</u>	<u>52,392</u>	<u>(727,534)</u>	<u>6,632,218</u>
Result:						
Profit/(loss) before income tax	<u>174,467</u>	<u>63,910</u>	<u>(9,546)</u>	<u>36,447</u>	<u>(2,766)</u>	<u>262,512</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 operations <i>RMB'000</i>	Unallocated adjustments/ eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue:						
Third party	5,597,397	734,834	312,955	45,527	—	6,690,713
Intersegment revenue	630,569	427,448	24,661	13,538	(1,096,216)	—
Total	<u>6,227,966</u>	<u>1,162,282</u>	<u>337,616</u>	<u>59,065</u>	<u>(1,096,216)</u>	<u>6,690,713</u>
Result:						
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>



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

30 June 2013

6. SEGMENT INFORMATION (*Continued*)

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 operations <i>RMB'000</i>	Unallocated adjustments/ eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets:						
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>

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

30 June 2013

6. 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	
	2013 (Unaudited) RMB'000	2012 (Unaudited and restated) RMB'000
EBITDA	383,690	443,879
Depreciation		
— Property, plant and equipment	(107,517)	(86,092)
— Investment properties	(676)	(675)
Amortisation of prepaid operating leases	(10,220)	(9,927)
Amortisation of intangible assets	—	(36)
Corporate income, net	(2,035)	(499)
Operating profit	263,242	346,650
Interest, dividend and investment income	28,228	49,258
Finance costs	(29,485)	(37,434)
Share of profits/(losses) of associates	527	(15)
Profit before income tax	262,512	358,459



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

6. SEGMENT INFORMATION (Continued)

Segment assets are summarised as below:

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

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

30 June 2013

7. 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:

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



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

30 June 2013

7. REVENUE, OTHER INCOME AND GAINS (Continued)

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

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

30 June 2013

8. FINANCE COSTS

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

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

30 June 2013

9. 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	
	2013 (Unaudited) RMB'000	2012 (Unaudited) and restated RMB'000
	<i>Note</i>	
Amortisation of prepaid operating leases	10,220	9,927
Amortisation of intangible assets	—	36
Bank interest income	(2,798)	(6,001)
Cost of inventories sold	5,649,648	5,737,372
Depreciation of property, plant and equipment	107,517	86,092
Depreciation of investment properties	676	675
Dividend income from listed investments	(919)	(2,022)
Dividend income from unlisted investments	(16,122)	(30,670)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	349	(2,736)
Fair value gain on remeasurement of interests in associates	—	(865)

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

30 June 2013

9. PROFIT BEFORE INCOME TAX (Continued)

	Note	For the six months ended 30 June	
		2013 (Unaudited) RMB'000	2012 (Unaudited) and restated) RMB'000
Loss/(gain) on disposal of available-for-sale financial assets, net		2,336	(8,695)
Minimum lease payments under operating leases of land and buildings, and plant and machinery		7,546	6,710
Gross rental income		(8,609)	(168)
Interest expenses from financial operations		16,745	16,054
Interest income from financial operations		(33,474)	(45,359)
(Gain)/loss on disposal of financial assets at fair value through profit or loss, net		(11,074)	1,731
Loss on disposal of property, plant and equipment, net		601	105
Impairment loss on goodwill	25	14,298	—
(Reversal of)/provision for impairment of loan receivables, net		(500)	836
Provision for impairment of trade receivables, net		37,563	3,180
(Reversal of)/provision for impairment of other receivables, net		(481)	16,737
Reversal of impairment of inventories, net		(9,406)	(5,623)
		=====	=====



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

30 June 2013

10. INCOME TAX EXPENSE

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

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.

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

30 June 2013

11. 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).

**12. 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.

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

30 June 2013

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired construction in progress and items of property, plant and equipment in an aggregate amount of approximately RMB154,743,000 (six months ended 30 June 2012 (restated): approximately RMB156,396,000) and disposed of items of property, plant and equipment with an aggregate net book value of approximately RMB8,268,000 (six months ended 30 June 2012 (restated): approximately RMB2,296,000) resulting in a net loss on disposal of approximately RMB601,000 (six months ended 30 June 2012 (restated): net loss approximately RMB105,000). 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 2012: Nil).

The majority of the Group's buildings are located in the PRC under medium leases term.

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

14. PREPAID OPERATING LEASES

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

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

30 June 2013

15. LOAN RECEIVABLES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
Analysis by nature:		
Loan borrowings, net	631,224	595,550
Discounted bills, net	176,887	183,464
Finance lease obligations, net	—	14,717
	808,111	793,731

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

15. LOAN RECEIVABLES (Continued)

	Note	30 June 2013			31 December 2012		
		Gross amount	Provisions	Net	Gross amount	Provisions	Net
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited and restated) RMB'000	(Unaudited and restated) RMB'000	(Unaudited and restated) RMB'000
Analysis by customer:							
Loans to the							
Holding Company	(i)	350,000	8,750	341,250	182,744	4,500	178,244
Loans to related							
companies	(ii)	229,096	5,667	223,429	327,040	8,025	319,015
Loans to customers	(iii)	246,443	3,011	243,432	301,875	5,403	296,472
		<u>825,539</u>	<u>17,428</u>	<u>808,111</u>	<u>811,659</u>	<u>17,928</u>	<u>793,731</u>
Portion classified as							
current assets		<u>(815,000)</u>	<u>(17,103)</u>	<u>(797,897)</u>	<u>(764,595)</u>	<u>(16,517)</u>	<u>(748,078)</u>
Non-current portion		<u>10,539</u>	<u>325</u>	<u>10,214</u>	<u>47,064</u>	<u>1,411</u>	<u>45,653</u>

Notes:

- (i) The loans to the Holding Company are granted by YTO Group Finance Co., Ltd. ("YTO Finance"), are unsecured, bear interest at rate 4.2% (31 December 2012: 4.2% to 4.9%) per annum and are repayable within one year (31 December 2012: 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 4.1% to 9.6% (31 December 2012: 4.5% to 6.56%) per annum and are repayable within one to two years (31 December 2012: within one year).
- (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 2013

15. 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 2013 (Unaudited) <i>RMB'000</i>	31 December 2012 (Unaudited and restated) <i>RMB'000</i>
Repayable:		
Within three months	145,795	312,172
Within one year but over three months	669,205	452,423
Within five years but over one year	10,332	46,843
Over five years	207	221
	825,539	811,659



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

30 June 2013

16. 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:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

16. TRADE AND BILL RECEIVABLES (Continued)

At 30 June 2013 and 31 December 2012, no amounts were due from the associates.

The trading balance due from the Holding Company of approximately RMB21,000 (31 December 2012: approximately RMB131,000) is unsecured, interest-free and repayable on demand.

The trading balances due from related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB133,000 (31 December 2012 (restated): approximately RMB9,251,000) are unsecured, interest-free and repayable on demand.

Bill receivables of approximately RMB243,414,000 (31 December 2012 (restated): approximately RMB147,378,000) are pledged for the issuance of bill payables. Bill receivables of approximately RMB43,103,000 (31 December 2012 (restated): approximately RMB44,672,000) are pledged as security for borrowings.

17. 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 RMB16,519,000 (31 December 2012 (restated): approximately RMB50,156,000) and RMB32,263,000 (31 December 2012 (restated): approximately RMB60,778,000), 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 2013

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
Cash and bank balances - (<i>note i</i>)	1,171,823	1,430,585
Mandatory reserve deposits with the PBOC - (<i>note ii</i>)	88,650	156,996
Time deposits	441,529	380,916
	1,702,002	1,968,497
Less: Pledged bank deposits for bill payables - (<i>note iii</i>)	(215,248)	(142,693)
Cash and cash equivalents in the condensed consolidated statement of financial position	1,486,754	1,825,804
Less: Mandatory reserve deposits with the PBOC - (<i>note ii</i>)	(88,650)	(156,996)
Add: Pledged bank deposits for the issuance of bill payables - (<i>note iii</i>)	215,248	142,693
Cash and cash equivalents in the condensed consolidated statement of cash flows	1,613,352	1,811,501

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

30 June 2013

18. 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 RMB183,651,000 (31 December 2012 (restated): approximately RMB554,405,000) and approximately RMB448,393,000 (31 December 2012: approximately RMB476,773,000), 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 bill payables, 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 2013

19. 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:

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

The bill payables amounting to approximately RMB728,842,000 (31 December 2012 (restated): approximately RMB589,967,000) are secured by the pledge of certain of the Group's bank deposits and bill receivables amounting to approximately RMB215,248,000 (31 December 2012 (restated): approximately RMB142,693,000) and approximately RMB243,414,000 (31 December 2012 (restated): approximately RMB147,378,000), respectively.

The trading balance due to the Holding Company of approximately RMB22,537,000 (31 December 2012 (restated): approximately RMB14,190,000) is unsecured, interest-free and repayable on demand.

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

30 June 2013

19. TRADE AND BILL PAYABLES (Continued)

The trading balances due to related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB12,825,000 (31 December 2012 (restated): approximately RMB15,127,000) are unsecured, interest-free and repayable on demand.

The trading balances due to associates of approximately RMB2,823,000 (31 December 2012: Nil) are unsecured, interest-free and repayable on demand.

20. OTHER PAYABLES AND ACCRUALS

Other payables include amounts due to the Holding Company and related companies (fellow subsidiaries and associates of the Holding Company) of approximately RMB92,635,000 (31 December 2012 (restated): approximately RMB132,431,000) and approximately RMB507,000 (31 December 2012 (restated): approximately RMB45,165,000), respectively.

21. CUSTOMER DEPOSITS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
Deposits from the Holding Company	171,843	582,721
Deposits from associates	178	73
Deposits from fellow subsidiaries and associates of the Holding Company	258,376	252,659
Deposits from customers	160,604	211,188
	591,001	1,046,641



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

30 June 2013

21. 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 2013 (Unaudited) <i>RMB'000</i>	31 December 2012 (Unaudited and restated) <i>RMB'000</i>
Repayable:		
On demand	319,794	828,776
Within three months	124,735	72,454
Within one year but over three months	146,472	145,411
	591,001	1,046,641

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

22. BORROWINGS

	30 June 2013 (Unaudited)			31 December 2012 (Unaudited and restated)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank borrowings						
– Secured	1.88%-7.2%	2013	112,686	1.88%	2013	44,504
– Unsecured	2.5%-5.84%	2013	66,344	2.5%-7.91%	2013	406,737
			179,030			451,241
Non-current:						
Bank borrowings						
– Unsecured	3.73%-4.92%	2014-2018	382,390	4.1%-5.75%	2014-2017	617,500
Other borrowings						
– Corporate bonds – Note(i)	4.5%-4.8%	2018	1,488,700			–
			1,871,090			617,500
			2,050,120			1,068,741
Analysed into:						
Borrowings repayable:						
Within one year on demand			179,030			451,241
Between one to two years			300,000			413,000
Between two to three years			–			167,000
Between three to five years			1,571,090			37,500
			2,050,120			1,068,741
			2,050,120			1,068,741



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

30 June 2013

22. BORROWINGS (*Continued*)

Note:

The Group issued the five-year corporate bonds to the public with an aggregate principal amount of not more than RMB1,500,000,000 ("the Corporate Bonds") in the Shanghai Stock Exchange, subject to the right of sale-back described below. The Corporate Bonds are divided into two tranches, amounting to RMB800,000,000 ("Tranche 1") issued on 4 March 2013 and RMB700,000,000 ("Tranche 2") issued on 3 June 2013, and carry coupon rates of 4.8% and 4.5% for Tranche 1 and Tranche 2, respectively. At the end of the third interest payable date from the issue of Corporate Bonds for Tranche 1 and Tranche 2, respectively, the issuer has the right to adjust the coupon rate ("New Coupon Rate") and the corporate bonds holders have the right to sell the Corporate Bonds held by them, in whole or in part, to the Group at a total consideration equivalent to the total face value of the corresponding Corporate Bonds to be sold within 3 business days after the announcement of the New Coupon Rate.

Other interest rate information:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
Fixed interest rate	1,616,189	768,741
Floating interest rate	433,931	300,000
	2,050,120	1,068,741

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

30 June 2013

22. BORROWINGS (*Continued*)

The borrowings of the Group are secured by:

- (i) At 30 June 2013, a subsidiary's property, plant and equipment with an aggregate net carrying value of approximately RMB70,451,000 (31 December 2012: Nil) (Note 13).
- (ii) At 30 June 2013, a subsidiary's land use rights with an aggregate net carrying value of approximately RMB19,136,000 (31 December 2012: Nil) (Note 14).
- (iii) At 30 June 2013, a subsidiary's bill receivables with an aggregate carrying value of approximately RMB43,103,000 (31 December 2012 (restated): approximately RMB44,672,000) (Note 16).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

23. BUSINESS COMBINATION UNDER COMMON CONTROL

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

On 22 January 2013, the Group acquired a 100% equity interest in YTO (Luoyang) Foundry Company Limited (“**YTO Foundry**”) from the Holding Company at a consideration of approximately RMB104,478,000. The principal activities of YTO Foundry are processing and sale of casting blank and semi-finished products. The financial statements of YTO Foundry are consolidated by the Group as the Group has control over operating and financial policies of this entity.

As mentioned in Note 2(b) to the condensed consolidated interim financial statements, the Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” to account for the business combination under common control. Accordingly, YTO Foundry have been combined since 1 January 2012, the earliest financial period presented, as if the acquisition had been occurred at that time.

The reconciliation of the effect arising from the common control combination on the condensed consolidated statements of financial position as at 30 June 2013 and 31 December 2012 is as follow:

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

30 June 2013

**23. BUSINESS COMBINATION UNDER COMMON CONTROL
(Continued)**

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

	30 June 2013			
	The Group excluding YTO Foundry (Unaudited) RMB'000	YTO Foundry (Unaudited) RMB'000	Adjustment (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Assets and liabilities				
Investment in a subsidiary	104,478	–	(104,478)	–
Other non-current assets	3,761,533	163,010	–	3,924,543
Cash and cash equivalents	1,474,417	65,591	(53,254)	1,486,754
Other current assets	6,599,447	216,076	(23,009)	6,792,514
Customer deposits	(644,255)	–	53,254	(591,001)
Other current liabilities	(3,984,501)	(380,874)	23,009	(4,342,366)
Other non-current liabilities	(2,118,752)	–	–	(2,118,752)
Net assets	5,192,367	63,803	(104,478)	5,151,692
Equity				
Attributable to owners of the Company				
Issued/paid up capital	995,900	98,830	(98,830)	995,900
Reserves	3,445,381	(35,027)	(5,648)	3,404,706
	4,441,281	63,803	(104,478)	4,400,606
Non-controlling interests	751,086	–	–	751,086
Total equity	5,192,367	63,803	(104,478)	5,151,692



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

23. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

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

	31 December 2012			
	The Group excluding YTO Foundry (Audited) RMB'000	YTO Foundry (Unaudited and restated) RMB'000	Adjustment (Unaudited and restated) RMB'000	Consolidated (Unaudited and restated) RMB'000
Assets and liabilities				
Other non-current assets	3,545,531	144,446	–	3,689,977
Cash and cash equivalents	1,825,339	64,111	(63,646)	1,825,804
Other current assets	5,708,532	210,570	(96,863)	5,822,239
Customer deposits	(1,110,287)	–	63,646	(1,046,641)
Other current liabilities	(4,251,622)	(357,037)	98,863	(4,509,796)
Other non-current liabilities	(825,609)	–	–	(825,609)
Net assets	<u>4,891,884</u>	<u>62,090</u>	<u>2,000</u>	<u>4,955,974</u>
Equity				
Attributable to owners of the Company				
Issued/paid up capital	995,900	98,830	(98,830)	995,900
Reserves	3,270,906	(36,740)	100,830	3,334,996
Proposed final dividend	99,590	–	–	99,590
	<u>4,366,396</u>	<u>62,090</u>	<u>2,000</u>	<u>4,430,486</u>
Non-controlling interests	<u>525,488</u>	<u>–</u>	<u>–</u>	<u>525,488</u>
Total equity	<u><u>4,891,884</u></u>	<u><u>62,090</u></u>	<u><u>2,000</u></u>	<u><u>4,955,974</u></u>

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

30 June 2013

**23. BUSINESS COMBINATION UNDER COMMON CONTROL
(Continued)**

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

The above adjustments represent adjustments to eliminate the paid-up capital of YTO Foundry against the Group's investment cost in YTO Foundry, the cash deposit in YTO Finance by YTO Foundry, and current accounts between Group and YTO Foundry as at 30 June 2013 and 31 December 2012, respectively.

The effect of the business combination of entities under common control, described above, on the Group's basic and diluted earnings per share for the period ended 30 June 2012 is as follows:

	Impact on basic earnings per share	Impact on diluted earnings per share
	<i>RMB</i>	<i>RMB</i>
Reported figures before restatement	33.86 cents	33.86 cents
Restatement arising from business combinations of entities under common control	<u>(2.95 cents)</u>	<u>(2.95 cents)</u>
Restated	<u><u>30.91 cents</u></u>	<u><u>30.91 cents</u></u>



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

30 June 2013

**23. BUSINESS COMBINATION UNDER COMMON CONTROL
(Continued)**

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

The effect of business combinations of entities under common control described above on the Group's net profit for the period ended 30 June 2012 is as follows:

	Group Net profit <i>RMB'000</i>
Reported figures before restatement	297,122
Restatement arising from business combination of entity under common control	5,683
Restated	302,805

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

30 June 2013

**23. BUSINESS COMBINATION UNDER COMMON CONTROL
(Continued)**

(b) Acquisition of interests in subsidiaries in 2012

In 2012, the Group acquired a 100% equity interest in YTO (Luoyang) Flag Auto-Body Company Limited (“**YTO Flag**”) and YTO (Luoyang) Drive Axle Company Limited (“**YTO Axle**”) from the Holding Company at considerations of approximately RMB158,789,000 and RMB224,618,000, respectively. As the Company, YTO Flag and YTO Axle are under the common control of the Holding Company immediately before and after the acquisition, the transactions were completed in the second half of the year, these transactions were accounted for as common control business combination, using merger accounting for all periods presented herein as if merger had been consummated since the inception of common control. In accordance with the requirements under merger accounting, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012 has been restated on an “as if” combined basis. As a consequence, total revenue and profit during the six months period ended 30 June 2012 has been increased by approximately RMB415,616,000 and approximately RMB39,889,000 respectively.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

24. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

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

- (i) On 7 June 2013, the Company acquired an additional 2.25% equity interest in Yituo (Luoyang) Fuel Injection Pump Company Limited (“**YLFIP**”) at a consideration of approximately RMB4,027,000. The carrying amount of the non-controlling interests in YLFIP on the date of acquisition was approximately RMB2,800,000. The Group recognised a decrease in non-controlling interests of approximately RMB2,800,000 and a decrease in equity attributable to owners of the Company of approximately RMB1,227,000. The effect of changes in the ownership interest of YLFIP on the equity attributable to owners of the Company during the period is summarised as follows:

	2013 (Unaudited) RMB'000
Carrying amount of non-controlling interests acquired	2,800
Consideration paid to non-controlling interests	(4,027)
Excess of consideration paid recognised in capital reserve within equity	(1,227)

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

30 June 2013

**24. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES
(Continued)**

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

- (ii) On 14 June 2013, the Company entered into the Capital Increase Agreement with YLFIP, pursuant to which the Company agreed to make capital contribution of RMB105,000,000 in cash to YLFIP. The equity interest in YLFIP is owned as to 42.544% by the Company, 39.272% by Yituo (Luoyang) Diesel Company Limited (“**YTO Diesel**”) and 18.184% by the Holding Company. After the acquisition, the registered capital of YLFIP increased from RMB94,114,000 to RMB161,915,000 and the equity interest in YLFIP were owned as to 66.603% by the Company, 22.827% by YTO Diesel and 10.570% by the Holding Company. The Group recognized an increase in non-controlling interests of approximately RMB2,302,000 and an decrease in equity attributable to equity holders of the Company of approximately RMB2,302,000. The effect of changes in the ownership interest of YLFIP on the equity attributable to owners of the Company during the period is summarised as follows:

	2013 (Unaudited) RMB'000
Carrying amount of non-controlling interests disposed	(2,302)
Consideration paid to non-controlling interests	—
	<hr/>
Excess of consideration paid recognised in capital reserve within equity	(2,302)
	<hr/> <hr/>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

24. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES (Continued)

(b) Acquisition of additional interests in subsidiaries in 2012

In 2012, the Group acquired additional equity interest of three subsidiaries from the Holding Company and independent third parties. These three subsidiaries were engaged in manufacture and sale of covering parts, driving cabins, auto parts, construction machinery and other components of automobiles, agricultural and construction machinery and provision of financial services.

- (i) On 31 May 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 year is summarised as follows:

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

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

30 June 2013

**24. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES
(Continued)**

**(b) Acquisition of additional interests in subsidiaries in 2012
(Continued)**

- (ii) On 1 July 2012, the Company acquired an additional 0.8% equity interest in YTO Finance at a consideration of approximately RMB4,624,000. The carrying amount of the non-controlling interests in YTO Finance on the date of acquisition was a surplus balance of approximately RMB4,917,000. The Group recognised a decrease in non-controlling interests of approximately RMB4,917,000 and an increase in equity attributable to owners of the Company of approximately RMB293,000. The effect of changes in the ownership interest of YTO Finance on the equity attributable to owners of the Company during the year is summarised as follows:

	2012 (Audited) RMB'000
Carrying amount of non-controlling interests acquired	4,917
Consideration paid to non-controlling interests	<u>(4,624)</u>
Difference of consideration paid recognised in capital reserve within equity	<u><u>293</u></u>



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

30 June 2013

**24. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES
(Continued)**

**(b) Acquisition of additional interests in subsidiaries in 2012
(Continued)**

- (iii) On 14 November 2012, the Group entered into a Sale and Purchase Agreement with the Holding Company to acquire a 100% equity interest in YTO (Luoyang) Flag Auto-Body Company Limited (“**YTO Flag**”) at a consideration of approximately RMB158,789,000. YTO Flag was engaged in the production and sale of covering parts, driving cabins, auto parts and other components of automobiles, agricultural and construction machinery.

As at 31 December 2011, the Holding Company held 51.39% of equity interest and subsequently acquired an additional 48.61% equity interest on 31 July 2012 in YTO Flag from YTO (Luoyang) Kintra Equipment Science & Technology Company Limited and independent third parties for a consideration of approximately RMB112,840,000. Upon the completion of this further acquisition, YTO Flag became a wholly owned subsidiary of the Holding Company. As both the Company and YTO Flag are under the common control of the Holding Company immediately before and after the acquisition, the Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” to account for business combinations under common control. Accordingly, the financial statements of YTO Flag have been consolidated since the date of the earliest financial period presented, as if the acquisition of 51.39% equity interest had occurred at that time and 100% equity interest had occurred after 31 July 2012, pursuant to the acquisition stages of the Holding Company.

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

30 June 2013

**24. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES
(Continued)**

**(b) Acquisition of additional interests in subsidiaries in 2012
(Continued)**

(iii) (Continued)

The carrying amount of the non-controlling interests in YTO Flag on the date of acquisition was a surplus balance of approximately RMB88,832,000. The Group recognised a decrease in non-controlling interests of approximately RMB88,832,000 and an increase in equity attributable to equity holders of the Company of approximately RMB88,832,000. The effect of changes in the ownership interest of YTO Flag on the equity attributable to owners of the Company during the year is summarised as follows:

	2012 (Audited) RMB'000
Carrying amount of non-controlling interests acquired	88,832
Consideration paid to non-controlling interests	—
	<hr/>
Difference of consideration paid recognised in capital reserve within equity	88,832
	<hr/> <hr/> <hr/>



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

30 June 2013

25. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a subsidiary in the current period

On 8 February 2013, the Parent, Changchun State-owned Capital Investment and Operation Company Limited (“**Changchun Investment**”), the Company and Changtuo Agricultural Machinery Equipment Group Company Limited (“**Changtuo Company**”) entered into the Capital Increase Agreement, pursuant to which the Company agreed to make capital contribution of RMB94,250,000 in cash to Changtuo Company. Upon completion, the registered capital of Changtuo Company will increase from RMB188,000,000 to RMB282,000,000 and the equity interest in Changtuo Company will be owned as to one-third by each of the Parent, Changchun Investment and the Company. Subsequent to the acquisition, the Parent has assigned its voting rights in the shareholders’ meeting of Changtuo Company to the Company for strategy reason. Therefore, the Company can exercise control over the financial and operating policies of Changtuo Company. Changtuo Company is principally engaged in the research and development, manufacture and sale of tractors, agricultural machineries and their accessories.

The acquisition was accounted for using the purchase method.

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

30 June 2013

25. ACQUISITION OF SUBSIDIARIES (Continued)

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

Net assets acquired in the transactions are as follows:

	(Unaudited) Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	192,698
Prepaid operating leases	45,162
Inventories	6,422
Trade and bill receivables	5,782
Prepayments, deposits and other receivables	11,873
Cash and cash equivalents	94,666
Trade and bill payables	(8,750)
Borrowings	(70,000)
Other payables and accruals	(27,814)
Deferred income tax liabilities	(10,183)
	239,856
Net assets acquired	239,856
Non-controlling interests	(159,904)
Goodwill	14,298
	94,250
Total consideration	94,250
Satisfied by:	
Cash	94,250
Net cash inflow in respect of the net assets acquired:	
Cash consideration paid	(94,250)
Cash and cash equivalents acquired	94,666
	416
Net cash inflow	416



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

25. ACQUISITION OF SUBSIDIARIES (Continued)

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

The goodwill arising on the acquisition is attributable to its anticipated potential profitability and historical industry growth in relation to the business at the time of which the transaction was negotiated. However, after the acquisition, the directors of the Company are of the opinion that the performance and profitability of the acquired business cannot be met in the foreseeable future. As a result, the goodwill was fully impaired at 30 June 2013.

Included in the revenue and profit for the period are approximately RMB3,627,000 and a loss of RMB12,032,000 attributable to the additional business generated by this newly acquired subsidiary.

(b) Acquisition of a subsidiary in 2012

On 31 May 2012, the Group acquired a further 60% equity interest in YTO Shunxing (Luoyang) Spare Parts Company Limited (“**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.

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

30 June 2013

25. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of a subsidiary in 2012 (Continued)

Net assets acquired in the transactions are as follows:

	(Audited) 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)
	<hr/>
Net assets acquired	34,608
Interest transferred from associates	(13,843)
	<hr/>
Total consideration	20,765
	<hr/> <hr/>
Satisfied by:	
Cash	20,765
	<hr/> <hr/>
Net cash outflow in respect of the net assets acquired:	
Cash consideration paid	(20,765)
Cash and cash equivalents acquired	5,242
	<hr/>
Net cash outflow	(15,523)
	<hr/> <hr/>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

26. CONTINGENT LIABILITIES

The contingent liabilities not provided for in the Group's financial statements are as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
--	---	---

Financial guarantees to

the facilities utilised by:

— related companies (note a)	3,000	6,000
— third parties (note b)	582,010	751,500
	585,010	757,500

(a) At 30 June 2013, the Group has provided guarantees of approximately RMB15,000,000 to YTO Finance as security for credit facilities granted to related companies (fellow subsidiaries and associates of the Holding Company) (31 December 2012: RMB14,000,000). The facilities were utilised in aggregate to the extent of approximately RMB3,000,000 (31 December 2012: RMB6,000,000).

(b) At 30 June 2013, the Group has provided guarantees of approximately RMB1,228,700,000 (31 December 2012: approximately RMB1,384,100,000) to certain banks in the PRC as security for credit facilities granted to certain customers. The facilities were utilised in aggregate to the extent of approximately RMB582,010,000 (31 December 2012: approximately RMB751,500,000).

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

30 June 2013

27. COMMITMENTS

(a) Capital commitments

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

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	145,162	130,922
Investment in associates	4,800	—
	149,962	130,922
Authorised, but not contracted for:		
Purchase of plant and machinery	1,671,190	1,676,270
	1,821,152	1,807,192



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

30 June 2013

27. COMMITMENTS (*Continued*)

(b) Operating lease commitments

(i) As lessor

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

	30 June 2013 (Unaudited) <i>RMB'000</i>	31 December 2012 (Unaudited and restated) <i>RMB'000</i>
Within one year	400	428
In the second to fifth years, inclusive	428	458
	828	886

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

30 June 2013

27. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

(ii) As lessee

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

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Unaudited and restated) RMB'000
Within one year	4,847	5,374
In the second to fifth years, inclusive	647	485
	5,494	5,859



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

30 June 2013

28. 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 stated-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 2013

28. 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 2013 (Unaudited) RMB'000	2012 (Unaudited and restated) RMB'000
Sale of raw materials, finished goods and components	74,685	137,764
Purchases of raw materials and components	373,865	647,450
Purchases of utilities	108,976	85,898
Fees paid for comprehensive services	68,645	65,537
Research and development expenses paid	—	1,577
Fees paid for the use of land	4,670	8,462
Rentals paid in respect of:		
Buildings	5,509	3,803
Plant and machinery	1,677	184
Rental income received in respect of buildings	2	13
Purchases of plant and machinery	14,268	144
Interest income and discounted bills charges	11,221	13,264
Interest paid for customer deposits	3,096	4,122
Research and development income received	—	2,682
	=====	=====



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

30 June 2013

28. 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: (Continued)**

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.

- (b) **Other transactions with related parties**

- (i) **Designated deposits and designated loans**

As at 30 June 2013, the Holding Company placed an aggregate amount of approximately RMB47,000,000 (31 December 2012: approximately RMB47,000,000) with YTO Finance to provide designated 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 these lending transactions by the depositors are not included in the Group's condensed consolidated interim financial statements.

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

30 June 2013

28. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties (Continued)

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

During the six months ended 30 June 2013, the Group sold raw materials, finished goods and components of approximately RMB20,730,000 (six months ended 30 June 2012 (restated): approximately RMB27,403,000) and purchased raw materials and components of approximately RMB19,976,000 (six months ended 30 June 2012 (restated): approximately RMB4,867,000) 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.

(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 15, 16, 17, 19, 20 and 21.
- (ii) Details of the Group's amounts due from/to and deposits from its associates as at the reporting date are disclosed in Notes 16, 19 and 21.
- (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 15, 16, 17, 19, 20 and 21.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2013

28. RELATED PARTY TRANSACTIONS (Continued)

(d) Significant transactions with other government-related entities

During the six months ended 30 June 2013 and 2012, 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 2013 and 2012, and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government.

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited and restated) RMB'000
Short term employee benefits	1,310	147
Post-employment benefits	197	34
Total compensation paid/payable to key management personnel	1,507	181

During the reporting period, nine key management personnel have waived their emoluments (six months ended 30 June 2012: seven).

IMPORTANT NOTICE

- I. The Board and board of supervisors (the “**Board of Supervisors**”) of the Company, and its Directors, supervisors (the “**Supervisors**”) and senior management confirm that there are no false information, misleading statements or material omissions contained in this interim report (the “**Interim Report**”), and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. All directors attended the Board meeting convened for the purpose of considering the Interim Report of the Company.
- III. The Company’s interim financial statements for the six months ended 30 June 2013 are unaudited.
- IV. Mr. Zhao Yanshui (Person in charge of the Company), Mr. Yao Weidong (Person in charge of the accounting function) and Ms. Zhou Juan (Person in charge of the Accounting Department) have confirmed the truthfulness, accuracy and completeness of the financial statements in the Interim Report.
- V. Forward-looking statements such as the future development strategy and business plan of the Company do not constitute any substantial commitment to investors by the Company. Investors are advised to pay attention to any investment risks.
- VI. There was no misappropriation of the Company’s funds (not in the ordinary course of business of the Company) by the controlling shareholders or its associates.
- VII. There was no external guarantee provided by the Company in violation of any established decision-making procedures.



I DEFINITIONS

I. Definitions

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

PRC	means	The People's Republic of China which, for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
CSRC	means	China Securities Regulatory Commission
CBRC	means	China Banking Regulatory Commission
Hong Kong Stock Exchange	means	the Stock Exchange of Hong Kong Limited
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
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
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

Listing Rules	means	the Rules Governing the Listing of Securities on the Stock Exchange
agricultural machinery	means	various machinery used in the crop farming and animal husbandry, and the primary processing of agricultural and animal products
power machinery	means	diesel engine and fuel injection pump products, etc.
diesel engine	means	internal combustion engines that use diesel as fuel
hi-powered wheeled tractor	means	wheeled tractor with a power of 70 horsepower or above
mid-powered wheeled tractor	means	wheeled tractor with a power of 25 (inclusive) to 70 horsepower
low-powered wheeled tractor	means	wheeled tractor with a power of less than 25 horsepower
mining trucks	means	non-road trucks used for transportation of earth and rocks from mining construction
Company	means	First Tractor Company Limited
Group	means	First Tractor Company Limited and its subsidiaries
Sinomach	means	China National Machinery Industry Corporation (中國機械工業集團有限公司), the ultimate controller of the Company
YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company



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 subsidiary 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 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 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 subsidiary of the Company
Changtuo Company	means	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司)

II COMPANY PROFILE

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉機股份有限公司
Short name in Chinese	一拖股份
English name of the Company	First Tractor Company Limited
Legal representative of the Company	Mr. Zhao Yanshui

II. CONTACT PERSON AND METHODS

Secretary of the Board

Name	Ms. Yu Lina
Contact address	No. 154 Jianshe Road, Luoyang, Henan Province, PRC
Telephone	(86379) 64967038

III. BASIC INFORMATION

Registered address of the Company	No.154 Jianshe Road, Luoyang, Henan Province, PRC
Postal code of the registered address of the Company	471004
Office address of the Company	No.154 Jianshe Road, Luoyang, Henan Province, PRC
Postal code of the Office address of the Company	471004
Company's website	www.first-tractor.com.cn
E-mail	msc0038@ytogroup.com

IV. INFORMATION DISCLOSURE AND THE PLACE FOR DOCUMENTS INSPECTION

Name of newspapers designated by the Company for dissemination of information	China Securities Journal and Shanghai Securities News
Internet website for publication of Interim Report as designated by the CSRC	www.sse.com.cn
Internet website for publication of Interim Report as designated by the Hong Kong Stock Exchange	www.hkexnews.hk
Place for inspection of the Company's Interim report	No. 154 Jianshe Road, Luoyang, Henan Province, PRC Secretarial Office of the Company 22/F, World-Wide House, Central, Hong Kong Li & Partners

V. BASIC INFORMATION OF THE COMPANY'S SHARES

Type	Stock exchanges for listing	Abbreviated names of shares	
			Stock code
A Share	Shanghai Stock Exchange	一拖股份	601038
H Share	Hong Kong Stock Exchange	First Tractor	0038

VI. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

There was no change in registration of the Company during the Reporting Period.

III ACCOUNTING DATA AND FINANCIAL INDICATOR SUMMARY

I. 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

II. Differences between the PRC Accounting Standards and Hong Kong Financial Reporting Standards

Unit: RMB0,000

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



III. Non-recurring Items and Amounts

Unit: RMB 0,000

Non-recurring Items	Amounts
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	1,407.05

IV. REPORT OF THE DIRECTORS

I. 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 0.5 percentage point (in accordance with Hong Kong Financial Reporting Standards).



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.

(I) ANALYSIS OF OPERATING RESULTS

1. PRINCIPAL BUSINESS BY SEGMENT

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 (%)
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	N/A	-2,766	11,310	N/A
Total	6,632,218	6,690,713	-0.9	262,512	358,459	-26.8

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

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

Note: 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 South-west Stainless Steel Co., Ltd. in the corresponding period in last year.

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 the newly-acquired 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 RMB147,736,000 or 7%. This was because trade receivables of the first half year of 2013 have not yet been due and the payment of the State's subsidy on agricultural machinery purchasing has been deferred.

(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 seasonal increase 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 RMB151,968,000, 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 financial costs.

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 ^(Note) x 100%	160.3%	144.0%

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 to YTO in relation to the acquisition of shares of YTO Flag, YTO Axle and YTO Foundry 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 issue of corporate bonds 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.

(II) ANALYSIS OF INVESTMENTS

1. External equity investments

During the Reporting Period, the Company has made external equity investments totaled RMB1,200,000, representing a year-on-year increase of RMB220,000. The basic information on the investee companies are as follows:

Name of the investee company	Investment amount (RMB)	Principal business	Shareholding percentage of the investee
YTO Chunalong (Sichuan) Agricultural Equipment Co., Ltd. (一拖川龍四川農業裝備有限公司)	1,200,000	Design, manufacture, sale of tractors, mechanized agricultural and horticulture machinery, internal combustion engines and accessories and provision of related services; technology development, transfer and consulting services in relation to tractors and construction machinery; sale of automobiles (excluding passengers car holding seats below nine), automobile accessories, construction machinery and their parts and accessories.	20%
Total	<u>1,200,000</u> /		<u> </u> /

2. 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>	/



3. *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	Net assets	Operating revenue	Net profit
			(RMB0'000)	(RMB0'000)	(RMB0'000)	(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, structural parts and accessories agricultural machineries and automobiles	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 agricultural machineries and accessories	29,246	19,812	362.66	-2,346

II. 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.

III. THE GROUP'S STAFF, REMUNERATION POLICY AND TRAINING FOR STAFF

As at 30 June 2013, the Group had in place 13,678 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.



V SIGNIFICANT EVENTS

I. MATERIAL CONNECTED TRANSACTIONS

(I) *Connected transactions related to ordinary and usual operations*

Unit: RMB'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
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

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	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

Inquiry index

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

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: RMB0,000

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 controllers and their associates (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-evaluation 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” (CSRC Approval [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).

VI 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)
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(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 (潘晉童)	Domestic natural person	0.18	1,810,255	1,810,255	0	unknown
Zheng Yuecun (鄭岳存)	Domestic natural person	0.15	1,522,599	609,399	0	unknown
Wang Xuezu (王雪竹)	Domestic natural person	0.15	1,512,400	0	0	unknown
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	Class of share
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(鄭岳存)	1,522,599	A shares
Wang Xuezhu(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 listed shares available for listing and selling	
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 ¹	Percentage	Percentage	Class of share
			of the relevant class of issued share capital (%)	of the total issued share capital of the Company (%)	
YTO ²	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 ³	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.

VII 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 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.

Chairman: **Zhao Yanshui**
First Tractor Company Limited
20 August 2013