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

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

(Stock Code: 0038)

Annual Results Announcement For The Year Ended 31 December 2008

(Financial Highlights)

Turnover	**:**	**RMB7,933,721,000**
Profit attributable to equity holders of the parent	**:**	**RMB68,505,000**
Earnings per share attributable to ordinary equity holders of the parent	**:**	**RMB8.10 cents**
Proposed dividend per share to be distributed	**:**	**RMB5 cents**

The board (the "Board") of directors (the "Directors") of First Tractor Company Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 (the "Reporting Period"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with 2007 comparative figures, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows.

The Board recommends the payment of a cash dividend in the amount of RMB0.05 per share in respect of the financial year ended 31 December 2008, subject to the approval by the annual general meeting to be held on 19 June 2009.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000*
REVENUE	3	**7,933,721**	7,102,150
Cost of sales		**(7,108,592)**	(6,255,184)
Gross profit		**825,129**	846,966
Other income and gains	3	**40,131**	168,606
Selling and distribution costs		**(272,187)**	(273,866)
Administrative expenses		**(402,624)**	(395,811)
Other expenses		**(62,317)**	(63,853)
Finance costs	5	**(37,643)**	(31,589)
Share of profits and losses of associates		**(82)**	(12,649)
PROFIT BEFORE TAX	4	**90,407**	237,804
Tax	6	**(9,528)**	(40,024)
PROFIT FOR THE YEAR		**80,879**	197,780
Attributable to:			
Equity holders of the parent		**68,505**	181,762
Minority interests		**12,374**	16,018
		80,879	197,780
DIVIDENDS	7		
Proposed final		**42,295**	25,377
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB8.10 cents**	RMB22.82 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,163,237**	1,256,455
Prepaid land premiums		**79,158**	30,374
Goodwill		**52,990**	52,990
Interests in associates		**18,918**	19,800
Available-for-sale investments		**106,959**	187,150
Loans receivable		**214,123**	83,554
Deferred tax assets		**49,107**	28,331
Total non-current assets		**1,684,492**	1,658,654
CURRENT ASSETS			
Inventories		**842,003**	841,800
Trade and bills receivables	9	**813,872**	925,946
Loans receivable		**209,069**	194,215
Bills discounted receivable		**129,283**	56,053
Prepayments, deposits and other receivables		**410,310**	465,326
Equity investments at fair value through profit or loss		**4,444**	47,365
Pledged bank deposits		**366,357**	151,640
Cash and cash equivalents		**758,535**	1,147,084
		3,533,873	3,829,429
Assets of a disposal group classified as held for sale		**317,012**	—
Total current assets		**3,850,885**	3,829,429

	Note		
CURRENT LIABILITIES			
Trade and bills payables	10	**1,448,998**	1,144,065
Other payables and accruals		**443,778**	575,971
Customer deposits		**198,217**	131,231
Interest-bearing bank borrowings		**167,000**	459,900
Tax payable		**12,913**	20,824
Provisions		**28,084**	34,153
		2,298,990	2,366,144
Liabilities directly associated with the assets of a disposal group classified as held for sale		**206,263**	—
Total current liabilities		**2,505,253**	2,366,144
NET CURRENT ASSETS		**1,345,632**	1,463,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,030,124**	3,121,939
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**144,000**	214,000
Deferred income		**103,774**	105,154
Deferred tax liabilities		**4,332**	25,225
Provisions		**35,581**	24,667
Total non-current liabilities		**287,687**	369,046
Net assets		**2,742,437**	2,752,893
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**845,900**	845,900
Reserves		**1,676,691**	1,703,768
Proposed final dividend	7	**42,295**	25,377
		2,564,886	2,575,045
Minority interests		**177,551**	177,848
Total equity		**2,742,437**	2,752,893

NOTES:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. Disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of net assets acquired is recognised as an equity transaction.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	HKAS 39 *Financial Instruments: Recognition and Measurement and* HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC) - Int 11	HKFRS 2 — *Group and Treasury Share Transactions*
HK(IFRIC) - Int 12	*Service Concession Arrangements*
HK(IFRIC) - Int 14	HKAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments*: *Recognition and Measurement and* HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for sales at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC) - Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

HK(IFRIC) - Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) - Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC) - Int 12 *Service Concession Arrangements*

HK(IFRIC) - Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC) - Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC) - Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	*Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HK(IFRIC) - Int 9 and HKAS 39 Amendments	*Embedded Derivatives*[5]
HKAS 1 (Revised)	*Presentation of Financial Statements*[2]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC) - Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC) - Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC) - Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC) - Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC) - Int 18	*Transfer of Assets From Customers*[6]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for transfers on or after 1 July 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the five business segments are as follows:

(a) the "agricultural machinery" segment engages in the manufacture and sale of agricultural machinery, including tractors, harvesters, and related parts and components;

(b) the "construction machinery" segment engages in the manufacture and sale of construction and road machinery;

(c) the "financial operations' segment engages in the provision of loans, bills discounting and deposit-taking services;

(d) the "diesel engines and fuel jets" segment engages in the manufacture and sale of diesel engines and fuel injection pumps; and

(e) the "others" segment comprises, principally, the manufacture, sale and service of forged steel crankshafts, and design, manufacture and sale of vehicles and related accessories.

Intersegment sales and transfers are transacted according to the terms mutually agreed between the relevant parties.

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group	Agricultural machinery		Construction machinery		Financial operations		Diesel engines and fuel jets		Others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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***	*RMB'000*
Segment revenue:														
Sales to external customers	**5,572,154**	4,869,263	**1,542,220**	1,519,311	**42,138**	28,780	**777,209**	684,796	**—**	—	**—**	—	**7,933,721**	7,102,150
Intersegment revenue	**579,472**	401,570	**133,429**	23,489	**18,989**	18,027	**419,725**	369,074	**—**	—	**(1,151,615)**	(812,160)	**—**	—
Total	**6,151,626**	5,270,833	**1,675,649**	1,542,800	**61,127**	46,807	**1,196,934**	1,053,870	**—**	—	**(1,151,615)**	(812,160)	**7,933,721**	7,102,150
Segment results	**83,219**	113,110	**(83,177)**	(69,650)	**40,133**	26,802	**91,854**	89,300	**(103)**	(139)	**—**	—	**131,926**	159,423
Interest, dividend and investment income													**14,879**	131,695
Gain on disposal of a subsidiary													**—**	90
Unallocated expenses													**(18,673)**	(9,166)
Finance costs													**(37,643)**	(31,589)
Share of profits and losses of associates	**—**	—	**—**	—	**—**	—	**—**	—	**(82)**	(12,649)	**—**	—	**(82)**	(12,649)
Profit before tax													**90,407**	237,804
Tax													**(9,528)**	(40,024)
Profit for the year													**80,879**	197,780

Group	Agricultural machinery		Construction machinery		Financial operations		Diesel engines and fuel jets		Others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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***	*RMB'000*
Assets and liablities														
Segment assets	**3,231,281**	3,107,233	**1,101,957**	1,092,364	**1,179,131**	1,124,090	**826,809**	832,945	**56,874**	41,527	**(1,092,861)**	(1,063,663)	**5,303,191**	5,134,496
Interests in associates	**—**	—	**—**	—	**—**	—	**—**	—	**18,918**	19,800	**—**	—	**18,918**	19,800
Unallocated assets													**213,268**	333,787
Total assets													**5,535,377**	5,488,083
Segment liabilities	**1,362,862**	1,064,973	**955,104**	872,082	**618,399**	597,702	**419,066**	423,329	**102,633**	102,633	**(1,092,861)**	(1,063,663)	**2,365,203**	1,997,056
Unallocated liabilities													**427,737**	738,134
Total liabilities													**2,792,940**	2,735,190

Other segment information:														
Capital expenditure	158,188	155,581	26,470	24,640	214	206	8,458	17,043	—	—	—	—	193,330	197,470
Depreciation	73,146	57,379	24,510	28,774	598	398	26,424	28,842	—	—	—	—	124,678	115,393
Amortisation of prepaid land premiums	68	68	3,527	674	—	—	—	—	—	—	—	—	3,595	742
Provision for warranties	7,640	23,457	4,086	4,240	—	—	20,705	17,472	—	—	—	—	32,431	45,169
Impairment of items of property, plant and equipment	—	2,500	—	12,000	—	—	—	—	—	—	—	—	—	14,500
Provision for impairment of trade receivables, net	15,286	3,459	10,735	19,069	—	—	1,948	1,336	—	—	—	—	27,969	23,864
Provision/ (reversal of provision) for impairment of other receivables, net	496	(11,998)	3,938	(2,860)	34	—	135	(178)	—	—	—	—	4,603	(15,036)
Provision/ (reversal of provision) for obsolete inventories, net	(758)	(990)	(2,653)	(4,868)	—	—	(1,061)	2,092	—	—	—	—	(4,472)	(3,766)
Net charge for impairment losses of discounted bills receivable	—	—	—	—	1,403	(1,652)	—	—	—	—	—	—	1,403	(1,652)
Net charge for impairment losses of loans receivable	—	—	—	—	99	3,855	—	—	—	—	—	—	99	3,855

3. REVENUE, OTHER INCOME AND GAINS

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

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

	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sale of goods*	**7,891,583**	7,073,369
Interest income from financial operations*	**42,138**	28,781
	7,933,721	7,102,150
Other income		
Bank interest income	**9,375**	10,458
Profit from sundry sales*	**—**	5,575
Dividend income from listed investments	**2,833**	270
Dividend income from unlisted investments	**3,000**	3,850
Government grants	**4,692**	3,898
Value added tax refund	**2,588**	—
Others	**13,505**	27,348
	35,993	51,399
Gains		
Gain on disposal of a subsidiary	**—**	90
Fair value gains on listed equity investments at fair value through profit or loss, net	**—**	7,565
Gain on disposal of listed equity investments at fair value through profit or loss, net	**—**	35,772
Gain on disposal of available-for-sale investments	**4,138**	73,780
	4,138	117,207
	40,131	168,606

* The amount of interest income from financial operations and a certain amount of revenue from sundry sales of RMB28,781,000 and RMB297,935,000, respectively, have been reclassified to "Revenue" on the face of the consolidated income statement for the year end 31 December 2007 to conform with the current year's presentation. Accordingly, a certain amount of costs from sundry sales of RMB279,162,000 has been reclassified to "Cost of sales" on the face of the consolidated income statement for the year ended 31 December 2007 and segment revenue has also been reclassified accordingly.

4. PROFIT BEFORE TAX

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

	2008	2007
	RMB'000	*RMB'000*
Cost of inventories sold	**7,108,592**	6,255,184
Depreciation	**124,678**	115,393
Amortisation of prepaid land premiums	**3,595**	742
Impairment of items of property, plant and equipment	**—**	14,500
Provision for impairment of trade receivables, net	**27,969**	23,864
Provision/(reversal of provision) for impairment of other receivables, net	**4,603**	(15,036)
Provision for warranties	**32,431**	45,169
Net charge for impairment losses of loans receivable	**99**	3,855
Net charge for impairment losses of bills discounted receivable	**1,403**	(1,652)
Interest expense on financial operations	**4,924**	5,632
Reversal of provision for obsolete inventories, net	**(4,472)**	(3,766)
Loss on disposal of items of property, plant and equipment, net	**494**	1,862
Fair value loss/(gain) on listed equity investments at fair value through profit or loss, net	**7,467**	(7,565)
Loss/(gain) on disposal of listed equity investments at fair value through profit or loss, net	**3,944**	(35,772)
Gain on disposal of available-for-sales investments	**(4,138)**	(73,780)
Gain on disposal of a subsidiary	**—**	(90)
Dividend income from unlisted investments	**(3,000)**	(3,850)
Dividend income from listed investments	**(2,833)**	(270)
Bank interest income	**(9,375)**	(10,458)
Interest income from financial operations	**(42,138)**	(28,781)

5. FINANCE COSTS

	Group	
	2008	2007
	RMB'000	*RMB'000*
Interest on bank and other loans		
wholly repayable within five years	**49,013**	40,868
Less: Interest capitalised	**(11,370)**	(9,279)
	37,643	31,589

6. TAX

	Group	
	2008	2007
	RMB'000	*RMB'000*
Group:		
Current — PRC corporate income tax		
Charge for the year	**33,642**	35,676
Overprovision in prior years	**(1,757)**	(1,594)
Deferred tax	**(22,357)**	5,942
Total tax charge for the year	**9,528**	40,024

The PRC corporate income tax for the Company and the majority of its subsidiaries is calculated at rates ranging from 15% to 25% (2007: 15% to 33%) on their estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

In March 2007, the PRC government announced unified tax rate arrangements among different types of PRC entities which result in a reduction of tax rate from 33% to 25% with effect from 1 January 2008, the effect of this change has been dealt with in the calculation of deferred taxation at 31 December 2007.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two years ended 31 December 2008 and 2007.

Profits tax of the subsidiary operating outside Mainland China is subject to the rates applicable within the jurisdiction in which it operates. No provision for overseas profits tax has been made for the Group as there were no assessable profits for the year (2007: Nil).

7. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Proposed final — RMB5 cents (2007: RMB3 cents) per ordinary share	**42,295**	25,377

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with PRC accounting standards; and (ii) the net profit determined in accordance with the accounting standards of the overseas place where the Company's shares are listed (i.e. Hong Kong Financial Reporting Standards).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB68,505,000 (2007: RMB181,762,000) and the weighted average of 845,900,000 (2007: 796,346,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as no diluting events existed during either year.

9. TRADE AND BILLS 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. The Group seeks to maintain strict control over its outstanding receivables. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, and net of provisions, is as follows:

	Group	
	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**457,445**	654,962
91 days to 180 days	**297,133**	162,067
181 days to 365 days	**39,215**	73,205
1 to 2 years	**16,807**	32,681
Over 2 years	**3,272**	3,031
	813,872	925,946

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**1,125,511**	787,267
91 days to 180 days	**168,224**	209,153
181 days to 365 days	**70,577**	57,333
1 to 2 years	**37,901**	49,326
Over 2 years	**46,785**	40,986
	1,448,998	1,144,065

11. POST BALANCE SHEET EVENTS

(a) On 26 March 2009, Brilliance China Machinery Holdings Limited, a subsidiary of the Company, entered into the Equity Transfer Agreements with Singapore Commuter Private Limited ("Singapore Commuter"), an independent third party, to dispose of its entire 59% of equity interests in Zhenjiang Huatong Aran Machinery Company Limited and Zhenjiang Huachen Huatong Road Machinery Company Limited each at an aggregate consideration of RMB85.1 million, subject to adjustments, to Singapore Commuter. Management expects to complete this transaction in year 2009 and this transaction would result in a gain on disposal before tax of approximately RMB20 million.

(b) On 15 April 2009, the Company and China-Africa Development Fund Company Limited ("CADF") entered into the Investment Agreement relating to the formation of a joint venture company in Mainland China. Pursuant to the Investment Agreement, the Company and CADF will contribute cash of RMB137,500,000 and RMB112,500,000, representing 55% and 45% of the equity holdings of the joint venture company, respectively, to the joint venture company as its registered capital within 5 years from the effective date of the Investment Agreement.

BUSINESS REVIEW

In year 2008, there were drastic changes in economic environment and more challenges in business development. We were confronted with national macro-control, appreciation in Renminbi and hiking prices in raw materials in the first half of the year as well as tough external situations such as international financial crisis in the second half. Amid the volatile environment, the Group took initiatives to carry out structural adjustments focusing on technology upgrade of major products. Meanwhile, it continued to improve the capability in integrating and optimizing resource allocation, strengthened and ameliorated operation and management, enhanced the risk prevention system construction, and controlled investment and capital risks, thus maintaining the steady and sustainable growth of the Group.

Product mix adjustment was pressed ahead and core capabilities were consolidated and improved through technical renovation and management innovation. During the Reporting Period, positive progress was made in the product improvement, key research and development and technical renovation projects. The technical renovation of large and medium-sized wheeled tractors passed completion acceptance. The production and sales volume of large and medium-sized wheeled tractors exceeded the design conspectus in that year. Projects including high pressure forged steel crankshaft production lines were completed and put into production, providing guarantees for the products research and development, structure adjustment, quality upgrade and market competitiveness improvement. The Group promoted equity restructuring and resource integration for the internal harvester business and construction machinery business, creating favourable conditions for concentration of resources, enhancement of management, and improvement of the Group's operation efficiency.

International marketing strategy was improved, market structure adjustment was speeded up. During the Reporting Period, the Group further improved its international marketing strategy. It established an international marketing service network covering over 100 outlets in six continents by establishing bonded warehouses, spare parts warehouses and SKD assemblies. YTO brand popularity was further boosted by establishing YTO brand stores and attending international exhibitions. The Group optimized the structure of export products by continuously promoting the product certification work in line with the requirements of the target markets and expediting product exports to developed countries. As a result, it exported 3,415 units of large wheeled tractors with higher added value, representing an increase of 66.3% over last year.

By promoting product research and development and quality improvement, continual independent innovation ability was enhanced. During the Reporting Period, the Group put more efforts in new product development and product improvement to continuously boost the product level by formulating and implementing the annual new product research and development plan as well as product adaptation amelioration plan. It completed the prototype trial production of electronic control fuel injection system for diesel engines and control technology; stellar progress was made for tractor power shifting system and control technology (TCU); the research and development for control technology of complete machine of tractors was started, laying a certain foundation for technology upgrade of major products. In 2008, the Company and its subsidiary, Yituo (Luoyang) Diesel Company Limited, were jointly accredited as hi-tech enterprises by Henan Department of Science & Technology, Henan Department of Finance, State Administration of Taxation and the local taxation administration, obtaining supports in taxation policies from the State.

Internal control and risk management was strengthened to effectively control cost and prevent against capital risks. Major raw materials prices and costs kept rising in the first half of 2008 while financial crisis swept over the globe and led to sudden changes in market supply and demand in the second half of 2008. Amid this operation situation, the Group partly abated impacts on its profits from significant fluctuations of raw material prices and external environment changes by a series of measures including implementing strategic reserves, improving purchase management, strengthening cost accounting, enhancing internal budgeting control against capital risks according to the market trend.

During the Reporting Period, the Group recorded revenue of RMB7,933.72 million, representing a year-on-year increase of 11.7%. Profit attributable to equity holders of the Parent was RMB68.51 million. Excluding investment income such as gain from disposal of shares in the Bank of Communications in 2007, it represented a decrease of 38.8% from the same period last year. Earnings per share was RMB8.1 cents.

During the Reporting Period, the Group proactively participated in social public welfare activities and assumed social responsibility. After the Wenchuan Earthquake, the Group organised production of necessary earthquake-relief products and rapidly dispatched “YTO Disaster Relief Volunteer Team” to the earthquake-stricken areas and execute rescue and relief work twice, building an admirable corporate image.

BUSINESS PROSPECTS

Looking into 2009, PRC's economy is facing unprecedented difficulties and challenges. The bleak macro environment will bring both challenges and opportunities to the Group's development. On the one hand, as uncertainties in macro-economic development are mounting amid the international financial crisis, in a certain period in the future, enterprises' development will be challenged by operating pressures from shrinking exports, weakening domestic demand, hiking cost and difficult financing, etc. On the other hand, the inherent conditions that support PRC's economy to maintain rapid and steady long-term development remain unchanged. To cope with impacts from financial crisis and prevent economic upheaval, PRC is adopting proactive fiscal policies and moderate loose monetary policy, and considering expansion of domestic demand as its main driver for economic growth. The State Council launched a series of major initiatives to boost domestic demand and accelerate economic growth, which would effectively facilitate the sustainable development of the enterprises.

In 2009, the State continues to expand investment in "agriculture, countryside, farmers", infrastructure construction and reconstruction after disaster, which will stimulate the domestic demand for agricultural machinery and construction machinery. Meanwhile, affected by the financial crisis, demand for high end products shrank in international market, which would offer opportunities for exports of engineering machinery with better quality and competitive price. The Group is to grasp industry development trend amid changes in international and domestic market and proactively push forward structure adjustment and technological upgrades, so as to seize new development opportunities.

Technology innovation has always been the focus and motivation for the Group to push ahead structure adjustment. In 2009, the Group will expand technology cooperation with foreign countries and integrate resources for research and development to continually enhance independent innovation ability. Firstly, the Group will focus on key technology of core business, steering development of product technology. Fully considering effective linkage between market orientation, competition orientation and technology orientation, the Group will ensure the coexistence of three generation technologies for the purpose of production, research and development and reserve. Secondly, capitalizing on advanced research and development concept and mode, the Group is to carry out external technology cooperation in various ways. Adhering to "cooperative development with the Group in dominant position" mode, the Group will gradually establish a research and development system with its own characteristics. Thirdly, the Group will make innovation in investment system for research and development to enhance the investment and strive for better results. The Group will focus on upgrades of its core business and key technology to ensure the concentration and enhancement of investment in research and development and technology innovation.

As a renowned enterprise in equipment manufacture and an important backbone company in agricultural machinery industry, the Group will explore the market demand triggered by the State's initiatives to boost domestic demand and accelerate economic development amid the changing market environment, aiming at new market opportunities and development potentials. The Group will continue to focus on construction of its core capacity, innovate development mode, speed up structure adjustment, technology upgrades and enterprise transformation, and continuously improve managements, thus maintaining a synchronized growth in scale and profitability. The Group will further enhance the corporate governance and risk prevention ability, and press ahead with restructuring of business and assets so as to improve economic benefits.

As for agricultural machinery business, the Group will further dedicate to provide complete equipment solution for new countryside construction, while increasing investment in technology research and development of large and medium tractors, to occupy leading position in technology and market. The Group aims to make breakthrough in sales of harvesters through upgrading products quality. Through seeking technology cooperation in agricultural machinery, the Group will speed up the pace of business development. Leveraging on its brand advantages, the Group will push forward "localization in regional market", putting itself into the development of the regional economy. Riding on the preferential policies of local governments, it will establish strategic industry bases through cooperation with other parties in key regions which have huge market potentials, strong radiation effect to surrounding areas and obvious position advantage. Accordingly, a platform for development of relevant businesses will be provided while developing its core business.

As for construction machinery business, the Group will seize the opportunities arising from central and local government's increased investment in areas such as agriculture hydraulic project construction and urban infrastructure, focus on construction of its core ability, press ahead product technology upgrades as well as development and promotion of high added-value products. In the meantime, the Group will put more efforts in researching and resolving key areas such as development strategy, resources relocation, profits mode of construction machinery business. Adhering to the principal of "choose to do something worth doing", the Group is to effectively improve operating results through measures such as resources integration, business reorganization and enhancement of internal management.

As for engine machinery business, the Group will advance the research and development of heavy duty diesel engines. While consolidating the position in ancillary agricultural machinery market, the Group will strive to make a breakthrough in ancillary construction machinery market, maintain its leading position in engine machinery (other than road machinery) market in the PRC and accelerate research and development and production preparation of electronic control diesel engines for motor vehicles.

As for financial business, the Group will concentrate financial resources and provide personalized financial service solutions with emphasis on promotion of major products of the Group. Meanwhile, various financials instruments will be studied and utilized to provide capital support for the development of the Group's major businesses. Further, the Group will optimize its financial structure to lower financial risk.

As for international business, the Group will further analyse the purchasing desire, purchasing ability and changes in supply and demand in different countries and regions which suffered from the financial crisis, proactively improve marketing strategy, push forward construction of overseas assembly plant project while constantly improving service and support for the overseas assembly plants. The Group will facilitate the development in African market. In the meantime, the Group will construct bonded warehouse and spare parts warehouse to improve international market service network and provide basic support for expansion of international trade.

The Group will further adhere to the scientific development perspective, enhance corporate governance, address various challenges by virtue of its advantages, and continue to operate its business in a prudent and steady manner. Thereby, it will continuously enhance its corporate value and facilitate the health development of the Company, so as to reward the shareholders, the employees and the society.

Financial Results Analysis:

During the Reporting Period, the Group recorded revenue of RMB7,933.72 million, representing an increase of 11.7% over the same period last year. Profit attributable to equity holders of the Parent was RMB68.51 million, excluding gain from disposal of shares in the Bank of Communications in 2007 and securities investment, representing a decrease of 38.8% over the same period last year. Consolidated gross profit margin was 10.4%, representing a decrease of 1.5 percentage points. Net return on assets was 2.9%, which decreased by 4.3 percentage points. Despite the slightly decreased business results, overall performance maintained a steady and sustainable development momentum.

ANALYSIS OF OPERATING RESULTS

By segment	Revenue **2008** *RMB'000*	Revenue 2007 *(Note 1)* *RMB'000*	Revenue **% of change over last year**	Segment results **2008** *RMB'000*	Segment results 2007 *RMB'000*	Segment results **% of change over last year**
Agricultural machinery business	**5,572,154**	4,869,263	14.4	**83,219**	113,110	(26.4)
Construction machinery business	**1,542,220**	1,519,311	1.5	**(83,177)**	(69,650)	(19.4)
Engine machinery business	**777,209**	684,796	13.5	**91,854**	89,300	2.9
Financial business	**42,138**	28,780	46.4	**40,133**	26,802	49.7
Others	**—**	—	—	**(103)**	(139)	25.9
Total	**7,933,721**	7,102,150	11.7	**131,926**	159,423	(17.2)

Note 1: Prior period adjustments on operating revenue have been made in 2007, please refer to Note 3 of the financial statements.

During the Reporting Period, the increase in revenue was mainly derived from agricultural machinery business. Revenue from agricultural machinery business increased by 14.4% over the corresponding period last year, accounting for 70.2% in the operating revenue and represented a year-on-year growth of 1.6 percentage points. Revenue from construction machinery business increased by 1.5% over the corresponding period last year, accounting for 19.4% in the operating revenue and represented a year-on-year decrease of 2 percentage points. Revenue from engine machinery business increased by 13.5% over the corresponding period last year, accounting for 9.8% and represented a year-on-year growth of 0.2 percentage points.

Agricultural machinery business

In year 2008, there was a mixed scenario in China's agricultural machinery market as affected by the international economy and State policies. On one hand, the overall agricultural machinery market was in good shape, thanks to the State's supporting and preferential agricultural policies including greater purchase subsidy for agricultural machinery. On the other hand, the industry suffered a slump in profit margin due to price hikes of raw materials and power, increased labour cost and control on selling price of products involving agricultural machinery subsidized by the State. According to the information provided by the Industry Statistics Association of China, 217,382 units of large and medium tractors were sold in China during 2008, representing a growth of 2.9% from last year, while the sales volume of small tractors decreased by 20.8% year-on-year.

During the Reporting Period, the Group embarked to quicken the structural adjustment to its products by technological renovation, fostered product upgrades with reference to market demand whilst facilitating marketing management by integrating its marketing capabilities. In 2008, the Company completed the improvement project covering 19 types of large wheeled tractors in 4 horsepower ranges and 14 types of medium wheeled tractors in 3 series. Market competitiveness enhancement plan was implemented to improve synergy and development capability of the Company's resources as a whole. During the Reporting Period, the Group sold 46,330 units of large and medium tractors, representing a year-on-year increase of 4.7%. Among the above, sales of large wheeled tractors amounted to 24,994 units, representing a year-on-year growth of 8.4% which was 3.3 percentage points higher than the average growth of the industry. The increase was mainly derived from tractors of 90 horsepower or above, with sales volume increasing by 5,916 units or 127.1%. Sales of crawler tractors amounted to 1,974 units, representing a year-on-year decrease of 32.4%. Sales of medium wheeled tractors amounted to 19,362 units, representing a year-on-year growth of 6.0% which was 1.5 percentage points higher than the average growth of the industry. 65,180 units of small wheeled tractors were sold, representing a year-on-year decrease of 31.4%, which was higher than the average decrease of the industry, while 1,515 units of harvesters were sold, representing a year-on-year growth of 31.9%. However, the growth was lower than the average growth of the industry.

During the Reporting Period, agricultural machinery business recorded revenue of RMB5,572.15 million, representing a year-on-year growth of 14.4%, of which export amounted to RMB445.20 million (equivalent to USD66.45 million), representing a year-on-year increase of 60.6%, accounting for 8.8% of revenue from the agricultural machinery business. Operating results amounted to RMB83.22 million, representing a year-on-year decrease of RMB29.89 million. Owing to hiking prices of raw materials and power, a decrease of RMB83.582 million in gross profit was seen. Gross profit margin of tractor products decreased by 1.5 percentage points over the corresponding period last year.

Construction machinery business

The growth of China construction machinery slowed down as afflicted by global financial crisis.

During the Reporting Period, to cope with external changes, the Group continued to press ahead with the adjustment to its product mix and market structure by introducing products that were invented in 2008 to the market, such as the large-tonne fully hydraulic road rollers and mine train not used for roads. The Group also spared no effort in improving product quality and adaptability. The Company also improved adaptability of export products such as loaders, graders and trash compactors. During the Reporting Period, the Group sold 2,604 units of road rollers and 1,000 units of large loaders, representing a year-on-year increase of 8.2% and 51.8% respectively. Owing to fiercer industry competition, the sales volume of small construction machinery (small excavators and small loaders) and bulldozers decreased year-on-year by 38.1% and 11.7% respectively.

During the Reporting Period, construction machinery business recorded revenue of RMB1,542.22 million, representing a year-on-year growth of 1.5%, of which export amounted to RMB396.37 million (equivalent to US$59.16 million), representing a year-on-year increase of 36% and accounting for 25.7% of revenue from the segment. Due to price hikes of raw materials and power, consolidated gross profit margin of the construction machinery business decreased by 1.6 percentage points from the same period last year. The operating loss increased by RMB13.53 million year-on-year.

Engine machinery business

During the Reporting Period, benefiting from incentive government policies including higher purchase subsidy for agricultural machinery, the sales volume of engine machinery increased. The Group boosted capability of technological innovation and accelerated product mix adjustment by reaching out for cooperation during the Reporting Period. It completed production process preparation for double shaft balanced diesel engines. 80-90 horsepower electronic control diesel engines passed platform reliability test and obtained Europe IIIA and EPAIII emission certifications, and became qualified for entering into international high-end market of agricultural ancillary machinery. During the Reporting Period, the Group sold 91,281 diesel engines, representing a year-on-year increase of 11.2%, of which 59,452 units were exported, representing a year-on-year increase of 15.5%. Exports recorded revenue of RMB777.21 million, representing a year-on-year increase of 13.5% while the operating results recorded RMB91.85 million, representing a year-on-year increase of 2.9%. As engine machinery is a kind of auxiliary products and in face of soaring prices of raw materials, pressure from cost hikes could not be passed on to customers. Consequently, gross profit margin of engine machinery decreased year-on-year by 2.7 percentage points.

Financial business

During the Reporting Period, the Group's financial business recorded operating results of RMB40.13 million, an increase of RMB13.33 million over the same period last year. In the context of volatile internal and external economic environments, the Group effectively averted capital risk by reinforcing internal risk control, sound operation of settlement and loan businesses, promotion of production and operation of the Group, improvement of its system of online banking settlement and more effective financial services. It also strengthened its financing lease business to boost the sales of the Group's products.

To cope with volatility in the capital market in 2008, YTO Group Finance Co., Ltd restrained its securities investment business in the first half of 2008 to hedge investment risk. During the Reporting Period, gain from securities investment was modest.

Period Expenses

During the Reporting Period, the Group strengthened budget control, with period expenses amounting to RMB774.77 million, representing a year-on-year increase of 1.4%, under an increase in revenue of 11.7%.

In particular, selling costs amounted to RMB272.19 million, which held the line of the same period last year.

Administrative expenses amounted to RMB402.62 million, representing a year-on-year increase of 1.7%, mainly due to an increase of RMB16,996,000 in cost of research and development. However, other controllable expenses decreased due to budget control.

Other operating expenses amounted to RMB62.32 million, representing a year-on-year decrease of 2.4%, mainly due to decrease in exchange losses, impairment loss from loans and loss from disposal of fixed assets.

Finance costs amounted to RMB37.64 million, representing a year-on-year increase of 19.2%, mainly attributable to 1) the increase in the average interest rate of loans, 2) the transfer of long term loan interests to expense from capitalisation upon completion of project of technical renovation of large wheeled tractors.

ANALYSIS OF ASSETS

Analysis on changes in current assets

	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*	**Difference** *RMB'000*
Cash and bank balances	**758,535**	1,147,084	-388,549
Pledged deposits	**366,357**	151,640	214,717
Trade and bills receivable	**813,872**	925,946	-112,074
Inventories	**842,003**	841,800	203
Assets held for sales*	**317,012**	—	317,012

* *Assets held for sales: the Company approved the disposal of its 59% of equity interests in Zhenjiang Huatong Aran Machinery Co., Ltd. ("ZHAM") and Zhenjiang Huachen Huatong Road Machinery Co., Ltd. ("ZHHRM") each on 9 December 2008. Brilliance China Machinery Holding Limited ("BCM") entered into an equity transfer agreement with a purchaser on 26 March 2009. Assets of ZHAM and ZHHRM were included in "Assets held for sales" on 31 December 2008.*

Cash and bank balances

As at 31 December 2008, the Group's current cash and cash equivalents amounted to RMB758.535 million, having decreased by RMB388.549 million from the same period last year, of which the Company owned as to RMB265.91 million and the remaining was owned by the subsidiaries. Decrease in cash was primarily due to repayment of bank loans matured of RMB290.00 million.

Pledged deposits

As at 31 December 2008, the Company's pledged deposits amounted to RMB366.35 million, having increased by RMB214.71 million year-on-year, which mainly arose from the guarantee deposit to the bank for the purpose of acquiring bank acceptance bills.

Trade and bills receivable

As at 31 December 2008, trade and bills receivable was RMB813.87 million. Having considered effects of the transfer to "assets held-for-sales", trade receivable and bills receivable actually decreased by RMB13.04 million over the same period last year, among which trade receivable increased by RMB43.55 million over the same period last year, mainly due to the deferred payment of subsidy for purchasing agricultural machinery. As at the date of this report, the subsidy has been received. Bills receivable amounted to RMB323.53 million, representing a decrease of RMB56.59 million over the same period last year. Most of the bills receivable held by the Company were bank acceptance bills.

During the Reporting Period, turnover days of trade receivable were 35 days, which was 3 days earlier than last year.

Inventories

As at 31 December 2008, inventories amounted to RMB842.00 million; having considered effects of the transfer to "assets held-for-sales", inventories actually increased by RMB75.13 million over the same period last year. Measures to expand inventories reserves were adopted at the end of 2008 mainly in response to the increase in subsidy for purchasing agricultural machinery and the earlier peak season for sales of agricultural machinery in 2009.

During the Reporting Period, the Group's inventory turnover days were 54 days, which was 3 days faster than last year.

ANALYSIS ON LIABILITIES

	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*	**Difference** *RMB'000*
Short-term borrowings	**167,000**	459,900	-292,900
Trade and bills payables	**1,448,998**	1,144,065	304,933
Long-term borrowings	**144,000**	214,000	-70,000
Liabilities held-for-sales*	**206,263**	—	206,263

* *Liabilities held-for-sales: Liabilities of ZHAM and ZHHRM were included in "Liabilities held-for-sales" on 31 December 2008.*

Short-term loans

As at 31 December 2008, the Group's short-term loans of RMB167.00 million decreased by RMB292.90 million from the same period last year. The decrease was principally attributable to repayment of borrowings with higher interest rates made in prior years.

Trade and bills payables

As at 31 December 2008, the Group's trade and bills payables was RMB1,449.00 million. Having considered effects of the transfer to "liabilities held-for-sales", actual trade payable and bills payable increased by RMB393.33 million over the same period last year, among which bills payable increased by RMB238.92 million year-on-year, mainly attributable to extended application of bank acceptance bills for savings in financial cost and enhancement of capital utilization efficiency. Trade payable increased by RMB154.41 million which was mainly due to the deferred payment of subsidy for purchasing agricultural machinery. The Group negotiated with suppliers to extend payment term accordingly.

Long-term borrowings

As at 31 December 2008, the Group's long-term borrowings of RMB144.00 million decreased by RMB70.00 million from the same period last year, mainly resulting from the reclassification of certain borrowings of less than one-year term as short-term borrowings.

Indicators of Financial Ratio:

Items	Basis of calculation	**31 December 2008**	31 December 2007
Gearing ratio	Total liabilities/total assets x 100%	**50.46%**	49.84%
Current ratio	Current assets/current liabilities	**1.54**	1.61
Quick ratio	(Current assets - inventories)/current liabilities	**1.20**	1.25
Debt equity ratio	Total liabilities/shareholders' equity* x 100%	**108.89%**	106.22%

* Shareholders' equity (excluding minority interest)

As of 31 December 2008, the gearing ratio of the Group was 50.46%, representing an increase of 0.6 percentage points over the same period last year. The solvency maintained at a sound level.

Analysis of Equity and Reserves

Items	**31 December 2008** *RMB'000*	31 December 2007 *RMB'000*	**Increase/ (decrease)** *RMB'000*
Share capital	**845,900**	845,900	—
Capital surplus	**1,539,938**	1,539,938	—
Statutory surplus reserve	**113,519**	99,695	13,824
Statutory public welfare fund		—	—
Reserve fund	**3,590**	3,373	217
Enterprise expansion fund	**2,573**	2,356	217
General and statutory reserve	**5,145**	4,841	304
General reserve	**64,744**	64,744	—
Available-for-sale investment revaluation reserve	**24,546**	74,932	(50,386)
Exchange fluctuation reserve	**(11,673)**	(8,772)	(2,901)
Retained profit/(Accumulated losses)	**(65,691)**	(77,339)	11,648
Proposed final dividend	**42,295**	25,377	16,918

Available-for-sale investment revaluation reserve decreased by RMB50.38 million which was mainly attributable to decrease in fair value of available-for-sale financial assets as a result of the plunge in stock prices of Bank of Communications and Daye Special Steel.

SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS OF THE GROUP IN THE FUTURE

In 2009, the Group intends to invest RMB478,220,000, which will be mainly put into energy saving and emission reduction projects of heavy power duty diesel engines and forging equipments, and technological renovation projects of crawler tractors, large wheeled tractors and other products. The said investments will be mainly financed by bank loans and existing capital of the Group.

REDEMPTION, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

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

On 9 September 2008, the "Proposed Grant of General Mandate To Repurchase H Shares" ("Proposed Mandate") was considered and approved at the extraordinary general meeting and class meetings of the Company, pursuant to which the Board was authorized to repurchase up to a maximum of 10% of the number of H shares in issue of the Company, i.e. a maximum of 40,199,000 H shares. Upon approval by related authorities of the PRC, the Board can exercise the mandate for a term effective from 13 October 2008 until whichever is the earlier of:

1) the conclusion of the 2008 annual general meeting of the Company (no later than 30 June 2009);

2) the expiration of a period of twelve months following the passing of the relevant resolution at the extraordinary general meeting and class meetings;

3) the date on which the authority referred to in the "Proposed Mandate" conferred by the special resolution is revoked or varied by a special resolution of the shareholders in a general meeting or by a special resolution of holders of H shares or holders of domestic shares at their respective class meetings.

The Board has not exercised the mandate during the Reporting Period and as at the date of this report.

SIGNIFICANT EVENTS

1) In order to enhance utilization rate of resources of the construction machinery business, the Company integrated the construction machinery segment. On 17 November 2008, the Company acquired all 60% of equity interests of the Company's subsidary YTO (Luoyang) Construction Machinery Sales Co., Ltd. ("YLCMS") held by other shareholders at a total consideration of RMB2,077,500. Upon the completion of the acquisition, YLCMS became a wholly-owned subsidiary of the Company. On 4 December 2008, the Company injected a capital of RMB17 million to YLCMS. Subsequent to the completion of the capital increase, the registered capital of YLCMS increased from RMB8 million to RMB25 million. On 25 November 2008, the Company executed an equity transfer agreement with YLCMS, pursuant to which the Company transferred 49% of equity interests in YTO (Luoyang) Building Machinery Co., Ltd. and YTO (Luoyang) Construction Machinery Co., Ltd. respectively at prices of RMB6.8799 million and RMB9.9352 million respectively to YLCMS. The prices of the above equity transfer were determined in accordance with the appraisals of relevant companies by appraisal institutions.

2) In order to reduce the operating cost of harvesters, the Company integrated the harvester segment. On 5 October 2008, the Company established a harvester factory mainly engaged in the production of harvesters. YTO (Luoyang) Harvester Co., Ltd. ("Harvester Company"), a subsidiary of the Company, was principally engaged in the sales of harvesters products. On 31 October 2008, the Company transferred its 93.91% of equity interest in Harvester Company to Luoyang Changxing Agriculture Machinery Company Limited, a subsidiary of the Company. The consideration for the equity transfer amounted to RMB10,000. The consideration at which the equity transfer was conducted was determined with reference to the appraised value valued by appraisal institutions.

3) In order to meet the needs of the Company in business development and to fully reflect the Company's performance in production and operation, the Company convened an extraordinary general meeting on 9 September 2008, at which the addition of the development and production of products such as construction machinery and diesel engines into the business scope of the Company was approved. The change in the scope of business of the Company was subject to review and approval by the Ministry of Commerce of the PRC pursuant to relevant laws and regulations in the PRC.

4) On 28 April 2008, an extraordinary general meeting of the Company was held to approve that Mr. Zhang Jing be ceased to serve as a Director of the Company due to work rearrangement and Ms. Dong Jianhong was appointed as a Director of the Company.

5) On 21 October 2008, the Board of the Company determined to appoint Ms. Ren Huijuan as the deputy general manager of the Company as nominated by the general manager.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the opinion that the Company has complied with the requirements under Appendix 14 of the Code on Corporate Governance Practices of the Listing Rules during the Reporting Period. Details are set out in the Corporate Governance Report.

SECURITIES TRANSACTION BY DIRECTORS

During the Reporting Period, the Company has adopted the 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 of all Directors, they have complied with the Model Code.

DIVIDENDS

The Board recommends the payment of a final dividend in the amount of RMB5 cents per share for year 2008. The dividends for H share shareholders will be paid in Hong Kong dollars. The exchange rate is determined by the average exchange rate announced by the People's Bank of China of the five working days before the declaration of dividends, representing a dividend of HK$5.67 per H Share. The said dividend will be distributed on or before 19 August 2009 to shareholders whose names appear on the register of members as at 20 May 2009. Payment of dividends is subject to the approval by the annual general meeting to be held on 19 June 2009. In order to determine the holders of H Shares who are entitled to receive 2008 final cash dividends, the Company's register of members will be closed from 20 May 2009 to 18 June 2009 (both days inclusive) during which period no transfer of H Shares will be effected. Holders of H Shares who wish to receive 2008 final cash dividends must deposit the transfer documents together with the relevant share certificates at the H Shares registrar of the Company, Hong Kong Registrars Limited, at or before 4:30 p.m. on 19 May 2009. The address of the share registrar, Hong Kong Registrars Limited, is 46/F, Hope well Centre, 183 Queen's Road East, Wanchai, Hong Kong.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the Company reviewed the accounting principles and practices adopted by the Group and discussed the matters in respect of internal control and financial statements. The Audit Committee convened four meetings with the general manager, the financial controller and the external auditors of the Company.

The financial report of the Company for year 2007 and the interim financial report of the Company for year 2008 were reviewed by the Audit Committee of the Company. The Audit Committee has also reviewed the audited report of the Group's annual results for the year 2008 and the implementation of connected transactions.

By order of the Board
Liu Dagong
Chairman

Luoyang, the PRC
20 April 2009

As at the date of this announcement, the Board comprises ten executive Directors, namely Mr. Liu Dagong, Mr. Zhao Yanshui, Mr. Liu Wenying, Mr. Yan Linjiao, Mr. Li Tengjiao, Mr. Shao Haichen, Mr. Li Youji, Ms. Dong Jianhong, Mr. Liu Shuangcheng and Mr. Zhao Fei and four independent non-executive Directors, namely Mr. Lu Zhongmin, Mr. Chan Sau Shan, Gary, Mr. Chen Zhi and Mr. Luo Xiwen.

* *For identification purposes only*