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

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

(Stock Code: 0038)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

(Financial Highlights)

Revenue : RMB11,317,998,000

Profit attributable to

owners of the Company : RMB349,058,000

Earnings per share attributable

to owners of the Company : RMB0.3896

The board (the “**Board**”) of directors (the “**Directors**”) of First Tractor Company Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2012 (the “**Reporting Period**”), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the same period in 2011, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

		2012	2011
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Revenue	5	11,317,998	11,702,673
Cost of sales		<u>(9,775,220)</u>	<u>(10,042,301)</u>
Gross profit		1,542,778	1,660,372
Other income and gains	5	105,180	76,404
Selling and distribution costs		(348,929)	(364,367)
Administrative expenses		(744,217)	(712,775)
Other operating expenses, net		(8,527)	(8,342)
Finance costs	6	(62,733)	(54,162)
Share of profits of associates		<u>1,629</u>	<u>2,099</u>
Profit before income tax	7	485,181	599,229
Income tax expense	8	<u>(70,701)</u>	<u>(84,937)</u>
Profit for the year		<u>414,480</u>	<u>514,292</u>
Profit attributable to:			
Owners of the Company		349,058	440,051
Non-controlling interests		<u>65,422</u>	<u>74,241</u>
		<u>414,480</u>	<u>514,292</u>
Dividends	9	<u>99,590</u>	<u>—</u>
Earnings per share attributable to owners of the Company			
Basic and diluted	10	<u>RMB38.96 cents</u>	<u>RMB52.02 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Profit for the year	414,480	514,292
Other comprehensive income/(expense):		
Currency translation differences	(2,412)	(16,820)
Fair value gain/(loss) on available-for-sale financial assets, net of tax	<u>2,557</u>	<u>(65,947)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>145</u>	<u>(82,767)</u>
Total comprehensive income for the year	<u>414,625</u>	<u>431,525</u>
Attributable to:		
Owners of the Company	349,724	361,882
Non-controlling interests	<u>64,901</u>	<u>69,643</u>
Total comprehensive income for the year	<u>414,625</u>	<u>431,525</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		2012	2011	2010
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		2,414,122	2,168,402	1,920,889
Investment properties		32,511	33,861	35,302
Prepaid operating leases		757,715	695,853	208,385
Intangible assets		63,685	61,631	—
Interests in associates		7,810	19,815	20,449
Available-for-sale financial assets		159,450	179,350	289,465
Loan receivables		45,653	34,302	44,858
Deferred income tax assets		64,585	46,667	38,825
		<u>3,545,531</u>	<u>3,239,881</u>	<u>2,558,173</u>
Total non-current assets				
Current assets				
Inventories		1,363,535	1,195,451	1,426,598
Trade and bill receivables	11	2,268,990	2,445,949	1,595,045
Available-for-sale financial assets		—	23,360	—
Loan receivables		839,171	631,793	478,481
Prepayments, deposits and other receivables		736,631	612,408	782,170
Income tax recoverable		8,621	6,251	3,251
Financial assets at fair value through profit or loss		306,801	77,398	251,994
Held-to-maturity financial assets		52,090	—	1,000
Placements with banks and non-bank financial institutions		—	—	350,000
Pledged bank deposits		132,693	145,748	209,389
Cash and cash equivalents		1,825,339	1,394,695	1,183,559
		<u>7,533,871</u>	<u>6,533,053</u>	<u>6,281,487</u>
Total current assets				

		2012	2011	2010
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)	(Restated)
Current liabilities				
Trade and bill payables	12	2,548,365	2,344,853	2,146,089
Other payables and accruals		821,184	810,139	989,545
Customer deposits		1,110,287	1,058,420	472,167
Repurchase agreements		—	—	99,500
Placements from banks and non-bank financial institutions		360,000	200,000	100,000
Borrowings		451,241	969,468	425,726
Current income tax liabilities		30,297	37,885	29,850
Provisions		40,535	43,839	69,405
		<u>5,361,909</u>	<u>5,464,604</u>	<u>4,332,282</u>
Total current liabilities		<u>5,361,909</u>	<u>5,464,604</u>	<u>4,332,282</u>
Net current assets		<u>2,171,962</u>	<u>1,068,449</u>	<u>1,949,205</u>
Total assets less current liabilities		<u>5,717,493</u>	<u>4,308,330</u>	<u>4,507,378</u>
Non-current liabilities				
Borrowings		617,500	186,000	600,000
Deferred income		161,440	111,728	106,748
Deferred income tax liabilities		15,209	15,130	27,062
Provisions		31,460	43,004	77,348
		<u>825,609</u>	<u>355,862</u>	<u>811,158</u>
Total non-current liabilities		<u>825,609</u>	<u>355,862</u>	<u>811,158</u>
Net assets		<u>4,891,884</u>	<u>3,952,468</u>	<u>3,696,220</u>

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)	2010 <i>RMB'000</i> (Restated)
Equity			
Attributable to owners of the Company			
Share capital	995,900	845,900	845,900
Reserves	3,270,906	2,568,669	2,316,541
Proposed final dividend	99,590	—	67,672
	4,366,396	3,414,569	3,230,113
Non-controlling interests	525,488	537,899	466,107
Total equity	4,891,884	3,952,468	3,696,220

NOTES

1. GENERAL INFORMATION

First Tractor Company Limited (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 and the Shanghai Stock Exchange from 23 June 1997 and 8 August 2012, respectively. The registered office and principal place of business of the Company is located at 154 Jian She Road, Luoyang, Henan Province, the PRC.

The Company is engaged in investment holding, manufacture and sale of agricultural machinery. Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”. During the year, the Group is engaged in the following principal activities, mainly in the PRC:

- manufacture and sale of agricultural machinery
- manufacture and sale of power machinery
- manufacture and sale of other machinery, including forklifts and mining trucks
- provision of loans, bills discounting and deposit-taking services

In the opinion of the directors of the Company (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 consolidated 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 consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2013.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group 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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale financial assets, and financial assets at fair value through profit or loss, which are carried at fair value.

3. ACCOUNTING POLICIES

New and amended standards adopted by the Group

In the current year, the Group has applied the following new and revised HKFRSs, Amendments to HKFRSs and Interpretations issued by the HKICPA (the “new and revised HKFRSs”).

HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of these new and revised standards and amendments has no significant impact on the Group’s financial statements.

New and amended standards not yet effective and not yet adopted by the Group

The Group has not early applied the following new standards, amendments and interpretations to standards that have been issued but are yet effective for the financial year beginning after 1 January 2012, which are relevant to the Group:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments HKAS 1 ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance ²
HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ³

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

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

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

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

The Group is assessing of the impact of these amendments, new standards and interpretations in the period of initial application, but is not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on the Group's results of operations and financial position.

4. 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 the PRC, and over 90% of the Group's assets are located in the PRC.

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

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

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted according to the relevant prevailing market prices.

Although the other machinery segment does not meet the quantitative thresholds required by HKFRS 8 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored by the Group's management as a potential growth area and is expected to materially contribute to future group revenue.

Segment results are presented as profit before income tax. Other information of each segment is also disclosed, including depreciation and amortisation, corporate income and expenses, finance costs, gain on disposal of subsidiaries, share of profits or losses of associates, and income tax expenses. There are the details reported to management, which, together with other reportable data, serves to provide better information to management, and investors can assess annual segment results from this information.

The following tables present revenue, profit and certain information about assets, liabilities and expenditure for the Group's business segments for the year ended 31 December 2012.

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operation RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Income statement						
Revenue:						
Sales to external customers	9,616,653	1,224,001	384,975	92,369	—	11,317,998
Intersegment sales (<i>Note</i>)	499,109	780,944	62,174	18,507	(1,360,734)	—
	<u>10,115,762</u>	<u>2,004,945</u>	<u>447,149</u>	<u>110,876</u>	<u>(1,360,734)</u>	<u>11,317,998</u>
Interest, dividend and investment income					59,541	
Corporate expenses, net					(10,841)	
Finance costs					(62,733)	
Share of profits of associates					1,629	
Profit/(loss) before income tax	355,782	89,983	(9,989)	61,809	(12,404)	485,181
Income tax expense						(70,701)
Profit for the year						<u>414,480</u>
Other segment information:						
Capital expenditure	436,878	38,218	8,204	60	—	483,360
Depreciation of property, plant and equipment	132,105	37,412	2,952	259	—	172,728
Depreciation of investment properties	1,350	—	—	—	—	1,350

	Agricultural machinery RMB'000	Power machinery RMB'000	Other machinery RMB'000	Financial operation RMB'000	Unallocated adjustments/ eliminations RMB'000	Total RMB'000
Amortisation of prepaid operating leases	14,701	1,759	562	14	—	17,036
Amortisation of intangible assets	8	—	—	—	—	8
Provision for product warranties	51,247	45,315	5,903	—	—	102,465
(Reversal of)/ provision for impairment of trade receivables, net	(7,750)	547	1,991	—	—	(5,212)
Provision for/(reversal of) impairment of other receivables, net	5,862	(79)	237	—	—	6,020
Provision for/(reversal of) impairment of inventories, net	12,443	(391)	598	—	—	12,650
Provision for impairment of loan receivables, net	—	—	—	2,409	—	2,409
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,409</u>	<u>—</u>	<u>2,409</u>

Statement of financial position

Assets

Segment assets	7,051,242	1,599,775	399,856	2,985,108	(1,624,478)	10,411,503
Interests in associates						7,810
Unallocated assets						660,089
						<u>11,079,402</u>
Total consolidated assets						<u>11,079,402</u>

Liabilities

Segment liabilities	2,815,371	952,677	207,429	2,677,355	(1,624,478)	5,028,354
Unallocated liabilities						1,159,164
						<u>6,187,518</u>
Total consolidated liabilities						<u>6,187,518</u>

Note: Intersegment sales are priced with reference to market prices.

The following tables present revenue, profit and certain information about assets, liabilities and expenditure for the Group's business segments for the year ended 31 December 2011.

	Agricultural machinery <i>RMB'000</i> (Restated)	Power machinery <i>RMB'000</i> (Restated)	Other machinery <i>RMB'000</i> (Restated)	Financial operation <i>RMB'000</i> (Restated)	Unallocated adjustments/ eliminations <i>RMB'000</i> (Restated)	Total <i>RMB'000</i> (Restated)
Income statement						
Revenue:						
Sales to external customers	9,731,567	1,470,155	436,128	64,823	—	11,702,673
Intersegment sales (<i>Note</i>)	<u>524,132</u>	<u>740,907</u>	<u>58,344</u>	<u>29,934</u>	<u>(1,353,317)</u>	<u>—</u>
	<u>10,255,699</u>	<u>2,211,062</u>	<u>494,472</u>	<u>94,757</u>	<u>(1,353,317)</u>	<u>11,702,673</u>
Interest, dividend and investment income					50,663	
Corporate income, net					1,988	
Finance costs					(54,162)	
Share of profits of associates					<u>2,099</u>	
Profit/(loss) before income tax	359,931	191,227	(6,314)	53,797	588	599,229
Income tax expense						<u>(84,937)</u>
Profit for the year						<u>514,292</u>

	Agricultural machinery <i>RMB'000</i> (Restated)	Power machinery <i>RMB'000</i> (Restated)	Other machinery <i>RMB'000</i> (Restated)	Financial operation <i>RMB'000</i> (Restated)	Unallocated adjustments/ eliminations <i>RMB'000</i> (Restated)	Total <i>RMB'000</i> (Restated)
Other segment information:						
Capital expenditure	846,384	80,793	2,285	227	—	929,689
Depreciation of property, plant and equipment	96,643	36,750	2,923	277	—	136,593
Depreciation of investment properties	1,441	—	—	—	—	1,441
Amortisation of prepaid operating leases	7,457	774	503	14	—	8,748
Amortisation of intangible assets	11	—	—	—	—	11
Provision for product warranties	66,736	43,430	2,975	—	—	113,141
Provision for/(reversal of) impairment of trade receivables, net	5,016	(6,661)	1,864	—	—	219
Provision for/(reversal of) impairment of other receivables, net	1,354	238	(159)	—	—	1,433
(Reversal of)/provision for impairment of inventories, net	(8,385)	1,799	60	—	—	(6,526)
Provision for impairment of loan receivables, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,954</u>	<u>—</u>	<u>2,954</u>

Statement of financial position

Assets

Segment assets	6,775,815	1,461,046	367,317	2,682,192	(1,919,714)	9,366,656
Interests in associates						19,815
Unallocated assets						<u>386,463</u>
Total consolidated assets						<u>9,772,934</u>

Liabilities

Segment liabilities	3,247,983	703,402	323,287	2,204,854	(1,919,714)	4,559,812
Unallocated liabilities						<u>1,260,654</u>
Total consolidated liabilities						<u>5,820,466</u>

Note: Intersegment sales are priced with reference to market prices.

Reconciliation for earnings before interest, tax, depreciation and amortisation to profit before income tax is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Earnings before interest, tax, depreciation and amortisation of business segments	688,707	745,434
Depreciation of property, plant and equipment	(172,728)	(136,593)
Depreciation of investment properties	(1,350)	(1,441)
Amortisation of prepaid operating leases	(17,036)	(8,748)
Amortisation of intangible assets	(8)	(11)
Corporate (expenses)/income, net	(10,841)	1,988
	<hr/>	<hr/>
Operating profit	486,744	600,629
Interest, dividend and investment income	59,541	50,663
Finance costs	(62,733)	(54,162)
Share of profits of associates	1,629	2,099
	<hr/>	<hr/>
Profit before income tax	<u>485,181</u>	<u>599,229</u>

Assets are attributed to the segments based on the operations of each segment and the location of the assets. The Group's equity and other investments (classified as available-for-sale financial assets and financial assets at fair value through profit or loss) are not recognised as segment assets, as they are managed by treasury departments responsible for the Group's finance.

Segment assets are summarised as below:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Segment assets as allocated by business segments	10,411,503	9,366,656
Unallocated assets:		
Available-for-sale financial assets	159,450	202,710
Deferred income tax assets	64,585	46,667
Financial assets at fair value through profit or loss	306,801	77,398
Interests in associates	7,810	19,815
Others	129,253	59,688
	<hr/>	<hr/>
Total assets as per consolidated statement of financial position	<u>11,079,402</u>	<u>9,772,934</u>

Liabilities are attributed to the segments based on the operations of each segment. The Group's borrowings are not recognised as segment liabilities, as they are managed by treasury departments responsible for the Group's finance.

Segment liabilities are summarised as below:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Segment liabilities as allocated by business segments	5,028,354	4,559,812
Unallocated liabilities:		
Borrowings	1,068,741	1,155,468
Deferred income tax liabilities	15,209	15,130
Provisions	71,995	86,843
Others	3,219	3,213
	<hr/>	<hr/>
Total liabilities as per consolidated statement of financial position	<u>6,187,518</u>	<u>5,820,466</u>

There are no single customers that comprise over 10% of the total revenue of the Group for both years.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, mainly 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:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Revenue		
Sales of goods	11,226,015	11,638,098
Fee and commission income from financial operation	4,689	4,975
Interest income from financial operation on:		
Loans and advances to customers	71,847	42,709
Finance lease obligations	4,674	9,929
Due from central bank, other banks and financial institutions	10,773	6,962
	<u>11,317,998</u>	<u>11,702,673</u>
Other income		
Bank interest income	5,898	5,312
Dividend income from listed investments	2,510	1,831
Dividend income from unlisted investments	30,672	7,710
Government grants	34,152	10,689
Others	10,810	9,846
	<u>84,042</u>	<u>35,388</u>

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Other gains		
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	3,460	(11,769)
Fair value gain on remeasurement of interests in associates	938	123
Gain on bargain purchase	—	2,693
Gain on disposal of available-for-sale financial assets, net	4,236	35,973
Gain on disposal of financial assets at fair value through profit or loss, net	11,827	8,790
(Loss)/gain on disposal of property, plant and equipment, net	(780)	4,827
Write-off of other payables	1,457	379
	21,138	41,016
	105,180	76,404

6. FINANCE COSTS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Interest on bank and other borrowings wholly repayable within 5 years	83,786	62,549
Less: Interest capitalised into construction in progress	(21,053)	(8,387)
	62,733	54,162

7. PROFIT BEFORE INCOME TAX

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

	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Cost of inventories sold	9,750,951	10,029,459
Depreciation of property, plant and equipment	172,728	136,593
Depreciation of investment properties	1,350	1,441
Amortisation of prepaid operating leases	17,036	8,748
Amortisation of intangible assets	8	11
Dividend income from listed investments	(2,510)	(1,831)
Dividend income from unlisted investments	(30,672)	(7,710)
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	(3,460)	11,769
Fair value gain on remeasurement of interests in associates	(938)	(123)
Fee and commission income from financial operation	(4,689)	(4,975)
Fee and commission expenses from financial operation	337	222
Foreign exchange differences, net	2,223	(1,952)
Gain on disposal of available-for-sale financial assets, net	(4,236)	(35,973)
Gain on disposal of financial assets at fair value through profit or loss, net	(11,827)	(8,790)
Loss/(gain) on disposal of property, plant and equipment, net	780	(4,827)
Gain on bargain purchase	—	(2,693)
Gross rental income	(7,687)	(7,707)
Interest income from financial operation on:		
Loans and advances to customers	(71,847)	(42,709)
Finance lease obligations	(4,674)	(9,929)
Due from central bank, other banks and financial institutions	(10,773)	(6,962)
Interest expenses from financial operation	11,283	19,399

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Minimum lease payments under operating leases of land and building, and plant and machinery	11,462	13,012
Provision for product warranties	102,465	113,141
Provision for impairment of loan receivables, net	2,409	2,954
Provision for/(reversal of) impairment of inventories, net	12,650	(6,526)
(Reversal of)/provision for impairment of trade receivables, net	(5,212)	219
Provision for impairment of other receivables, net	6,020	1,433
Research and development costs	403,640	383,108
Write-off of other payables	(1,457)	(379)
	<u> </u>	<u> </u>

8. INCOME TAX EXPENSE

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated)
Current – PRC corporate income tax		
Charge for the year	88,295	86,643
Adjustments in respect of prior years	559	863
Deferred income tax	(18,153)	(2,569)
	<u> </u>	<u> </u>
Total income tax charge for the year	<u>70,701</u>	<u>84,937</u>

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25% (2011: 15% to 25%) on their estimated assessable profits for the year, based on existing legislation, interpretations and practices.

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 2012 and 2011.

Profits tax of the subsidiaries operating outside the PRC 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 (2011: Nil).

9. DIVIDENDS

No dividends was paid in 2012. The dividends paid in 2011 was RMB67,672,000 (RMB0.08 per share).

	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend, proposed, of RMB10 cents (2011: Nil) per ordinary share	<u>99,590</u>	<u>—</u>

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 the 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).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB349,058,000 (2011: approximately RMB440,051,000 (restated)) and the weighted average number of 895,900,000 (2011: 845,900,000) ordinary shares in issue during the year.

No diluting events occurred during the years ended 31 December 2012 and 2011.

The calculation of basic earnings per share is based on:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<u>349,058</u>	<u>440,051</u>
	2012 Number of shares (<i>thousand</i>)	2011 Number of shares (<i>thousand</i>)
Shares		
Weighted average number of ordinary shares in issue during the year	<u>895,900</u>	<u>845,900</u>

11. TRADE AND BILL RECEIVABLES

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

The carrying amounts of the Group's trade and bill receivables approximate to their fair values and the majority of which are denominated in Renminbi.

An aged analysis 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:

	Group	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Within 90 days	1,498,243	1,105,141
91 days to 180 days	627,361	1,243,552
181 days to 365 days	127,980	83,994
1 to 2 years	15,406	13,262
	<u>2,268,990</u>	<u>2,445,949</u>

12. TRADE AND BILL PAYABLES

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

	Group	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Within 90 days	1,876,720	1,004,863
91 days to 180 days	447,757	855,985
181 days to 365 days	110,844	409,424
1 to 2 years	60,029	38,832
Over 2 years	53,015	35,749
	<u>2,548,365</u>	<u>2,344,853</u>

BUSINESS REVIEW

During 2012, an ongoing sluggish world economy and the decelerated growth of the domestic machinery industry increased the difficulty in business operation. After rapid and continuous growth in recent years, there is limited room for further growth of the tractor industry. Given the impact of the adjustment to the subsidies policy for agricultural machineries and other factors, the overall sales declined to some degree. Confronted with such a complex and grim business environment, the Company timely adjusted its sales tactic based on market changes and proactively pushing forward adjustment to the product mix. With steady economic operation, breakthroughs in major projects, exceptional progress in its key tasks, the Company boosted its comprehensive capabilities in dealing with changing market situations, and continuously maintained its leading position in the hi-powered and mid-powered tractors market.

During the Reporting Period, the Company constantly enhanced its capability of sustainable development by effectively pressing ahead with the construction of key research and development projects. In September 2012, the Company mass launched the powershift transmission tractors with complete proprietary intellectual property rights, which marked a significant breakthrough in the research and development and the manufacturing technology of heavy-duty wheeled tractors in the PRC. Meanwhile, our globally advanced and domestically first class pilot trial production base was put into operation. The Company considerably boosted its capability in testing the power range, projects and precision of tractors and diesel engines, which laid a foundation for the Company to consolidate its existing technological advantages and building competitive edges for the future.

During 2012, the provincial government of Henan granted the “Governor Quality Award (省長質量獎)”, the highest honor of quality, to the Company. This is another award on quality received by the Company, which is great assurance on the management standards on quality, and products and services quality of the Company . Furthermore, the Company won the Golden Bauhinia Award – “Listed Company with the Highest Brand Value (最具品牌價值上市公司)” granted by Ta Kung Pao in Hong Kong, which demonstrated the recognition of the Company by the capital market and would drive the Company to strengthen its connection with the capital market and endeavor to create more value to investors.

The Company also achieved tremendously in capital operation during 2012. In August 2012, the Company completed its initial public offering of A shares which were listed on the Shanghai Stock Exchange, and became the only enterprise in the domestic agricultural machinery manufacturing industry with “A+H” listings. The A share issue would provide strong support for the Company to upgrade its products and adjust the product mix, and offer a critical capital market platform for the Company to further consolidate resources and attain its strategic development target. By the end of 2012, the Company completed the acquisitions of all the equity interests in YTO (Luoyang) Flag Auto-Body Company Limited* (一拖(洛陽)福萊格車身有限公司) (“**YTO Flag**”) and YTO (Luoyang) Drive Axle Company Limited* (一拖(洛陽)車橋有限公司) (“**YTO Axle**”) from YTO Group Corporation* (中國一拖集團有限公司) (“**YTO**”). Equity interest transfer in YTO (Luoyang) Foundry Company Limited* (一拖(洛陽)鑄造有限公司) was also completed in January 2013. It would further enhance the Company’s core manufacturing capability and optimize its industrial chain.

During the Reporting Period, the Company kept improving its corporate governance mechanism, and further strengthened the awareness of standardized operation and investor return. Through amendment to the articles of the association of the Company (the “**Articles of Association**”), the Company clarified the implementation of sustainable and stable profit distribution policy while taking into consideration of sustainable development of the Company and reasonable investor return. During the Reporting Period, the Board further revised and improved the Implementation Rules for the Audit Committee, the Remuneration Committee and the Nomination Committee, based on the actual condition of the Company and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

During the Reporting Period, the re-election of the Board of the Company was completed smoothly. In accordance with the operational need, the management team was replenished and adjusted by the Board. All new Directors and management members of the Company are well experienced and educated in their respective fields and also diligent and conscientious. All our management members and the Directors of the Company are confident in leading the Company onto the track of steady development and bringing more return to our shareholders.

PROSPECTS

Our mission is to stay committed to provide the most valuable packaged solutions to agricultural machineries, and our vision is to become a prominent global supplier of agricultural machineries. The year of 2013 will see our unremitting efforts in achieving this target. The Chinese agricultural machinery industry has been developing rapidly for nearly a decade since 2004, while the coming ten years will still be a golden period for the transformation and upgrade of the agricultural machinery industry. As a leading company in the domestic agricultural machinery manufacturing industry, we have realized agricultural mechanization from certain procedures to the entire process, from field-operating machinery to all-round mechanization, and our agricultural machinery products have evolved from low-end ones to those with high technology content, all of which will provide us huge development opportunities. As a leader in as well as a beneficiary of industry upgrading, we will firmly grasp this opportunity for further growth amid industrial development.

2013 is not only a year of great expectations but also of challenges. The world economy is still mired in-depth correction, with complicated and capricious conditions internationally and declining demands domestically, some in-depth problems and conflicts emerge gradually. Competition in the agricultural machinery industry will also intensify. The tractor industry will enter a phase of “high-end products-focused and moderate growth (高位運行、溫和增長)”, with fast rising demands for high-end products, and emphasis on adjustment of the product mix. Years of amassed advantages in respect of brand, services, R&D, manufacture and customers give us the confidence to better seize present opportunities, actively tackle various challenges, and continuously promote sustainable development of the Company, so as to bring more stable and sustained returns to our shareholders.

ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, to improve the industrial chain and reduce connected transactions, the Company acquired 100% equity interest in YTO Flag and YTO Axle from YTO, the controlling shareholder of Company, and YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd* (一拖(洛陽)開創裝備科技有限公司), a controlling subsidiary of YTO, respectively. The aforementioned equity acquisition transactions constitute business combination under common control and restatements were made to the comparative figures of the consolidated financial statements. Below is the analysis of the principal business of the Group and the following discussion and analysis of the relevant financial figures are restated figures.

Unit: RMB'000

	Operating revenue					Segment results		
	2012		2011 (Restated)		Change of	2012	2011	Change over
	Revenue		Revenue		revenue from			last year
	Segment	from external	Segment	from external	external customers	(Restated)		
By segment	revenue	customers	revenue	customers	over last year			%
					%			
Agricultural machinery	10,115,762	9,616,653	10,255,699	9,731,567	-1.2%	355,782	359,931	-1.2%
Power machinery business	2,004,945	1,224,001	2,211,062	1,470,155	-16.7%	89,983	191,227	-52.9%
Other machinery business	447,149	384,975	494,472	436,128	-11.7%	-9,989	-6,314	58.2%
Financial business	110,876	92,369	94,757	64,823	42.5%	61,809	53,797	14.9%
Unallocated and eliminations	-1,360,734		-1,353,317			-12,404	588	
Total	<u>11,317,998</u>	<u>11,317,998</u>	<u>11,702,673</u>	<u>11,702,673</u>	<u>-3.3%</u>	<u>485,181</u>	<u>599,229</u>	<u>-19.0%</u>

Note1: “Restated”: As the acquisitions of YTO Flag and YTO Axle in 2012 constitute business combination under common control, retrospective adjustments and restatements were made to the financial data in the consolidated results of 2011 in accordance with the relevant regulations.

Note2: Since YTO Axle was newly established in 2012, the restated figures have consolidated the relevant data of YTO Flag only.

AGRICULTURAL MACHINERY BUSINESS

Starting from 2012, affected by such factors as the adjustment to the subsidies implementation policy of China and the rise in production and operation costs of enterprises, the agricultural machinery industry has been displaying a trend of slower growth and diversified development. According to the statistics of the Association of Agricultural Machinery Industry of China, the agricultural machinery industry of China recorded an accumulative gross industrial output value of RMB338.2 billion during the Reporting Period, up approximately 19% year on year but the growth rate is approximately 15 percentage points lower than the same period of 2011. Meanwhile, the industry witnessed an apparent imbalanced and incompatible development. Sales of corn harvesters and after-harvest processing machines grew by a staggering 113.3% and 53.7% respectively. 362,087 units of hi-powered and mid-powered tractors were sold in China, representing a year-on-year decrease of 2.3%, and 355,828 units of low-powered tractors were sold, representing a year-on-year decrease of 6.8%.

During the Reporting Period, in light of the new changes in market dynamics, the Company strengthened its market study, intensively cultivated regional markets, accelerated the standardized operation of sales agencies and lean management as well as strengthened the ability to grab end-user. To address the higher power requirement for its products and the needs of paddy fields, the Company paid more efforts in speeding up the adjustment to product structure, marketing its new products, and implementing an effective product mix. As a result, LZ2404A, the hi-powered power shift transmission (PST) tractors under the brand of Dongfanghong which boost the world-leading mainstream technology level achieved sales in mass quantity, indicating a breakthrough in technology upgrade; sales of LX2204, LX1000 and E454 tractors, being our major types of tractors, increased by 172%, 72% and 130% respectively; new products including LY1100, LY1004 and MF604 tractors also achieved sales in mass quantity, laying a solid foundation for future market development. Through accurately grasping the sales opportunities in the second half of 2012 when more government subsidies were granted to hi-powered wheeled tractors of 90 horsepower and above in Henan market, the Company launched promotion activities and further cemented its leading position in the markets of winter wheat growing regions. Through elaborate efforts in sales channels, we made breakthroughs and noticeable achievements in the South China markets where we had no or minor market share before. During the Reporting Period, the Company sold 85,570 units of hi-powered and mid-powered wheeled tractors, representing a year-on-year increase of 0.86%, maintaining its

first place in the industry with an increased market share year on year, among hi-powered wheeled tractors, sales of 100 horsepower and above were 21,341 units, representing a year-on-year increase of 70.85%, faster than the industry average; and 41,728 units were mid-powered wheeled tractors, representing a year-on-year increase of 19.63% and a further increase in market share, maintaining its second place in the industry. 1,511 units of crawler tractors were sold, representing a year-on-year decrease of 35.01%, which was due to contracted market demand resulted from the entry of substitute products. Sales of Dongfanghong low-powered wheeled tractors decreased by 41.02% year-on-year, which was because of the Company's product mix adjustment.

POWER MACHINERY BUSINESS

Dongfanghong has been an industry leader for its power machinery business in ancillary products of 55KW-above tractors and harvesters. During the Reporting Period, amid a slowdown in agricultural machinery products growth and intensifying market competition, the Company accelerated the setting up of the 100-200 horsepower technological platform, and the trial production and promotion of new techniques, thus achieving breakthroughs in engineering machinery, marine machinery, anti-explosion machinery and other new fields while maintaining absolute dominance in tractors of 100 horsepower and above, wheat harvesters of 100-110 horsepower, hi-powered corn harvesters. YTO (Jiangyan) Power Machinery Co., Ltd* (一拖(姜堰)動力機械有限公司) effectively enlarged its market share through accelerating ancillary product development and strengthening after-sales services to consolidate existing client base and develop new customers. During the Reporting Period, 162,458 units of various diesel engines models were sold in the power machinery business of the Company, representing a year-on-year decrease of 3.81%, a pace far slower than the drop of the industry average.

OTHER BUSINESS

Other machinery business: In 2012, as affected by the continued downturn in the coal industry of China and the insufficient production at coal mines in the major coal-producing regions such as Inner Mongolia, Shaanxi and Shanxi, the Company sold 591 units of mining trucks, representing a year-on-year decrease of 2.31%, and 1,600 units of forklifts, representing a year-on-year decrease of 11.4%.

Financial business: During the Reporting Period, YTO Group Finance Co., Ltd* (中國一拖集團財務有限責任公司) (“**YTO Finance**”) actively played its role as a financial platform. In addition to the conventional deposit and loan services to provide funding support to the Company, YTO Finance also actively provided support to the product sales of the Company, provided a total financing of RMB721,556,000 for the sales of the Company’s products by dealers and bringing sales revenue of RMB998,591,000 to the Company.

ANALYSIS OF FINANCIAL RESULTS

1. Operating revenue

During the Reporting Period, the Company recorded operating revenue of RMB11,317,998,000, representing a year-on-year decrease of 3.3%, which was mainly due to the decrease in the sales of the Company’s primary products such as agricultural machinery products and power machinery products. 123,717 units of agricultural machinery products were sold, representing a year-on-year decrease of 12.41%; sales revenue amounted to RMB9,616,653,000, representing a year-on-year decrease of 1.2%; 162,458 units of power machinery products were sold, representing a year-on-year decrease of 3.81%; sales revenue amounted to RMB1,224,001,000, representing a year-on-year decrease of 16.7%. Sales revenue from other machinery products amounted to RMB384,975,000, representing a year-on-year decrease of 11.7%.

2. Gross profit and gross profit margin

During the Reporting Period, the Company realised a gross profit of RMB1,542,778,000, representing a year-on-year decrease of 7.08%. The consolidated gross profit margin was 13.6%, representing a 0.56 percentage point decrease from the previous period.

3. Costs

Unit: RMB'000

Item	2012	2011	Change amount	Change (%)
Selling and distribution costs	348,929	364,367	−15,438	−4.24%
Administrative expenses	744,217	712,775	31,442	4.41%
Finance cost	62,733	54,162	8,571	15.82%
Other expenses	8,527	8,342	185	2.22%
Income tax expenses	70,701	84,937	−14,236	−16.76%

- (1) The Group's selling expenses for the Reporting Period amounted to RMB348,929,000, representing a year-on-year decrease of RMB15,438,000 or 4.24%, which was mainly attributable to reduced sales of products and reduction of service fees for “three guarantee” (三包服務費) thanks to enhancement in product quality.
- (2) The Group's administrative expenses for the Reporting Period was RMB744,217,000, representing a year-on-year increase of RMB31,442,000 or 4.41%, which was mainly attributable to the year-on-year increase of RMB26,271,000 in research and development costs as a result of increased efforts in research and development.
- (3) The Group's finance cost for the Reporting Period amounted to RMB62,733,000, representing a year-on-year increase of RMB8,571,000 or 15.82%. Under the circumstance of the increase of investment and delayed payment of the State's subsidies on the purchase of agricultural machinery products, in order to ensure normal production and operation, the Group has obtained more bank borrowings during the Reporting Period, which resulted in an increase in its average loan size.

- (4) The Group's other expenses for the Reporting Period amounted to RMB8,527,000, representing a year-on-year increase of RMB185,000, which basically stayed at the same level as last year.
- (5) During the Reporting Period, the Group's income tax expenses amounted to RMB70,701,000, representing a year-on-year decrease of RMB14,236,000. The Company and its controlling subsidiaries, YTO (Luoyang) Diesel Engine Co., Ltd* (一拖(洛陽)柴油機有限公司) and Luoyang Tractors Research Institute Co., Ltd.* (洛陽拖拉機研究所有限公司) and its subsidiary, 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) successfully passed the review for new and high tech enterprise in October 2011 and will enjoy the preferential income tax rate of 15% from 2011 to 2013. YTO Flag, a subsidiary of the Company, was recognized as new and high tech enterprise in 2010 and will enjoy the preferential income tax rate of 15% from 2010 to 2012.

4. Research and development costs

Unit: RMB'000

Research and development costs expensed during the Reporting Period	383,640
Research and development costs capitalized during the Reporting Period	0
Total research and development costs	383,640
Total research and development costs as a percentage of net assets (%)	7.84%
Total research and development costs as a percentage of operating revenue* (%)	3.42%

Note: Operating revenue does not include revenue generated from the finance business of the Company.

During the Reporting Period, research and development costs were mainly used to the research and upgrade of wheeled tractor of 60-300 horsepower, technological progress and quality enhancement for the Dongfanghong branded mid-powered wheeled tractors, development of hi-power electronic control diesel and research of its matching with the machinery, and application of gear machining new technologies for hi-powered wheeled tractors, so as to enhance the Company's ability in research and development and improve the competitiveness of its products.

5. Cash flows

As at 31 December 2012, the net increase in cash and cash equivalents amounted to RMB416,651,000, among which, net cash inflow from operating activities was RMB555,133,000, net cash outflow in investing activities was RMB747,469,000, net cash inflow from financing activities was RMB607,837,000, and effect of exchange rate changes amounted to RMB1,151,000.

Analysis of Assets and Liabilities

Unit: RMB'000

Item	As at the end of the Reporting Period	Percentage of total assets as at the end of the Reporting Period (%)	As at the end of previous reporting period	Percentage of total assets as at the end of previous reporting period (%)	Change over the end of previous reporting period (%)
Property, plant and equipment	2,414,122	21.8%	2,168,402	22.2%	11.3%
Interests in associates	7,810	0.1%	19,815	0.2%	-60.6%
Available-for-sale financial assets	159,450	1.4%	202,710	2.1%	-21.3%
Loan receivables	884,824	8.0%	666,095	6.8%	32.8%
Deferred income tax assets	64,585	0.6%	46,667	0.5%	38.4%
Inventories	1,363,535	12.3%	1,195,451	12.2%	14.1%
Trade and bill receivables	2,268,990	20.5%	2,445,949	25.0%	-7.2%
Financial assets at fair value through profit or loss	306,801	2.8%	77,398	0.8%	296.4%
Held-to-maturity financial assets	52,090	0.5%			N/A
Cash and cash equivalents	1,825,339	16.5%	1,394,695	14.3%	30.9%
Trade and bill payables	2,548,365	23.0%	2,344,853	24.0%	8.7%
Placements from banks and non-bank financial institutions	360,000	3.2%	200,000	2.0%	80.0%
Borrowings	1,068,741	9.6%	1,155,468	11.8%	-7.5%
Deferred income	161,440	1.5%	111,728	1.1%	44.5%

Property, plant and equipment: As at 31 December 2012, property, plant and equipment of the Group increased by RMB245,720,000 from the beginning of the Reporting Period. The increase was mainly because the Group increased investment in fixed assets such as production lines during the Reporting Period in order to enhance competitiveness of its products.

Interests in associates: As at 31 December 2012, the Group's interests in associates decreased by RMB12,005,000 from the beginning of the Reporting Period, which was mainly because YTO Shunxing (Luoyang) Spare Parts Co., Ltd* (一拖(洛陽)順興零部件有限責任公司) (“**YTO Shunxing**”) was included in the scope of consolidation of the Group since June 2012 after the completion of the Group's acquisition of 60% equity interest in YTO Shunxing held by Liaoning Shunxing Combustion Engine Crankshaft Company Limited* (遼寧順興重型內燃機曲軸有限公司) and the natural persons during the Reporting Period in order to enhance its capability in manufacturing core parts and components.

Available-for-sale financial assets: As at 31 December 2012, available-for-sale financial assets (non-current) of the Group decreased by RMB19,900,000 from the beginning of the Reporting Period, which was mainly because the Group disposed of its available-for-sale financial assets in light of the fluctuations of the financial market during the Reporting Period. Available-for-sale financial assets (current) of the Group decreased by RMB23,360,000 from the beginning of the Reporting Period, which was mainly because the Group transferred its equity interest in Southwest Stainless Steel Co., Ltd. (西南不銹鋼有限責任公司) in light of future gains during the Reporting Period.

Loan receivables: As at 31 December 2012, loan receivables (non-current) and loan receivables (current) of the Group increased by RMB11,351,000 and RMB207,378,000 respectively from the beginning of the Reporting Period, which was mainly because YTO Finance increased its loans to the Group in light of the sufficient capital of YTO Finance and the sustained profitability of the Group and its subsidiaries and for the purpose of enhancing efficiency in fund use.

Deferred income tax assets: As at 31 December 2012, deferred income tax assets of the Group increased by RMB17,918,000 from the beginning of the Reporting Period, which was mainly because the Group recognized deferred income tax assets in respect of the recoverable losses of YTO France SAS.

Inventories: As at 31 December 2012, the inventories of the Group increased by RMB168,084,000 from the beginning of the Reporting Period, which was mainly because the Group increased relevant stocks in light of the forthcoming sales peak season in the coming year (such stocks were at a relatively low level at as the end of 2011 due to the strong uncertain movements of raw material prices).

During the Reporting Period, inventories turnover was 47 days, which is basically the same as last year.

Trade and bill receivables: As at 31 December 2012, bill receivables and trade receivables of the Group amounted to RMB1,292,596,000 and RMB976,394,000 respectively, representing a decrease of RMB279,111,000 and an increase of RMB102,152,000 respectively from the beginning of the Reporting Period, which was mainly due to the deferred payment of the State's subsidies for purchase of agricultural machinery products.

Financial assets at fair value through profit or loss: As at 31 December 2012, the Group's financial assets at fair value through profit or loss increased by RMB229,403,000 from the beginning of the Reporting Period, which was mainly because YTO Finance purchased financial assets at fair value through profit or loss in light of the fluctuations of the financial market.

Held-to-maturity financial assets: As at 31 December 2012, the Group's held-to-maturity financial assets increased by RMB52,090,000 from the beginning of the Reporting Period, which mainly represented the increased investment in short-term financing bills by YTO Finance during the Reporting Period.

Cash and cash equivalents: As at 31 December 2012, the Group's cash and cash equivalents increased by RMB430,644,000 from the beginning of the Reporting Period, which was mainly due to the year-end payment concentration for the Group's products sales.

Trade and bill payables: As at 31 December 2012, the Group's trade payables amounted to RMB2,030,232,000, representing an increase of RMB336,832,000 from the beginning of the Reporting Period, which was mainly due to the extended payment deadlines negotiated with its suppliers by the Group in order to seize market opportunities and to address the prolonged payment of sale of agricultural machinery. Bill payables amounted to RMB518,133,000, representing a decrease of RMB133,259,000 from the beginning of the Reporting Period.

Placements from banks and non-bank financial institutions: As at 31 December 2012, the Group's placements from banks and non-bank financial institutions increased by RMB160,000,000 from the beginning of the Reporting Period, which mainly because YTO Finance obtained placements from other financial institutions to meet the capital needs by the Group for production and operation at the end of 2012.

Borrowings: As at 31 December 2012, the Group's short-term borrowings decreased by RMB518,227,000 from the beginning of the Reporting Period, while the Group's long-term borrowings increased by RMB431,500,000 from the beginning of the Reporting Period, which was mainly because the Group adjusted its liabilities structure in line with the changes in its assets structure after the Group increased investments in designated fixed assets such as the wheeled tractor project of the industrial park and the hi-powered diesel engine project, and conducted the acquisitions of YTO Flag and YTO Axle during the Reporting Period.

Deferred income: As at 31 December 2012, the Group's deferred income increased by RMB49,732,000 from the beginning of the Reporting Period, which was mainly because the Group received government subsidies of RMB53,200,000 for the project on enhancement of core capability of new-type wheeled tractors which is in line with the national incentive policy during the Reporting Period.

Indicators of financial ratio

Major financial

indicators	Basis of calculation	2012	2011 (Restated)	2010 (Restated)
Gearing ratio	Total liabilities/ total assets x 100%	55.8%	59.6%	58.2%
Current ratio	Current assets/ current liabilities	1.41	1.20	1.45
Quick ratio	(Current assets — inventories)/current liabilities	1.15	0.98	1.12
Debt equity ratio	Total liabilities/shareholders' equity* x 100%	141.7%	170.5%	159.2%

* *Note:* Shareholders' equity excludes minority interests.

FUNDS TO MAINTAIN EXISTING BUSINESS AND TO COMPLETE PROJECT COMPANY UNDER CONSTRUCTION

In terms of the composition of its major products, the Company operates in the agricultural machinery industry which is covered by the national policy for subsidies for purchasing agricultural machinery. However, given the deferred payment of subsidies for agricultural machinery purchases, the sales seasonality and the investments needs of the Company, the Company's funds are subject to a relatively high rate of usage in certain time periods. The Company will finance its production, operation and investment projects mainly through bank loans, bill financing and issue of corporate bonds, etc.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SIGNIFICANT EVENTS

In accordance with the document Zheng Jian Xu Ke [2012] No. 736 of the China Securities Regulatory Commission ("CSRC"), the Company issued 150,000,000 RMB-denominated ordinary shares (A shares) at the offer price of RMB5.40 per share in July 2012, which were listed on the Shanghai Stock Exchange on 8 August 2012. Upon the share issue, the total share capital of the Company increased from 845,900,000 shares before the issue to 995,900,000 shares.

Types of shares and derivative securities	Date of issue	Issue price (or interest rate)	Issue number	Date of listing	Number of shares approved for listing and trading
A share	27 July 2012	RMB5.4/share	150,000,000	8 August 2012	150,000,000

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Name	Position	Change	Reason of change
Li Youji	Non-executive Director	Resigned	Resignation for personal reasons
Liu Yongle	Non-executive Director	Retired	Expiry of tenure without re-election
Chan Sau Shan, Gary	Independent non-executive Director	Retired	Expiry of tenure without re-election
Luo Xiwen	Independent non-executive Director	Retired	Expiry of tenure without re-election
Zheng Luyu	Supervisor	Retired	Expiry of tenure without re-election
Yi Liwen	Staff representative Supervisor	Retired	Expiry of tenure without re-election
Shao Jianxin	Staff representative Supervisor	Retired	Expiry of tenure without re-election
Ren Huijuan	Deputy General Manager	Resigned	Job relocation
Liu Jiguo	General Manager	Resigned	Job relocation
Zhao Yanshui	General Manager	Appointed	Job relocation
Guo Zhiqiang	Non-executive Director	Appointed	Re-election of the Board
Wu Yong	Executive Director	Appointed	Re-election of the Board
Wu Tak Lung	Independent non-executive Director	Appointed	Re-election of the Board
Xing Min	Independent non-executive Director	Appointed	Re-election of the Board
Li Ping'an	Supervisor	Appointed	Re-election of the Board of Supervisors
Xu Weilin	Staff representative Supervisor	Appointed	Re-election of the Board of Supervisors, election by the staff congress
Xu Shidong	Supervisor	Appointed	Re-election of the Board of Supervisors

During the year, neither the Company nor its Directors, Supervisors, senior management, shareholders holding 5% or more of the shares, de facto controller or acquiring party was a subject of the inspection, administrative penalty or circulation of a notice of criticism by CSRC or public censure by the stock exchange. Neither of them was involved in any material litigation, arbitration or matters commonly questioned by the media.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company strictly observed all the principles and most code provisions under the Code on Corporate Governance Practices and the Corporate Governance Report (the “**Code**”) as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Zhao Yanshui acts as the Chairman of the Board and the general manager of the Company. The Board considers that such structure would not affect the balance of power and duties between the Board and the management. The Board of the Company is composed of highly experienced and talented members and meetings are held regularly to discuss issues that may affect the operations of the Group. The operation of the Board is sufficient to ensure the balance of powers and duties. The Board believes that this structure will be helpful in establishing a steady and consistent leadership, which enables the Group to make and implement various decisions efficiently and effectively. The Board is full of confidence in Mr. Zhao and believes that the appointment of him as the Chairman and general manager will be beneficial for the business development of the Company.

SECURITIES TRANSACTION BY DIRECTORS

After making enquiries to, and as confirmed by all Directors of the Company, Mr. Wu Tak Lung, an independent non-executive Director of the Company, holds 10,000 H shares of the Company. During the Reporting Period, all Directors of the Company have strictly complied with the code of conduct in relation to the securities transactions by Directors under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules.

DIVIDEND

In accordance with the profit distribution policy of the Articles of Association, the Board recommends the following the profit distribution proposal for 2012: a cash dividend of RMB1.00 (tax inclusive) for every ten shares on the basis of a total share capital of 995,900,000 shares as at 31 December 2012. The proposal is still subject to the approval of the shareholders in the 2012 annual general meeting.

As the date of the 2012 annual general meeting has not been determined, the relevant record date will be announced later. If the aforesaid proposal is approved by the shareholders, then according to the Income Tax Law of the People's Republic of China effective from 2008 and the implementation rules thereof, the Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348), the final dividend payable to the non-resident enterprise shareholders and individual shareholders whose names appear on the registers of members of the Company's H shares is subject to withholding of enterprise income tax or individual income tax, both at a rate of 10%. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees and other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax of 10%.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the fifth session of the Board has convened 2 meetings with every member attending. The Audit Committee has reviewed the 2011 financial report, implementation of the continuing connected transactions during the reporting period, appointment and remuneration of the external auditors, the 2012 interim financial report, and has reviewed the accounting principles and practices adopted by the Group, and discussed matters such as internal control and financial reports, and made suggestions and recommendations to the Board. The Audit Committee of the sixth session of the Board has reviewed the 2012 financial report.

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

Luoyang, the PRC
27 March 2013

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

* *For identification purposes only*