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)

Interim Report

Interim Report 2011

The board (the "**Board**") of directors (the "**Directors**") of First Tractor Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2011 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2010. The condensed consolidated interim financial statements herein are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Board does not recommend payment of interim dividend for the six months ended 30 June 2011.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited and restated)
	Note	***RMB'000***	*RMB'000*
Revenue	6, 7	**7,164,676**	5,938,283
Cost of sales		**(6,251,279)**	(5,069,134)
Gross profit		**913,397**	869,149
Other income and gains	7	**58,221**	24,202
Selling and distribution costs		**(227,280)**	(207,662)
Administrative expenses		**(343,198)**	(312,448)
Other operating expenses, net		**(16,040)**	(38,334)
Finance costs	8	**(27,929)**	(11,778)
Share of profits/(losses) of associates		**61**	(106)
Profit before income tax	6, 9	**357,232**	323,023
Income tax expense	10	**(60,110)**	(53,199)
Profit for the period		**297,122**	269,824

CONDENSED CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

For the six months ended 30 June 2011

	Note	For the six months ended 30 June **2011** (Unaudited) *RMB'000*	2010 (Unaudited and restated) *RMB'000*
Profit attributable to:			
Equity holders of the Company		**271,236**	267,017
Non-controlling interests		**25,886**	2,807
		297,122	269,824
Dividend	11	**–**	101,508
Earnings per share attributable to the equity holders of the Company			
Basic and diluted earnings per share	12	**RMB 32.06cents**	RMB 31.57 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Profit for the period	**297,122**	269,824
Other comprehensive (expense)/income:		
Currency translation differences	**(2,904)**	(1,041)
Fair value loss of available-for-sale financial assets, net of tax	**(48,239)**	(21,241)
Deferred income recognised	**–**	3,790
Other comprehensive expense for the period, net of tax	**(51,143)**	(18,492)
Total comprehensive income for the period	**245,979**	251,332
Attributable to:		
Equity holders of the Company	**222,451**	248,667
Non-controlling interests	**23,528**	2,665
Total comprehensive income for the period	**245,979**	251,332

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**30 June 2011** **(Unaudited)** ***RMB'000***	31 December 2010 (Unaudited and restated) *RMB'000*
Non-current assets			
Property, plant and equipment	13	**1,987,466**	1,830,551
Investment properties		**34,507**	35,302
Intangible assets		**4,650**	—
Prepaid operating leases	14	**204,545**	208,385
Interests in associates		**15,182**	15,121
Available-for-sale financial assets		**246,252**	289,465
Loan receivables	15	**142,400**	44,858
Deferred income tax assets		**56,202**	38,825
Total non-current assets		**2,691,204**	2,462,507
Current assets			
Inventories		**1,138,997**	1,376,835
Trade and bill receivables	16	**2,884,608**	1,555,731
Loan receivables	15	**624,642**	503,231
Prepayments, deposits and other receivables	17	**378,328**	477,840
Tax recoverable		**591**	2,671
Financial assets at fair value through profit or loss		**199,860**	251,994
Held-to-maturity financial assets		**98,534**	1,000
Placements with banks and non-bank financial institutions		**50,000**	350,000
Pledged bank deposits	18	**243,600**	179,728
Cash and cash equivalents	18	**921,645**	1,182,835
Total current assets		**6,540,805**	5,881,865

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

As at 30 June 2011

	Note	**30 June 2011 (Unaudited) *RMB'000***	31 December 2010 (Unaudited and restated) *RMB'000*
Current liabilities			
Trade and bill payables	19	**2,622,306**	2,026,864
Other payables and accruals	20	**489,437**	697,420
Customer deposits	21	**600,109**	540,420
Repurchase agreements		**—**	99,500
Placements from banks and non-bank financial institutions		**—**	100,000
Borrowings	22	**1,293,336**	425,726
Current income tax liabilities		**50,174**	29,850
Provisions		**138,808**	69,405
Total current liabilities		**5,194,170**	3,989,185
Net current assets		**1,346,635**	1,892,680
Total assets less current liabilities		**4,037,839**	4,355,187
Non-current liabilities			
Borrowings	22	**200,000**	600,000
Deferred income		**115,309**	106,748
Deferred income tax liabilities		**17,434**	27,062
Provisions		**80,993**	77,348
Total non-current liabilities		**413,736**	811,158
Net assets		**3,624,103**	3,544,029

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

As at 30 June 2011

	Note	**30 June 2011 (Unaudited) *RMB'000***	31 December 2010 (Unaudited and restated) *RMB'000*
Equity			
Attributable to the equity holders of the Company			
Share capital		**845,900**	845,900
Reserves		**2,368,090**	2,238,209
Proposed dividend		**–**	67,672
		3,213,990	3,151,781
Non-controlling interests		**410,113**	392,248
Total equity		**3,624,103**	3,544,029

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

		Unaudited and restated												
		Attributable to the equity holders of the Company												
	Note	Issued capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	General surplus reserve *RMB'000*	General and statutory fund *RMB'000*	Available-for-sale financial assets reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Proposed dividend *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2010														
As previously reported		845,900	1,539,938	(22,978)	137,539	64,744	5,464	70,758	(9,174)	72,550	101,508	2,806,249	232,654	3,038,903
Business combination under common control	23	–	–	38,642	–	–	34	–	274	(591)	–	38,359	(2,723)	35,636
As restated		845,900	1,539,938	15,664	137,539	64,744	5,498	70,758	(8,900)	71,959	101,508	2,844,608	229,931	3,074,539
Comprehensive income														
Profit for the period		–	–	–	–	–	–	–	–	267,017	–	267,017	2,807	269,824
Other comprehensive income/(expense)														
Fair value loss of available-for-sale financial assets, net of tax		–	–	–	–	–	–	(21,382)	–	–	–	(21,382)	141	(21,241)
Currency translation differences		–	–	–	–	–	–	–	(758)	–	–	(758)	(283)	(1,041)
Deferred income recognised		–	–	3,790	–	–	–	–	–	–	–	3,790	–	3,790
Total other comprehensive income/(expense)		–	–	3,790	–	–	–	(21,382)	(758)	–	–	(18,350)	(142)	(18,492)
Total comprehensive income/(expense)		–	–	3,790	–	–	–	(21,382)	(758)	267,017	–	248,667	2,665	251,332
Transactions with owners														
Dividends paid to non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(135)	(135)
Contributions from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	13,200	13,200
Acquisition of additional interest in a subsidiary		–	–	744	–	–	–	–	–	–	–	744	(1,956)	(1,212)
Contributions from former shareholders of a subsidiary relating to business combination under common control		–	–	36,000	–	–	–	–	–	–	–	36,000	–	36,000
Final 2009 dividend declared		–	–	–	–	–	–	–	–	–	(101,508)	(101,508)	–	(101,508)
Proposed 2010 interim dividend		–	–	–	–	–	–	–	–	(101,508)	101,508	–	–	–
Total transactions with owners		–	–	36,744	–	–	–	–	–	(101,508)	–	(64,764)	11,109	(53,655)
Balance at 30 June 2010		845,900	1,539,938*	56,198*	137,539*	64,744*	5,498*	49,376*	(9,658)*	237,468*	101,508	3,028,511	243,705	3,272,216

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the six months ended 30 June 2011

		Unaudited												
		Attributable to the equity holders of the Company												
	Note	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	General surplus reserve RMB'000	General and statutory fund RMB'000	Available-for-sale financial assets reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011														
As previously reported		845,900	1,539,938	(77,186)	159,510	64,744	5,832	63,593	(10,447)	423,392	67,672	3,082,948	395,375	3,478,323
Business combination under common control	23	–	–	74,926	–	–	37	–	110	(6,240)	–	68,833	(3,127)	65,706
As restated		845,900	1,539,938	(2,260)	159,510	64,744	5,869	63,593	(10,337)	417,152	67,672	3,151,781	392,248	3,544,029
Comprehensive income														
Profit for the period		–	–	–	–	–	–	–	–	271,236	–	271,236	25,886	297,122
Other comprehensive expense														
Fair value loss of available- for-sale financial assets, net of tax		–	–	–	–	–	–	(46,450)	–	–	–	(46,450)	(1,789)	(48,239)
Currency translation differences		–	–	–	–	–	–	–	(2,335)	–	–	(2,335)	(569)	(2,904)
Total other comprehensive expense		–	–	–	–	–	–	(46,450)	(2,335)	–	–	(48,785)	(2,358)	(51,143)
Total comprehensive income/(expense)		–	–	–	–	–	–	(46,450)	(2,335)	271,236	–	222,451	23,528	245,979
Transactions with owners														
Dividends paid to non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(6,580)	(6,580)
Acquisition of additional interest in a subsidiary	24	–	–	(1,964)	–	–	–	–	–	–	–	(1,964)	917	(1,047)
Business combination under common control		–	–	(90,606)	–	–	–	–	–	–	–	(90,606)	–	(90,606)
Final 2010 dividend declared		–	–	–	–	–	–	–	–	–	(67,672)	(67,672)	–	(67,672)
Total transactions with owners		–	–	(92,570)	–	–	–	–	–	–	(67,672)	(160,242)	(5,663)	(165,905)
Balance at 30 June 2011		845,900	1,539,938*	(94,830)*	159,510*	64,744*	5,869*	17,143*	(12,672)*	688,388*	–	3,213,990	410,113	3,624,103

* *These reserve accounts comprise the consolidated reserves of approximately RMB2,368,090,000 (six months ended 30 June 2010: approximately RMB2,081,103,000).*

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Cash flows from operating activities — net	**(142,912)**	(139,205)
Cash flows from investing activities — net	**(372,927)**	(359,609)
Cash flows from financing activities — net	**299,080**	446,686
Net decrease in cash and cash equivalents	**(216,759)**	(52,128)
Cash and cash equivalents at beginning of period	**1,209,256**	1,193,907
Effect of exchange rate changes, net	**(1,874)**	(1,103)
Cash and cash equivalents at end of period	**990,623**	1,140,676
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**990,623**	1,050,535
Cash and cash equivalents and pledged bank balances for issuing bills payable and other banking facilities attributable to the assets of a disposal group classified as held for sale	**—**	90,141
	990,623	1,140,676

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2011

1. GENERAL INFORMATION

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

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

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

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

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 12 August 2011. These condensed consolidated interim financial statements have not been audited.

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

30 June 2011

2. BASIS OF PREPARATION

(a) These condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standards 34, "Interim Financial Reporting" and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

(b) In the reporting period, the Company acquired a 86.82% equity interest in YTO (Luoyang) Forklift Co., Ltd. ("YTO Forklift") at a consideration of approximately RMB6,896,000. In addition, the Company and its subsidiary China-Africa Machinery Corp. ("CAMACO") acquired 100% and 93.58% equity interests in YTO International Economic and Trading Co., Ltd. ("YTO International") and YITWO Agro-Industrial, at the consideration of approximately RMB81,393,000 and RMB5,002,000, respectively. The financial statements of YTO Forklift, YTO International and YITWO Agro-Industrial are consolidated by the Company as the Company has control over operating and financial policies of these entities.

YTO Forklift, YTO International, YITWO Agro-Industrial and the Group are controlled and ultimately owned by the Holding. Accordingly, the aforesaid transactions are recognised as business combination under common control and the Group has incorporated the results of YTO Forklift, YTO International and YITWO Agro-Industrial as if these entities and the Group had always been combined. Details of the adjustments for the common control combination on the Group's financial position as at 30 June 2011 and 31 December 2010 and the Group's results for the six months ended 30 June 2011 and 30 June 2010 are set out in Note 23.

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

30 June 2011

3. ACCOUNTING POLICIES

Except as described below, the accounting polices applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 (except for the amendments to HKFRS 3 (as revised in 2008))
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 disclosures for First-Time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 34 (Amendments)	Interim Financial Reporting
HKFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

30 June 2011

3. ACCOUNTING POLICIES *(Continued)*

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

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosure are replaced with requirement to disclose:

  — The name of the government and the nature of their relationship

  — The nature and amount of any individually significant transactions and

  — The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. Please refer to note 26 for disclosures of transactions among government related entities.

- HKAS 34 (Amendments) "Interim Financial Reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

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

30 June 2011

3. ACCOUNTING POLICIES *(Continued)*

(b) The following new standards and amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[2]

1 *Effective for annual periods beginning on or after 1 July 2011.*

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

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

- HKFRS 7 (Amendments), 'Disclosures — Transfers of Financial Assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

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

30 June 2011

3. ACCOUNTING POLICIES *(Continued)*

(b) The following new standards and amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: *(Continued)*

- HKFRS 9, 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

3. ACCOUNTING POLICIES *(Continued)*

(b) The following new standards and amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: *(Continued)*

- HKAS 12 (Amendments), 'Deferred tax: Recovery of Underlying Assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

4. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

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

30 June 2011

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose to varieties of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risks management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year ended 31 December 2010, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimate

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

30 June 2011

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimate *(Continued)*

The following table presents the Group's assets that are measured at fair value at 30 June 2011.

	Level 1 (Unaudited) *RMB'000*	Level 2 (Unaudited) *RMB'000*	Level 3 (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Assets				
Financial assets at fair value through profit or loss	94,595	105,265	–	199,860
Held-to-maturity financial assets	–	98,534	–	98,534
Available-for-sale financial assets - equity securities	142,848	–	103,404	246,252
	237,443	203,799	103,404	544,646

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

30 June 2011

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimate *(Continued)*

The following table presents the Group's assets that are measured at fair value at 31 December 2010.

	Level 1 (Unaudited and restated) *RMB'000*	Level 2 (Unaudited and restated) *RMB'000*	Level 3 (Unaudited and restated) *RMB'000*	Total (Unaudited and restated)) *RMB'000*
Assets				
Financial assets at fair value through profit or loss	50,872	201,122	—	251,994
Held-to-maturity financial assets	1,000	—	—	1,000
Available-for-sale financial assets — equity securities	186,481	—	102,984	289,465
	238,353	201,122	102,984	542,459

In 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2011, there were no reclassifications of financial assets.

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

30 June 2011

6. SEGMENT INFORMATION

The chief operating decision maker is identified as the Board of the Company. Management defines operating segments with reference to the Group's internal reports, and submits to the Board for assessment of results and allocation of resources.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments 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; and

(b) the "power machinery" segment engages in the manufacture and sale of diesel engines, fuel pumps and fuel jets; and

(c) the "other machinery" segment engages in the manufacture and sale of forklifts, mining trucks and other machinery; and

(d) the "financial operations" segment engages in the provision of loan lending, bills discounting and deposit-taking services.

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

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

30 June 2011

6. SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

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

30 June 2011

6. SEGMENT INFORMATION *(Continued)*

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and six months ended 30 June 2010, respectively:

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

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

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

30 June 2011

6. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2010 (Unaudited and restated):

	Agricultural machinery *RMB'000*	Power machinery *RMB'000*	Other machinery *RMB'000*	Financial operations *RMB'000*	Unallocated and eliminations *RMB'000*	Consolidated *RMB'000*
Revenue:						
Third party	4,765,033	636,341	519,299	17,610	–	5,938,283
Intersegment revenue	436,084	408,142	87,121	9,136	(940,483)	–
Total	5,201,117	1,044,483	606,420	26,746	(940,483)	5,938,283
Result:						
Profit/(loss) before income tax	234,431	85,696	5,245	23,624	(25,973)	323,023

The following table presents segment assets of the Group's operating segments as at 30 June 2011 and 31 December 2010:

	Agricultural machinery *RMB'000*	**Power machinery** *RMB'000*	**Other machinery** *RMB'000*	**Financial operations** *RMB'000*	**Unallocated and eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment assets:						
At 30 June 2011 (Unaudited)	**6,125,386**	**1,522,978**	**402,223**	**2,084,097**	**(902,675)**	**9,232,009**
At 31 December 2010 (Unaudited and restated)	5,214,550	1,250,802	337,551	1,874,304	(332,835)	8,344,372

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

30 June 2011

6. SEGMENT INFORMATION *(Continued)*

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
EBITDA	**388,590**	383,815
Depreciation		
— Property, plant and equipment	**(63,516)**	(61,373)
— Investment properties	**(795)**	—
Amortisation for prepaid operating leases	**(2,434)**	(875)
Corporate income/(expenses), net	**17,209**	(260)
Operating profit	**339,054**	321,307
Interest, dividend and investment income	**46,046**	13,600
Finance costs	**(27,929)**	(11,778)
Share of profits/(losses) of associates	**61**	(106)
Profit before income tax	**357,232**	323,023

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

30 June 2011

6. SEGMENT INFORMATION *(Continued)*

Segment assets are summarised as below:

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Segment assets as allocated by business segments:	**8,649,318**	7,690,659
Unallocated assets:		
Available-for-sale financial assets	**246,252**	289,465
Deferred income tax assets	**56,202**	38,825
Financial assets at fair value through profit or loss	**199,860**	251,994
Interests in associates	**15,182**	15,121
Others	**65,195**	58,308
Total assets as per condensed consolidated statement of financial position	**9,232,009**	8,344,372

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

30 June 2011

7. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**7,138,690**	5,920,673
Interest income from financial operations	**25,986**	17,610
	7,164,676	5,938,283
Other income		
Bank interest income	**4,691**	9,499
Rental income	**124**	124
Dividend income from listed investments	**1,743**	4
Dividend income from unlisted investments	**5,344**	—
Government grants	**4,552**	1,662
Others	**7,500**	8,068
	23,954	19,357

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

30 June 2011

7. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Other gains		
Gain on disposal of available-for-sale financial assets	**33,964**	1,653
Fair value (losses)/gains on financial assets at fair value through profit or loss, net	**(1,006)**	1,691
Gain on disposal of financial assets at fair value through profit or loss, net	**1,309**	752
Others	**–**	749
	34,267	4,845
	7,222,897	5,962,485

8. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Interest on bank and other loans	**27,929**	11,778

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

30 June 2011

9. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Provision for impairment of trade and bill receivables, net	**10,676**	17,767
Depreciation of property, plant and equipment	**63,516**	61,373
Depreciation of investment properties	**795**	—
Interest expenses on financial operations	**8,285**	1,740
Amortisation of prepaid operating leases	**2,434**	875
Provision for impairment of other receivables, net	**1,126**	15,496
Gross rental expense	**15,755**	26,415
Gain on disposal of available-for-sale financial assets	**(33,964)**	(1,653)
Dividend income from listed investments	**(1,743)**	(4)
Dividend income from unlisted investments	**(5,344)**	—
Reversal of impairment of loan receivables, net	**—**	(5,061)
Interest income from financial operations	**(25,986)**	(17,610)
Gross rental income	**(124)**	(124)
Bank interest income	**(4,691)**	(9,499)
(Reversal of)/provision for impairment of inventories, net	**(9,801)**	10,364
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	**1,006**	(1,691)
Gain on disposal of financial assets at fair value through profit or loss, net	**(1,309)**	(752)
Gain on disposal of property, plant and equipment, net	**(4,291)**	(1,953)

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

30 June 2011

10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Current tax — PRC corporate income tax	**59,599**	62,292
Deferred income tax	**511**	(9,093)
	60,110	53,199

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two periods ended 30 June 2011 and 2010.

The PRC corporate income tax for the Company and the majority of its subsidiaries is calculated at rates ranging from 15% to 25% (six months ended 30 June 2010: 15% to 25%) on their estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries operating outside the PRC are subject to the rates applicable within the jurisdictions in which they operate. No provision for overseas income tax has been made as the Group had no overseas assessable profits during the two periods ended 30 June 2011 and 2010.

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

30 June 2011

11. DIVIDEND

A dividend that relates to the year ended 31 December 2010 and that amounts to approximately RMB67,672,000 was approved in the Annual General Meeting held on 17 June 2011, which will be paid on 16 August 2011.

The board of directors does not recommend payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB12 cents per share).

12. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit for the period attributable to equity holders of the Company of approximately RMB271,236,000 (six months ended 30 June 2010: approximately RMB267,017,000) and the weighted average of 845,900,000 (six months ended 30 June 2010: 845,900,000) ordinary shares in issue during the period.

No diluting events occurred during the two periods ended 30 June 2011 and 2010.

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

30 June 2011

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired construction in progress and items of property, plant and equipment in an aggregate amount of approximately RMB233,581,000 (six months ended 30 June 2010: approximately RMB175,701,000) and disposed of items of property, plant and equipment with an aggregate net book value of approximately RMB13,116,000 (six months ended 30 June 2010: approximately RMB9,262,000) and resulted in a net gain on disposal of approximately RMB4,291,000 (six months ended 30 June 2010: approximately RMB1,953,000). No impairment of items of property, plant and equipment was recognised in the condensed consolidated income statement during the period (six months ended 30 June 2010: Nil).

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

14. PREPAID OPERATING LEASES

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

15. LOAN RECEIVABLES

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Analysis by nature:		
Loan borrowings, net	**481,529**	324,943
Discounted bills, net	**155,605**	122,384
Finance lease obligations, net	**129,908**	100,762
	767,042	548,089

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

30 June 2011

15. LOAN RECEIVABLES *(Continued)*

		30 June 2011			31 December 2010		
		Gross	**Impairment allowances**	**Net**	Gross	Impairment allowances	Net
	Note	**(Unaudited)** ***RMB'000***	**(Unaudited)** ***RMB'000***	**(Unaudited)** ***RMB'000***	(Unaudited and restated) *RMB'000*	(Unaudited and restated) *RMB'000*	(Unaudited and restated) *RMB'000*
Analysis by customer:							
Loans to Holding	(i)	**273,922**	**2,029**	**271,893**	139,000	2,029	136,971
Loans to related companies	(ii)	**317,699**	**4,612**	**313,087**	285,989	4,612	281,377
Loans to customers	(iii)	**190,236**	**8,174**	**182,062**	137,915	8,174	129,741
		781,857	**14,815**	**767,042**	562,904	14,815	548,089
Portion classified as current assets		**(637,688)**	**(13,046)**	**(624,642)**	(516,277)	(13,046)	(503,231)
Non-current portion		**144,169**	**1,769**	**142,400**	46,627	1,769	44,858

Notes:

(i) *The loans to the Holding are granted by YTO Group Finance Co., Ltd. ("YTO Finance"), which are unsecured, bear interest at rates ranging from 4.67% to 4.98% (31 December 2010: 4.67%) per annum and repayable within one year (31 December 2010: within one year).*

(ii) *The loans to these companies (fellow subsidiaries and associates of the Holding) are unsecured, bear interest at rates ranging from 5.60% to 7.36% (31 December 2010: 3.83% to 6.07%) per annum and repayable within two years (31 December 2010: between one to three years).*

(iii) *The loans to customers represent the loans granted to normal customers as permitted by the regulations of the People's Bank of China (the "PBOC").*

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

30 June 2011

15. LOAN RECEIVABLES *(Continued)*

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

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Repayable:		
Within three months	**276,721**	200,690
Within one year but over three months	**360,966**	315,587
Within five years but over one year	**143,770**	46,167
Over five years	**400**	460
	781,857	562,904

16. TRADE AND BILL RECEIVABLES

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

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

30 June 2011

16. TRADE AND BILL RECEIVABLES *(Continued)*

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:

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Within 90 days	**1,632,349**	990,569
91 days to 180 days	**1,132,837**	524,949
181 days to 365 days	**101,901**	31,067
1 to 2 years	**17,521**	9,146
	2,884,608	1,555,731

The trading balances due from the associates of approximately RMB2,268,000 (31 December 2010: approximately RMB2,259,000) are unsecured, interest-free and repayable on demand.

The trading balance due from the Holding of approximately RMB6,805,000 (31 December 2010: approximately RMB684,000) is unsecured, interest-free and repayable on demand.

The trading balances due from related companies (fellow subsidiaries and associates of the Holding) of approximately RMB23,643,000 (31 December 2010: RMB99,848,000) are unsecured, interest-free and repayable on demand.

Certain of bills receivable of approximately RMB195,354,000 (31 December 2010: approximately RMB156,020,000) were pledged for the issuance of bills payable.

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

30 June 2011

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables include the balances due from the Holding and the related companies (fellow subsidiaries and associates of the Holding) of approximately RMB15,388,000 (31 December 2010: approximately RMB1,911,000) and RMB10,566,000 (31 December 2010: approximately RMB29,394,000), respectively. These balances are unsecured, interest-free and repayable in accordance to terms agreed.

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Cash and bank balances - *(note i)*	**697,023**	870,706
Mandatory reserve deposits with the PBOC - *(note ii)*	**223,122**	153,307
Time deposits	**245,100**	338,550
	1,165,245	1,362,563
Less: Pledged bank deposits for bills payable - *(note iii)*	**(221,500)**	(137,728)
Less: Pledged bank deposits for other banking facilities - *(note iii)*	**(22,100)**	(42,000)

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

30 June 2011

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS *(Continued)*

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Cash and cash equivalents in the condensed consolidated statement of financial position	**921,645**	1,182,835
Less: Mandatory reserve deposits with the PBOC	**(223,122)**	(153,307)
Less: Non-pledged time deposit with original maturity over three months when acquired	**(1,500)**	–
Add: Pledged bank deposits for the issuance of bill payables - *(note iii)*	**221,500**	137,728
Add: Pledged bank deposits for other banking facilities - *(note iii)*	**22,100**	42,000
Add: Placements with banks and other financial institutions with original maturity of three months or less	**50,000**	–
Cash and cash equivalents in the condensed consolidated cash flow statement	**990,623**	1,209,256

Notes:

(i) *The balance included YTO Finance's deposits placed with the PBOC and other banks of approximately RMB224,354,000 (31 December 2010: approximately RMB276,229,000) and approximately RMB375,555,000 (31 December 2010: approximately RMB455,419,000), respectively.*

(ii) *The balance represents mandatory reserve deposits placed with the PBOC. In accordance with the regulations of the PBOC, the balance should be no less than a specific percentage of the amounts of customer deposits placed with YTO Finance. The mandatory reserve deposits are not available for use in the Group's day-to-day operations.*

(iii) *As the bank balances were pledged for the Group's trade facilities for issuing bills payable and other banking facilities, they are included in cash and cash equivalents in the condensed consolidated cash flow statement.*

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

30 June 2011

19. TRADE AND BILL PAYABLES

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

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Within 90 days	**2,369,917**	1,750,261
91 days to 180 days	**125,864**	156,674
181 days to 365 days	**37,465**	36,085
1 to 2 years	**41,932**	39,239
Over 2 years	**47,128**	44,605
	2,622,306	2,026,864

The bills payable amounting to approximately RMB669,820,000 (31 December 2010: approximately RMB458,355,000) are secured by the pledge of certain of the Group's bank deposits amounting to approximately RMB 221,500,000 (31 December 2010: approximately RMB137,728,000).

The trading balance due to the Holding of approximately RMB4,782,000 (31 December 2010: approximately RMB49,998,000) is unsecured, interest-free and repayable on demand.

The trading balances due to the related companies (fellow subsidiaries and associates of the Holding) of approximately RMB15,134,000 (31 December 2010: approximately RMB7,720,000) are unsecured, interest-free and repayable on demand.

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

30 June 2011

20. OTHER PAYABLES AND ACCRUALS

Other payables include the amounts due to the Holding, the non-controlling shareholders of subsidiaries of the Group and the related companies (fellow subsidiaries and the associates of the Holding) of approximately RMB80,476,000 (31 December 2010: RMB81,998,000), approximately RMB4,318,000 (31 December 2010: approximately RMB4,194,000) and approximately RMB274,000 (31 December 2010: approximately RMB5,384,000), respectively. These balances are unsecured, interest-free and repayable on demand.

21. CUSTOMER DEPOSITS

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Deposits from the Holding	**257,617**	268,745
Deposits from associates	**204**	99
Deposits from fellow subsidiaries and associates of the Holding	**265,672**	228,521
Deposits from customers	**76,616**	43,055
	600,109	540,420

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

30 June 2011

21. CUSTOMER DEPOSITS *(Continued)*

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

	30 June 2011 (Unaudited)	31 December 2010 (Unaudited and restated)
	RMB'000	*RMB'000*
Repayable:		
On demand	**567,540**	514,502
Within three months	**16,542**	8,888
Within one year but over three months	**16,027**	17,030
	600,109	540,420

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

30 June 2011

22. BORROWINGS

	Interest rate (%)	Effective maturity	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Current:				
bank borrowings				
– Secured	6.37%	2011	**83,800**	7,000
– Unsecured	4.30%–6.45%	2011–2012	**1,209,536**	418,726
			1,293,336	425,726
Non-current:				
other borrowings				
– Unsecured	5.13%	2012	**200,000**	600,000
			1,493,336	1,025,726

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

30 June 2011

22. BORROWINGS *(Continued)*

	30 June 2011 (Unaudited) ***RMB'000***	31 December 2010 (Unaudited and restated) *RMB'000*
Analysed into:		
Borrowings repayable:		
Within one year or on demand	**1,293,336**	425,726
In the second year	**200,000**	600,000
	1,493,336	1,025,726

Other interest rate information:

	30 June 2011 (Unaudited) ***RMB'000***	31 December 2010 (Unaudited and restated) *RMB'000*
Fixed interest rate	**804,636**	985,726
Floating interest rate	**688,700**	40,000
	1,493,336	1,025,726

22. BORROWINGS *(Continued)*

Certain borrowings of the Group are secured by bills receivable of approximately RMB93,111,000 (31 December 2010: Nil). As at 31 December 2010, certain borrowings of the Group are secured by the Group's land use rights with net carrying value of RMB24,621,000.

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

23. BUSINESS COMBINATION UNDER COMMON CONTROL

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

In the reporting period, the Group acquired a 86.82% equity interest in YTO (Luoyang) Forklift Co., Ltd. ("YTO Forklift") at a consideration of approximately RMB6,896,000. In addition, the Group and its subsidiary CAMACO acquired 100% and 93.58% equity interests in YTO International Economic and Trading Co., Ltd. ("YTO International") and YITWO Agro-Industrial, respectively, at a consideration of approximately RMB81,393,000 and RMB5,002,000, respectively. The financial statements of YTO Forklift, YTO International and YITWO Agro-Industrial are consolidated by the Group as the Group has control over operating and financial policies of these entities.

As mentioned in Note 2(b) to the condensed consolidated interim financial statements, the Group has applied merger accounting as prescribed in AG5 to account for the business combination under common control. Accordingly, YTO Forklift, YTO International and YITWO Agro-Industrial have been combined since 1 January 2010, the earliest financial period presented, as if the acquisition had been occurred at that time.

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

30 June 2011

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

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

The reconciliation of the effect arising from the common control combination on the condensed consolidated statements of financial position as at 30 June 2011 and 31 December 2010 is as follow:

	30 June 2011			
	The Group excluding YTO Forklift, YTO International and YITWO Agro-Industrial (Unaudited) *RMB'000*	YTO Forklift, YTO International and YITWO Agro-Industrial (Unaudited) *RMB'000*	Adjustment (Unaudited) *RMB'000*	Consolidated (Unaudited) *RMB'000*
Assets and liabilities				
Investment in a subsidiary	17,618	–	(17,618)	–
Other non-current assets	2,696,594	32,204	(37,594)	2,691,204
Cash and cash equivalents	897,529	26,827	(2,711)	921,645
Other current assets	5,299,166	319,994	–	5,619,160
Customer deposits	(602,820)	–	2,711	(600,109)
Other current liabilities	(4,332,302)	(299,353)	37,594	(4,594,061)
Non-current liabilities	(412,769)	(967)	–	(413,736)
Net assets	3,563,016	78,705	(17,618)	3,624,103

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

30 June 2011

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

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

	30 June 2011			
	The Group excluding YTO Forklift, YTO International and YITWO Agro-Industrial (Unaudited) *RMB'000*	YTO Forklift, YTO International and YITWO Agro-Industrial (Unaudited) *RMB'000*	Adjustment (Unaudited) *RMB'000*	Consolidated (Unaudited) *RMB'000*
Equity				
Attributable to equity holders of the Company				
Issued/paid up capital	845,900	87,286	(87,286)	845,900
Reserves	2,307,471	(8,581)	69,200	2,368,090
	3,153,371	78,705	(18,086)	3,213,990
Non-controlling interests	409,645	–	468	410,113
Total equity	3,563,016	78,705	(17,618)	3,624,103

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

30 June 2011

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

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

	31 December 2010			
	The Group excluding YTO Forklift, YTO International and YITWO Agro-Industrial (Audited) *RMB'000*	YTO Forklift, YTO International and YITWO Agro-Industrial (Unaudited and restated) *RMB'000*	Adjustment (Unaudited and restated) *RMB'000*	Consolidated (Unaudited and restated) *RMB'000*
Assets and liabilities				
Other non-current assets	2,427,802	40,097	(5,392)	2,462,507
Cash and cash equivalents	1,162,162	31,460	(10,787)	1,182,835
Other current assets	4,603,372	199,222	(103,564)	4,699,030
Customer deposits	(551,207)	–	10,787	(540,420)
Other current liabilities	(3,353,906)	(198,423)	103,564	(3,448,765)
Non-current liabilities	(809,900)	(1,258)	–	(811,158)
Net assets	3,478,323	71,098	(5,392)	3,544,029

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

30 June 2011

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

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

	31 December 2010			
	The Group excluding YTO Forklift, YTO International and YITWO Agro-Industrial (Audited) *RMB'000*	YTO Forklift, YTO International and YITWO Agro-Industrial (Unaudited and restated) *RMB'000*	Adjustment (Unaudited and restated) *RMB'000*	Consolidated (Unaudited and restated) *RMB'000*
Equity				
Attributable to equity holders of the Company				
Issued/paid up capital	845,900	77,286	(77,286)	845,900
Reserves	2,169,376	(6,188)	75,021	2,238,209
Proposed final dividend	67,672	–	–	67,672
	3,082,948	71,098	(2,265)	3,151,781
Non-controlling interests	395,375	–	(3,127)	392,248
Total equity	3,478,323	71,098	(5,392)	3,544,029

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

30 June 2011

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

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

The above adjustments represent adjustments to eliminate the paid-up capital of YTO Forklift, YTO International and YITWO Agro-Industrial against the Group's investment cost in YTO Forklift, YTO International and YITWO Agro-Industrial, the cash deposit in YTO Finance by YTO Forklift, YTO International and YITWO Agro-Industrial, and current accounts between Group and YTO Forklift, YTO International and YITWO Agro-Industrial as at 30 June 2011 and 31 December 2010, respectively.

The effect of the business combination of entities under common control, described above, on the Group's basic and diluted earnings per share for the period ended 30 June 2010 is as follows:

	Impact on basic earnings per share *RMB*	**Impact on diluted earnings per share** *RMB*
Reported figures before restatement	30.94 cents	30.94 cents
Restatement arising from business combination of entities under common control	0.63 cents	0.63 cents
Restated	31.57 cents	31.57 cents

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

30 June 2011

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

(b) Acquisition of interests in subsidiaries in the previous period

On 3 August 2010, the Company entered into the Agreement on Acquisition of Equity Interests with the Holding to acquire 51% equity interest in Luoyang Tractor Research Institute Co. Ltd. ("LTRI") from the Holding at a cash consideration of approximately RMB155,330,000. As both the Company and LTRI are under the common control of the Holding immediately before and after the acquisition, the transaction was completed in the second half of the year, this transaction was accounted for as common control business combination, using merger accounting for all periods presented herein as if merger had been consummated since the inception of common control. In accordance with the requirements under merger accounting, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2010 has been restated on an "as if" combined basis. As a consequence, total revenue and profit during the six months period ended 30 June 2010 has been increased by approximately RMB18,140,000 and approximately RMB3,647,000, respectively.

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

30 June 2011

24. ACQUISTION OF ADDITIONAL INTEREST IN A SUBSIDIARY

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

	30 June 2011 (Unaudited) *RMB'000*
Carrying amount of non-controlling interests acquired	(917)
Consideration paid to non-controlling interests	(1,047)
Excess of consideration paid recognised in capital reserve within equity	(1,964)

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

30 June 2011

25. COMMITMENTS

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

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Contracted, but not provided for:		
Purchase of plant and machinery	**132,391**	214,042
Purchase of land use rights and buildings	**448,870**	—
	581,261	214,042
Authorised, but not contracted for:		
Purchase of plant and machinery	**729,354**	1,107,856
	1,310,615	1,321,898

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

30 June 2011

25. COMMITMENTS *(Continued)*

(b) Commitments under operating leases

(i) As lessor

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

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Unaudited and restated) *RMB'000*
Within one year	**2,562**	593
In the second to fifth years, inclusive	**540**	810
	3,102	1,403

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

30 June 2011

25. COMMITMENTS *(Continued)*

(b) Commitments under operating leases *(Continued)*

(ii) As lessee

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

	30 June 2011 (Unaudited)	31 December 2010 (Unaudited and restated)
	RMB'000	*RMB'000*
Within one year	**31,066**	35,346
In the second to fifth years, inclusive	**15,533**	35,346
	46,599	70,692

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

30 June 2011

26. RELATED PARTY TRANSACTIONS

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

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

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

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

30 June 2011

26. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The significant transactions carried out between the Group and the Holding group and the Parent group, inclusive of subsidiaries and associates of the Holding and the Parent, during the period are summarised as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Sale of raw materials, finished goods and components	**126,807**	181,858
Purchases of raw materials and components	**774,068**	633,558
Purchases of utilities	**63,332**	62,837
Fees paid for welfare and support services	**19,222**	16,522
Transportation services	**38,388**	36,819
Research and development expenses paid	**206**	301
Fees paid for the use of land	**10,432**	20,650
Fees paid for the use of a trademark	**10,000**	12,510
Rentals paid in respect of:		
Buildings	**3,914**	3,354
Plant and machinery	**125**	463
Rental income received in respect of buildings	**3,078**	2,381
Sales of plant and machinery	**—**	2,458
Purchases of plant and machinery	**5,057**	17,699
Interest income and discounted bills charges	**13,774**	9,231
Interest paid for customer deposits	**1,081**	652
Service charge for a guarantee	**—**	78
Research and development income received	**9,172**	—

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

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

30 June 2011

26. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

Designated deposits and designated loans

As at 30 June 2011, the Holding placed anaggregate amount of approximately RMB47,000,000 (31 December 2010: approximately RMB47,000,000) with YTO Finance to provide entrusted loans to the fellow subsidiaries and an associate of the Holding.

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

(c) Outstanding balances with related parties

(i) Details of the Group's amount due from/to the Holding, and the Group's loans to and deposits from the Holding as at the end of the report period are disclosed in notes 15, 16, 17, 19, 20 and 21.

(ii) Details of the Group's amounts due from and deposits from its associates as at the end of the report period are disclosed in notes 16 and 21.

(iii) Details of the Group's amounts due from/to its related companies (fellow subsidiaries and associates of the Holding) and the Group's loans to and deposits from the related companies as at the end of the report period are disclosed in notes 15, 16, 17, 19, 20 and 21.

(iv) Details of the Group's amounts due to the non-controlling shareholders as at the end of the report period are disclosed in note 20.

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

30 June 2011

26. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Significant transactions with other government-related entities

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

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Short term employee benefits	**736**	718
Post-employment benefits	**161**	144
Total compensation paid/payable to key management personnel	**897**	862

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

30 June 2011

27. SUBSEQUENT EVENTS

In August 2011, the Company and the Holding entered into a trademark transfer agreement, in which the Company has agreed to purchase certain trademarks from the Holding at a consideration of RMB59,501,000.

The Directors believe that the Acquisitions will benefit the Company and the Group in terms of business development and risk management as well as costs control in the long run, as this arrangement can save the annual rental fees of the trademarks paid by the Group, and therefore enhancing the independence of the Group.

OPERATION REVIEW

During the Reporting Period, the State continued to adopt the proactive fiscal policy and prudent monetary policy. The overall national economy took on a healthy development trend. However, factors such as the price of raw materials hovering at high levels and the continuous hikes in reserve deposit ratio and interest rate imposed more pressure on the Group's operation. In face of the complex external environment, the Group, based on its annual operation objectives, implemented structural adjustment in a steady course and increased efforts in market development, which further consolidated the market advantages of its main products and led to continued rapid growth in its operating revenue.

With respect to the agricultural machinery business, benefiting from the favourable policies of the State to support "agriculture, countryside and farmers", the agricultural machinery industry continued to have rapid growth. According to the statistics from China's tractor industry, during the Reporting Period, the sales value of the agricultural machinery industry recorded a year-on-year increase of 15.48% and sales volume of hi-powered and mid-powered tractors recorded a year-on-year increase of 21.23%. During the Reporting Period, the Group, through strengthening marketing plan and implementing effective combination of marketing elements, achieved a more rapid growth in product sales. During the Reporting Period, the Group sold 59,455 units of hi-powered and mid-powered tractors, representing a year-on-year increase of 33%, among which hi-powered wheeled tractors amounted to 31,335 units, representing a year-on-year increase of 19.4%, mid-powered wheeled tractors amounted to 26,362 units, representing a year-on-year increase of 58.9%, crawler tractors amounted to 1,758 units, representing a year-on-year decrease of 6.4%; and sold 22,798 units of low-powered wheeled tractors, representing a year-on-year increase of 26.3%. The Group's hi-powered wheeled tractors continued to lead the market with a market share of 36.3%. The market share of the Group's mid-powered wheeled tractors also saw an increase of 3 percentage points to 17.2%, becoming the second in the market.

With respect to the power machinery business[(Note)], as driven by the growth in sales of hi-powered and mid-powered tractors and wheat harvesters, the Group witnessed stable growth in sales of diesel engine products. During the Reporting Period, 103,160 units of diesel engines of different types were sold, representing a year-on-year increase of 25.3%, of which 67,062 units were sold to the external customers of the Group, representing a year-on-year increase of 36%.

Note: Manufacture and sale of diesel engines, fuel injection pumps and fuel injection jets

OPERATION REVIEW *(CONTINUED)*

With respect to other machinery business, during the Reporting Period, the Group sold 1,653 units of forklift, representing a year-on-year increase of 59.6%; and 410 units of mining trucks, representing a year-on-year increase of 84.7%.

During the Reporting Period, the Group exported 1,946 units of hi-powered and mid-powered wheeled tractors, representing a year-on-year increase of 42%. However, due to the turbulent political situation in Africa, export business to Africa dropped significantly.

In order to further enhance the core competitiveness of the Company, facilitate the upgrade of its main products and accelerate the pace of mass production and marketization of the power shift tractor products of the Company, the Company established in France a wholly-owned subsidiary, YTO France SAS ("**YTO France**"), which acquired assets of Mc Cormick France SAS ("**McC France**") through bidding. At present, the business integration and research and development coordination in relation to YTO France are undergoing progressively.

During the Reporting Period, the Group acquired from its controlling shareholder, YTO Group Corporation (中國一拖集團有限公司) ("**YTO**"), and natural person shareholders the 100% equity interest in YTO International Economic and Trading Co., Ltd. ("**YTO International**") and YTO (Luoyang) Forklift Co., Ltd. ("**YTO Forklift**"), as well as most of the land which was previously leased to the Company by YTO. The aforesaid acquisitions are conductive to improve the Group's industrial chain, enhance business synergies and increase the integrity of assets.

During the Reporting Period, the Group recorded an operating revenue of RMB7,164,676,000, representing a year-on-year increase of 20.7%. Due to factors such as high-hovering raw material prices, rise in labour costs and structural change in product sales, the Group's profit attributable to the equity holders of the Company amounted to RMB271,236,000, representing a year-on-year increase of 1.6%.

BUSINESS PROSPECTS

At present, the international economic environment is still subject to a number of uncertainties and domestic macro-economic control is also facing pressure. Amid the increased competition in domestic agricultural machinery industry, in the second half year, the Group will concentrate on its core resources, core business and core markets, while staying in line with the main direction of "transform and upgrade; and to be stronger and better". In addition, it will continue to strengthen the optimization of resources coordination. The adjustment to the product structure of agricultural machinery is to be strengthened. Key development projects such as the assembly trial of over 200-powered wheeled tractors will be accelerated; the sales effort of machinery series will be enhanced; and the sales of implements will be increased. With respect to power machinery business, the research and development of the ancillary products of hi-powered tractors and corn harvesters are the key area to excel. While continuing to excel in the ancillary products of agricultural machineries, development in area of other ancillary equipment will also be expedited. The annual business objective will be achieved by strengthening the purchasing management, improving costs optimization, easing costs pressure and increasing profit capability.

ANALYSIS OF OPERATING RESULTS

Segment results

By segment	Operating revenue			Profit before tax		
	As at 30 June 2011 **(RMB'000)**	As at 30 June 2010 *(Restated, RMB'000)*	Percentage change *(%)*	**As at 30 June 2011** **(RMB'000)**	As at 30 June 2010 *(Restated, RMB'000)*	Percentage change *(%)*
Agricultural machinery business	**5,998,770**	4,765,033	25.9	**222,374**	234,431	(5.1)
Power machinery business	**865,811**	636,341	36.1	**121,249**	85,696	41.5
Other machinery business	**274,109**	519,299	(47.2)	**(321)**	5,245	–
Financial business	**25,986**	17,610	47.6	**28,126**	23,624	19.1
Unallocated and eliminations	**–**	–	–	**(14,196)**	(25,973)	–
Total	**7,164,676**	5,938,283	20.7	**357,232**	323,023	10.6

Note 1: "Other machinery business" in the corresponding period last year included the revenue of RMB383,000,000 and the profit of RMB3,710,000 of the four disposed construction machinery subsidiaries.

Note 2: During the Reporting Period, YTO France and YTO International recently acquired by the Company, were categorized in the segment of agricultural machinery business. YTO Forklift was categorized in the segment of other machinery business.

ANALYSIS OF OPERATING RESULTS *(CONTINUED)*

During the Reporting Period, the figures for the corresponding period in 2010 and as at 31 December 2010 were restated in accordance with relevant accounting standards as the acquisition of equity interest in YTO International and YTO Forklift constituted business combination under common control. As a result of the restatement, the Group's operating revenue and profit before tax for the corresponding period in 2010 increased by RMB78,570,000 and RMB7,965,000 respectively.

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the Group's cost of sales recorded a year-on-year increase of 23.3%*(Note)*. Due to factors such as high-hovering raw material prices, rise in labour costs and structural change in product sales, the increase in cost of sales was higher than the increase in revenue. Accordingly, the increase in gross profit of the Group was lower than the increase of revenue, and the gross profit margin saw a year-on-year decrease. During the Reporting Period, the gross profit of the Group was RMB913,397,000, representing a year-on-year increase of 5.1%, and the consolidated gross profit margin was 12.8%, representing a year-on-year decrease of 1.9 percentage points. In terms of business segments, the gross profit margins of the agricultural machinery business, power machinery business and other machinery business decreased by 1.5 percentage points, 0.5 percentage point and 3.3 percentage points, respectively.

OTHER INCOME AND GAINS

During the Reporting Period, the Group's other income and gains amounted to RMB58,221,000, representing a year-on-year increase of 140.6%, mainly attributable to the net investment gain of RMB32,762,000 from selling the shares of Daye Special Steel Co., Ltd. ("**Daye Special Steel**") during the Reporting Period.

Note: As opposed to 20.6% as stated in the 2011 Interim Results Announcement dated 12 August 2011.

EXPENSES DURING THE REPORTING PERIOD

(1) The Group's selling expenses for the Reporting Period amounted to RMB227,280,000, representing a year-on-year increase of RMB19,618,000 or 9.4%. The increase was mainly attributable to the increase in transportation and packaging costs along with the growth in sales of main products, and the business tax payable by YTO (Luoyang) Diesel Engine Co., Ltd ("**YTO Diesel**") as it no longer enjoyed the preferential tax treatment of exemption from urban construction tax and education surcharges for foreign-invested enterprises since the end of 2010. The business tax paid by YTO Diesel during the period was RMB3,500,000.

(2) The Group's administrative expenses for the Reporting Period was RMB343,198,000, representing a year-on-year increase of RMB30,750,000 or 9.8%. Such increase was mainly attributable to the increase of RMB10,230,000 in research and development costs and the increase of RMB11,000,000 in labour costs.

(3) The Group's finance costs for the Reporting Period amounted to RMB27,929,000, representing a year-on-year increase of RMB16,151,000 or 137.1%, which was mainly due to the increase in the Group's loan size (the bank borrowings is amounted to RMB1,048,003,000 after deducting the bill discounted payables, the loan size increased by RMB306,652,000 compared with that at the beginning of the year, representing a year-on-year increase of RMB462,481,000) , and the continued tightening of liquidity and rising interest rates.

(4) The Group's other expenses for the Reporting Period amounted to RMB16,040,000, representing a year-on-year decrease of RMB22,294,000 or 58.2%, which was mainly because the provision for impairment of trade receivables of YTO (Luoyang) Harvest Machinery Co., Ltd. made in the corresponding period last year was not made in this year.

PROFIT BEFORE TAX

As a result of the increase in operating revenue, the Group's profit before tax increased by 10.6% year-on-year. Although the Group continued to stress on its cost control during the Reporting Period, the increase in profit before tax was lower than the increase in revenue due to the decrease in gross profit margin and the loss by YTO France recorded at its initial stage of business integration.

INCOME TAX

During the Reporting Period, the Group's income tax expenses amounted to RMB60,110,000, representing a year-on-year increase of RMB6,911,000. There was an increase in income tax expenses due to the effect from profit structure. The income tax rates of the Company and every subsidiary remained unchanged.

The three-year 15% preferential income tax rate for new and high tech enterprise enjoyed by the Company and its subsidiaries, YTO Diesel and Luoyang Tractor Research Institute Company Limited, was expired at the end of 2010. The Company is under review for new and high tech enterprise, the result of which is still uncertain.

OTHER COMPREHENSIVE EXPENSE

During the Reporting Period, the Group's other comprehensive expense was RMB51,143,000, which was mainly because the investment gain from selling the shares of Daye Special Steel was recorded under other income and gains making a decrease of RMB26,708,000 under this item, the decline of the fair value of the shares of entities held by the Company such as Bank of Communications, and the difference arising from translation of foreign currency operations.

ASSETS AND LIABILITIES

Items	As at 30 June 2011 (RMB'000)	As at 31 December 2010 (Restated, RMB'000)	Increase/ Decrease (RMB'000)	Percentage change (%)
Trade and bills receivables	**2,884,608**	1,555,731	1,328,877	85.4%
Including: Trade receivables	**1,610,587**	586,013	1,024,574	174.9%
Bills receivables	**1,274,021**	969,718	304,303	31.3%
Inventories	**1,138,997**	1,376,835	(237,838)	(17.3%)
Intangible assets	**4,650**	0	4,650	–
Trade and bills payables	**2,622,306**	2,026,864	595,442	29.4%
Including: Trade payables	**1,780,550**	1,482,348	298,202	20.1%
Bills payables	**841,756**	544,516	297,240	54.6%
Bank borrowings	**1,493,336**	1,025,726	467,610	45.6%
Customer deposits	**600,109**	540,420	59,689	11.0%
Placements with banks and non-bank financial institutions	**50,000**	350,000	(300,000)	(85.7%)
Placements from banks and non-bank financial institutions	**–**	100,000	(100,000)	–

(1) **Trade and bills receivables:** As at 30 June 2011, the trade and bills receivables of the Group increased by RMB1,328,877,000 as compared with that at the beginning of the Reporting Period, among which the trade receivables were RMB1,610,587,000, representing an increase of RMB1,024,574,000 as compared with that at the beginning of the Reporting Period. Such increase was mainly due to the expansion of sales volume and the deferred payment of the State's subsidy for purchase of agricultural machinery products during the Reporting Period. With the payment of the State's subsidy to be gradually put in place in the second half year, and the progressive collection of trade receivables arising in the peak sales period of the Reporting Period, such receivables are expected to drop significantly by the end of the year. During the Reporting Period, the Group's turnover of trade receivables was 30 days, which is 4 days faster than that in the corresponding period last year.

ASSETS AND LIABILITIES *(CONTINUED)*

(2) **Inventories:** As at 30 June 2011, the inventories of the Group decreased by RMB237,838,000 as compared with that at the beginning of the Reporting Period, mainly because most of the inventories stocked up at the beginning of the year were subsequently sold in the peak sales period. During the Reporting Period, the turnover of the inventories of the Group was 38 days, the same as that in the corresponding period last year.

(3) **Intangible assets:** During the Reporting Period, the Group's intangible assets increased by RMB4,650,000 which represents the production and business license acquired by YTO France at the beginning of its establishment as required by local laws of France.

(4) **Trade and bills payables:** As at 30 June 2011, the Group's trade and bills payables increased by RMB595,442,000 as compared with that at the beginning of the Reporting Period, of which the increase in trade payables was RMB298,202,000, mainly due to the increase in purchase of raw materials as a result of the growth of the Group's product sales. The bills payables increased by RMB297,240,000, which was mainly because the Group used more bills so as to take full advantage of bills settlement.

(5) **Bank borrowings:** This item includes the Group's short-term bank borrowings, discounted liabilities of YTO Group Finance Co., Ltd ("**YTO Finance**") and long-term bank borrowings. As at 30 June 2011, this item totaled RMB1,493,336,000, of which discounted liabilities amounted to RMB445,333,000. After deducting the discounted liabilities, the bank borrowing was RMB1,048,003,000, representing an increase of RMB306,652,000 as compared with that at the beginning of the year (which was an increase of RMB462,481,000 from that of the corresponding period last year). Mainly due to the deferred payment of the State's subsidy for purchase of agricultural machinery products, in order to ease the capital pressure, the Group obtained more bank borrowings. Most of the Group's borrowings carried interests at the benchmark interest rates announced by the People's Bank of China.

(6) **Customer deposits:** This item represents the funds deposited by YTO and its subsidiaries with YTO Finance. As at 30 June 2011, the Group's customer deposits amounted to RMB600,109,000, representing an increase of RMB59,689,000 as compared with that at the beginning of the year.

ASSETS AND LIABILITIES *(CONTINUED)*

(7) **Placements with banks and non-bank financial institutions:** As at 30 June 2011, the Group had placements with banks and non-bank financial institutions of RMB50,000,000, which was placed with accredited members of National Inter-bank Funding Center out of the short-term capital surplus of the Group for the purpose of reducing the cost of idle funds and improving efficiency in capital use. The amount, all of which was placed with commercial banks for a term of 8 days, was due and fully recovered on 1 July 2011.

(8) **Placements from banks and non-bank financial institutions:** In order to address the capital shortage as a result of the substantial capital outflow that was likely to occur at the end of 2010 and in January 2011, the Group had placements of RMB100,000,000 from Bank of Shanghai on 30 December 2010, which was repaid in full in January 2011. As at the end of the Reporting Period, the Group had no new placements from banks and non-banks financial institutions. In addition, at the beginning of the year, the Company raised capital through short-term repurchase agreements by pledging the debt securities of RMB99,500,000, and the loan from these repurchase agreements was fully repaid in early January 2011.

FINANCIAL RATIOS

Items	Basis of calculation	As at 30 June 2011	As at 31 December 2010 (Restated)
Gearing ratio	Total liabilities / Total assets x 100%	**60.74%**	57.53%
Current ratio	Current assets / Current liabilities	**1.26**	1.47
Quick ratio	(Current assets – Inventories) / Current liabilities	**1.04**	1.13
Debt equity ratio	Total liabilities / Shareholders' equity[(Note)] x 100%	**174.48%**	152.31%

Note: Shareholders' equity excludes minority interest.

As at 30 June 2011, due to factors such as increase of capital appropriations, the Group saw increase in both its assets and liabilities. The gearing ratio of the Group increased by 3.21 percentage points to 60.74% as compared with that at the beginning of the year. However, the current ratio and quick ratio dropped.

PLEDGE OF ASSETS

As at 30 June 2011, the Group's deposits of RMB221,500,000 (31 December 2010: RMB137,728,000) were pledged to secure the Group's bills payables of RMB669,820,000 (31 December 2010: RMB458,355,000).

CONTINGENT LIABILITIES

During the Reporting Period, the Company entered into the trade credit agreements (the "**Trade Credit Agreements**") with Bank of Communications Co., Ltd., China Everbright Bank, China Construction Bank Corporation (Henan Branch) and YTO Finance (the "**Four Financial Institutions**") for the purpose of cooperation in trade facilities. Pursuant to the Trade Credit Agreements, the Four Financial Institutions granted to the Group the trade credit lines with a total amount of RMB1,150,300,000 (the "**Trade Credit Line**"). The Trade Credit Line shall be specifically used by the dealers recommended by the Company or its authorized agents for applying to the Four Financial Institutions for issuance of the banks' acceptance bills for the purpose of purchasing the Group's products such as agricultural machineries from the Company or its authorized agents. In return, the Company or its authorized agents shall provide guarantees in the form of an undertaking letter or agreement setting out the legal obligation for the Company's performance of its guarantees. As at 30 June 2011, the guarantee amount provided by the Company amounted to RMB662,300,000.

Save as disclosed above, the Group did not have any other significant contingent liabilities as at 30 June 2011.

CASH FLOW ANALYSIS

During the Reporting Period, the Group recorded a net decrease of RMB261,190,000 in cash and cash equivalents. Cash outflows from operating activities and investing activities were RMB142,912,000 and RMB372,927,000 respectively, with both items basically on par with the corresponding period of last year but posting slight increases. Cash inflows from financing activities were RMB299,080,000, representing a year-on-year decrease of RMB147,606,000.

CURRENCY EXCHANGE RATE RISK

As the Group carried out its principal production and business activities in the PRC during the Reporting Period, and its income and expenditure from the international businesses were mainly denominated in Renminbi, accordingly the fluctuation in the currency exchange rates did not materially affect the operation results of the Group. The Group's debts in foreign currency were mainly used for payment of commissions for intermediaries outside the PRC, dividends to holders of the Company's H shares and acquisition of imported equipment. The Group's cash balances are usually deposited with financial institutions in the form of short-term deposits. The bank loans and the repayment of the loans are mainly in Renminbi. As the transactions denominated in foreign currency increases after the acquisition of YTO International and the establishment of YTO France, the fluctuation in the currency exchange rates will affect the operation results of the Group to some extent.

As at 30 June 2011, the Group had no pledge of any deposits in foreign currency.

OTHER EVENTS

1. ACQUISITION OF SUBSIDIARIES

(1) During the Reporting Period, the Company established in France a wholly-owned subsidiary, YTO France, which acquired certain assets from McC France at a consideration of EUR8,000,000. Upon completion of the acquisition, the Company has injected capital of EUR10,000,000 in YTO France. YTO France is principally engaged in the manufacture and sale of hi-powered tractors and power shift transmission systems.

(2) On 18 May 2011, the Company entered into the YTO International Agreement with YTO to acquire 100% equity interest in YTO International held by YTO at the appraised value of RMB79,981,000. According to the audit results of profit and loss during the period, the final consideration for the equity transfer was RMB81,393,000. Meanwhile, the Company entered into the YTO Forklift Agreements with YTO, YTO International and natural person investors of YTO Forklift to acquire the 100% equity interest in YTO Forklift at the appraised value of RMB10,185,000. According to the audit results of profit and loss during the period, the final consideration for the equity transfer was RMB7,943,000. The equity transfers of the aforesaid acquisitions were completed during the Reporting Period.

The aforesaid equity transfers constituted connected transactions.

OTHER EVENTS *(CONTINUED)*

2. ACQUISITION OF ASSETS

On 18 May 2011, the Company and YTO Diesel, entered into the Assets Transfer Agreements with YTO to purchase certain land and relevant buildings originally leased to the Company by YTO at a consideration of RMB404,800,000 and RMB44,070,000 respectively. The transfer is currently undergoing assets transfer formalities. On the same day, the Company entered into the Capital Increase Agreement with YTO, YTO Diesel, YTO (Luoyang) Fuel Injection Pump Co., Ltd. ("**YTO Injection Pump**"), a subsidiary of the Company, and its natural person shareholders, pursuant to which YTO shall make capital contribution to YTO Injection Pump by injecting the land and relevant buildings with appraised value of approximately RMB26,000,000. The aforesaid matters constituted connected transactions requiring independent shareholders' approval. They were approved by independent shareholders at the annual general meeting of the Company held on 17 June 2011.

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

As at 30 June 2011, the Group had in place 9,190 staff members. During the Reporting Period, the total remuneration amounted to RMB192,384,000. The emolument policies of the staff of the Group are set up by the personnel department on the basis of their merit, qualification and competence. During the first half of 2011, the Group adopted the training policy of "trainings as required" through a number of ways. Staff from different levels, with a total of 8,522 persons, had received trainings, thereby improving the working standard of the Group's employees.

SHARE CAPITAL, CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

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

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

As at 30 June 2011, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**")), which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions held or deemed to be held by such Directors, supervisors and chief executives under such provisions of the SFO), or to be recorded in the register as described under section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and Code on Takeovers and Mergers.

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

As at 30 June 2011, the Company has issued a total of 845,900,000 shares. The structure of the share capital of the Company is shown as follows:

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

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following shareholders of the Company (other than the Directors, supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Domestic Shares

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

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

H Shares

Name of shareholder	Nature of interests	Number of shares	Approximate percentage of the total issued H Shares of the Company (%)	Approximate percentage of the total issued share capital of the Company (%)
JPMorgan Chase & Co.	Investment manager	32,439,514[1]	8.07	3.83
GE Asset Management Incorporated	Investment manager	32,140,919[1]	8.00	3.80
The Capital Group Companies, Inc.	Investment manager	20,326,000[1]	5.06	2.40

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

Save as disclosed above, there are no other persons (other than the Directors, supervisors or chief executives of the Company) who, as at 30 June 2011, had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

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

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

AUDIT COMMITTEE

The Company has set up the Audit Committee in accordance with Rule 3.21 of the Listing Rules, which comprises of two independent non-executive Directors and one non-executive Director. The terms of reference thereof are in compliance with C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, and the relevant policies, law and regulations that the Company is subject to.

During the Reporting Period, the Audit Committee held two meetings, and reviewed the Annual Report 2010 of the Group and the unaudited interim accounts of the Group for the six months ended 30 June 2011 respectively.

The Audit Committee agrees with the financial accounting principles, standards and methods adopted for the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2011.

SIGNIFICANT EVENTS

1. On 25 March 2011, the Board of the Company approved the resignation of Mr. Li Xibin as the executive Director and deputy general manager of the Company, the resignation of Mr. Shao Haichen as the non-executive Director of the Company and the resignation of Mr. Jin Yang as the deputy general manager of the Company respectively.

2. On 18 May 2011, the Company and YTO entered into the Trademarks Transfer Agreement, pursuant to which the Company acquired the registered trademarks and owned by YTO at nil consideration.

3. On 17 June 2011, the 2010 annual general meeting of the Company approved the appointment of Mr. Su Weike, Mr. Li Youji and Mr. Liu Jiguo as the Directors of the Company with a term of office from the date of approval at the annual general meeting to 30 June 2012. On 27 June 2011, the Board approved the election of Mr. Su Weike as the Vice Chairman of the Board, the appointment of Mr. Su Weike and Mr. Liu Jiguo as members of the Strategy & Investment Committee of the Board and the termination of Mr. Qu Dawei as a member of the Strategy & Investment Committee of the Board.

4. In order to facilitate the issue of A Shares, the Board of the Company proposed to convene the 2011 first extraordinary general meeting, 2011 first H Shares class meeting and 2011 first Domestic Shares class meeting on 15 August 2011 to consider and approve the refreshment of mandate in relation to the issue of A Shares for a period of 12 months. The issue of A Shares is still subject to the approval by the China Securities Regulatory Commissions.

5. In view of the Company's disposal of certain of its subsidiaries which are engaged in the business with respect to part of the construction machineries such as road rollers, bulldozers, loaders and excavators, on 27 June 2011, the Board of the Company considered and approved the corresponding amendment to Article 15 ("Scope of Business") of the articles of association of the Company, which will be proposed for consideration and approval at the extraordinary general meeting to be held on 15 August 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

MATERIAL LITIGATION

During the Reporting Period, none of the Company, its Directors, supervisors or chief executives was involved in any material litigation or arbitration.

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

Luoyang, the PRC
12 August 2011