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

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

(Stock Code: 0038)

Annual Results Announcement For The Year Ended 31 December 2007

(Financial Highlights)

Turnover	:	**RMB6,775,434,000**
Profit attributable to equity holders of the parent	:	**RMB181,762,000**
Earning per share attributable to ordinary equity holders of the parent	:	**RMB22.82 cents**
Proposed dividend per share to be distributed	:	**RMB3 cents**

The board (the "Board") of directors (the "Directors") of First Tractor Company Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 (the "Reporting Period"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with 2006 comparative figures, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows.

The Board recommends the payment of a cash dividend in the amount of RMB0.03 per share in respect of the financial year ended 31 December 2007, subject to the approval by the annual general meeting to be held on 13 June 2008.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	**2007** *RMB'000*	2006 *RMB'000*
REVENUE	3	**6,775,434**	6,101,451
Cost of sales		**(5,976,022)**	(5,509,093)
Gross profit		**799,412**	592,358
Other income and gains	3	**216,160**	106,716
Selling and distribution costs		**(273,866)**	(229,618)
Administrative expenses		**(395,811)**	(338,610)
Other expenses		**(63,853)**	(28,613)
Finance costs	5	**(31,589)**	(16,593)
Share of profits and losses of associates		**(12,649)**	1,827
PROFIT BEFORE TAX	4	**237,804**	87,467
Tax	6	**(40,024)**	(15,251)
PROFIT FOR THE YEAR		**197,780**	72,216
Attributable to:			
Equity holders of the parent		**181,762**	72,849
Minority interests		**16,018**	(633)
		197,780	72,216
DIVIDENDS	7		
Proposed final dividends		**25,377**	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDER OF THE PARENT	8		
Basic		**RMB22.82 cents**	RMB9.28 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	**2007** *RMB'000*	2006 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,256,455**	1,232,240
Prepaid land premiums		**30,374**	20,192
Goodwill		**52,990**	52,990
Interests in associates		**19,800**	20,449
Available-for-sale investments		**187,150**	251,399
Loans receivable		**83,554**	146,699
Deferred tax assets		**28,331**	34,273
Total non-current assets		**1,658,654**	1,758,242
CURRENT ASSETS			
Inventories		**841,800**	852,366
Trade and bills receivables	9	**925,946**	744,774
Loans receivable		**194,215**	174,820
Bills discounted receivable		**56,053**	219,561
Prepayments, deposits and other receivables		**465,326**	349,628
Equity investments at fair value through profit or loss		**47,365**	3,487
Pledged deposits		**151,640**	122,440
Cash and cash equivalents		**1,147,084**	765,904
Total current assets		**3,829,429**	3,232,980

CURRENT LIABILITIES			
Trade and bills payables	10	**1,144,065**	1,279,361
Other payables and accruals		**575,971**	471,590
Customer deposits		**131,231**	156,814
Interest-bearing bank borrowings		**459,900**	441,558
Tax payable		**20,824**	17,700
Provisions		**34,153**	34,787
Total current liabilities		**2,366,144**	2,401,810
NET CURRENT ASSETS		**1,463,285**	831,170
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,121,939**	2,589,412
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**214,000**	120,000
Deferred income		**105,154**	27,680
Deferred tax liabilities		**25,225**	47,850
Provisions		**24,667**	25,833
Total non-current liabilities		**369,046**	221,363
Net assets		**2,752,893**	2,368,049
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**845,900**	785,000
Reserves		**1,703,768**	1,413,031
Proposed final dividend	7	**25,377**	—
		2,575,045	2,198,031
Minority interests		**177,848**	170,018
Total equity		**2,752,893**	2,368,049

NOTES:

1.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated in the account from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate of the fair value of the assets paid, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/ revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements- Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the financial statements.

(c) HK(IFRIC)-*Int 8 Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group has not issued any equity instruments to its employees, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-*Int 9 Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-*Int 10 Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

HKFRS 2 Amendments	*Share-based Payments — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2009

HKFRS 2 restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that such award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interest.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 (Revised) will affect the presentation of owner changes in equity and comprehensive income. The revised standard will use "statement of financial position" and "statement of cash flows" to replace the titles "balance sheet" and "cash flow statement", and in making reference to these two statements within a complete set of financial statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by subsidiaries as well as the loss of control of a subsidiary. The changes introduced by HKFRS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interest.

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

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial assets and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS19 *Employee Benefits* on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Up to the date of this report, it has concluded that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

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

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

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

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

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

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

(e) the "others" segment comprises, principally, the manufacture and sale of biochemical products.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group	Agricultural machinery		Construction machinery		Financial operations		Diesel engines and fuel jets		Others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:														
Sales to external customers	**4,666,285**	4,699,191	**1,480,082**	1,198,603	**—**	—	**629,067**	203,614	**—**	43	**—**	—	**6,775,434**	6,101,451
Intersegment revenue	**401,570**	321,956	**23,489**	28,358	**18,027**	19,206	**369,074**	158,062	**—**	—	**(812,160)**	(527,582)	**—**	—
Other income and gains	**—**	—	**—**	—	**28,780**	31,864	**—**	—	**—**	—	**—**	—	**28,780**	31,864
Total	**5,067,855**	5,021,147	**1,503,571**	1,226,961	**46,807**	51,070	**998,141**	361,676	**—**	43	**(812,160)**	(527,582)	**6,804,214**	6,133,315
Segment results	**113,110**	148,020	**(69,650)**	(72,642)	**26,802**	35,112	**89,300**	(1,179)	**(139)**	(4,609)	**—**	—	**159,423**	104,702

Interest, dividend and investment income													**131,695**	8,691
Gain on disposal of a subsidiary													**90**	—
Provision/ (reversal of provision) for impairment of other receivable													**14,220**	(5,000)
Unallocated expenses													**(23,386)**	(6,160)
Finance costs													**(31,589)**	(16,593)
Share of profits and losses of associates	**—**	—	**—**	—	**—**	—	**—**	—	**(12,649)**	1,827	**—**	—	**(12,649)**	1,827
Profit before tax													**237,804**	87,467
Tax													**(40,024)**	(15,251)
Profit for the year													**197,780**	72,216

Group	**Agricultural machinery**		**Construction machinery**		**Financial operations**		**Diesel engines and fuel jets**		**Others**		**Eliminations**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Assets and liablities														
Segment assets	**3,107,233**	2,412,533	**1,092,364**	1,016,994	**1,124,090**	1,104,229	**832,945**	870,929	**41,527**	74,891	**(1,063,663)**	(890,767)	**5,134,496**	4,588,809
Interests in associates	**—**	—	**—**	—	**—**	—	**—**	—	**19,800**	20,449	**—**	—	**19,800**	20,449
Unallocated assets													**333,787**	381,964
Total assets													**5,488,083**	4,991,222
Segment liabilities	**1,064,973**	1,094,414	**872,082**	801,146	**597,702**	559,573	**423,329**	367,894	**102,633**	104,886	**(1,063,663)**	(890,767)	**1,997,056**	2,037,146
Unallocated liabilities													**738,134**	586,027
Total liabilities													**2,735,190**	2,623,173

Other segment information:														
Capital expenditure	**155,581**	138,863	**24,640**	24,962	**206**	88	**17,043**	15,839	**—**	1,236	**—**	—	**197,470**	180,988
Depreciation	**57,379**	63,033	**28,774**	19,749	**398**	523	**28,842**	13,685	**—**	374	**—**	—	**115,393**	97,364
Provision for warranties of products	**23,457**	19,519	**4,240**	4,352	**—**	—	**17,472**	13,168	**—**	—	**—**	—	**45,169**	37,039
Impairment of items of property, plant and equipment, net	**2,500**	(11,392)	**12,000**	15,000	**—**	—	**—**	—	**—**	3,985	**—**	—	**14,500**	7,593
Provision for impairment of trade receivables, net	**3,459**	(7,801)	**19,069**	14,887	**—**	—	**1,336**	(1,433)	**—**	242	**—**	—	**23,864**	5,895
Provision/ (reversal of provision) for obsolete inventories, net	**(990)**	(772)	**(4,868)**	(10,810)	**—**	—	**2,092**	(824)	**—**	503	**—**	—	**(3,766)**	(11,903)
Net charge for impairment losses of loans receivable	**—**	—	**—**	—	**3,855**	(353)	**—**	—	**—**	—	**—**	—	**3,855**	(353)

3. REVENUE, OTHER INCOME AND GAINS

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

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

	2007	2006
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**6,775,434**	6,101,451
Other income		
Bank interest income	**10,458**	5,310
Interest income from financial operations	**28,781**	29,592
Profit from sundry sales	**24,348**	35,622
Rental income	**7,194**	6,075
Dividend income from listed investments	**270**	2,000
Dividend income from unlisted investments	**3,850**	665
Government grants	**3,898**	—
Others	**20,154**	22,783
	98,953	102,047
Gains		
Gain on disposal of items of property, plant and equipment, net	**—**	3,953
Gain on disposal of a subsidiary	**90**	—
Fair value gains on listed equity investments at fair value through profit or loss, net	**7,565**	716
Gain on disposal of listed equity investments at fair value through profit or loss, net	**35,772**	—
Gain on disposal of available-for-sale investments	**73,780**	—
	117,207	4,669
	216,160	106,716

4. PROFIT BEFORE TAX

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

	2007	2006
	RMB'000	*RMB'000*
Cost of inventories sold	**5,976,022**	5,509,093
Depreciation	**115,393**	97,364
Amortisation of prepaid land premiums	**742**	553
Impairment of items of property, plant and equipment	**14,500**	7,593
Provision for impairment of trade receivables, net	**23,864**	5,895
Provision/(reversal of provision) for impairment of other receivables, net	**(15,036)**	5,000
Provision for warranties of products	**45,169**	37,039
Net charge for impairment of loans receivable	**3,855**	(353)
Net provision for impairment of bills discounted receivable	**(1,652)**	527
Interest expense on financial operations	**5,632**	5,882
Reversal of provision for obsolete inventories, net	**(3,766)**	(11,903)
(Gain)/loss on disposal of items of property, plant and equipment, net	**1,862**	(3,953)
Fair value gains on listed equity investments at fair value through profit or loss, net	**(7,565)**	(716)
Gain on disposal of listed equity investments at fair value through profit or loss, net	**(35,772)**	—
Gain on disposal of available-for-sale investments	**(73,780)**	—
Gain on disposal of a subsidiary	**(90)**	—
Dividend income from unlisted investments	**(3,850)**	(665)
Dividend income from listed investments	**(270)**	(2,000)
Bank interest income	**(10,458)**	(5,310)
Interest income from financial operations	**(28,781)**	(29,592)

5. FINANCE COSTS

	Group 2007 RMB'000	Group 2006 RMB'000
Interest on bank and other loans wholly repayable within five years	**40,868**	16,593
Less: Interest capitalised	**(9,279)**	—
	31,589	16,593

6. TAX

	Group 2007 RMB'000	Group 2006 RMB'000
Group:		
Current - PRC corporate income tax		
Charge for the year	**35,676**	15,887
Overprovision in prior years	**(1,594)**	(127)
Deferred tax	**5,942**	(509)
Total tax charge for the year	**40,024**	15,251

The PRC corporate income tax for the Company and the majority of its subsidiaries is calculated at rates ranging from 15% to 33% (2006: 10% to 33%) on their estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the two years ended 31 December 2007 and 2006.

Profits tax of the subsidiary operating outside Mainland China is subject to the rates applicable within the jurisdiction in which it operates. No provision for overseas profits tax has been made for the Group as there were no assessable profits for the year (2006: Nil).

7. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
Proposed final — RMB3 cents (2006: nil) per ordinary share	**25,377**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB181,762,000 (2006: RMB72,849,000) and the weighted average of 796,346,000 (2006: 785,000,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed as no diluting events existed during either years.

9. TRADE AND BILLS RECEIVABLES

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

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

	Group	
	2007	2006
	RMB'000	*RMB'000*
Within 90 days	**654,962**	459,454
91 days to 180 days	**162,067**	192,322
181 days to 365 days	**73,205**	65,324
1 to 2 years	**32,681**	22,581
Over 2 years	**3,031**	5,093
	925,946	744,774

10. TRADE AND BILLS PAYABLES

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

	Group	
	2007	2006
	RMB'000	*RMB'000*
Within 90 days	**787,267**	853,712
91 days to 180 days	**209,153**	258,328
181 days to 365 days	**57,333**	84,578
1 to 2 years	**49,326**	39,863
Over 2 years	**40,986**	42,880
	1,144,065	1,279,361

BUSINESS REVIEW

In 2007, China maintained a prudent fiscal and monetary policy and national economic development remained steady and rapid. GDP grew by 11.9% over the same period last year and fixed assets investment recorded a year-on-year increase of 24.8%. Thanks to the continuous and rapid growth of national economy, China's agricultural machinery industry and construction machinery industry also maintained certain growth.

In respect of agricultural machinery, the State continued to attach great importance on the problems of "agriculture, countryside, farmers" during the Reporting Period by introducing a series of policies for the purpose of supporting and providing favorable treatment to agriculture. As a result, total volumn of agricultural machinery equipment increased constantly and the consolidated mechanization level of tilling, planting and harvesting in China increased by 1.7 percentage points to 41% from last year. Agricultural mechanization level progressed from an early stage to a middle stage. Agricultural machinery industry, after four consecutive years of rapid growth, witnessed a slowdown with adjustment at high level in 2007. According to statistics of tractor industry, the sales volume of large wheeled tractors and medium wheeled tractors increased by 10.5%. The level of increase was down 23.6 percentage points in which the increase in sales volume of large wheeled tractors, medium wheeled tractors and small wheeled tractors were down 10.1%, up 16% and down 5.4% respectively. Owing to the market saturation, the sales volume of wheat harvesting machines decreased over 60% as compared with the same period last year. In 2007, the Group sold a total of 44,239 large, medium and small wheeled tractors, representing a decrease of 3.14% over the same period last year; in which sales volume of large wheeled tractors, medium wheeled tractors, small wheeled tractors and wheat harvesting machines were 23,058, 18,261, 95,065 and 1,148, representing a decrease of 7.9%, an increase of 6.7%, a decrease of 3.6% and a decrease of 61.3% respectively. Thanks to the satisfactory outcome of the adjustment in product structure, turnover generally remained unchanged and operating results increased despite a decrease in sales volume.

In respect of construction machinery, infrastructure construction and investment by the State also promoted the rapid development of construction machinery industry during the Reporting Period; and a relatively sharp increase of exported products of construction machinery was also seen. Due to the adjustment of product structure and the seizing of market opportunities, the Group sold 10,673 units of different types of construction machinery products, representing an increase of 11.9% as compared with the same period last year. Turnover increased by 23.5% as compared with the same period last year. The operating results generally remained unchanged and was not restored from loss to profitability.

The engine machinery business was integrated into the Group in August 2006. The Group obtained a more satisfactory operating results with a total of 82,077 diesel engines in various types sold in 2007, of which 31,945 units were sold as ancillary products of major machinery of the Group, representing 39.8% of the total sales volume.

During the Reporting Period, the international business of the Group retained substantial growth. By strengthening the establishment of international sales and marketing network as well as the after-sales service system and optimizing the structure of exported products, the volume of exports of the Group achieved US$79,168,000, representing a growth of 87.9% as compared with the same period last year. 2,992 units of large and medium wheeled tractors and 893 units of construction machinery were exported, representing a growth of 30% and 114% respectively as compared with the same period last year.

As China's principal agricultural machinery manufacturer, the Group continued to reinforce and enhance the core abilities of the enterprise by insisting on technological innovation and improvement, aspiring to foster the advancement of and improvement on technology and provide advanced technological equipment for agricultural development. During the Reporting Period, the Group input RMB138,873,000 for research and development, representing an increase of 112% as compared with the same period last year. Furthermore, the Group initiated 90 research projects, of which 32 were completed, which provided support for sustainable development of the agricultural machinery business of the Group. Among the research projects, the 180 horsepower wheeled tractors which have been successfully developed were permitted to sell in the market in bulk and broke the convention that companies can solely depend on imports for tractors with high horsepower.

During the Reporting Period, "东方红®" tractor was awarded the title of "China famous brand" (中國名牌) and recognized as "Most competitive brand in the market" (最具市場競爭力品牌) by the Ministry of Commerce of the PRC. Products such as tractors, harvesting machines, road rollers and diesel engines were granted the title of "State-designated Products Exempted From Quality Surveillance Inspection" (國家免檢產品) by the State Quality Inspection Bureau. "YTO®" was awarded the "Recommendable Brand of Export" (推薦出口品牌) by China Chamber of Commerce for Imports & Exports of Machinery and Electronics Products.

In October 2007, the Company implemented the placing of H shares and raised proceeds of approximately RMB222,000,000. The proceeds were principally used for technological renovation of large and medium wheeled tractors of the Group.

BUSINESS PROSPECT

Looking ahead in respect of the Group's future business development, there will be opportunities and challenges at the same time, particularly opportunities. Internationally, economic globalization adjustment of industrial structure and acceleration of technology updates, adding international industrial upgrades on one hand, will bring development opportunities for the Company. On the other hand, the Company will face critical challenges and need to adapt to new trends, which will quicken the pace of corporate technological improvement and the progress of internationalization of management standard, and will constantly elevate the capability and level of participation in international competition. Domestically, on one hand, the State will implement and improve the policy of "agriculture, countryside, farmers", develope modern agriculture and fostere construction of socialistic new countryside. The agricultural industry is facing a period full of "prime development" opportunities, which provides ample room for development of agricultural machinery, construction machinery and supplementary engine machinery business for the Group. Investment in sizable infrastructure such as electricity, transportation, telecommunication and energy saving and emission reduction will effectively drive the growth of construction machinery and engine machinery business. On the other hand, the State carried out stringent monetary policies, which results in, the manufacturing industry facing disadvantages such as tight supply of funding and soaring prices of energy and raw materials. As such, the Group needs to capture opportunities, face up challenges, have a full grasp of what comes ahead and respond correctly.

In 2008, the Group will unswervingly take structural adjustment as paramount and focus on building up its core capability, roll on to improve quality management, cost management, procurement management and sales and marketing management through innovations in technological, management, system and culture so as to elevate competitive edges and sustain the stable growth of operating results.

Agricultural machinery: further investing in research and development and strengthening the construction of autonomous innovation ability. To cater for domestic and international market demand, accelerate the development process of high-tech, highly functional and highly valued-added products so as to maintain its leading position in the national industry. **Implementing brand strategy to elevate competitive advantages.** The product quality and technological function of tractors with high to mid horsepower should be constantly lifted and tractors with low horse power will undergo proactive product upgrades and technological renovation. Meanwhile, the Company will enhance national and overseas market expansion to increase market share of the Group's products. **Accelerating structural adjustment of products whilst reinforcing the effect of corporate development.** For harvesting machinery business, industrial resources need to be integrated to enhance product quality and technological level and product series expanded so as to quickly attain market breakthroughs and aspire for better profitability. Business of agricultural machinery and tools should undergo rapid technological advancement of products through introduction of new technology, joint ventures and collaboration as well as autonomous research and development, thereby creating new points of economic growth.

Construction machinery: putting more effort in the integration of internal and external resources and enhancing utilization rate of resources. Refining development plans of core products such as road rollers and bulldozers. Focusing on direction of funding, forging and boosting competitive edges so as to be a leader in the industry. Accelerating the construction of small construction machinery and transportation machinery. Keep track of the movement of market pioneers endeavouring to catch up with leaders in the industry while integrating and reorganizing products with less competitive advantages in line with the requirements under new directions on a demonstrable basis.

Engine machinery: responding to need of technological requirements of power upgrades and energy saving of diesel machines not used for road machineries. As such, the Group will focus on the implementation of the technological renovation project of heavy power duty diesel machines through pioneering initiatives on technological and management, so as to promote such technological upgrades as energy saving, reduction of emission, vibration and noise elimination, to foster improvement of products in line with high mobility, high economic efficiency and low emission. Besides, the Group will further effort to strengthen the adjustment of the market structure. While satisfying the need of ancillary of major machinery and maintaining the prime positions of the Group in machinery ancillary not used for roads, the Group will take initiative to expand the new ancillary market.

Financial business: endeavors will be made to centralize funding and enhance its utilization rate and to ensure the promotion of buyers' credit and financial lease business of the Group's products so as to support the product sales of the Group, while meeting the precondition of ensuring sufficient the funding for industrial development, production and operation of the Group.

International business:

In 2008, the Company will proceed to consolidate the expansion of strategic regions in the international market, further perfect market segmentation and product adaptability, optimize structure of exports, reinforce its collaboration with overseas distributors, improve sales and marketing network and the service system after sales, so as to keep elevating international sales and marketing competence and ensure sustainable rapid growth in exports.

In 2008, YTO Group Corporation Limited ("YTO Group"), the controlling shareholder of the Company, joined China National Machinery Industry Corporation ("China National Machinery"). China National Machinery is one of the 152 central enterprises governed by State-owned Assets Supervision and Administration Commission of the State Council and a consolidated sizable enterprise group with the largest scale and the greatest strength in the field of machinery equipment in China at present. Its principal business includes the research and development of high and new technologies and material equipment, industrialization of technological achievement and the manufacturing of machinery equipment and machinery and electrical products, consultancy, design, construction and supervision of national and international substantial construction, setting up of equipment and underwriting of construction, international and national trading of machinery and electrical as well as motor products. It is particularly well positioned in resources and conditions in terms of the technological research and development as well as export sales. The strategic reorganization conducted by China National Machinery and YTO Group, has provided a good chance for the Group to further enhance its edges in research and development and expansion of international business. The Group will take this as an opportunity to seek integration of business and resources and further elevate its competitiveness.

Financial Results Analysis:

During the Reporting Period, the Group recorded a turnover of RMB6,775,434,000, representing an increase of 11.04% over the same period last year, Such increase of turnover was mainly attributable to the expansion of construction machinery business and the integration of engine machinery business. Profit attributable to equity holders at the Parent was RMB181,762,000, representing an increase of RMB108,913,000 over last year. Profit was mainly contributed by the agricultural machinery business and the engine machinery business. Consolidated gross profit was 11.8%, representing an increase of 2.1 percentage points. Exports recorded US$79,168,000, representing a year-on-year growth of 87.9%, in which the agricultural machinery and construction machinery businesses recorded growth by 68.6% and 102% respectively over the same period last year. Net return on assets was 7.2%, which increased by 4 percentage points.

Table of turnover and results of the Group during the Reporting Period by segment

	Analysis of Turnover			**Analysis of Results**		
By segment	**2007**	**2006**	**% of change over last year**	**2007**	**2006**	**% of change over last year**
	RMB'000	*RMB'000*		***RMB'000***	*RMB'000*	
Agricultural machinery business	**4,666,285**	4,699,191	-0.70	**113,110**	148,020	-23.58
Construction machinery business	**1,480,082**	1,198,603	23.48	**(69,650)**	(72,642)	-4.12
Engine machinery business *(Note)*	**629,067**	203,614	208.95	**89,300**	(1,179)	N/A
Financial Business	**—**	—	—	**26,802**	35,112	-23.67
Others	**—**	43	-100	**(139)**	(4,609)	-96.98
Total	**6,775,434**	6,101,451	11.05	**159,423**	104,702	52.26

Note: As the engine machinery business was integrated into the Group in August 2006, only the turnover and operating results from August to December in 2006 were taken into account.

In 2007, the turnover of agricultural machinery, construction machinery and engine machinery represented 68.87%, 21.84% and 9.28% of the Group's turnover respectively.

Agricultural machinery business

During the Reporting Period, in light of the growth slowdown of domestic agricultural machinery market, the feature of adjustment at high levels as well as the pressure arising from constant price hike of raw materials and energy, the Group furthered the structural adjustment of products and the market, focused on improving internal management and realized a turnover of RMB4,666,285,000, which remained basically the same as last year furthered; Consolidated gross profit was 10%, representing an increase of 0.57 percentage points over the same period last year; Operating results was RMB113,110,000, representing a decrease of RMB34,910,000 over last year. During the Reporting Period, investment in research and development increased by RMB36,880,000 and consultancy fees increased by RMB12,500,000 over the same period last year. Upon analysis of fees above, the operating results of agricultural machinery business actually increased by 11.3%, firstly attributable to optimization of the product structure which reinforced the sales of high value-added products. The sales volume of 90 above horsepower large wheeled tractors amounted to 6,521 units, representing an increase of 31% over the same period last year. Despite the year-on-year drop of 7.9% of the overall sales volume of large wheeled tractors resulting from the controlled sales volume of 70-80 large wheeled tractors, its market share increased by 1.6 percentage points over the same period last year and maintained its leading position. Sales volume of medium wheeled tractors increased by 6.7% over the same period last year, of which 45-55 horse power wheeled tractors increased by 152% over last year. Given the drop of the sales volume of small wheeled tractors by 3.6% due to structural adjustment, turnover and operating results remained unchanged. Through upgrades and drop of sales volume by 16% of crawler tractor, operating results increased by 10% over last year. Secondly, due to adjustment of market structure and forged expansion in international market. Through strengthening of the construction of international sales and marketing network as well as after-sales service system, US$41,380,000 of exports was realized, representing a growth of 68.6% over the same period last year. Thirdly, thanks to greater effort by the Group in investment in research and development which boosted autonomous innovation. During the Reporting Period, investment in research and development increased by 67% over the same period last year. 160-180 horse power wheeled tractors, which were developed successfully upon research, have been introduced in the market in bulk. 25-35 horse power wheeled tractors witnessed quick momentum and the product series of 25-180 horse power wheeled tractors were formed which reinforced the Group’s leading position of industry.

Construction Machinery Business

During the Reporting Period, construction machinery business maintained a growing trend with considerable export volume. Capitalized on the market opportunities, the Group adjusted the product structure and sold 10,673 units of construction machinery, representing an increase of 11.9% over last year; Turnover amounted to RMB1,480,082,000, representing an increase of 23.5% over the same period last year; Consolidated gross profit margin was 8.34%, representing a rise of 0.73 percentage point over last year; Operating results continued to record a loss with a year-on-year loss of RMB2,992,000. Upon analysis on investment in research and development which increased by RMB8,170,000 per project over the same period last year, the loss of the operating results of the construction machinery business decreased by RMB11,162,000 as compared with the same period last year. During the Reporting Period, various operating strategies were adopted in respect of different characteristics of construction machinery products: 1) enhancement in the structural adjustment for bulldozers and small construction machinery with higher profitability by the Group. Such a measure resulted in an improvement in the quality and sales and marketing management of the products, together with an increase in the sales volume of 2.3% and 10.3% respectively; 2) focusing on the improvement of the functions of traditional road rollers by the Group, aspiring to improve product functions to enhance the competitiveness and narrow down the difference between the target-oriented enterprises and the Group. Such actions increased the market share of the product and recorded an export volume of three times higher than that of last year; 3) enhancement in product development and market exploration for new businesses including forklifts and graders by the Group which led to a substantial increase in the sales volume whilst becoming a new economic growing point; and 4) with quality upgrade and function improvement as the major task, initial progress were achieved in the adjustment of product structure and market structure of such products. The relevant export volume increased by 350% over the same period last year which accounted for 60% of the total sales volume.

Engine Machinery Business

During the Reporting Period, to cater for the requirements of product structure and market structure adjustments, the Group proactively forged ahead the technological upgrade including power enhancement, energy saving and environmental protection of its engine machinery business. While ensuring the satisfaction of the demand for the main products' ancillary of the Group, constant exploration of ancillary markets were carried out. 82,077 diesel machines were sold which realized a turnover of RMB629,067,000; The operating results was RMB89,300,000; Gross profit margin was 16.9%, representing an increase of 1.2 percentage point over the same period last year; Investment in research and development rose by RMB26,000,000 over the same period last year. Engine machinery business becomes a significant source of profit of the Group.

Financial Business

During the Reporting Period, China First Tractor Group Finance Company Limited ("FTGF"), a subsidiary of the Company, provided sufficient funds for the Group's production and operation by reinforcing centralized management of capital and enhancing the efficiency of capital use. During the Reporting Period, the operating results of FTGF recorded RMB26,802,000, representing a decrease of RMB8,310,000 over last year as a result of the 5.5 percentage point upward adjustment of deposit reserve ratio of banks by the State.

Investment Income

During the Reporting Period, the Company, in response to the movement of the capital market, duly disposed of part of its legal person shares in the Bank of Communications and obtained an investment income before tax of RMB73,780,000. Under effective risk control, FTGF launched new business such as securities investment and obtained an investment income before tax of RMB32,712,000.

ANALYSIS ON PERIOD EXPENSES OF THE GROUP

By business	**31 December 2007**	31 December 2006	Difference	% of Change
	RMB'000	*RMB'000*	*RMB'000*	
Selling costs	**273,866**	229,618	44,248	19.27
Administrative expenses	**395,811**	338,610	57,201	16.89
Other operating expenses	**63,853**	28,613	35,240	123.16
Finance costs	**31,589**	16,593	14,996	90.38
Total	**765,119**	613,434	151,685	24.72

Analysis of selling costs: The Group's selling costs increased by RMB44,248,000 or 19.27% from the same period last year, mainly attributable to: 1) selling costs of RMB38,160,000 incurred from the newly integrated engine machinery business ; 2) an increase of RMB10,690,000 in project sales and transportation expenses arising from the adjustment in the selling model and policy; and 3) the tightening control on expenses by the Group which lowered other expenses by RMB4,600,000.

Analysis of administrative expenses: The Group's administrative expenses increased by RMB57,201,000 or 16.89% from the same period last year, mainly attributable to: 1) an increase of RMB33,450,000 in administrative expenses incurred from the newly integrated engine machinery business; 2) an increase of RMB75,450,000 in research and development expenses of the Group's products ; 3) an increase of RMB13,230,000 in audit and consultation expenses for the business restructuring; 4) a decrease of RMB57,610,000 in the administrative expenses arising from the adjustment in part of the labor insurance; and 5) a decrease of RMB4,830,000 in the controllable expenses as a result of the tightening budget control.

Analysis of other operating expenses: The Group's other operating expenses increased by RMB35,240,000 or 123.16% from the same period last year, which is attributable to: 1) an increase of approximately RMB12,420,000 in provision for retirement welfare cost of the internally retired workers; 2) an increase of RMB18,290,000 in provision for trade receivable impairment year due to the increased aging of the trade receivable of the construction machinery business of the Group.

Analysis of finance costs: Finance costs increased by RMB14,996,000 over the same period last year, mainly attributable to the increase in borrowings arising from integration of engine machinery business, which added RMB12,590,000 to finance costs.

Analysis of Change in Current Assets

	31 December 2007	31 December 2006	Difference	% of Change
	RMB'000	*RMB'000*	*RMB'000*	
Cash and cash equivalents	**1,147,084**	765,904	381,180	49.77
Pledged deposits	**151,640**	122,440	29,200	23.85
Trade and bills receivable	**925,946**	744,774	181,172	24.33
Inventories	**841,800**	852,366	(10,566)	(1.24)

Cash and cash equivalents : As at 31 December 2007, the Group's current cash and cash equivalents amounted to RMB1,147,084,000, of which the Company owns as to RMB397,723,000 and the remaining are owned by the subsidiaries.

Pledged deposits: Pledged deposit of the Group increased by RMB29,200,000, mainly arising from the increased guarantee deposit to the bank for the purpose of acquiring bank acceptance bills.

Trade and bills receivable: The Group's trade and bills receivable increased by RMB181,172,000 over the same period last year, of which trade receivable increased by RMB44,230,000 and bills receivable increased by RMB136,942,000. The bills recivable held by the Company were all bank acceptance bills.

The increase in trade receivables mainly resulted from the outstanding amount of approximately RMB40,220,000 from the funding arising from the subsidy for purchasing agricultural machinery for sales projects at the end of 2007. The said amount has been fully recovered in March 2008.

Changes in inventory: During the Reporting Period, the Group enhanced inventory management and liquidated social inventory , resulting in a decrease of RMB10,566,000 in inventory over the same period last year. The inventory turnover days were 51 days, which was 1.6 days faster than last year.

Investment

During the Reporting Period, the associates of the Group, Shanghai Qiangnong (Group) Company Limited and Luoyang First Motors Company Limited still recorded loss. Yituo (Luoyang) Shunxing Co., Ltd. completed installation and testing of equipments in 2007 and will commence production in 2008.

ANALYSIS OF ASSETS AND FINANCIAL POSITION OF THE GROUP

Indicators of Financial Ratio:

Items	Basis of calculation	**31 December 2007**	31 December 2006
Gearing ratio	Total liabilities/total assets x 100%	**49.84%**	52.56%
Current ratio	Current assets/current liabilities	**1.61**	1.34
Quick ratio	(Current assets - inventories)/current liabilities	**1.25**	0.98
Debt equity ratio	Total liabilities/shareholders' equity x 100%	**106.22%**	119.34%

As of 31 December 2007, the gearing ratio of the Group was 49.84%, representing a decrease of 2.72 percentage point over the same period last year. The reason is that the booming operating results led to an increase in the equity attributable to equity holders of the Parent. Besides, the share capital increased as a result of the issue of new shares by the Company in 2007.

Analysis of Equity and Reserves

Items	**31 December 2007** ***RMB'000***	31 December 2006 *RMB'000*	Increase/ (decrease) *RMB'000*
Share capital	**845,900**	785,000	60,900
Capital surplus	**1,539,938**	1,378,840	161,098
Statutory surplus reserve	**99,695**	77,570	22,125
Statutory public welfare fund	**—**	—	
Reserve fund	**3,373**	2,873	500
Enterprise expansion fund	**2,356**	2,356	—
General and statutory reserve	**4,841**	4,446	395
General surplus reserve	**64,744**	64,744	—
Available-for-sale investment revaluation reserve	**74,932**	97,150	(22,218)
Exchange fluctuation reserve	**(8,772)**	(4,244)	(4,528)
Retained profit/(Accumulated losses)	**(51,962)**	(210,704)	158,742

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

In 2008, the Group intends to make an investment of RMB426,350,000, which will be mainly used for the acquisition of land and construction for heavy power duty diesel machines project, functional upgrade of large and medium horsepower wheeled tractors, constructron of electronic purchasing platform and office automation information system projects, high pressure forged steel crankshaft production lines and other technological renovation projects.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

1. On February 2007, the tenth meeting of the fourth Board of the Company resolved to transfer 70% shares of Zhenning Company ("Zhenning Company") to Guizhou Hongyue (Group) Food Factory Company Limited ("Hongyue Company"). With reference to the assessed net asset value, the transfer price is RMB440,000.

2. On 13 November 2007, the Company transferred 25% equity interest it held in Yituo (Luoyang) Casting & Forging Co., Ltd. ("Casting & Forging Company"), an associated company fo the Company, to YTO Group for a consideration of RMB1 for the purpose of business integration. Casting & Forging Company suffered consecutive losses for several years and its net assets has become negative.

SIGNIFICANT EVENTS

The Company had the following significant events:

1. On 22 October 2007, the Company placed 66,990,000 H Shares at the price of HK$3.95 per share and listed them on the Stock Exchange, including: (1) 60,900,000 H share newly issued by the Company which rasied proceeds of approximately RMB222,000,000 (approximately HK$229,400,000). The raised funds will be used for expansion of technology renovation of large/ medium wheeled tractors project; and (2) 6,090,000 H Shares converted from the same number of existing domestic Shares held by YTO Group in accordance with the applicable PRC laws and regulations. The entire net proceeds from the sale of such H Shares have been remitted to National Council for Social Security Fund of PRC. Upon completion of placement, the total share capital of the Company was 845,900,000 shares. On 31 October 2007, the Board of the Company made corresponding amendments to the Articles of Association of the Company as authorized by the annual general meeting held on 15 June 2007 to reflect the changes of share capital arising from the placement. The Company had made an announcement in relation to the amendments to the Articles of Association of the Company pursuant to the requirements of the Listing Rules.

2. During the Reporting Period, the Board of the Company appointed Mr. Qu Dawei, Mr. Liu Jiguo, Mr. Li Xibin and Mr. Jin Yang as the deputy general manager as nominated by the general manager, Mr. Yan Linjiao. Mr. Li Youji, Mr. Guo Zhiqiang, Mr. Zhang Youxu and Mr. Yuan Rongqing resigned from the office of deputy general manager due to the changes of job.

   On 2 February 2008, the Board appointed Ms. Dong Jianhong as the Chief Financial Officer of the Company. Mr. Zhang Jing is no longer served as the position of Chief Financial Officer of the Company.

3. On March 2007, the Company disposed of 17,000,000 legal person shares held in Bank of Communications, at a price of RMB6.3 per share. The total proceeds amounted to RMB107,100,000. The Company currently holds 8,000,000 legal person shares of Bank of Communications upon completion of the sale.

4. In order to further develop the domestic market in the northwest and international middle Asia market, on 27 June 2007, the Company established a wholly owned subsidiary in Xinjiang, YTO (Xinjiang) Dong Fang Hong Machinery Company Limited ("Xinjiang Company"), with a registered capital of RMB25,000,000. Its operation scope includes the manufacturing and sales of tractors, parts and components. Xinjiang Company will become a comprehensive base of the Company in the northwest region for the assembly of agricultural machinery products, production, logistics, sales and promotion of product image and training.

5. On 28 November 2007, the Board of the Company preliminarily approved to invest in the construction project of large/medium wheeled tractors and heavy duty diesel engines. According to the preliminary planning for the project, such investment is expected to create an annual production capacity of 50,000 large wheeled tractors, 75,000 medium wheeled tractors and 20,000 heavy duty diesel engines.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the opinion that the Company has complied with the requirements of all code provisions of the Code on Corporate Governance Practices in Appendix 14 of the rules governing the listing of securities on the stock exchange of Hong Kong Limited (the "Listing Rules") during the Reporting Period.

Details are set out in Corporate Governance Report.

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of practice (the "Model Code") with standards not less competent than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules for securities transactions conducted by the Directors. During the Reporting Period, all Directors have complied with the Modal Code in relation to securities transactions conducted by the Directors.

DIVIDENDS

The Board now recommends the payment of a cash dividend in the amount of RMB0.03 per share in respect of the financial year ended 31 December 2007, subject to the approval by the annual general meeting to be held on 13 June 2008. In order to determine the holders of H Shares who are entitled to receive 2007 final cash dividends, the Company's register of members will be closed from 14 May 2008 to 12 June 2008 (both days inclusive) during which period no transfer of H-Shares will be effected. Holder of H-Shares who wish to receive 2007 final cash dividends must deposit the transfer documents together with the relevant share certificates at the H-Shares registrar of the Company, Hong Kong Registrars Limited, at or before 4:30 p.m. on 13 May 2008. The address of the share registrar Hong Kong Registrars Limited is 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

AUDIT COMMITTEE

During the year, the Audit Committee reviewed all accounting principles and practices adopted by the Group and discussed the matters in respect of internal control and financial statements. The Audit Committee convened four meetings with the financial controller and external auditors. The results of the Company for year 2006 and the interim results of the Company for year 2007 were considered. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2007.

By order of the Board
Liu Dagong
Chairman

Luoyang, the PRC
18 April 2008

As at the date of this announcement, the board of directors of the Company comprises of ten Executive Directors, namely Messrs. LIU Dagong (Chairman), ZHAO Yanshui, LIU Wenying, YAN Linjiao, LI Tengjiao, SHAO Haichen, ZHANG Jing, LI Youji, LIU Shuangcheng and ZHAO Fei; and four Independent Non-executive Directors, namely Messrs. LU Zhongmin, CHEN Zhi, CHAN Sau Shan, Gary and LUO Xiwen.

* *For identification purposes only*