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

(Incorporated in the People's Republic of China with limited liability)

(Stock Code: 0038)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

(Financial Highlights)

Turnover	**:**	**RMB8,971,261,000**
Profit attributable to equity holders of the parent	**:**	**RMB244,488,000**
Earnings per share attributable to ordinary equity holders of the parent	**:**	**RMB0.289**
Proposed dividend per share to be distributed	**:**	**RMB0.12**

The board (the "**Board**") of directors (the "**Directors**") of First Tractor Company Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2009 (the "**Reporting Period**"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with 2008 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 RMB0.12 per share in respect of the financial year ended 31 December 2009, subject to the approval by shareholders at the annual general meeting to be held on 11 June 2010.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Note	**2009**	2008
		RMB'000	*RMB'000*
Revenue	3	**8,971,261**	7,933,721
Cost of sales		**(7,703,072)**	(7,108,592)
Gross profit		**1,268,189**	825,129
Other income and gains	3	**76,865**	40,131
Selling and distribution costs		**(297,534)**	(272,187)
Administrative expenses		**(606,231)**	(402,624)
Other expenses		**(60,886)**	(62,317)
Finance costs	5	**(15,040)**	(37,643)
Share of losses of associates		**(7,222)**	(82)
Profit before income tax	4	**358,141**	90,407
Income tax expense	6	**(84,196)**	(9,528)
Profit for the year		**273,945**	80,879

	Note		
Profit attributable to:			
Equity holders of the Company		**244,488**	68,505
Minority interest		**29,457**	12,374
		273,945	80,879
Dividends	7		
Proposed final		**101,508**	42,295
Earnings per share attributable to equity holders of the Company	8		
Basic earnings per share		**RMB28.90 cents**	RMB8.10 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	RMB'000	RMB'000
Profit for the year	**273,945**	80,879
Other comprehensive income:		
Currency translation differences	**1,491**	(2,901)
Changes in fair value of available-for-sale financial assets, net of tax	**46,275**	(50,386)
Total comprehensive income for the year	**321,711**	27,592
Attributable to:		
Equity holders of the Company	**293,199**	15,218
Minority interest	**28,512**	12,374
Total comprehensive income for the year	**321,711**	27,592

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 *RMB'000*	2008 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,176,405**	1,163,237
Prepaid operating leases		**76,689**	79,158
Goodwill		**52,990**	52,990
Interests in associates		**11,696**	18,918
Available-for-sale financial assets		**168,476**	106,959
Loans receivable		**135,278**	214,123
Deferred income tax assets		**59,243**	49,107
Total non-current assets		**1,680,777**	1,684,492
Current assets			
Inventories		**1,018,867**	842,003
Trade and bills receivables	9	**878,320**	813,872
Loans receivable		**255,624**	209,069
Bills discounted receivable		**147,415**	129,283
Prepayments, deposits and other receivables		**612,018**	404,604
Tax recoverable		**1,728**	5,706
Financial assets at fair value through profit or loss		**28,942**	4,444
Held-to-maturity financial assets		**10,140**	—
Pledged bank balances		**294,197**	366,357
Cash and cash equivalents		**915,181**	758,535
		4,162,432	3,533,873
Assets of a disposal group classified as held for sale		**—**	317,012
Total current assets		**4,162,432**	3,850,885

Current liabilities			
Trade and bills payables	10	**1,670,441**	1,448,998
Other payables and accruals		**423,980**	443,778
Customer deposits		**296,246**	198,217
Interest-bearing bank borrowings		**143,000**	167,000
Current income tax liabilities		**62,570**	12,913
Provisions		**36,369**	28,084
		2,632,606	2,298,990
Liabilities directly associated with the assets of a disposal group classified as held for sale		**—**	206,263
Total current liabilities		**2,632,606**	2,505,253
Net current assets		**1,529,826**	1,345,632
Total assets less current liabilities		**3,210,603**	3,030,124
Non-current liabilities			
Interest-bearing bank borrowings		**—**	144,000
Deferred income		**103,700**	103,774
Deferred income tax liabilities		**13,109**	4,332
Provisions		**88,200**	35,581
Total non-current liabilities		**205,009**	287,687
Net assets		**3,005,594**	2,742,437

Equity			
Attributable to the holders of the Company			
Share capital		**845,900**	845,900
Reserves		**1,867,818**	1,676,691
Proposed final dividend	7	**101,508**	42,295
		2,815,226	2,564,886
Minority interest		**190,368**	177,551
Total equity		**3,005,594**	2,742,437

NOTES

1.1 BASIS OF PREPARATION

The consolidation financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

1.2 IMPACT OF NEW AND AMENDED STANDARDS ADOPTED

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

i) HKFRS 7 'Financial Instruments - Disclosures' (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

ii) HKAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

iii) In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The Group has capitalised borrowing costs with respect to intangible asset arising from internally generated software costs (see Note 8).

iv) HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. However, such restatement in note disclosure does not have any impact on the statement of financial position.

(b) Amended standard effective in 2009 but not relevant

The following revised HKFRS does not have a impact on the Group's financial statements:

i) IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

(c) Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

i) HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply HK(IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

ii) HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

iii) HKFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the noncontrolling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

iv) HKAS 38 (amendment), ‘Intangible Assets’ (effective from 1 July 2009). The amendment is part of the HKICPA’s annual improvements project published in April/May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group’s or Company’s financial statements.

v) HKFRS 5 (amendment), ‘Measurement of non-current assets (or disposal groups) classified as held for sale’. The amendment is part of the HKICPA’s annual improvements project published in April/May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group’s or Company’s financial statements.

vi) HKAS 1 (amendment), ‘Presentation of financial statements’. The amendment is part of the HKICPA’s annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the Group’s or Company’s financial statements.

vii) HKFRS 2 (amendments), ‘group cash-settled share-based payment transactions’ (effective from 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8, ‘Scope of HKFRS 2’, and HK(IFRIC)-Int 11, ‘HKFRS 2 - group and treasury share transactions’, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group’s financial statements.

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 four business segments are as follows:

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

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

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

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

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

Segment results are presented as profit before tax. Other information of each segment are also disclosed including depreciation and amortisation, other expenses, corporate administrative expenses, finance costs, net fair value gain on financial assets at fair value through profit or loss, net gain on disposal of financial assets at fair value through profit or loss, gain on disposal of subsidiaries, share of profits / (losses) of associates, and income tax, etc. This is the information and reported to the management, together with other reportable data, serves to provide better information to the management, and investors will assess annual segment results from this information.

The following tables present revenue, profit/(loss) and certain information about asset, liability and expenditure for the Group's business segments for the year ended 31 December 2009.

	Agricultural machinery *RMB'000*	Construction machinery *RMB'000*	Financial operations *RMB'000*	Diesel engines and fuel jets *RMB'000*	Unallocated and eliminations *RMB'000*	Total *RMB'000*
Income statement						
Revenue:						
Sales to external customers	6,811,536	922,508	33,254	1,203,963	—	8,971,261
Intersegment sales *(Note)*	443,122	40,760	14,801	629,399	(1,128,082)	—
	7,254,658	963,268	48,055	1,833,362	(1,128,082)	8,971,261
Interest, dividend and investment income					26,152	
Gain on disposal of subsidiaries					29,648	
Unallocated expenses, net					(10,323)	
Finance costs					(15,040)	
Share of losses of associates					(7,222)	
Profit before income tax	196,507	(68,170)	33,376	173,213	23,215	358,141
Income tax expense						(84,196)
Profit for the year						273,945

Other segment information:

Capital expenditure	**154,773**	**3,650**	**39**	**21,434**	**—**	**179,896**
Depreciation	**51,805**	**15,979**	**422**	**32,995**	**—**	**101,201**
Amortisation of prepaid operating leases	**1,306**	**255**	**—**	**—**	**—**	**1,561**
Provision for warranties	**4,247**	**1,235**	**—**	**27,824**	**—**	**33,306**
Impairment of property, plant and equipment	**12,099**	**2,779**	**—**	**—**	**—**	**14,878**
Provision for impairment of trade receivables, net	**15,615**	**168**	**—**	**4,775**	**—**	**20,558**
Provision/(reversal of provision) for impairment of other receivables, net	**6,272**	**(584)**	**2,538**	**3,335**	**—**	**11,561**
Provision/(reversal of provision) for impairment of inventories, net	**6,891**	**(7,677)**	**—**	**212**	**—**	**(574)**
Reversal of provision for bills discounted receivable, net	**—**	**—**	**(469)**	**—**	**—**	**(469)**
Reversal of provision for loans receivable, net	**—**	**—**	**(1,770)**	**—**	**—**	**(1,770)**

Statement of financial position

Assets						
Segment assets	**3,093,103**	**738,789**	**840,060**	**944,490**	**(217,540)**	**5,398,902**
Interests in associates						**11,696**
Unallocated assets						**432,611**
Total consolidated assets						**5,843,209**
Liabilities						
Segment liabilities	**1,497,521**	**443,343**	**308,047**	**433,739**	**(217,540)**	**2,465,110**
Unallocated liabilities						**372,505**
Total consolidated liabilities						**2,837,615**

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

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

	Agricultural machinery	Construction machinery	Financial operations	Diesel engines and fuel jets	Unallocated and eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement						
Revenue:						
Sales to external customers	5,572,154	1,542,220	42,138	777,209	—	7,933,721
Intersegment sales *(Note)*	579,472	133,429	18,989	419,725	(1,151,615)	—
	6,151,626	1,675,649	61,127	1,196,934	(1,151,615)	7,933,721
Interest, dividend and investment income					14,879	
Unallocated expenses, net					(18,776)	
Finance costs					(37,643)	
Share of losses of associates					(82)	
Profit before income tax	83,219	(83,177)	40,133	91,854	(41,622)	90,407
Income tax expense						(9,528)
Profit for the year						80,879

Other segment information:

Capital expenditure	158,188	26,470	214	8,458	—	193,330
Depreciation	73,146	24,510	598	26,424	—	124,678
Amortisation of prepaid operating leases	68	3,527	—	—	—	3,595
Provision for warranties	7,640	4,086	—	20,705	—	32,431
Provision for impairment of trade receivables, net	15,286	10,735	—	1,948	—	27,969
Provision for impairment of other receivables, net	496	3,938	34	135	—	4,603
Reversal of provision for impairment of inventories, net	(758)	(2,653)	—	(1,061)	—	(4,472)
Provision for bills discounted receivable, net	—	—	1,043	—	—	1,403
Provision for loans receivable, net	—	—	99	—	—	99

Statement of financial position

Assets						
Segment assets	3,231,281	1,101,957	1,179,131	826,809	(1,092,861)	5,246,317
Interests in associates						18,918
Unallocated assets						270,142
Total consolidated assets						5,535,377
Liabilities						
Segment liabilities	1,362,862	955,104	618,399	419,066	(1,092,861)	2,262,570
Unallocated liabilities						530,370
Total consolidated liabilities						2,792,940

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

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

	2009	2008
	RMB'000	*RMB'000*
Earnings before interest, tax, depreciation and amortisation	**437,688**	260,302
Depreciation	**(101,201)**	(124,678)
Amortisation for prepaid operating leases	**(1,561)**	(3,595)
Corporate expenses, net	**(10,323)**	(18,776)
Operating profit	**324,603**	113,253
Interest, dividend and investment income	**26,152**	14,879
Gain on disposal of subsidiaries	**29,648**	—
Finance costs	**(15,040)**	(37,643)
Share of losses of associates	**(7,222)**	(82)
Profit before income tax	**358,141**	90,407

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

Segment assets are summarised as below:

	2009	2008
	RMB'000	*RMB'000*
Segment assets as allocated by business segments	**5,398,902**	5,246,317
Unallocated assets:		
Goodwill	**52,990**	52,900
Available-for-sale financial assets	**168,476**	106,959
Deferred tax assets	**59,243**	49,107
Financial assets at fair value through profit or loss	**28,942**	4,444
Interest in associates	**11,696**	18,918
Others	**122,960**	56,732
Total assets as per consolidated statement of financial position	**5,843,209**	5,535,377

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

Segment liabilities are summarised as below:

	2009	2008
	RMB'000	*RMB'000*
Segment liabilities as allocated by business segments	**2,465,110**	2,262,570
Unallocated:		
Interest-bearing borrowings	**143,000**	311,000
Deferred tax liabilities	**13,109**	4,332
Provisions	**124,569**	63,665
Others	**91,827**	151,373
Total liabilities as per consolidated statement of financial position	**2,837,615**	2,792,940

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:

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**8,938,007**	7,891,583
Interest income from financial operations	**33,254**	42,138
	8,971,261	7,933,721
Other income		
Bank interest income	**9,602**	9,375
Dividend income from listed investments	**1,600**	2,833
Dividend income from unlisted investments	**5,471**	3,000
Government grants	**5,909**	4,692
Value added tax refund	**—**	2,588
Others	**10,875**	13,505
	33,457	35,993
Gains		
Gain on disposal of subsidiaries	**29,648**	—
Fair value gains on financial assets at fair value through profit or loss, net	**4,708**	—
Gain on disposals of financial assets at fair value through profit or loss, net	**2,446**	—
Gain on disposals of available-for-sale financial assets	**6,606**	4,138
	43,408	4,138
	76,865	40,131

4. PROFIT BEFORE INCOME TAX

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**7,703,072**	7,108,592
Depreciation of property, plant and equipment	**101,201**	124,678
Impairment of property, plant and equipment	**14,878**	—
Amortisation of prepaid operating leases	**1,561**	3,595
Provision for impairment of trade and bills receivables, net	**20,558**	27,969
Provision for impairment of other receivables, net	**11,561**	4,603
Provision for warranties	**33,306**	32,431
(Reversal of provision)/provision for impairment of loans receivable, net	**(1,770)**	99
(Reversal of provision)/provision for impairment of bills discounted receivable, net	**(469)**	1,403
Interest expense on financial operations	**3,161**	4,924
Reversal of provision for inventories, net	**(574)**	(4,472)
Loss on disposal of property, plant and equipment, net	**25**	494
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	**(4,708)**	7,467
(Gain)/loss on disposal of financial assets at fair value through profit or loss, net	**(2,446)**	3,944
Gain on disposal of available-for-sale financial assets	**(6,606)**	(4,138)
Gain on disposal of subsidiaries	**(29,648)**	—
Foreign exchange differences, net	**249**	3,502
Dividend income from unlisted investments	**(5,471)**	(3,000)
Dividend income from listed investments	**(1,600)**	(2,833)
Bank interest income	**(9,602)**	(9,375)
Interest income from financial operations	**(33,254)**	(42,138)
Gross rental income	**(6,108)**	(7,821)

5. FINANCE COSTS

	Group 2009 *RMB'000*	2008 *RMB'000*
Interest on bank and other borrowings wholly repayable within 5 years	**15,040**	49,013
Less: Interest capitalised	**—**	(11,370)
Total finance costs	**15,040**	37,643

6. INCOME TAX EXPENSES

	Group 2009 *RMB'000*	2008 *RMB'000*
Current — PRC corporate income tax		
Charge for the year	**94,326**	33,642
Under/(over)-provision in prior years	**6**	(1,757)
Deferred tax	**(10,136)**	(22,357)
Total income tax charge for the year	**84,196**	9,528

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25% (2008: 15% to 25%) 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 2009 and 2008.

Profits tax of the subsidiaries 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 (2008: Nil).

7. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Proposed final RMB12 cents (2008: RMB5 cents) per ordinary share	**101,508**	42,295

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately RMB244,488,000 (2008: approximately RMB68,505,000) and the weighted average of 845,900,000 (2008: 845,900,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2009 and 2008 have not been disclosed as no diluting events existed during either year.

9. TRADE AND BILLS RECEIVABLES

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

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

	Group	
	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**470,153**	457,445
91 days to 180 days	**356,511**	297,133
181 days to 365 days	**36,771**	39,215
1 to 2 years	**14,751**	16,807
Over 2 years	**134**	3,272
	878,320	813,872

10. TRADE AND BILLS PAYABLE

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

	Group	
	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**1,229,411**	1,125,511
91 days to 180 days	**224,913**	168,224
181 days to 365 days	**84,531**	70,577
1 to 2 years	**59,276**	37,901
Over 2 years	**72,310**	46,785
	1,670,441	1,448,998

11. NON-ADJUSTING POST BALANCE SHEET EVENTS

On 9 March 2010, the Board passed a resolution and authorised the Group to dispose of its assets in relation to the harvester manufacturing business to Luoyang Zhongshou Machinery & Equipment Co., Ltd. Up to the date of approval of the financial statement, the transaction is in progress.

BUSINESS REVIEW

In 2009, the Group seized the opportunities arising from the economic stimulus package introduced by the State and continued to focus on the construction of its core capacity, pressed ahead with its structural adjustment, actively studied the possibility of enterprise transformation, and stepped up the efforts in innovative management, so as to effectively assuage the adverse effects brought by the international financial crisis. Against the backdrop of sluggish demand in the international market and the slump in export trades, the Group achieved a synchronized growth in corporate scale and efficiency and maintained steady development at a relatively quick pace.

During the Reporting Period, the Group recorded a revenue of RMB8,971,261,000, representing a year-on-year increase of 13.1%. Net profit attributable to equity holders of the parent amounted to RMB244,488,000, representing a year-on-year increase of 256.9%. Earnings per share was RMB0.289, up RMB0.208 over the same period last year.

The Board recommends the payment of a final dividend in the amount of RMB0.12 per share for the year 2009, which is subject to the consideration and approval of the shareholders at the Company's 2009 annual general meeting.

THE BOARD AND THE SUPERVISORY COMMITTEE

During the Reporting Period, the term of service of the Company's fourth Board and supervisory committee ("**Supervisory Committee**") expired. As such, members of the new session of the Board and the Supervisory Committee were appointed at the Company's annual general meeting held on 19 June 2009. Non-executive Directors accounted for a majority of the new session of the Board for a more rational composition of the Board. The new session of the Supervisory Committee included independent supervisors as its members to enhance supervision and strengthen check and balance, in turn further perfected the Company's corporate governance. The appointments of the new session of the Board created a new management team and a stable handover had been achieved.

Given the introduction of a new session of the Board and the Supervisory Committee as well as the regulatory requirements, Directors Liu Wenying, Li Tengjiao, Li Youji, Liu Shuangcheng, Zhao Fei, Lu Zhongmin, Chen Zhi and supervisors Kong Lingfu and Xu Weilin retired from office.

PROSPECTS

In 2010, it is expected that the world's economy will regain its growth momentum, the international financial market will gradually stabilize and China will further cement the foundation for full recovery of its economy. As the State's policies aiming to expand domestic consumption and improve people's livelihood continue to play their parts, the machinery industry will continuously witness a general better trend. Thanks to the positive impacts brought by the State's policies to further strengthen agriculture and benefit farmers, the agricultural machinery industry and its ancillary industry, the engine machinery industry, will continue to maintain their steady growth momentums. Driven by the significant increase in the investments made to the industrial projects, the continued investment in infrastructure construction and the gradual recovery of the export market, the construction machinery industry is likely to witness a moderate growth in the future.

The Group will keep focusing on the construction of its core capacity, sturdily press ahead with its structural adjustment on the back of advancement of its major products and technologies, continuously step up its enterprise transformation by means of optimizing and upgrading its value chain, continuously strengthen its strategic coordination by means of optimizing its resources allocation, and effectively enhance its management by focusing on risk prevention and management, so as to push a steady growth of the Company at a relatively quick pace.

As for the agricultural machinery business, taking the operation philosophy of boosting its product position as guidance, the Group will expedite the upgrades of its major products and technologies, establish an innovative system of core technologies, actively press ahead with key research and development projects as well as the technology renovation projects, strive for a leading position in terms of industry technology, and create long-term competitive edges for the Company. Besides, with the theme of increasing its market share, the Group will strengthen its marketing and sales strategies, magnify its project sales efforts, and strive to bolster its competitiveness in the regional market in order to cement the leading position of its major products in the domestic market.

As for the construction machinery business, the Group will actively integrate the technology resources and ancillary resources both within the territory and aboard, innovate its product development mode and effectively drive ahead the adjustment in its product mix. Meanwhile, the Group will actively push forward its asset restructuring, improve its asset structure and enhance its profitability in order to lay a firm foundation for sustainable development of the Group.

As for the engine machinery business, on the basis of identification of target market and product positioning, the Group will speed up its technology advancement, upgrade the quality of its products, and continuously expand the scope of ancillary markets. Meanwhile, with the focus being put on perfecting its business chain, the Group will integrate its external resources in a step-by-step approach as scheduled, and consolidate and create new competitive edges by means of capital utilization to further increase the positive impacts on the industry chain.

As for the international business, the Group will grasp firmly the opportunities brought by the recovery of the global economy. The Group will propel the structural adjustment in its international business by establishing supporting centres in overseas countries, implementing the SKD project, and bringing the cooperation platform with China-Africa Development Fund Company Limited* ("**CADF**") into full play, continuously seek opportunities to expand its international business so as to enhance its competitiveness in the global market.

In 2010, the Group will stick to the principle of scientific development, weigh the market situation, stay cautious, adopt a prudent operation approach with a view to rewarding the shareholders with better performance whilst benefiting our staff and contributing to the society by providing the products and services of high quality to attract and retain customers.

ANALYSIS OF PRINCIPAL BUSINESSES

	Revenue			**Segment results**		
			% of change			% of change
By segment	**2009**	2008	over last year	**2009**	2008	over last year
	RMB'000	*RMB'000*		***RMB'000***	*RMB'000*	
Agricultural machinery business	**6,811,536**	5,572,154	22.24	**196,507**	83,219	136.13
Construction machinery business	**922,508**	1,542,220	-40.18	**(68,170)**	(83,177)	18.04
Engine machinery business	**1,203,963**	777,209	54.91	**173,213**	91,854	88.57
Financial business	**33,254**	42,138	-21.08	**33,376**	40,133	-16.84
Unallocated and eliminations	**—**	—	—	**23,215**	(41,622)	—
Total	**8,971,261**	7,933,721	13.08	**358,141**	90,407	296.14

AGRICULTURAL MACHINERY BUSINESS

In 2009, China's agricultural machinery industry witnessed a rapid growth with booming production and sales, as driven by various positive factors such as increased subsidies for agricultural machinery purchase by the State, lower raw material price, higher agricultural product price and increasing income of farmers. The comprehensive mechanization rate in cultivation, planting and harvesting has reached approximately 48.8%, which is approximately 3 percentage points higher than that in 2008. According to the statistics from China's tractor industry, during the Reporting Period, 287,594 units of large and medium tractors were sold in the country, representing a year-on-year increase of 32.3%, and 329,533 units of small tractors were sold, basically unchanged as compared with that in the same period last year. As inflicted by the global financial crisis, demand from the international market has shrunk, and the export of agricultural machinery, especially large and medium tractors, recorded a year-on-year plunge of approximately 54%.

During the Reporting Period, riding on the growth of domestic agricultural machinery industry and being demand-oriented, the Group focused on the development and promotion of large horsepower and high performance tractors, improved product spectrum and performance and speeded up product adaptation amelioration, thereby recording favourable results in the market. The Group took a step forward in the research and development of major products namely, wheeled tractors of 200 horsepower and above, passed the agricultural machinery evaluation test in respect of the promotion for the 280 horsepower wheeled tractor project and obtained permit for the promotion of agricultural machinery by the State. The fundamental construction of the technology renovation project, which is for the purpose of enhancing the manufacturing technology of and production capacity for heavy duty wheeled tractor products, has been completed. During the Reporting Period, the Group sold 60,947 units of large and medium tractors, representing a year-on-year increase of 31.6%, among which 36,637 units were large wheeled tractors, representing a year-on-year increase of 46.6%, maintaining its leadership in the industry. Sales of crawler tractors amounted to 2,445 units, representing a year-on-year increase of 23.9%; 21,865 units of medium wheeled tractors were sold, representing a year-on-year increase of 12.9%, with economy of scale emerging and on the track of sound progress; 49,090 units of small wheeled tractors were sold, representing a year-on-year decrease of 24.7%; 3,005 units of harvesters were sold, representing a year-on-year increase of 98.4%.

During the Reporting Period, operating revenue from the agricultural machinery business amounted to RMB6,811,536,000, representing a year-on-year increase of 22.2%, of which RMB246,754,000 was from export (equivalent to approximately USD36,181,000), decreased by 45.6% year-on-year. Export revenue accounted for 3.6% of the revenue of the agricultural machinery business. Operating results amounted to RMB196,507,000, representing a year-on-year increase of RMB113,288,000 or 136.1%. Consolidated gross profit of the agricultural machinery business amounted to RMB798,320,000, representing a year-on-year increase of RMB354,390,000 while the gross profit margin was 11%, representing a year-on-year increase of 3.8 percentage points, mainly due to the factors such as increase in sales volume of products, adjustment in product mix and lower price of raw materials.

CONSTRUCTION MACHINERY BUSINESS

During the Reporting Period, as impacted by the global financial crisis, economic recession spread around the world, market demand for construction machinery slid rapidly and export of the construction machinery industry plummeted substantially. As driven by the State's RMB4 trillion investment and other relevant policies, demand for construction machinery in the domestic market gradually recovered during the second quarter while the sub-industries presented different pictures. According to preliminary statistics from the industry, excavator and road roller industries grew by 23% and 48% respectively while bulldozer and forklift industries slid by 1% and 10.8% respectively.

Amid the complex market environment, the Group focused on industry features of over-diversification of products and loose array of resources in the construction machinery business, put great efforts in asset restructuring to concentrate on the development of core business. During the Reporting Period, the Group sold the equity interests in Zhenjiang Huachen Huatong Road Machinery Co., Ltd.* ("**ZHHRM**"), Zhenjiang Huatong Aran Machinery Co., Ltd.* ("**ZHAM**") and YTO (Luoyang) Lutong Construction Machinery Co., Ltd.* ("**Lutong Company**"). Meanwhile, the Group cemented a solid foundation for its development by further propelling the adjustment in product mix, posting a limit on or suspending the production of loaders with relatively low profitability, expediting current product technology upgrades, continuously improving the profitabilities of road rollers and bulldozers, and stepping up the launches of hydraulic excavators and large horsepower bulldozers.

During the Reporting Period, the Group sold 1,773 units of road rollers, representing a year-on-year increase of 30% (excluding the impact of withdrawal of Lutong Company); sales of bulldozers and large excavators were 487 units and 75 units respectively, basically unchanged as compared with those in the same period last year; 2,400 units of small construction machineries (small excavators and small loaders) and 534 units of forklifts were sold, representing a year-on-year decrease of 33% and 21.5% respectively; and 305 units of loaders were sold, representing a year-on-year decrease of 69.5%.

During the Reporting Period, operating revenue from the construction machinery business was RMB922,508,000, representing a year-on-year decrease of 40.2%, of which RMB66,287,000 was from export (equivalent to approximately USD9,720,000), representing a year-on-year decrease of 74.2%. Excluding the businesses of ZHHRM, ZHAM and Lutong Company (similarly hereinafter), operating revenue recorded a year-on-year decrease of 30.1%. Consolidated gross profit margin for construction machinery business was 5.2%, representing a year-on-year increase of 3 percentage points. Operating loss decreased by RMB15,007,000 as compared with that in the same period last year.

ENGINE MACHINERY BUSINESS

During the Reporting Period, as driven by the sales of agricultural machinery products, the Group saw a significant increase in the sales volume of engine machinery products and an enhanced competitiveness in the market. Meanwhile, the Group made positive progress in research and development in new products as well as production technology upgrades. The heavy power duty S series diesel engine project achieved mass production and sales while electronic control fuel injection system completed trial production in small quantity.

During the Reporting Period, the Group sold 132,050 units of diesel engines, representing a year-on-year increase of 44.7%, of which 82,552 units were exported by the Group, representing a year-on-year increase of 38.9%. The export recorded revenue of RMB1,203,963,000, representing a year on-year increase of 54.9%. Consolidated profit margin for engine machinery business was 20.2%, representing a year-on-year increase of 2.1 percentage points. Operating results recorded RMB173,213,000, representing a year-on-year increase of 88.6%.

FINANCIAL BUSINESS

Financial business of the Group mainly involves the provisions of internal transfer and settlement, deposit, loan, bills discounting, finance lease, buyer credit for products and entrusted loan businesses by China First Tractor Group Finance Company Limited*("**First Tractor Finance**") to YTO Group Corporation Limited ("**YTO**") and its members (including the Group and its subsidiaries and non-wholly owned subsidiaries in which the Group holds 20% or more equity). First Tractor Finance is an important platform for the Group's concentrated internal capital management.

During the Reporting Period, the Group stepped up concentrated capital management to improve the efficiency of capital utilization. First Tractor Finance improved the efficiency of its financial services by improving the online banking settlement system. On the premise of all types of risks being under control, the Group expanded the scope of its financial services and made a quantum leap in the development of product finance lease and buyer credit services in 2009, providing support for the Group's sales of products.

During the Reporting Period, under the influences of 5 consecutive rates cuts by the People's Bank of China in 2008, low interest spread between loans and deposits and the smaller scales of loan and discount businesses to YTO and its subsidiaries, operating revenue from the financial business (after intra-group eliminations within the Group) was RMB33,254,000, representing a year on-year decrease of 21%; operating results was RMB33,376,000, representing a year on-year decrease of 16.8%. Adhering to the principle of risk, liquidity and profitability, the Group purchased financial products with low risk and high liquidity by using its spare capital and achieved an investment gain of RMB8,087,000, representing an increase of RMB7,132,000 as compared with that in the same period last year.

INTERNATIONAL BUSINESS

During the Reporting Period, under the Group's relentless efforts in expanding its foothold in the international market, China-Africa Machinery Corporation* ("**CAMACO**"), a joint venture jointly established by the Group and CADF has duly commenced operation, which further enhanced the Group's sales network in the global market. However, due to the sluggish demand in the international market under the influence of financial crisis, exports of the Group's products slumped. During the Reporting Period, export of the Group amounted to RMB328,260,000 (equivalent to approximately USD48,132,000), representing a year-on-year decrease of 54.6%.

ANALYSIS OF FINANCIAL RESULTS

Operating revenue

During the Reporting Period, the Group recorded operating revenue of RMB8,971,261,000, representing a year-on-year increase of 13.1%, mainly from the agricultural machinery business and the engine machinery business. Of the total operating revenue, agricultural machinery business accounted for 75.9%, representing a year-on-year increase of 5.7 percentage points; engine machinery business accounted for 13.4%, representing a year-on-year increase of 3.6 percentage points; construction machinery business accounted for 10.3%, representing a year-on-year decrease of 9.2 percentage points; whereas financial business accounted for 0.4%, representing a year-on-year decrease of 0.1 percentage point.

Gross profit and gross profit margin

During the Reporting Period, consolidated gross profit of the Group was RMB1,268,189,000, representing a year-on-year increase of 53.7%. Consolidated gross profit margin was 14.1%, increased by 3.7 percentage points as compared with that in the same period last year. The increase in consolidated gross profit margin was mainly attributable to the outcomes of the measures on adjustment in product mix, cost improvement, as well as the increase in the sales volume of products, and the reduction of raw material price from 2008.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of RMB76,865,000, representing a year-on-year increase of RMB36,734,000, mainly attributable to the investment gains from the disposals of the equity interests in ZHHRM and ZHAM.

Period expenses

During the Reporting Period, period expenses of the Group amounted to RMB979,691,000, representing a year-on-year increase of 26.4%.

Expenses	**2009**	2008
	RMB'000	*RMB'000*
Selling and distribution costs	**297,534**	272,187
Administrative expenses	**606,231**	402,624
Other operating expenses	**60,886**	62,317
Finance costs	**15,040**	37,643

(1) The selling and distribution costs amounted to RMB297,534,000, representing a year-on-year increase of RMB25,347,000 or 9.3%, which was mainly due to the increase in expense of three warranties (refund, replacement and repairs) and sales services as a result of sales growth of the Group and the change in accounting method on cost. Selling costs represented approximately 3.3% of the operating revenue, basically unchanged as compared with that in the same period last year.

(2) Administrative expenses amounted to RMB606,231,000, representing a year-on-year increase of RMB203,607,000 or 50.6% . Such a significant increase was mainly due to 1) more investments with greater intensity in R&D by the Group. R&D expenses increased by RMB128,695,000, as compared with that in the same period last year, representing an increase of 83%; and 2) the increase of RMB55,010,000 in the resignation and retirement benefits as a result of the adjustments in staff structure and the resignation and retirement benefits plan by the Group. Administrative expenses accounted for 6.8% of the operating revenue, representing a year-on-year increase of 1.7 percentage points.

(3) Other operating expenses amounted to RMB60,886,000, representing a year-on-year decrease of RMB1,431,000 or 2.3%, which was mainly due to the loss arising from changes in fair value of the held-for-trading financial assets of the Group in the same period of 2008.

(4) Finance costs amounted to RMB15,040,000, representing a year-on-year decrease of RMB22,603,000 or 60%, which was mainly attributable to 1) lower loan interests; 2) the decrease in the average loan amount as a result of the utilization of financial tools including finance lease and buyer credit by the Group during the Reporting Period.

Income tax

During the Reporting Period, the Group's expense of income tax increased from RMB9,528,000 for the same period in 2008 to RMB84,196,000, representing a year-on-year increase of RMB74,668,000, mainly due to the increase in profit.

ASSETS AND LIABILITIES

Analysis on assets

As at 31 December 2009, the Group's total assets amounted to RMB5,843,209,000 (31 December 2008: RMB5,535,377,000), including current assets of RMB4,162,432,000. The current assets mainly include:

	31 December 2009 *RMB'000*	31 December 2008 *RMB'000*	Difference *RMB'000*
Cash and cash equivalents	**915,181**	758,535	156,646
Pledged deposits	**294,197**	366,357	(72,160)
Trade and bills receivable	**878,320**	813,872	64,448
Inventories	**1,018,867**	842,003	176,864

Cash and cash equivalents

As at 31 December 2009, the Group's current cash and cash equivalents amounted to RMB915,181,000, increased by RMB156,646,000 as compared with that in the same period last year, of which the Company owned as to RMB267,107,000 and the remaining was owned by the subsidiaries of the Company.

Pledged deposits

As at 31 December 2009, the Group's pledged deposits amounted to RMB294,197,000, representing a year-on-year decrease of RMB72,160,000 year-on-year, which mainly arose from the guarantee deposit paid to the bank for the purpose of acquiring bank acceptance bills.

Trade and bills receivables

As at 31 December 2009, trade and bills receivables amounted to RMB878,320,000, representing a year-on-year increase of RMB64,448,000, of which trade receivable decreased by RMB1,229,000 and bills receivable increased by RMB65,677,000 as compared with those in the same period last year. The increase in bills receivable was mainly due to more use of settlement by bills for better cost control and lowering the finance costs. All the bills receivable held by the Group were bank acceptance bills.

During the Reporting Period, turnover days of trade receivable held by the Group were 29 days, which was 6 days earlier than the same period last year.

Inventories

As at 31 December 2009, inventories amounted to RMB1,018,867,000, representing a year-on-year increase of RMB176,864,000, which was mainly due to the increased reserve of work-in-process and finished products so as to meet the burst of market demand in peak season in early 2010.

During the Reporting Period, the Group's inventory turnover days were 49 days, which was 5 days earlier than the same period last year.

Analysis on liabilities

As at 31 December 2009, the Group's total liabilities amounted to RMB2,837,615,000 (31 December 2008: RMB2,792,940,000), including current liabilities of RMB2,632,606,000.

The liabilities mainly include:

	31 December 2009	31 December 2008	Difference
	RMB'000	*RMB'000*	*RMB'000*
Short-term borrowings	**143,000**	167,000	(24,000)
Trade and bills payables	**1,670,441**	1,448,998	221,443
Long-term borrowings	**—**	144,000	(144,000)

Short-term loans and long-term loans

As at 31 December 2009, the Group's short-term loans amounted to RMB143,000,000, representing a year-on-year decrease of RMB24,000,000.

During the Reporting Period, to lower the finance costs, the Group adjusted its loan structure and repaid all long-term loans of RMB144,000,000. As at 31 December 2009, the Group had no long-term loans.

The Group currently does not rely heavily on borrowings. As a financial policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through optimization of the debt and equity ratio.

Trade and bills payable

As at 31 December 2009, the Group's trade and bills payable amounted to RMB1,670,441,000, representing a year-on-year increase of RMB221,443,000, of which bills payable increased by RMB80,472,000 as compared with that in the same period last year, mainly attributable to the increase in the financing amount of bills with a view to easing the capital pressure at bank and on hand; trade payable increased by RMB140,971,000 as compared with that in the same period last year.

Indicators of financial ratio

Items	Basis of calculation	**31 December 2009**	31 December 2008
Gearing ratio	Total liabilities/total assets x 100%	**48.56%**	50.46%
Current ratio	Current assets/current liabilities	**1.58**	1.54
Quick ratio	(Current assets - inventories)/current liabilities	**1.19**	1.20
Debt equity ratio	Total liabilities/shareholders' equity* x 100%	**100.80%**	108.89%

**Note:* Shareholders' equity (excluding minority interest)

As at 31 December 2009, the gearing ratio of the Group was 48.56%, representing a year-on-year decrease of 1.9 percentage points.

Capital structure

As at 31 December 2009, the total equity of the Group amounted to approximately RMB3,005,594,000, of which equity attributable to equity holders of the Company was approximately RMB2,815,226,000, and the remaining was minority interests.

Analysis of equity and reserves

Items	**31 December 2009** *RMB'000*	31 December 2008 *RMB'000*	Change in amount Increase/ (decrease) *RMB'000*
Share capital	**845,900**	845,900	—
Capital surplus (Share premium)	**1,539,938**	1,539,938	—
Capital surplus	**(130)**	—	(130)
Statutory surplus reserve	**137,539**	113,519	24,020
Reserve fund	**—**	3,590	(3,590)
Enterprise expansion fund	**—**	2,573	(2,573)
General and statutory reserve	**5,464**	5,145	319
General surplus reserve	**64,744**	64,744	—
Available-for-sale investment revaluation reserve	**70,758**	24,546	46,212
Exchange fluctuation reserve	**(9,174)**	(11,673)	2,499
Unallocated profit/(Accumulated losses)	**58,679**	(65,691)	124,370
Proposed final dividend	**101,508**	42,295	59,213

Available-for-sale investment revaluation reserve increased by RMB46,212,000 as compared with that in the same period last year, which was mainly attributable to the surge in stock prices of Bank of Communications and Daye Special Steel held by the Group.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

1. In order to exploit the agricultural machinery market in Northeast China, the Company entered into a joint venture agreement with Heilongjiang Agricultural Machinery Company Limited* ("**Heilongjiang Agricultural Machinery Company**") on 2 April 2009 to jointly establish YTO Heilongjiang Modern Agricultural Machinery Company Limited* ("**YTO Heilongjiang**") in Harbin City of Heilongjiang Province. The registered capital of YTO Heilongjiang is RMB100,000,000. The Company and Heilongjiang Agricultural Machinery Company would contribute RMB51,000,000 and RMB49,000,000 to YTO Heilongjiang respectively for 51% and 49% equity interests. The first installment of the capital contribution was RMB20,000,000, of which the Company contributed RMB10,200,000. YTO Heilongjiang is mainly engaged in the development, manufacture and sales of agricultural equipment such as large horsepower tractors, large compound agricultural machinery tools and agricultural construction machineries. The first installment of the capital contribution had been made. YTO Heilongjiang was incorporated on 20 August 2009.

2. On 15 April 2009, the Company and CADF entered into the investment agreement ("**Investment Agreement**") relating to the establishment of CAMACO in China. Pursuant to the Investment Agreement, the Company and CADF will contribute RMB137,500,000 and RMB112,500,000 to CAMACO, representing 55% and 45% of the equity of CAMACO respectively, within 5 years from the effective date of the Investment Agreement. CAMACO was incorporated in Beijing on 27 May 2009. As at 31 December 2009, the Company and CADF contributed RMB55,022,000 and RMB45,018,000 respectively, totalling RMB100,040,000. CAMACO is mainly engaged in export of products including agricultural machineries and construction machineries to Africa, as well as investment and construction of assembly factories and marketing centres in Africa.

3. On 26 March 2009, Brilliance China Machinery Holdings Limited* ("**BCM**"), a subsidiary of the Company, entered into the Agreement on Equity Transfer of Zhenjiang Huachen Huatong Road Machinery Co., Ltd. and the Agreement on Equity Transfer of Zhenjiang Huatong Aran Machinery Co., Ltd. with Singapore Commuter Private Limited ("**Singapore Commuter**"), an independent third party, pursuant to which BCM sold 59% of the equity interests in each of ZHHRM and ZHAM to Singapore Commuter at a consideration of RMB85,140,000. The consideration of the disposals was determined according to the appraised value of net assets of the said two companies. Upon completion of the disposals, BCM ceased to hold any equity interests in the said two companies. ZHHRM and ZHAM are principally engaged in manufacture and sales of road paving machineries, maintenance machineries and blending machineries.

4. In July 2009, YTO (Luoyang) Building Machinery Co., Ltd*, a subsidiary of the Company, withdrew from all its 51.11% equity interests in its subsidiary, Lutong Company, by way of capital reduction and recovered investment capital of RMB26,680,000. Upon the withdrawal, the Group ceased to hold any equity interests in Lutong Company. Lutong Company is a company incorporated in the PRC with limited liability and principally engaged in manufacture and sales of construction machineries such as road rollers and accessories.

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

In 2010, the Group intends to invest RMB790,370,000, which will be mainly used for project constructions of heavy power duty diesel engines and large wheeled tractors, as well as technology renovation projects of large/medium wheeled tractors, crawler tractors, bulldozers, and construction of parts and accessories centre. The said investments will be mainly financed by bank loans and the existing capital of the Group.

REDEMPTION, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

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

On 19 June 2009, the "Proposal for Authorizing the Board to Exercise the General Mandate to Repurchase H Shares of the Company" ("**Proposed Mandate**") was considered and approved at the 2008 annual general meeting and class meetings of the Company, pursuant to which the Board was authorized to repurchase up to a maximum of 10% of the number of H Shares in issue of the Company. Upon approval by the relevant authorities of the PRC, the Board can exercise the mandate for a term effective from 19 June 2009 until whichever is the earlier of:

1) the conclusion of the forthcoming annual general meeting upon passing of the Proposed Mandate;

2) the date of expiration of a period of twelve months upon the date of passing of the Proposed Mandate;

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

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

SIGNIFICANT EVENTS

1) At the first meeting of the fifth Board of the Company, Mr. Liu Dagong was elected as the chairman of the Company. Mr. Qu Dawei was elected as the general manager of the Company. Ms. Ren Huijuan, Mr. Liu Jiguo, Mr. Li Xibin, Mr. Jin Yang, Mr. Lian Guoqing and Mr. Jiao Tianmin were appointed as deputy general managers of the Company. Ms. Dong Jianhong was appointed as the chief financial officer of the Company. Ms. Yu Lina was appointed as the secretary to the Board.

2) In order to enhance the Company's overall production capacity of large wheeled tractors, cement and reinforce the leading position of the Company in the large wheeled tractor industry, and further enhance the core competitiveness and the capacity of sustainable development of the Company, as at 29 December 2009, the Board resolved to approve the investment of RMB404,200,000 in its large wheeled tractor construction project, upon completion of which the Company will achieve an annual production capacity of 33,000 sets of large wheeled tractors.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the opinion that the Company has complied with the requirements of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules during the Reporting Period.

SECURITIES TRANSACTION BY DIRECTORS

During the Reporting Period, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all Directors and all of them have complied with the Model Code.

RESULTS AND DIVIDENDS

The Board recommends the payment of a final dividend in the amount of RMB0.12 per share for the year 2009. The dividends for H share ("**H Shares**") shareholders of the Company will be paid in Hong Kong dollars. The exchange rate is determined by the average exchange rate announced by the People's Bank of China of the five working days before the declaration of dividends, representing a dividend of HK$0.1365 per H Share. The said dividend will be distributed on or before 11 August 2010 to shareholders whose names appear on the register of members as at 12 May 2010. Payment of the dividend is subject to the approval by shareholders of the Company at the annual general meeting to be held on Friday, 11 June 2010. In order to determine the holders of H Shares who are entitled to receive 2009 final cash dividends, the Company's register of members will be closed from 12 May 2010 to 10 June 2010 (both days inclusive) during which period no transfer of H Shares will be effected. Holders of H Shares who wish to receive 2009 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 11 May 2010 at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

According to the Enterprise Income Tax Law of the People's Republic of China and the Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China (collectively, the "**Tax Law**") which came into effect in 2008, as from 1 January 2008, any Chinese domestic enterprise which pays dividend to a non-resident enterprise shareholder in respect of accounting period beginning from 1 January 2008 shall withhold and pay enterprise income tax. As such, the Company as a Chinese domestic enterprise is required to withhold for payment of the 10% enterprise income tax from the payment of the 2009 final dividend to holders of H Shares who are non-resident enterprises (including but not limited to HKSCC Nominees Limited) and whose names are registered on the H Shares register of members of the Company (the "**H Shares Register**") on 12 May 2010, and the Company will distribute the final dividend to the non-resident enterprises after deducting such tax.

The term "non-resident enterprise(s)" shall have the same meaning as defined under the Tax Law and its relevant rules and regulations when used in this announcement.

No withholding or payment of enterprise income tax will be made in respect of the 2009 final dividend payable to any natural person shareholder listed on the H Shares Register on 12 May 2010. Any natural person investor whose H Shares are registered under the name of any non-resident enterprise and who does not wish to have the enterprise income tax to be withheld and paid by the Company, may consider transferring the legal title of the relevant H Shares into his or her name and duly lodge all transfer documents together with the relevant H Share certificates with the H Share registrar of the Company for registration, at or before 4:30 p.m. on 11 May 2010.

Investors should read this announcement carefully. The Company has no obligation and will not be responsible for confirming the identities of any shareholders and the Company will withhold for payment of the enterprise income tax according to the Tax Law and its relevant rules and regulations.

The Company assumes no liability in respect of and will not deal with any claim arising from any inaccurate determination of the status of shareholders or any dispute over the mechanism of enterprise income tax withholding.

AUDIT COMMITTEE

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

The Audit Committee of the fourth session of the Board of the Company reviewed the financial report of the Company for the year 2008 and the appointment and remuneration of the external auditors and advised the Board on the above matters.

The Audit Committee of the fifth session of the Board of the Company also reviewed the interim financial report of the Group for the year 2009, the annual financial report of the Group for the year 2009 and the implementation of connected transactions and advised the Board in respect of the change and remuneration of the external auditors.

By Order of the Board
Liu Dagong
Chairman

Luoyang, the PRC
9 April 2010

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Dagong, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Li Xibin, and four non-executive Directors, namely Mr. Zhao Yanshui, Mr. Yan Linjiao, Mr. Shao Haichen and Mr. Liu Yongle, and three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.

* *for identification purposes only*