第一拖拉机股份有限公司

FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

(Financial Highlights)

Turnover	**:**	**RMB10,132,335,000**
Profit attributable to equity holders of the parent	**:**	**RMB542,361,000**
Earnings per share attributable to ordinary equity holders of the parent	**:**	**RMB0.6412**
Proposed dividend per share to be distributed	**:**	**RMB0.08**

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 2010 (the "**Reporting Period**"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with 2009 comparative figures for the same period, set out as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi).

The Board recommends payment of a cash dividend in the amount of RMB0.08 per share for the financial year ended 31 December 2010, subject to the approval by shareholders at the Company's 2010 annual general meeting.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Revenue	4	**10,132,335**	9,004,986
Cost of sales		**(8,669,392)**	(7,718,204)
Gross profit		**1,462,943**	1,286,782
Other income and gains	4	**214,007**	82,310
Selling and distribution costs		**(340,222)**	(297,962)
Administrative expenses		**(617,861)**	(621,071)
Other operating expenses, net		**(47,444)**	(61,080)
Finance costs	6	**(27,205)**	(15,040)
Share of profits/(losses) of associates		**1,247**	(6,743)
Profit before income tax	5	**645,465**	367,196
Income tax expense	7	**(83,594)**	(85,284)
Profit for the year		**561,871**	281,912

Profit attributable to:			
Equity holders of the Company		**542,361**	248,551
Non-controlling interests		**19,510**	33,361
		561,871	281,912
Dividends	8	**169,180**	101,508
Earnings per share attributable to the equity holders of the Company			
Basic and diluted earnings per share	9	**RMB64.12 cents**	RMB29.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**561,871**	281,912
Other comprehensive income:		
Currency translation differences	**(961)**	1,491
Fair value (loss)/gain of available-for-sale financial assets, net of tax	**(6,580)**	46,275
Deferred income recognised	**7,990**	—
Other comprehensive income for the year, net of tax	**449**	47,766
Total comprehensive income for the year	**562,320**	329,678
Attributable to:		
Equity holders of the Company	**541,913**	297,262
Non-controlling interests	**20,407**	32,416
Total comprehensive income for the year	**562,320**	329,678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	**2010**	2009	2008
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		**1,814,315**	1,221,258	1,208,873
Investment properties		**35,302**	—	—
Prepaid operating leases		**190,062**	76,689	79,158
Goodwill		**—**	—	—
Interests in associates		**15,121**	14,281	21,503
Available-for-sale financial assets		**289,465**	168,476	106,959
Loan receivables		**44,858**	135,278	214,123
Deferred income tax assets		**38,679**	59,243	49,107
Total non-current assets		**2,427,802**	1,675,225	1,679,723
Current assets				
Inventories		**1,329,527**	1,023,871	846,241
Trade and bill receivables	10	**1,537,778**	894,782	826,366
Loan receivables		**503,231**	442,123	338,352
Prepayments, deposits and other receivables		**451,442**	584,444	468,123
Tax recoverable		**2,672**	1,728	5,706
Financial assets at fair value through profit or loss		**251,994**	28,942	4,444
Held-to-maturity financial assets		**1,000**	11,140	—
Placements with banks and non-bank financial institutions		**350,000**	—	—
Pledged bank deposits		**175,728**	294,197	366,357
Cash and cash equivalents		**1,162,162**	929,060	773,545
		5,765,534	4,210,287	3,629,134
Assets of disposal group classified as held for sale		**—**	—	317,012
Total current assets		**5,765,534**	4,210,287	3,946,146

	Note	**2010**	2009	2008
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Current liabilities				
Trade and bill payables	11	**1,996,330**	1,680,880	1,456,017
Other payables and accruals		**653,859**	425,748	439,970
Customer deposits		**551,207**	280,736	188,802
Repurchase agreements		**99,500**	—	—
Placements from banks and non-bank financial institutions		**100,000**	—	—
Borrowings		**405,258**	143,000	217,000
Current income tax liabilities		**29,554**	62,970	13,403
Provisions		**69,405**	36,369	28,084
		3,905,113	2,629,703	2,343,276
Liabilities of disposal group classified as held for sale		**—**	—	206,263
Total current liabilities		**3,905,113**	2,629,703	2,549,539
Net current assets		**1,860,421**	1,580,584	1,396,607
Total assets less current liabilities		**4,288,223**	3,255,809	3,076,330
Non-current liabilities				
Borrowings		**600,000**	—	144,000
Deferred income		**106,748**	115,597	113,638
Deferred income tax liabilities		**27,062**	13,109	4,332
Provisions		**76,090**	88,200	35,581
Total non-current liabilities		**809,900**	216,906	297,551
Net assets		**3,478,323**	3,038,903	2,778,779

Equity			
Attributable to the equity holders of the Company			
Share capital	**845,900**	845,900	845,900
Reserves	**2,169,376**	1,858,841	1,669,261
Proposed final dividend	**67,672**	101,508	42,295
	3,082,948	2,806,249	2,557,456
Non-controlling interests	**395,375**	232,654	221,323
Total equity	**3,478,323**	3,038,903	2,778,779

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 at fair value through profit or loss.

In the previous years, the Group adopted purchase accounting under HKFRS 3 *Business Combinations* to account for the business combinations under common control and resulted in goodwill amounting to approximately RMB52,990,000 as at 31 December 2009. In the current year, the Group decided to change its accounting policy for business combinations under common control and adopt "merger accounting" as prescribed in AG 5 *Merger Accounting for Common Control Combinations*.

The Company's directors are of the view that applying the new accounting policies as described above can minimise the differences between the financial statements prepared under the China Accounting Standards and HKFRSs, and can provide more comparable and relevant information to the readers of the consolidated financial statements in the PRC and overseas. This change in accounting policies has been accounted for retrospectively and the consolidated financial statements for the year ended 31 December 2009 have been restated in oder to comply with HKAS 8 *Accounting Policies*, Changes in Accounting Estimates and Errors.

2 ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) - Int 18	Transfer of Assets from Customers
HK - Int 4 (Amendments)	Determination of the Length of Lease Term in respect of Hong Kong Land Lease
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (as revised in 2008) ***Business Combinations***

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

— HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of subsidiaries, the Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Accordingly, no additional goodwill has been recognised and no effect on profit or loss has been resulted as a result of the application of HKFRS 3 (as revised in 2008).

— HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. In the current year, in accounting for the acquisition of subsidiaries, there are no contingent consideration as specified in the respective sales and purchase agreements.

— HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, in accounting for the acquisition of subsidiaries, total acquisition-related costs of approximately RMB36,000 are recognised as an expense in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in profit for the year of approximately RMB36,000 being included in administrative expenses.

HKAS 27 (as revised in 2008) ***Consolidated and Separate Financial Statements***

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in a change of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interests in a subsidiary, Yituo (Luoyang) Transportation Machinery Co., Ltd. ("YLTM"), that do not result in a change in control in the current year. For the acquisition of additional interests in YLTM, the change in policy has resulted in the difference of approximately RMB185,000 between the consideration paid of approximately RMB1,139,000 and the non-controlling interests recognised of approximately RMB954,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of approximately RMB185,000. In addition, the cash consideration paid in the current year of approximately RMB1,139,000 has been included in cash flows used in investing activities.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 (except for the amendments to HKFRS 3 (as revised in 2008))[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 disclosures for First-Time Adopters[3]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 February 2010.

[3] Effective for annual periods beginning on or after 1 July 2010.

[4] Effective for annual periods beginning on or after 1 January 2011.

[5] Effective for annual periods beginning on or after 1 July 2011.

[6] Effective for annual periods beginning on or after 1 January 2012.

[7] Effective for annual periods beginning on or after 1 January 2013.

The amendments to HKFRS 7 titled *Disclosures - Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that the application of these amendments to HKFRS 7 will have a significant effect on the Group's disclosures.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and it is impracticable to estimate the impact of the application of the new Standard may have on amounts reported in respect of the Groups' financial assets and financial inabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors do not anticipate that the application of the amendments to HKAS 12 will have any impact on deferred tax recognised as the investment properties of the Group are stated at cost less depreciation and any accumulated impairment losses.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) provide relief from disclosure of information by the Group in report of transactions with the government to which the Group is related, or transactions with other entities related to the same government. Disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because there may be newly-identified transaction counterparties as related parties not identified in previous accounting period, The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK (IFRIC) - Int 14 (Amendments) clarifies the accounting treatment for prepayments under a minimum funding requirement. Such a prepayment would be recognised as an asset, on the basis that the entity has a future economic benefit from the prepayment in the form of reduced future minimum funding requirement contributions relating to future service.

HK(IFRIC) - Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) - Int 19 will affect the required accounting. In particular, under HK(IFRIC) - Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

3 SEGMENT INFORMATION

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

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

(a) the "agricultural machinery" segment engages in the 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, fuel injection pumps and fuel jets.

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

Segment results are presented as profit before income tax. Other information of each segment is also disclosed, which include depreciation and amortisation, other operating 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 and losses of associates, and income tax expense, etc. This is the information 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 and certain information about assets, liabilities and expenditures for the Group's business segments for the year ended 31 December 2010.

	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	**8,010,095**	**851,065**	**45,960**	**1,225,215**	**—**	**10,132,335**
Intersegment sales *(Note)*	**609,909**	**79,242**	**15,746**	**716,850**	**(1,421,747)**	**—**
	8,620,004	**930,307**	**61,706**	**1,942,065**	**(1,421,747)**	**10,132,335**
Interest, dividend and investment income					**52,452**	
Gain on disposal of subsidiaries					**108,779**	
Corporate income, net					**1,123**	
Finance costs					**(27,205)**	
Share of profits of associates					**1,247**	
Profit before income tax	**254,647**	**37,464**	**37,058**	**179,900**	**136,396**	**645,465**
Income tax expense						**(83,594)**
Profit for the year						**561,871**

Other segment information:

Capital expenditure	**838,493**	**3,495**	**772**	**114,347**	**—**	**957,107**
Depreciation of property, plant and equipment	**100,624**	**11,579**	**379**	**41,074**	**—**	**153,656**
Depreciation of investment properties	**270**	**—**	**—**	**—**	**—**	**270**
Amortisation of prepaid operating leases	**3,037**	**178**	**4**	**—**	**—**	**3,219**
Provision for product warranties	**34,320**	**13,875**	**—**	**58,864**	**—**	**107,059**
Impairment of property, plant and equipment	**2,075**	**—**	**—**	**—**	**—**	**2,075**
Provision for/(reversal of) impairment of trade receivables, net	**13,171**	**(7,447)**	**—**	**1,511**	**—**	**7,235**
Provision for/(reversal of) impairment of other receivables, net	**3,746**	**—**	**(59)**	**836**	**—**	**4,523**
Provision for/(reversal of) impairment of inventories, net	**12,411**	**(563)**	**—**	**(3,033)**	**—**	**8,815**
Provision for impairment of loan receivables, net	**—**	**—**	**1,663**	**—**	**—**	**1,663**

Statement of financial position

Assets						
Segment assets	**4,992,158**	**289,308**	**1,874,304**	**1,250,802**	**(866,803)**	**7,539,769**
Interests in associates						**15,121**
Unallocated assets						**638,446**
Total consolidated assets						**8,193,336**
Liabilities						
Segment liabilities	**2,169,448**	**254,261**	**1,341,829**	**629,825**	**(866,803)**	**3,528,560**
Unallocated liabilities						**1,186,453**
Total consolidated liabilities						**4,715,013**

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

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

	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*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Income statement						
Revenue:						
Sales to external customers	6,845,261	922,508	33,254	1,203,963	—	9,004,986
Intersegment sales *(Note)*	521,134	40,760	14,801	629,399	(1,206,094)	—
	7,366,395	963,268	48,055	1,833,362	(1,206,094)	9,004,986
Interest, dividend and investment income					26,540	
Gain on disposal of subsidiaries					29,648	
Corporate expenses, net					(10,323)	
Finance costs					(15,040)	
Share of losses of associates					(6,743)	
Profit before income tax	204,695	(68,170)	33,376	173,213	24,082	367,196
Income tax expense						(85,284)
Profit for the year						281,912

Other segment information:

Capital expenditure	158,739	3,650	39	21,434	—	183,862
Depreciation of property, plant and equipment	56,407	15,979	422	32,995	—	105,803
Amortisation of prepaid operating leases	1,306	255	—	—	—	1,561
Provision for product 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	15,720	168	—	4,775	—	20,663
Provision for/(reversal of) impairment of other receivables, net	5,940	(584)	2,538	3,335	—	11,229
Provision for/(reversal of) impairment of inventories, net	6,879	(7,677)	—	213	—	(585)
Provision for impairment of loan receivables, net	—	—	234	—	—	234

Statement of financial position

Assets						
Segment assets	3,225,855	738,789	840,060	944,490	(257,584)	5,491,610
Interests in associates						14,281
Unallocated assets						379,621
Total consolidated assets						5,885,512
Liabilities						
Segment liabilities	1,546,559	443,343	308,047	433,739	(257,584)	2,474,104
Unallocated liabilities						372,505
Total consolidated liabilities						2,846,609

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:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Earnings before interest, tax, depreciation and amortisation	**666,214**	450,478
Depreciation of properties, plant and equipment	**(153,656)**	(105,803)
Depreciation of investment properties	**(270)**	—
Amortisation for prepaid operating leases	**(3,219)**	(1,561)
Corporate income/(expenses), net	**1,123**	(10,323)
Operating profit	**510,192**	332,791
Interest, dividend and investment income	**52,452**	26,540
Gain on disposal of subsidiaries	**108,779**	29,648
Finance costs	**(27,205)**	(15,040)
Share of profits/(losses) of associates	**1,247**	(6,743)
Profit before income tax	**645,465**	367,196

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

Segment assets are summarised as below:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Segment assets as allocated by business segments	**7,539,769**	5,491,610
Unallocated assets:		
Available-for-sale financial assets	**289,465**	168,476
Deferred income tax assets	**38,679**	59,243
Financial assets at fair value through profit or loss	**251,994**	28,942
Interests in associates	**15,121**	14,281
Others	**58,308**	122,960
Total assets as per consolidated statement of financial position	**8,193,336**	5,885,512

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

Segment liabilities are summarised as below:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Segment liabilities as allocated by business segments	**3,528,560**	2,474,104
Unallocated liabilities:		
Borrowings	**1,005,258**	143,000
Deferred income tax liabilities	**27,062**	13,109
Provisions	**145,495**	124,569
Others	**8,638**	91,827
Total liabilities as per consolidated statement of financial position	**4,715,013**	2,846,609

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

4 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:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Sales of goods	**10,054,392**	8,908,102
Income on research and development	**31,983**	63,630
Interest income from financial operations	**45,960**	33,254
	10,132,335	9,004,986
Other income		
Bank interest income	**14,852**	9,989
Dividend income from listed investments	**3,212**	1,600
Dividend income from unlisted investments	**4,328**	5,471
Government grants	**14,074**	7,496
Others	**15,884**	14,346
	52,350	38,902

Other gains

Compensation received from former shareholders of a subsidiary	**10,940**	—
Fair value gains on financial assets at fair value through profit or loss, net	**1,947**	4,708
Fair value gains on remeasurement of interests in associates	**11,832**	—
Gain on disposal of available-for-sale financial assets, net	**14,127**	6,606
Gain on disposal of financial assets at fair value through profit or loss, net	**2,153**	2,446
Gain on disposal of property, plant and equipment	**4,948**	—
Gain on disposal of subsidiaries	**108,779**	29,648
Write-off of other payables	**6,931**	—
	161,657	43,408
	214,007	82,310

5 PROFIT BEFORE INCOME TAX

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

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories sold	**8,656,967**	7,714,843
Depreciation of property, plant and equipment	**153,656**	105,803
Depreciation of investment properties	**270**	—
Impairment of property, plant and equipment	**2,075**	14,878
Amortisation of prepaid operating leases	**3,219**	1,561
Provision for impairment of trade and bill receivables, net	**7,235**	20,663
Provision for impairment of other receivables, net	**4,523**	11,229
Provision for product warranties	**107,059**	33,306
Provision for impairment of loan receivables, net	**1,663**	234
Interest expense on financial operations	**25,784**	3,161
Provision for/(reversal of) impairment of inventories, net	**8,815**	(585)
(Gain)/loss on disposal of property, plant and equipment, net	**(4,948)**	161
Compensation received from former shareholders of a subsidiary	**(10,940)**	—
Fair value gain on financial assets at fair value through profit or loss, net	**(1,947)**	(4,708)
Fair value gain on remeasurement of interests in associates	**(11,832)**	—
Gain on disposal of financial assets at fair value through profit or loss, net	**(2,153)**	(2,446)
Gain on disposal of available-for-sale financial assets, net	**(14,127)**	(6,606)
Gain on disposal of subsidiaries	**(108,779)**	(29,648)
Write-off of other payables	**(6,931)**	—
Foreign exchange differences, net	**5,762**	244
Dividend income from listed investments	**(3,212)**	(1,600)
Dividend income from unlisted investments	**(4,328)**	(5,471)
Bank interest income	**(14,852)**	(9,989)
Interest income from financial operations	**(45,960)**	(33,254)
Gross rental income	**(5,438)**	(6,655)

6 FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other borrowings wholly repayable within 5 years	**27,205**	15,040
Less: Interest capitalised	**—**	—
	27,205	15,040

7 INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Current — PRC corporate income tax		
Charge for the year	**64,783**	95,414
(Over)/under-provision in prior years	**(1,929)**	6
Deferred income tax	**20,740**	(10,136)
Total income tax charge for the year	**83,594**	85,284

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25% (2009: 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 2010 and 2009.

Profits tax of the subsidiaries operating outside the PRC is subject to the rates applicable within the jurisdiction in which it operates. No provision for overseas profits tax has been made for the Group as there were no assessable profits for the year (2009: Nil).

8 DIVIDENDS

The dividends paid in 2010 and 2009 were RMB203,016,000 (RMB0.24 per share) and RMB42,729,000 (RMB0.05 per share) respectively.

	2010	2009
	RMB'000	*RMB'000*
Interim dividend, paid, of RMB12 cents (2009: Nil) per ordinary share	**101,508**	—
Final dividend, proposed, of RMB8 cents (2009: RMB12 cents) per ordinary share	**67,672**	101,508
	169,180	101,508

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

9 EARNINGS PER SHARE ATTRIBUTABLE TO THE 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 RMB542,361,000 (2009: approximately RMB248,551,000) and the weighted average of 845,900,000 (2009: 845,900,000) ordinary shares in issue during the year.

No diluting events occurred during the years ended 31 December 2010 and 2009.

10 TRADE AND BILL RECEIVABLES

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

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

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**983,378**	485,981
91 days to 180 days	**520,651**	356,599
181 days to 365 days	**25,783**	37,078
1 to 2 years	**7,966**	14,969
Over 2 years	**—**	155
	1,537,778	894,782

11 TRADE AND BILL PAYABLES

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

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**1,726,760**	1,237,204
91 days to 180 days	**153,894**	225,688
181 days to 365 days	**33,359**	85,448
1 to 2 years	**38,472**	59,688
Over 2 years	**43,845**	72,852
	1,996,330	1,680,880

12 SUBSEQUENT EVENTS

On 7 March 2011, the Commercial Court of Charmont in France declared that YTO France SAS, a wholly-owned subsidiary of the Company, won the bid for the acquisition of certain assets of McCormick France SAS, at the bidding price of EUR8,000,000 (approximately RMB73,193,000). The assets acquired included land use rights, plant and machineries and technical know-how.

The Board believes that the assets acquired will perfect the power range of the power shift transmission systems of the Group, thereby enabling the Group to have a full control of the power shift techniques for tractors.

BUSINESS REVIEW

In 2010, benefiting from the positive effects arising from the State's further implementation of the policies designed to support and benefit farmers, the agricultural machinery industry maintained its steady growth. The Group continued to focus on construction of its core capacity, vigorously pressed ahead with its structural adjustment, proactively implemented business reorganization, optimized resources allocation on an ongoing basis, and improved its management capacity in an effective way, which all together enabled achievement of a steady and rapid growth of the Group.

During the Reporting Period, sales of the Group's main products such as hi-powered and mid-powered wheeled tractors and diesel engines all maintained satisfactory growth momentum. The Group sold 71,823 units of hi-powered and mid-powered tractors, representing a year-on-year increase of 17.9%; sold 147,385 units of diesel engines in different types, representing a year-on-year increase of 11.6%, of which 91,002 units were sold to external customers, representing a year-on-year increase of 10.2%. The financial performance of the construction machinery business saw a visible upturn as compared with that last year. During the Reporting Period, the Group recorded a revenue of RMB10,132,335,000, representing a year-on-year increase of 12.5%. Profit attributable to equity holders of the parent amounted to RMB542,361,000, representing a year-on-year increase of 118.2%. Earnings per share was RMB0.6412, up RMB0.3474 over the same period last year.

Significant progress in products research and development and in key projects construction. In October 2010, the first power shift transmission hi-powered tractor of autonomic intellectual property rights in China, which reached the current international technological standards on the mainstream products, debuted in the Company, putting an end to the history that China was unable to produce power shift transmission tractors, indicating that China's capacity for making tractors has come near the advanced standards in the world and also marking a breakthrough in the project of "Research and Manufacture of Multi-functional Agricultural Equipment and Facilities" under the National Science & Technology Support Program of the State's "Eleventh Five-Year Plan". In respect of the project on hi-powered and efficient farm equipment and implement launched by the Company and its foreign partners under strategic cooperation, assembly and verification for local production have commenced on the basis of matching experiments and adaptability improvement. The production line for hi-powered tractors, which is a key construction project and represents the highest technological standard in China, has been completed and put into operation. The project on hi-powered diesel engines (Phase I) and the project on YTO Xinjiang agricultural assembly station (Phase 1) were completed and will be put into operation in 2011.

A great step forward in business reorganisation. In order to further concentrate on the principal business and eliminate the business competition with China National Machinery Industry Corporation (中國機械工業集團有限公司) ("**Sinomach**"), the ultimate controller of the Company, the Company sold its equity interests in some of its subsidiaries engaged in the construction machinery business and withdrew from the construction machinery business of road rollers, bulldozers and loaders to optimize the resources allocation. Meanwhile, in order to improve the industrial chain of the Company and improve its research and development capabilities, the Company acquired 51% equity interests in Luoyang Tractors Research Institute Co., Ltd. (洛陽拖拉機研究所有限公司) ("**Tractors Research Company**") from its controlling shareholder, YTO Group Corporation (中國一拖集團有限公司) ("**YTO**"). The relevant reorganizations were completed during the Reporting Period.

Continuous improvement in corporate governance structure and governance mechanism. During the Reporting Period, with a view to further perfecting the Company's legal person governance structure and strengthening the decision-making function of the Board, the Board set up the Strategy & Investment Committee of the Board and the Nomination Committee of the Board, and approved the Detailed Work Rules for the Strategy & Investment Committee of the Board and the Detailed Work Rules for the Nomination Committee of the Board. At present, the Board has four professional committees, namely, Strategy & Investment Committee (the "**Strategy & Investment Committee**"), Nomination Committee (the "**Nomination Committee**"), Audit Committee (the "**Audit Committee**") and Remuneration Committee (the "**Remuneration Committee**"). The chairmen of the Nomination Committee, Audit Committee and Remuneration Committee are all independent non-executive Directors. At the same time, for the purposes of establishing an effective governance mechanism and ensuring the general meeting, the Board, the board of supervisors (the "**Supervisors**") and the senior management of the Company operate with discipline, the Company formulated and perfected the policies on corporate governance and management such as the Detailed Work Rules for the General Manager, the Detailed Work Rules for the Secretary to the Board and the Administrative Measures on Information Disclosure, which were all approved by the Board for implementation.

During the Reporting Period, Director Mr. Liu Dagong, due to reallocation of work, resigned as the Chairman and executive Director. The Board accepted the resignation of Mr. Liu Dagong and elected Mr. Zhao Yanshui as the Chairman on 26 November 2010.

The Board recommends payment of a cash dividend in the amount of RMB0.08 per share for the financial year ended 31 December 2010, which is subject to the consideration and approval by the shareholders at the Company's 2010 annual general meeting.

PROSPECTS

In 2011, the beginning year of the "Twelfth Five-Year Plan", the Group will still be exposed to an external environment featuring a mix of opportunities and challenges. On one hand, the world's economy will continue to recover in a slow pace and China's economy has already returned to a normal development state after the crisis; the Chinese government will maintain consistent and stable macro-economic policies, continue to adopt proactive fiscal policies, increase the main expenses in relation to the issues of "agriculture, countryside and farmers" together with implementation of the favourable policies such as the Opinion On Promoting Agricultural Mechanization As Well As Rapid And Healthy Development Of Agricultural Machinery Industry" (《關於促進農業機械化和農機工業又好又快發展的意見》), all these factors will facilitate the growth of the Group's core business — the agricultural machinery business. On the other hand, recovery of the world's economy is still fragile that there are still instability and uncertainties. The Chinese government will shift its monetary policy from loose to prudent, adding difficulties to enterprises in fund raising. Prices of bulk commodities are likely to fluctuate, making it more difficult for the enterprises to control production costs. Furthermore, the increasing new players in the agricultural machinery industry will bring in more keen competition.

In face of the complex external environment, the Group will, in accordance with the law of scientific development, firmly hold to its development philosophy and innovate its development mode; leveraging on the acquisition of the assets related to transmission of tractors in France as well as the research and development of high efficiency farm equipment and implement in cooperation with foreign companies for the purposes of expediting the upgrade of product technology and manufacturing technologies. The Group will also proactively propel resources consolidation to continuously improve the corporate industrial chain and competitiveness, so as to provide users with integrated solutions and consolidate the leading position of the Company in the domestic agricultural machinery industry, striking for becoming a renowned international agricultural equipment supplier. By fully taking advantage of the technology experience and speeding up technology upgrade and quality improvement of diesel engine products, the research and development range of auxiliary products in the market will be expanded and the commercialization process will be accelerated while catering for the demands for ancillary agricultural equipment.

After years of development, the Group's product mix and resources allocation have been optimized in a continuous manner. The research and development system has been further improved while the corporate management has been further consolidated. In the new year, the Group will adhere to focusing on construction of its core capacity, step up its efforts for market development, enhance its competitiveness in the marketplace; foster technological innovation and improve corporate autonomic innovative capability; strengthen mechanism for innovation, cement the foundation for corporate management; and endeavour to maintain sustained and stable development of the Group with a view to rewarding the shareholders with better performance whilst benefiting our staff and contributing to the society.

ANALYSIS OF PRINCIPAL BUSINESSES

By segment	Revenue			Segment results		
		2009	% of change		2009	% of change
	2010	*(Restated)*	over last year	**2010**	*(Restated)*	over last year
	RMB'000	*RMB'000*		***RMB'000***	*RMB'000*	
Agricultural machinery business	**8,010,095**	6,845,261	17.0	**254,647**	204,695	24.4
Construction machinery business	**851,065**	922,508	-7.7	**37,464**	(68,170)	—
Power machinery business	**1,225,215**	1,203,963	1.8	**179,900**	173,213	3.9
Financial business	**45,960**	33,254	38.2	**37,058**	33,376	11.0
Unallocated and eliminations	**—**	—	—	**136,396**	24,082	—
Total	**10,132,335**	9,004,986	12.5	**645,465**	367,196	75.8

Note: "Restated" represents retrospective adjustment was made to 2009 figures in accordance with the requirements of standards on business combination under common control.

AGRICULTURAL MACHINERY BUSINESS

In 2010, despite being affected by various adverse factors such as increase in raw material price, rise in labor cost and delay in implementation of the State's subsidy project for the purchase of agricultural machineries, thanks to the State's favorable policies such as its continuous increase in the subsidies for the purchase of agricultural machineries, China's agricultural machinery industry still witnessed rapid growth momentum. The gross output value of the agricultural machinery industry reached RMB 283,800 million, representing a year-on-year increase of 26.4%. The comprehensive mechanization rate in cultivation, planting and harvesting reached approximately 52%, approximately 3.2 percentage points higher than that in 2009. According to the statistics from China's tractor industry, during the Reporting Period, 318,001 units of hi-powered and mid-powered tractors were sold in the country, representing a year-on-year increase of 12.1%, and 317,738 units of low-powered tractors were sold, representing a year-on-year decrease of 4.7 percentage points. As driven by the gradual recovery in the demand from the international market, the export of agricultural machineries, especially hi-powered and mid-powered tractors, recorded a year-on-year increase of approximately 21.4%.

During the Reporting Period, by riding on the growth of the domestic agricultural machinery industry, taking the corporate development from the overall perspective by upgrading its product quality and perfecting its sales mechanism, standing on the track of seeking breakthroughs in its core technologies for the main products technology upgrade, the Group successfully developed the power shift transmission hi-powered tractor of autonomic intellectual property rights which meets the current international technological standards on mainstream products. This made the Group well prepared to satisfy the market demand in domestic key regions, put an end to the market monopoly of international agricultural machinery giants on tractors over 200 horsepower and ushered in a new round of upgrade in the equipment of the agricultural machineries in China. In addition, the production line for hi-powered wheeled tractors with the highest standard in China was completed and put into operation. During the Reporting Period, the Group sold 71,823 units of hi-powered and mid-powered tractors, representing a year-on-year increase of 17.9%, among which 43,927 units were hi-powered wheeled tractors, representing a year-on-year increase of 19.9%, maintaining its leadership in the industry; 25,165 units of mid-powered wheeled tractors were sold, representing a year-on-year increase of 15.1%, showing the economy of scale and the entry to the rapid growth stage; 2,731 units of crawler tractors were sold, representing a year-on-year increase of 11.7%; 38,771 units of low-powered wheeled tractors were sold, representing a year-on-year decrease of 21 %.

During the Reporting Period, operating revenue from the agricultural machinery business amounted to RMB8,010,095,000, representing a year-on-year increase of 17%. Operating results amounted to RMB254,647,000, representing a year-on-year increase of RMB49,952,000 or 24.4%. Consolidated gross profit of the agricultural machinery business amounted to RMB974,709,000, representing a year-on-year increase of RMB164,776,000. Gross profit margin was 11.31 %, representing a year-on-year increase of 0.31 percentage points.

CONSTRUCTION MACHINERY BUSINESS

During the Reporting Period, as driven by the robust domestic demand and the booming infrastructure construction, the domestic construction machinery industry witnessed a rapid growth of over 20%.

During the Reporting Period, by riding on the industry growth and through flexible sales plans, enhanced product promotion and effective utilization of finance lease, the Group achieved a substantial growth in the sales of its main products. 1,183 units of forklift trucks and 426 units of mining trucks were sold, representing a year-on-year increase of 121.5% and 204.3% respectively; the sales of compact construction machineries (compact crawler excavators and compact loaders) were 1,881 units, representing a year-on-year decrease of 21.6%.

In consideration of the weak overall profitability, over-diversification in products and scattered resources of the Group's construction machinery business as well as to avoid business competition with Sinomach (the ultimate controller of the Company), the Group, while improving its management and putting more efforts in marketing, conducted reorganization of the assets and business of its construction machinery business and disposed 100% equity interests (the "**Selling Interests**") in YTO (Luoyang) Construction Machinery Sales Co., Ltd (一拖(洛陽)工程機械銷售有限公司) ("**YTO Machinery Sales**") and YTO (Luoyang) Jiangong Machinery Co., Ltd (一拖(洛陽)建工機械有限公司) ("**YTO Jiangong**") to YTO, the controlling shareholder of the Company, which were completed on 9 October 2010.

During the Reporting Period, the Group sold 147,385 units of diesel engines in different types, representing a year-on-year increase of 11.6%, of which 91,002 units were sold to the external customers of the Group, representing a year-on-year increase of 10.2%; operating revenue from the construction machinery business was RMB851,065,000, representing a year-on-year decrease of 7.7%, which was mainly because the Company ceased to consolidate the financial statements of YTO Machinery Sales and YTO Jiangong upon completion of the disposal of the Selling Interests in October 2010. During the Reporting Period, operating results was RMB37,464,000, representing a decrease in loss of RMB105,634,000 as compared with that in the same period last year.

POWER MACHINERY BUSINESS

During the Reporting Period, as the State non-road machinery shifted to the National II Emission Standards, the Group achieved full upgrade in its technical standards which meets the National II Emission Standards through differentiated technical research and development as well as increased investment in technological renovation. In particular, the research and development in new products and the manufacturing technology achieved positive progress with 6H series diesel engines being launched to the market in small batches whilst K series diesel engines successfully completing all relevant experiments and the technology renovation project of hi-powered diesel engines progressing smoothly. At the same time, in order to accommodate the needs of long-term development of the power machinery business, the Group set up YTO (Jiangyan) Power Machinery Co., Ltd. (一拖（姜堰）動力機械有限公司) ("**Jiangyan Power**") in Jiangyan City, Jiangsu Province, China during the Reporting Period.

During the Reporting Period, 147,385 units of diesel engines in different types were sold in the power machinery business, representing a year-on-year increase of 11.6%, of which 91,002 units were sold to the non-member customers of the Group, representing a year-on-year increase of 10.2%. The revenue amounted to RMB1,225,215,000, representing a year-on-year increase of 1.8%. Consolidated gross profit margin for the power machinery business was 20.17%, basically unchanged as compared with that in 2009. Operating results of the power machinery business amounted to RMB179,900,000, representing a year-on-year increase of 3.9%.

FINANCIAL BUSINESS

Financial business of the Group mainly involves provisions of businesses including internal transfer and settlement, deposit and loan, bills discounting, finance lease, buyer credit for products and entrusted loan by YTO Group Finance Co., Ltd (中國一拖集團財務有限責任公司) ("**YTO Finance**"), a subsidiary of the Company, to YTO and its business members (including the Group and its subsidiaries and non-wholly owned subsidiaries in which the Group holds 20% or more shareholdings). YTO Finance is an important platform for centralised internal capital management within the Group.

During the Reporting Period, YTO Finance placed a close eye on risk prevention and mitigation and actively adopted effective measures to reduce non-performing assets. The non-performing loan ratio reduced to zero and the assets quality was further improved. The Group recorded operating revenue from the financial business amounting to RMB45,960,000, representing a year-on-year increase of 38.2%, and recorded operating results amounting to RMB37,058,000, representing a year-on-year increase of 11%.

ANALYSIS OF FINANCIAL RESULTS

1. Operating Revenue

During the Reporting Period, the Group recorded operating revenue of RMB10,132,335,000, representing a year-on-year increase of 12.5%, of which that from the agricultural machinery business grew 17%, accounted for 79.06% of the Group's operating revenue and represented a year-on-year increase of 3.04 percentage points. As the Company disposed of the equity interests in some of its subsidiaries during the Reporting Period, revenue from the construction machinery business accounted for 8.4% of the Group's operating revenue, representing a year-on-year decrease of 1.84 percentage points. Revenue from the power machinery business accounted for 12.09% of the Group's total operating revenue, representing a year-on-year decrease of 1.28 percentage points. Revenue from the financial business accounted for 0.45% of the Group's operating revenue, representing a year-on-year increase of 0.08 percentage point.

2. Gross profit and gross profit margin

During the Reporting Period, consolidated gross profit of the Group was RMB1,462,943,000, representing a year-on-year increase of 13.7%. Consolidated gross profit margin was 14.44%, increased by 0.15 percentage points as compared with that last year.

3. Other income and gains

During the Reporting Period, the Group recorded other income and gains of RMB214,007,000, representing a year-on-year increase of RMB131,697,000, which is mainly attributable to the disposal of certain construction machinery business and the merger of Shanghai Dragon (Group) Co., Ltd (上海強農(集團)股份有限公司) ("**Shanghai Dragon**").

4. Period expenses

During the Reporting Period, the period expenses of the Group amounted to RMB1,032,732,000, representing a year-on-year increase of 3.78%.

Expenses	**2010**	2009
		(Restated)
	RMB'000	*RMB'000*
Selling and distribution costs	**340,222**	297,962
Administrative expenses	**617,861**	621,071
Other operating expenses	**47,444**	61,080
Finance cost	**27,205**	15,040

(1) **The selling and distribution costs**: As compared with that in the same period in 2009, the selling and distribution costs recorded a year-on-year increase of 14.18%, which was slightly higher than the growth of the operating revenue. This was mainly due to the sales growth of the Group resulting in an increase in the expenses of three warranties (refund, replacement and repair) and sales services as well as the wage increase resulting in an increase in labor cost. The selling and distribution costs represented approximately 3.36% of the operating revenue.

(2) **Administrative expenses**: As compared with that in the same period in 2009, the administrative expenses represented a year-on-year decrease of RMB3,210,000 or 0.52%. During the Reporting Period, the Group put great effort to enhance internal control. Given more input in research and development as well as the increased research and development expenses of RMB26,119,000, the controllable expenses were substantially decreased.

(3) **Other operating expenses**: As compared with that in the same period in 2009, other operating expenses recorded a year-on-year decrease of RMB13,636,000 or 22.32%, which was mainly due to the disposal of certain construction machinery business and assets by the Group during the Reporting Period, thereby improving the asset structure and decreasing the asset impairment.

(4) **Finance costs**: As compared with that in the same period in 2009, the Finance costs recorded a year-on-year increase of RMB12,165,000 or 80.88%, which was mainly because, in order to cope with the delay in payment of the State's subsidies for the purchase of agricultural machineries, the ratio of bills receivables to capital increased, and the Group obtained more bank loans, causing an increase in capital cost.

5. Income tax

During the Reporting Period, the Group put more effort in research and development, resulting in an increase in the pre-tax deductible expenses for tax purpose. The income tax expenses amounted to RMB83,594,000, representing a year-on-year decrease of RMB1,690,000.

ASSETS AND LIABILITIES

1. Analysis on assets

As at 31 December 2010, the Group's total assets amounted to RMB8,193,336,000 (31 December 2009: RMB5,885,512,000).

(1) **Non-current assets:** As at 31 December 2010, the Group's total non-current assets amounted to RMB2,427,802,000 (31 December 2009: RMB1,675,225,000). The major items of non-current assets are as follows:

	31 December 2010 *RMB'000*	31 December 2009 *RMB'000*	Change *RMB'000*
Property, plant and equipment	**1,814,315**	1,221,258	593,057
Prepaid operating leases	**190,062**	76,689	113,373
Investment properties	**35,302**	—	35,302

Property, plant and equipment: As at 31 December 2010, the Group's property, plant and equipment recorded a year-on-year increase of RMB593,057,000, which was mainly due to more investment in fixed assets for enhancement of productivity during the Reporting Period, the main projects of which include the construction project on hi-powered diesel engines, technology renovation project on hi-powered wheeled tractors, construction project on Xinjiang agricultural equipment, project on production capacity expansion for mid-powered wheeled tractors, etc..

Prepaid operating leases: This item represents the amounts paid by the Group in respect of land use rights. As at 31 December 2010, the prepaid operating leases recorded a year-on-year increase of RMB113,373,000, which was mainly due to the increase in land use rights as a result of combination of the financial statements of Tractors Research Company.

Investment properties: It is a newly added item this year and represents the assets of Shanghai Dragon, a subsidiary of the Company.

(2) **Current assets:** As at 31 December 2010, the Group's current assets amounted to RMB5,765,534,000. The major items of current assets are as follows:

	31 December 2010	31 December 2009 *(Restated)*	Change
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	**1,162,162**	929,060	233,102
Pledged deposits *(Note)*	**175,728**	294,197	(118,469)
Trade and bills receivables	**1,537,778**	894,782	642,996
Inventories	**1,329,527**	1,023,871	305,656

Note: Pledged deposits represent the guarantee deposits paid to the banks for acquiring bank acceptance bills.

Cash and cash equivalents: As at 31 December 2010, the Group's current cash and cash equivalents recorded a year-on-year increase of RMB233,102,000, of which RMB192,072,000 was owned by the Company and the remaining was owned by the subsidiaries of the Company.

Pledged deposits: As at 31 December 2010, the Group's pledged deposits represented a year-on-year decrease of RMB118,469,000, which was mainly due to the upgrade of the Group's credit rating, thereby leading to a lower ratio of the guarantee deposits paid to the banks for bank acceptance bills.

Trade and bills receivables: As at 31 December 2010, the Group's trade and bills receivables amounted to RMB1,537,778,000, representing a year-on-year increase of RMB642,996,000, of which trade receivables increased by RMB69,250,000 to RMB568,560,000 and bills receivables increased by RMB573,746,000 to RMB969,218,000. The increase was mainly due to the delay in payment of the State's subsidies for the purchase of agricultural machineries, and that the Group used more bills for settlement so as to better control capital cost and reduce capital risk.

During the Reporting Period, turnover days of trade receivables of the Group were 24 days, which was 5 days shorter as compared with that last year.

Inventories: As at 31 December 2010, the Group's inventories amounted to RMB1,329,527,000, representing a year-on-year increase of RMB305,656,000, which was mainly due to the increased reserve of work-in-process and finished products in order to meet the burst of market demand in the peak sale season in early 2011.

During the Reporting Period, the Group's inventory turnover days were 51 days, which was 2 days longer as compared with that last year.

2. Analysis on liabilities

As at 31 December 2010, the Group's total liabilities amounted to RMB4,715,013,000 (31 December 2009: RMB2,846,609,000), including current liabilities of RMB3,905,113,000 (31 December 2009: RMB2,629,703,000). The major items of liabilities include:

	31 December 2010	31 December 2009 *(Restated)*	Change
	RMB'000	*RMB'000*	*RMB'000*
Short-term borrowings	**405,258**	143,000	262,258
Trade and bills payables	**1,996,330**	1,680,880	315,450
Long-term borrowings	**600,000**	0	600,000

Short-term borrowings and long-term borrowings: As at 31 December 2010, the Group's short-term borrowings recorded a year-on-year increase of RMB262,258,000. This was mainly because, given the increased ratio of trade receivables to capital for the year, the Company increased loans for working capital so as to relieve the capital pressure on procurement arising from the rapid growth in sales. Meanwhile, in order to meet the Company's need for capital expenses, the Company increased long-term borrowings of RMB600,000,000.

Trade and bills payables: As at 31 December 2010, the Group's trade and bills payables amounted to RMB1,996,330,000, representing a year-on-year increase of RMB315,450,000, of which bills payable represented a year-on-year increase of RMB16,373,000, which is mainly attributable to the increased use of bills with a view to reducing the capital pressure over currency; and trade payables represented a year-on-year increase of RMB299,077,000, which was mainly due to the increased purchase of raw materials and components so as to meet the burst of market demand in the peak sale season in early 2011.

3. Indicators of financial ratio

Items	**Basis of calculation**	**31 December 2010**	31 December 2009 *(Restated)*
Gearing ratio	Total liabilities/total assets x 100%	**57.55%**	48.37%
Current ratio	Current assets/current liabilities	**1.48**	1.60
Quick ratio	(Current assets — inventories)/current liabilities	**1.14**	1.21
Debt equity ratio	Total liabilities/shareholders' equity# x 100%	**152.94%**	101.44%

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

As at 31 December 2010, the gearing ratio of the Group was 57.55%, representing a year-on-year increase of 9.18 percentage points, which was mainly due to the increased utilization of financial leverage by the Group on the premise that the liquidity of assets is guaranteed.

4. Capital structure

As at 31 December 2010, the total equity of the Group amounted to RMB3,478,323,000, of which equity attributable to equity holders of the Company was approximately RMB3,082,948,000, and the remaining was minority interests.

Analysis of equity and reserves

Items	31 December 2010 *RMB'000*	31 December 2009 *RMB'000*	Change in amount Increase/ (decrease) *RMB'000*
Share capital	**845,900**	845,900	—
Reserve	**2,169,376**	1,858,841	310,535
Proposed final dividend	**67,672**	101,508	(33,836)
Total	**3,082,948**	2,806,249	276,699

During the Reporting Period, there was no change in the issued share capital of the Company, which remained to be RMB845,900,000.

As at 31 December 2010, the Group's reserve amounted to RMB2,169,376,000, representing a year-on-year increase of RMB310,535,000, which was mainly due to the effects from the operation accumulation for the year, distribution of interim dividends for 2010 and business combination under common control (acquisition of Tractors Research Company), etc..

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

1. Incorporation of Jiangyan Power

In January 2010, the Company, YTO (Luoyang) Diesel Engine Co., Ltd (一拖(洛陽)柴油機有限公司) ("**YTO Diesel**"), a subsidiary of the Company, and Jiangsu Jiangyan Industrial Assets Management Co., Ltd. (江蘇省姜堰市工業資產經營有限公司) ("**Jiangyan Assets Management**") jointly set up Jiangyan Power in Jiangyan City, Jiangsu Province, China with a registered share capital of RMB100,000,000, of which the Company contributed RMB38,000,000, holding 38% equity interests in Jiangyan Power; YTO Diesel contributed RMB40,000,000, holding 40% equity interests in Jiangyan Power; and Jiangyan Assets Management contributed RMB22,000,000, holding 22% equity interests in Jiangyan Power. Jiangyan Power is principally engaged in the manufacture and sales of light diesel engines and accessories.

2. Acquisition of equity interests in Shanghai Dragon

Prior to acquisition of the equity interests, the Company had a stake in Shanghai Dragon. In order to build a business development platform of the Group in Shanghai, China, the Company and Shanghai Materials (Group) Corporation (上海物資(集團)總公司) ("**Shanghai Materials**") entered into the Agreement on Equity Transaction on 2 April 2010 to acquire 35.85% equity interests in Shanghai Dragon as held by Shanghai Materials on the Shanghai Equity Exchange at a consideration of RMB21,164,000. Upon completion of the acquisition in the second half of 2010, the Company owns 93.82% equity interests in Shanghai Dragon. Shanghai Dragon is principally engaged in property lease, trade of agricultural machinery, etc..

3. Disposal of the equity interests in subsidiaries of the construction machinery business

On the basis of the internal reorganization of the Group's construction machinery business in June 2010, on 28 June 2010, the Company entered into the Agreement on Disposal of Equity Interests with YTO to sell 100% equity interests in each of YTO Machinery Sales and YTO Jiangong to YTO. Upon completion of the disposal, the Group withdrew from the businesses of road rollers, bulldozers, loaders and hydraulic crawler excavators. The transfer of the equity interests was completed in the second half of 2010.

4. Acquisition of 51% equity interests in Tractors Research Company

On 3 August 2010, the Company entered into the Agreement on Acquisition of Equity Interests with YTO to acquire 51% equity interests in Tractors Research Company held by YTO. The consideration for the transfer of the equity interests is approximately RMB155,333,000. The transfer of the equity interests was completed in the second half of 2010. Upon completion of the acquisition, Tractors Research Company became a non-wholly owned subsidiary of the Company and mainly provides daily technology services to and specific entrusted research and development for the Group.

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

In 2011, the Group intends to invest RMB883,920,000, which will be mainly used for the project on hi-powered diesel engines, project on enhancement of autonomic research and development capacity and construction of project on new-type hi-powered wheeled tractors, as well as technology renovation projects on hi-powered farm equipment and implement, mid-powered, crankshaft processing lines of mid-powered wheeled tractors and wheeled tractors with direct transmission, gear refined processing capacity as well as construction of parts and accessories centers and warehouses. The said investments will be mainly financed by bank loans and self-owned capital of the Group.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SIGNIFICANT EVENTS

(1) The proposal for the issue of A shares (the "**Issue of A Shares**") was approved by the Board on 28 June 2010 for application of issue and listing of not more than 150 million ordinary shares (A shares), which was also approved by shareholders at the first extraordinary general meeting as well as the respective class meetings for holders of domestic shares and H shares of the Company held on 16 August 2010. The Issue of A Shares is however subject to the approval of China Securities Regulatory Commission.

(2) During the Reporting Period, movements of the Directors, Supervisors and senior management of the Company are as follows:

    (a) Mr. Zhang Qiusheng was elected as an independent non-executive Director at the first extraordinary general meeting of the Company held on 16 August 2010 with a term of office commencing from 16 August 2010 to 30 June 2012.

(b) On 26 November 2010, at the 17th meeting of the fifth session of the Board of the Company, Mr. Liu Dagong's resignation as the Chairman and executive Director was accepted and Mr. Zhao Yanshui was elected as the Chairman of the Company and a member of the Nomination Committee under the Board. Mr. Zhao Yanshui was also the chairman of the Strategy & Investment Committee.

(c) On 8 December 2010, at the democratic management meeting of the staff representatives of the Company, Mr. Wang Jianjun was elected as a staff representative Supervisor. Mr. Zhao Shengyao ceased to be a staff representative Supervisor due to reallocation of work. Mr. Wang Jianjun's term of office commenced from 8 December 2010 to 30 June 2012.

(d) On 10 December 2010, the 18th meeting of the fifth session of the Board of the Company approved Mr. Qu Dawei, Ms. Dong Jianhong and Mr. Jiao Tianmin to resign as the general manager, the Chief Financial Officer and the deputy general manager of the Company respectively and appoint Mr. Liu Jiguo as the general manager of the Company. The Company will identify an appropriate candidate for the position of Chief Financial Officer and will make announcements as and when appropriate in accordance with the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(3) During the Reporting Period, the production line of hi-powered wheeled tractors, which represents the highest standard in China, was completed and commenced operation in YTO Industrial Zone (一拖工業園). It also produced the first power shift transmission hi-powered tractor of autonomic intellectual property rights in mainland China.

(4) During the Reporting Period, the hi-powered, mid-powered, low-powered tractors and compact crawler excavators under the Group's "DongFangHong" brand were awarded the satisfactory brand among the users in the nation (全國用戶滿意品牌).

(5) During the Reporting Period, neither the Company nor any of its Directors, Supervisors or senior management was involved in any material litigation or arbitration.

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 enquires to all Directors and all of them have complied with the Model Code.

DIVIDENDS

The Board recommends payment of a final dividend in the amount of RMB0.08 per share for the year 2010. The dividends for H shares ("**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$0.0951 per H Share. Details of the 2010 final dividend will be further announced in the 2010 annual report of the Company.

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 2010 final dividend to holders of H Shares of the Company who are non-resident enterprises (including but not limited to HKSCC Nominees Limited). The Company will distribute the final dividend to such non-resident enterprises after deducting the relevant 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 2010 final dividend payable to any natural person shareholder listed on the Register of H Shares. 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.

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 Committee of the fifth session of the Board reviewed the accounting principles and practices adopted by the Group and discussed the matters in respect of internal control and financial statements. The Audit Committee convened 3 meetings with the general manager, the financial controller and the external auditors of the Company.

The Audit Committee reviewed the interim financial report of the Group for the year 2010, the annual financial report of the Group for the year 2010 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
Zhao Yanshui
Chairman

Luoyang, the PRC
25 March 2011

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

* *For identification purposes only*