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 2018

(Financial Highlights)

Total operating revenue	**:**	**RMB5,681,547,536.68**
Net loss attributable to the equity holders of the parent company	**:**	**RMB1,300,108,773.92**
Earnings per share attributable to the equity holders of the parent company	**:**	**RMB-1.3188**

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 2018 (the "**Reporting Period**"), which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises, together with comparative figures for the same period in 2017 are as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi (Unit: Yuan)).

CONSOLIDATED BALANCE SHEET
31 December 2018
Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	*Note*	**31 December 2018**	31 December 2017
Current assets:			
Monetary funds	*Note 1*	**1,549,845,341.18**	3,292,984,287.50
Lendings to banks and other financial institutions		**200,000,000.00**	
Financial assets at fair value through profit or loss			40,478,838.50
Trading financial assets		**897,235,968.16**	
Derivative financial assets		**578,743.73**	
Notes receivable and accounts receivable	*Note 2*	**929,490,438.84**	1,769,815,757.98
Advances to suppliers		**107,561,199.88**	233,704,609.47
Other receivables		**65,741,038.66**	137,573,564.98
Financial assets purchased with agreement for re-sale		**150,203,731.40**	80,207,776.70
Inventories		**1,430,349,787.42**	1,167,681,087.61
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year		**184,159,312.46**	
Other current assets		**2,017,266,694.07**	1,694,694,921.00
Total current assets		**7,532,432,255.80**	8,417,140,843.74

Item	*Note*	**31 December 2018**	31 December 2017
Non-current assets:			
Loans and advances to customers		**1,011,378,462.91**	934,741,824.37
Financial assets available-for-sale			188,129,341.41
Held-to-maturity investments			58,344,519.48
Debt investment			
Other debt investment			
Long-term receivables		**280,985,073.83**	
Long-term equity investment		**131,203,815.70**	141,468,273.42
Investment in other equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		**2,942,857,496.39**	3,030,222,384.21
Construction in progress		**232,816,443.52**	290,749,376.91
Productive biological assets			
Oil and gas assets			
Intangible assets		**842,336,991.00**	859,721,089.66
Research and development expenses			
Goodwill			
Long-term deferred expenses		**41,237,156.30**	46,023,240.72
Deferred income tax assets		**125,494,060.54**	136,232,633.76
Other non-current assets			
Total non-current assets		**5,608,309,500.19**	5,685,632,683.94
Total assets		**13,140,741,755.99**	14,102,773,527.68

Item	*Note*	**31 December 2018**	31 December 2017
Current liabilities:			
Short-term loans		**2,777,516,101.13**	2,033,879,689.22
Receipts of deposits and deposits from other banks		**1,080,524,854.03**	780,195,528.74
Loans from other banks			300,000,000.00
Trading financial liabilities			
Derivative financial liabilities		**2,727,592.84**	12,800,000.00
Notes payable and accounts payable	*Note 3*	**2,153,446,714.91**	2,285,832,053.25
Advance from customers			236,220,968.60
Contractual liability		**369,490,638.57**	
Employee salary payable		**189,486,846.96**	123,521,513.29
Taxes payable		**24,562,534.28**	17,361,319.90
Other payables		**312,621,126.21**	337,984,403.58
Liabilities classified as held for sale			
Non-current liabilities due within one year		**76,664,479.21**	1,522,040,174.73
Other current liabilities		**196,139,042.20**	97,842,469.33
Total current liabilities		**7,183,179,930.34**	7,747,678,120.64

Item	Note	31 December 2018	31 December 2017
Non-current liabilities:			
Long-term loans		**868,473,000.00**	689,011,500.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Long-term payables		**8,971,437.07**	
Long-term employee salary payable		**119,715,885.28**	
Estimated liabilities		**3,981,625.85**	13,699,471.42
Deferred income		**169,360,596.63**	184,660,141.13
Deferred income tax liabilities		**130,983,510.46**	28,741,816.43
Other non-current liabilities			
Total non-current liabilities		**1,301,486,055.29**	916,112,928.98
Total liabilities		**8,484,665,985.63**	8,663,791,049.62
Shareholder's equity:			
Share capital		**985,850,000.00**	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		**2,099,639,657.89**	2,099,632,613.11
Less: Treasury shares			
Other comprehensive income		**-16,863,576.18**	-16,268,084.50
Special reserves		**3,274,006.51**	3,674,350.81
Surplus reserves		**442,101,172.16**	438,442,350.67
General risk reserves			12,754,318.98
Retained earnings	*Note 4*	**493,080,403.24**	1,273,219,846.84
Total equity attributable to shareholders of the parent company		**4,007,081,663.62**	4,797,305,395.91
Minority interests		**648,994,106.74**	641,677,082.15
Total shareholder's equity		**4,656,075,770.36**	5,438,982,478.06
Total liabilities and shareholder's equity		**13,140,741,755.99**	14,102,773,527.68

CONSOLIDATED INCOME STATEMENT
For the Year of 2018
Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item		Note	This year	Last year
1. Total operating revenue			**5,681,547,536.68**	7,357,944,190.89
Including:	Operating revenue		**5,540,998,393.26**	7,219,310,386.11
	Interest income		**138,092,137.95**	137,931,789.75
	Fees and commission income		**2,457,005.47**	702,015.03
2. Total cost of operation			**7,098,644,257.15**	7,539,094,836.34
Including:	Cost of operation		**5,098,425,607.81**	6,036,004,631.87
	Interest expenses		**12,455,994.16**	15,819,471.26
	Fees and commission expense		**405,617.87**	301,278.51
	Taxes and surcharges		**46,008,058.50**	45,718,702.31
	Selling expenses		**461,866,175.50**	436,011,715.40
	Administrative expenses		**764,198,051.29**	503,321,348.16
	Research and development expense		**378,394,140.28**	386,339,439.17
	Financial expenses		**105,047,052.79**	73,123,501.81
	Loss on impairment of assets		**172,393,654.35**	42,454,747.85
	Loss of credit impairment		**59,449,904.60**	
Add:	Gain arising from the changes in fair value		**10,081,083.66**	-25,447,931.82
	Investment income		**19,158,702.59**	156,910,636.73
	Including: Income from investments in associates and joint ventures		**-10,627,595.84**	-460,927.51
	Asset disposal income		**196,944.39**	2,318,017.87
	Other benefits		**36,623,032.72**	55,890,931.87
3. Operating profit			**-1,351,036,957.11**	8,521,009.20
Add:	Non-operating income		**41,079,900.33**	70,579,164.99
Less:	Non-operating expenses		**4,793,199.24**	23,043,819.45
4. Total profit			**-1,314,750,256.02**	56,056,354.74
Less:	Income tax expenses	*Note 5*	**50,221,900.25**	18,345,015.80

Item	*Note*	**This year**	Last year
5. Net profit		**-1,364,972,156.27**	37,711,338.94
Including: net profit achieved by the merger of the merged party before the merger under the same control			-1,099,244.09
(1) Categorized by the nature of continuing operation			
Net profit from continuing operations		**-1,364,972,156.27**	40,662,147.32
Net profit from discontinued operations			-2,950,808.38
(2) Categorized by ownership			
Net profit attributable to shareholders of the parent company		**-1,300,108,773.92**	56,514,222.97
Profit or loss attributable to minority interests		**-64,863,382.35**	-18,802,884.03
6. Net other comprehensive income after tax		**-509,964.75**	-13,936,840.55
Net other comprehensive income after tax attributable to owners of the parent company		**-595,491.68**	-13,582,334.26
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			
3. Changes in fair value of investment in other equity instruments			
4. Fair value change of enterprise's credit risk			

Item	Note	This year	Last year
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		**-595,491.68**	-13,582,334.26
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets			-14,361,213.55
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Changes in fair value of other debt investment			
5. Amount of financial assets reclassified into other comprehensive returns			
6. Credit impairment reserve for other debt investment			
7. Effective part of hedging gains and losses from cash flows			
8. Cash flow hedging reserve			
9. Conversion difference of foreign currency financial statements		**-595,491.68**	778,879.29
10. Others			
Net other comprehensive income after tax attributable to minority interests		**85,526.93**	-354,506.29
7. Total comprehensive income		**-1,365,482,121.02**	23,774,498.39
Total comprehensive income attributable to shareholders of the parent company		**-1,300,704,265.60**	42,931,888.71
Total comprehensive income attributable to minority interests		**-64,777,855.42**	-19,157,390.32
8. Earnings per share			
(1) Basic earnings per share		**-1.3188**	0.0572
(2) Diluted earnings per share		**-1.3188**	0.0572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. COMPANY INFORMATION

First Tractor Company Limited is a limited liability company registered and established in the People's Republic of China with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange since 23 June 1997 and 8 August 2012 respectively. The registered office and principal place of business of the Company is located at No. 154 Jian she Road, Luoyang, Henan Province, the People's Republic of China.

The Group is a company of manufacturing and sales of agricultural machinery and power machinery. In the following, the Company and its affiliated companies are collectively referred to as the "**Group**". During the year, the main business operations of the Group in China are as follows:

- Manufacture and sale of agricultural machinery
- Manufacture and sale of power machinery
- Manufacture and sale of other machinery
- Provision of loans, bills discounting and deposit-taking services

The directors of the Group believe that the immediate holding company is YTO Group Corporation Limited and the ultimate holding company is China National Machinery Industry Corporation. Both are companies registered and established in China.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Based on the going-concern assumption and transactions and events actually incurred, the financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and relevant stipulations (hereafter collectively referred as "**ASBEs**") by the Ministry of Finance of the PRC, No.15 Information Disclosures Regulations for Companies Offering Shares in Public – General Rules of Preparing Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance, and based on the accounting policies stated in the Note "4. Principal accounting policies.

III. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The 2018 financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the consolidated and the financial position of the Company as at 31 December 2018 and their financial performance and cash flows and other related information.

Given the fact that Chinese ASBEs are equivalent to Hong Kong Financial Reporting Standards (HKFRSs), the Hong Kong Securities and Futures Commission and the Hong Kong Stock Exchange have both accepted financial statements prepared by Hong Kong listed companies originally from mainland China in accordance to the Chinese ASBEs and audited by accounting firms based in mainland China with relevant qualifications. Approved by the 2014 second extraordinary general meeting of the Company on 31 October 2014, the Group no longer prepares financial statements under both ASBEs and HKFRSs from the reporting year of 2014. Only the financial statements prepared in accordance to the Chinese ASBEs will be provided to shareholders of A shares and H shares of the Company.

IV. ACCOUNTING POLICIES

(I) Accounting year

The accounting year is from January 1 to December 31 of the calendar year.

(II) Recording currency

The recording currency of the Group is Renminbi (RMB). Its subsidiaries, associates and joint operators determine their own recording currency according to their main economic environment.

(III) The currency used by the Group at the time of the preparation of this financial statement is RMB.

(IV) Accounting method for enterprise merger under the common control and not under the common control

1. To take many transactions as a package transaction for accounting treatment, the terms, conditions, and economic effects of each transaction in a step by step process conform to one or more of the following cases:

(1) These transactions are entered into at the same time, or have considered the impact of each other.

(2) All these transactions together can achieve a complete business result.

(3) The occurrence of a transaction depends on the occurrence of at least one other transaction.

(4) A deal alone is not economical, but it is economic when considering together with other transactions.

2. Enterprise merger under common control

The assets and liabilities acquired by the Group during business combination shall be measured according to the book value of the assets and liabilities of the merged party, including the final controlling party's acquisition of the merged party, in the consolidated financial statements of the final controlling party. The difference between the net assets book value acquired in the merger and the book value of the combined consideration value (or the total value of the issued shares) should be adjusted by the equity premium in the capital surplus, if it is not enough, adjust retained earnings.

If there exist or have consideration which need to confirm the estimated liabilities or assets, the difference between the estimated liabilities or the amount of assets and the subsequent or consideration price, we should adjust the capital surplus (capital premium or equity premium), and the capital surplus is insufficient, then adjust the retained earnings.

As enterprise merger realized by multiple transactions which belong to a package transaction, considering these transactions as a control transaction when carrying out accounting method. In the case of non-package transactions, on the day of gaining control day, the difference between the initial investment cost of long-term equity investment and the book value of the new payment consideration with the sum of the book value of the new share price before the merger should be adjusted by adjusting capital surplus. If the capital stock is not enough to be reduced, the retained earnings will be adjusted. Accounting treatment would not be carried out for equity investment which measured by equity method or identification and measurement criteria for financial instruments before merger until disposing of the investment based on the same assets or liabilities that are directly disposed of with the invested unit. Changes in the owner's equity exclude net profit and loss, other comprehensive income and profit distribution would not be processed until the changes is transferred into the current profits and losses.

3. Enterprise merger not under common control

The purchase date refers to the date that the Group actually obtains the control right of the buyer, that is, the date of transfer of the net assets of the buyer or the control right of production and operation decision to the Company. The Company generally believes that the transfer of control is realized when the following conditions are met:

① An enterprise merger contract or agreement has been approved by the internal authority of the Company.

② The merger of enterprises should be approved by the relevant competent authorities of the state and has been approved.

③ The necessary transfer procedures for property rights have been carried out.

④ The Company has paid most of the consolidated price and has the ability and plan to pay the surplus.

⑤ The Group has actually controlled the financial and operating policies of the purchaser and has the corresponding interest and the corresponding risk.

The difference between the fair value and the book value when the assets, liabilities incurred or incurred on the purchase date are is included in the profits and losses of the current period.

When the cost of the merger is larger than the fair value share of the recognizable net assets obtained by the purchaser, the difference between these two is confirmed as the goodwill. When cost of the merger is less than the fair value of the recognizable net assets obtained by the purchaser, the difference shall be recognized in the profit and loss for the current period after the review.

4. the costs of merger

Intermediary costs and other direct related expenses, such as audit, legal service, evaluation and consultation, and other direct related expenses, are included in the current profit and loss at the time of occurrence. The transaction costs for the issue of equity securities for an enterprise which could be directly attributable to the rights and interests can deduct from rights and interests.

(V) Preparation of consolidated financial statements

1. Scope of the merger

The consolidation scope of the Group includes all subsidiaries controlled.

2. Consolidated procedures

Based on the financial statements of their own and each subsidiary, the Group prepare the consolidated financial statements refer to other relevant information. The Company consider the entire enterprise group as an accounting entity when preparing the consolidated financial statements. In accordance with the relevant accounting standards of measurement and reporting requirements, unified accounting policies reflect the enterprise overall financial status, operating results and cash flow.

All subsidiaries included in the consolidated financial statements are consistent with accounting polices. When the accounting policies adopted by the subsidiaries inconsistent with those of the Company, the necessary adjustment according to the Company's accounting policies and accounting period is needed.

The consolidated financial statements set off the internal transactions between the Company and its subsidiaries which affect the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated shareholders' equity change statement. When the opinion of group consolidated financial statements and the subsidiaries are different, the transactions should be adjusted from the perspective of enterprise group.

The share of minority shareholders in the owner's equity, current net profit and loss and current comprehensive income is separately shown under the owner's equity item of the consolidated balance sheet, the net profit item and the total income of the consolidated income statement and the total income item. The current share losses shared by minority shareholders exceed the balance formed by the minority shareholders' share in the initial owner's equity, then deduct the difference between these two from minority shareholders' rights and interests.

When the subsidiary which was under the same control acquired through business combination, the financial statements should be adjusted based on the book value of its assets and liabilities in the final control party's financial statements (including the goodwill caused by the final controlling party's acquisition of the subsidiary).

When the subsidiary which was not under the same control acquired through business combination, the financial statements should be adjusted which was based on fair value of the identifiable net assets at the acquisition date.

(VI) Segment information

Segment information is presented according to the classification of business based on the major segment reporting mode by the Group. In terms of regional classification, the Group classifies revenue based on the locations of clients resided, and classifies assets based on the place of location. Because over 90% of the revenue of the Group is from the clients in China, and over 90% of the assets are located in China, regional segment information is no longer presented.

For the needs of the management, the businesses of the Group are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the business types of the Group represents a strategic business unit that offers products. Each business unit must bear the risks and returns that are different from those of the other business segments. The four business segments are stated in summary as follows:

(a) The 'agricultural machinery' segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and component.

(b) The 'power machinery' segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets.

(c) The 'other machinery' segment engages in the manufacture and sale of forklifts, mining trucks and other machinery.

(d) The 'financial service' segment engages in the provision of loans, bills discounting and deposit-taking services.

Segment information

Item	Ending Balance/Amount in this year Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
1. Total operating revenue	5,086,003,402.61	1,299,681,002.95	11,248,602.39	185,431,785.31	-900,817,256.58	5,681,547,536.68
Including：External transaction revenue	4,780,421,144.01	751,083,205.43	9,494,043.82	140,549,143.42	–	5,681,547,536.68
Revenue between segments	305,582,258.60	548,597,797.52	1,754,558.57	44,882,641.89	-900,817,256.58	
Loss of credit impairment	59,929,880.98	1,119,142.47	-11,353,651.17	9,754,532.32		59,449,904.60
Assets impairment loss	200,667,165.60	4,678,399.24	-94,933,444.85	61,981,534.36	–	172,393,654.35
Depreciation and amortization fee	295,540,819.29	52,897,094.24	1,434,803.53	863,429.01	–	350,736,146.07
2. Total profit	-1,081,156,735.16	-297,929,747.94	646,510.78	63,898,038.68	-208,322.38	-1,314,750,256.02
3. Income tax costs	42,706,239.62	-19,241,440.08	–	26,774,468.50	-17,367.79	50,221,900.25
4. Net profit	-1,123,862,974.78	-278,688,307.86	646,510.78	37,123,570.18	-190,954.59	-1,364,972,156.27
5. Total assets	10,319,078,758.52	2,593,472,284.86	54,647,802.66	4,235,269,563.23	-4,061,726,653.28	13,140,741,755.99
6. Total liabilities	6,480,427,557.20	1,072,445,726.45	356,456,426.80	3,424,921,520.44	-2,849,585,245.26	8,484,665,985.63
7. Other important non-cash items	–	–	–	–	–	
(1) Non-cash expenses other than depreciation and amortization	187,510,834.34	44,483,017.89	7,914,068.15	5,855,081.75		245,763,002.13
(2) Capital expenditure	196,072,692.31	45,853,253.37	–	211,208.30	–	242,137,153.98

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

Segment results are presented as profit of operating segments before income tax. Other information of each segment is also disclosed, including depreciation and amortization, item of income and expenses from headquarters, financial expenses, gain on disposal of subsidiaries, share of profits or losses of associates, and income tax expenses. These are the methods reported to management, which, together with other reportable data, serve to provide better perception to the management, and investors can also evaluate annual segment operating results from such information.

(VII) Changes in significant accounting policies

(a) Impacts of New Revenue Standards on the Company

Since 1 January 2018, the Group has implemented the revised "Accounting Standards for Business Enterprises No. 14 – Revenue" (the "**New Revenue Standards**") issued by the Ministry of Finance on 5 July 2017. The standard stipulates that the enterprise that implements this standard should adjust the retained earnings and other items in the financial statements for the first time of the implementation of the standard based on the cumulative number of impacts, and the information for the comparable period will not be adjusted. Based on the assessment of the Company, the Company's implementation of the new revenue standard does not have a significant impact on the Company's existing revenue recognition, thus the Company does not need to adjust the retained earnings at the beginning of the year, yet has following impact on the statements of the Group.

Item	31 December 2017	Cumulative impact amount Classification and measurement impact	Impact of impairment of financial assets	Sub-total	1 January 2018
Advance from customers	236,220,968.60	-236,220,968.60		-236,220,968.60	
Contract liabilities		236,220,968.60		236,220,968.60	236,220,968.60

Impact on the statements of the Company:

Item	31 December 2017	Cumulative impact amount Classification and measurement impact	Impact of impairment of financial assets	Sub-total	1 January 2018
Advance from customers	175,265,170.24	-175,265,170.24		-175,265,170.24	
Contract liabilities		175,265,170.24		175,265,170.24	175,265,170.24

(b) Impacts of the implementation of the New Financial Instruments Standards on the Company

Since 1 January 2018, the Group has implemented the revised "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedging Accounting", "Accounting Standards for Business Enterprises No. 37 – Financial Instruments" Presentation (the "**New Financial Instruments Standards**") issued by the Ministry of Finance in March 2017. The standard stipulates that on the implementation date of the standard, the enterprise shall classify and measure the financial instruments according to the regulations. If the data of the previous comparative financial statements are inconsistent with the requirements of this standard, no adjustment is needed. The difference between the original book value of the financial instrument and the new book value at the date of implementation of the standard is included in the retained earnings, other comprehensive income and other items in the financial statements as at 1 January 2018. The items previously accounted for in the available-for-sale financial assets of the Group are directly designated as financial assets measured at fair value through profit or loss. This accounting change resulted in an increase of RMB591,510,084.65 in owners' equity at the beginning of the period, of which the retained earnings at the beginning of the period increased by RMB507,215,011.34, the surplus reserve increased by RMB3,658,821.49, and the minority interests at the beginning of the period increased by RMB80,636,251.82.

① **The impact of the implementation of the New Financial Instruments Standards on the relevant consolidated balance sheet items at the beginning of the current period is shown below:**

Item	31 December 2017	Cumulative impact amount Classification and measurement impact	Impact of impairment of financial assets	Sub-total	1 January 2018
Trading financial assets		924,502,397.15		924,502,397.15	924,502,397.15
Financial assets at fair value through profit or loss	40,478,838.50	-40,478,838.50		-40,478,838.50	
Non-current assets due within one year		37,481,505.81		37,481,505.81	37,481,505.81
Debt investment		20,863,013.67		20,863,013.67	20,863,013.67
Available-for-sale financial assets	188,129,341.41	-188,129,341.41		-188,129,341.41	
Other debt investment					
Held-to-maturity investments	58,344,519.48	-58,344,519.48		-58,344,519.48	
Deferred tax liability	28,741,816.43	104,384,132.59		104,384,132.59	133,125,949.02
Surplus reserves	438,442,350.67	3,658,821.49		3,658,821.49	442,101,172.16
Retained earnings	1,273,219,846.84	507,215,011.34		507,215,011.34	1,780,434,858.18
Minority interests	641,677,082.15	80,636,251.82		80,636,251.82	722,313,333.97

Note 1: On 1 January 2018, the contract terms of bonds with book value of RMB58,344,519.48 which were classified as held-to-maturity investments in previous years set out that cash flows generated on a particular date were only payments of principal and interest based on the amount of outstanding principal, and objective of the business model by which the Group managed the assets of such amount was to collect contractual cash flows, therefore such amount was reclassified from held-to-maturity investments to debt investments and non-current assets due within one year.

Note 2: On 1 January 2018, available-for-sale financial assets with book value of RMB188,129,341.41 were equity interests held in Bank of Luoyang and Bank of Luoyang Leasing Co., Ltd., respectively, which were designated as trading financial assets measured at fair value through profit or loss and accounted for at fair value.

② **The impact of the implementation of the New Financial Instruments Standards on the parent company's relevant balance sheet items at the beginning of the current period is shown below:**

Item	31 December 2017	Cumulative impact amount: Classification and measurement impact	Impact of impairment of financial assets	Sub-total	1 January 2018
Trading financial assets		153,044,958.65		153,044,958.65	153,044,958.65
Total current assets	6,652,457,565.84	153,044,958.65		153,044,958.65	6,805,502,524.49
Available-for-sale financial assets	110,000,000.00	-110,000,000.00		-110,000,000.00	
Total non-current assets	5,543,492,066.13	-110,000,000.00		-110,000,000.00	5,433,492,066.13
Total assets	12,195,949,631.97	43,044,958.65		43,044,958.65	12,238,994,590.62
Deferred tax Liability		6,456,743.80		6,456,743.80	6,456,743.80
Surplus reserves	363,949,066.84	3,658,821.49		3,658,821.49	367,607,888.33
Retained earnings	1,711,697,203.46	32,929,393.36		32,929,393.36	1,744,626,596.82
Total shareholder's equity	5,066,289,316.25	36,588,214.85		36,588,214.85	5,102,877,531.10

(c) *Summary of the impact of changes in presentation format and implementation of New Revenue Standards and New Financial Instruments Standards on the Company*

① **Balance sheet (Consolidated)**

Item	31 December 2017	Impact of changes in presentation format	Adjusted amount after presentation format changes	Impact of implementation of new accounting standards for business enterprises	1 January 2018
Trading financial assets		40,478,838.50	40,478,838.50	884,023,558.65	924,502,397.15
Financial assets at fair value through profit or loss	40,478,838.50	-40,478,838.50			
Notes receivable	531,530,154.03	-531,530,154.03			
Accounts receivable	1,238,285,603.95	-1,238,285,603.95			
Notes receivable and accounts receivable		1,769,815,757.98	1,769,815,757.98		1,769,815,757.98
Interest receivable	14,148,062.85	-14,148,062.85			
Dividends receivable					
Other receivables	123,425,502.13	14,148,062.85	137,573,564.98		137,573,564.98
Non-current assets due within one year				37,481,505.81	37,481,505.81
Current assets	8,417,140,843.74		8,417,140,843.74	921,505,064.46	9,338,645,908.20
Debt investment				20,863,013.67	20,863,013.67
Available-for-sale financial assets	188,129,341.41			-188,129,341.41	
Other debt investment					
Held-to-maturity investment	58,344,519.48			-58,344,519.48	
Non-current assets	5,685,632,683.94			-225,610,847.22	5,460,021,836.72
Total assets	14,102,773,527.68			695,894,217.24	14,798,667,744.92

Item	31 December 2017	Impact of changes in presentation format	Adjusted amount after presentation format changes	Impact of implementation of new accounting standards for business enterprises	1 January 2018
Notes payable	820,501,598.94	-820,501,598.94			
Accounts payable	1,465,330,454.31	-1,465,330,454.31			
Notes payable and accounts payable		2,285,832,053.25	2,285,832,053.25		2,285,832,053.25
Interest payable	61,862,938.69	-61,862,938.69			
Dividends payable	55.83	-55.83			
Other payables	276,121,409.06	61,862,994.52	337,984,403.58		337,984,403.58
Advance from customers	236,220,968.60			-236,220,968.60	
Contract liabilities				236,220,968.60	236,220,968.60
Current liabilities	7,747,678,120.64				7,747,678,120.64
Deferred tax liability	28,741,816.43			104,384,132.59	133,125,949.02
Surplus reserve	438,442,350.67			3,658,821.49	442,101,172.16
Retained earnings	1,273,219,846.84			507,215,011.34	1,780,434,858.18
Minority interests	641,677,082.15			80,636,251.82	722,313,333.97
Total shareholder's equity	5,438,982,478.06			591,510,084.65	6,030,492,562.71

Note: The above table only shows the financial statement line items affected, line items that were not affected have not been included.

② **Balance sheet (Parent company)**

Item	31 December 2017	Impact of changes in presentation format	Adjusted amount after presentation format changes	Impact of implementation of new accounting standards for business enterprises	1 January 2018
Trading financial assets				153,044,958.65	153,044,958.65
Notes receivable	246,333,654.83	-246,333,654.83			
Accounts receivable	1,196,344,093.78	-1,196,344,093.78			
Notes receivable and accounts receivable		1,442,677,748.61	1,442,677,748.61		1,442,677,748.61
Interest receivable	19,894,867.06	-19,894,867.06			
Dividends receivable	96,722,501.47	-96,722,501.47			
Other receivables	46,805,937.22	116,617,368.53	163,423,305.75		163,423,305.75
Non-current assets due within one year					
Current assets	6,652,457,565.84		6,652,457,565.84	153,044,958.65	6,805,502,524.49
Debt investment					
Available-for-sale financial assets	110,000,000.00			-110,000,000.00	
Other debt investment					
Held-to-maturity investment					
Non-current assets					
Total assets	12,195,949,631.97			43,044,958.65	12,238,994,590.62

Item	31 December 2017	Impact of changes in presentation format	Adjusted amount after presentation format changes	Impact of implementation of new accounting standards for business enterprises	1 January 2018
Notes payable	690,789,304.86	-690,789,304.86			
Accounts payable	1,055,260,515.38	-1,055,260,515.38			
Notes payable and accounts payable		1,746,049,820.24	1,746,049,820.24		1,746,049,820.24
Interest payable	53,352,451.24	-53,352,451.24			
Dividends payable					
Other payables	193,199,472.30	53,352,451.24	246,551,923.54		246,551,923.54
Advance from customers	175,265,170.24			-175,265,170.24	
Contract liabilities				175,265,170.24	175,265,170.24
Current liabilities	6,340,370,905.00		6,340,370,905.00		6,340,370,905.00
Deferred tax liability				6,456,743.80	6,456,743.80
Surplus reserve	363,949,066.84			3,658,821.49	367,607,888.33
Retained earnings	1,711,697,203.46			32,929,393.36	1,744,626,596.82
Minority interests					
Total shareholder's equity	5,066,289,316.25			36,588,214.85	5,102,877,531.10

③ **Income statement (Consolidated)**

Item	2017	Impact of changes in presentation format	Adjusted amount after presentation format changes
Administrative expenses	889,660,787.33	-386,339,439.17	503,321,348.16
Research and development expenses		386,339,439.17	386,339,439.17

④ **Income statement (Parent company)**

Item	2017	Impact of changes in presentation format	Adjusted amount after presentation format changes
Administrative expenses	565,068,252.96	-313,513,211.01	251,555,041.95
Research and development expenses		313,513,211.01	313,513,211.01

V. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Monetary funds

Item	Ending balance	Opening balance
Cash	**1,054,228.70**	814,564.53
Cash in bank	**1,493,280,584.24**	3,225,295,953.08
Other monetary funds	**55,510,528.24**	66,873,769.89
Total	**1,549,845,341.18**	3,292,984,287.50
Including: total deposits placed abroad	**91,002,872.56**	100,459,281.64

The details of the restricted monetary funds are as follows:

Item	Ending balance	Opening balance
Bank acceptance deposit	**33,196,283.29**	59,188,686.97
Other margin deposits	**10,068,971.93**	7,610,859.39
Statutory deposit reserve placed with the central bank	**226,992,255.72**	279,449,913.29
Total	**270,257,510.94**	346,249,459.65

Note 2. Notes receivable and accounts receivable

Item	Ending balance	Opening balance
Notes receivable	**523,719,132.77**	531,530,154.03
Accounts receivable	**405,771,306.07**	1,238,285,603.95
Total	**929,490,438.84**	1,769,815,757.98

(I) Notes receivable

1. Classification of notes receivable

Item	Ending balance	Opening balance
Bank acceptance bill	**488,765,857.28**	492,719,837.02
Commercial acceptance bill	**34,953,275.49**	38,810,317.01
Total	**523,719,132.77**	531,530,154.03

2. *Notes receivable pledged by the Company at the end of the period*

Item	Amount pledged at the end of the period
Bank acceptance bill	14,919,857.48
Total	14,919,857.48

3. *Notes receivable endorsed or discounted by the Company at the end of the period and not yet due as at the balance sheet date*

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bill	684,799,087.30	
Total	684,799,087.30	

4. *Notes that were transferred to accounts receivable by the Company at the end of the period because the drawer failed to perform contract*

Item	Amount transferred to accounts receivable at the end of the period
Bank acceptance bill	1,077,000.00
Total	1,077,000.00

Note: The notes transferred to accounts receivable as mentioned above have been fully received subsequent to the Reporting Period.

5. *Other explanation on notes receivable: N/A*

(II) Accounts receivable

1. Disclosure of accounts receivable by category

Category	**Ending Balance**				
	Book balance		**Provision for bad debt**		
	Amount	**Percentage** *(%)*	**Amount**	**Provision percentage** *(%)*	**Book value**
Accounts receivable for which anticipated credit losses were provisioned on a portfolio basis	**896,199,217.42**	**100.00**	**490,427,911.35**	**54.72**	**405,771,306.07**
Including: Aging portfolio	**843,277,315.54**	**94.09**	**474,560,442.71**	**56.28**	**368,716,872.83**
Risk exposure portfolio such as collateral	**52,921,901.88**	**5.91**	**15,867,468.64**	**29.98**	**37,054,433.24**
Total	**896,199,217.42**	**100.00**	**490,427,911.35**	**54.72**	**405,771,306.07**

Category	Opening Balance				
	Book balance		Provision for bad debt		
	Amount	Percentage *(%)*	Amount	Provision percentage *(%)*	Book value
Accounts receivable for which anticipated credit losses were provisioned on a portfolio basis	1,756,324,108.27	100.00	518,038,504.32	29.50	1,238,285,603.95
Including: Aging portfolio	799,979,303.48	45.55	146,804,376.05	18.35	653,174,927.43
Risk exposure portfolio such as collateral	956,344,804.79	54.45	371,234,128.27	38.82	585,110,676.52
Total	1,756,324,108.27	100.00	518,038,504.32	29.50	1,238,285,603.95

Note: The accounts receivable portfolio has been reclassified in accordance with accounting standards during the Reporting Period.

2. *Accounts receivable for which anticipated credit losses were provisioned on a portfolio basis*

(1) Aging portfolio

Aging	Book balance	Ending Balance Provision for bad debt	Provision percentage *(%)*
Within 1 year	**343,568,000.67**	**9,073,218.32**	**2.64**
1 to 2 years	**25,008,686.30**	**9,819,940.91**	**39.27**
2 to 3 years	**15,054,404.96**	**13,074,500.34**	**86.85**
Over 3 years	**459,646,223.61**	**442,592,783.14**	**96.29**
Total	**843,277,315.54**	**474,560,442.71**	**56.28**

(2) Risk exposure portfolio such as collateral

Name of portfolio	Ending balance	Provision for bad debt	Provision percentage *(%)*
Risk exposure portfolio such as collateral	**52,921,901.88**	**15,867,468.64**	**29.98**
Total	**52,921,901.88**	**15,867,468.64**	**29.98**

3. *Disclosure of accounts receivable by aging*

Aging	Book balance	Ending Balance Provision for bad debt	Provision percentage *(%)*
Within 1 year	**353,594,062.98**	**13,397,704.67**	**3.79**
1 to 2 years	**29,007,514.78**	**13,818,769.39**	**47.64**
2 to 3 years	**16,184,404.96**	**13,454,500.34**	**83.13**
Over 3 years	**497,413,234.70**	**449,756,936.95**	**90.42**
Total	**896,199,217.42**	**490,427,911.35**	**54.72**

4. *Provision for bad debts made, recovered or reversed in the current period*

Item	Opening balance	Changes in the current period Increase: Provision	Decrease: Recovered or returned	Decrease: Write off	Decrease: Other changes	Ending Balance
Accounts receivable for which anticipated credit losses were provisioned on a portfolio basis	518,038,504.32	-6,198,452.06	20,707,870.62	357,000.00	347,270.29	**490,427,911.35**
Including: Aging portfolio	146,804,376.05	328,113,511.05		357,000.00	444.39	**474,560,442.71**
Risk exposure portfolio such as collateral	371,234,128.27	-334,311,963.11	20,707,870.62		346,825.90	**15,867,468.64**
Total	518,038,504.32	-6,198,452.06	20,707,870.62	357,000.00	347,270.29	**490,427,911.35**

5. *Actual write-off of accounts receivable during the current period*

Item	**Amount of write-off**
Actual write-off of accounts receivable	357,000.00

The write-off of important accounts receivable is as follows:

Company	The nature of accounts receivable	Amount of write-off	Reason for write-off	Write-off procedures	Due to related party transactions
Weifang Mingguan Energy Saving Technology Co., Ltd.	Payment for goods	357,000.00	Noncollectable	Internal approval	No
Total		357,000.00			

6. *Top five entities with the largest balances of accounts receivable*

Company	Ending Balance	Percentage of ending balance of accounts receivable *(%)*	Provision for bad debt
Liaoning Dongsheng Machinery Equipment Co., Ltd.	**82,195,403.55**	**9.17**	**82,195,403.55**
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	**63,122,726.45**	**7.04**	**63,122,726.45**
Ningxia Boxin Hengtong Machinery Equipment Co., Ltd.	**62,915,435.42**	**7.02**	**62,915,435.42**
Weichai Power Co., Ltd.	**24,986,509.71**	**2.79**	**371,746.07**
Cuba TECNOIMPORT	**24,979,645.67**	**2.79**	**257,327.61**
Total	**258,199,720.80**	**28.81**	**208,862,639.10**

Note 3. Notes payable and accounts payable

Item	Ending balance	Opening balance
Notes payable	**958,616,789.34**	820,501,598.94
Accounts payable	**1,194,829,925.57**	1,465,330,454.31
Total	**2,153,446,714.91**	2,285,832,053.25

(I) Notes payable

Category	Ending balance	Opening balance
Bank acceptance bill	**929,393,127.79**	759,850,627.14
Commercial acceptance Bill	**29,223,661.55**	60,650,971.80
Total	**958,616,789.34**	820,501,598.94

The total amount of unpaid notes payable due at the end of the current period was RMB404,197.83.

(II) Accounts payable

Item	Ending balance	Opening balance
Purchase amount payable	**1,116,711,556.82**	1,353,217,785.45
Payable for Purchase of construction equipment	**65,193,459.38**	76,968,976.12
Service fee payable	**11,507,463.92**	21,953,786.89
Others	**1,417,445.45**	13,189,905.85
Total	**1,194,829,925.57**	1,465,330,454.31

1. *Important accounts payable aging over one year*

Company	Ending balance	Reason for outstanding or not carrying forward
Hong Kong LLAF INTERNATIONAL CO.,LTD	**9,036,166.87**	Unsettled
Total	**9,036,166.87**	

2. *Explanation on accounts payable: N/A*

Note 4. Retained earnings

Item	Amount	Percentage of appropriation or distribution *(%)*
Retained earnings at the end of last period before adjustment	1,273,219,846.84	–
Adjustment for retained earnings at the beginning of the period ("+" for add; "-"for less)	507,215,011.34	–
Retained earnings at the beginning of the period after adjustment	1,780,434,858.18	–
Add: net profit attributable to shareholders of the parent company for the current period	-1,300,108,773.92	–
Less: Statutory surplus reserve		
Discretionary surplus reserve		
Reserve fund		
Enterprise expansion fund		
Profit return for investments		
Employee benefits fund		
General risk reserves	-12,754,318.98	
Dividend payable on ordinary shares		
Ordinary shares dividends transferred to share capital		
Dividend on preferred shares		
Other distributions to shareholders		
Other profit distribution		
Add: Making up for losses with surplus reserve		
Changes carried forward upon remeasurement of net liabilities or net assets under defined benefit plan		
Other comprehensive income carried forward		
Others carried forward within shareholders' equity		
Retained earnings at the end of the period	493,080,403.24	

1. Explanation for adjustment of retained earnings at the beginning of the period

Due to the changes in accounting policy, the affected amount of retained earnings at the beginning of the period was RMB507,215,011.34.

2. Other explanation on retained earnings: N/A

Note 5. Income tax expenses

1. Income tax expenses

Item	**Amount for current period**	Amount for prior period
Current income tax expenses	**41,240,790.25**	28,571,204.59
Deferred income tax expense	**8,596,134.66**	-10,226,188.79
Other	**384,975.34**	
Total	**50,221,900.25**	18,345,015.80

2. Reconciliation between accounting profit and income tax expenses

Item	**Amount for current period**
Total profit	**-1,314,750,256.02**
Income tax expenses at statutory/applicable tax rates	**-328,687,564.01**
Effect of different tax rates applicable to subsidiaries	**99,719,408.36**
Effect of adjustment to income tax for prior period	**-292,318.50**
Effect of income not subject to tax	**-4,930,274.39**
Effect of non-deductible costs, expenses and losses	**1,379,896.35**
Effect of utilization of deductible losses for which no deferred income tax assets have been recognized during the prior period	**-1,169,957.93**
Effect of deductible temporary differences or deductible losses for which no deferred income tax assets have been recognized during the current period	**247,144,175.50**
Super deduction on research and development expenses	**-30,198,438.04**
Others	**67,256,972.91**
Income tax expenses	**50,221,900.25**

3. Other explanation on income tax expenses

Other items mainly include the release of deferred income tax assets recognized in respect of deductible loss for previous years of YTO France this year.

Note 6. Depreciation and amortization

Item	**Amount for current period**	Amount for prior period
Depreciation of fixed assets	**302,705,675.67**	296,868,124.82
Amortization of intangible assets	**31,468,203.82**	31,125,252.35
Total	**334,173,879.49**	327,993,377.17

Note 7. Net current assets

Item	Ending balance	Opening balance
Current assets	**7,532,432,255.80**	9,338,645,908.20
Less: Current liabilities	**7,183,179,930.34**	7,747,678,120.64
Net current assets	**349,252,325.46**	1,590,967,787.56

Note 8. Total assets minus current liabilities

Item	Ending balance	Opening balance
Total assets	**13,140,741,755.99**	14,798,667,744.92
Less: Current liabilities	**7,183,179,930.34**	7,747,678,120.64
Total assets minus current liabilities	**5,957,561,825.65**	7,050,989,624.28

Note 9. Return on net assets and earnings per share

Profit in Reporting Period	Weighted average rate of return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the shareholders of ordinary shares of the Company	**-27.9135**	-1.3188	-1.3188
Net profit attributable to the shareholders of ordinary shares of the Company (after deducting non-recurring gains and losses)	**-29.8356**	-1.4096	-1.4096

Note 10. Dividends

The Company did not pay dividends for the year.

THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

In 2018, the core enterprises in the agricultural machinery industry sold a total of 179,800 units of hi-powered and mid-powered tractors, representing a year-on-year decrease of 20.8% and only accounting for about 50% of that in 2013, due to the combined effect of various factors, such as the increase in social tractor ownership volume, decrease in operating income of users, prolonged investment payback period, and rising horsepower of products but reduction in total demand. As a core enterprise in the domestic tractor industry with a history of more than 60 years, First Tractor was also encountering the most challenging business situation since entry into the new century. Although the Company actively took measures by capturing the domestic and overseas markets externally, and internally promoting technology and manufacturing upgrades and implementing operational changes and facilitating internal resource integration, it still failed to reverse the unfavorable business situation. During the Reporting Period, sales of main products of the Company decreased significantly, achieving a total annual operating revenue of RMB5.682 billion, representing a year-on-year decrease of 22.78%; while the operating costs remained high, and the product profit margin dropped sharply. As a result, the Company's operating results in 2018 turned from profit to loss, and the net profit attributable to the shareholders of the listed company was a loss of RMB1.3 billion.

Tractor business

Tractor business. In response to the continuous sluggish market demand and the disordered competition in the tractor market, the Company adjusted marketing model to accelerate market response during the Reporting Period. In the domestic market, the Company was the first to make a service undertaking to provide "arrival within 6 hours" and "well-repaired within 12 hours" service to the industry according to market demand and endeavoured to improve service guarantee capabilities with an aim to enhance customer satisfaction with the "Dongfanghong" products. Meanwhile, the Company adopted product promotion measures in some regions according to market conditions. In the international market, the Company strengthened overseas marketing, international trade and project operation in key regional markets, and achieved breakthroughs in sales in key markets such as Ukraine and Kazakhstan, with a year-on-year growth of 107% and 41%, respectively. However, the above measures did not completely curb the decline in sales, the Company sold 37,740 units of hi-powered and mid-powered tractors during the Reporting Period, representing a year-on-year decrease of 21.8%, and realizing an operating revenue of RMB5.086 billion (before inter-segment elimination) from agricultural machinery and related components business, representing a year-on-year decrease of 22.6%.

Power machinery business

Power machinery business. Affected by the significant decline in the accessories of agricultural machinery market, the Company sold 80,590 units of diesel engines in 2018, representing a year-on-year decrease of 22.2%, and realizing an operating revenue of RMB1.299 billion (before inter-segment elimination), representing a year-on-year decrease of 27.7%. In the circumstance of severe decline in demand for accessories of agricultural machinery, the Company actively sought breakthroughs in segment markets and continuously developed the accessories of construction machinery and ship market. Meanwhile, through actively promoting the technology research and development and switch of National IV standard off-road products, the Company completed the overall unit development of 24 series of National IV standard tractors (including 56 models) in 2018, making full preparation for the switch of National IV standard.

Financial business

During the Reporting Period, in adherence to the operation philosophy of "relying on the group, serving members, operating steadily, and innovating development", YTO Finance fully leveraged the financial service function, and aggregated idle funds from the member units to form a "fund pool" with an aim to adjust the fund surplus and deficit between the units, strive to reduce the Company's capital costs and improve the Company's capital usage efficiency. The Company actively carried out financial leasing business to provide support for product sales. During the Reporting Period, the Company sold more than 1,000 units of tractors under the financial support.

Operation Plan for 2019

To strengthen and optimize the main business – tractor business. First, the Company will, in adherence to the market-oriented principle, actively carry out product innovation and development to produce more cost-effective products with higher quality. Second, the Company will focus on market development, solidify market awareness, and keep abreast of the market trend to enhance market response. In addition, the Company will strengthen marketing control and spare no pains to expand market sales. Third, the Company will enhance quality awareness and create a thick atmosphere of pursuing high-quality development in enterprise and among employees as well as for products. Additionally, the Company will strengthen the quality management by strictly carrying out supply chain management and production process control with a view to continuously improving product quality, thereby creating a brand image of the "Dongfanghong" tractors representing high quality. Further, the Company will continue to steadily promote the marketing of power-shift products and the research and development of variable transmission tractors, to consolidate the leading advantages on product technology.

To implement product upgrades for the diesel engine business. The Company will accelerate the upgrading and development of diesel engine products which are in line with the National IV emission standards, as well as the commercialization of National V standard products, in order to maintain its technological leadership and competitive advantages in market.

To extend its business chain and promote the implementation of complete solutions to develop the services to agricultural and rural engineering fields. With agricultural services as the core, and under the support of the intelligent management of agricultural machinery and e-commerce business, the Company will strive to improve user stickiness, develop precision agriculture, and gradually improve the service capacity along the whole agricultural industry chain. Further, the Company will push forward the commercial application of intelligent control technology, and explore and develop complete solutions with its own characteristics specific to smart agriculture.

To promote international operations and strive to increase international market share and competitiveness. First, the Company will deeply cultivate overseas market, carefully carry out demand and product research on target markets and subdivide target markets accordingly to grasp user needs and seek product solutions applicable to local agronomic features, thereby enhancing product competitiveness. Second, the Company will systematically plan the international operations by upholding the concept of long-term development, concentrate resources on key markets and improve key market layout, and strive to achieve breakthroughs in key markets. Third, the Company will proactively carry out foreign cooperation to open up more channels, link more resources and gather more power.

To reinforce management, strive to lay a solid foundation and prevent and control risks. In particular, the Company will enhance budget management and effectively control costs and expenses in order to reduce unnecessary expenses. In addition, the Company will vigorously reduce the percentage of accounts receivable and inventory in total assets to prevent capital risks. The Company will also firmly carry out the governance of loss-making enterprises and the disposal of low-efficiency assets, put existing resources to good use, so as to reduce operating costs and improve asset operation efficiency. Further, the Company will implement a more flexible and effective incentive mechanism to invigorate the operations at all levels.

Through the above measures, the Company will strive to turn losses into profits in 2019 and achieve sustainable and healthy development.

ANALYSIS OF FINANCIAL RESULTS

1. Analysis on Changes in Items of Income Statement and Cash Flows Statement

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of last year	Changes (%)
Operating revenue	**5,540,998,393.26**	7,219,310,386.11	-23.25
Operating costs	**5,098,425,607.81**	6,036,004,631.87	-15.53
Interest revenue	**138,092,137.95**	137,931,789.75	0.12
Interest costs	**12,455,994.16**	15,819,471.26	-21.26
Selling costs	**461,866,175.50**	436,011,715.40	5.93
Administrative expenses	**764,198,051.29**	503,321,348.16	51.83
Research and development expenses	**378,394,140.28**	386,339,439.17	-2.06
Finance costs	**105,047,052.79**	73,123,501.81	43.66
Asset impairment loss	**172,393,654.35**	42,454,747.85	306.06
Loss of credit impairment	**59,449,904.60**		N/A
Gain from change in fair value	**10,081,083.66**	-25,447,931.82	N/A
Investment income	**19,158,702.59**	156,910,636.73	-87.79
Income tax expenses	**50,221,900.25**	18,345,015.80	173.76
Net cash flow generated from operating activities	**-384,397,747.85**	-556,313,931.89	N/A
Net cash flow generated from investing activities	**-546,269,548.64**	-308,423,718.05	N/A
Net cash flow generated from financing activities	**-734,842,075.84**	918,985,309.04	-179.96

Operating revenue and operating costs: decreased by 23.25% and 15.53% as compared with the corresponding period of last year, respectively, mainly because the sales of main products of the Company decreased, raw material prices remained high, and the relatively smaller decrease in the Group's depreciation, amortization of intangible assets and other fixed expenses including maintenance costs, leading to the decrease in operating costs being lower than that of operating revenue.

Interest revenue and interest costs: during the Reporting Period, the Group's interest revenue was basically the same as that of the corresponding period of last year, while interest costs decreased by 21.26%, mainly due to the changes in the structure of deposits absorbed by YTO Finance and the resulting reduction in interest paid.

Asset impairment loss and loss of credit impairment: increased by RMB189 million or 446.10% as compared with the corresponding period of last year, mainly because affected by the downturn of the overall tractor market, the Company adopted price-off promotions, and made provision for inventory revaluation based on the difference between the net realizable value and the cost of the inventory, resulting in a significant increase in inventory impairment losses during the Reporting Period. In addition, in the lawsuit filed by the Company against Wuhan Guoyu Logistics Industry Group Co., Ltd. for its default on short-term financing bonds, the defendant currently has no executable property, such bonds were re-identified as creditor's rights categorized as loss which were fully provisioned for impairment at the end of the Reporting Period.

Gain from change in fair value: increased by RMB35.53 million as compared with the corresponding period of last year, mainly due to the appreciation of the US dollar against RMB during the Reporting Period, the revenue generated from the Group's lock exchange of US dollar loan and swap agreements increased significantly by RMB38.28 million year-on-year.

Investment income: decreased by 87.79% as compared with the corresponding period of last year, mainly due to the decrease in investment income from disposal of subsidiaries and financial assets during the Reporting Period as compared with last year.

Income tax expenses: increased by 173.76% as compared with the corresponding period of last year, mainly due to the release of deferred income tax assets recognized for the deductible losses for previous years of YTO France this year.

2. Operating Revenue

During the Reporting Period, the Company realized an operating revenue of RMB5,541 million, representing a decreased of 23.25% as compared with the corresponding period of last year, mainly due to the decreased sales volume of all kinds of products of the Company.

3. Costs

Cost analysis

By industry

Unit: Ten thousand Yuan Currency: RMB

By industry	**Cost items**	**Amount for the Reporting Period**	**Amount for the Reporting Period as a percentage of total costs** *(%)*	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs *(%)*	**Changes in the amount for the Reporting Period as compared with the corresponding period of last year** *(%)*
Equipment manufacturing industry	Material	**492,677**	**82.74**	609,017	84.48	**-19.10**
Equipment manufacturing industry	Labour	**40,330**	**6.77**	46,073	6.39	**-12.47**
Equipment manufacturing industry	Production costs	**62,429**	**10.48**	65,814	9.13	**-5.14**

By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Changes in the amount for the Reporting Period as compared with the corresponding period of last year (%)
Agricultural machinery	Material	**393,787**	**83.11**	476,000	84.75	**-17.27**
Agricultural machinery	Labour	**31,560**	**6.66**	34,518	6.14	**-8.57**
Agricultural machinery	Production costs	**48,469**	**10.23**	51,156	9.11	**-5.25**
Power machinery	Material	**98,205**	**81.22**	130,355	83.45	**-24.66**
Power machinery	Labour	**8,762**	**7.25**	11,469	7.34	**-23.60**
Power machinery	Production costs	**13,948**	**11.54**	14,390	9.21	**-3.07**
Other machinery	Material	**685**	**97.16**	2,662	88.26	**-74.27**
Other machinery	Labour	**8**	**1.13**	86	2.85	**-90.70**
Other machinery	Production costs	**12**	**1.70**	268	8.89	**-95.52**

Note: This table contains data before inter-segment elimination.

Explanation on other situations on cost analysis

Agricultural machinery: the decrease in the sales volume of hi-powered and mid-powered wheeled tractors being our main products resulted in a decrease in each cost component in 2018. In particular, due to the increase in the prices of main raw materials including raw iron and steel, the overall decline in material costs was lower than the decline in sales revenue. Labour and manufacturing costs were relatively rigid, thus the effect of staff reduction and efficiency improvement was difficult to be reflected in the current year, and meanwhile the decline in labour and manufacturing costs was far lower than the decline in sales revenue.

Power machinery: the decrease in the sales volume of power machinery products led to a decrease in material costs in 2018. Labour and manufacturing costs were relatively rigid, thus the effect of staff reduction and efficiency improvement was not reflected in the current year.

Other machinery: in response to the shrinking sales volume of other machinery in 2018, the Company transformed and restructured the segment, integrated its resources and substantially reduced staff, leading to a significant decrease in labour and manufacturing costs.

4. Expenses

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change *(%)*
Selling expenses	**461,866,175.50**	436,011,715.40	25,854,460.10	5.93
Administrative expenses	**764,198,051.29**	503,321,348.16	260,876,703.13	51.83
Research and development expenses	**378,394,140.28**	386,339,439.17	-7,945,298.89	-2.06
Finance expenses	**105,047,052.79**	73,123,501.81	31,923,550.98	43.66

During the Reporting Period, the Company's total expenses were RMB1,709.51 million, representing an increase of RMB310.71 million or approximately 22.21% as compared with the corresponding period of last year.

Selling expenses: increased by 5.93% as compared with the corresponding period of last year, mainly due to the increase in promotion and service costs as a result of the Company's enhanced product promotion and service to improve market sales.

Administrative expenses: increased by 51.83%, mainly due to the fact that in response to the decrease in market demands, the Company streamlined staff structure according to business needs and put more effort in staff diversion and reduction, resulting in a year-on-year increase of RMB219 million in the provision for termination benefits for the year.

Finance expenses: increased by 43.66%, mainly because relatively large exchange losses were generated from the Company's debts denominated in US dollar due to a significant appreciation of the exchange rate of US dollar against RMB during the Reporting Period.

5. Research and development investment

Research and development investment table

Unit: Yuan Currency: RMB

Research and development investment expensed during the Reporting Period	378,394,140.28
Research and development investment capitalized during the Reporting Period	0.00
Total research and development investment	378,394,140.28
Total research and development investment as a percentage of operating revenue *(%)*	6.83
Number of research and development personnel of the Company	1,350
Number of research and development personnel as a percentage of total staff of the Company *(%)*	15.9
Ratio of research and development investment capitalization *(%)*	0.00

Explanation:

During the Reporting Period, the Group's research and development expenses decreased by 2.06% as compared with the corresponding period of last year, while the total research and development investment as a percentage of the operating revenue increased by 1.48 percentage points, still maintaining a relatively large amount of research and development investment, which was mainly attributable to the research and development investment made by the Group in tractor and other products to improve core competitiveness of its products with an aim to facilitate business transformation and upgrading.

6. Cash Flow

Unit: Yuan   Currency: RMB

Items	**Amount for the Reporting Period**	Amount for the corresponding period of last year	**Change in amounts**	**Change** *(%)*
Net cash flow from operating activities	**-384,397,747.85**	-556,313,931.89	171,916,184.04	N/A
Net cash flow from investment activities	**-546,269,548.64**	-308,423,718.05	-237,845,830.59	N/A
Net cash flow from financing activities	**-734,842,075.84**	918,985,309.04	-1,653,827,384.88	-179.96

Net cash flow from operating activities: the outflow decreased by RMB171.92 million as compared with the corresponding period of last year, mainly due to the year-on-year increase in net flow generated from the Group's sales of goods during the Reporting Period.

Net cash flow from investment activities: the outflow increased by RMB237.85 million as compared with the corresponding period of last year, mainly because the Group used idle funds to invest in wealth management products and structured deposit, and the year-on-year increase in the outstanding amount at the end of the year.

Net cash flow from financing activities: the outflow increased by RMB1,653.83 million as compared with the corresponding period of last year, mainly due to the repayment of corporate bonds of RMB1.5 billion by the Group upon expiry during the Reporting Period.

ANALYSIS ON OPERATION BY INDUSTRY, PRODUCTS OR REGION

Principal Businesses by Industry, by Products and by Region

Unit: Ten thousand Yuan Currency: RMB

Principal businesses by industry

By industry	Operating revenue	Operating cost	Gross profit Margin *(%)*	Increase/ decrease in operating revenue as compared with last year *(%)*	Increase/ decrease in operating cost as compared with last year *(%)*	Increase/ decrease in gross profit margin as compared with last year
Equipment manufacturing industry	554,100	509,843	7.99	-23.25	-15.53	Decreased by 8.40 percentage points

Principal businesses by products

By products	Operating revenue	Operating cost	Gross profit margin *(%)*	Increase/ decrease in operating revenue as compared with last year *(%)*	Increase/ decrease in operating cost as compared with last year *(%)*	Increase/ decrease in gross profit margin as compared with last year
Agricultural machinery	508,600	473,816	6.84	-22.58	-15.64	Decreased by 7.66 percentage points
Power machinery	129,968	120,915	6.97	-27.65	-22.60	Decreased by 6.07 percentage points
Other machinery	1,125	705	37.35	-58.15	-76.64	Increased by 49.56 percentage points
Inter-segment elimination	-85,593	-85,593	/	/	/	/
Total	554,100	509,843	7.99	-23.25	-15.53	Decreased by 8.4 percentage points

Principal businesses by region

By region	Operating revenue	Operating cost	Gross profit Margin *(%)*	Increase/ decrease in operating revenue as compared with last year *(%)*	Increase/ decrease in operating cost as compared with last year *(%)*	Increase/ decrease in gross profit margin as compared with last year
In the PRC	486,874	454,043	6.74	-26.37	-17.90	Decreased by 9.61 percentage points
Outside the PRC	67,226	55,800	17.00	10.71	10.41	Increased by 0.23 percentage point

ANALYSIS ON ASSETS AND LIABILITIES

Unit: Yuan Currency: RMB

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Monetary funds	**1,549,845,341.18**	**11.79**	3,292,984,287.50	23.35	-52.93	The Company repaid corporate bonds of RMB1.5 billion during the Reporting Period
Lendings to banks and other financial institutions	**200,000,000.00**	**1.52**	0.00	0.00	N/A	YTO Finance's lendings to banks and other financial institutions at the end of the year
Financial assets at fair value through profit or loss	**0.00**	**0.00**	40,478,838.50	0.29	-100.00	Adjusted financial instrument classification according to the requirements of new Accounting Standards for Business Enterprises
Trading financial assets	**897,235,968.16**	**6.83**	0.00	0.00	N/A	Adjusted financial instrument classification according to the requirements of new Accounting Standards for Business Enterprises
Derivative financial assets	**578,743.73**	**0.00**	0.00	0.00	N/A	Due to the appreciation of the US dollar during the Reporting Period, the US dollar denominated loans were recognized as derivative financial assets according to lock exchange agreements

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets *(%)*	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets *(%)*	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year *(%)*	Explanation
Notes receivable and amounts receivable	**929,490,438.84**	**7.07**	1,769,815,757.98	12.55	-47.48	Reclassification of the accounts receivable which was due within more than one year as contractually agreed, in financial nature and collected in a deferred manner to the long-term receivables according to the requirements of new Accounting Standards for Business Enterprises
Advances to suppliers	**107,561,199.88**	**0.82**	233,704,609.47	1.66	-53.98	Decrease in prepayment for purchase during the Reporting Period
Other receivables	**65,741,038.66**	**0.50**	137,573,564.98	0.98	-52.21	Recovered certain amounts during the Reporting Period
Financial assets purchased with agreement for re-sale	**150,203,731.40**	**1.14**	80,207,776.70	0.57	87.27	Increase in financial assets purchased with agreement for re-sale of YTO Finance
Non-current assets due within one year	**184,159,312.46**	**1.40**	0.00	0.00	N/A	Reclassification
Available-for-sale financial assets	**0.00**	**0.00**	188,129,341.41	1.33	-100.00	Adjusted financial instrument classification according to the requirements of new Accounting Standards for Business Enterprises
Held-to-maturity investments	**0.00**	**0.00**	58,344,519.48	0.41	-100.00	Held-to-maturity investments due within one year were reclassified to non-current assets due within one year during the Reporting Period

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Long-term receivables	**280,985,073.83**	**2.14**	0.00	0.00	N/A	Recognition of the amounts which were due within more than one year as contractually agreed, in financial nature and collected in a deferred manner as long-term receivables during the Reporting Period
Receipts of deposits and deposits from other banks	**1,080,524,854.03**	**8.22**	780,195,528.74	5.53	38.49	Increase in receipts of deposits of YTO Finance during the Reporting Period as compared with corresponding period of last year
Loans from banks and other financial institutes	**0.00**	**0.00**	300,000,000.00	2.13	-100.00	Repayment of the loans from banks and other financial institutes for the prior period by YTO Finance
Taxes payable	**24,562,534.28**	**0.19**	17,361,319.90	0.12	41.48	Increase in income tax payable during the Reporting Period
Non-current liabilities due within one year	**76,664,479.21**	**0.58**	1,522,040,174.73	10.79	-94.96	During the Reporting Period, the Company repaid corporate bonds of RMB1.5 billion, while some long-term loans that were about to expire were reclassified to non-current liabilities due within one year
Other current liabilities	**196,139,042.20**	**1.49**	97,842,469.33	0.69	100.46	Increase in sales discount and sales and service fees recognized during the Reporting Period

Item	**Balance as at the end of the Reporting Period**	**Balance as at the end of the Reporting Period as a percentage of total assets** *(%)*	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets *(%)*	**Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year** *(%)*	**Explanation**
Long-term payables	**8,971,437.07**	**0.07**	0.00	0.00	N/A	Reclassification of interest-free loans to this item during the Reporting Period
Long-term employee salary payable	**119,715,885.28**	**0.91**	0.00	0.00	N/A	Reclassification of the termination benefits payable within over one year to this item during the Reporting Period
Short-term loans	**2,777,516,101.13**	**21.14**	2,033,879,689.22	14.42	36.56	Increase in short-term bank loans during the Reporting Period
Derivative financial liabilities	**2,727,592.84**	**0.02**	12,800,000.00	0.09	-78.69	Decrease in the derivative financial liabilities recognized for the swap and lock exchange agreements in relation to the US dollar loans of the Company due to the depreciation in the exchange rate of RMB against US dollar during the Reporting Period
Advance from customers	**0.00**	**0.00**	236,220,968.60	1.67	-100.00	Adjusted financial instrument classification according to the requirements of new Accounting Standards for Business Enterprises
Contract liabilities	**369,490,638.57**	**2.81**	0.00	0.00	N/A	Adjusted financial instrument classification according to the requirements of new Accounting Standards for Business Enterprises

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Employee salary payable	**189,486,846.96**	**1.44**	123,521,513.29	0.88	53.40	Increase in provision for termination benefits due to more effort on staff reduction
Estimated liabilities	**3,981,625.85**	**0.03**	13,699,471.42	0.10	-70.94	Repaid certain amounts
Deferred income tax liabilities	**130,983,510.46**	**1.00**	28,741,816.43	0.20	355.72	Gains on change in fair value were recognized for trading financial assets according to new standards, and related deferred income tax liabilities were accrued
General risk reserves	**0.00**	**0.00**	12,754,318.98	0.09	-100.00	YTO Finance released the general risk reserves during the Reporting Period
Retained earnings	**493,080,403.24**	**3.75**	1,273,219,846.84	9.03	-61.27	Due to loss incurred during the Reporting Period

(1) Key financial ratios

Items	As at the end of the Reporting Period	As at the beginning of the Reporting Period	Year-on-year change
Gearing ratio *(%)*	**64.57**	59.25	Increased by 5.32 percentage points
Current ratio	**1.05**	1.21	Decreased by 0.16
Quick ratio	**0.85**	1.05	Decreased by 0.20

Reasons for ratios change:

Mainly because the Group recorded losses during the Reporting Period, the decline in liabilities was less than the decline in assets, and the scale of net assets decreased, resulting in an increase in gearing ratio and a decrease in current ratio and quick ratio.

(2) Bank loans

Bank loans of the Group are mainly in the currency units of RMB, USD and Euro. As at the end of the Reporting Period, bank loans of the Group due within one year amounted to RMB2,837.52 million, of which loans in foreign currency amounted to RMB1,006.99 million (mainly consisting of loans denominated in USD); bank loans due over one year amounted to RMB868.47 million; and bank loans with fixed interest rate amounted to RMB1,179.05 million.

RESTRICTIONS ON MAIN ASSETS AS AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, the Group's cash and cash equivalents with restrictions on any rights amounted to RMB270,257,510.94, including guarantee letter deposits of RMB232,730.07, bank's acceptance bill deposits of RMB33,196,283.29, letter of credit deposits of RMB7,200,000.00, forward settlements on foreign exchange margin of RMB880,895.02, the central bank's legal deposit reserves of RMB226,992,255.72 and quality guarantee deposits of RMB1,755,346.84.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on any rights was RMB14,919,857.48, which was the amount of notes receivable pledged with the bank during the Reporting Period.

As at the end of the Reporting Period, the Group's original value of fixed assets and intangible assets with restrictions on any rights amounted to a total of RMB100,098,120.94, and the net value amounted to a total of RMB71,670,450.03, which were buildings and land mortgaged to the bank for short-term loans to the Group during the Reporting Period.

FOREIGN EXCHANGE RISK

The business of the Company is mainly situated in the PRC and most of the transactions are settled in RMB. However, as the Company has loans denominated in foreign currencies and its export transactions are settled in foreign currencies (mainly in USD, HKD, Euro, Japanese Yen, AUD, XOF and ZAR), exchange rate fluctuations may affect the operating results of the Company to a certain extent.

PRINCIPAL SOURCES AND USE OF FUNDS

The main sources of funds of the Company are receipts from product sales, bank borrowings and advance from customers. The funds were mainly used for the projects relating to operating and investment activities of the Company.

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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strictly abided by the principles and most code provisions under the "Corporate Governance Code" and "Corporate Governance Report" (the "**Code**") as set out in Appendix 14 to the Listing Rules of the Stock Exchange. The Company deviated from Code provision A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagement, Mr. Wu Tak Lung and Mr. Xing Min, then independent non-executive Directors and Ms. Yang Minli, a current independent non-executive Director and Mr. Li Hepeng, Mr. Xie Donggang and Mr. Li Kai, current non-executive Directors, did not attend the 2017 annual general meeting of the Company, A Shareholders' Class Meeting and H Shareholders' Class meeting all held on 29 May 2018; Mr. Xing Min and Mr. Wu Tak Lung, then independent non-executive Directors, Mr. Yu Zengbiao, a current independent non-executive Director, and Mr. Li Hepeng, a current non-executive Director, did not attend the special general meeting of the Company held on 28 August 2018; and Mr. Xing Min and Mr. Wu Tak Lung, then independent non-executive Directors, and Mr. Yu Zengbiao, a current independent non-executive Director, did not attend the special general meeting of the Company held on 29 October 2018. Other non-executive Directors and independent non-executive Directors had been present at the respective general meetings, A Shareholders' Class Meeting, H Shareholders' Class Meeting, and the Company has informed all Directors of the minutes of the general meeting, to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules of the Stock Exchange as its own code of conduct regarding securities transactions by the Directors. After making enquiries to, and as confirmed by all the Directors of the Company, Mr. Wu Tak Lung, a then independent non-executive Director of the Company, held 10,000 H Shares of the Company. During the Reporting Period, all the Directors of the Company had strictly complied with the code of conduct in relation to the securities transactions by the Directors under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FROM THE END OF THE REPORTING PERIOD TO THE DATE OF THIS ANNOUNCEMENT

On 3 March 2019, Mr. Zhao Yanshui resigned as the Chairman, an executive Director and the chairman of the Strategy and Investment Committee and a member of the Nomination Committee due to job allocation; Mr. Zhu Weijiang resigned as an executive Director, a member of the Strategy and Investment Committee and the General Manager of the Company due to job allocation; and Mr. Yao Weidong resigned as the Financial Controller of the Company due to job allocation. On 5 March 2019, the Company held the fourth meeting of the eighth session of the Board, at which the Company appointed Mr. Liu Jiguo as the General Manager of the Company and nominated each of Mr. Li Xiaoyu and Mr. Liu Jiguo as a candidate for an executive Director. Mr. Wu Yong, vice Chairman of the Company, shall perform the duties of chairman until a new chairman is elected by the Board of the Company. For details, please refer to the Announcement of First Tractor Company Limited in relation to the Resignation of the Chairman, the Announcement of First Tractor Company Limited in relation to the Resignation of Directors, General Manager and Financial Controller, Nomination of Candidates for Directors and Appointment of the General Manager and the Announcement of First Tractor Company Limited in relation to the Resolution of the Fourth Meeting of the Eighth Session of the Board all published by the Company on the website of the Shanghai Stock Exchange on 6 March 2019, and the Announcement in relation to the Resignation of the Chairman and an Executive Director, the Resignation of the General Manager and an Executive Director, the Resignation of Financial Controller, Appointment of the General Manager and Proposed Appointment of Executive Directors published by the Company on the website of the Stock Exchange on 5 March 2019.

DIVIDEND

The Company did not distribute dividends for the year. (2017: Nil)

OPERATION OF THE AUDIT COMMITTEE

During the Reporting Period, the Audit Committee under the Board convened five meetings, with all members attending all meetings and fully expressing their opinions. Details are set out below:

Session of meeting	Date	Resolutions	Results
First meeting in 2018	2018.1.17	1. Plan for preparation and disclosure of annual report of the Company in 2017 2. Plan for preparation of auditing of annual financial report of the Company in 2017 3. Work proposal for preparation of annual internal control evaluation of the Company in 2017	All were passed
Second meeting in 2018	2018.3.23	1. The annual report and audited financial report of the Company in 2017 2. The annual internal control evaluation report of the Company in 2017 3. Determination of auditor's remuneration in 2017 and recommendations on the appointment of the financial advisor and internal control auditor of the Company in 2018 4. The performance report of the Audit Committee under the Board in 2017	
Third meeting in 2018	2018.4.23	The first quarterly report of the Company in 2018	
Fourth meeting in 2018	2018.8.18	1. The interim report of the Company in 2018 2. The execution report on connected transactions of the Company for the first half of 2018 3. Resolution on continuing connected transactions of the Company from 2019 to 2021	
Fifth meeting in 2018	2018.10.24	1. Proposal for application of new accounting standards on refinement of impairment of certain financial instruments of the Company 2. The third quarterly report of the Company in 2018	

As at the date hereof, the Audit Committee under the eighth session of the Board of the Company has reviewed the financial report of the Company in 2018 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2018 in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

The auditor of the Company, Da Hua Certified Public Accountants (Special General Partnership), agreed with the figures in this preliminary announcement of the results of the Group for the year ended 31 December 2018, which are consistent with the amounts that will be contained in the 2018 Annual Report of the Company. The unqualified auditor's report will also be included in the 2018 Annual Report of the Company.

DEFINITIONS

Unless the context otherwise requires, the following terms should have the following meanings in the announcement:

agricultural machinery	means	various machinery used in the crop farming and animal husbandry, and the primary processing of agricultural and animal products
auditor	means	the financial report auditor appointed by the Company, Da Hua Certified Public Accountants (Special General Partnership), as the Company's auditor for the year of 2018
CBIRC	means	China Banking and Insurance Regulatory Commission
Company	means	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	means	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
CSRC	means	China Securities Regulatory Commission
diesel engine	means	internal combustion engine that uses diesel as fuel
Group	means	the Company and its controlled subsidiaries
H Shares	means	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars

hi-powered wheeled tractor	means	wheeled tractor with a power of 100 (inclusive) horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
Listing Rules of the Stock Exchange	means	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
low-powered wheeled tractor	means	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	means	wheeled tractor with a power of 25 (inclusive) to 100 horsepower power
power machinery	means	products including diesel engine and fuel injection pump
PRC	means	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
subsidiary	means	a subsidiary as defined under the Listing Rules of the Stock Exchange
YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Belarus Technology	means	YTO Belarus Technology Company Limited (一拖白俄技術有限公司), a wholly-owned subsidiary of the Company

YTO Finance	means	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company
YTO France	means	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company

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

Luoyang, the PRC
29 March 2019

As at the date of this announcement, the Board comprises Mr. Wu Yong (vice Chairman) as executive Director; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*