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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

FINANCIAL HIGHLIGHTS

Total operating revenue: RMB3,581,389,966.87

Net loss attributable to the shareholders of the Company: RMB144,979,881.65

Earnings per share attributable to the equity holders of the Company: RMB-0.1471

The board (the "**Board**") of directors (the "**Directors**") of the Company hereby announces the unaudited consolidated interim results of the Group prepared in accordance with the PRC Accounting Standards for Business Enterprises for the six months ended 30 June 2018 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2017 (unless otherwise stated, the figures stated by the Company are denominated in RMB). The consolidated interim financial statements herein are unaudited, but have been reviewed by the audit committee of the Company.

CONSOLIDATED BALANCE SHEET

As at 30 June 2018

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary Funds	1	2,386,981,353.66	3,292,984,287.50
Lendings to banks and other financial institutions		100,000,000.00	
Financial assets measured at fair value and its movement recorded through profit or loss		888,934,014.37	228,608,179.91
Derivative financial assets			
Notes receivable		303,479,657.48	531,530,154.03
Accounts receivable	2	1,403,463,319.54	1,238,285,603.95
Advances to suppliers		161,888,984.54	233,704,609.47
Interest receivable		9,803,082.09	14,148,062.85
Dividend receivable		11,000,000.00	
Other receivables		106,838,663.34	123,425,502.13
Buying back the sale of financial assets		150,438,466.94	80,207,776.70
Inventories		1,354,554,020.83	1,167,681,087.61
Assets classified as held for sale			
Non-current assets due within one year		71,503,076.20	
Other current assets		945,911,192.58	1,694,694,921.00
Total current assets		<u>7,894,795,831.57</u>	<u>8,605,270,185.15</u>

Item	<i>Note</i>	Ending balance	Beginning balance
Non-current assets:			
Loans and advances to customers		1,024,840,245.91	934,741,824.37
Financial assets available-for-sale			
Held-to-maturity investments		57,604,793.48	58,344,519.48
Long-term receivables		228,675,452.78	
Long-term equity investments		140,302,812.50	141,468,273.42
Investment properties			
Fixed assets		2,922,566,811.17	3,030,222,384.21
Construction in progress		380,608,379.56	290,749,376.91
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		846,769,727.76	859,721,089.66
Research and development expenses			
Goodwill			
Long-term deferred expenses		43,152,058.42	46,023,240.72
Deferred tax assets		133,038,401.58	136,232,633.76
Other non-current assets			
		<hr/>	<hr/>
Total non-current assets		5,777,558,683.16	5,497,503,342.53
		<hr/>	<hr/>
Total assets		13,672,354,514.73	14,102,773,527.68
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Item	<i>Note</i>	Ending balance	Beginning balance
Current liabilities:			
Short-term loans		2,340,917,357.13	2,033,879,689.22
Receipts of deposits and deposits from other banks		992,532,524.55	780,195,528.74
Loans from other banks			300,000,000.00
Financial liabilities measured at fair value and its movement recorded through profit and loss			
Derivative financial liabilities		5,000,000.00	12,800,000.00
Notes payable		1,149,942,885.00	820,501,598.94
Accounts payable	3	1,469,633,218.18	1,465,330,454.31
Advance from customers		171,355,695.30	236,220,968.60
Employee salary payable		119,170,290.68	123,521,513.29
Taxes payables		16,208,557.07	17,361,319.90
Interests payable		3,523,964.23	61,862,938.69
Dividends payable		55.83	55.83
Other payables		267,753,059.38	276,121,409.06
Liabilities classified as held for sale			
Non-current liabilities due within one year		41,884,479.21	1,522,040,174.73
Other current liabilities		67,833,609.20	97,842,469.33
Total current liabilities		<u>6,645,755,695.76</u>	<u>7,747,678,120.64</u>

Item	<i>Note</i>	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans		896,714,000.00	689,011,500.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Estimated Liabilities		3,321,156.24	13,699,471.42
Deferred income		181,059,307.06	184,660,141.13
Deferred tax liabilities		130,631,547.10	28,741,816.43
Other non-current liabilities			
Total non-current liabilities		<u>1,211,726,010.40</u>	<u>916,112,928.98</u>
Total liabilities		<u>7,857,481,706.16</u>	<u>8,663,791,049.62</u>
Shareholder's equity:			
Share capital		985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,099,632,613.11	2,099,632,613.11
Less: Treasury shares			
Other comprehensive income		-15,953,987.09	-16,268,084.50
Special reserves		3,818,987.05	3,674,350.81
Surplus reserves		441,137,555.75	438,442,350.67
General risk reserves		12,754,318.98	12,754,318.98
Retained earnings	4	1,581,053,891.20	1,273,219,846.84
Total equity attributable to shareholders of the parent company		5,108,293,379.00	4,797,305,395.91
Minority interests		706,579,429.57	641,677,082.15
Total shareholder's equity		<u>5,814,872,808.57</u>	<u>5,438,982,478.06</u>
Total liabilities and shareholder's equity		<u>13,672,354,514.73</u>	<u>14,102,773,527.68</u>

CONSOLIDATED INCOME STATEMENT

January–June 2018

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	Amount incurred in this period	Amount incurred in last period
1. Total operating revenue		3,581,389,966.87	4,264,741,651.34
Including: Operating revenue		3,509,417,965.49	4,203,320,225.06
Interest income		70,915,637.16	61,175,720.09
Fees and commission income		1,056,364.22	245,706.19
2. Total cost of operation		3,807,704,521.19	4,269,925,008.79
Including: Cost of operation		3,133,682,178.21	3,573,686,562.10
Interest expenses		6,683,589.47	6,034,067.26
Fees and commission expense		169,071.50	92,186.59
Taxes and surcharges		24,902,827.84	25,615,839.29
Selling expenses		175,281,716.18	206,587,590.03
Administrative expenses		381,802,661.39	419,869,185.88
Financial expenses		47,453,433.64	18,527,873.08
Loss on impairment of assets		37,729,042.96	19,511,704.56
Add: Gain arising from the changes in fair value		73,040,168.04	-7,613,860.79
Investment income		17,364,277.37	30,522,732.87
Including: income from investments in associates and joint ventures		-1,364,851.82	1,862,338.14
Asset disposal income		497,857.69	-391,959.48
Other benefits		14,201,314.07	20,126,291.58

Item	<i>Note</i>	Amount incurred in this period	Amount incurred in last period
3. Operating profit		-121,210,937.15	37,459,846.73
Add: Non-operating income		6,885,617.71	28,494,429.34
Less: Non-operating expenses		426,939.71	911,009.57
4. Total profit		-114,752,259.15	65,043,266.50
Less: Income tax expenses	5	38,202,470.13	30,325,382.12
5. Net profit		-152,954,729.28	34,717,884.38
Including: net profit achieved by the merger of the merged party before the merger under the same control			
(1) Classification according to the continuity of operation			
Continuous operating net profit		-152,954,729.28	34,717,884.38
Termination of net profit			
(2) Classification according to ownership			
Net profit attributable to shareholders of the parent company		-144,979,881.65	32,265,644.86
Non-controlling interests		-7,974,847.63	2,452,239.52
6. Net other comprehensive income after tax		341,720.81	4,356,757.06
Net other comprehensive income after tax attributable to owners of the parent company			
		314,097.41	3,856,638.79
(1) Other comprehensive income that cannot be reclassified to gains and losses 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 gains and losses under equity method			

Item	<i>Note</i>	Amount incurred in this period	Amount incurred in last period
(2) Other comprehensive income that will be subsequently reclassified to gains and losses		314,097.41	3,856,638.79
1. Share of other comprehensive income of investee that will be subsequently reclassified to gains and losses under equity method			
2. Gains and losses from changes in fair value of financial assets available-for-sale			1,817,712.65
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Effective part of hedging gains and losses from cash flows			
5. Converted difference in foreign currency statements		314,097.41	2,038,926.14
6. The income of a package deal dealing with the investment of the subsidiary company before the loss of control			
7. Conversion of non investment real estate to investment real estate measured with fair value model			
Net other comprehensive income after tax attributable to minority interests		27,623.40	500,118.27
7. Total comprehensive income		-152,613,008.47	39,074,641.44
Total comprehensive income attributable to shareholders of the parent company		-144,665,784.24	36,122,283.65
Total comprehensive income attributable to minority interests		-7,947,224.23	2,952,357.79
8. Earnings per share:			
(1) Basic earnings per share		-0.1471	0.0326
(2) Diluted earnings per share		-0.1471	0.0326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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 Jianshe Road, Luoyang, Henan Province, the People's Republic of China.

The Company is a company of manufacturing and sales of agricultural machinery and power machinery products. 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 Company believe that the immediate holding company is YTO Group Corporation and the ultimate holding company is China National Machinery Industry Corporation. Both are companies registered and established in China.

2. 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 "Hong Kong Companies Ordinance" and based on the accounting policies stated in the Note "4. Accounting policies".

3. Statement of compliance of Accounting Standards for Business Enterprises

The 2018 interim 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 30 June 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 Hongkong 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 Shareholders 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.

4. Accounting policies

(1) Accounting year

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

(2) 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.

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

(4) 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 occurred 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 Company 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 company 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 Company 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 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 counted into the profit and loss of 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.

(5) *Preparation of consolidated financial statements*

1. *Scope of the consolidation*

The consolidation scope of the Group includes all subsidiaries controlled.

2. *Consolidation procedures*

Based on the financial statements of their own and each subsidiary, the Company prepare the consolidated financial statements refer to other relevant information. The Company considers 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 policies. When the accounting policies adopted by the subsidiaries inconsistent with the Company, the necessary adjustment period according to the Company's accounting policies and accounting 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 opening balance of 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.

(6) 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 than 90% of the revenue of the Group is from the clients in China, and over than 90% of the assets 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.

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 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, entitled 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.

(7) *Changes in accounting policies*

In 2017, the Ministry of Finance announced the revised “Accounting Standards for Business Enterprises No. 14 – Revenue”. According to the implementation time of the new revenue standards, companies that are concurrently listed on domestic and foreign stock exchanges are required to adopt the abovementioned accounting standards with effect from 1 January 2018, and therefore the Company has implemented the new accounting standards according to the aforesaid requirements. The standards stipulated that the enterprises which first implement the standards shall, pursuant to the accrued amounts affected by the first implementation of the accounting standards, adjust the amount of retained earnings and other items of the financial statements for the year during which these accounting standards are first implemented, and no adjustment shall be made to the information in the comparable period. The changes in the accounting policies involve no restatement of comparative information and have no effects on the financial statements for 2017. The amount of retained earnings and other items of the financial statements for the beginning of 2018 has to be adjusted. Based on the estimation of the Company, the implementation of the new revenue standards has no significant effects on the recognition of the existing contract revenue of the Company and it is unnecessary for the Company to adjust the retained earnings at the beginning of the year.

In 2017, the Ministry of Finance announced the revised the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, the “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments”, pursuant to which, companies that are concurrently listed on domestic and foreign stock exchanges are required to adopt the abovementioned accounting standards with effect from 1 January 2018, and therefore the Company has implemented the new accounting standards according to the aforesaid requirements. The standards stipulated that from the implementation date when these standards took effect, enterprises shall perform classification and measurement of financial instruments in accordance with these accounting standards. If there are inconsistencies between the data of previous comparable financial statements and these accounting standards, no adjustments are required. For the discrepancy between the original nominal value of the financial instruments and the new nominal value of the financial instruments on the implementation date of these accounting standards, the retained earnings, other comprehensive income and other items of the financial statements for the beginning of 2018 shall be adjusted. The items originally included in financial assets available-for-sale of the Company were designated as financial assets at fair value through profit and loss. This accounting change increases the owner’s

equity at the beginning of the period by RMB528,370,789.42, amongst which, the surplus reserves at the beginning of the period were increased by RMB2,695,205.08, the undistributed profit at the beginning of the period was increased by RMB452,813,926.01, and the minority shareholders' equity was increased by RMB72,861,658.33. The net profit of the current period was increased by RMB54,715,068.22, of which: the net profit attributable to the parent company was increased by RMB47,494,396.14, the profit and loss of minority shareholders was increased by RMB7,220,672.08, and the cumulative impact of deferred income tax liabilities was increased by RMB102,897,504.29.

5. Notes to main items of consolidated financial statements

Note 1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	554,700.14	814,564.53
Bank deposits	2,298,031,588.61	3,225,295,953.08
Other monetary funds	88,395,064.91	66,873,769.89
Total	<u>2,386,981,353.66</u>	<u>3,292,984,287.50</u>
Including: total amount deposited abroad	<u>73,483,180.23</u>	<u>100,459,281.64</u>

The details of the restricted monetary funds are as follows:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance deposit	44,851,425.76	59,188,686.97
Other margin deposits	12,685,846.62	7,610,859.39
Deposit an investment		
Reserve the legal deposit reserve of the central bank	258,486,749.78	279,449,913.29
Total	<u>316,024,022.16</u>	<u>346,249,459.65</u>

Note 2. Accounts receivable

1. Disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	As at the end of the Reporting Period	As at the beginning of the Reporting Period
Book balance	1,909,281,729.43	1,756,324,108.27
Bad debt provision	505,818,409.89	518,038,504.32
Book value	<u>1,403,463,319.54</u>	<u>1,238,285,603.95</u>

2. Aging analysis of accounts receivable

Unit: Yuan Currency: RMB

Aging	Accounts receivable	Ending balance Provision for bad debt	Net book value
Within 1 year	1,310,889,001.27	37,101,561.18	1,273,787,440.09
1 to 2 years	34,018,038.75	14,378,950.72	19,639,088.03
2 to 3 years	97,495,132.31	30,098,259.19	67,396,873.12
Over 3 years	<u>466,879,557.10</u>	<u>424,239,638.80</u>	<u>42,639,918.30</u>
Total	<u>1,909,281,729.43</u>	<u>505,818,409.89</u>	<u>1,403,463,319.54</u>

Unit: Yuan Currency: RMB

Aging	Accounts receivable	Opening balance Provision for bad debt	Net book value
Within 1 year	1,064,473,612.54	41,297,821.75	1,023,175,790.79
1 to 2 years	37,497,622.63	11,202,953.05	26,294,669.58
2 to 3 years	199,787,962.58	52,836,429.98	146,951,532.60
Over 3 years	<u>454,564,910.52</u>	<u>412,701,299.54</u>	<u>41,863,610.98</u>
Total	<u>1,756,324,108.27</u>	<u>518,038,504.32</u>	<u>1,238,285,603.95</u>

Note 3. Accounts payable

1. Accounts payable by nature

	<i>Unit: Yuan Currency: RMB</i>	
Item	Ending balance	Opening balance
Purchase payment payable	1,344,527,509.16	1,353,217,785.45
Purchase of construction equipment payable	70,712,820.44	76,968,976.12
Service fee payable	20,463,519.42	21,953,786.89
Others	33,929,369.16	13,189,905.85
Total	<u>1,469,633,218.18</u>	<u>1,465,330,454.31</u>

2. Aging analysis of accounts payable

	<i>Unit: Yuan Currency: RMB</i>	
Item	Ending balance	Opening balance
Within 1 year	1,344,307,866.23	1,332,527,809.68
1 to 2 years	42,766,966.22	70,530,505.26
2 to 3 years	35,669,129.65	26,219,998.30
Over 3 years	46,889,256.08	36,052,141.07
Total	<u>1,469,633,218.18</u>	<u>1,465,330,454.31</u>

Note 4. Retained earnings

Item	Unit: Yuan Currency: RMB	
	This period	Last period
Ending balance of last period	1,273,219,846.84	1,289,413,464.37
Adjustment on beginning balance of retained earnings (increase expressed with +, and decrease expressed with -)	452,813,926.01	0.00
Adjusted opening balance of retained earnings of this period	1,726,033,772.85	1,289,413,464.37
Add: Net profit for the period attributable to shareholders of the parent company	-144,979,881.65	32,265,644.86
Less: Appropriation of statutory surplus reserve		
Appropriation of provision for general risk reserves		
Common stock dividends payable	0.00	56,193,450.00
Ending balance of this period	<u>1,581,053,891.20</u>	<u>1,265,485,659.23</u>

Note 5. Income tax expenses*Unit: Yuan Currency: RMB*

Item	Amount in this period	Amount in last period
Current income tax expenses	26,360,411.29	28,491,647.61
Deferred income tax expense	11,842,058.84	1,833,734.51
Total	<u>38,202,470.13</u>	<u>30,325,382.12</u>

As jointly approved by the Science and Technology Department and the Finance Department of Henan Province, the State Administration of Taxation and the local tax bureau, the Company and its subsidiaries, YTO (Luoyang) Diesel Engine Co., Ltd., Luoyang Tractors Research Institute Company Limited, Luoyang Xiyuan Vehicles and Power Inspection Institute Co., Ltd. and YTO (Luoyang) Flag Auto-body Company Limited are entitled to the 15% income tax rate for new and high tech enterprises according to the stipulations of Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

Note 6. Net current assets*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Current assets	7,894,795,831.57	8,605,270,185.15
Less: current liabilities	6,645,755,695.76	7,747,678,120.64
Net current assets	<u>1,249,040,135.81</u>	<u>857,592,064.51</u>

Note 7. Total assets minus current liabilities*Unit: Yuan Currency: RMB*

Item	Ending balance	Opening balance
Total assets	13,672,354,514.73	14,102,773,527.68
Less: current liabilities	6,645,755,695.76	7,747,678,120.64
Total assets minus current liabilities	<u>7,026,598,818.97</u>	<u>6,355,095,407.04</u>

Note 8. Segment information

Reporting segment for the period of January–June 2018 (Unit: RMB '000)

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	3,279,924	738,155	4,370	92,955	-534,014	3,581,390
Including: External transaction revenue	3,095,613	409,541	4,264	71,972	0	3,581,390
Revenue between segments	184,311	328,614	106	20,983	-534,014	0
Depreciation and amortization fee	149,323	26,501	741	428	0	176,993
Total profit (loss)	-186,042	9,593	-441	50,181	11,957	-114,752
Total assets	10,658,970	2,574,421	56,936	4,396,193	-4,014,165	13,672,355
Total liabilities	7,173,254	828,526	359,833	3,557,467	-4,061,598	7,857,482
Other important non-cash items	0	0	0	0	0	0
(1) Non-cash expenses other than depreciation and amortization	16,325	6,046	125	227	0	22,723
(2) Capital expenditure	116,775	34,032	0	68	0	150,875

Reporting segment for the period of January–June 2017 (Unit: RMB '000)

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	3,779,434	1,064,733	14,850	78,132	-672,407	4,264,742
Including: External transaction revenue	3,506,666	684,477	12,178	61,421	0	4,264,742
Revenue between segments	272,768	380,256	2,672	16,711	-672,407	0
Depreciation and amortization fee	164,103	6,094	1,355	431	0	171,983
Total profit (loss)	-33,292	57,616	-4,639	46,946	-1,588	65,043
Total assets	10,244,660	2,170,434	104,855	4,602,268	-4,549,243	12,572,974
Total liabilities	6,554,963	823,045	466,221	3,837,445	-4,578,008	7,103,666
Other important non-cash items	0	0	0	0	0	0
(1) Non-cash expenses other than depreciation and amortization	22,312	6,311	241	0	0	28,864
(2) Capital expenditure	167,993	11,944	753	85	0	180,775

Note 9. Net asset returns 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 ordinary shareholders of the Company	-2.80	-0.1471	-0.1471
Net profit attributable to the ordinary shareholders of the Company (after deducting extraordinary gains or losses)	<u>-4.47</u>	<u>-0.2347</u>	<u>-0.2347</u>

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

In the first half of 2018, due to the combined effects of the insufficient demand for traditional products market, the decreased revenue from grain production and operation, the insufficient purchasing power of users as well as other factors, the domestic tractor market sustained the downward momentum in last year. The key enterprises in the industry sold 112,000 units of hi-powered and mid-powered tractors, representing a year-on-year decrease of 22.6%. As impacted by the in-depth adjustment within the industry, the products sales of the Company declined noticeably. In the first half of the year, the Company realized total operating revenue of RMB3,581 million, with a year-on-year decrease of 16.02%, and net profit attributable to shareholders of the Company of RMB-145 million, turning profits into losses.

Facing the severe downward trend in the market and the challenges in operation, the Company, based on its existing production and operation conditions, devoted great efforts on product improvement and internal mechanism reform, gave full play to its marketing platform advantages and accelerated its response to the market changes, so as to capture market opportunities and secure and consolidate its market advantages. Meanwhile, the Company continue to advance transformation and upgrading and increased efforts in research and development and innovation to steadily facilitate the development of intelligent agricultural machinery and enhance its intellectual manufacturing capacity, thereby boosting the momentum for its future development.

(I) Dedicated to coping with the persisting downwardness in the market

For the domestic market, leveraging the competitiveness of products, the Company adopted comprehensive measures from the aspect of product mix, competition strategies, guarantees on collaborative services and means of financial supports and put forth synergic strength in respect of procurement, production, sale, spare parts supply, financial services and other systems. In addition, the Company sold 23,200 units of hi-powered and mid-powered wheeled tractors, with a year-on-year decrease of 13.4% and 9.2 percentage points lower than the level of the industry. Its market share expanded 2.2 percentage points year-on-year, maintaining its leadership in the industry. Meanwhile, thanks to the Company's effective comprehension of the changes in market demand with "structural adjustment and increased demand for high power tractors" and brought into play the technical advantages, it achieved a year-on-year increase of 7.7 times in sales volume of hi-powered wheeled tractors with horsepower of 160 and above, of which new products contributed a proportion of more than 90%.

For the international market, with the advancing of the systematic construction of overseas services, certain progress was made in the exploration of overseas projects. In particular, the spare parts center in Cuba and the business office in Cambodia were put into operation; significant growth was seen in sales of products in countries such as Cambodia and Thailand; breakthroughs were achieved in Ukraine and other key markets; and sales channels and network in the countries and markets covered by the "Belt & Road" Initiative were constantly improved. As a result, the export volume of the Company increased by 8.9% year-on-year in the first half of 2018.

(II) Bolstering the future development of the enterprises through research, development and innovation

Focusing on renovating product and manufacturing technologies, the Company consistently carried forward such key research and development projects as the upgrade of new generation power-shift tractors, the variable transmission tractors, and heavy-duty tractors with horsepower of 300 and above; the supporting high-pressure common-rail diesel engines were ready for bulk supply; the intelligent manufacturing and assembly line of off-road diesel engines in line with the National IV emission standards was completed and put into operation, thus providing guarantee for the commercialization of National IV standards products; and the research and development of new generation of National V standards engines was progressing steadily.

The Eastern European R&D center located at the Sino-Belarusian industrial park in the Republic of Belarus has commenced full operation, signifying a significant step towards the Company's branching out into the markets covered by "Belt & Road" Initiative and the pursuit of international production capacity cooperation; the batch sale of products equipped with Beidou intelligent terminals manifested the positive progress made in respect of the innovation and development of intelligent agricultural machinery.

(III) Improving the operating efficiency of value chain and furthering the quality and efficiency enhancement

In adherence to the gist of underlining businesses and strengthening functional supports, the Company made adjustments to the internal organizational structure and the model of management and control and spurred the effective synergy of R&D, manufacturing, marketing and other aspects, which provided organizational guarantee for the coordinated development of old and new businesses. The Company continued to intensify management over loss-making enterprises and disposal of inefficient and inefficacious assets to prevent certain loss-making businesses from eroding the profits of the Company. In the first half of the year, the Company completed the preparatory work for transfer of its equity in YTO (Luoyang) Transportation Machinery Co., Ltd. and commenced the preliminary quotation and transfer procedures in August. Management and disposal of certain subsidiaries with unsatisfactory business performance were also underway on an ongoing basis. In addition, during the Reporting Period, the Company continued to devote efforts to the optimization of cost, recovery of accounts receivable and other aspects and achievements in this regard turned out to be productive.

Thanks to such measures adopted in the first half, the Company maintained the competitiveness of core businesses in the industry and recorded increase in the market share of the hi-powered and mid-powered wheeled tractors. Nonetheless, due to the decrease in sales of the main products and the high prices of raw materials, the profit of the Company declined significantly and the Company turned profits into losses.

In the second half of 2018, the domestic agricultural machinery industry will still be subject to in-depth adjustment. Due to various factors interwoven, it is still difficult to keep optimistic about the market conditions. Facing the severe market conditions and under the background that the state attaches great importance to the development of agriculture, rural areas and farmers, the Company will deeply understand the trend in the changes of the industry. While carrying out the production and operation for the period, it will focus on the national strategy on the revitalization of rural areas and the development trend of intelligent agriculture and deepen the adjustment and upgrading of industrial layout.

Firstly, the Company will concentrate on market exploration. It will strive to achieve continuous and stable expansion in the domestic tractors market. For the diesel business, it will stabilize and consolidate the supporting market for agricultural machinery and proactively boost the engineering machinery and other supporting markets. For whole-set businesses, it will strive to make remarkable breakthroughs and results based on the development of intelligent agricultural machinery platforms. In the international market, based on the breakthroughs made in certain key markets last year, it will further integrate and optimize existing distributors, perfect sales channels and network layout, consolidate the foundation of key overseas markets and give play to the leading roles in promoting regional development.

Secondly, the Company will continue to push on resource integration. It will reinforce the disposal of inefficient assets and loss-making businesses, reduce the adverse effects on the operation of the Company and boost the asset operation efficiency and results; focus on diversifying the product mix, provide whole-set solutions, expand business space, vigorously conduct external cooperation and consolidate social resources.

Thirdly, the Company will concentrate on technology innovation and products upgrading and further boost the research, manufacturing and demonstration application of high-end agricultural equipment and the upgrading of manufacturing technologies. It will carry out the development of series of power-shift products and the design and development of the drive system for heavy-duty tractors with horsepower of 300 and above and speed up in the development of diesel engine products in line with the National IV and V standards and the key technologies therefor to be fully prepared for the upgrading of the National IV standards; further enhance the integration and sharing of the information system to continuously elevate the intelligent manufacturing of the Company. Meanwhile, it will constantly advance the establishment of intelligent agricultural platforms and optimize the platform functions to achieve the rapid development of platforms and promote the transformation and upgrading with big data services.

Meanwhile, the Company will reinforce the monitoring on internal control, intensify the implementation of systems and procedures, conduct risk management and control on investment, guarantee, capital, contract, trade and other key processes, actively deal with the trough period of the industry with stable and aggressive operation strategies and strive to achieve the sound and stable development of the Company.

ANALYSIS ON PRINCIPAL BUSINESS

1 Analysis on Changes in Items of the Income Statement and the Cash Flow Statement

Unit: Yuan Currency: RMB

Items	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	3,509,417,965.49	4,203,320,225.06	-16.51
Operating costs	3,133,682,178.21	3,573,686,562.10	-12.31
Selling costs	175,281,716.18	206,587,590.03	-15.15
Administrative expenses	381,802,661.39	419,869,185.88	-9.07
Finance costs	47,453,433.64	18,527,873.08	156.12
Net cash flows from operating activities	-482,419,228.94	-949,254,026.96	N/A
Net cash flows from investing activities	703,192,493.85	465,510,144.17	51.06
Net cash flows from financing activities	-1,096,389,779.89	-162,444,702.34	N/A
Research and development expenses	161,671,225.12	191,086,806.70	-15.39
Loss in asset impairment	37,729,042.96	19,511,704.56	93.37
Gain from change in fair value	73,040,168.04	-7,613,860.79	N/A
Investment income	17,364,277.37	30,522,732.87	-43.11
Non-operating income	6,885,617.71	28,494,429.34	-75.84

The year-on-year decrease in operating revenue was mainly due to the decline in sales of products of the Company during the current period.

The year-on-year decrease in operating cost was mainly due to the decrease in procurement and other costs as a result of the decline in production and sales volume of our products during the current period.

The year-on-year decrease in selling costs was mainly due to the decline in sales of products and the corresponding reduction of selling costs and the enhanced costs control of the Company during the current period.

The year-on-year decrease in administrative expenses was mainly due to the enhanced costs control during the current period.

The year-on-year increase in finance cost was mainly due to the increase in long and short term borrowings of the Company and the year-on-year increase in exchange loss as a result of the changes in exchange rates at different time points during the current period.

The year-on-year increase in net cash flows from operating activities was mainly due to the decrease in cash paid for procurement as compared with the corresponding period of last year as a result of the decline in sales of products and the corresponding reduction of production during the current period.

The year-on-year increase in net cash flows from investing activities was mainly due to the redemption of wealth management products and other investments as compared with the corresponding period during the current period.

The year-on-year decrease in net cash flows from financing activities was mainly due to the the Company's repayment of corporate bonds amounting to RMB1.5 billion and the increase in bank loans as compared with the corresponding period of last year during the current period.

The year-on-year decrease in research and development expenses was mainly due to the completion of certain research and development projects last year and the decrease in research and development expenses during the current period.

The year-on-year increase in asset impairment loss was mainly due to the increase in the provision for inventory depreciation as compared with the corresponding period of last year as a result of the increase in inventories at the end of the current period as compared with the end of the previous period.

The year-on-year increase in gain from changes in fair value was mainly due to the increase in value of foreign exchange swap settlement contracts of the Company and the classification of equity interest in Bank of Luoyang and BOL Financial Leasing Co., Ltd held by the Company as financial assets for recognition of revenue based on the new standards during the current period.

The year-on-year decrease in investment income was mainly due to the year-on-year decrease in dividends, income from disposal of financial assets and income from associates received during the current period.

The year-on-year decrease in non-operating income was mainly due to the write-off of unpayable dues in the corresponding period of last year.

ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and Liabilities Situation

Unit: Yuan Currency: RMB

Items	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
Lendings to banks and other financial institutions	100,000,000.00	0.73	0.00	0.00	N/A	Lendings to banks and other financial institutions made by YTO Finance during the Reporting Period
Financial assets measured at fair value and its movement recorded through profit and loss	888,934,014.37	6.50	228,608,179.91	1.62	288.85	Adjustment to the classification of financial instruments made in accordance with the New Standards
Notes receivable	303,479,657.48	2.22	531,530,154.03	3.77	-42.90	Decrease in receipts from product sales resulting from sales decline
Advances to suppliers	161,888,984.54	1.18	233,704,609.47	1.66	-30.73	Decrease in purchasing prepayment during the Reporting Period
Interests receivable	9,803,082.09	0.07	14,148,062.85	0.10	-30.71	Decrease in interests to be received by YTO Finance
Dividends receivable	11,000,000.00	0.08	0.00	0.00	N/A	Receipt of dividends from Luoyin Leasing during the Reporting Period

Items	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
Financial assets purchased with agreement to re-sale	150,438,466.94	1.10	80,207,776.70	0.57	87.56	Increase in financial assets purchased with agreement to re-sale of YTO Finance
Non-current assets due within one year	71,503,076.20	0.52	0.00	0.00	N/A	Long-term receivable due within one year
Other current assets	945,911,192.58	6.92	1,694,694,921.00	12.02	-44.18	Decrease in purchase of wealth management products with temporarily idle funds during the Reporting Period
Long-term receivables	228,675,452.78	1.67	0.00	0.00	N/A	Receivables from sale of goods with financing nature
Construction in progress	380,608,379.56	2.78	290,749,376.91	2.06	30.91	Increase in investment in construction in progress during the Reporting Period
Loans from other banks	0.00	0.00	300,000,000.00	2.13	-100.00	Repayment of loans from other banks by Finance Company during the Reporting Period
Derivative financial liabilities	5,000,000.00	0.04	12,800,000.00	0.09	-60.94	Decrease in liabilities recognised from foreign exchange swap settlement at the end of the contract term as a result of the rise of exchange rate of USD.
Notes payable	1,149,942,885.00	8.41	820,501,598.94	5.82	40.15	Increase in acceptance notes settled during the Reporting Period

Items	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
Interests payable	3,523,964.23	0.03	61,862,938.69	0.44	-94.30	Payment of interests for corporate bonds during the Reporting Period
Non-current liabilities due within one year	41,884,479.21	0.31	1,522,040,174.73	10.79	-97.25	Repayment of corporate bonds during the Reporting Period
Other current liabilities	67,833,609.20	0.50	97,842,469.33	0.69	-30.67	Decrease in accrued expenses during the Reporting Period
Long-term loans	896,714,000.00	6.56	689,011,500.00	4.89	30.14	Additional long-term loans obtained during the Reporting Period
Estimated liabilities	3,321,156.24	0.02	13,699,471.42	0.10	-75.76	Repayment of part of external accounts payable upon signing of the debt restructuring agreement with the counterparty as to the external accounts payable
Deferred tax liabilities	130,631,547.10	0.96	28,741,816.43	0.20	354.50	Gain on changes in fair value of financial assets recognized as per New Standards and provision made for relevant deferred income tax liabilities

2. Restrictions on the Key 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 RMB316,024,022.16, comprising Central Bank of China statutory deposited funds of RMB258,486,749.78, bank's acceptance bill deposits of RMB44,851,425.76, letter of credit deposits of RMB1,394,680.41, guarantee letter deposits of RMB10,727,223.00, forward settlements on foreign exchange margin of RMB529,068.11 and litigation security deposits of RMB34,875.10.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on any rights amounted to RMB52,722,467.69, which was the amount of notes receivable pledged in the banks 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 RMB74,547,343.20, which were buildings and lands mortgaged to the banks for short-term loans to the Group.

3. Other Explanation

(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 (%)	57.47	61.43	Decreased by 3.96 percentage points
Current ratio	1.19	1.11	Increased by 0.08
Quick ratio	0.98	0.96	Increased by 0.02

(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 RMB2,370,917,400, of which loans in foreign currency amounted to RMB671,917,400 (mainly denominated in USD); bank loans due over one year amounted to RMB896,714,000, of which loans in foreign currency amounted to RMB76,714,000 (mainly denominated in Euro). Bank loans with fixed interest rate amounted to RMB1,549,000,000. The Company has good bank credit rating and financing ability in the PRC and overseas.

(3) 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.

OVERVIEW OF THE BUSINESS OF THE COMPANY

1. Explanation on the Principal Businesses, Operation Modes and Industry of the Company during the Reporting Period

The Group aims to provide agricultural equipment with advanced technology and reliable quality for agricultural mechanization in the PRC. The current principal business segments of the Company include agricultural machinery business, power machinery business and finance business. In particular, the agricultural machinery business includes research and development, manufacturing and sales of full series of wheeled and crawler farming tractors and their key components including castings, gears, gear boxes and covering parts. The leading products of power machinery business are off-road diesel engines, and their parts including fuel injection pump and fuel injector, and are mainly supporting off-road machinery, such as tractors and harvesters. YTO Finance, a controlled subsidiary of the Company, is principally engaged in the business of funds settlement, financing and other financial services. The Company possesses leading industrial technology research and development and independent innovation capacity in the PRC, and the most comprehensive production and manufacturing system for tractors in the PRC. The domestic marketing network of the Company is extensive, covering 31 provinces, autonomous regions and municipalities. The hi-powered and mid-powered tractors and off-road diesel engines of the Company maintain the leading positions in the industry.

During the Reporting Period, there was no alteration to the principal businesses and operation modes of the Group.

2. Explanation on Material Changes in the Key Assets of the Company during the Reporting Period

As at the end of the Reporting Period, the total assets of the Company amounted to RMB13,672.35 million, of which assets outside the PRC was RMB402.27 million, accounting for 2.94% of the total assets.

The original value of construction in progress amounted to approximately RMB397.14 million, representing an increase of RMB90.02 million as compared with that as at the end of 2017, mainly due to the continuous advancement of the project of new model application of intelligent manufacturing of new wheeled tractor. Investment in the project aimed at constructing the first large-scale intelligent manufacturing factory of agricultural machinery in the PRC and levelling up the intelligent manufacturing standards of agricultural machinery of the Company.

The closing balance of financial assets at fair value through profit or loss amounted to RMB888.93 million, representing an increase of RMB660.32 million as compared with that as at the end of 2017, which was mainly due the fact that, in March 2017, the Ministry of Finance revised and issued the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and required companies listed on both domestic and overseas stock exchanges to apply the aforesaid accounting standards on 1 January 2018. In the preceding periods, investments of the Company in Luoyin Financial Leasing Co., Ltd. and Bank of Luoyang Co., Ltd. were both accounted for under financial assets available for sale, whereas, during the Reporting Period, the two investments were classified into financial assets at fair value through profit or loss after judgment on the business modes made by the Company in accordance with the requirements under the aforesaid accounting standards.

3. Analysis of Core Competitiveness during the Reporting Period

During the Reporting Period, there was no change in the core competitiveness of the Company.

ANALYSIS ON THE KEY SUBSIDIARIES

1. Information on the Key Subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered capital (RMB0'000)	Principal business	As at 30 June 2018		Realized during the Reporting Period	
			Total assets (RMB0'000)	Net assets (RMB0'000)	Operating revenue (RMB0'000)	Net profit (RMB0'000)
YTO Finance	50,000	Provision of financial services	445,389	84,236	9,296	3,764
YTO Diesel Engine	USD16 million	Manufacturing and sales of engines	197,570	139,436	53,813	950
Jiangyan Power Company	20,000	Manufacturing and sales of multi-bore small size diesel engines and castings	45,608	24,600	20,243	77
YTO Fuel Injection Pump	16,192	Manufacturing and sales of products including fuel injector and fuel injection pump of diesel engines	21,790	18,484	3,528	-1,170
Tractors Research Company	44,500	Research and development of tractor products	76,761	67,160	10,568	-56
YTO International Trade	6,600	International sales of agricultural machinery	66,976	3,104	28,630	-1,222
YTO France	Euro22.60 million	Manufacturing and sales of agricultural machinery components	28,603	16,245	5,406	-2,041
YTO Foundry	24,883	Processing and sales of rough and semi-finished products and finished products of castings and forging products	33,360	25,801	14,285	440
Changtuo Company	28,200	Manufacturing and sales of agricultural machineries and spare parts	15,036	1,463	0	-1,014
YTO Shentong	5,300	Manufacturing and sales of mining trucks and other agricultural machinery products	2,685	-29,109	257	164
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	93,942	-57,866	206,636	-23,182

2. Acquisition and Disposal of the Subsidiaries during the Reporting Period

During the Reporting Period, the Company did not acquire or dispose of any subsidiary.

3. The Subsidiaries Contributing more than 10% to the Net Profit of the Company

Unit: 0'000 Yuan Currency: RMB

No.	Name of company	Operating revenue during the Reporting Period	Operating profit during the Reporting Period	Net profit during the Reporting Period
1	YTO Finance	9,296	5,018	3,764
2	YTO France	5,406	-2,041	-2,041
3	Changxing Company	206,636	-22,615	-23,182

4. Explanation on the Key Subsidiaries with obvious changes in their operating businesses:

YTO Diesel Engine: As affected by the decrease in sales volume in the whole machines markets including tractors and harvesters, the sales volume of diesel engine products declined and the net profit decreased year on year.

Changxing Company: During the Reporting Period, the sales volume of hi-powered and mid-powered wheeled tractors slid, resulting in a year-on-year decrease in operating revenue and a year-on-year increase in net loss.

YTO France: During the Reporting Period, owing to the substantial decrease in production and continuing occurrence of fixed cost, gross profit margin dropped dramatically and loss increased year on year.

Tractors Research Company: During the Reporting Period, due to the decrease in income, net profit slumped year on year.

PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

Payment of any interim dividend for the six months ended 30 June 2018 was not recommended (2017: Nil).

THE GROUP'S STAFF, REMUNERATION POLICY AND TRAINING

As at 30 June 2018, the Group had 9,986 employees. During the Reporting Period, the total remuneration paid to employees of the Group was approximately RMB555,30 million.

During the Reporting Period, the Group implemented a basic salary system to determine remuneration mainly based on staff position, and with reference to work performance, competence and other basis, and paid remuneration in a timely manner.

During the Reporting Period, the Group planned multi-tier and cross-system training for the staff, in order to improve the abilities and qualities of staff at various levels and functions, according to the need of their posts and the development of the Group, and organized technical, management, operational and other training in a timely manner.

CONTINGENT LIABILITIES

Save for the contingent events in external guarantees, as at 30 June 2018, the Company had no other material contingent liabilities.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the principles and the code provisions under the “Corporate Governance Code” and “Corporate Governance Report” as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

1. Changes in Share Capital

During the Reporting Period, there was no change in the total number of shares and the structure of share capital of the Company.

2. Shareholders

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (shareholder) 32,650 shareholders including 32,284 holders of A Shares and 366 holders of H Shares

(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders without selling restrictions) as at the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Shareholdings of the top ten shareholders						
	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage	Number of shares held subject to selling restrictions	Pledged or frozen Status of shares	Number	Nature of shareholder
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-8,000	388,103,399	39.37	0	Unknown	/	Overseas legal person
China Huarong Asset Management Co., Ltd	0	14,069,296	1.43	0	Unknown	/	State-owned legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited (Note 2)	372,022	3,167,440	0.32	0	Unknown	/	Overseas legal person
Xu Zuquan	100,000	2,100,000	0.21	0	Unknown	/	Domestic natural person
Yang Zhihong	314,800	885,001	0.09	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07	0	Unknown	/	Overseas natural person
Jiao Yanfeng	-250,000	710,000	0.07	0	Unknown	/	Domestic natural person
Shi Houwu	439,300	679,300	0.07	0	Unknown	/	Domestic natural person

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (<i>Note 1</i>)	388,103,399	Overseas listed foreign shares	388,103,399
China Huarong Asset Management Co., Ltd.	14,069,296	Ordinary shares denominated in RMB	14,069,296
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
Hong Kong Securities Clearing Company Limited (<i>Note 2</i>)	3,167,440	Ordinary shares denominated in RMB	3,167,440
Xu Zuquan	2,100,000	Ordinary shares denominated in RMB	2,100,000
Yang Zhihong	885,001	Ordinary shares denominated in RMB	885,001
LIU HON NAM	726,000	Overseas listed foreign shares	726,000
Jiao Yanfeng	710,000	Ordinary shares denominated in RMB	710,000
Shi Houwu	679,300	Ordinary shares denominated in RMB	679,300

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares	
		Class	Number

Explanation on connected relationship or acting in concert among the aforesaid shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies with, any other shareholders. The Company is not aware of any connected relationship among other shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.		
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Explanation on preference shareholders with voting rights restored and number of shares held thereby	N/A		
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Note 1: The overseas listed foreign shares held by HKSCC NOMINEES LIMITED are held on behalf of various customers;

Note 2: The ordinary shares denominated in RMB held by Hong Kong Securities Clearing Company Limited are held on behalf of foreign investors who purchased ordinary shares denominated in RMB of the Company through Shanghai-Hong Kong Stock Connect.

3. Details of Preference Shares

The Company had no preference shares during the Reporting Period.

4. 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

A Share	ordinary shares as approved by the CSRC which are issued to the PRC domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
Changtuo Company	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Changxing Company	Luoyang Changxing Agricultural Machinery Company Limited (洛陽長興農業機械有限公司), a controlled subsidiary of the Company
Company	First Tractor Company Limited* (第一拖拉機股份有限公司)
controlled subsidiary	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
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel
Group	the Company and its controlled subsidiaries
H Share	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	wheeled tractor with horsepower of 70 (inclusive) or above
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Jiangyan Power Company	YTO (Jiangyan) Power Machinery Company Limited (一拖(姜堰)動力機械有限公司), a controlled subsidiary of the Company
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 70
power machinery	products including diesel engine and fuel injection pump
PRC	The People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	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 Flag	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company

YTO Foundry	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), a wholly-owned subsidiary of the Company
YTO France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company
YTO Fuel Injection Pump	YTO (Luoyang) Fuel Injection Pump Company Limited (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司), a wholly-owned subsidiary of the Company
YTO Transportation	YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司), a controlled subsidiary of the Company

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

Luoyang, the PRC
29 August 2018

As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman) and Mr. Wu Yong (vice Chairman) as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang as non-executive Directors; and Ms. Yang Minli, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao as independent non-executive Directors.

** For identification purposes only*