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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 2017**

**FINANCIAL HIGHLIGHTS**

Total operating revenue: RMB4,264,741,651.34

Net profit attributable to the shareholders of the Company: RMB32,265,644.86

Earnings per share attributable to the equity holders of the Company: RMB0.0326

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce 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 2017 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2016 (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 June 30, 2017

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary funds	6	2,433,951,595.34	3,261,735,812.98
Settlement reserves for balance			
Loans to banks and other financial institutions		100,000,000.00	0.00
Financial assets measured at fair value and its movement recorded through profit or loss		75,288,483.83	62,657,466.94
Derivative financial assets		4,951,285.18	14,833,000.00
Notes receivable		267,934,847.82	554,932,731.17
Accounts receivable	7	1,349,249,833.15	674,313,323.03
Advances to suppliers		115,852,597.35	143,734,037.70
Premium receivables			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable		19,792,145.78	12,027,545.45
Dividend receivable		1,809,345.00	0.00
Other receivables		84,059,191.91	104,926,297.50
Financial assets purchased with agreement to re-sale		341,114,661.86	354,848,615.72
Inventories		1,103,041,049.43	1,014,713,967.01
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		1,056,911,561.56	1,412,930,377.64
<b>Total current assets</b>		<b>6,953,956,598.21</b>	<b>7,611,653,175.14</b>

<b>Item</b>	<i>Note</i>	<b>Ending balance</b>	Beginning balance
<b>Non-current assets:</b>			
Loans and advances to customers		<b>778,862,152.34</b>	748,364,409.66
Financial assets available-for-sale		<b>238,017,835.06</b>	235,733,900.15
Held-to-maturity investments		<b>57,604,793.48</b>	58,352,738.68
Long-term receivables			
Long-term equity investments		<b>143,978,258.30</b>	149,098,999.76
Investment properties			
Fixed assets		<b>2,893,274,944.19</b>	2,970,855,427.52
Construction in progress		<b>460,557,243.50</b>	376,823,261.61
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		<b>883,510,259.58</b>	896,641,004.79
Research and development expenses			
Goodwill			
Long-term deferred expenses		<b>38,169,407.72</b>	40,223,194.44
Deferred tax assets		<b>125,042,052.56</b>	122,767,169.68
Other non-current assets			
<b>Total non-current assets</b>		<b><u>5,619,016,946.73</u></b>	<u>5,598,860,106.29</u>
<b>Total assets</b>		<b><u><u>12,572,973,544.94</u></u></b>	<u><u>13,210,513,281.43</u></u>

<b>Item</b>	<i>Note</i>	<b>Ending balance</b>	Beginning balance
<b>Current liabilities:</b>			
Short-term loans		<b>1,531,432,918.74</b>	1,579,448,510.67
Borrowings from central bank			
Receipts of deposits and deposits from other banks		<b>626,834,989.61</b>	588,286,840.09
Loans from other banks		<b>0.00</b>	250,000,000.00
Financial liabilities measured at fair value and its movement recorded through profit or loss			
Derivative financial liabilities (if significant)			
Notes payable		<b>1,126,396,121.71</b>	1,417,113,769.49
Accounts payable	8	<b>1,378,312,882.07</b>	1,384,168,457.64
Advance from customers		<b>142,196,566.61</b>	199,663,201.54
Funds from selling out and repurchasing financial assets			
Fee and commission payable			
Employee benefits payable		<b>118,458,243.17</b>	105,911,905.79
Taxes payables		<b>21,527,658.02</b>	25,426,038.74
Interests payable		<b>21,293,171.22</b>	55,151,085.52
Dividends payable		<b>54,466,423.70</b>	0.00
Other payables		<b>253,756,326.69</b>	257,257,848.82
Reinsurance accounts payables			
Reserves for insurance contracts			
Brokerage for trading securities			
Brokerage for consigning securities			
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>1,531,585,341.46</b>	34,422,532.04
Other current liabilities		<b>79,243,264.50</b>	93,369,345.75
<b>Total current liabilities</b>		<b><u>6,885,503,907.50</u></b>	<b><u>5,990,219,536.09</u></b>

<b>Item</b>	<i>Note</i>	<b>Ending balance</b>	Beginning balance
<b>Non-current liabilities:</b>			
Long-term loans		<b>0.00</b>	9,133,500.00
Bonds payable		<b>0.00</b>	1,496,694,996.06
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Estimated liabilities			
Deferred income		<b>184,295,520.20</b>	176,628,594.78
Deferred tax liabilities		<b>33,866,585.81</b>	34,198,365.33
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u>218,162,106.01</u></b>	<u>1,716,655,456.17</u>
<b>Total liabilities</b>		<b><u>7,103,666,013.51</u></b>	<u>7,706,874,992.26</u>
<b>Shareholders' equity:</b>			
Share capital		<b>985,850,000.00</b>	995,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		<b>2,099,684,537.23</b>	2,126,685,588.57
Less: Treasury shares		<b>0.00</b>	19,140,912.00
Other comprehensive income		<b>1,170,888.55</b>	-2,685,750.24
Special reserves		<b>5,184,797.94</b>	4,485,866.00
Surplus reserves		<b>423,908,219.34</b>	423,908,219.34
General risk reserves		<b>10,774,059.81</b>	10,774,059.81
Retained earnings	9	<b>1,265,485,659.23</b>	1,289,413,464.37
Total equity attributable to shareholders of the parent company		<b>4,792,058,162.10</b>	4,829,340,535.85
Minority interests		<b>677,249,369.33</b>	674,297,753.32
<b>Total shareholders' equity</b>		<b><u>5,469,307,531.43</u></b>	<u>5,503,638,289.17</u>
<b>Total liabilities and shareholders' equity</b>		<b><u>12,572,973,544.94</u></b>	<u>13,210,513,281.43</u>

## CONSOLIDATED INCOME STATEMENT

January–June 2017

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	Amount incurred in this period	Amount incurred in last period
<b>I. Total operating revenue</b>		<b>4,264,741,651.34</b>	5,158,780,013.03
Including: Operating revenue		<b>4,203,320,225.06</b>	5,041,260,182.13
Interest income		<b>61,175,720.09</b>	117,300,250.87
Fees and commission income		<b>245,706.19</b>	219,580.03
<b>II. Total operating costs</b>		<b>4,269,925,008.79</b>	4,975,939,902.34
Including: Cost of operation		<b>3,573,686,562.10</b>	4,109,134,374.24
Interest expenses		<b>6,034,067.26</b>	52,559,932.21
Fees and commission expense		<b>92,186.59</b>	202,887.40
Taxes and surcharges		<b>25,615,839.29</b>	12,105,432.02
Selling expenses		<b>206,587,590.03</b>	266,328,954.70
Administrative expenses		<b>419,869,185.88</b>	422,892,390.25
Financial expenses		<b>18,527,873.08</b>	40,452,792.56
Loss on impairment of assets		<b>19,511,704.56</b>	72,263,138.96
Add: Gain arising from the changes in fair value (loss listed with “-”)		<b>-7,613,860.79</b>	-442,878.26
Investment income (Loss listed with “-”)		<b>30,522,732.87</b>	28,612,715.99
Including: Income from investments in associates and joint ventures (Loss listed with “-”)		<b>1,862,338.14</b>	8,360,417.05
Exchange gain (Loss listed with “-”)			

Item	<i>Note</i>	Amount incurred in this period	Amount incurred in last period
<b>III. Operating profit (Loss listed with “-”)</b>		<b>17,725,514.63</b>	211,009,948.42
Add: Non-operating income		<b>49,145,389.63</b>	14,200,819.99
Including: Gain from disposal of non-current assets		<b>524,668.71</b>	329,167.53
Less: Non-operating expenses		<b>1,827,637.76</b>	755,594.73
Including: Loss on disposal of non-current assets		<b>916,628.19</b>	527,730.14
<b>IV. Total profit (Total Loss listed with “-”)</b>		<b>65,043,266.50</b>	224,455,173.68
Less: Income tax expenses	13	<b>30,325,382.12</b>	58,757,262.37
<b>V. Net profit (Net loss listed with “-”)</b>		<b>34,717,884.38</b>	165,697,911.31
Net profit attributable to shareholders of the parent company		<b>32,265,644.86</b>	158,349,583.86
Profit or loss of minority shareholders		<b>2,452,239.52</b>	7,348,327.45
<b>VI. Net other comprehensive income after tax</b>		<b>4,356,757.06</b>	-4,792,708.40
Net other comprehensive income after tax attributable to owners of the parent company		<b>3,856,638.79</b>	-4,830,940.82
(I) Other comprehensive income that cannot be reclassified to profit or 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 or loss under equity method			

Item	<i>Note</i>	Amount incurred in this period	Amount incurred in last period
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		<b>3,856,638.79</b>	-4,830,940.82
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit or loss under equity method			
2. Gains or losses from changes in fair value of financial assets available-for-sale		<b>1,817,712.65</b>	-6,464,362.91
3. Gains or losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Effective part of hedging gains or losses from cash flows			
5. Exchange differences from translation of foreign currency financial statements		<b>2,038,926.14</b>	1,633,422.09
6. Others			
Net other comprehensive income after tax attributable to minority interests		<b>500,118.27</b>	38,232.42
<b>VII. Total comprehensive income</b>		<b>39,074,641.44</b>	160,905,202.91
Total comprehensive income attributable to shareholders of the parent company		<b>36,122,283.65</b>	153,518,643.04
Total comprehensive income attributable to minority interests		<b>2,952,357.79</b>	7,386,559.87
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share	14	<b>0.0326</b>	0.1590
(II) Diluted earnings per share	14	<b>0.0326</b>	0.1590

## 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 June 23, 1997 and August 8, 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, including forklifts and mining trucks
- Provision of loans, bills discounting and deposit-taking service

The directors of the Company 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.

### 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 and accounting estimates stated in the Note “4. Accounting policies”.

### **3. Statement of compliance of Accounting Standards for Business Enterprises**

The 2017 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 June 30, 2017 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 Shareholders Meeting of the Company on October 31, 2014, the Group no longer prepares financial statements under both ASBEs and HKFRSs since 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 January 1 to December 31 of the calendar year.

#### ***(2) Recording currency***

The recording currency of the Group is Renminbi (RMB). Its subsidiaries, joint ventures and associate enterprises determine their own recording currency by themselves according to their main economic environment.

#### ***(3) The Group adopts Renminbi (RMB) as the recording currency when preparing the financial statements.***

#### ***(4) Accounting method for business combination under the common control and not under the common control***

The Group, as the acquirer, recognizes acquired assets and liabilities under common control at the carrying amounts of the acquiree in the consolidated statements of the ultimate shareholder on the acquisition date. The difference between the carrying amount of the net assets obtained and the amount of consideration paid for the combinations is adjusted to capital reserves (capital premium). If the balance of capital reserves is insufficient to be off-set, any excess is adjusted against retained earnings.

Identifiable assets, liabilities and contingent liabilities acquired through business combination not under the common control are recognized at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, the fair value of non-cash assets, liabilities issued or assumed, equity securities issued on the date of acquisition, and other direct expenses incurred in order to obtain the control over the acquiree (the cost of the combination is the sum of the cost of each individual transaction for enterprise consolidation realized through multiple steps of transactions). Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, firstly review the fair value of each identifiable net assets, liabilities and or contingent liabilities and the non-cash assets or issued equity securities as the consolidation of the combination. After the review, if the combination cost is still less than the entitled fair value of the net identifiable assets acquired from the acquiree under the combination, the remaining difference is recognized as non-operating income in the current period profit or loss of the consolidation period.

**(5) *Preparation method of consolidated financial statements***

The consolidation scope of the Group includes all subsidiaries controlled.

When accounting policies and accounting period that subsidiaries adopt are not in accordance with the ones of the Company, the financial statements of subsidiaries should be adjusted necessarily based on the accounting policies or accounting period of the Company when preparing consolidated financial statements.

All significant inter-company balances, transactions and unrealized profits are eliminated when the consolidation statements are prepared. Shareholders' equity of subsidiaries not attributable to the parent, net profit or loss, other comprehensive income and the comprehensive income that is attributable to minority interest shall be disclosed separately as non-controlling shareholders' equity, non-controlling shareholders' profit or loss, other comprehensive income attributable to non-controlling shareholders and total comprehensive income attributable to non-controlling shareholders in the consolidation financial statements.

For a subsidiary acquired through business combination under common control, its operating results and cash flow shall be consolidated from the beginning of the period that the Group acquires its control. When preparing the consolidated comparative financial statements, adjustments shall be made to the related items in the financial statements of the last period as though the reporting entity formed after the combination has been existed since the time point when the ultimate controlling party started to control.

For subsidiaries acquired through business combination not under the common control, its operating results and cash flow shall be consolidated from the date that the Group obtained the control. Adjustments to the financial statements of the subsidiaries shall be made based on the fair value of identifiable assets, liabilities and contingent liabilities on acquisition date when preparing consolidated financial statements.

**(6) *Changes in accounting policies***

None

**5. Segment information**

Segment information is presented according to the classification of business based on the major segment reporting made 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 more than 90% of the revenue of the Group is from the clients in China, and more than 90% of the assets are located in China, the 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 components;
- (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.

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

Item	Agricultural machinery	Power machinery	Other machinery	Financial 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
Transactional revenue between segments	272,768	380,256	2,672	16,711	-672,407	0
Total profit of segment	-33,292	57,616	-4,639	46,946	-1,588	65,043
Total assets	102,446,60	2,170,434	104,855	4,602,268	-4,549,243	12,572,974
Including: Significant impairment loss on individual assets	0	0	0	0	0	0
Total liabilities	6,554,963	823,045	466,221	3,837,445	-4,578,008	7,103,666
Supplementary information	-	-	-	-	-	-
Capitalized expenditure	167,993	11,944	753	85	0	180,775
Depreciation and amortization expenses	164,103	6,094	1,355	431	0	171,983
Non-cash expenses other than impairment loss, depreciation and amortization	22,312	6,311	241	0	0	28,864

**Reporting segment for the period of January – June 2016 (Unit:RMB '000)**

Item	Agricultural machinery	Power machinery	Other machinery	Financial service	Elimination among segments	Total
Total operating revenue	4,545,206	1,328,486	22,592	125,453	-862,957	5,158,780
Including: External transaction revenue	4,120,261	902,135	18,864	117,520	0	5,158,780
Transactional revenue between segments	424,945	426,351	3,728	7,933	-862,957	0
Total profit of segment	115,474	116,494	-23,271	26,009	-10,251	224,455
Total assets	9,498,194	2,378,481	140,083	920,353	-275,114	12,661,997
Including: Significant impairment loss on individual assets	0	0	0	0	0	0
Total liabilities	5,792,166	820,156	304,179	497,757	-227,265	7,186,993
Supplementary information	-	-	-	-	-	-
Capitalized expenditure	75,844	15,361	51	2	0	91,258
Depreciation and amortization expenses	134,629	32,534	1,580	441	0	169,184
Non-cash expenses other than impairment loss, depreciation and amortization	47,964	49,510	0	0	0	97,474

**6. Monetary funds**

*Unit: RMB*

Item	Ending balance	Beginning balance
Cash on hand	<b>812,643.53</b>	875,133.16
Bank deposits	<b>2,281,331,418.34</b>	3,119,921,093.62
Other monetary funds	<b>151,807,533.47</b>	140,939,586.20
Total	<b><u>2,433,951,595.34</u></b>	<b><u>3,261,735,812.98</u></b>
Including: Total amount deposited abroad	<b><u>153,007,019.70</u></b>	<b><u>69,927,057.07</u></b>

*Note:* At the end of June 30, 2017, the restricted monetary fund of the Group is RMB183,513,118.63. Among which, the statutory deposit reserve deposited at central bank of RMB43,878,449.27 (beginning balance: RMB41,180,078.81), the security deposit of acceptance notes of RMB115,567,413.30 (beginning balance: RMB108,674,642.08) and other security deposit of RMB24,067,256.06 (beginning balance: RMB14,002,491.95).

## 7. Accounts receivable

### (1) Accounts receivable

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Accounts receivable	<b>1,875,949,392.57</b>	1,179,087,715.82
Less: bad debts provision	<b>526,699,559.42</b>	504,774,392.79
Net amount	<b><u>1,349,249,833.15</u></b>	<b><u>674,313,323.03</u></b>

### (2) Aging analysis of accounts receivable

<b>Aging</b>	<b>Ending balance</b>	Beginning balance
Within 1 year	<b>1,128,641,277.47</b>	459,244,684.80
1–2 years	<b>173,649,425.63</b>	204,736,479.38
2–3 years	<b>36,979,939.84</b>	0.00
Over 3 years	<b>9,979,190.21</b>	10,332,158.85
Net amount	<b><u>1,349,249,833.15</u></b>	<b><u>674,313,323.03</u></b>

## 8. Accounts payable

### (1) Accounts payable

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Purchase payable	<b>1,258,290,186.89</b>	1,308,157,751.41
Purchase of construction equipment payable	<b>104,073,515.83</b>	45,879,477.81
Service fee payable	<b>5,568,718.91</b>	19,757,726.67
Others	<b>10,380,460.44</b>	10,373,501.75
Total	<b><u>1,378,312,882.07</u></b>	<u>1,384,168,457.64</u>

### (2) Aging analysis of accounts payable

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Within 1 year	<b>1,224,773,776.06</b>	1,240,833,573.76
1–2 years	<b>70,855,360.50</b>	49,711,952.26
2–3 years	<b>34,322,298.61</b>	34,579,850.82
Over 3 years	<b>48,361,446.90</b>	59,043,080.80
Total	<b><u>1,378,312,882.07</u></b>	<u>1,384,168,457.64</u>

## 9. Retained earnings

<b>Item</b>	<b>This period</b>	<b>Last period</b>
<b>Ending balance of last year</b>	<b>1,289,413,464.37</b>	1,142,994,139.49
Add: adjustment to the beginning balance of retained earnings	<b>0.00</b>	0.00
<b>Beginning balance of this period</b>	<b>1,289,413,464.37</b>	1,142,994,139.49
Add: Net profit attributable to the shareholders of the parent company in this period	<b>32,265,644.86</b>	158,349,583.86
Less: Appropriation to the statutory surplus reserve	<b>0.00</b>	0.00
Appropriation to the general risk reserves	<b>0.00</b>	0.00
Common stock dividends payable	<b>56,193,450.00</b>	40,831,900.00
<b>Ending balance of this period</b>	<b><u>1,265,485,659.23</u></b>	<b><u>1,260,511,823.35</u></b>

## 10. Net current assets

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Current assets	<b>6,953,956,598.21</b>	7,611,653,175.14
Less: current liabilities	<b>6,885,503,907.50</b>	5,990,219,536.09
<b>Net current assets</b>	<b><u>68,452,690.71</u></b>	<b><u>1,621,433,639.05</u></b>

## 11. Total assets minus current liabilities

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Total assets	<b>12,572,973,544.94</b>	13,210,513,281.43
Less: current liabilities	<b>6,885,503,907.50</b>	5,990,219,536.09
<b>Total assets minus current liabilities</b>	<b><u>5,687,469,637.44</u></b>	<b><u>7,220,293,745.34</u></b>

## 12. Depreciation and amortization

Depreciation and amortization recognized in the Income statement for this period is RMB148,545,931.75 and RMB15,562,928.74 respectively (last period: RMB146,800,426.42 and RMB16,710,438.95 respectively).

## 13. Income tax expenses

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Current income tax expenses	<b>28,491,647.61</b>	64,514,096.06
Deferred income tax expense	<b>1,833,734.51</b>	-5,756,833.69
<b>Total</b>	<b><u>30,325,382.12</u></b>	<b><u>58,757,262.37</u></b>

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 Company, 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.

## 14. Earnings per share

### (1) *Basic earnings per share*

Basic earnings per share is calculated as the result of the consolidated net profits attributable to shareholders of ordinary shares of the parent company divided by the weighted average of outstanding ordinary shares of the parent company.

<b>Item</b>	<b>This period</b>	Last period
Consolidated net profit attributable to the ordinary shareholders of the parent company	<b>32,265,644.86</b>	158,349,583.86
Consolidated net profit attributable to the ordinary shareholders of the parent company (after deducting extraordinary gains or losses)	<b>991,043.46</b>	142,647,691.79
The weighted average outstanding ordinary shares of the parent company	<b>989,343,333.00</b>	995,900,000.00
Basic earnings per share ( <i>RMB/share</i> )	<b>0.0326</b>	0.1590
Basic earnings per share ( <i>RMB/share</i> ) (after deducting extraordinary gains or losses)	<b>0.0010</b>	0.1432

The calculation process of the weighted average number of ordinary shares:

<b>Item</b>	<b>This period</b>	Last period
Number of outstanding ordinary shares issued at the beginning of the year	<b>990,778,000.00</b>	995,900,000.00
Share number increased from share capital increased by reserve funds transferred or the distribution of stock dividends, etc.	<b>0.00</b>	0.00
Share number increased from new share issuance or debt-to-equity swap, etc.	<b>0.00</b>	0.00
The cumulative number of months from the next month of stock increase (II) to the end of the period	<b>0.00</b>	0.00
Share number decreased because of repurchase, etc.	<b>1,434,667.00</b>	0.00
The cumulative number of months from the next month of stock decrease to the end of the period	<b>6.00</b>	0.00
Share number decreased from shares shrink	<b>0.00</b>	0.00
Number of months in the reporting period	<b>6.00</b>	6.00
Number of outstanding ordinary shares issued at the end of the period	<b><u>989,343,333.00</u></b>	<b><u>995,900,000.00</u></b>

(2) *Diluted earnings per share*

<b>Item</b>	<b>This period</b>	<b>Last period</b>
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent company	<b>32,265,644.86</b>	158,349,583.86
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent (after deducting extraordinary gains or losses)	<b>991,043.46</b>	142,647,691.79
The adjusted weighted average number of outstanding common stocks of the Company	<b>989,343,333.00</b>	995,900,000.00
Diluted earnings per share ( <i>RMB/share</i> )	<b>0.0326</b>	0.1590
Diluted earnings per share ( <i>RMB/share</i> ) (after deducting extraordinary gains or losses)	<b>0.0010</b>	0.1432

**KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES**

**1. Key Accounting Data**

*Unit: Yuan Currency: RMB*

<b>Key accounting data</b>	<b>For the Reporting Period (January to June)</b>	<b>For the corresponding period of last year</b>	<b>Year-on-year increase/decrease during the Reporting Period (%)</b>
Total operating revenue	<b>4,264,741,651.34</b>	5,158,780,013.03	-17.33
Operating revenue	<b>4,203,320,225.06</b>	5,041,260,182.13	-16.62
Net profit attributable to shareholders of the Company	<b>32,265,644.86</b>	158,349,583.86	-79.62
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	<b>991,043.46</b>	142,647,691.79	-99.31
Net cash flows from operating activities	<b>-949,254,026.96</b>	487,141,637.61	-294.86
	<b>As at the end of the Reporting Period</b>	<b>As at the end of last year</b>	<b>Increase/decrease as at the end of the Reporting Period compared with the end of last year (%)</b>
Net assets attributable to shareholders of the Company	<b>4,792,058,162.10</b>	4,829,340,535.85	-0.77
Total assets	<b>12,572,973,544.94</b>	13,210,513,281.43	-4.83

## 2. Key financial indicators

*Currency: RMB*

<b>Key financial indicators</b>	<b>For the Reporting Period (January to June)</b>	<b>For the corresponding period of last year</b>	<b>Year-on-year increase/decrease during the Reporting Period (%)</b>
Basic earnings per share ( <i>Yuan/share</i> )	<b>0.0326</b>	0.1590	-79.50
Diluted earnings per share ( <i>Yuan/share</i> )	<b>0.0326</b>	0.1590	-79.50
Basic earnings per share after deduction of non-recurring profit or loss items ( <i>Yuan/share</i> )	<b>0.0010</b>	0.1432	-99.30
Weighted average return on net assets (%)	<b>0.67</b>	3.36	decreased by 2.69 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss items (%)	<b>0.02</b>	3.02	decreased by 3 percentage points

### ***Explanation on the Key Accounting Data and Financial Indicators***

Basic earnings per share and diluted earnings per share were calculated based on weighted average of the number of shares, deducting the repurchased H Shares, as at the end of the Reporting Period.

The significant decrease in the basic earnings per share and diluted earnings per share during the period as compared with the corresponding period of last year, was mainly due to the relatively greater year-on-year decline in the net profit attributable to shareholders of the Company during the Reporting Period.

## ITEMS AND AMOUNTS OF NON-RECURRING PROFIT OR LOSS

*Unit: Yuan Currency: RMB*

<b>Items of Non-recurring Profit or Loss</b>	<b>Amounts</b>
Gain or loss from disposal of non-current assets	-391,959.48
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with national policies and continuously received in certain standard amounts and quantities)	27,745,231.58
Profit or loss from debt restructuring	-113,611.28
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets (except for effective hedging business related to the Company's ordinary business)	-8,119,610.86
Non-operating income and expenses other than those stated above	20,078,091.05
Impact on minority shareholders equity interests	-2,944,600.79
Effects of income tax	-4,978,938.82
Total	<u><u>31,274,601.40</u></u>

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

In the first half of 2017, the PRC economy continued to maintain the stable and positive momentum. However, due to the combined impacts of multiple factors, including shift to National III products, drop in food prices, decrease in subsidy size and quota for purchase of agricultural machinery, the agricultural machinery industry entered into a period of profound adjustment.

During the Reporting Period, the markets of hi-powered and mid-powered tractors followed the downward momentum in last year, which showed a relatively greater decline and the sales volume of hi-powered and mid-powered tractors recorded by the key enterprises in the industry amounted to 144,900 units, representing a year-on-year decrease of 24.5%.

Against the unfavorable situation of significant drop in the industry and substantial year-on-year increase in prices of steel, natural rubber and other raw materials, in the first half of the year, the Company realized total operating revenue of RMB4.265 billion, with a year-on-year decrease of 17.33%, and net profit attributable to shareholders of the Company of RMB32 million, with a year-on-year decrease of 79.62%.

Confronted with severe market environment, the Company thoroughly analysed and captured the trends in the market and users' demand changes, actively embraced the challenges, followed the annual operation plan, and steadily promoted various key works.

*(I) Proactively responding to market changes and maintaining industrial leading advantages*

**Regarding the agricultural machinery business**, as affected by the “combined impacts” of significant drop in the hi-powered and mid-powered wheeled tractors industry and lower-priced competition from some enterprises, the Company sold 26,800 units of hi-powered and mid-powered wheeled tractors, with a year-on-year decrease of 36.6%. Under the unfavourable market environment, the Company achieved certain results in some product serials and some regional markets, with its hi-powered and mid-powered tractor products maintaining the position of No. 1 in the industry in the PRC, through speeding up products improvement, satisfying demand for differentiation, continuous improvement in channel and network and other measures. Meanwhile, by seizing the opportunities brought by the “One Belt and One Road” initiative, the Company made breakthroughs in some key overseas markets including Middle Asia, Eastern Europe, Southeastern Asia and Africa. In the first half of the year, there was relatively greater year-on-year growth in markets including Africa and Myanmar. Meanwhile, the Company steadily promoted key overseas projects and gradually optimized overseas marketing network layout. **Regarding the power machinery business**, as affected by the slow-moving market of tractors and harvesters, the sales volume dropped to a certain extent. The Company sold 60,800 units of diesel engines in the first half of the year, representing a year-on-year decrease of 29%. During the Reporting Period, the sales volume of heavy-duty diesel engines of the Company recorded a relatively significant year-on-year growth, with a further improving market recognition. **Regarding the financial business**, under the downward market situation, YTO Finance actively adjusted business structure by focusing on managing operational risks, actively developed the function of centralized capital management and improved capital utilization efficiency by utilizing and carefully managing the differentiating capital cycles of various business units, which provided solid capital support to production and operation of the Company.

***(II) Continuously promoting technical upgrade of principal products and enriching product reserve***

The Company followed the market trend in demanding for upgrade, focusing on the mid to high-end product markets, insisting on technical innovation and continuous ongoing investment in product research and development. The Company steadily promoted product upgrade and technical innovation, and was well-prepared to lead the industry transformation and upgrade with reserve. While consolidating the product technical basis for synergic development of innovative and existing businesses, the Company carried out the research and development works on projects including the new generation of 110-140 horse power tractor, LF3204 power-shift tractor, and LX2204-4, LG1504-4 and other models of National IV tractors. Industrialized application in intelligent agricultural equipment for automatic drive technology of agricultural machinery had also achieved active progress. Regarding the power machinery, the Company accelerated the pace of synchronous promotion of National III ancillary products into the market while facilitating the research and development and merchandising progress of National IV products, and completed the product layout plan for the new generation of National V diesel engines.

***(III) Steadily promoting the key strategic tasks and accelerating corporate transformation and upgrade***

Focusing on the change in agricultural development mode and the corporate transformation and upgrade, the Company steadily promoted various key strategic tasks. In particular, the Company established project departments for various key strategic tasks, which provided organizational guarantee for breakthroughs in key businesses. During the Reporting Period, investigation and surveying was established for provision of the whole-set solution business in combination with the advantages of the Company in the principal product markets, and research and exploration on the feasibility of extension to agricultural operation service area was carried out. Further, following its development strategy, the Company promoted construction of overseas marketing centers. Moreover, the Company fully commenced construction of the modern agricultural equipment intelligent cockpit digitalized factory project, and promoted implementation of projects including application of new wheeled tractor intelligent manufacturing mode and upgrade and transformation of National IV diesel engines (phase I), whilst speeding up corporate transformation and upgrade progress.

***(IV) Continuously enhancing internal management and consolidating the operational basis for quality and efficiency enhancement***

Under the unfavorable situation of stagnant external market and a substantial increase in the macroscopic capital costs and bulk raw material prices in the first half of the year, the Company effectively reduced its finance costs by comprehensively utilizing the PRC domestic and foreign financing instruments. The Company continuously deepened the role of procurement platform and managed procurement costs to mitigate the impacts of raising raw material prices on the performance of the Company. Meanwhile, the Company devoted more efforts on the disposal of losing businesses and low-efficiency or ineffective assets, and made relatively greater progress in the disposal of mine trucks business and related assets. Moreover, the Company completed transfer of equity interest in YTO (Luoyang) Forklift Truck Company Limited in August this year, which will gradually eliminate the unfavourable impacts of some existing losing businesses on performance of the Company and bring positive cash flow and other contribution to the Company. Regarding management of accounts receivable and inventories, the Company further strengthened disposal and recovery of overdue accounts receivable, and therefore amount of impairment losses on assets dropped significantly year-on-year during the Reporting Period.

Through various measures implemented in the first half of the year, under the profound adjustment in the industry and the relatively greater impacts on earnings of the Company, the Company maintained its competitive position in the industry in core businesses, as well as proactively promoting product upgrade and new businesses expansion. The Company focused on proactively maintaining a relatively steady and moderate asset and liability structure, in order to go through the industrial adjustment period in a steady manner, and reserve energy for future development.

In the second half of 2017, the situation in the agricultural machinery market will remain complicated. The Company will follow the work direction and operation plan confirmed in the beginning of the year, to capture market opportunities brought by implementation of projects including launch of the winter wheat market, subsoiling and returning of straw to field, to utilize its advantages in manufacturing, quality, procurement and brands to improve price-performance ratio of products, to enhance accuracy and effectiveness in marketing strategies, in order to strive to increase sales volume of principal products. Meanwhile, the Company will accelerate the pace of research and development and speedy commercialization of new tractor and diesel engine products, as well as continuously building up its advantages in mid to high-end products. The Company will also utilize its advantages in products, markets and resources, to effectively consolidate its relevant resources and develop innovative business model. By fully capturing the opportunities from the “One Belt and One Road” initiative, the Company will optimize its international strategic layout and further develop in international market. Further, the Company will continue to manage risks comprehensively, enhance management of the risks relating to “inventories and accounts receivable”, accelerate the disposal and integration of low-efficiency assets and losing businesses, and actively respond to the industry trough with steady and moderate operation strategies, with an aim to achieve healthy and stable operational development of the Company for the period.



The year-on-year significant decline in loss in asset impairment was mainly due to the year-on-year decline in overdue receivables and the significant year-on-year decline in newly added bad debt risk of the Company during the Reporting Period.

The year-on-year decline in gain from change in fair value was mainly due to the decrease in value of foreign exchange swap settlement contracts of the Company during the Reporting Period.

The year-on-year significant increase in non-operating expenses was mainly due to the increases in the net loss on disposal of fixed assets and the loss on debt restructuring of the Company during the Reporting Period.

## 2. Analysis on Changes in Items of the Cash Flow Statement

*Unit: Yuan Currency: RMB*

Item	For the Reporting Period	For the corresponding period of last year	Changes (%)
Net cash flow from operating activities	<b>-949,254,026.96</b>	487,141,637.61	-294.86
Net cash flow from investing activities	<b>465,510,144.17</b>	-336,699,358.99	N/A
Net cash flow from financing activities	<b>-162,444,702.34</b>	-207,611,250.33	N/A

Explanation on change in net cash flow from operating activities: the year-on-year increase in outflow of cash flow from operating activities was caused by the impact of the decrease in agricultural machinery subsidies and the progress of subsidies, and the increase in accounts receivable as compared to the corresponding period of last year during the Reporting Period.

Explanation on change in net cash flow from investing activities: net cash flow from investing activities during the period increased by an inflow of RMB802.21 million as compared with the corresponding period of last year, mainly due to the increases in collection of wealth management products and structured deposit as compared with the corresponding period of last year, and the decreases in purchase of wealth management products, structured deposit and others as compared to the corresponding period of last year during the Reporting Period.

Explanation on change in net cash flow from financing activities: the amount for the period decreased by an outflow of RMB45.17 million as compared with the corresponding period of last year, mainly due to the decrease in bank loan repayment as compared to the corresponding period of last year during the Reporting Period.

## ANALYSIS ON ASSET AND LIABILITY

### 1. Consolidated Balance Sheet

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 last period	Balance as at the end of last period 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 last period (%)	Explanation
Placements with banks and other financial institutions	100,000,000.00	0.80	0.00	0.00	N/A	The placements with banks and other financial institutions made by YTO Finance during the Reporting Period
Derivative financial assets	4,951,285.18	0.04	14,833,000.00	0.11	-66.62	Decrease in value of foreign exchange swap settlement contract during the Reporting Period
Notes receivable	267,934,847.82	2.13	554,932,731.17	4.20	-51.72	Due to the decreases in sales and receipts from product sales during the Reporting Period
Accounts receivable	1,349,249,833.15	10.73	674,313,323.03	5.10	100.09	The return circle of accounts receivable was prolonged due to the decrease in agricultural machinery subsidies and the progress of subsidies this year, leading to an increase as compared with the beginning of the Reporting Period
Interest receivable	19,792,145.78	0.16	12,027,545.45	0.09	64.56	Increase in interest receivable of YTO Finance during the Reporting Period
Deposits from banks and other financial institutes	0.00	0.00	250,000,000.00	1.89	-100.00	Repayment of deposits from banks and other financial institutes by YTO Finance during the Reporting Period
Interests payable	21,293,171.22	0.17	55,151,085.52	0.42	-61.39	Payment of corporate bonds interest during the Reporting Period
Dividends payable	54,466,423.70	0.43	0.00	0.00	N/A	Announcement of distribution of dividends for the year 2016 during the Reporting Period
Non-current liabilities due within one year	1,531,585,341.46	12.18	34,422,532.04	0.26	4,349.37	Transfer of corporate bonds and long-term loans due within one year 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 last period	Balance as at the end of last period 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 last period (%)	Explanation
Long-term loans	0.00	0.00	9,133,500.00	0.07	-100.00	Transfer of long-term loans due within one year to non-current liabilities due within one year during the Reporting Period
Bonds payable	0.00	0.00	1,496,694,996.06	11.33	-100.00	Transfer of corporate bonds due within one year to non-current liabilities due within one year during the Reporting Period
Other comprehensive income	1,170,888.55	0.01	-2,685,750.24	-0.02	N/A	Increase in fair value of available-for-sale financial assets held during the Reporting Period

## 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, including being charged and/or pledged, amounted to RMB183,513,118.63, including bank's acceptance bill deposits of RMB115,567,413.30, Central Bank of China statutory deposited funds of RMB43,878,449.27 and other guarantee deposits of RMB24,067,256.06.

As at the end of the Reporting Period, the Group's original value of fixed assets and intangible assets with restrictions on any rights, including being charged and/or pledged, amounted to a total of RMB100,098,120.94, and the net value amounted to a total of RMB85,776,904.07, which were buildings and lands mortgaged to the banks for short-term loans to the Group.

### 3. Other Explanation

#### (1) *Key financial ratio*

<b>Items</b>	<b>As at the end of the Reporting Period</b>	<b>As at the beginning of the year</b>	<b>Year-on-year change</b>
Gearing ratio (%)	<b>56.50</b>	58.34	decreased by 1.84 percentage points
Current ratio	<b>1.01</b>	1.27	decreased by 0.26
Quick ratio	<b>0.85</b>	1.10	decreased by 0.25

#### (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 RMB1.5508069 billion, in which loans in foreign currency amounted to RMB780.8069 million (mainly denominated in USD and Euro); bank loans due over one year amounted to RMB0; and bank loans with fixed interest rate amounted to RMB1.4578117 billion. 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 Company 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, among which, the agricultural machinery business includes research and development, manufacturing and sales of full series of wheeled and crawler 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 agricultural 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 PRC 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 Company.

### **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 RMB12.57297 billion, among which assets outside the PRC was RMB432.14 million, accounting for 3.44% of the total assets. The original value of construction in progress amounted to approximately RMB476.95 million, representing an increase of RMB84.10 million as compared with that as at the beginning of the period, mainly due to the formal implementation of the project of new model application of intelligent manufacturing of new wheeled tractor. Completion of construction of such project will significantly promote the level of manufacturing intelligentization of agricultural machinery.

### **3. Analysis of Core Competitiveness during the Reporting Period**

During the Reporting Period, there was no alteration 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 (0'000 Yuan)	Principal business	As at 30 June 2017		Realized during the Reporting Period	
			Total assets (0'000 Yuan)	Net assets (0'000 Yuan)	Operating revenue (0'000 Yuan)	Net profit (0'000 Yuan)
YTO Finance	50,000	Provision of financial services	460,227	76,482	7,813	3,502
YTO Diesel Engine	USD16 million	Manufacturing and sales of engines	152,562	97,473	88,656	5,526
Jiangyan Power Company	20,000	Manufacturing and sales of multi-bore small size diesel engines and castings	48,998	24,967	20,013	331
YTO Fuel Injection Pump	16,192	Manufacturing and sales of products including fuel injector and fuel injection pump of diesel engines	25,932	20,765	6,012	-1,388
Tractors Research Company	44,500	Research and development of tractor products	76,096	66,783	13,590	1,069
YTO International Trade	6,600	International sales of agricultural machinery	53,567	8,313	19,754	-438
YTO France	Euro 22.60 million	Manufacturing and sales of agricultural machinery components	41,343	20,966	8,120	-624
YTO Foundry	24,883	Processing and sales of rough and semi-finished products and finished products of castings and forging products	31,363	24,339	6,060	1,042
Changtuo Company	28,200	Manufacturing and sales of agricultural machineries and spare parts	17,483	4,943	12	-1,484
YTO Shentong	5,300	Manufacturing and sales of mining trucks and other agricultural machinery products	4,294	-27,612	540	125
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	124,476	-31,470	244,177	-4,443

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

The Company convened the 2016 Annual General Meeting on 13 June 2017, which considered and approved the “Resolution on Merger and Absorption by the Company of YTO (Luoyang) Drive Axle Company Limited”, details of which are set out in the “Announcement on the Resolutions Passed at the 2016 Annual General Meeting, the 2017 First A Share Class Meeting and the 2017 First H Share Class Meeting of First Tractor Company Limited” published by the Company on the website of the Shanghai Stock Exchange on 14 June 2017, and the announcement published by the Company on the website of the Stock Exchange on 13 June 2017. As at 24 August 2017, deregistration of YTO (Luoyang) Drive Axle Company Limited had not yet completed. Such merger did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules of the Stock Exchange.

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

*Unit: 0'000 Yuan Currency: RMB*

Number	Name of company	Operating revenue during the Reporting Period	Operating profit during the Reporting Period	Net profit during the Reporting Period
1	YTO Finance	7,813	4,695	3,502
2	YTO Diesel Engine	88,656	5,419	5,526
3	Jiangyan Power Company	20,013	467	331
4	YTO Fuel Injection Pump	6,012	-1,398	-1,388
5	YTO International Trade	19,754	-362	-438
6	YTO France	8,120	-624	-624
7	YTO Foundry	6,060	879	1,042
8	Changtuo Company	12	-1,442	-1,484
9	Changxing Company	244,177	-3,914	-4,443
10	Tractors Research Company	13,590	1,054	1,069
11	YTO Flag	8,995	-750	-363
12	YTO Transportation	869	-366	-360

#### **4. Explanation on the Key Subsidiaries with over 30% change in their operating businesses**

YTO Diesel Engine: During the Reporting Period, as affected by the substantial decrease in sales volume in the whole machines markets including tractors and harvesters, the market demand for diesel engine products declined and the net profit decreased by 43.08% year-on-year.

YTO Foundry: By actively exploring external markets during the Reporting Period, the operating revenue increased by 113.64% year-on-year and the net profit increased by RMB12.39 million year-on-year.

YTO Shentong: Due to the enhancement in costs control and active sales of mining trucks in inventories by the Company at the same time during the Reporting Period, the net profit increased by RMB17.67 million year-on-year.

YTO Fuel Injection Pump: As affected by the upgrade of national emission standard of off-road diesel engines and a relatively substantial decline in sales of traditional products, the operating revenue decreased by 39.86% year-on-year and the net profit decreased by RMB17.62 million year-on-year.

YTO Finance: there was provision of impairment of RMB28.15 million for held-to-maturity investment in the corresponding period of last year, without additional impairment loss during the period, the net profit increased by 103.72% year-on-year.

#### **PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES**

Payment of any interim dividend for the six months ended 30 June 2017 was not recommended (2016: Nil).

#### **THE GROUP'S STAFF, REMUNERATION POLICY AND TRAINING**

As at 30 June 2017, the Group had 11,082 employees. During the Reporting Period, the total remuneration paid to employees of the Group was approximately RMB610.89 million.

During the Reporting Period, the Company implemented 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 trainings for the staff, in order to improve the abilities and qualities of staff in different level and of different kind, according to the need of their posts and the development of the Company, 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 2017, 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

#### (I) *Changes in Shares*

##### (a) *Changes in shares*

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

##### (b) *Explanation on changes in shares*

The Company convened the 2015 Annual General Meeting, the 2016 First A Share Class Meeting and the 2016 First H Share Class Meeting on 27 May 2016, which considered and approved the “Resolution on the General Mandate to Repurchase some H Shares by the Company” respectively. The Company started to implement the repurchase of H Shares in July 2016 in accordance with such general mandate. During the Reporting Period, the Company repurchased a total of 4,008,000 H Shares.

As at 24 August 2017, the Company repurchased a total of 10,050,000 H Shares. The repurchased H Shares had been cancelled, and the change of business registration procedure in respect of registered capital reduction of the Company had been completed. After the capital reduction, the total number of the shares of the Company was 985,850,000 shares, and its registered capital was RMB985,850,000.

## 2. Shareholders

### (I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (shareholder) 36,356 shareholders including 35,983 holders of A Shares and 373 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	41.24%	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-10,042,000	388,003,399	38.96%	0	Unknown	/	Overseas legal person
China Huarong Asset Management Co., Ltd.	-1,651,000	14,069,296	1.41%	0	Unknown	/	State-owned legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.95%	0	Unknown	/	Others
Hong Kong Securities Clearing Company Limited (Note 2)	257,153	1,710,909	0.17%	0	Unknown	/	Overseas legal person
Qian Manhong	1,088,852	1,088,852	0.11%	0	Unknown	/	Domestic natural person
Tibet Dongfang Kaishuo Investment Company Limited	1,059,745	1,059,745	0.11%	0	Unknown	/	Others
Jiao Yanfeng	0	1,000,000	0.10%	0	Unknown	/	Domestic natural person
Zhang Chenghong	850,000	850,000	0.09%	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07%	0	Unknown	/	Overseas 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> )	388,003,399	Overseas listed foreign shares	388,003,399
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> )	1,710,909	Ordinary shares denominated in RMB	1,710,909
Qian Manhong	1,088,852	Ordinary shares denominated in RMB	1,088,852
Tibet Dongfang Kaishuo Investment Company Limited	1,059,745	Ordinary shares denominated in RMB	1,059,745
Jiao Yanfeng	1,000,000	Ordinary shares denominated in RMB	1,000,000
Zhang Chenghong	850,000	Ordinary shares denominated in RMB	850,000
LIU HON NAM	726,000	Overseas listed foreign shares	726,000

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.

Explanation on preference shareholders with voting rights restored and number of shares held thereby

N/A

*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**

The Company convened the 2015 Annual General Meeting, the 2016 First A Share Class Meeting and the 2016 First H Share Class Meeting on 27 May 2016, which considered and approved the “Resolution on the General Mandate to Repurchase some H Shares by the Company” respectively. The Company started to implement the repurchase of H Shares in July 2016 in accordance with such general mandate. The Company repurchased H Shares at the appropriate time to boost investors’ confidence, as well as improving return to its shareholders. As at 24 August 2017, a total of 10,050,000 H Shares were repurchased on the Stock Exchange for a total consideration of HK\$41,944,440 (excluding commission and other expenses). As at 24 August 2017, the repurchased H Shares had been cancelled, and the change of business registration procedures in respect of reduction of registered capital of the Company had been completed. The total number of the shares of the Company decreased by 10,050,000 shares to 985,850,000 shares, while its registered capital decreased by RMB10,050,000 to RMB985,850,000. The monthly breakdown of the repurchase of the H Shares during the Reporting Period is as follows:

<b>Month of Repurchase</b>	<b>Number of H Shares repurchased</b>	<b>The highest price paid per H Share (HK\$)</b>	<b>The lowest price paid per H Share (HK\$)</b>	<b>Aggregate consideration paid (HK\$)</b>
May 2017	4,008,000	4.13	3.95	16,176,360

Save as disclosed above, 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  
24 August 2017

*As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wang Erlong (vice Chairman) and Mr. Wu Yong 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*