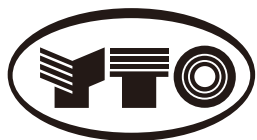


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

(Stock Code: 0038)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Financial Highlights)

Total operating revenue	: RMB8,871,153,114.15
Profits attributable to the equity holders of the Company	: RMB223,369,729.35
Earnings per share attributable to the equity holders of the Company	: RMB0.2245

The board (the “**Board**”) of directors (the “**Directors**”) of First Tractor Company Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2016 (the “**Reporting Period**”), which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises, together with comparative figures for the same period in 2015 are as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi).

CONSOLIDATED BALANCE SHEET

As at December 31, 2016

Prepared by: First Tractor Company Limited

Unit: RMB

Item	<i>Note</i>	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	6	3,261,735,812.98	1,897,794,077.61
Settlement reserves for balance			
Loans to banks and other financial institutions			
Financial assets measured at fair value and its movement recorded through profit and loss		62,657,466.94	414,865,981.64
Derivative financial assets		14,833,000.00	0.00
Notes receivable		554,932,731.17	629,595,676.71
Accounts receivable	7	674,313,323.03	846,592,058.32
Advances to suppliers		143,734,037.70	60,933,298.85
Premium receivables			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable		12,027,545.45	1,878,611.11
Dividend receivable			
Other receivables		104,926,297.50	67,644,192.90
Financial assets purchased with agreement to re-sale		354,848,615.72	899,544,776.20
Inventories		1,014,713,967.01	1,168,906,538.26
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		<u>1,412,930,377.64</u>	<u>468,428,422.33</u>
Total current assets		<u><u>7,611,653,175.14</u></u>	<u><u>6,456,183,633.93</u></u>

Item	<i>Note</i>	Ending balance	Beginning balance
Non-current assets:			
Loans and advances to customers		748,364,409.66	1,859,617,637.45
Financial assets available-for-sale		235,733,900.15	259,434,541.41
Held-to-maturity investments		58,352,738.68	0.00
Long-term receivables			
Long-term equity investments		149,098,999.76	150,640,194.51
Investment properties			
Fixed assets		2,970,855,427.52	2,866,761,443.98
Construction in progress		376,823,261.61	613,389,411.85
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		896,641,004.79	922,350,120.29
Research and development expenses			
Goodwill			
Long-term deferred expenses		40,223,194.44	34,047,868.91
Deferred income tax assets		122,767,169.68	110,024,707.65
Other non-current assets			
		<hr/>	<hr/>
Total non-current assets		<u>5,598,860,106.29</u>	<u>6,816,265,926.05</u>
Total assets		<u>13,210,513,281.43</u>	<u>13,272,449,559.98</u>

Item	<i>Note</i>	Ending balance	Beginning balance
Current liabilities:			
Short-term loans		1,579,448,510.67	1,938,954,945.26
Borrowings from central bank			
Receipts of deposits and deposits from other banks		588,286,840.09	527,213,699.13
Loans from other banks		250,000,000.00	350,000,000.00
Financial liabilities measured at fair value and its movement recorded through profit and loss			
Derivative financial liabilities			
Notes payable		1,417,113,769.49	1,299,804,364.19
Accounts payable	8	1,384,168,457.64	1,526,746,992.98
Advance from customers		199,663,201.54	303,082,198.22
Funds from selling out and repurchasing financial assets			
Fee and commission payable			
Employee salary payable		105,911,905.79	102,912,994.81
Taxes payables		25,426,038.74	-347,088,631.55
Interests payable		55,151,085.52	53,716,956.57
Dividends payable			
Other payables		257,257,848.82	242,762,492.73
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		34,422,532.04	32,395,168.40
Other current liabilities		93,369,345.75	98,038,848.99
Total current liabilities		<u>5,990,219,536.09</u>	<u>6,128,540,029.73</u>

Item	<i>Note</i>	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans		9,133,500.00	26,607,000.00
Bonds payable		1,496,694,996.06	1,494,277,758.19
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Provisions			
Deferred income		176,628,594.78	184,932,985.40
Deferred income tax liabilities		34,198,365.33	39,507,239.32
Other non-current liabilities			
Total non-current liabilities		<u>1,716,655,456.17</u>	<u>1,745,324,982.91</u>
Total liabilities		<u>7,706,874,992.26</u>	<u>7,873,865,012.64</u>
Shareholder's equity:			
Share capital		995,900,000.00	995,900,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,126,685,588.57	2,124,246,289.70
Less: Treasury shares		19,140,912.00	0.00
Other comprehensive income		-2,685,750.24	9,734,262.44
Special reserves		4,485,866.00	2,441,385.29
Surplus reserves		423,908,219.34	389,744,226.05
General risk reserves		10,774,059.81	8,819,548.63
Retained earnings	9	1,289,413,464.37	1,142,994,139.49
Total equity attributable to shareholders of the parent company		4,829,340,535.85	4,673,879,851.60
Non-controlling interests		674,297,753.32	724,704,695.74
Total shareholder's equity		<u>5,503,638,289.17</u>	<u>5,398,584,547.34</u>
Total liabilities and shareholder's equity		<u>13,210,513,281.43</u>	<u>13,272,449,559.98</u>

CONSOLIDATED INCOME STATEMENT

For the Year of 2016

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	This year	Last year
1. Total operating revenue		8,871,153,114.15	9,655,491,061.08
Including: Operating revenue		8,687,502,227.41	9,299,840,739.37
Interest income		183,205,912.89	355,264,578.40
Fees and commission income		444,973.85	385,743.31
2. Total cost of operation		8,717,909,468.82	9,580,721,409.54
Including: Cost of operation		7,088,783,071.84	7,617,420,810.89
Interest expenses		55,437,794.90	243,810,083.69
Fees and commission expense		356,453.59	452,274.93
Taxes and surcharges		44,525,763.68	33,623,299.94
Selling expenses		441,566,712.01	446,334,564.36
Administrative expenses		913,876,338.90	933,468,993.96
Financial expenses		86,073,671.32	147,304,923.93
Loss on impairment of assets		87,289,662.58	158,306,457.84
Add: Gain arising from the changes in fair value (Loss listed with “-”)		15,243,438.25	3,009,536.29
Investment income (Loss listed with “-”)		74,235,860.45	95,364,775.28
Including: Income from investments in associates and joint ventures		8,712,098.59	2,498,121.25
Exchange gain (Loss listed with “-”)			

Item	<i>Note</i>	This year	Last year
3. Operating profit			
(Loss listed with “-”)		242,722,944.03	173,143,963.11
Add: Non-operating income		51,763,953.91	59,808,311.35
Including: Gain from disposal of non-current assets		1,008,437.99	908,287.65
Less: Non-operating expenses		14,391,469.67	11,274,661.44
Including: Loss on disposal of non-current assets		10,174,400.44	4,412,254.29
4. Total profit (Loss listed with “-”)		280,095,428.27	221,677,613.02
Less: Income tax expenses	<i>13</i>	54,210,189.22	82,623,352.12
5. Net profit (Net loss listed with “-”)		225,885,239.05	139,054,260.90
Net profit attributable to shareholders of the parent company		223,369,729.35	135,322,811.53
Non-controlling interests		2,515,509.70	3,731,449.37
6. Net other comprehensive income after tax		-11,524,350.45	-7,172,820.86
Net other comprehensive income after tax attributable to owners of the parent company		-12,420,012.68	-6,561,478.76
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			

Item	<i>Note</i>	This year	Last year
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		-12,420,012.68	-6,561,478.76
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Gains and losses from changes in fair value of financial assets available-for-sale		-15,369,818.14	-17,442,385.10
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. Exchange differences from retranslation of financial statements		2,949,805.46	10,880,906.34
6. Others			
Net other comprehensive income after tax attributable to minority interests		895,662.23	-611,342.10
7. Total comprehensive income		214,360,888.60	131,881,440.04
Total comprehensive income attributable to shareholders of the parent company		210,949,716.67	128,761,332.77
Total comprehensive income attributable to minority interests		3,411,171.93	3,120,107.27
8. Earnings per share:	<i>14</i>		
(1) Basic earnings per share	<i>14</i>	0.2245	0.1359
(2) Diluted earnings per share	<i>14</i>	0.2245	0.1359

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 Jian she 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 the PRC 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 services

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 the PRC.

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 Companies Ordinance, and based on the accounting policies stated in the Note "4. Accounting policies" and accounting estimates.

3. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The 2016 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 December 31, 2016 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 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 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 January 1 to December 31 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 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 financial 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 adjusted to capital reserves. 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 acquire (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 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 profit or loss.

(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 consolidation statements are prepared. Shareholders' equity of subsidiaries not attributable to the parent, net profit and loss, other comprehensive income and the comprehensive income that is attributable to minority interest shall be disclosed 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 income 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. Adjustments to prior period during the preparation of consolidated financial statements are considered to exist in the reporting entity after combination since the ultimate control was obtained.

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 subsidiary 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 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.

Reporting segment for the year of 2016

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	7,668,937,039.58	2,311,985,517.56	42,982,290.01	202,220,245.80	-1,354,971,978.80	8,871,153,114.15
Including: External transaction revenue	7,115,708,247.41	1,534,860,175.58	36,933,804.42	183,650,886.74	0.00	8,871,153,114.15
Revenue between segments	553,228,792.17	777,125,341.98	6,048,485.59	18,569,359.06	-1,354,971,978.80	0.00
Total profit for segment	200,053,660.52	105,227,913.98	-58,889,752.47	26,199,032.31	7,504,573.93	280,095,428.27
Total assets	10,751,091,931.37	2,184,520,810.05	103,886,290.60	5,213,961,196.58	-5,042,946,947.17	13,210,513,281.43
Including: Amount of individual assets with significant impairment loss incurred	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	<u>6,918,232,710.04</u>	<u>877,878,498.16</u>	<u>460,494,057.84</u>	<u>4,485,011,482.85</u>	<u>-5,034,741,756.63</u>	<u>7,706,874,992.26</u>
Supplementary information						
Capitalized expenditure	208,958,559.91	39,702,997.16	357,513.39	117,150.43	0.00	249,136,220.89
Impairment loss recognized in this period	19,889,814.87	13,757,603.17	-3,381,377.18	57,023,621.72	0.00	87,289,662.58
Including: Allocation of goodwill impairment	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	327,920,176.34	13,576,547.32	3,040,524.48	872,213.59	0.00	345,409,461.73
Non-cash expenses other than impairment loss, depreciation and amortization	<u>26,190,952.58</u>	<u>26,587,905.94</u>	<u>-1,964,227.53</u>	<u>7,506,871.45</u>	<u>0.00</u>	<u>58,321,502.44</u>

Reporting segment for the year of 2015

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	8,298,791,820.56	2,342,069,937.06	59,316,996.60	379,762,308.57	-1,424,450,001.71	9,655,491,061.08
Including: External transaction revenue	7,755,218,122.67	1,504,001,337.89	40,579,148.81	355,692,451.71	0.00	9,655,491,061.08
Revenue between segments	543,573,697.89	838,068,599.17	18,737,847.79	24,069,856.86	-1,424,450,001.71	0.00
Total profit for segment	99,550,078.62	140,976,464.88	-110,049,116.58	105,866,928.68	-14,666,742.58	221,677,613.02
Total assets	10,548,294,050.51	2,182,203,838.97	182,281,136.57	5,471,453,175.12	-5,111,782,641.19	13,272,449,559.98
Including: Amount of individual assets with significant impairment loss incurred	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	<u>6,817,835,499.85</u>	<u>900,341,146.50</u>	<u>484,604,037.26</u>	<u>4,711,497,993.98</u>	<u>-5,040,413,664.95</u>	<u>7,873,865,012.64</u>
Supplementary information						
Capitalized expenditure	380,705,773.71	54,410,420.49	211,738.09	1,541,260.00	0.00	436,869,192.29
Impairment loss recognized in this period	113,917,079.00	8,956,680.27	34,012,208.22	1,420,490.35	0.00	158,306,457.84
Including: Amortization of goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	308,796,217.89	13,014,892.47	3,808,859.52	765,183.55	0.00	326,385,153.43
Non-cash expenses other than impairment loss, depreciation and amortization	<u>74,927,483.24</u>	<u>13,795,959.41</u>	<u>3,545,514.47</u>	<u>0.00</u>	<u>0.00</u>	<u>92,268,957.12</u>

6. MONETARY FUNDS

Item	Ending balance	Beginning balance
Cash on hand	875,133.16	983,395.10
Cash in bank	3,119,921,093.62	1,717,588,725.96
Other monetary funds	140,939,586.20	179,221,956.55
Total	<u>3,261,735,812.98</u>	<u>1,897,794,077.61</u>
Including: Total amount deposited abroad	<u>69,927,057.07</u>	<u>28,910,171.89</u>

Note: As at 31 December 2016, the Groups cash and cash equivalents with restrictions on any rights amounts to RMB367,430,005.50, including the central bank's legal deposit reserve of RMB41,180,078.81, refundable deposits (bank deposit prepared for the purchase of financial products) of RMB200,000,000.00 in the deposits held in banks, acceptance bill deposits of RMB108,674,642.08 and other deposits amounting to RMB14,002,491.95 and deposited investment fund of RMB3,572,792.66.

7. ACCOUNTS RECEIVABLE

(1) Accounts receivable

Item	Ending balance	Beginning balance
Accounts receivable	1,179,087,715.82	1,365,434,680.04
Less: Provision for bad debts	504,774,392.79	518,842,621.72
Net amount	<u>674,313,323.03</u>	<u>846,592,058.32</u>

(2) Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year	459,244,684.80	718,873,964.01
1–2 years	204,736,479.38	89,726,305.78
2–3 years	0.00	24,505,256.60
Over than 3 years	10,332,158.85	13,486,531.93
Net amount	<u>674,313,323.03</u>	<u>846,592,058.32</u>

8. ACCOUNTS PAYABLE

(1) Accounts payable

Item	Ending balance	Beginning balance
Purchase payment payable	1,308,157,751.41	1,370,467,578.02
Purchase of construction equipment payable	45,879,477.81	128,465,813.34
Service fee payable	19,757,726.67	23,535,898.88
Others	10,373,501.75	4,277,702.74
Total	<u>1,384,168,457.64</u>	<u>1,526,746,992.98</u>

(2) Aging analysis of accounts payable

Item	Ending balance	Beginning balance
Within 1 year	1,240,833,573.76	1,381,275,324.73
1–2 years	49,711,952.26	73,232,449.45
2–3 years	34,579,850.82	28,024,357.56
Over than 3 years	59,043,080.80	44,214,861.24
Total	<u>1,384,168,457.64</u>	<u>1,526,746,992.98</u>

9. RETAINED EARNINGS

Amount in this year

Item	Amount	Percentage of accrual or distribution
Ending balance of last year	1,142,994,139.49	
Add: Adjustment on beginning balance of retained earnings	0.00	
Beginning balance of this year	1,142,994,139.49	
Add: Net profit for the year attributable to shareholders of the parent company	223,369,729.35	
Less: Statutory surplus reserve	34,163,993.29	10% of current year net profits of the parent company
General risk reserves	1,954,511.18	<i>Note</i>
Common stock dividends payable	40,831,900.00	
Ending balance of this year	<u>1,289,413,464.37</u>	

Amount in last year

Item	Amount	Percentage of accrual or distribution
Ending balance of last year	1,080,369,447.42	
Add: Adjustment on beginning balance of retained earnings	0.00	
Beginning balance of this year	1,080,369,447.42	
Add: Net profit for the year attributable to shareholders of the parent company	135,322,811.53	
Less: Statutory surplus reserve	20,771,377.49	10% of current year net profits of the parent company
General risk reserves	1,135,841.97	<i>Note</i>
Common stock dividends payable	50,790,900.00	
Ending balance of this year	<u>1,142,994,139.49</u>	

Note: According to the stipulations in the Cai Jin [2012] No. 20 ‘Circular on printing and distributing the measures for the administration of reserve provision of financial enterprises’ issued by the Ministry of Finance, the general provision is accrued according to the percentage 1.5% of the risk assets ending balance of the subsidiary, YTO Finance Company Limited.

10. NET CURRENT ASSETS

Item	Ending balance	Beginning balance
Current assets	7,611,653,175.14	6,456,183,633.93
Less: Current liabilities	5,990,219,536.09	6,128,540,029.73
Net current assets	<u>1,621,433,639.05</u>	<u>327,643,604.20</u>

11. TOTAL ASSETS MINUS CURRENT LIABILITIES

Item	Ending balance	Beginning balance
Total assets	13,210,513,281.43	13,272,449,559.98
Less: Current liabilities	5,990,219,536.09	6,128,540,029.73
Total assets minus current liabilities	<u>7,220,293,745.34</u>	<u>7,143,909,530.25</u>

12. DEPRECIATION AND AMORTIZATION

Depreciation and amortization recognized in the Income statement for the current year is RMB299,855,509.54 and RMB32,749,677.64 respectively (last year: RMB281,111,036.92 and RMB33,292,606.41 respectively).

13. INCOME TAX EXPENSES

Item	Amount in this year	Amount in last year
Current income tax expenses	67,198,052.97	105,989,030.34
Deferred income tax expense	-12,987,863.75	-23,365,678.22
Total	<u>54,210,189.22</u>	<u>82,623,352.12</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, First Tractor Company Limited and its subsidiaries, YTO Diesel Engine Co., Ltd., Tractors Research Company, Luoyang Xi Yuan Vehicles and Power Inspection Institute Co., Ltd. and YTO Flag Auto-body Company Limited are entitled to the 15% preferential 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.

Item	This year	Last year
Consolidated net profit attributable to the ordinary shareholders of the parent company	223,369,729.35	135,322,811.53
Consolidated net profit attributable to the ordinary shareholders of the parent company (after deducting extraordinary gains or losses)	161,857,993.74	59,060,936.02
The weighted average outstanding ordinary shares of the parent company	994,943,500.00	995,900,000.00
Basic earnings per share (<i>RMB/share</i>)	0.2245	0.1359
Basic earnings per share (<i>RMB/share</i>) (after deducting extraordinary gains or losses)	0.1627	0.0593

The calculation process of ordinary share weighted average:

Item	This year	Last year
Beginning balance of outstanding ordinary shares issued	995,900,000.00	995,900,000.00
Reserve funds or share dividend distribution to increase the number of shares	0.00	0.00
Issue new shares or convert debt to equity, etc. to increase the number of shares	0.00	0.00
The cumulative number of months since the next month of increasing the shares (II) to the end of the year	0.00	0.00
The number of shares decreased due to the repurchase, etc.	956,500.00	0.00
The cumulative number of months since the next month of decreasing the shares to the end of the year	2.24	0.00
The number of shares decreased due to drawing back shares	0.00	0.00
The number of months in the reporting period	12.00	0.00
Ending balance of outstanding ordinary shares issued	994,943,500.00	995,900,000.00

(2) **Diluted earnings per share**

Item	Year of 2016	Year of 2015
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent	223,369,729.35	135,322,811.53
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent (after deducting extraordinary gains or losses)	161,857,993.74	59,060,936.02
The adjusted weighted average outstanding ordinary shares of the Company	994,943,500.00	995,900,000.00
Diluted earnings per share (<i>RMB/share</i>)	0.2245	0.1359
Diluted earnings per share (<i>RMB/share</i>) (after deducting extraordinary gains or losses)	0.1627	0.0593

15. DIVIDEND

After the reviewed and approved by the eleventh meeting of the seventh session of the Company's board of directors which was convened on March 28, 2017, the 2016 annual profit distribution proposal was: taking the total share capital on the date of registration of shares for this dividend distribution as the basis, to implement the distribution by distributing the cash dividend of RMB0.57 (including tax) for every 10 shares to all the shareholders. Such proposal has not yet implemented until it is approved by the general meeting of shareholders of the Company.

TO THE SHAREHOLDERS:

The Board is pleased to present the annual results announcement of the Group for the year ended 31 December 2016 to all the Shareholders.

BUSINESS REVIEW

In 2016, the PRC economy maintained a stable development amidst the macroeconomic environment remained complicated. Given the decrease in subsidy for purchasing agricultural machinery, the decline in food prices and the National III standard transformation, the growth of the agricultural machinery industry continued to slowdown, which resulted in an apparent decline in the overall tractor market. Facing the complicated economic environment and industry development trend, the Company insisted on the development strategy of "focusing on the core areas for stronger businesses, being innovation-driven and developing whole-set solutions" to unite all staff to overcome difficulties, and thus achieving good results on strategic management innovation, product structure adjustment, resources integration and optimization, and improvement in operation quality. The Company maintained a stable development. The profitability of the Company increased substantially and the market shares of hi-powered and mid-powered wheeled tractors of the Company continued to rank first in the industry despite the decrease in the revenue of principal business.

During the Reporting Period, the transformation and upgrading of the Company achieved effective results. Firstly, the independent innovation ability of the Company achieved new breakthrough. Dongfanghong-LW4004 continuously variable transmission heavy-duty wheeled tractor was developed successfully and exhibited on the National “12th Five-Year Plan” Scientific and Technological Innovation Exhibition. The breakthroughs on core technologies of heavy-duty tractor such as continuously variable transmission drive system and intelligent control-management system have filled the technological gaps in the PRC. The first driverless tractor in its true sense in the PRC, Dongfanghong LF954-C, was shown and operated on-site successfully on the 2016 PRC International Agricultural Machinery Exhibition, further enhancing the high-end-leading industry image of the Company. Secondly, new progress was made on product structure adjustment. Based on the continuous rapid growth in the recent years, the sales of power-shift tractor had 40% year-on-year increase, preliminarily forming new advantages in middle to high-end supply. Meanwhile, the Company took the lead in transformation of products to National III standard in the industry, gaining the first mover advantage of National III product in the industry and showing the corporate image of actively undertaking social responsibilities. Thirdly, new achievement was made on key projects in relation to research and development and technology reform. Projects such as the “New Energy Saving and Environmental Friendly Agricultural Engine Development” were listed as the National “13th Five-Year Plan” key research and development projects. Projects such as the New Intelligent Manufacturing Mode Application on Wheeled Tractor were listed as the 2016 intelligent manufacturing integrated standardization and new mode application projects by the Ministry of Industry and Information Technology and the Ministry of Finance. The “New Core Capacity Upgrade on Wheeled Tractor” project was completed.

Improving the quality and quantity and solidifying the foundation. The Company focused on enhancing the control on accounts receivable and inventory scale, so as to reduce the operational risk. This played an important role in improving the quality of economic operation of the Company. Through the integration of internal resources and vigorous promotion of disposal of inefficient and ineffective assets as well as making good use of the existing resources, the operation efficiency of the Company has been improved.

During the Reporting Period, after obtaining the general mandate by the Board at the general meeting of the Company, the Company repurchased H Shares at the appropriate time to boost investors’ confidence, as well as improving return to the Shareholders.

Regarding the structure of the Board, the Company amended and improved the “Implementation Rules for the Audit Committee of the Board” and the “Decision Making Principles on Investments and Operation” of the Company according to the needs of business development and internal control, and thus providing support to realize the standardized operation of the Board and implement its corporate development strategy. The Company was awarded the prize of the “Excellent Board of Directors” again and the “Value-added Board of Directors” award under the 12th “Gold Table Award” event. Moreover, the Company was rated as an A Class Information Disclosure Company by the Shanghai Stock Exchange this year and for three consecutive years since its listing of A Shares.

Looking back in 2016, the Company firmly promoted the transformation and upgrading and enhancement of the internal management, achieving success to a certain level. However, as affected by the economic and market environment, there was a gap between the annual sales revenue and the expected goal of the Company, the internal loss of business and inefficient assets were still eroding the profits of the Company, and more effort is still needed to improve the ability to provide whole-set solutions.

PROSPECT

On the basis of the development trend of agricultural machinery industry in recent years and the analysis of the market, it is expected that in 2017, the agricultural machinery market will continue the basic trend with a slowing down growth rate but with opportunities and challenges at the same time. On the one hand, the further promotion of structural reforms on the agricultural supply side in the PRC laid a policy foundation for the development of agricultural machinery industry. The agricultural machinery and equipment manufacturing industry has been listed as the ten key development fields in “Made in China 2025”. The development of high-end agricultural equipment, such as large tractors, and the key core spare parts will be accelerated. The promulgation of the “Action Plan on Agricultural Equipment Development (2016–2025)” of the PRC provides an exceptional strategic opportunity for the transformation and upgrade of enterprises. The good market performance of power-shift products and machinery products with National III standard provides the Company with the first mover advantage in industry competition and transformation and upgrade. On the other hand, factors including the decreased total amount of subsidies in purchasing agricultural machineries in the PRC, the accelerated reforms in marketization of prices of grains, the influences of national policy of returning farmland to forest and grass on the agricultural machinery demands in 2017, as well as the impacts of concentrated destocking of tractors with National II standard on the overdraw of subsequent market demands in 2016, will restrain the demands of machinery purchase to a certain extent. Furthermore, the increases in raw materials prices will also put pressure on the earnings of the Company.

In the face of the opportunities and challenges, the Company will take the strategic ideas of “focusing on the core areas for stronger businesses, being innovation-driven and developing whole-set solutions” as the guidance, and work in accordance with the overall work concepts of “insisting on strategy, changing with innovation and improvement, and improving for breakthrough”. The Company will take the improvement in the competitive advantages of existing core business and the rapid breakthrough in new business as major strategies, so as to complete and perfect works in 2017.

For principal products, the Company continued to vigorously promote power-shift tractors and develop new products (representing high-end demand in the industry), and prepare research and development reserve of products and technology such as intelligent agricultural machinery. Besides, according to the demand to accelerate the upgrade of national emission standards, the Company will work on the technical upgrade and transformation of power machinery products and accelerate the development of the engines in compliance with the National IV and V and their matching verification with the tractor bodies, so as to lead the upgrade of products in the industry and assume the responsibilities as the leading enterprise in the industry.

For business models, the Company will take the advantages in the products, manufacturing, technology and resources, etc. to optimize the combination and allocation of various competitive factors, in order to build the platform business models based on the core capacity of the Company. The Company will be user demand oriented to promote the transition from provision of products to provision of whole-set solutions, using development of whole-set as the breakthrough point.

For the integration of resources, the Company will emphasize on making the core business bigger and stronger. Internally, the Company will promote optimal allocation of resources and improve the utilization efficiency of resources. Externally, the Company will actively and orderly integrate resources and be open for cooperation, as well as grasping the strategic opportunity of the “Belt and Road Initiative” to expand the market space, adjust the market structure, provide strong support for business development and make great efforts to accelerate the development and breakthrough of the Company.

The development of modern agriculture in the PRC needs the support of high-quality agricultural machinery, and therefore agricultural machinery industry in the PRC has good development prospect. Taking this opportunity, the Board would like to express our sincere respect and gratitude to all the Shareholders, clients, other stakeholders and our employees for their concern, support and hard work for the development of the Company.

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

In 2016, the value-added of the agricultural machinery industrial increased by 7.7%, which is 0.7 percentage point lower than last year's growth rate. There is an apparent slowdown in growth rate. Due to multiple unfavourable factors, the tractor industry had an overall declining trend. The annual industrial sales volume of hi-powered and mid-powered wheeled tractors by core enterprises was 283,000 units, with a year-on-year drop of 11.1%. In this situation, the Company actively coped with challenges generated from market change by following the annual operation direction of "expand the market with steady growth; improve quality and create new advantages; adjust structure and promote to make transformation; strengthen management and improve efficiency". The Company maintains the first mover advantage in leading market products and an overall stable trend of corporate development. During the Reporting Period, the Company realized a total operating revenue of RMB8.871 billion, with a year-on-year decrease of 8.12%, among which operating revenue was RMB8.688 billion, with a year-on-year decrease of 6.58%, and net profits attributable to shareholders of the Company was RMB223 million, with a year-on-year increase of 65.06%.

Tractor Business

The Company strengthened the market competitiveness of Dongfanghong tractor through a series of measures including strengthening product promotion, adjusting marketing strategy, enhancing channel management, innovating marketing mode and enhancing service safety on the basis of its active grasp in competitive factors including industrial situation, regional characteristics and market change. During the Reporting Period, the Company realized a sales volume of 68,700 units of hi-powered and mid-powered wheeled tractors, with a year-on-year decrease of 11.27%, keeping its No. 1 in the industry in terms of market share.

During the Reporting Period, the Company took the lead in transforming products to National III standard in the industry, and realized a sales volume of 34,000 units of tractor with National III standard, as the market leader. The Company speeded up the promotion and application of power-shift tractor by promotion and sales in key and suitable areas. The Company realized a sales volume of over 4,700 units of power-shift tractors, with a year-on-year increase of 40%, further enhancing the Company's advantageous position in supplying high-end and mid-end products in the industry. We launched a series of new products of mid-powered wheeled tractors which are applicable to agricultural operations such as paddy field, rotary tillage, orchard and greenhouse, meeting the agricultural characteristics of specific area and personalized needs of clients, thus the product competitiveness is improved.

Meanwhile, the Company implemented resources integration in relation to manufacturing resources of mid-powered and low-powered wheeled tractors, in order to improve allocation efficiency of resources. Furthermore, the Company optimized mid-powered wheel tractor product platform to create favorable conditions for promoting product technology upgrade.

During the Reporting Period, the Company continued to promote expansion in the international market and intensify projects operation. The Company had a breakthrough in the key overseas markets. After exporting over 1,000 tractors to Cuba in 2015, the Company completed the export project to Cuba Ministry of Agriculture by exporting 486 units of hi-powered wheeled tractor in 2016, creating favorable conditions for the Company to expand influence of its products in the Latin-American market.

Power Machinery Business

The Company focused on developing and supplementing the National III products market by fully completing market expansion in the National III products market, continuously speeding up optimization in market structure and product structure adjustment. The Company obtained positive results. The Company created accessories for National III products with mainstream 80 to 150 horsepower, accounting for an external sales volume of 66%, representing a year-on-year increase of 3 percentage points. The annual sales volume of six cylinders diesel engines reached 47,400 units, with a year-on-year increase of 6.1%. The Company actively explored the wheat harvester market, with an annual sales volume of wheat harvester and accessories reaching a year-on-year increase of 12%. However, due to the overall decline in the tractor and harvester markets, the Company sold 142,000 units of diesel engine products, with a year-on-year decrease of 19.9%, among which was an external sales volume of 94,000 units with a year-on-year decrease of 15.7%.

Other Business

The finance business of the Company overcome the unfavorable factors including market interest rate reduction and liquidity shortage, and enhanced its bills business and inter-bank fund business development to improve capital efficiency.

ANALYSIS OF FINANCIAL RESULTS

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

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of last year	Changes (%)
Operating revenue	8,687,502,227.41	9,299,840,739.37	-6.58
Operating costs	7,088,783,071.84	7,617,420,810.89	-6.94
Taxes and surcharges	44,525,763.68	33,623,299.94	32.43
Selling costs	441,566,712.01	446,334,564.36	-1.07
Administrative expenses	913,876,338.90	933,468,993.96	-2.10
Finance costs	86,073,671.32	147,304,923.93	-41.57
Loss in asset impairment	87,289,662.58	158,306,457.84	-44.86
Gain from change in fair value	15,243,438.25	3,009,536.29	406.50
Income tax expenses	54,210,189.22	82,623,352.12	-34.39
Net cash flow generated from operating activities	2,093,174,716.44	637,795,720.18	228.19
Net cash flow generated from investing activities	-679,988,523.01	-643,001,833.63	N/A
Net cash flow generated from financing activities	-221,524,088.51	-10,693,437.77	N/A
Research and development expenses	404,592,452.39	389,241,683.88	3.94
Interest revenue	183,205,912.89	355,264,578.40	-48.43
Interest costs	55,437,794.90	243,810,083.69	-77.26

Operating revenue and operating cost: decreased by 6.58% and 6.94% respectively as compared with the corresponding period of last year, mainly resulting from the slight year-on-year decrease in sales of various products of the Company.

Taxes and surcharges: increased by 32.43% as compared with the corresponding period of last year, mainly resulting from the reclassification of property tax, land use tax, stamp duty and vehicle and vessel use tax, etc. from administrative expenses to taxes and surcharges by the Company since 1 May 2016 according to the “Accounting Rules for Value-added Tax (增值稅會計處理規定)” (Caikuai [2016] No. 22).

Loss in asset impairment: decreased by 44.86% as compared with the corresponding period of last year, mainly resulting from the year-on-year decline in overdue receivables and the significant decline in newly added bad debt risk as compared to the corresponding period of last year as the Company strengthened the management on trade receivables during the Reporting Period.

Gain from change in fair value: increased by 406.50% as compared with the corresponding period of last year, mainly resulting from settlement of the foreign exchange swap settlement business as the Company strengthened the management of exchange rates during the Reporting Period.

Income tax expenses: decreased by 34.39% as compared with the corresponding period of last year, mainly resulting from the decrease in the taxable income amount of the Company for the Reporting Period.

Interest revenue and interest costs: decreased by 48.43% and 77.26% respectively as compared with the corresponding period of last year, mainly resulting from the significant year-on-year decrease in the inter-bank bills discounting business of YTO Finance whom adjusted its business lines during the Reporting Period.

2. Operating Revenue

During the Reporting Period, the Company realized operating revenue of RMB8,687.50 million, which is decreased by 6.58% as compared with the corresponding period of last year, mainly resulting from the decrease in sales of various products of the Company.

3. Costs

Cost Analysis

Unit: 0'000 Currency: RMB

By industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Changes in the amount for the Reporting Period as compared with the corresponding period of last year
						(%)
Equipment manufacturing industry	Material	727,038	86.29	783,776	86.92	-7.24
	Labour	47,919	5.69	49,028	5.44	-2.26
	Production costs	67,561	8.02	68,968	7.65	-2.04

By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period last year as a percentage of total costs (%)	Changes in the amount for the Reporting Period as compared with the corresponding period of last year
						(%)
Agricultural machinery	Material	565,236	86.83	623,406	88.04	-9.33
	Labour	35,172	5.40	35,168	4.97	0.01
	Production costs	50,539	7.76	49,505	6.99	2.09
Power machinery	Material	157,282	84.51	154,289	83.06	1.94
	Labour	12,446	6.69	13,145	7.08	-5.32
	Production costs	16,387	8.80	18,331	9.87	-10.60
Other machinery	Material	4,520	82.84	6,081	76.71	-25.67
	Labour	301	5.52	715	9.02	-57.90
	Production costs	635	11.64	1,132	14.28	-43.90

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

Explanation on other situation on cost analysis:

Agricultural Machinery: In recent years, the Company has continued to increase the real asset investment in the tractor-related products, and most real investment had been completed gradually in 2016, resulting in a year-on-year increase in fixed costs.

Power Machinery: As affected by the upgrade between National II and National III, the proportion of material cost rises slightly year-on-year.

Other Machineries: Due to the overall decline in the industry and the Company's contraction of business for risk control, the product sales decline to a greater extent, but the Company reduced the operating costs through cost control, labor cost control and other measures, so that the cost had a year-on-year decline.

In 2016, the Company continued to implement cost optimization at all levels. By managing and controlling the expenses, refining the causes of each expenses and explicitly defining the responsible department for managing and controlling each expenses, and enhancing the cost control consciousness of all staff, the annual material costs and labour costs declined to various extents.

4. Expenses

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Selling expenses	441,566,712.01	446,334,564.36	-4,767,852.35	-1.07
Administrative expenses	913,876,338.90	933,468,993.96	-19,592,655.06	-2.10
Finance expenses	86,073,671.32	147,304,923.93	-61,231,252.61	-41.57

During the Reporting Period, the Company's total expenses were RMB1,441.52 million, with a year-on-year decrease of RMB85.59 million at the decreasing rate of 5.60%.

Selling expenses and administrative expenses decreased slightly as compared with the corresponding period of last year, mainly due to the decline in the sales volume of the principal products of the Company and the enhanced expenses control by the Company at the same time during the Reporting Period.

Finance expenses decreased significantly as compared with the corresponding period of last year, mainly because the Company had a higher net loss in foreign exchange for external debts of the Company in USD and Euro due to the volatile exchange rate in the corresponding period of last year. The Company had locked all its external debts with forward exchange rate for the Reporting Period

5. Research and Development Investment

Research and development investment table

Unit: Yuan Currency: RMB

Research and development investment expensed during the Reporting Period	404,592,452.39
Research and development investment capitalized during the Reporting Period	0.00
Total research and development investment	404,592,452.39
Total research and development investment as a percentage of operating revenue (%)	4.66
Number of research and development personnel of the Company	1,567
Number of research and development personnel as a percentage of total staff of the Company (%)	13.48
Ratio of research and development investment capitalization (%)	0.00

Explanation:

Research and development expenses for the Reporting Period increased slightly by 3.94% as compared with the corresponding period of last year, mainly due to the continuing enhancement in the research and development investment of the Company in relation to technological upgrade of products relating to tractor and power machinery for the purposes of enhancing the technical level of the principal products of the Company and consolidating and improving product competitiveness.

6. Cash Flows

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Net cash flow from operating activities	2,093,174,716.44	637,795,720.18	1,455,378,996.26	228.19
Net cash flow from investment activities	-679,988,523.01	-643,001,833.63	-36,986,689.38	N/A
Net cash flow from financing activities	-221,524,088.51	-10,693,437.77	-210,830,650.74	N/A

Net cash flow from operating activities increased by an inflow of RMB1,455.38 million as compared with the corresponding period of last year, mainly due to the significant decrease in inter-bank bills discounting business of YTO Finance as compared with the corresponding period of last year and the sales during the Reporting Period of financial assets purchased with agreement to re-sale held at the beginning of the period.

Net cash flow from investment activities decreased by an inflow of RMB36.99 million as compared with the corresponding period of last year, mainly due to the decrease in income from investment by the Company during the Reporting Period as compared with the corresponding period of last year.

Net cash flow from financing activities increased by an outflow of RMB210.83 million as compared with the corresponding period of last year, mainly due to the increase in loan repayment to banks by the Company during the Reporting Period as compared with the corresponding period of last year.

ANALYSIS ON OPERATION BY INDUSTRY, PRODUCTS OR REGION

Principal Businesses by Industry, by Products and by Region

Unit: 0'000 Currency: RMB

Principal business by industry

By industry	Operating revenue	Operating cost	Profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in profit margin as compared with last year
Equipment manufacturing industry	868,750	708,878	18.40	-6.58	-6.94	Increased by 0.31 percentage point

Principal business by products

By products	Operating revenue	Operating cost	Profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in profit margin as compared with last year
Agricultural machinery	766,893	650,947	15.12	-7.59	-8.07	Increased by 0.44 percentage point
Power machinery	231,199	186,116	19.50	-1.28	0.19	Decreased by 1.18 percentage point
Other machinery	4,298	5,455	-26.92	-27.55	-31.19	Increased by 6.73 percentage points
Inter-segment elimination	-133,640	-133,640	/	/	/	/
Total	868,750	708,878	18.40	-6.58	-6.94	Increased by 0.31 percentage point

Principal Businesses by Region

By region	Operating revenue	Operating cost	Profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in profit margin as compared with last year
In the PRC	830,082	678,757	18.23	-5.16	-5.71	Increased by 0.48 percentage point
Outside the PRC	38,668	30,121	22.10	-29.32	-28.06	Decreased by 1.37 percentage point

ANALYSIS ON ASSET AND LIABILITY

Unit: Yuan Currency: RMB

Items	Balance as at the end of the Report Period	Balance as at the end of the Report 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 Report Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Cash and cash equivalents	3,261,735,812.98	24.69	1,897,794,077.61	14.30	71.87	Mainly due to the increase in cash received from operating activities of the Company
Change in fair value of financial assets credited to current profit or loss under fair value measurement	62,657,466.94	0.47	414,865,981.64	3.13	-84.90	Decrease in trust products held by YTO Finance

Items	Balance as at the end of the Report Period	Balance as at the end of the Report 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 Report Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Derivative financial assets	14,833,000.00	0.11	0.00	0.00	N/A	Purchase of foreign exchange swap settlement contract by the Company
Advance payment	143,734,037.70	1.09	60,933,298.85	0.46	135.89	Increase in advance payment for procurement
Interest receivable	12,027,545.45	0.09	1,878,611.11	0.01	540.24	Increase in interest receivable of YTO Finance
Other receivables	104,926,297.50	0.79	67,644,192.90	0.51	55.12	Increase in security deposit of export business
Financial assets purchased with agreement to re-sale	354,848,615.72	2.69	899,544,776.20	6.78	-60.55	Decrease in financial assets purchased with agreement to re-sale of YTO Finance
Other current assets	1,412,930,377.64	10.70	468,428,422.33	3.53	201.63	Increase in purchase of wealth management products using short term idle funds, and the transfer of value-added tax carried forward to other current assets due to the change from business tax to value-added tax
Loans issued and advances	748,364,409.66	5.66	1,859,617,637.45	14.01	-59.76	Decrease in businesses of bills discounting and inter-bank bills discounting of YTO Finance
Held-to-maturity investments	58,352,738.68	0.44	0.00	0.00	N/A	Newly purchased bonds of YTO Finance
Construction in progress	376,823,261.61	2.85	613,389,411.85	4.62	-38.57	Transfer from infrastructure project to fixed assets
Advance from customers	199,663,201.54	1.51	303,082,198.22	2.28	-34.12	Decrease in advance from customers during the Reporting Period

Items	Balance as at the end of the Report Period	Balance as at the end of the Report 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 Report Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Taxes payables	25,426,038.74	0.19	-347,088,631.55	-2.62	N/A	Reclassification of value-added tax carried forward to other current assets due to the change from business tax to value-added tax
Long-term loans	9,133,500.00	0.07	26,607,000.00	0.20	-65.67	Transfer of long-term loans due within one year to current liabilities during the Reporting Period
Other comprehensive income	-2,685,750.24	-0.02	9,734,262.44	0.07	-127.59	Disposal of certain available-for-sale financial assets and decrease in fair value of available-for-sale financial assets held during the Reporting Period

(1) Key financial ratio

Items	As at the end of the Reporting Period	As at the beginning of the Reporting Period	Year-on-year change
Gearing ratio (%)	58.34	59.32	Decreased by 0.98 percentage point
Current ratio	1.27	1.05	Increased by 0.22
Quick ratio	1.10	0.86	Increased by 0.24

As at the end of the Reporting Period, the gearing ratio of the Company decreased by 0.98 percentage point as compared with the beginning of the Reporting Period, and as at the end of the Reporting Period, the current ratio increased by 0.22 as compared with the beginning of the Reporting Period and the quick ratio increased by 0.24 as compared with the beginning of the Reporting Period, mainly due to the decrease in current liabilities of the Company as at the end of the Reporting Period.

(2) Bank loans

Bank loans of the Group are mainly in the currency unit of RMB, USD and Euro. As at the end of the Reporting Period, bank loans of the Group due within one year amounted to RMB1.5977155 billion, in which loans in foreign currency amounted to RMB827.7150 million (mainly consisted of loans denominated in USD); bank loans due over one year amounted to RMB9.1335 million; and the bank loans with fixed interest rate amounted to RMB1.4734999 billion. The Company has good bank credit rating and financing ability in the PRC and overseas.

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

As at the end of the Reporting Period, the Group's cash and cash equivalents with restrictions on any rights amounted to RMB367,430,005.50, including the guarantee letter deposits of RMB908,559.21, bank's acceptance bill deposits of RMB108,674,642.08, trade financing deposits of RMB7,088,798.79, letter of credit deposits of RMB3,829,400.18, the risk provisions for projects of RMB2,175,733.77, deposited investment fund of RMB3,572,792.66, the central bank's legal deposit reserve of RMB41,180,078.81 and deposited investment fund (bank deposit prepared for the purchase of wealth management products) of RMB200,000,000.00 in the deposits held in banks.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on any rights was RMB26,060,900.00, which was the amount of notes receivable pledged in the bank during the Reporting Period.

As at the end of the Reporting Period, the Group's original value of the 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 RMB88,717,045.86, which were buildings and land mortgaged to the bank for short-term loans to the Group during the Reporting Period.

FOREIGN EXCHANGE RISK

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

PRINCIPAL SOURCES AND USE OF FUNDS

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

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 “Company’s Resolution on the General Mandate to Repurchase H Shares” respectively. The Company started to implement the repurchase of H Shares since July 2016 under such general mandate. As at the date hereof, a total of 6,042,000 H Shares were repurchased on the Stock Exchange for a total accumulated consideration of HK\$25,768,080 (excluding commission and other expenses), and the repurchased H Shares in 2016 had not yet been cancelled. The monthly breakdown of the repurchase of the H Shares during the Reporting Period is as follows:

Month of Repurchase	Number of H Shares repurchased	The highest price paid per H Share (HK\$)	The lowest price paid per H Share (HK\$)	Aggregate consideration paid (HK\$)
July 2016	1,230,000	4.10	3.98	4,978,060
August 2016	832,000	4.20	4.15	3,483,840
September 2016	500,000	4.40	4.29	2,163,860
November 2016	500,000	4.35	4.28	2,163,180
December 2016	2,980,000	4.40	4.28	12,979,140
Total	<u>6,042,000</u>			<u>25,768,080</u>

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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strictly complied with the principles and most code provisions under the “Corporate Governance Code and Corporate Governance Report” (the “Code”) as set out in Appendix 14 to the Listing Rules of the Stock Exchange, and the Company has amended the “Implementation Rules for the Audit Committee of the Board of Directors” on 18 January 2016 and re-complied with code provision C.3.3 which sets out that the terms of reference of the audit committee should include certain minimum duties, including code provisions C.3.3(a) to (n). The Company deviated from Code provision A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagement, Mr. Wu Tak Lung, Mr. Yu Zengbiao, independent non-executive Directors and Mr. Li Hepeng, Mr. Xie Donggang and Mr. Li Kai, non-executive Directors, did not attend the general meeting of the Company, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting held on 27 May 2016; and, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao, independent non-executive Directors and Mr. Li Hepeng, Mr. Xie Donggang, and Mr. Li Kai, non-executive Directors, did not attend the general meeting of the Company held on 13 December 2016. Other non-executive Directors and independent non-executive Directors had been present at the respective general meetings, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

After making enquiries to, and as confirmed by all Directors of the Company, Mr. Wu Tak Lung, an independent non-executive Director of the Company, held 10,000 H Shares of the Company during the Reporting Period. During the Reporting Period, all Directors of the Company had strictly complied with the code of conduct in relation to the securities transactions by Directors under the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix 10 to the Listing Rules of the Stock Exchange.

DIVIDEND

In accordance with the profit distribution policy of the Articles of Association of the Company, the Board recommends the following profit distribution proposal for 2016: a cash dividend of RMB0.57 (tax inclusive) for every ten shares on the basis of the total share capital of the Company as at the record date for dividend distribution. The proposal is still subject to the approval of the shareholders in the 2016 annual general meeting of the Company.

As the date of the 2016 annual general meeting of the Company has not been determined, the relevant record date will be announced later. If the aforesaid proposal is approved by the shareholders of the Company, then pursuant to the “Corporate Income Tax Law of the PRC” and its implementing regulations, which came into force on 1 January 2008, and other relevant rules, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the “Corporate Income Tax Law of the PRC”) shareholders whose names appear on the H Share register of members of the Company. Any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The individual income tax will not be withheld by the Company from the dividend payable to any natural person shareholders whose names appear on the H Share register of members of the Company.

OPERATION OF THE AUDIT COMMITTEE

During the Reporting Period, the Audit Committee under the Board convened 5 meetings, details are set out below:

Session of meeting	Date	Resolutions	Results
First Meeting in 2016	2016.1.13	<ol style="list-style-type: none">1. Plan for preparation of annual report of the Company in 20152. Plan for preparation of auditing of annual financial report of the Company in 20153. Implementation Rules for the Audit Committee of the Board (revised) of the Company4. Administrative Measures on evaluation on internal control of the Company5. Proposal for preparation of annual internal control evaluation of the Company in 2015	All are passed
Second Meeting in 2016	2016.3.23	<ol style="list-style-type: none">1. The annual report and audited financial report of the Company in 20152. The annual internal control evaluation report of the Company in 20153. Recommendations on appointment of annual financial adviser and internal control auditor of the Company in 20164. The performance report of the Audit Committee under the Board of the Company in 20155. The execution of connected transactions of the Company in 2015	
Third meeting in 2016	2016.4.25	The first quarterly report of the Company in 2016	
Fourth meeting in 2016	2016.8.22	<ol style="list-style-type: none">1. The interim report of the Company in 20162. The execution of connected transactions report for the first half of 2016	
Fifth meeting in 2016	2016.10.25	The third quarterly report of the Company in 2016	

As at the date hereof, the Audit Committee under the seventh session of the Board of the Company had reviewed the annual results of the Group for the year ended 31 December 2016.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

The auditor of the Company, ShineWing Certified Public Accountants LLP, agreed with the figures in this preliminary announcement of the results of the Group for the year ended 31 December 2016, which are consistent with the amounts that will be contained in the 2016 Annual Report of the Company. The unqualified auditor's report will also be included in the 2016 Annual Report of the Company.

DEFINITION

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

agricultural machinery	means	various machinery used in the crop farming and animal husbandry, and the primary processing of agricultural and animal products
auditor	means	the financial report auditor appointed by the Company, ShineWing Certified Public Accountants LLP, as the Company's auditor for the year of 2016
Company	means	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	means	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
CSRC	means	China Securities Regulatory Commission
diesel engine	means	internal combustion engine that uses diesel as fuel
Group	means	the Company and its controlled subsidiaries
H Share	means	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	means	wheeled tractor with a power of 70 (inclusive) horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
Listing Rules of the Stock Exchange	means	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

low-powered wheeled tractor	means	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	means	wheeled tractor with a power of 25 (inclusive) to 70 horsepower power machinery
power machinery	means	products including diesel engine and fuel injection pump
PRC	means	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
subsidiary	means	a subsidiary as defined under the Listing Rules of the Stock Exchange
YTO Finance	means	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company

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

Luoyang, the PRC
28 March 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*