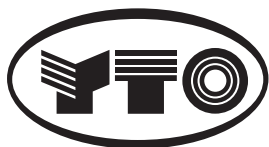


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

(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 2019**

FINANCIAL HIGHLIGHTS

Total operating revenue: RMB3,425,973,267.68

Net profits attributable to the shareholders of the Company: RMB19,612,525.70

Earnings per share attributable to the equity holders of the Company: RMB0.0199

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the unaudited consolidated interim results of the Group prepared in accordance with the PRC Accounting Standards for Business Enterprises for the six months ended 30 June 2019 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2018 (unless otherwise stated, the figures stated by the Company are denominated in RMB; Unit:Yuan). The consolidated interim financial statements herein are unaudited, but have been reviewed by the audit committee of the Company.

CONSOLIDATED BALANCE SHEET

As at 30 June 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending Balance	Opening Balance
Current assets:			
Monetary Funds	1	1,745,076,747.84	1,549,845,341.18
Settlement reserves for balance			
Loans to banks and other financial institutions		97,000,000.00	200,257,777.78
Financial assets held for trading		938,026,814.01	897,235,968.16
Derivative financial assets		1,003,692.75	578,743.73
Notes receivable		451,188,470.20	523,719,132.77
Accounts receivable	2	854,300,648.63	405,771,306.07
Receivable financing			
Advances to suppliers		102,607,912.38	107,561,199.88
Premium receivables			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Other receivables		57,111,330.29	48,032,166.86
Including: Interest receivable		66,666.66	
Dividends receivable			
Financial assets purchased with agreement to re-sale			150,203,731.40
Inventories		1,115,849,440.24	1,430,349,787.42
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year		216,908,159.83	184,159,312.46
Other current assets		2,084,488,185.92	2,034,630,027.40
Total current assets		<u>7,663,561,402.09</u>	<u>7,532,344,445.11</u>

Item	<i>Note</i>	Ending Balance	Opening Balance
Non-current assets:			
Loans and advances to customers		866,523,521.90	1,011,466,273.6
Debt investments			
Other debt investments			
Long-term receivables		270,345,789.99	280,985,073.83
Long-term equity investments		129,208,130.93	131,203,815.70
Other investments in equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		2,850,966,193.32	2,942,857,496.39
Construction in progress		227,234,098.13	232,816,443.52
Productive biological assets			
Oil and gas assets			
Right-of-use assets		24,299,256.86	34,404,216.48
Intangible assets		822,557,960.06	842,336,991.00
Research and development expenses			
Goodwill			
Long-term unamortized expenses		41,437,736.90	41,237,156.30
Deferred tax assets		119,125,152.34	125,494,060.54
Other non-current assets			
		<hr/>	<hr/>
Total non-current assets		5,351,697,840.43	5,642,801,527.36
		<hr/>	<hr/>
Total assets		13,015,259,242.52	13,175,145,927.47
		<hr/> <hr/>	<hr/> <hr/>

Item	<i>Note</i>	Ending Balance	Opening Balance
Current liabilities:			
Short-term loans		2,716,261,536.23	2,792,337,237.50
Borrowings from central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities		1,725,546.87	2,727,592.84
Notes payable		907,591,340.46	958,616,789.34
Accounts payable	3	1,393,590,705.70	1,194,829,925.57
Advances from customers			
Funds from selling out and repurchasing financial assets			
Receipts of deposits and deposits from other banks		1,062,308,758.24	1,086,218,057.79
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee salary payable		124,431,962.81	189,486,846.96
Taxes payables		15,150,952.65	24,562,534.28
Other payables		331,303,988.61	292,106,786.08
Including: Interests payable			
Dividends payable		8,273,287.83	8,273,287.83
Fee and commission payable			
Reinsurance accounts payables			
Contract liabilities		159,278,501.22	369,490,638.57
Liabilities classified as held for sale			
Non-current liabilities due within one year		45,945,473.83	78,139,035.95
Other current liabilities		290,331,572.12	196,139,042.20
Total current liabilities		<u>7,047,920,338.74</u>	<u>7,184,654,478.08</u>

Item	<i>Note</i>	Ending Balance	Opening Balance
Non-current liabilities:			
Reserves for insurance contract			
Long-term loans		868,170,000.00	868,473,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		8,381,134.78	16,265,180.53
Long-term payables		8,941,432.26	8,971,437.07
Long-term employee salary payable		93,304,581.28	119,715,885.28
Contingent liabilities		3,981,625.85	3,981,625.85
Deferred income		178,663,426.66	186,025,075.84
Deferred tax liabilities		136,684,227.05	130,983,510.46
Other non-current liabilities			
Total non-current liabilities		<u>1,298,126,427.88</u>	<u>1,334,415,715.03</u>
Total liabilities		<u>8,346,046,766.62</u>	<u>8,519,070,202.11</u>
Owner's equity (or shareholder's equity):			
Paid-up capital (or share capital)		985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves		2,099,471,911.89	2,099,639,657.89
Less: Treasury shares			
Other comprehensive income		-13,890,502.14	-16,863,576.18
Special reserves		3,245,279.36	3,274,006.51
Surplus reserves		442,101,172.16	442,101,172.16
General risk reserves		25,104,151.50	–
Retained earnings	4	487,588,777.44	493,080,403.24
Total equity attributable to owners of the parent company (or shareholders' equity)		4,029,470,790.21	4,007,081,663.62
Minority interests		639,741,685.69	648,994,106.74
Total owners' equity (or shareholder's equity)		<u>4,669,212,475.90</u>	<u>4,656,075,770.36</u>
Total liabilities and owners' equity (or shareholder's equity)		<u>13,015,259,242.52</u>	<u>13,175,145,972.47</u>

CONSOLIDATED INCOME STATEMENT

January – June 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Half year of 2019	Half year of 2018
I. Total operating revenue		3,425,973,267.68	3,581,389,966.87
Including: Operating revenue		3,376,284,242.98	3,509,417,965.49
Interest income		47,885,722.12	70,915,637.16
Fees and commission income		1,803,302.58	1,056,364.22
II. Total operating cost		3,454,099,465.80	3,769,975,478.23
Including: Operating cost		2,906,028,393.82	3,133,682,178.21
Interest expenses		17,000,296.03	6,683,589.47
Fees and commission expense		235,533.76	169,071.50
Refunded premiums			
Taxes and surcharges		22,779,937.82	24,902,827.84
Selling expenses		141,344,409.13	175,281,716.18
Administrative expenses		168,787,482.38	220,131,436.27
Research and development expenses		156,530,035.79	161,671,225.12
Financial expenses		41,393,377.07	47,453,433.64
Including: interest expenses		83,118,600.84	73,055,205.28
interest income		38,782,268.47	19,245,257.88

Item	<i>Note</i>	Half year of 2019	Half year of 2018
Add: Other gains		18,582,933.40	14,201,314.07
Investment income			
(Loss listed with “-”)		38,659,947.90	17,364,277.37
Including: Income from			
investments in			
associates and			
joint ventures		-5,217,213.36	-1,364,851.82
Gains on derecognition			
of financial asset			
measured at amortised			
cost (Loss listed			
with “-”)			
Exchange gain (Loss listed with “-”)			
Net gain on hedging exposure			
(Loss listed with “-”)			
Gain arising from the changes in			
fair value (Loss listed with “-”)		42,484,063.57	73,040,168.04
Loss on impairment on credit			
(Loss listed with “-”)		-16,409,018.88	-26,405,502.16
Loss on impairment of assets			
(Loss listed with “-”)		-33,828,164.42	-11,323,540.80
Gain on disposal of assets			
(Loss listed with “-”)		-50,437.30	497,857.69
III. Operating profit (Loss listed with “-”)		21,313,126.15	-121,210,937.15
Add: Non-operating income		15,118,851.87	6,885,617.71
Less: Non-operating expenses		511,505.42	426,939.71
IV. Total profit (Total loss listed with “-”)		35,920,472.60	-114,752,259.15
Less: Income tax expenses	5	26,103,902.44	38,202,470.13

Item	<i>Note</i>	Half year of 2019	Half year of 2018
V. Net profit (Net loss listed with “-”)		9,816,570.16	-152,954,729.28
(I) classification according to the continuity of operation			
1. Net profit from continuing operations (Net loss listed with “-”)		9,816,570.16	-152,954,729.28
2. Net profit from discontinued operations (Net loss listed with “-”)			
(II) Classification according to ownership			
1. Net profit attributable to shareholders of the parent company (Net loss listed with “-”)		19,612,525.70	-144,979,881.65
2. Minority interests (Net loss listed with “-”)		-9,795,955.54	-7,974,847.63
VI. Net other comprehensive income after tax		2,898,768.21	341,720.81
Net other comprehensive income after tax attributable to owners of the parent company		2,973,074.04	314,097.41
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified into profit or loss under equity method			
3. Changes in fair value of other investment in equity instruments			

Item	<i>Note</i>	Half year of 2019	Half year of 2018
4. Changes in fair value of the enterprise's own credit risks			
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		2,973,074.04	314,097.41
1. Other comprehensive income that can be reclassified into profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Gains and losses from changes in fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets			
6. Provision for the credit impairment of the debt investments			
7. Reserves for cash flows hedges (effective part of hedging gains and losses from cash flows)			
8. Exchange differences from retranslation of financial statements		2,973,074.04	314,097.41
9. Others			
Net other comprehensive income after tax attributable to minority interests		-74,305.83	27,623.40
VII. Total comprehensive income		12,715,338.37	-152,613,008.47
Total comprehensive income attributable to shareholders of the parent company		22,585,599.74	-144,665,784.24
Total comprehensive income attributable to minority interests		-9,870,261.37	-7,947,224.23
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		0.0199	-0.1471
(II) Diluted earnings per share (Yuan/share)		0.0199	-0.1471

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. In the following, the Company and its affiliated companies are collectively referred to as the "Group". During the year, the main business operations of the Group in China are as follows:

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

The directors of the Company believe that the immediate holding company is YTO Group Corporation 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 Companies Ordinance, and based on the accounting policies stated in the Note "4. Accounting policies".

3. Statement of compliance of Accounting Standards for Business Enterprises

The 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, 2019 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 Securities and Futures Commission of Hong Kong and the Hong Kong Stock Exchange have both accepted financial statements prepared by Hong Kong listed companies originally from mainland China in accordance with 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, joint ventures and associates determine their own recording currency according to their main economic environment.

(3) The currency used by the Group for the preparation of this financial statement is RMB.

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

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

- I. These transactions are occurred at the same time, or have considered the impact of each other.
- II. All these transactions together can achieve a complete business result.
- III. The occurrence of a transaction depends on the occurrence of at least one other transaction.
- IV. A deal alone is not economical, but it is economic when considering together with other transactions.

(b) Enterprise merger under common control

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

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

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

(c) *Enterprise merger not under common control*

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

- I. An enterprise merger contract or agreement has been approved by the internal authority of the company.
- II. The merger of enterprises should be approved by the relevant competent authorities of the state and has been approved.
- III. The necessary transfer procedures for property rights have been carried out.
- IV. The company has paid most of the consolidated price and has the ability and plan to pay the surplus.
- V. The company has actually controlled the financial and operating policies of the purchaser and has the corresponding interest and the corresponding risk.

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

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

(d) The costs of merger

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

(5) Preparation of consolidated financial statements

(a) Scope of the merger

The consolidation scope of the Group includes all subsidiaries controlled.

(b) Consolidated procedures

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

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

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

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

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

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

(6) *Segment information*

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

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

- (a) The ‘agricultural machinery’ segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and component
- (b) The ‘power machinery’ segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets;
- (c) The ‘other machinery’ segment engages in the manufacture and sale of forklifts, mining trucks and other machinery;
- (d) The ‘financial service’ segment engages in the provision of loans, bills discounting and deposit-taking services.

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

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

(7) Changes in accounting policies

1) Impacts of New standards on the Group

On January 1, 2019, the Group implemented the new standards revised and issued by the Ministry of Finance: Accounting Standards for Enterprises No. 7 – Non-monetary Transactions, Accounting Standards for Enterprises No. 12 – Debt Restructuring, and Accounting Standards for Enterprises No. 21 – Lease.

I. The implementation of non-monetary trading standards and debt restructuring standards has no impact on the Group.

II. Implementation of new leasing standards

The impact of the implementation of the new leasing standards on the Group is as follows:

On the first execution date, the company does not reassess whether the existing contract is a lease or includes a lease, and applies this method to all contracts. Therefore, it only implements the convergence provisions of these standards for the contracts identified as a lease under the original lease criteria. In addition, the Group has chosen to adopt a simplified retrospective adjustment method to link up the above-mentioned lease contracts in accordance with the provisions of Accounting Standards for Enterprises No. 28 – Accounting Policies, Changes in Accounting Estimates and Error Correction. That is, to adjust the retained earnings and other related items in the financial statements at the beginning of the first year of implementation of the present Standards without adjusting the comparable period information, and to adopt the relevant simplified method and the right-of-assets measurement are adopted for the leases based on each lease option. Accounting policies of the Group for low-value asset leases and short-term leases are non-recognition of right-of-use assets and lease liabilities.

The impact of the implementation of the new leasing standards on items related to the current financial statements is shown below:

Item	December 31, 2018	Cumulative impact amount	January 1, 2019
Right-of-use assets		34,404,216.48	34,404,216.48
Lease liabilities		16,265,180.53	16,265,180.53
Lease liabilities due within one year		18,139,035.95	18,139,035.95

2) *Impacts of the new presentation format on the Group*

In May 2019, the Ministry of Finance issued the Circular on Revising and Issuing the Format of General Enterprise Financial Statements for 2019. The Group has prepared the interim financial statements for 2019 in accordance with the above circular, and adjusted the items of comparative financial statements accordingly. For details, please refer to (3).

3) Impacts of New Standards and Format of Statements on the Group

Consolidated balance sheet

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of the Implementation of New Accounting Standards for Enterprises	
				January 1, 2019	
Lendings to banks and other financial institutions	200,000,000.00	257,777.78	200,257,777.78		200,257,777.78
Notes receivable		523,719,132.77	523,719,132.77		523,719,132.77
Accounts receivable		405,771,306.07	405,771,306.07		405,771,306.07
Notes receivable & accounts receivable	929,490,438.84	-929,490,438.84			
Other receivables	65,741,038.66	-17,708,921.80	48,032,116.86		48,032,116.86
Other current assets	2,017,266,694.07	17,363,333.33	2,034,630,027.40		2,034,630,027.40
Total current assets	7,532,432,255.80	-87,810.69	7,532,344,445.11		7,532,344,445.11
Loans and advances to customers	1,011,378,462.91	87,810.69	1,011,466,273.60		1,011,466,273.60
Right-of-use assets				34,404,216.48	34,404,216.48
Total non-current assets	5,608,309,500.19	87,810.69	5,608,397,310.88	34,404,216.48	5,642,801,527.36
Total assets	13,140,741,755.99		13,140,741,755.99	34,404,216.48	13,175,145,972.47
Short-term loans	2,777,516,101.13	14,821,136.37	2,792,337,237.50		2,792,337,237.50
Absorption of deposits and interbank deposits	1,080,524,854.03	5,693,203.76	1,086,218,057.79		1,086,218,057.79
Notes payable		958,616,789.34	958,616,789.34		958,616,789.34
Accounts payable		1,194,829,925.57	1,194,829,925.57		1,194,829,925.57
Notes payable & accounts payable	2,153,446,714.91	-2,153,446,714.91			
Other payables	312,621,126.21	-20,514,340.13	292,106,786.08		292,106,786.08
Non-current liabilities due within one year	76,664,479.21	-16,664,479.21	60,000,000.00	18,139,035.95	78,139,035.95
Total current liabilities	7,183,179,930.34	-16,664,479.21	7,166,515,451.13	18,139,035.95	7,184,654,487.08
Lease liabilities				16,265,180.53	16,265,180.53
Deferred income	169,360,596.63	16,664,479.21	186,025,075.84		186,025,075.84
Total non-current liabilities	1,301,486,055.29	16,664,479.21	1,318,150,534.50	16,265,180.53	1,334,415,715.03
Total liabilities	8,484,665,985.63		8,484,665,985.63	34,404,216.48	8,519,070,202.11

Note: The above table shows only the affected items in the financial statements, excluding the unaffected items.

Note 2. Accounts receivables

1. *Disclosure of accounts receivable*

Item	Ending balance	Opening balance
Book balance	1,352,463,671.51	896,199,217.42
Bad debt provision	498,163,022.88	490,427,911.35
Book value	<u>854,300,648.63</u>	<u>405,771,306.07</u>

2. *Aging analysis of accounts receivable*

Aging	Ending Balance		Net book value
	Book Balance	Provision for bad debt	
Within 1 year	808,256,432.61	21,338,481.39	786,917,951.22
1 to 2 years	47,173,446.14	23,383,496.77	23,789,949.37
2 to 3 years	16,308,868.60	10,603,491.05	5,705,377.55
Over 3 years	480,724,924.16	442,837,553.67	37,887,370.49
Total	<u>1,352,463,671.51</u>	<u>498,163,022.88</u>	<u>854,300,648.63</u>

Aging	Opening Balance		Net book value
	Book Balance	Provision for bad debt	
Within 1 year	353,594,062.98	13,397,704.67	340,196,358.31
1 to 2 years	29,007,514.78	13,818,769.39	15,188,745.39
2 to 3 years	16,184,404.96	13,454,500.34	2,729,904.62
Over 3 years	497,413,234.70	449,756,936.95	47,656,297.75
Total	<u>896,199,217.42</u>	<u>490,427,911.35</u>	<u>405,771,306.07</u>

Note 3. Accounts payable

Item	Ending Balance	Opening Balance
Purchase payment payable	1,307,174,834.85	1,116,711,556.82
Purchase of construction equipment payable	41,872,827.76	65,193,459.38
Service fee payable	40,653,518.39	11,507,463.92
Others	3,889,524.70	1,417,445.45
Total	<u>1,393,590,705.70</u>	<u>1,194,829,925.57</u>

Note 4. Retained earnings

Item	This period	Last period	Percentage of accrual or distribution
Ending balance of last period	493,080,403.24	1,273,219,846.84	–
Adjustment on beginning balance of retained earnings		507,215,011.31	–
Beginning balance of retained earnings after adjustment	493,080,403.24	1,780,434,858.18	–
Add: Net profit for the period attributable to shareholders of the parent company	19,612,525.70	-144,979,881.65	–
Less: Statutory surplus reserve	–		–
General risk reserves	25,104,151.50		–
Common stock dividends payable			–
Ending balance of this period	<u>487,588,777.44</u>	<u>1,635,454,976.53</u>	<u>–</u>

Note 5. Income tax expenses

Item	Amount in this period	Amount in last period
Current income tax expenses	14,058,842.16	26,360,411.29
Deferred income tax expense	12,045,060.28	11,842,058.84
Total	<u>26,103,902.44</u>	<u>38,202,470.13</u>

Note 6. Net current assets

Item	Ending Balance	Opening Balance
Current assets	7,663,561,402.09	7,532,344,445.11
Less: Current liabilities	7,047,920,338.74	7,184,654,487.08
Net current assets	<u>615,641,063.35</u>	<u>347,689,958.03</u>

Note 7. Total assets less current liabilities

Item	Ending Balance	Opening Balance
Total assets	13,015,259,242.52	13,175,145,972.47
Less: Current liabilities	7,047,920,338.74	7,184,654,487.08
Total assets less current liabilities	<u>5,967,338,903.78</u>	<u>5,990,491,485.39</u>

Note 8. Segment information

Reporting segment for the period of January – June 2019

Unit: '000 Currency: RMB

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	3,075,213	741,697	3,648	76,283	-470,868	3,425,973
Including: External transaction revenue	2,938,989	433,721	3,555	49,708	0	3,425,973
Revenue between segments	136,225	307,975	93	26,574	-470,868	–
Depreciation and amortization fee	148,408	20,610	277	422	0	169,718
Total profit	-62,729	44,256	5,515	30,501	18,378	35,920
Total assets	11,150,447	2,734,146	7,864	3,833,549	-4,710,748	13,015,259
Total liabilities	7,534,749	1,177,770	294,611	3,000,324	-3,661,408	8,346,047
Other important non-cash items						
Non-cash expenses other than impairment loss, depreciation and amortization	20,855	1,281	11,153	0	0	33,289
Capital expenditure	67,983	19,399	0	25	0	87,407

Reporting segment for the period of January – June 2018

Unit: '000 Currency: RMB

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

Note 9. Return on equity and earnings per share

Profit in reporting period	Weighted average rate of return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the ordinary shareholders of the Company	0.4881	0.0199	0.0199
Net profit attributable to the ordinary shareholders of the Company (after deducting extraordinary gains or losses)	<u>-1.6215</u>	<u>-0.0661</u>	<u>-0.0661</u>

Note 10. Dividends

The Company did not distribute dividends in this period.

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

In the first half of 2019, the agricultural machinery industry continued to underperform. From January to June, the aggregate sales volume of hi-powered and mid-powered tractors sold by the core enterprises in the tractor industry were 114,800 units, representing a year-on-year increase of 2.43%. The Company actively grasped market changes and enhanced the effectiveness of its response strategies; vigorously carried out cost reduction and efficiency enhancement measures, improved economic operation quality, rectified the internal systems and took remedial actions towards its loss-making enterprises, and contained the declining trend of its business operation. During the first half of the year, total operating revenue of RMB3.426 billion was realized, representing a year-on-year decrease of 4.34%, and the net profit attributable to shareholders of the Company was RMB19.61 million, and achieved a turnaround from loss for the corresponding period of last year.

1. Focusing on market with full effort in maintaining growth

Tractor Business. Facing the severe market situation, the Company carried out works with a focus on channel optimization, service assurance and product sales improvement. Marketing channel improvement actions targeted at weak areas were carried out, new products were swiftly launched into the market. The Company announced and implemented its upgraded service promise for the year 2019, which boasted users’ satisfactions with the “Dongfanghong” products. The effect of promoting sales through service was gradually seen. In the first half of the year, sales volume of “Dongfanghong” hi-powered and mid-powered tractors, the main products of the Company, reached 26,200 units, representing a year-on-year increase of 13.12%, which was better than industry growth.

Power Machinery Business. During the Reporting Period, the Company actively consolidated the supporting advantages of its diesel engine in the agricultural machinery industry, and devoted more efforts to the market development in the field of construction machinery and vessel accessories. The Company accelerated product technology transformation and upgrading. Since the launch of “Dongfanghong” National III high-pressure common-rail diesel engines, the product has been proved to have great performance in the Northeast Plain, the Northwest Plateau, Central China, Southern China and other regions in China from spring plough, summer harvest to autumn harvest, featured by its strong power, fuel-saving and high efficiency advantages. In the first half of the year, the Company’s “Dongfanghong” diesel engines realized an external sales of 26,000 units, which were basically the same as the corresponding period of last year.

International Business. The Company focused on innovating and enhancing the international business development pathway from aspects such as enhancing product adaptability, improving overseas channel layout and enriching international marketing models. The Company endeavored to deepen the development in overseas key markets such as the “Belt & Road” countries, developed machinery products catered for different agronomic characteristics of different countries, and created conditions for breakthroughs in regional key markets. In the first half of the year, the export of hi-powered and mid-powered tractors of the Company was 1,186 units in aggregate, representing a year-on-year increase of 2.77%. Benefitting from product quality and cost performance advantages, the key products of the YD series diesel engine were recognized by the overseas market, and the export business achieved breakthroughs.

Finance Business. The financial company focused on “service business development, prevention and control of financial risks”. In the first half of the year, while innovating the use of financial instruments and playing the role of financial services, the Company seriously carried out comprehensive risk management and achieved compliance with the supervision requirement of the China Banking and Insurance Regulatory Commission, and through conducting financial leasing and buyer credit business, sale of 849 units of tractors was achieved, representing a year-on-year increase of 94%, generating revenue of RMB121.87 million, representing a year-on-year increase of 57%.

2. Enhancing management and upgrading the quality of operation

In the first half of the year, the Company strived to consolidate its management foundation and optimized management. The Company continued to promote procurement and cost reduction, strengthened quality control and quality awareness, and implemented the boutique tractor engineering project, progressively improving product quality of the Company. The Company carried out internal industrial engineering comprehensively to further reduce waste and improve work efficiency. The Company enhanced the control of accounts receivable and inventory management, the scale of which reduced as compared with the corresponding period of last year.

3. Forging ahead with reforms to foster development

First, the Company further deepened the implementation of the management and control model adjustment, and strengthened the profit center positioning of the independent operation of subsidiaries and branches and the responsibility for business development. Second, the Company promoted the reform of the incentive mechanism and gave full play to the subjective initiative of the management team. Third, the Company continued to promote the management of loss-making enterprises and the disposal of inefficient and idle assets, effectively curbed the depletion of productivity, and improved the efficiency of asset operations. In the first half of the year, the disposal of equity interests in YTO Transportation was completed, the capital invested was recovered and a certain amount of investment gain was obtained.

Through various measures implemented in the first half of the year, the Company's market share has increased and business performance has improved significantly in the midst of the downturn in the hi-powered and mid-powered wheeled tractors industry. The in-depth adjustment of the industry and shifting from the National IV standards and technological upgrade will speed up the elimination of those poorly performed in the industry. China attaches great importance to the development of "agriculture, farmers and rural areas", promotes the transformation and upgrade of the agricultural machinery and equipment industry and brings opportunities to the future development of the industry. While putting great efforts on the current production and operation, the Company also implemented rural revitalization strategy in light of the development trend of smart agriculture in China, and deepened the adjustment of and planning for the industry.

1. Synergistic efforts to achieve growth.

To do the best in its main business of tractors. The Company will strengthen the synergy mechanism of research, production and sales and improve the ability to cope with market changes. The preciseness and effectiveness of marketing policies will be improved, and the promotion of product sales will be enhanced. Financial instruments will be used effectively to stimulate sales in the end-user market. Diesel engine business products will be upgraded. Preparation work in technology of diesel engines for shifting from National IV to National V standards will be accelerated to maintain its technological leadership and competitive advantage in the industry.

As for international market expansion, the Company will make further penetration into the key markets, and provide adaptable and cost-effective products and services for overseas users.

2. *Transformation, upgrading and expanding development.*

To effectively dock and serve the structural reform of the agricultural supply side, focus on market demand and changes in planting structure, fully investigate the market demand for agricultural machinery operations at home and abroad, to target and develop applicable machinery products to create a new source of business growth.

To extend the business development chain, enhance the service capacity of the entire agricultural industry chain, promote the completion of complete sets of solutions, and to set up a development model of “Full Mechanization + Integrated Agricultural Service Center” for promoting precision agriculture and smart agriculture with efficient and intelligent agricultural machinery.

3. *Strengthen management to prevent and control risks.*

Costs and expenses shall be strictly controlled. Non-production operating expenses and operating costs shall be reduced, and the management of loss-making enterprises shall be strengthened with the disposal of inefficient and idle assets, and improvement of the efficiency of asset operations. With the worst-case scenarios in mind, we will implement comprehensive risk prevention and control, strictly control debt and capital risks, and to ensure that stable cash flow and capital security can be maintained.

ANALYSIS ON PRINCIPAL BUSINESS

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

Unit: Yuan Currency: RMB

Item	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	3,376,284,242.98	3,509,417,965.49	-3.79
Operating costs	2,906,028,393.82	3,133,682,178.21	-7.26
Interest revenue	47,885,722.12	70,915,637.16	-32.48
Interest costs	17,000,296.03	6,683,589.47	154.36
Selling costs	141,344,409.13	175,281,716.18	-19.36
Administrative expenses	168,787,482.38	220,131,436.27	-23.32
Finance costs	41,393,377.07	47,453,433.64	-12.77
Research and development expenses	156,530,035.79	161,671,225.12	-3.18
Other income	18,582,933.40	14,201,314.07	30.85
Investment income	38,659,947.90	17,364,277.37	122.64
Gain from changes in fair value	42,484,063.57	73,040,168.04	-41.83
Asset impairment loss	33,828,164.42	11,323,540.80	198.74
Loss of credit impairment	16,409,018.88	26,405,502.16	-37.86
Non-operating income	15,118,851.87	6,885,617.71	119.57
Income tax expenses	26,103,902.44	38,202,470.13	-31.67
Net cash flow generated from operating activities	438,522,196.92	-482,419,228.94	N/A
Net cash flow generated from investing activities	-44,537,133.92	703,192,493.85	-106.33
Net cash flow generated from financing activities	-204,156,446.34	-1,096,389,779.89	N/A

Reasons for changes in operating revenue and operating costs: mainly due to the year-on-year increase in sales volume of the Company's major product during the Reporting Period, but operating revenue and operating costs decreased slightly year-on-year under the influence of product structure.

Reasons for changes in interest revenue: mainly due to the decrease in the interbank business services of YTO Finance as compared with the corresponding period of last year.

Reasons for changes in interest costs: mainly due to the increase in deposits absorbed by YTO Finance as compared with the corresponding period of last year.

Reasons for changes in selling costs: the year-on-year decrease in selling costs was mainly due to the decrease in employee salary and the strengthened cost control during the Reporting Period.

Reasons for changes in administrative expenses: the decrease in administrative expenses was mainly due to the decrease in employee salary during the Reporting Period.

Reasons for changes in finance costs: mainly due to the Company's efforts to improve the efficiency of capital utilization during the Reporting Period, resulting in an increase in the size of structured deposits and wealth management and a year-on-year increase in interest income.

Reasons for changes in other income: mainly due to government subsidies received by the Company in relation to the daily operations during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in investment income: mainly attributable to the increase in the investment income from the disposal of the equity interest in a subsidiary during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in gain from changes in fair value: mainly due to the year-on-year decrease in gain from changes in fair value arising from the trading financial assets held by the Company during the Reporting Period.

Reasons for changes in asset impairment loss: mainly due to the business adjustment to certain subsidiaries, resulting in additional provision for asset impairment loss.

Reasons for changes in credit impairment loss: mainly due to the year-on-year decrease in expected credit loss risk along with the recovery of certain long-aged accounts receivable by the Company, resulting in a decrease in credit impairment loss during the Reporting Period.

Reasons for changes in non-operating income: mainly due to the increase in government subsidies that were not related to the daily operations of the Company during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in income tax expenses: mainly due to the year-on-year decrease in profits of certain subsidiaries during the Reporting Period, and a smaller extent of gains from changes in fair value than that of the corresponding period of last year, resulting in a decrease in deferred income tax liabilities and income tax expenses.

Reasons for changes in net cash flow generated from operating activities: mainly due to the increase in cash inflows from YTO Finance's capital borrowings during the Reporting Period as compared with the corresponding period of last year, and the financial assets purchased with agreement for re-sale at the beginning of the period being sold during the Reporting Period.

Reasons for changes in net cash flow generated from investing activities: mainly due to the year-on-year increase in the outstanding amount at the end of the period arising from the Company's investment in wealth management products and structured deposit during the Reporting Period.

Reasons for changes in net cash flow generated from financing activities: mainly due to the repayment of corporate bonds of RMB1.5 billion by the Company upon expiry during the corresponding period of last year, while no such item was recorded during the Reporting Period.

ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and Liabilities Situation

Unit: Yuan Currency: RMB

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Lendings to banks and other financial institutions	97,000,000.00	0.75	200,000,000.00	1.52	-51.5	YTO Finance recovered lendings to banks and other financial institutions during the Reporting Period
Derivative financial assets	1,003,692.75	0.01	578,743.73	0.00	73.43	Due to the appreciation of the US dollar during the Reporting Period, the US dollar denominated loans recognized as derivative financial assets according to lock exchange agreements increased
Accounts receivable	854,300,648.63	6.56	405,771,306.07	3.09	110.54	Due to the seasonal characteristics of product sales, the credit during the Reporting Period increased
Financial assets purchased with agreement for re-sale	–	–	150,203,731.40	1.14	N/A	The financial assets purchased with agreement for re-sale held by YTO Finance at the beginning of the period were sold during the Reporting Period

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Right-of-use assets	24,299,256.86	0.19	–	–	N/A	The Company recognized the right-of-use assets as a lessee according to the requirements of new Accounting Standards for Business Enterprises
Derivative financial liabilities	1,725,546.87	0.01	2,727,592.84	0.02	-36.74	The derivative financial liabilities recognized for the swap and lock exchange agreements in relation to the US dollar loans of the Company decreased due to the appreciation of the US dollar during the Reporting Period
Contract liabilities	159,278,501.22	1.22	369,490,638.57	2.81	-56.89	Products have been delivered for some of the advance from customers, reducing the amount of advance from customers during the Reporting Period
Employee salary payable	124,431,962.81	0.96	189,486,846.96	1.44	-34.33	Part of the termination benefits provided for previously were paid during the Reporting Period
Taxes payable	15,150,952.65	0.12	24,562,534.28	0.19	-38.32	Income tax payable decreased during the Reporting Period
Non-current liabilities due within one year	45,945,473.83	0.35	76,664,479.21	0.58	-40.07	Long-term borrowings due within one year were repaid during the Reporting Period

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Other current liabilities	290,331,572.12	2.23	196,139,042.20	1.49	48.02	Sales discount recognized increased during the Reporting Period
Lease liabilities	8,381,134.78	0.06	–	–	N/A	The Company recognized the leasing liabilities as a lessee according to the requirements of new Accounting Standards for Business Enterprises

2. Restrictions on the Key Assets as at the end of the Reporting Period

As at the end of the Reporting Period, the Group's cash and cash equivalents with restrictions on any rights amounted to RMB272,689,657.96, including guarantee letter deposits of RMB397,600.00, bank's acceptance bill deposits of RMB43,446,776.20, letter of credit deposits of RMB4,607,054.78, forward settlements on foreign exchange margin of RMB1,460,271.60, the central bank's legal deposit reserves of RMB191,027,054.27, quality guarantee deposits of RMB1,750,901.11 and litigation deposits of RMB30,000,000.00.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on any rights was RMB20,850,000.00, which was the amount of notes receivable pledged with the bank during the Reporting Period.

As at the end of the Reporting Period, the Group's original value of fixed assets and intangible assets with restrictions on any rights amounted to a total of RMB100,098,120.94, and the net value amounted to a total of RMB68,793,556.95, which were buildings and land mortgaged to the bank for short-term loans to the Group during the Reporting Period.

3. Other Explanation

(1) Key financial ratios

Items	As at the end of the Reporting Period	As at the beginning of the Reporting Period	Year-on-year change
Gearing ratio (%)	64.13	64.66	-0.53
Current ratio	1.09	1.05	0.04
Quick ratio	0.93	0.85	0.08

(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, the principal amount of bank loans of the Group due within one year amounted to RMB2,724.44 million, of which the principal amount of loans in foreign currency amounted to RMB928.08 million (mainly consisting of loans denominated in USD); the principal amount of bank loans of the principal due over one year amounted to RMB868.17 million; and the principal amount of bank loans with fixed interest rate amounted to RMB1,778.08 million.

(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 current principal business segments of the Company include agricultural machinery business, power machinery business and finance business. In particular, the agricultural machinery business includes research and development, manufacturing and sales of the whole series of wheeled and crawler tractors adaptable to different working environments such as dry fields, paddy fields and orchards, and their key components including castings, gears, gear

boxes and cover that are used in agricultural production. The leading products of power machinery business are off-road diesel engines, and their parts including fuel injection pump and fuel injector, and are mainly supporting off-road machinery, such as tractors and harvesters. YTO Finance, a controlled subsidiary of the Company, is principally engaged in the business of funds settlement, financing and other financial services for the corporate group within the approved scope.

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

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

As at the end of the Reporting Period, the total assets of the Company amounted to RMB13,015.26 million, of which assets outside the PRC was RMB234.28 million, accounting for 1.80% of the total assets.

3. Analysis of Core Competitiveness during the Reporting Period

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 hi-powered and mid-powered tractors and off-road diesel engines of the Company maintain of the leading positions in the industry. During the Reporting Period, there was no change in the core competitiveness of the Company. For a detailed analysis of the Company's core competitiveness, please refer to the Company's 2018 Annual Report.

ANALYSIS ON THE KEY SUBSIDIARIES

1. Information on key subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered capital (0'000)	Principal business	As at 30 June 2019		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	255,606	141,281	72,240	3,817
Tractors Research Company	44,500	Research and development of tractor product	76,562	67,506	9,303	499
YTO Flag	6,800	Manufacturing and sale of stamping, welding parts and stamping moulds for automobile, agricultural machinery, construction machinery, etc.	15,065	5,515	3,409	-1,024
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	50,582	-38,455	221,777	-2,323
YTO Shentong	5,300	Manufacturing and sale of mining trucks and other agricultural machinery products	840	-28,675	333	249
YTO Finance	50,000	Provision of financial services	383,377	83,323	7,629	2,288
Brilliance China	USD1.2	Investment holding	11,600	3,196	–	-338
YTO Fuel Injection Pump	16,192	Manufacturing and sale of products such as fuel injector and fuel injection pump for diesel engines	18,161	14,353	3,377	-283
YTO France	EUR10 million	Trading, distribution and manufacturing, sales of agricultural machinery components	11,980	107	1,631	-3,729
YTO Heilongjiang	10,000	R&D, manufacturing, sale and services of tractors, agricultural machinery, rural construction machinery and spare parts	4,549	3,839	745	-246
Changtuo Company	28,200	Manufacturing and sale of agricultural machinery and spare parts	16,045	1,823	–	-346
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	32,099	25,659	15,184	254
YTO International Trade	6,600	International sale of agricultural machinery	61,686	5,016	11,395	144

Name of company	Registered capital (0'000)	Principal business	As at 30 June 2019		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
YTO Belarus Technology	USD7.78 million	Technical development, transfer, contracting and consulting services in relation to agricultural machinery products and power machinery products	5,111	5,078	15	-256

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

For the disposal of 93.39% equity interests held and debt interests in YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司) by the Company by way of listing-for-sale process on the China Beijing Equity Exchange, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 18 March 2019, respectively. For details, please refer to the announcement of First Tractor Company Limited in relation to the Preliminary Quotation and Transfer of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 7 August 2018, the announcement of First Tractor Company Limited in relation to the Update on the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 14 September 2018, the announcement of First Tractor Company Limited on the Adjustment to the Transfer Price for the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 17 November 2018, the announcement of First Tractor Company Limited in relation to the Update on the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 1 March 2019, the overseas regulatory announcements published by the Company on the website of the Stock Exchange on 6 August, 13 September and 16 November 2018, and the “Connected Transaction – Announcement in relation to the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process” published by the Company on the website of the Stock Exchange on 28 February 2019.

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

Unit: 0'000 Yuan Currency: RMB

No.	Name of company	Operating revenue during the Reporting Period	Operating profit during the Reporting Period	Net profit during the Reporting Period
1	YTO Diesel Engine	72,240	4,569	3,817
2	Tractors Research Company	9,303	523	499
3	YTO Flag	3,409	-1,015	-1,024
4	Changxing Company	221,777	-2,145	-2,323
5	YTO Shentong	333	244	249
6	YTO Finance	7,629	3,051	2,288
7	Brilliance China	–	-338	-338
8	YTO Fuel Injection Pump	3,377	-415	-283
9	YTO France	1,631	-3,729	-3,729
10	YTO Heilongjiang	745	-248	-246
11	Changtuo Company	–	-1,012	-346
12	YTO Foundry and Forging	15,184	292	254
13	YTO Belarus Technology	15	-256	-256

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

YTO Diesel Engine: net profit increased by RMB28.17 million year-on-year, which was due to the enhancement in cost control and the government subsidies received during the Reporting Period.

Tractors Research Company: net profit increased by RMB5.55 million year-on-year, which was due to the increase in product gross profit margin as a result of the income structure adjustment during the Reporting Period.

YTO Flag: net loss decreased by RMB3.05 million year-on-year, which was due to the enhancement in cost control during the Reporting Period.

Changxing Company: net profit improved with loss narrowing by RMB208.60 million year-on-year, which was due to the increase in the sales of main products during the Reporting Period and the year-on-year increase in revenue.

YTO Finance: net profit decreased by RMB14.76 million year-on-year, which was due to the decline in interest income as a result of the year-on-year decrease in interbank deposits during the Reporting Period.

Brilliance China: net profit increased by RMB5.53 million year-on-year, which was due to the year-on-year decrease in the gains and losses from changes in fair value of the trading financial assets during the Reporting Period.

YTO Fuel Injection Pump: net loss decreased by RMB8.87 million year-on-year, which was due to the reduction in labor costs and the enhancement in cost control during the Reporting Period.

YTO France: net loss increased by RMB16.88 million year-on-year, which was due to the increase in provision for impairment loss on inventories in view of business adjustments during the Reporting Period.

YTO International Trade: net profit increased by RMB13.66 million year-on-year, which was due to the enhancement in cost control and the decrease in provision for bad debts as a result of the recovery of the previous accounts receivable during the Reporting Period.

YTO Belarus Technology: The exchange rate of the Belarusian Ruble has risen during the Reporting Period, resulting in a year-on-year increase in exchange loss.

PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

Payment of any interim dividend for the six months ended 30 June 2019 was not recommended (2018: Nil).

THE GROUP’S STAFF, REMUNERATION POLICY AND TRAINING

As at 30 June 2019, the Company had 7,947 employees. During the Reporting Period, the basic salary system of the company was the salary system based on staff position, under which employees’ income was linked to their job performance, adhering to the principle of salary distribution based on performance and factors, and highlighting value creation.

During the Reporting Period, the Company planned multi-tier and cross-system training for the staff, in order to improve the abilities and qualities of staff at various levels and functions, according to the need of their posts and the development of the 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 2019, the Company had no other material contingent liabilities.

CORPORATE GOVERNANCE CODE

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

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

1. Changes in Share Capital

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

2. Shareholders

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (shareholder)	40,729 shareholders including 40,366 holders of A Shares and 363 holders of H Shares
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(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		Nature of shareholder
					Status of shares	Number	
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	52,000	388,089,319	39.37	0	Unknown	/	Overseas legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited (Note 2)	314,589	3,189,036	0.32	0	Unknown	/	Overseas legal person
Liu Qian	2,527,895	2,527,895	0.26	0	Unknown	/	Domestic natural person
Wei Xiaoke	924,000	924,000	0.09	0	Unknown	/	Domestic natural person
Zhu Jianbo	922,200	922,200	0.09	0	Unknown	/	Domestic natural person
Lin Yue	880,000	880,000	0.09	0	Unknown	/	Domestic natural person
Wang Jizhong	753,500	753,500	0.08	0	Unknown	/	Domestic natural person
Agricultural Bank Of China Limited-Huaxia CSI State- Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司 — 華夏中證央企結構調整 交易型開放式指數證券投資 基金)	513,200	731,100	0.07	0	Unknown	/	Other

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Class	Number and class of shares	
				Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB		410,690,578
HKSCC NOMINEES LIMITED (Note 1)	388,089,319	Overseas listed foreign shares		388,089,319
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB		9,444,950
Hong Kong Securities Clearing Company Limited (Note 2)	3,189,036	Ordinary shares denominated in RMB		3,189,036
Liu Qian	2,527,895	Ordinary shares denominated in RMB		2,527,895

Wei Xiaoke	924,000	Ordinary shares denominated in RMB	924,000
Zhu Jianbo	922,200	Ordinary shares denominated in RMB	922,200
Lin Yue	880,000	Ordinary shares denominated in RMB	880,000
Wang Jizhong	753,500	Ordinary shares denominated in RMB	753,500
Agricultural Bank Of China Limited-Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司－華夏中證央企結構調整 交易型開放式指數證券投資基金)	731,100	Ordinary shares denominated in RMB	731,100
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	/		

Note 1: The overseas listed foreign shares held by HKSCC NOMINEES LIMITED are held on behalf of various customers.

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

3. Details of Preference Shares

The Company had no preference shares during the Reporting Period.

4. Repurchase, Sale or Redemption of Listed Securities of the Company

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

DEFINITIONS

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

A Share ordinary shares as approved by the CSRC which are issued to the PRC domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB

agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
Brilliance China	Brilliance China Machinery Holdings Co., Ltd (華晨中國機械控股有限公司), a controlled subsidiary of the Company
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 100 (inclusive) or above
Hong Kong	the Hong Kong Special Administrative Region of the PRC

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 100
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 Belarus Technology	YTO Belarus Technology Company Limited (一拖白俄技術有限公司), a wholly-owned 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 and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), 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 Heilongjiang	YTO Heilongjiang Agricultural Equipment Co., Ltd. (一拖黑龍江農業裝備有限公司), a wholly-owned 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

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

Luoyang, the PRC
29 August 2019

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

* *For identification purposes only*