

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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

Total operating revenue: RMB4,116,725,509.00

Net profits attributable to the shareholders of the Company: RMB323,361,690.16

Earnings per share attributable to the equity holders of the Company: RMB0.3280

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 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019 (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 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending Balance	Opening Balance
Current assets:			
Monetary Funds	1	1,023,163,108.94	1,401,027,992.74
Loans to banks and other financial institutions		40,000,000.00	70,000,000.00
Financial assets held for trading		1,001,316,864.50	980,392,948.10
Derivative financial assets			
Notes receivable		286,023,603.77	352,201,737.77
Accounts receivable	2	981,876,286.92	406,586,834.70
Receivable financing			
Advances to suppliers		91,762,905.37	175,282,225.34
Other receivables		46,945,055.47	38,657,541.73
Financial assets purchased with agreement to re-sale		1,030,963,325.02	671,668,502.78
Inventories		928,467,083.31	1,001,785,770.20
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year		274,617,202.93	250,465,409.57
Other current assets		1,206,699,492.49	1,067,152,153.18
Total current assets		<u>6,911,834,928.72</u>	<u>6,415,221,116.11</u>

Item	Note	Ending Balance	Opening Balance
Non-current assets:			
Loans and advances to customers		934,893,616.44	959,950,968.59
Debt investments			
Other debt investments			
Long-term receivables		193,823,187.41	220,198,228.05
Long-term equity investments		120,440,746.88	119,753,172.07
Other investments in equity instruments		3,871,238.40	3,871,238.40
Other non-current financial assets			
Investment properties			
Fixed assets		2,704,645,729.01	2,814,817,617.87
Construction in progress		131,707,349.87	128,990,466.09
Productive biological assets			
Oil and gas assets			
Right-of-use assets		9,525,709.27	18,945,867.20
Intangible assets		777,125,563.39	791,670,317.62
Research and development expenses			
Goodwill			
Long-term unamortized expenses		44,431,344.48	44,118,542.74
Deferred tax assets		122,380,178.79	111,484,850.77
Other non-current assets			
		<hr/>	<hr/>
Total non-current assets		5,042,844,663.94	5,213,801,269.40
		<hr/>	<hr/>
Total assets		11,954,679,592.66	11,629,022,385.51
		<hr/> <hr/>	<hr/> <hr/>

Item	Note	Ending Balance	Opening Balance
Current liabilities:			
Short-term loans		1,280,445,446.52	1,419,528,065.30
Receipts of deposits and deposits from other banks		1,130,277,134.19	1,137,277,294.54
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		843,935,411.02	1,004,008,951.30
Accounts payable	3	1,935,272,247.30	1,252,450,248.58
Advances from customers			
Contract liabilities		163,822,472.18	177,743,289.89
Employee salary payable		109,984,308.76	104,615,621.71
Taxes payables		34,254,125.03	34,716,241.84
Other payables		285,922,647.04	302,747,490.57
Liabilities classified as held for sale			
Non-current liabilities due within one year		352,886,423.19	649,035,505.95
Other current liabilities		315,006,896.99	225,466,269.20
Total current liabilities		<u>6,451,807,112.22</u>	<u>6,307,588,978.88</u>
Non-current liabilities:			
Long-term loans		99,900,000.00	139,077,500.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		15,832.95	64,384.18
Long-term payables		9,106,458.69	8,933,931.06
Long-term employee salary payable		69,724,555.53	88,010,022.26
Estimated liabilities		2,684,542.65	2,652,542.65
Deferred income		150,664,117.67	155,715,222.06
Deferred tax liabilities		144,922,523.22	143,114,014.97
Other non-current liabilities			
Total non-current liabilities		<u>477,018,030.71</u>	<u>537,567,617.18</u>
Total liabilities		<u>6,928,825,142.93</u>	<u>6,845,156,596.06</u>

Item	Note	Ending Balance	Opening Balance
Shareholder's equity:			
Share capital		985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves		2,099,466,626.33	2,099,466,626.33
Less: Treasury shares			
Other comprehensive income		-17,659,625.80	-14,198,180.13
Special reserves		2,763,105.33	2,230,000.31
Surplus reserves		442,101,172.16	442,101,172.16
General risk reserves		25,104,151.50	25,104,151.50
Retained earnings	4	852,813,369.07	529,451,678.91
Total equity attributable to shareholders of the parent company		4,390,438,798.59	4,070,005,449.08
Minority interests		635,415,651.14	713,860,340.37
		<hr/>	<hr/>
Total shareholders' equity		5,025,854,449.73	4,783,865,789.45
		<hr/>	<hr/>
Total liabilities and shareholders' equity		11,954,679,592.66	11,629,022,385.51
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED INCOME STATEMENT

Half Year of 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in this reporting period	Amount in last reporting period
1. Total operating revenue		4,116,725,509.00	3,425,973,267.68
Including: Operating revenue		4,074,490,101.51	3,376,284,242.98
Interest income		40,024,451.98	47,885,722.12
Fees and commission income		2,210,955.51	1,803,302.58
2. Total cost of operation		3,766,196,746.53	3,454,099,465.80
Including: Operating costs		3,257,678,123.70	2,906,028,393.82
Interest expenses		10,929,064.06	17,000,296.03
Fees and commission expenses		228,456.80	235,533.76
Taxes and surcharges		21,475,432.40	22,779,937.82
Selling expenses		161,017,133.24	141,344,409.13
Administrative expenses		139,146,303.86	168,787,482.38
Research and development expenses		155,253,323.10	156,530,035.79
Financial expenses		20,468,909.37	41,393,377.07
Including: Interest expenses		46,590,431.12	83,118,600.84
Interest income		11,295,005.51	38,782,268.47
Add: Other income		16,643,436.56	18,582,933.40
Investment income (Losses listed as “-”)		347,706,638.26	38,659,947.90
Including: Income from investments in associates and joint ventures		345,334.11	-5,217,213.36
Termination of recognized income of financial assets measured at amortized cost			
Net gain on hedging exposure (Losses listed as “-”)			
Gain arising from the changes in fair value (Losses listed as “-”)		20,821,149.11	42,484,063.57
Loss on impairment of assets (Losses listed as “-”)		-75,014,691.87	-33,828,164.42

Item	Note	Amount in this reporting period	Amount in last reporting period
Loss on impairment on credit (Losses listed as “-”)		-328,278,476.45	-16,409,018.88
Asset disposal income (Losses listed as “-”)		920,722.93	-50,437.30
3. Operating profit		333,327,541.01	21,313,126.15
Add: Non-operating income		1,577,199.74	15,118,851.87
Less: Non-operating expenses		654,060.87	511,505.42
4. Total profit		334,250,679.88	35,920,472.60
Less: Income tax expenses	5	12,601,713.30	26,103,902.44
5. Net profit		321,648,966.58	9,816,570.16
Including: Net profit realized by the merged party before the merger under common control			
(1) Classified by continuity of operation			
Net profit from continuing operations		321,648,966.58	9,816,570.16
Net profit from discontinued operations			
(2) Classified by ownership			
Net profit attributable to shareholders of the parent company		323,361,690.16	19,612,525.70
Profit or loss attributable to minority interests		-1,712,723.58	-9,795,955.54
6. Net other comprehensive income after tax		-1,840,169.96	2,898,768.21
Net other comprehensive income after tax attributable to shareholders of the parent company		-3,461,445.67	2,973,074.04
(1) Other comprehensive income that cannot be reclassified to loss or profit in subsequent periods			
1. Re-measurement of defined benefit plans			

Item	Note	Amount in this reporting period	Amount in last reporting period
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit or loss under equity method			
3. Changes in fair value of investment in other equity instruments			
4. Fair value change of enterprise's credit risk			
5. Others			
(2) Other comprehensive income that will be subsequently reclassified to profit or loss		-3,461,445.67	2,973,074.04
1. Share of other comprehensive income of investee that can be subsequently reclassified to profit or loss under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets			
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Changes in fair value of other debt investment			
5. Amount of financial assets reclassified into other comprehensive income			
6. Cash flow hedging reserve			

Item	Note	Amount in this reporting period	Amount in last reporting period
7. Conversion difference of foreign currency financial statements		-3,461,445.67	2,973,074.04
8. Investment income from a package disposal of subsidiaries before the loss of control			
9. Conversion of other assets to investment property measured by fair value model			
10. Others			
Net other comprehensive income after tax attributable to minority interests		1,621,275.71	-74,305.83
7. Total comprehensive income		319,808,796.62	12,715,338.37
Total comprehensive income attributable to shareholders of the parent company		319,900,244.49	22,585,599.74
Total comprehensive income attributable to minority interests		-91,447.87	-9,870,261.37
8. Earnings per share:			
(1) Basic earnings per share <i>(yuan/share)</i>		0.3280	0.0199
(2) Diluted earnings per share <i>(yuan/share)</i>		0.3280	0.0199

Notes to the consolidated financial statements

1. COMPANY INFORMATION

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

The Company is a company of manufacturing and sales of agricultural machinery. 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
- 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 30 June 2020 and their financial performance and cash flows and other related information.

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

4. ACCOUNTING POLICIES

(1) Accounting year

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

(2) Reporting currency

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

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

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

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

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

(b) *Enterprise merger under common control*

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

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

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

(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:

- (1) An enterprise merger contract or agreement has been approved by the internal authority of the Company.
- (2) The merger of enterprises should be approved by the relevant competent authorities of the state and has been approved.
- (3) The necessary transfer procedures for property rights have been carried out.
- (4) The Company has paid most of the consolidated price and has the ability and plan to pay the surplus.
- (5) The Company has actually controlled the financial and operating policies of the purchaser and has the corresponding interest and the corresponding risk.

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

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

(d) The related expenses associated with the merger

Expenses of intermediaries, 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 fees for the issue of equity securities for an enterprise which could be directly attributable to the equity transactions can be deducted from rights and interests.

(5) Preparation of consolidated financial statements

(a) Scope of the merger

The scope of the company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

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

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

(6) *Segment information*

Segment information is presented according to the classification of business based on the major segment reporting mode by the Group. In terms of regional classification, the Group classifies revenue based on the locations of clients resided, and classifies assets based on the place of location. Because over 90% of the revenue of the Group is from the clients in China, and over 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 three 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 ‘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 information, serve to provide better perception to the management, and investors can also evaluate annual segment operating results from such information.

5. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Monetary funds

Item	Ending Balance	Opening Balance
Cash	716,689.50	994,815.11
Cash in bank	974,849,620.78	1,316,601,649.43
Other monetary funds	47,596,798.66	83,431,528.20
	<u>1,023,163,108.94</u>	<u>1,401,027,992.74</u>
Total	1,023,163,108.94	1,401,027,992.74
Including: total amount deposited abroad	72,967,642.65	68,764,756.64

The details of the restricted monetary funds are as follows:

Item	Ending Balance	Opening Balance
Bank acceptance deposit	29,645,110.51	34,913,294.82
Other margin deposits	4,721,819.20	35,682,169.41
Reserve the legal deposit reserve of the central bank	194,917,659.12	210,312,078.88
	<u>229,284,588.83</u>	<u>280,907,543.11</u>
Total	229,284,588.83	280,907,543.11

Note 2. Accounts receivables

1. Disclosure of accounts receivable

Item	Ending Balance	Opening Balance
Book balance amount	1,412,508,467.22	895,175,926.34
Provision for bad debt	430,632,180.30	488,589,091.64
Book value	981,876,286.92	406,586,834.70

2. Age Disclosure of Accounts Receivable

Aging	Accounts Receivable	Ending Balance Provision for bad debt	Provision Ratio (%)
Within 1 year	872,919,240.42	13,595,052.78	1.56
1 to 2 yeas	32,669,142.70	10,626,269.13	32.53
2 to 3 yeas	17,612,935.26	11,854,434.20	67.31
Over 3 years	489,307,148.84	394,556,424.19	80.64
Total	<u>1,412,508,467.22</u>	<u>430,632,180.30</u>	<u>30.49</u>

Aging	Accounts Receivable	Opening Balance Provision for bad debt	Provision Ratio (%)
Within 1 year	350,897,587.37	14,049,913.13	4.00
1 to 2 yeas	46,591,205.34	16,610,910.00	35.65
2 to 3 yeas	17,911,823.80	12,623,211.56	70.47
Over 3 years	479,775,309.83	445,305,056.95	92.82
Total	<u>895,175,926.34</u>	<u>488,589,091.64</u>	<u>54.58</u>

Note 3. Accounts payable

Item	Ending Balance	Opening Balance
Purchase payment payable	1,827,759,880.02	1,160,059,432.13
Purchase of construction equipment payable	56,773,645.73	57,403,648.63
Service fee payable	46,804,290.99	33,058,216.05
Others	3,934,430.56	1,928,951.77
Total	<u>1,935,272,247.30</u>	<u>1,252,450,248.58</u>

Note 4. Retained earnings

Item	This reporting period	Last reporting period
Retained earnings at the end of last period before adjustment	529,451,678.91	493,080,403.24
Adjustment for retained earnings at the beginning of the period (“+” for add; “-” for less)		
Retained earnings at the beginning of the period after adjustment	529,451,678.91	493,080,403.24
Add: net profit attributable to shareholders of the parent company for the current period	323,361,690.16	19,612,525.70
Less: Statutory surplus reserve		
General risk reserves		25,104,151.50
Dividend payable on ordinary shares		
Retained earnings at the end of the Period	<u>852,813,369.07</u>	<u>487,588,777.44</u>

Note 5. Income tax expenses

Item	Amount in this reporting period	Amount in last reporting period
Current income tax expenses	21,688,533.07	14,058,842.16
Deferred income tax expense	-9,086,819.77	12,045,060.28
Total	<u>12,601,713.30</u>	<u>26,103,902.44</u>

Note 6. Net current assets

Item	Ending Balance	Opening Balance
Current assets	6,911,834,928.72	6,415,221,116.11
Less: current liabilities	6,451,807,112.22	6,307,588,978.88
Net current assets	<u>460,027,816.50</u>	<u>107,632,137.23</u>

Note 7. Total assets minus current liabilities

Item	Ending Balance	Opening Balance
Total assets	11,954,679,592.66	11,629,022,385.51
Less: current liabilities	6,451,807,112.22	6,307,588,978.88
Total assets minus current liabilities	<u>5,502,872,480.44</u>	<u>5,321,433,406.63</u>

Note 8. Segment information*Segment Report during the period from January to June 2020*

Item	Ending balance/amount for current reporting period				Total
	Agricultural machinery	Power machinery	Finance service	Offset among segments	
1. Total operating revenue	3,728,201,783.22	950,990,093.75	67,774,123.55	630,240,491.52	4,116,725,509.00
Including: External transaction revenue	3,558,725,852.48	515,764,249.05	42,235,407.47	0	4,116,725,509.00
Revenue between segments	169,475,930.74	435,225,844.70	25,538,716.08	630,240,491.52	0
Loss of credit impairment	21,592,934.41	-3,557,237.81	-27,741,455.07	318,572,717.98	-328,278,476.45
Loss on impairment of assets	-74,676,592.88	-338,098.99	0	0	-75,014,691.87
Depreciation and amortisation expenses	148,901,114.00	29,183,807.71	600,971.09	0	178,685,892.80
2. Total profit (Loss)	-2,431,884,359.71	3,289,789,383.59	6,953,116.14	530,607,460.14	334,250,679.88
3. Income tax expense	924,934.15	3,400,654.44	8,276,124.71	0	12,601,713.30
4. Net profit (Loss)	-2,432,809,293.86	3,286,388,729.15	-1,323,008.57	530,607,460.14	321,648,966.58
5. Total assets	9,259,805,147.22	2,604,899,734.88	4,047,766,934.70	3,957,792,224.14	11,954,679,592.66
6. Total liabilities	6,134,453,441.36	993,030,256.75	3,223,326,046.21	3,421,984,601.39	6,928,825,142.93
7. Other significant non-cash items	67,909,122.91	18,415,880.65	6,892,985.75	0	93,217,989.31
1. Non-cash expenses other than depreciation and amortisation	25,425,807.58	9,365,482.95	6,660,979.51	0	41,452,270.04
2. Capital expenditure	42,483,315.33	9,050,397.70	232,006.24	0	51,765,719.27

Reporting segment for the period of January – June 2019

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Offset among segments	Total
1. Total operating revenue	3,075,213,336.14	741,696,640.31	3,648,176.98	76,282,642.33	470,867,528.08	3,425,973,267.68
Including: External transaction						
revenue	2,938,988,715.18	433,721,340.94	3,554,736.98	49,708,474.58		3,425,973,267.68
Revenue between						
segments	136,224,620.96	307,975,299.37	93,440.00	26,574,167.75	470,867,528.08	-
Loss of credit impairment	-9,381,770.07	-6,931,294.81	4,867,348.85	-4,824,558.68	138,744.17	-16,409,018.88
Loss on impairment of assets	-32,394,554.82	-1,607,272.80	124,028.96		-49,634.24	-33,828,164.42
Depreciation and amortisation						
expenses	148,408,141.09	20,610,228.06	276,823.04	422,355.57		169,717,547.76
2. Total profit (Loss)	-62,729,388.13	44,256,250.39	5,514,501.97	30,501,359.53	-18,377,748.84	35,920,472.60
3. Income tax expense	9,598,700.95	8,906,150.07	-	7,630,763.47	31,712.05	26,103,902.44
4. Net profit (Loss)	-72,328,089.08	35,350,100.32	5,514,501.97	22,870,596.06	-18,409,460.89	9,816,570.16
5. Total assets	11,150,447,380.85	2,734,146,211.58	7,863,837.97	3,833,549,496.89	4,710,747,684.77	13,015,259,242.52
6. Total liabilities	7,534,749,397.64	1,177,769,552.85	294,610,925.94	3,000,324,405.21	3,661,407,515.02	8,346,046,766.62
7. Other significant non-cash						
items	88,838,245.65	20,680,116.39	11,152,812.54	24,681.42	-	120,695,856.00
1. Non-cash expenses other						
than depreciation and						
amortisation	20,854,901.65	1,281,009.34	11,152,812.54			33,288,723.53
2. Capital expenditure	67,983,344.00	19,399,107.05		24,681.42		87,407,132.47

Note 9. Net asset returns and Earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	7.64	0.3280	0.3280
Net profit attributable to holders of ordinary shares of the Company (after deducting non-recurring gains and losses)	6.86	0.2944	0.2944

Note 10. Dividends

The Company shall not make dividend payments for this reporting period.

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

In the first half of 2020, the unexpected outbreak of the novel coronavirus pneumonia epidemic overlapped with the traditional peak season for the production and sales in the agricultural machinery industry had caused a direct impact on the overall operation of the agricultural machinery industry in China. However, benefiting from the prominent importance of food security in China and driven jointly by factors such as the the high enthusiasm for agriculture production in regions encouraged by the polices, the acceleration in land transfer and the expectation on the rising grain prices, the accumulated sales volume of hi-powered and mid-powered tractors sold in the domestic tractor industry in the first half of 2020 were 132.9 thousand units, representing a year-on-year increase of 14.63% according to the industry data of China Association of Agricultural Machinery Manufactures (中國農機工業協會).

The Company effectively coordinated all production and operation work during the outbreak of the epidemic and actively served agricultural production in spring. The growth of sales volume of hi-powered and mid-powered tractors, the Company's major products, was above the average level of the industry, achieving improvement in efficiency and operation. During the Reporting Period, total operating revenue of RMB4.117 billion was realized, representing a year-on-year increase of 20.16%, and the net profit attributable to the shareholders of the Company was RMB323 million, representing a year-on-year increase of 1,548.75%.

(I) Coordinating the epidemic prevention and control with the resumption of work and production to serve agricultural production in spring.

The Company implemented the decisions and arrangements of the CPC Central Committee and the State Council on “focusing on spring farming and its preparation in the farming season to ensure the harvest of grain and agriculture for building a moderately prosperous society for the year” and coordinated the epidemic prevention and control with the resumption of work and production. On the premise that proper prevention and control of the epidemic for all employees are in place, the Company vigorously overcame difficulties such as obstructed industrial chains, impeded logistics and travelling restrictions in the resumption of work and production of industrial enterprises and comprehensively adopted measures such as assisting suppliers in the resumption of work and production, smoothening materials transportation channels and coordinating the internal production of components with bottlenecks in procurement to advance production. The Company swiftly achieved production at full capacity in March from the utilization of 30% capacity in February, winning precious time to prepare for spring farming.

Due to the impacts of the epidemic, the Company sped up its transformation in the mode of marketing services. Firstly, it enhanced the collaboration with distributors, adjusted business policies in a timely manner and strengthened the sales and supply capacity and flexibility in marketing work. Secondly, it carried out live webcast on new media platforms such as Kuaishou to conduct product explanations, service training, use and maintenance, user questions and answers, and to provide users with online explanations, online ordering and other services. Thirdly, on the premise that safety in the prevention of the epidemic is in place, the marketing teams of the Company went to the frontline of the market in groups and provided timely and considerate service guarantees to users in their spring farming and production. Through the above measures, the Company firmly shouldered the responsibilities as the main force in spring farming and production and displayed the role as a leading enterprise in the industry in the battle against the epidemic.

(II) Expanding external markets and enhancing internal management to promote the continuous improvement of the operation of the Company.

Faced with the favorable market situation in which the overall demand in the tractor industry has stabilized, the Company insisted on taking the marketing sales as the guide and placed great emphasis on “promoting sales” as the top priority of all operational work. Firstly, optimizing the product portfolio to promote sales. The Company deeply explored market demands and promoted differentiated products based on the characteristics of operation in different regions, achieving excellent market results. The sales of L series of tractors with horsepower of 140-160 increased significantly. Secondly, enhancing the leading policies to promote sales. The Company fully authorized product marketing policies and all sales regions adopted differentiated strategies on market competition based on the characteristics of market demands and the sales strategies of competitive products, which promoted product sales. Thirdly, strengthening channel management to promote sales. The Company tapped into the potential of distributors’ channels and achieved significant improvement in the effective rate and average contribution of channels for hi-powered and mid-powered products through innovation in channel management, which boosted the penetration in terminal markets. During the Reporting Period, the Company sold 32.3 thousand units of hi-powered and mid-powered tractors, with a growth rate of 22.95%, which was 8.32 percentage points higher than the level of the industry, and the market share increased by 1.64 percentage points.

Meanwhile, the Company coordinated and promoted the improvement in the reliability of the National III product platform, the products conversion of the National IV products platform, etc. and made more efforts to expand the market for diesel engine products. During the Reporting Period, 56.9 thousand units of the Company's diesel engine products was sold, of which the supporting sales from the external market increased by 9% as compared with the corresponding period of last year.

The Company implemented refined management and provided strong support to the continuous improvement of operating results. Firstly, it continuously improved the product structure and built quality and cost advantages, which increased the proportion of the sales of high value-added hi-powered wheeled tractor products and enhanced the market competitiveness and the profitability of major products. Meanwhile, it continued to promote the optimization of procurement costs and further reduced the comprehensive procurement cost of the Company. Secondly, it carried out lean production and target cost management and strengthened the lean quality and cost awareness at the production line, achieving significant year-on-year decrease in fees and the cost expense rate in the manufacturing process. The previous staff structural optimization achieved remarkable results and the labor cost of the Company decreased significantly. Thirdly, it strengthened fees management and control through various measures and conducted detailed and stringent control of fees and expenses. During the Reporting Period, the Company's comprehensive gross profit margin reached 20.60%, representing an increase of 5.93 percentage points as compared with the corresponding period of last year.

(III) Focusing on transformation and quality improvement to maintain long-term sustainable development of the Company.

During the Reporting Period, the Company adhered to innovation-driven development and conducted technology innovation and product research and development ("R&D"). Power shift, National IV tractors, variable transmission and other key R&D programs were promoted steadily; with the implementation of special international plans, the Company has made positive progress in some key overseas markets and steadily promoted key international projects; and the Company extended the business development chain, enhanced the service capacity of the entire agricultural industry chain and promoted the implementation of complete sets of solutions.

The Company has advanced various reform measures, improved the performance evaluation system, and continuously improved the evaluation and incentive systems for cadres and business teams; enhanced the market effect evaluation of technical achievements and strengthened the driving effect of performance incentive on improving the operation quality of the Company; further consolidated the construction of marketing teams and improved the efficiency of the market response and the ability to cope with market changes.

Based on the comprehensive analysis of the current and future market conditions in the following period, in the short term, the market sales in the tractor industry recovered slightly in 2019 after falling to a trough in 2018 and even showed the trend of steady recovery and growth this year. In the medium term, under the guidance of the policy of strengthening the position of agriculture foundation, the development pace of agricultural mechanization will be accelerated continuously. It is likely to embrace a round of increase in demands for tractors. Meanwhile, given that the overcapacity of tractors and other traditional agricultural machinery has not been reversed fundamentally, the product homogenization competition and market price war among enterprises is still serious, and it is still difficult to accurately analyze the impact of future off-road National IV emission standard upgrading on users' willingness to purchase machines and the increase in enterprise cost, so the Company is still subject to more difficulties to maintain profit growth in the fierce market competition.

As the most influential agricultural machinery manufacturing company in China, First Tractor will adhere to the principle of seeking progress while keeping performance stable, focusing on the development idea of "intelligent-driven, collaborative innovation and efficiency increased", carrying forward the fighting spirit in preventing epidemic and guaranteeing spring farming in the first half of the year, actively turn crisis into opportunities to consolidate the leading advantage in the industry and maintain a good momentum of sustained and healthy development of the enterprise. In the second half of the year, the Company will focus on the following work: Firstly, it will continue to strengthen the building of the marketing capability, diversify and improve the product portfolio in the market, enhance the improvement and upgrading of existing products, improve the adaptability and competitiveness of products, and win the customers' trust and increase the market share through the high-quality products as well as the high-efficiency services. Secondly, it will continue to strengthen the internal operation management, strengthen the quality control and cost control, strengthen the reform of the labor system and improve the incentive distribution system, improve the profitability of the product price value chain, and constantly improve the quality of operation. Thirdly, the Company will deepen reform in key sectors, optimize the rational allocation of resources, and promote the disposal of inefficient and inefficacious assets and the optimization of business integration. Fourthly, it will speed up the construction of key projects and product R&D, to build a solid foundation for development. It will advance the pace of technical upgrading of power-shift tractors, CVT variable transmission control tractors, high-quality tractors and other products as planned, enhance the layout

of intelligent agricultural machinery products, and serve the development of precision agriculture and smart agriculture. Fifthly, the Company will firmly establish the red line awareness and bottom line thinking, enhance the risk warning mechanism, strengthen the bottom line for major risk prevention, to prevent the impact of various risk events on the operation of the enterprise and realize a stable and orderly development of the Company.

ANALYSIS ON PRINCIPAL BUSINESS

1. Analysis on Changes in Items of the Financial Statement

Unit: Yuan Currency: RMB

Item	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	4,074,490,101.51	3,376,284,242.98	20.68
Operating costs	3,257,678,123.70	2,906,028,393.82	12.10
Interest expenses	10,929,064.06	17,000,296.03	-35.71
Selling expenses	161,017,133.24	141,344,409.13	13.92
Administrative expenses	139,146,303.86	168,787,482.38	-17.56
Financial expenses	20,468,909.37	41,393,377.07	-50.55
Research and development expenses	155,253,323.10	156,530,035.79	-0.82
Investment income (Losses listed as “-”)	347,706,638.26	38,659,947.90	799.40
Gain arising from changes in fair value (Losses listed as “-”)	20,821,149.11	42,484,063.57	-50.99
Loss on impairment of assets (Losses listed as “-”)	-75,014,691.87	-33,828,164.42	N/A
Loss of credit impairment (Losses listed as “-”)	-328,278,476.45	-16,409,018.88	N/A
Asset disposal income (Losses listed as “-”)	920,722.93	-50,437.30	N/A
Non-operating income	1,577,199.74	15,118,851.87	-89.57
Income tax expenses	12,601,713.30	26,103,902.44	-51.72
Net cash flow generated from operating activities	452,641,885.46	438,522,196.92	3.22
Net cash flow generated from investing activities	-184,193,067.76	-44,537,133.92	N/A
Net cash flow generated from financing activities	-593,000,244.29	-204,156,446.34	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 products during the Reporting Period, and operating revenue and operating costs increased year-on-year, but the increase in overall operating costs is lower than the increase in operating revenue which is benefiting from the Company's continuous promotion of procurement cost control and enhancement of management of fixed costs.

Reasons for changes in interest expenses: mainly due to the decrease in the interests paid due to the decrease in deposits absorbed by YTO Finance and inter-bank time deposits as compared with the corresponding period of last year.

Reasons for changes in selling expenses: mainly due to the year-on-year increase in the selling and agent service fees accrued of the Company with the increase in the sales volume during the Reporting Period.

Reasons for changes in administrative expenses: mainly due to the strengthened cost management and control during the Reporting Period as well as the year-on-year decrease in the number of employees and labor costs, respectively.

Reasons for changes in financial expenses: mainly due to the decrease in the size of loans of the Company and the year-on-year decrease in interest expenses.

Reasons for changes in investment income: mainly due to the impacts of the investment income arising from the liquidation of YTO Shentong during the Reporting Period.

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

Reasons for changes in loss on impairment of assets: mainly due to the year-on-year increase in loss on impairment of assets as YTO Shentong was no longer included into the scope of consolidation due to its liquidation during the Reporting Period, the provision for impairment of the long-term equity investments made by the Company was presented in the consolidated financial statements.

Reasons for changes in loss of credit impairment: mainly due to the increase in loss of credit impairment as compared with the corresponding period of last year as YTO Shentong was no longer included into the scope of consolidation due to its liquidation during the Reporting Period, the provision for credit losses made by the Company was presented in the consolidated financial statements.

Reasons for changes in non-operating income: mainly due to the decrease 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 the deferred income tax expenses recognized during the Reporting Period.

Reasons for changes in net cash flow generated from operating activities: mainly due to the year-on-year increase in the cash received from selling goods driven by the increase in sales volumes of the Company during the Reporting Period.

Reasons for changes in net cash flow generated from investment activities: mainly due to the increase in the net amount paid for the Company's investment in wealth management products and structured deposit during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in net cash flow generated from financing activities: mainly due to the year-on-year increase in repayment of loans due by the Company during the Reporting Period.

ANALYSIS ON ASSETS AND LIABILITIES

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	Explanation
					Balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	
Monetary Funds	1,023,163,108.94	8.56	1,745,076,747.84	13.41	-41.37	Partial repayment of loans
Lendings to banks and other financial institutions	40,000,000.00	0.33	97,000,000.00	0.75	-58.76	Year-on-year increase in the provision for impairment of lending to banks and other financial institutions made by YTO Finance

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
Derivative financial assets	0.00	0.00	1,003,692.75	0.01	-100.00	Foreign-currency borrowings with exchange-rate locking agreements were due for repayment
Notes receivable	286,023,603.77	2.39	451,188,470.20	3.47	-36.61	Decrease in bills settlement
Financial assets purchased with agreement to re-sale	1,030,963,325.02	8.62	0.00	0.00	N/A	Increase in financial assets purchased by YTO Finance under resale agreements
Other current assets	1,206,699,492.49	10.09	2,084,488,185.92	16.02	-42.11	Decrease in financial products
Construction in progress	131,707,349.87	1.10	227,234,098.13	1.75	-42.04	Transfer of construction in progress to fixed assets
Right-of-use assets	9,525,709.27	0.08	24,299,256.86	0.19	-60.80	Decrease in the right-of-use assets recognized by the Company as a lessee
Short-term loans	1,280,445,446.52	10.71	2,716,261,536.23	20.87	-52.86	Partial repayment of short-term borrowings
Derivative financial liabilities	0.00	0.00	1,725,546.87	0.01	N/A	Foreign-currency borrowings with exchange-rate locking agreements were due for repayment

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
Accounts payable	1,935,272,247.30	16.19	1,393,590,705.70	10.71	38.87	Increase in purchase and the accounts payable that have not been due
Taxes payables	34,254,125.03	0.29	15,150,952.65	0.12	126.09	Year-on-year increase in income tax payable as a result of increased profits of subsidiaries
Non-current liabilities due within one year	352,886,423.19	2.95	45,945,473.83	0.35	668.05	Year-on-year increase in long-term loans due within one year
Long-term loans	99,900,000.00	0.84	868,170,000.00	6.67	-88.49	Decrease in long-term borrowings due after more than one year
Lease liabilities	15,832.95	0.00	8,381,134.78	0.06	-99.81	Decrease in the lease liabilities due after one year recognized by the Company as a lessee
Estimated liabilities	2,684,542.65	0.02	3,981,625.85	0.03	-32.58	Settlement of certain liabilities
Retained earnings	852,813,369.07	7.13	487,588,777.44	3.75	74.90	Profit recognized in the period

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

As at the end of the Reporting Period, the Group's cash and cash equivalents with restrictions on any rights amounted to RMB229.2846 million, including guarantee letter margin of RMB2.2537 million, bank acceptance margin of RMB29.6451 million, letter of credit margin of RMB0.9125 million, forward settlements and sales on foreign exchange margin of RMB1.49 million, the central bank's legal statutory reserves of RMB194.9177 million and others of RMB0.0656 million.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on ownership's rights was RMB13.9717 million, 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 ownership's rights amounted to a total of RMB100.0981 million, and the net value amounted to a total of RMB60.0417 million, 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 indicators

Items	As at the end of the Reporting Period	As at the beginning of the Reporting Period	Year-on-year change
Gearing ratio (%)	57.96	58.86	Decreased by 0.90 percentage point
Current ratio	1.07	1.02	Increased by 0.05
Quick ratio	0.93	0.86	Increased by 0.07

(2) Bank loans

Bank loans of the Company are mainly in the currency units of RMB and Euro. As at the end of the Reporting Period, the principal amount of bank loans of the Company due within one year amounted to RMB1,613.0235 million, of which the principal amount of loans in foreign currency amounted to RMB83.0235 million (mainly consisting of loans denominated in Euro); the principal amount of bank loans due over one year amounted to RMB99.90 million; and the principal amount of bank loans with fixed interest rate amounted to RMB980.00 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.

ANALYSIS ON INVESTMENTS

1. Financial assets measured at fair value

Unit: Yuan Currency: RMB

Items	Opening Balance	Ending Balance	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Derivative financial assets	0.00	0.00	0.00	0.00
Derivative financial liabilities	0.00	0.00	0.00	0.00
Trading financial assets	980,392,948.10	1,001,316,864.50	20,923,916.40	39,128,145.30
Total	980,392,948.10	1,001,316,864.50	20,923,916.40	39,128,145.30

2. Analysis on key equity holding and participating companies

1. Information on key subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered Capital (0'000)	Principal business	As at 30 June 2020		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
Tractors Research Company	44,500	Research and development of tractor products	71,177	63,977	6,915	-879
YTO International Trade	6,600	International sale of agricultural machinery	61,536	3,024	11,112	-459
Changxing Company	300	Sales of products, including agricultural machinery, spare parts and diesel engines	57,374	-31,272	297,969	148
YTO Finance	50,000	Provision of financial services	404,777	82,444	6,777	-132
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	243,579	147,375	93,096	6,335
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	31,685	25,954	11,723	72

2. Acquisitions and disposals of subsidiaries during the Reporting Period

On 13 January 2020, Luoyang Intermediate People's Court of Henan Province accepted the liquidation application of YTO Shentong with effect from the same date. According to the relevant requirements under the PRC Accounting Standard, YTO Shentong ceased to be included in the consolidated statements of the Company subsequent to the liquidation proceedings.

3. Subsidiaries contributing more than 10% to the net profit of the Company

Unit: 0'000

Number	Name of company	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Diesel Engine	93,096	6,626	6,335

4. Analysis on material subsidiaries with over 30% change in their operating business

CAMACO: net profit decreased by RMB2.54 million year-on-year, mainly due to the year-on-year decrease in the export during the Reporting Period.

Changtuo Company: net profit decreased by RMB5.19 million year-on-year, mainly due to the year-on-year decrease in government subsidies received during the Reporting Period.

YTO Heilongjiang: net profit decreased by RMB11.02 million year-on-year, mainly due to the year-on-year increase in impairment loss on inventory.

Tractors Research Company: net profit decreased by RMB13.78 million year-on-year, mainly due to the impacts of the disposal of subsidiaries at the end of last year and the year-on-year decrease in revenue as a result of the decrease in the number of subsidiaries that included into the scope of consolidation during the Reporting Period.

YTO International Trade: net profit decreased by RMB6.03 million year-on-year, mainly due to the year-on-year increase in the provision for the loss of credit impairment as affected by the fluctuation of exchange rate during the Reporting Period.

YTO Flag: net profit improved with loss narrowing by RMB4.99 million year-on-year, mainly due to the optimization of the sales structure and the enhancement of the profitability as well as the year-on-year decrease in expenses and labor costs during the Reporting Period.

Changxing Company: net profit increased by RMB24.70 million year-on-year, mainly due to the year-on-year increase in the net profit as a result of the year-on-year increase in the sales revenue driven by the increase in sales volume during the Reporting Period.

YTO Finance: net profit decreased by RMB24.20 million year-on-year, mainly due to the year-on-year increase in the provision for credit impairment loss during the Reporting Period.

YTO Diesel Engine: net profit increased by RMB25.19 million year-on-year, mainly due to the year-on-year increase in the net profit as a result of the year-on-year increase in the sales revenue driven by the increase in sales volume during the Reporting Period.

YTO France: net profit improved with loss narrowing by RMB18.59 million year-on-year, mainly due to the higher amount of provision for asset impairment driven by the adjustment to the business last year.

OTHER DISCLOSEABLE EVENTS

1. Potential Risks

(I) Market risk

With the thorough implementation of the Rural Revitalization Strategy and a series of national policies supporting the agricultural machinery industry, the sales volume in the tractor industry demonstrated a promising trend featuring a stable growth this year. However, the current situation of overcapacity in the domestic agricultural machinery market has not been fundamentally changed. It is expected that the second and third-line tractor brands are bound to compete for the market share lost during the epidemic period, resulting more fierce competition in the traditional agricultural machinery market such as tractors. Furthermore, the continued epidemic will inevitably trigger the global economic recession while the trade friction and rivalries in various fields between the United States and China will be difficult to come to an end in a short period. China will face more severe international tensions evidenced by the escalation of trade frictions, increasing difficulties in exporting products and the obstruction of the internationalization process.

First Tractor will give full play to its technological research and development and core manufacturing advantages, continuously strengthen its marketing capability, enrich and improve its market product portfolio, improve its product adaptability and competitiveness, and increase its market share by providing high-quality products and efficient services to win customers' trust. At the same time, it will steadily promote the progress of the international plans to achieve effective breakthroughs in key markets.

(II) Risk relating to rising prices of raw materials

As steel, rubber and other materials constitute a major part of the Company's purchases of raw materials and spare parts, the profitability of the Company's products will be affected if the prices of raw materials continue to increase or remain at a high level. The Company will mitigate the risk of fluctuating raw material prices by adopting measures such as optimizing procurement process, shortening the intermediate purchase links and centralizing procurement.

(III) Risk relating to technology upgrade

China accelerates to promote the conversion and upgrading of off-road diesel engine emission standards as environmental policies are evolving, which requires a higher standard for the product techniques, manufacturing skills and overall upgrade of the supplying chain of the agriculture machinery manufacturing enterprises. The Company will prepare for the conversion of National IV and the R&D of National V diesel engines in terms of R&D, manufacturing and marketing, and maintain the leading advantage on technology.

(IV) Operational risk

Given that the overcapacity of tractors and other traditional agricultural machinery has not been reversed fundamentally, it still has difficulties to achieve the sustainable profit growth due to the fierce market competition faced by enterprises resulting from increasing competition of product homogenization and market price war. Given that certain subsidiaries of the Company are still at a loss position which is difficult to be turnaround in a short time, the Company will actively explore and optimize the feasible ways to the allocation of resources and promote the disposal of inefficient and invalid assets as well as the business integration optimization, which may have certain influence on the performance of the Company for the current period.

The Company will continue to advance the product quality improvement, cost control and various management improvement, constantly improve product cost performance to strive for market share expansion, and at the same time, it will continue to optimize resource allocation, facilitate the disposal of inefficient and inefficacious assets as well as business integration and optimization to improve operational efficiency.

OVERVIEW OF THE BUSINESS OF THE COMPANY

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

In adherence to the business development strategy of focusing on principal business and moderate diversification, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization of the Chinese agricultural industry. The Company's principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and their spare parts. In particular, the agricultural machinery business includes R&D, manufacturing and sales of the whole series of wheeled and crawler tractors 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 pumps and fuel injectors, and are mainly supporting agricultural machinery, such as tractors and harvesters. YTO Finance, a controlled subsidiary of the Company, is principally engaged in the business of funds settlement, financing and other financial services for the 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 RMB11,954.6796 million, of which assets outside the PRC was RMB205.0935 million accounting for 1.72% of the total assets.

3. Analysis of Core Competitiveness during the Reporting Period

The Company possesses leading industrial technology R&D and independent innovation capability 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 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 2019 Annual Report.

EXPLANATION ON APPOINTMENT OR DISMISSAL OF AUDITOR

As considered and approved at the 2019 annual general meeting, the Company continued to appoint Da Hua Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2020, and the Board was authorized to determine the remuneration of the auditor.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigation or arbitration.

PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

Payment of any interim dividend for the six months ended 30 June 2020 was not recommended (2019: Nil).

STAFF, REMUNERATION POLICY AND TRAINING OF THE GROUP

As at 30 June 2020, the Company had 7,374 employees. During the Reporting Period, the basic salary system of the Company is a post-based salary system, under which employees' income is 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 trainings 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 trainings in a timely manner.

CONTINGENT LIABILITIES

Save for the contingent events in external guarantees, as at 30 June 2020, 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.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has strictly adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange. For the purpose of preparing this announcement, specific enquiries have been made to all the Directors and Supervisors of the Company, who have confirmed to the Company that they had strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

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)	30,638 shareholders Among which: A Shares had 30,276 holders, H Shares had 362 holders
---	---

(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			Number of shares held subject to selling restrictions	Pledged or frozen Status of shares	Nature of shareholder
	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)			
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0 State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	60,000	387,807,319	39.34	0	Unknown	/ Overseas legal person

Shareholdings of the top ten shareholders							
Name of shareholder (full name)	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	
China Construction Bank Corporation-Bank of Communications Schroder Economic New Power Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德經濟新動力混合型證券投資基金)	20,221,919	20,221,919	2.05	0	Unknown	/	Other
China Merchants Bank Co., Ltd.- Bank of Communications Schroder Innovation Pilot Hybrid Securities Investment Fund(招商銀行股份有限公司—交銀施羅德創新領航混合型證券投資基金)	11,157,951	11,157,951	1.13	0	Unknown	/	Other
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other
China Construction Bank Corporation- Bank of Communications Schroder Growth 30 Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德成長30混合型證券投資基金)	6,910,810	6,910,810	0.70	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited (Note 2)	-202,946	6,225,007	0.63	0	Unknown	/	Overseas legal person

Name of shareholder (full name)	Shareholdings of the top ten shareholders			Number of shares held subject to selling restrictions	Pledged or frozen Status of shares	Nature of shareholder
	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)			
Industrial and Commercial Bank of China Limited-Hua' an Anxin Consumption Service Hybrid Securities Investment Fund(中國工商銀行股份有限公司—華安安信消費服務混合型證券投資基金)	4,172,900	4,172,900	0.42	0	Unknown	/ Other
Bank of Communications Co., Ltd.-Hua' an Anshun Flexible Allocation of Hybrid Securities Investment Fund(交通銀行股份有限公司—華安安順靈活配置混合型證券投資基金)	2,984,018	2,984,018	0.30	0	Unknown	/ Other
Industrial and Commercial Bank of China Limited-Bank of Communications Schroder Preferred Hybrid Securities Investment Fund(中國工商銀行股份有限公司—交銀施羅德趨勢優先混合型證券投資基金)	2,851,500	2,851,500	0.29	0	Unknown	/ Other

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non restricted circulating shares held	Number and class of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED <i>(Note 1)</i>	387,807,319	Overseas listed foreign shares	387,807,319
China Construction Bank Corporation-Bank of Communications Schroder Economic New Power Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德經濟新動力混合型證券投資基金)	20,221,919	Ordinary shares denominated in RMB	20,221,919
China Merchants Bank Co., Ltd.- Bank of Communications Schroder Innovation Pilot Hybrid Securities Investment Fund(招商銀行股份有限公司—交銀施羅德創新領航混合型證券投資基金)	11,157,951	Ordinary shares denominated in RMB	11,157,951
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
China Construction Bank Corporation- Bank of Communications Schroder Growth 30 Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德成長30混合型證券投資基金)	6,910,810	Ordinary shares denominated in RMB	6,910,810
Hong Kong Securities Clearing Company Limited <i>(Note 2)</i>	6,225,007	Ordinary shares denominated in RMB	6,225,007
Industrial and Commercial Bank of China Limited-Hua'an Anxin Consumption Service Hybrid Securities Investment Fund(中國工商銀行股份有限公司—華安安信消費服務混合型證券投資基金)	4,172,900	Ordinary shares denominated in RMB	4,172,900
Bank of Communications Co., Ltd.-Hua'an Anshun Flexible Allocation of Hybrid Securities Investment Fund(交通銀行股份有限公司—華安安順靈活配置混合型證券投資基金)	2,984,018	Ordinary shares denominated in RMB	2,984,018

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non restricted circulating shares held	Number and class of shares	
		Class	Number
Industrial and Commercial Bank of China Limited-Bank of Communications Schroder Preferred Hybrid Securities Investment Fund(中國工商銀行股份有限公司—交銀施羅德趨勢優先混合型證券投資基金)	2,851,500	Ordinary shares denominated in RMB	2,851,500

Explanation on connected relationship or acting in concert among the aforesaid shareholders

Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies with, any other shareholders. The Company is not aware of any connected relationship among other shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.

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

N/A

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

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

3. Details of Preference Shares

The Company had no preference shares during the Reporting Period.

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

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

5. Issuance of the equity securities

The Company convened the 17th meeting of the 8th session of the Board and the 19th meeting of the 8th session of the Board on 23 April 2020 and 7 July 2020, respectively, at which the relevant resolutions regarding the non-public issuance of the Company were considered and approved. The shares will be issued to a specific target through non-public issuance, which will be implemented during the validity period of the approval from the CSRC.

The target subscriber of the non-public issuance shall be YTO Group Corporation. The shares are domestically-listed and RMB-denominated ordinary shares (A shares) with a par value of RMB1.00 per share at an issue price of RMB5.08 per share, totaling 137,795,275 shares. The final issue size shall be subject to the approval of the issuance by the CSRC.

As of the disclosure date of this announcement, the non-public issuance of A Shares has been considered and approved by the first extraordinary general meeting of 2020 and the first A/H Shares class meeting of 2020 of the Company.

There was no issue for cash of equity securities by the Company 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
CAMACO	China-Africa Machinery Corp. (中非重工投資有限公司), 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(ies)	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	First Tractor Company Limited 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 of Hong Kong Limited (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100
power machinery	products including diesel engines and fuel injection pumps

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(ies)	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	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder 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 (changed its name to YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司))

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)

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

Luoyang, the PRC
27 August 2020

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 Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*