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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 2023

FINANCIAL HIGHLIGHTS

Total operating revenue: RMB7,248,544,566.19

Net profits attributable to the shareholders of the Company: RMB754,144,938.68

Earnings per share attributable to the shareholders of the Company: RMB0.6712

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 2023 together with the comparative figures for the corresponding period in 2022 (unless otherwise stated, the information 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

30 June 2023

Prepared by: First Tractor Company Limited

Item	Note	30 Jun 2023	31 Dec 2022
Current assets:			
Monetary Funds	Note 1	2,655,047,976.99	4,363,742,346.01
Lendings to Banks and Other Financial Institutions		0.00	0.00
Trading financial assets		1,506,156,279.45	1,249,646,900.00
Derivative financial assets		0.00	0.00
Notes receivable		87,483,209.66	76,769,291.70
Accounts receivable	Note 2	1,143,555,992.17	351,792,105.00
Accounts receivable financing		275,777,260.58	246,084,731.86
Advances to suppliers		114,971,778.79	214,603,079.62
Other receivables		53,140,706.90	26,664,987.91
Including: Dividends receivables		0.00	0.00
Interests receivables		0.00	0.00
Buying back the sale of financial assets		0.00	0.00
Inventories		1,190,566,796.95	1,191,302,696.00
Contract assets		0.00	0.00
Assets classified as held for sale		0.00	0.00
Non-current assets due within one year		27,173,957.66	26,138,882.38
Other current assets		78,374,511.78	135,457,079.03
Total current assets		<u>7,132,248,470.93</u>	<u>7,882,202,099.51</u>

Item	<i>Note</i>	30 Jun 2023	31 Dec 2022
Non-current assets:			
Loans and advances to customers		0.00	0.00
Debt investment		3,085,292,255.86	1,086,568,216.50
Other debt investment		0.00	0.00
Long-term receivables		0.00	0.00
Long-term equity investments		663,258,684.82	635,976,086.00
Other equity instrument investment		3,513,464.70	3,513,464.70
Other non-current financial assets		0.00	0.00
Investment properties		0.00	0.00
Fixed assets		2,310,754,632.23	2,311,846,878.77
Construction in progress		84,447,317.72	126,466,820.01
Productive biological assets		0.00	0.00
Oil and gas assets		0.00	0.00
Right-to-use assets		28,643,577.21	34,164,906.27
Intangible assets		706,933,795.06	713,225,331.16
Research and development expenses		0.00	0.00
Goodwill		0.00	0.00
Long-term deferred expenses		51,143,736.04	59,464,923.38
Deferred income tax assets		139,069,838.38	138,136,755.38
Other non-current assets		0.00	0.00
		<hr/>	<hr/>
Total non-current assets		<u>7,073,057,302.02</u>	<u>5,109,363,382.17</u>
		<hr/>	<hr/>
Total assets		<u><u>14,205,305,772.95</u></u>	<u><u>12,991,565,481.68</u></u>

Item	<i>Note</i>	30 Jun 2023	31 Dec 2022
Current liabilities:			
Short-term loans		500,381,388.90	270,223,055.56
Loans from banks and other financial institutes		0.00	0.00
Trading financial liabilities		0.00	0.00
Derivative financial liabilities		0.00	0.00
Notes payable		1,652,382,989.30	1,829,411,578.37
Accounts payable	<i>Note 3</i>	3,256,745,626.83	2,286,961,766.98
Advance from customers		3,504,133.12	190,366.98
Contract liabilities		217,394,739.30	846,464,703.95
Sale of repurchase financial assets		0.00	0.00
Absorption of deposits and interbank deposits		0.00	34,112,630.48
Employee salary payable		115,097,329.41	108,545,159.39
Taxes payable		70,772,467.07	21,049,384.80
Other payables		434,967,569.40	338,162,726.80
Including: Dividends receivables		28,230,500.24	24,785,843.99
Interests receivables		8,439,607.88	8,439,607.83
Liabilities classified as held for sale		0.00	0.00
Non-current liabilities due within one year		15,005,273.08	17,750,080.09
Other current liabilities		649,759,002.02	374,987,097.17
Total current liabilities		<u>6,916,010,518.43</u>	<u>6,127,858,550.57</u>

Item	<i>Note</i>	30 Jun 2023	31 Dec 2022
Non-current liabilities:			
Long-term loans		0.00	49,380,000.00
Bonds payable		0.00	0.00
Including: Preference shares		0.00	0.00
Perpetual bond		0.00	0.00
Lease liabilities		13,123,089.79	16,459,875.98
Long-term payables		9,001,441.87	8,476,357.76
Long-term employee salary payable		26,546,090.79	48,210,828.04
Special payables		0.00	0.00
Estimated Liabilities		1,962,613.99	1,962,613.99
Deferred income		113,716,621.63	121,762,517.70
Deferred income tax liabilities		121,649,810.89	120,283,861.71
Other non-current liabilities		0.00	0.00
		<hr/>	<hr/>
Total non-current liabilities		285,999,668.96	366,536,055.18
		<hr/>	<hr/>
Total liabilities		7,202,010,187.39	6,494,394,605.75
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Item	<i>Note</i>	30 Jun 2023	31 Dec 2022
Shareholder's equity:			
Share capital		1,123,645,275.00	1,123,645,275.00
Other equity instruments		0.00	0.00
Including: Preferred shares		0.00	0.00
Perpetual bond		0.00	0.00
Capital reserves		2,655,849,996.00	2,655,849,996.00
Less: Treasury shares		0.00	0.00
Other comprehensive income		-1,783,829.97	-5,853,544.29
Special reserves		6,817,135.95	5,497,405.05
Surplus reserves		595,433,495.89	595,433,495.89
General risk reserves		0.00	43,263,387.54
Retained earnings	<i>Note 4</i>	2,080,313,576.51	1,540,248,936.64
Total equity attributable to shareholders of the parent company		6,460,275,649.38	5,958,084,951.83
Minority interests		543,019,936.18	539,085,924.10
Total shareholder's equity		<u>7,003,295,585.56</u>	<u>6,497,170,875.93</u>
Total liabilities and shareholder's equity		<u>14,205,305,772.95</u>	<u>12,991,565,481.68</u>

CONSOLIDATED INCOME STATEMENT

January – June 2023

Prepared by: First Tractor Company Limited

Item	Note	Amount incurred in this period	Amount incurred in last period
1. Total operating revenue		7,248,544,566.19	6,630,331,281.57
Including: Operating revenue		7,242,918,542.61	6,550,726,514.79
Interest income		5,626,023.58	74,636,601.43
Fees and commission income		0.00	4,968,165.35
2. Total cost of operation		6,522,395,246.30	5,927,839,751.42
Including: Operating costs		6,095,270,579.18	5,483,733,869.53
Interest expenses		99,838.97	10,371,808.42
Fees and commission expense		60,491.28	273,748.70
Taxes and surcharges		25,620,701.13	24,167,147.49
Selling expenses		92,395,848.22	66,207,655.04
Administrative expenses		158,697,813.66	158,908,787.57
Research and development expenses		180,333,815.14	186,386,944.21
Financial expenses		-30,083,841.28	-2,210,209.54
Add: Other gains		12,143,087.62	13,387,620.04
Gain arising from investments		68,466,234.58	32,825,671.32
Gain arising from the changes in fair value		26,573,546.12	-86,421,175.31
Loss on impairment of credit		-10,835,156.37	-74,465,404.30
Loss on impairment of assets		-4,922,441.13	-1,630,983.93
Gain arising from disposal of assets		743,241.14	648,065.96

Item	Note	Amount incurred in this period	Amount incurred in last period
3. Operating profit		818,317,831.85	586,835,323.93
Add: Non-operating income		3,305,858.55	3,781,734.44
Less: Non-operating expenses		624,738.16	1,742,372.23
4. Total profit		820,998,952.24	588,874,686.14
Less: Income tax expenses	Note 6	56,523,543.55	7,489,261.82
5. Net profit		764,475,408.69	581,385,424.32
Including: Net profit achieved by the merger of the merged party before the merger under the same control		0.00	0.00
(1) Classification according to the continuity of operation			
Continuous operating net profit		747,064,694.39	537,025,746.24
Termination of net profit		17,410,714.30	44,359,678.08
(2) Classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		754,144,938.68	581,466,905.85
Profit or loss attributable to minority interests		10,330,470.01	-81,481.53
6. Net other comprehensive income after tax		5,276,332.17	-11,173,351.46
Net other comprehensive income after tax attributable to owners of the parent company		4,069,714.32	-9,968,439.40
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		108,735.35	-633,015.12
1. Changes in net liabilities or net assets arising from the re- measurement of defined benefit plans		0.00	0.00
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method		108,735.35	0.00

Item	<i>Note</i>	Amount incurred in this period	Amount incurred in last period
3. Changes in fair value of other equity instrument investments		0.00	-633,015.12
4. Fair value change of enterprise's credit risk		0.00	0.00
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		3,960,978.97	-9,335,424.28
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		0.00	0.00
2. Changes in fair value of other debt investment		0.00	0.00
3. Financial assets reclassified into other comprehensive income		0.00	0.00
4. Provision for credit impairment of other debt investment		0.00	0.00

Item	<i>Note</i>	Amount incurred in this period	Amount incurred in last period
5. Cash flow hedging reserve (Effective part of hedging gains and losses from cash flows)		0.00	0.00
6. Exchange differences from translation of foreign currency financial statements		3,960,978.97	-9,335,424.28
7. Others		0.00	0.00
Net other comprehensive income after tax attributable to minority interests		1,206,617.85	-1,204,912.06
7. Total comprehensive income		769,751,740.86	570,212,072.86
Total comprehensive income attributable to shareholders of the parent company		758,214,653.00	571,498,466.45
Total comprehensive income attributable to minority interests		11,537,087.86	-1,286,393.59
8. Earnings per share:			
(1) Basic earnings per share		0.6712	0.5175
(2) Diluted earnings per share		0.6712	0.5175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

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

The Company is a company of manufacturing and sales of agricultural machinery and power machinery. In the following, the Company and its subsidiaries are collectively referred to as the Group. During the period, 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 by the Ministry of Finance of the PRC, disclosure requirements by the Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and based on the accounting policies and accounting estimates stated in the Note "4. Accounting policies".

3. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company 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 and the Group and their operating results and cash flows and other related information.

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

4. ACCOUNTING POLICIES

1. Accounting period

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

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

- 1) These transactions are occurred at the same time, or have considered the impact of each other;
- 2) All these transactions together can achieve a complete business result;

- 3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- 4) A deal alone is not economical, but it is economic when considering together with other transactions.

(2) *Enterprise merger under common control*

The assets and liabilities acquired by our 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 exists or has consideration which needs to confirm the estimated liabilities or assets, the difference between the estimated liabilities or the amount of assets and the subsequent or consideration price, we should adjust the capital surplus (capital premium or equity premium), and if the capital surplus is insufficient, then adjust the retained earnings.

As enterprise merger realized by multiple transactions which belong to a packaged transaction, considering these transactions as a control transaction when carrying out accounting method. In the case of non-packaged transactions, on the day of gaining control, 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 are transferred into the current profits and losses.

(3) *Enterprise merger not under common control*

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

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

The difference between the fair value and the book value when the assets, liabilities incurred or incurred on the purchase date 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.

(4) *Relevant costs incurred from merger*

Intermediary costs and other direct related expenses, such as audit, legal service, evaluation and consultation, and other direct related expenses incurred from merger, 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. Accounting period

(1) *Scope of the merger*

The merge 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.

(2) *Consolidated procedures*

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

All subsidiaries included in the consolidated financial statements are consistent with accounting policies. When the accounting policies adopted by the subsidiaries are inconsistent with the Company, the necessary adjustment period according to the Company's accounting policies and accounting period will be 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 the Group's 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 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 was not under the same control acquired through business combination, the financial statements should be adjusted which was based on fair value of the identifiable net assets at the acquisition date.

6. Segment information

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

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

- (1) The 'agricultural machinery' segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and component;
- (2) The 'power machinery' segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets;
- (3) 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) Changes in accounting policies

On 30 November 2022, the Ministry of Finance issued the “Accounting Standards for Business Enterprises Interpretation No.16” (hereby referred as “Interpretation 16”) in accordance with the relevant contents of the “Accounting for Deferred Income Taxes Related to Assets and Liabilities arising from Individual Transactions to which the Initial Recognition Exemption is Not Applicable of Interpretation 16”, which became effective from 1 January 2023, and had been implemented in advance in the year of 2022. At the twelfth meeting of the ninth session of the Board of the Company, it was resolved that the aforesaid change in meeting policy be approved. The Group has implemented relevant contents since 1 January 2023. The implementation of Interpretation 16 had no material impact on the Group’s profit.

- 1) The amount of the impact from the implementation of Interpretation 16 on the relevant items in the Group’s consolidated statement balance sheet as at 31 December 2022 is as follows:

Affected item	Before change	Amount affected	After change
Deferred income tax assets	132,713,596.93	5,423,158.45	138,136,755.38
Deferred income tax liabilities	114,860,703.26	5,423,158.45	120,283,861.71

- 2) The amount of the impact from the implementation of Interpretation 16 on the relevant items in the parent company’s balance sheet as at 31 December 2022 is as follows:

Affected item	Before change	Amount affected	After change
Deferred income tax assets	49,107,751.71	3,874,948.03	52,982,699.74
Deferred income tax liabilities	24,806,160.00	3,874,948.03	28,681,108.03

(2) Changes in accounting estimates

No accounting estimates were changed during the reporting period.

(3) First Implementation of Standards Interpretation Adjustments to Relevant Items in the Financial Statements in 2023

None.

5. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

For the financial statement data disclosed below, unless otherwise stated, the “ending” refers to 30 June 2023, the “opening” refers to 1 January 2023, the “last period” refers to the period from 1 January to 30 June 2023, and the “previous period” refers to the period from 1 January to 30 June 2022, and the currency is in RMB Yuan.

Note 1. Monetary funds

Item	Ending Balance	Opening Balance
Cash	126,626.80	60,612.69
Cash in bank	2,239,655,740.30	3,528,903,780.24
Other monetary funds	415,265,609.89	834,777,953.08
Total	2,655,047,976.99	4,363,742,346.01
Including: Total amount deposited abroad	57,136,780.71	49,270,197.48
Deposit in financial company	1,921,620,626.51	1,968,212,255.21

Of which details of the restricted monetary funds are as follows:

Item	Ending Balance	Opening Balance
Bank acceptance deposit	411,972,965.41	834,209,742.51
Statutory deposit reserve	0.00	9,176,871.31
Restricted funds with non-commercial bank	0.00	0.00
Term deposit over three months	0.00	0.00
Other restricted funds	3,502,582.39	778,150.32
Total	415,475,547.80	844,164,764.14

Note 2. Accounts receivables

1. Disclosure of accounts receivable by aging

Aging	Ending Balance	Opening Balance
Within 1 year	1,163,454,605.30	353,550,459.77
1 to 2 years	5,306,630.35	4,997,809.04
2 to 3 years	1,936,392.00	2,503,989.10
Over 3 years	340,805,592.05	340,919,992.89
Subtotal	1,511,503,219.70	701,972,250.80
Less: Provision for bad debt	367,947,227.53	350,180,145.80
Total	1,143,555,992.17	351,792,105.00

2. Disclosure by provision for bad debt

Category	Book balance		Ending Balance		Book balance
	Amount	Ratio (%)	Amount	Ratio (%)	
Bad debt provision on a portfolio basis	1,511,503,219.70	100.00	367,947,227.53	—	1,143,555,992.17
Including: Aging portfolio	1,413,335,619.40	93.51	337,780,304.99	23.90	1,075,555,314.41
Risk exposure					
portfolio such as collateral	98,167,600.30	6.49	30,166,922.54	30.73	68,000,677.76
Total	1,511,503,219.70	100.00	367,947,227.53	—	1,143,555,992.17

CONTINUED:

Category	Book balance		Opening Balance		Book balance
	Amount	Ratio (%)	Amount	Ratio (%)	
Bad debt provision on a portfolio basis	701,972,250.80	100.00	350,180,145.80	—	351,792,105.00
Including: Aging portfolio	654,083,485.34	93.18	320,544,054.68	49.01	333,539,430.66
Risk exposure					
portfolio such as collateral	47,888,765.46	6.82	29,636,091.12	61.89	18,252,674.34
Total	701,972,250.80	100.00	350,180,145.80	—	351,792,105.00

3. Accounts receivable for which anticipated credit losses were provisioned on a portfolio basis

(1) Aging portfolio

Aging	Book Balance	Ending Balance	Accrual Ratio (%)
		Provision for bad debt	
Within 1 year	1,095,577,523.13	23,167,181.14	2.11
1 to 2 yeas	5,244,119.58	2,345,571.60	44.73
2 to 3 yeas	1,177,752.54	931,328.10	79.08
Over 3 yeas	311,336,224.15	311,336,224.15	100.00
Total	1,413,335,619.40	337,780,304.99	—

(2) *Risk exposure portfolio such as collateral*

Name of portfolio	Ending Balance	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	98,167,600.30	30,166,922.54	30.73

4. *Provision for bad debts charged, recovered or returned in the current period*

Category	Opening Balance	Provision	Changes in the current period		Other	Ending Balance
			Recovery/ Reversal	Transfer or Write off		
Aging portfolio	320,544,054.68	15,834,350.64	0.00	0.00	1,401,899.67	337,780,304.99
Risk exposure portfolio such as collateral	29,636,091.12	1,076,585.67	0.00	0.00	-545,754.25	30,166,922.54
Total	350,180,145.80	16,910,936.31	0.00	0.00	856,145.42	367,947,227.53

5. *Details of Top Five Accounts Receivable with the Ending Balance Classified by the Borrowers*

Company name	Ending Balance	Percentage of ending balance of accounts receivable (%)	Bad debt provision
Jiangsu Wode High Tech Agricultural Equipment Co., Ltd.	68,805,301.38	4.55	2,755,631.46
YTO (Luoyang) Harvesting Machinery Co., Ltd.	63,100,203.73	4.17	63,100,203.73
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	4.11	62,183,376.45
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	26,843,806.97	1.78	26,843,806.97
Cuba TECNOIMPORT	24,842,643.30	1.64	24,842,643.30
Total	245,775,331.83	16.25	179,725,661.91

Note 3. Accounts payable

1. Classification of accounts payable by nature

Item	Ending Balance	Opening Balance
Purchase payment payable	3,043,103,428.29	2,081,660,028.31
Purchase of construction equipment payable	58,902,292.03	41,054,870.93
Service fee payable	154,289,526.45	164,161,767.34
Others	450,380.06	85,100.40
Total	3,256,745,626.83	2,286,961,766.98

2. Disclosure of accounts payable by aging

Aging	Ending Balance	Opening Balance
Within 1 year	2,852,222,221.42	1,976,325,706.83
1 to 2 years	182,107,370.47	142,792,136.62
2 to 3 years	100,227,632.55	94,323,052.54
Over 3 years	122,188,402.39	73,520,870.99
Total	3,256,745,626.83	2,286,961,766.98

3. Accounts payable with significant amount aged over 1 year

Company name	Ending Balance	Reason for not paid or reversed
LLAF INTERNATIONAL CO., LTD	27,173,957.66	Unsettled

Note 4. Retained earnings

Item	Amount	Percentage of appropriation or distribution (%)
Balance at the end of last period	1,540,248,936.64	–
Adjustment amount on beginning balance	0.00	–
Opening balance of the current period	1,540,248,936.64	–
Add: net profit for the current period attributable to shareholders of the parent company	754,144,938.68	–
Others (note)	43,263,387.54	–
Less: Statutory surplus reserve	0.00	–
Common stock dividends payable	257,343,686.35	–
Closing balance of the current period	2,080,313,576.51	–

Note: During the period, YTO Finance was liquidated and deregistered, and the general risk reserve originally provided for was transferred to unappropriated profits.

Note 5. Depreciation and amortization

Item	Amount in this period	Amount in last period
Depreciation of fixed assets	132,148,537.14	137,943,421.51
Amortization of intangible assets	16,601,934.44	16,042,102.43
Total	148,750,471.58	153,985,523.94

Note 6. Income tax expenses

1. Statement of income tax expenses

Item	Amount in this period	Amount in last period
Current income tax expenses	56,090,677.37	75,650,425.15
Deferred income tax expenses	432,866.18	-68,161,163.33
Total	56,523,543.55	7,489,261.82

2. The Adjustment Process of Accounting Profit and Income Tax Expenses

Item	Amount in this period
Consolidated total profit of the period	820,998,952.24
Income Tax Expenses at Applicable Tax Rates	123,149,842.84
The Impact of Different Tax Rates on Subsidiaries	-3,580,003.26
The impact of income tax on the period before adjustment	-15,763,807.87
The impact of non-taxable income	-2,873,438.54
Non-deductible Cost, Expenses and Loss Impact	1,347,147.78
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-57,829,417.44
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	30,076,358.18
Extra deductions for research and development expenses and other expenses	-9,106,551.04
Others	-8,896,587.10
Income tax expenses	56,523,543.55

Note 7. Net current assets

Item	Ending Balance	Opening Balance
Current assets	7,132,248,470.93	7,882,202,099.51
Less: current liabilities	6,916,010,518.43	6,127,858,550.57
Net current assets	216,237,952.50	1,754,343,548.94

Note 8. Total assets minus current liabilities

Item	Ending Balance	Opening Balance
Total assets	14,205,305,772.95	12,991,565,481.68
Less: current liabilities	6,916,010,518.43	6,127,858,550.57
Total assets minus current liabilities	7,289,295,254.52	6,863,706,931.11

Note 9. Segment information

Item	Agricultural machinery	Power machinery	Finance service	Elimination among segments	Total
1. Total operating revenue	6,695,417,849.52	1,783,425,607.89	5,626,023.58	-1,235,924,914.80	7,248,544,566.19
Including: External transaction revenue	6,470,455,793.85	772,462,748.76	5,626,023.58	0.00	7,248,544,566.19
Revenue between segments	224,962,055.67	1,010,962,859.13	0.00	-1,235,924,914.80	0.00
Loss on impairment of assets	-2,212,338.25	-3,864,800.63	0.00	1,154,697.75	-4,922,441.13
Loss on impairment of credit	-2,887,928.27	-5,437,307.61	384,946.90	-2,894,867.39	-10,835,156.37
Depreciation and amortization fee	139,487,514.92	30,730,787.64	59,629.20	0.00	170,277,931.76
2. Total profit (total loss to be listed with “-”)	952,761,412.47	85,664,301.59	15,957,173.06	-233,383,934.88	820,998,952.24
3. Income tax expenses	73,244,990.39	-5,000,042.43	-11,721,404.41	0.00	56,523,543.55
4. Net profit (net loss to be listed with “-”)	879,792,202.08	90,664,344.02	27,678,577.47	-233,659,714.88	764,475,408.69
5. Total assets	17,029,745,941.62	3,069,398,775.73	0.00	-5,893,838,944.40	14,205,305,772.95
6. Total liabilities	9,956,810,509.07	1,671,598,450.38	0.00	-4,426,398,772.06	7,202,010,187.39
7. Other important non cash items	59,187,626.41	79,181,492.07	63,081.20	0.00	138,432,199.68
1. Non-cash expenses other than depreciation and amortization	28,412,567.96	12,055,351.36	63,081.20	0.00	40,531,000.52
2. Capital expenditure	30,775,058.45	67,126,140.71	0.00	0.00	97,901,199.16

Note 10. Net asset returns and Earnings per share

Item	This Period
Net profit attributable to shareholders of parent company	754,144,938.68
Non recurring profit and loss attributable to the parent company	28,092,181.83
Net profit attributable to shareholders of parent company after deducting non recurring profit and loss	726,052,756.85
Weighted average number of common shares outstanding	1,123,645,275.00
Basic earnings per share (I) (before deducting non earnings)	0.6712
Basic earnings per share (II) (after deducting non earnings)	0.6462
Weighted average of net assets attributable to shareholders of parent company	6,294,961,529.39
Weighted average return on equity (I) (before deducting non earnings)	11.9801%
Weighted average return on equity (II) (after deducting non earnings)	11.5339%

DISCUSSION AND ANALYSIS ON OPERATION

The year 2023 was the first year for China's agricultural machinery industry to fully enter the National IV era. Due to the market demand being advanced, the rising cost of purchasing machinery, the increasing cost of operation maintenance for the users, as well as the National IV new products industry after the National IV switch are still to be further tested and accepted by the market, domestic market demand for agricultural machinery has seen adjustment of fluctuations as expected in the beginning of the year. The sales volume of hi and mid powered tractor products decreased. According to the China Association of Agricultural Machinery Manufactures (中國農機工業協會), in the first half of 2023, the sales volume of hi and mid powered tractors of the backbone enterprises of the industry was 189,300 units, representing a year-on-year decrease of 10.98%. At the same time, emission standards upgrade also introduced higher manufacturing technology requirements for agricultural machinery enterprises, market resources further converged to the head enterprises with stronger comprehensive strength, and the concentration of the industry continues to increase.

In face of the shocks brought about by industrial upgrading, the Company made early planning and study, system planning, and put focus on National IV product quality management, marketing and cost control. The Company endeavored to stabilize the sales of its products and increase its market share, and the Company continued to achieve steady growth in its operation. During the Reporting Period, the Company achieved operating revenue of RMB7,243 million, representing a year-on-year increase of 10.57%, and net profit attributable to shareholders of the listed company of RMB754 million, representing a year-on-year increase of 29.70%.

(1) Grab Orders and Expand Market

In view of the impact of the National IV switch on the local market, the Company insisted on having “Grab Orders and Expand Market” as its leverage point, seized favorable opportunities with “Dongfanghong (東方紅)” tractors to take the lead in fully realizing National IV switching and batch marketing, and made timely and precise placement and adjustment of sales policies, persistently improved channel operation, fortified National IV service assurance and improved product usage training to promote product sales. Meanwhile, the Company further strengthened its quality control of National IV products by improving the quality audit management system, optimizing the quality information management platform and applying other measures to steadily optimize the key quality indicators of its leading products. The “Dongfanghong” National IV models performed well in the spring season, with its user recognition continuously increasing. During the Reporting Period, 48,900 units of the Company’s hi and mid powered tractor products were sold, and continued to hold the top place in market share of the industry.

In terms of overseas market, the Company optimized its overseas marketing network layout, persistently promoted key market product adaptability, and actively launched product export certification to ensure adaptation of the products in overseas market environment. In the first half of the year, the export sales volume of the Company’s hi and mid powered tractors continued to climb, with a year-on-year increase of 70.27%.

In terms of power machinery business, “Dongfanghong” National IV diesel engine has obvious advantages, with good stability and operating performance, it can better meet the demand of external users for National IV diesel engine. During the Reporting Period, the Company’s sales of diesel engine export sales volume increased by 19.05% year-on-year.

(2) Promoting Innovation and Transformation

Based on its National IV technical advantages and product reserve, the Company serves the development of large-scale and high-efficiency agricultural equipment and the weak links of agricultural application in China. The Company enriches its product series and perfects its product portfolio. In the first half of the year, in face of the rising proportion of new models after the National IV switch and the ever-shortening supply period, the Company kept a close eye on the supply points, optimized its process layout, released its advantages in production capacity, and improved its production capacity of National IV models in “mixed line” production, so as to ensure that the new models of National IV would be delivered and marketed as scheduled.

The Company continuously adapts to the new trend of product technology upgrading, increases scientific and technological research efforts around the “bottle-neck” technology, deeply promotes the strategic research and development projects of high-end tractors, such as power shift, stepless variable speed, and actively implements the research and development work of hilly mountain tractor and other specialized tractors, so as to satisfy the market demand for application. During the Reporting Period, the Company’s National IV intelligent tractors completed product verification and achieved small batch sales; new model trials of hilly mountain tractor were carried out according to plan, and the market application of relevant variant models was enhanced, which is of great significance to speed up the weak link of agricultural mechanization for hilly mountain; the Company accelerated the research and development of the new platform series of the off-road YTN diesel engine and its market verification, which is conducive to enhancing the competitiveness of the Company’s diesel engine products in the National IV and subsequent emission stages in the market.

(3) Improving Inner Strength and Adding Value

The Company simultaneously took various measures to enhance the quality of its operations and continued to strengthen its value creation capacity by taking the optimization of the National IV project as its point of breakthrough. During the Reporting Period, with the National IV project optimization as its lead, the Company promoted cost management along the entire value chain by focusing on quality enhancement and profitability improvement.

Against the backdrop of stable and improving operation results and rising concern in the capital market, the Company has actively launched investor relation works and improved value transfer. In the first half of the year, in conjunction with the annual general meeting, the Company invited institutional investors to the Company for on-site research, participated in the collective investor exchange activities of listed companies of Sinomach, and organized the “Institutional Investor in Central Enterprises Activity” and other activities. The Company also carried out one-on-one and one-on-many exchanges with more than 40 institutional investors in order to proactively convey the intrinsic value of the Company to the outside world.

In the first half of the year, the Company effectively responded to the market fluctuations brought about by the National IV switch through the above measures, and its operations were not significantly adversely affected. However, from the second half of 2023, the market impact of the National IV switch will be further revealed. In terms of industry competition pattern, with the implementation of emission standards upgrade and other policies, the products of industry head demonstrated increasingly prominent competitive advantage, at the same time, part of the wait-and-see enterprises have begun to learn from the switching experience of large enterprises to follow up on the foundation of their own National IV products, which will also intensify market competition for a certain period of time.

In the second half of 2023, the Company will adhere to its strategic direction, fortify its competitive advantages, and strive to further increase its market share, so as to achieve sustainable, healthy and stable development of the Company in the midst of industry adjustments. Firstly, the Company will continuously improve its product and market advantages of early National IV switch, and make every effort to stabilize sales volume and increase market share by continuously enhancing its market forecasting and control capabilities, improving the quality of pipeline operations, strengthening after-sales service control and increasing brand promotion etc.. Secondly, the Company will strengthen the leadership in scientific and technological innovation and accelerate the performance upgrade process of its National IV new models and intelligent tractor products, in order to maintain its lead in product and technology. Thirdly, the Company will further improve its mechanism, stimulate vitality, enhance efficiency, and comprehensively improve the standard of operation and management around the continuous enhancement of value creation ability.

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	7,242,918,542.61	6,550,726,514.79	10.57
Operating costs	6,095,270,579.18	5,483,733,869.53	11.15
Interest revenue	5,626,023.58	74,636,601.43	-92.46
Fees and commission income	0.00	4,968,165.35	-100.00
Interests expenses	99,838.97	10,371,808.42	-99.04
Fees and commission expenses	60,491.28	273,748.70	-77.90
Selling expenses	92,395,848.22	66,207,655.04	39.55
Administrative expenses	158,697,813.66	158,908,787.57	-0.13
Financial expenses	-30,083,841.28	-2,210,209.54	N/A
Research and development expenses	180,333,815.14	186,386,944.21	-3.25
Investment income (Losses listed as “-”)	68,466,234.58	32,825,671.32	108.58
Gain arising from changes in fair value (Losses listed as “-”)	26,573,546.12	-86,421,175.31	N/A
Loss on impairment of credit (Losses listed as “-”)	-10,835,156.37	-74,465,404.30	N/A
Loss on impairment of assets (Losses listed as “-”)	-4,922,441.13	-1,630,983.93	N/A
Non-operating expenses	624,738.16	1,742,372.23	-64.14
Income tax expenses	56,523,543.55	7,489,261.82	654.73
Net cash flow generated from operating activities	954,344,139.53	3,275,783,250.74	-70.87
Net cash flow generated from investing activities	-2,217,893,223.75	-401,223,384.33	N/A
Net cash flow generated from financing activities	-26,521,188.76	112,246,860.89	N/A

Reasons for changes in operating revenue and operating expenses: Notwithstanding the slight decrease in sales volume of hi and mid powered tractors products, the production cost and sales price of products after the National IV switch are higher than that of National III, and the sales volume of diesel engine products increased, therefore the operating revenue and operating costs increased year-on-year.

Reasons for changes in interest revenue and expenses, fees and commission income and expenses: during the Reporting Period, the liquidation and deregistration of YTO Finance was completed and the financial business was terminated, and the financial indicators relating to the financial business were significantly reduced.

Reasons for changes in selling expenses: due to an increase of RMB26.19 million over the same period of last year. Firstly, due to the increase in accrual of the “three-guarantee” fee as a result of the increase in revenue during the Reporting Period; secondly, the increase in the sales and service fee due to the increase in the sales volume of diesel engines.

Reasons for changes in financial expenses: due to a decrease of RMB27.87 million over the same period of last year, which is mainly due to the increase in deposit interests during the Reporting Period compared to the same period.

Reasons for changes in investment income: due to a increase of RMB35.64 million over the same period of last year, which is mainly due to the increase in the scale of large amount deposit purchase and recognition of investment income during the Reporting Period.

Reasons for changes in gain arising from changes in fair value: due to an increase of RMB112.99 million over the same period of last year, which is mainly due to the 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 credit: due to a decrease of RMB63.63 million over the same period of last year, which is mainly due to the provision for credit impairment on part of the foreign operations was made in the same period of last year.

Reasons for changes in income tax expenses: due to an increase of RMB49.03 million over the same period of last year, which is mainly due to the ongoing profit of the Parent Company during the Reporting Period, unrecovered losses have been fully recovered, and provision for current income tax.

Reasons for changes in net cash flow generated from operating activities: due to the reduction in inflow of RMB2,321.44 million over the same period of last year, which is due to the reorganization of YTO Finance, the financial business gradually came to a halt and large amount of loan funds were recovered.

Reasons for changes in net cash flow generated from investment activities: due to the additional outflow of RMB1,816.67 million over the same period of last year, which is due to the increase in utilization of idle funds for structural deposit and large amount deposit purchase during the Reporting Period.

Reasons for changes in net cash flow generated from financing activities: due to the reduction in inflow of RMB138.77 million over the same period of last year, which is due to firstly, the net borrowings obtained during the Reporting Period were RMB50 million less than the inflow for the same period, and secondly, the outflow by payment of dividends during the period was RMB72 million more than the same period of last year.

ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

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
Monetary funds	2,655,047,976.99	18.69	4,363,742,346.01	33.59	-39.16	Due to the increase of large amount deposit purchase during the Reporting Period
Accounts receivable	1,143,555,992.17	8.05	351,792,105.00	2.71	225.07	Due to the effect of seasonality in sales of agricultural machinery, the accounts receivable arising from sales of goods had not yet been due for collection in the first half of the year which was the peak season.
Prepayment	114,971,778.79	0.81	214,603,079.62	1.65	-46.43	Prepayment for procurement at the end of last year, is successively delivered in current period
Other receivables	53,140,706.90	0.37	26,664,987.91	0.21	99.29	Increase in export tax refunds receivable
Other current assets	78,374,511.78	0.55	135,457,079.03	1.04	-42.14	Repayment of and decrease in the value added tax left for deduction in the current period
Debt investment	3,085,292,255.86	21.72	1,086,568,216.50	8.36	183.95	Increase in the scale of large amount deposit held during the Reporting Period
Construction in progress	84,447,317.72	0.59	126,466,820.01	0.97	-33.23	Certain construction in progress was transferred to fixed assets during the Reporting Period.
Short-term loans	500,381,388.90	3.52	270,223,055.56	2.08	85.17	Increase in short-term loans due to working capital requirements for production and operations 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
Accounts payable	3,256,745,626.83	22.93	2,286,961,766.98	17.60	42.40	Purchases of raw materials during the Reporting Period, accounts payable not yet due for payment
Advance from customers	3,504,133.12	0.02	190,366.98	0.00	1,740.73	Increase in prepaid rental fees
Contract liabilities	217,394,739.30	1.53	846,464,703.95	6.52	-74.32	Fulfilment of some performance obligations in the contract
Absorption of deposits and interbank deposits	0.00	0.00	34,112,630.48	0.26	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Taxes payable	70,772,467.07	0.50	21,049,384.80	0.16	236.22	Increase in corporate income tax payable due to the continuous growth in earnings
Other current liabilities	649,759,002.02	4.57	374,987,097.17	2.89	73.28	Increase in sales income and provision of accrued expenses in the current period
Long-term loans	0.00	0.00	49,380,000.00	0.38	-100.00	Repayment of long-term loans
Long-term employee salary payable	26,546,090.79	0.19	48,210,828.04	0.37	-44.94	Adjustment of long-term payable staff salaries due within one year to payable staff salaries
Other comprehensive income	-1,783,829.97	-0.01	-5,853,544.29	-0.05	-69.53	Effect of translation differences on foreign currency statements
General risk reserves	0.00	0.00	43,263,387.54	0.33	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Retained earnings	2,080,313,576.51	14.64	1,540,248,936.64	11.86	35.06	Due to profit for the period

2. Overseas assets

At the end of the Reporting Period, the Company's total assets amounted to RMB14,205.3058 million, of which overseas assets amounted to 9,769.89 (Unit: 0'000; Currency: RMB), accounting for 0.69% of the total assets.

3. Restrictions on the key assets as at the end of the Reporting Period

As at the end of the Reporting Period, the Group's monetary funds with restrictions on ownership amounted to RMB415.4755 million, including bank's acceptance bill deposits of RMB411.973 million, and other restricted funds of RMB3.5026 million.

As at the end of the Reporting Period, the Group's notes receivable of restricted ownership amounted to RMB24.4617 million, which were notes receivable pledged with the banks during the Reporting Period.

As at the end of the Reporting Period, the carrying amount of Group's fixed assets and intangible assets of restricted ownership amounted to a total of RMB45.0417 million, which were buildings and land mortgaged to the banks for short-term loans granted to the Changtuo Company.

4. Other explanations

(1) Key financial indicators

Items	As at the end of the period	As at the beginning of the year	Change compared to corresponding period last year
Gearing ratio (%)	50.70	49.99	Increased by 0.71 percentage point
Current ratio	1.03	1.29	Decreased by 0.26
Quick ratio	0.86	1.09	Decreased by 0.23

(2) *Bank loans*

Bank loans of the Company are mainly denominated in RMB. As at the end of the Reporting Period, bank loans (principal) of the Company due within one year amounted to RMB500 million, and bank loans (principal) due over one year amounted to RMB0 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's export transactions are settled in foreign currencies (mainly in USD, Euro and HKD, 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 at fair value

Unit: Yuan Currency: RMB

Asset category	Opening amount	Gains and losses on fair value changes during the period	Cumulative fair value changes included in equity	Impairments provided for in the period	Purchase amount for the period	Amounts sold/ redeemed during the period	Other changes	Ending amount
Others	1,253,160,364.70	26,573,546.12	0.00	0.00	1,500,000,000.00	1,270,064,166.67	0.00	1,509,669,744.15
Total	1,253,160,364.70	26,573,546.12	0.00	0.00	1,500,000,000.00	1,270,064,166.67	0.00	1,509,669,744.15

ANALYSIS ON KEY EQUITY HOLDING AND PARTICIPATING COMPANIES

1. Information on key subsidiaries

Unit: 0'000 Currency: RMB

Name of company	Registered Capital	Principal business	As of 30 June 2023		Realized during the Reporting Period	
			Total assets	Net assets	Operating income	Net profit
YTO International Trade	6,600	International sale of agricultural machinery	28,601	-30,038	59,026	5,431
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	306,940	139,780	178,343	9,066
Tractors Research Company	44,500	Research and development of tractor products	65,039	55,459	9,564	450

2. Acquisitions and disposals of subsidiaries during the Reporting Period

On 7 November 2022, YTO Finance received the “Approval of the CBIRC on the Dissolution of China YTO Group Finance Company Limited” (CBIRC Approval[2022] No.787), agreeing that YTO Finance should cease all operating activities and be dissolved, and handle the liquidation and deregistration formalities in accordance with the relevant laws and regulations. In June 2023, YTO Finance completed the industrial and commercial deregistration formalities. Since then, YTO Finance was no longer included in the scope of consolidated statements of First Tractor.

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

Unit: 0'000 Currency: RMB

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	178,343	8,518	9,066

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

YTO International Trade: net profit increased by RMB107.89 million period-on-period, due to firstly the increase in sales volume of export business in the current period; secondly, the provision for credit impairment for part of the receivables of the overseas business in the same period of last year, which the impairment losses had been fully accrued at the end of the previous year, and no additional provision was made in the current Reporting Period.

YTO Diesel Engine: net profit increased by RMB93.6 million period-on-period, due to firstly, net profit increased year-on-year due to increased sales of diesel engine products and higher revenue during the current period. Secondly, the period-on-period decrease in the loss on fair value changes of the equity interest in Zhongyuan Bank held by the Company recognized during current period.

Tractors Research Company: net profit increased by RMB1.12 million period-on-period, mainly due to the period-on-period decrease in income tax expenses and the period-on-period increase in net profit during the current period.

OTHER DISCLOSEABLE EVENTS

(I) Potential Risks

1. *Market risks after the National IV emission standard switching*

After the implementation of the National IV emission standard for off-road diesel engines, the product quality and product adaptability of National IV products is to be further tested by the market. Meanwhile, due to the upgrade of the National IV standard brought increase in cost of user purchases, uses, maintenance, user's willingness to buy a machine may be suppressed and hence resulting in a decline in market sales within a certain period of time; in addition, with the second and third-tier brands following up on the release of the National IV products in the second half of the year, it may lead to an increasingly intense market competition.

The Company will fully utilize the supporting advantages of diesel engine and main engine products, firmly grasp the transformation and upgrading opportunities brought by the National IV switch, do a solid job in the cost control and quality management of National IV products, and focus on improving the reliability, price/performance ratio and product competitiveness of National IV products, and strive for further increase in market share.

2. *Risk of changes in the business environment of international markets*

In the first half of 2023, the scale of China's foreign trade imports and exports have exceeded RMB20 trillion for the first time in the same period in history, with exports of electrical and mechanical products increased by 6.3% year-on-year, and the Company's exports of hi and mid powered tractors also achieved substantial growth. However, due to the impact of factors such as market supply and demand and international geopolitical situation, and tax policy adjustments in certain key international markets of the Company which may have an uncertain impact on product sales.

The Company will continue to deeply cultivate the five key overseas markets, gradually establish a stable global market structure, and form a product competitive advantage through continuous improvement of product portfolio and optimization of product allocation. Meanwhile, the Company will work solidly around the enhancement of business personnel's capability, risk prevention and control, and international logistics protection capability to provide support for the continuous expansion of overseas sales volume.

3. *Risk of changes in subsidy policy*

With the development of large-scale and intensive land property operation, large-scale agricultural operators require agricultural machinery enterprises to provide complete sets of equipment to meet their "comprehensive and full mechanization" needs. At the same time, the agricultural machinery purchase subsidy policy has explicitly gradually reduced the amount of subsidies for agricultural machinery items such as wheeled tractors, which have an obviously excessive amount of holdings in the region and are technologically outdated. The subsidy policy also focused on supporting the weak areas of agricultural mechanization. However, the Company's product variety structure is not versatile enough at present, and the reduction of subsidies amount for purchasing single piece of agricultural machinery may divert subsidies for some of the traditional products such as tractors, which may adversely affect the Company's operating results.

The Company will continue to enrich its agricultural machinery product portfolio, consolidate its competitive advantages in tractor products while actively promoting the improvement of agricultural machinery product varieties and sales of machine sets, and develop complete sets of agricultural equipment in order to reduce market risks.

OVERVIEW OF THE BUSINESS OF THE COMPANY

(I) EXPLANATION ON THE PRINCIPAL BUSINESSES OF THE COMPANY

1. The Company is committed in becoming an “Excellent Agricultural Equipment Manufacturer and Service Provider”, focusing on the manufacturing of advanced agricultural machinery and equipment, and insisting on the technological upgrading of industrial chain and structural optimization of products, the Company continuously provides a higher standard of agricultural mechanization for the development of the PRC agricultural industry. The Company’s principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and related spare parts. The main products are as follows:

Product Name	Images of Product	Product Description
Wheeled tractor		<p>The walking device is wheeled, used for pulling and driving self-propelled power machine that performs mobile operations.</p> <p>The Company has a full range of wheeled tractor products, suitable for different operating environments such as dry fields, paddy fields, orchards and sheds.</p>
Crawler tractor		<p>The walking device is a crawler type, used for pulling and driving self-propelled power machine that performs mobile operations.</p> <p>The Company has a full range of crawler tractor products with better soil adhesion, suitable for wet soil and soft ground.</p>

Product Name	Images of Product	Product Description
Off-road diesel engine		<p data-bbox="893 291 1449 414">Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy.</p> <p data-bbox="893 470 1449 918">The Company's off-road diesel engine products include displacement from 2L to 12L, power output from 10KW to 450KW high, medium and low horsepower range. The products are mainly matching agricultural machinery, such as tractors and harvesters, accessories of construction machinery, vessels and power generators.</p>

Components		<p data-bbox="893 969 1449 1328">The components produced by the Company include castings and forgings, gears, gearboxes and coverings for agricultural machinery products, as well as cylinder blocks, crankshafts, oil injection pumps and oil injection nozzles for power machinery products.</p>
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2. In order to implement the financial regulatory requirement that “an enterprise group can only set up one finance company” as stipulated in the “Measures of China Banking and Insurance Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (CBIRC Order [2020] No.6)”* (《中國銀保監會非銀行金融機構行政許可事項實施辦法》(銀保監會令2020年第6號)), during the Reporting Period, YTO Finance and SINOMACH Finance completed integration. YTO Finance has completed liquidation and the industrial and commercial deregistration procedures have been completed. (For details, please refer to the “Announcement on Completion of Dissolution of China YTO Group Finance Company Limited” disclosed by the Company on the website of the Stock Exchange on 5 June 2023.)

(II) EXPLANATION ON THE INDUSTRY OF THE COMPANY

For details of the industry situation during the Reporting Period, please refer to “The Board’s Discussion and Analysis on The Company’s Operation During the Reporting Period”.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company possesses leading industrial technology R&D and independent innovation capacities in the domestic agricultural machinery industry providing powerful support, stable and reliable product quality provide an effective guarantee to enhance product competitiveness, the Company’s improving intelligent manufacturing system and core manufacturing capabilities create a leading advanced manufacturing base for agricultural equipment in China, and a complete sales and after-sales service system to ensure a quick response to market demand.

During the Reporting Period, there was no change to the Company’s core competitiveness.

OTHER DISCLOSURES

1. Explanation on Appointment or Dismissal of Auditor

As considered and approved at the 2022 annual general meeting, the Company continued to appoint ShineWing Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2023, and the Board was authorized to determine the remuneration of the auditor.

2. Material Litigation and Arbitration

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

3. Proposal of Profit Distribution or Capitalization from Capital Reserves

Payment of interim dividend for the six months ended 30 June 2023 was not recommended (the first half of 2022: Nil).

4. Staff, Remuneration Policy and Training of the Group

As of 30 June 2023, the Company had 7,026 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, skills operation and other trainings in a timely manner.

5. Contingent Liabilities

As at 30 June 2023, the Company had no other material contingent liabilities.

6. Corporate Governance Code

During the Reporting Period, the Company has complied with the principles and the code provisions under the “Corporate Governance Code” as set out in Appendix 14 to the Listing Rules of the Stock Exchange and, where appropriate, to adopt the recommended best practices contained therein.

7. Review by the Audit Committee

The 2023 interim results have been reviewed by the Audit Committee of the Company.

8. 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.

9. Changes in Shares and Information on Shareholders

1. Changes in Share Capital

During the Reporting Period, there was no change in the share capital of the Company.

2. Shareholders

(1) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (holder)	31,872 shareholders Including: 31,556 holders of A Shares and 316 holders of H Shares
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (holder)	/

(2) 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, marked or frozen Status of shares	Pledged, marked or frozen Number	Nature of shareholder
	Increase/decrease during the Reporting Period	Number of shares held as at the end of the Period	Percentage (%)					
YTO Group Corporation	0	548,485,853	48.81	137,795,275	Nil	/	State-owned legal person	
HKSCC NOMINEES LIMITED (Note 1)	-208,000	387,975,309	34.53	0	Unknown	/	Overseas legal person	
Hong Kong Securities Clearing Company Limited (Note 2)	-15,369,288	10,147,486	0.90	0	Unknown	/	Overseas legal person	
China Construction Bank Corporation-Huatai-pinebridge Fuli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞富利靈活配置混合型證券投資基金)	9,215,487	9,215,487	0.82	0	Unknown	/	Others	
China Construction Bank Corporation—Huatai-pinebridge Multi-Strategy Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞多策略靈活配置混合型證券投資基金)	4,633,825	4,633,825	0.41	0	Unknown	/	Others	
Industrial Bank Co. Ltd.—Huatai-pinebridge Dingli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞鼎利靈活配置混合型證券投資基金)	2,996,800	2,996,800	0.27	0	Unknown	/	Others	
Taikang Life Insurance Co., Ltd. (泰康人壽保險有限公司)—Investment-Linked -Innovation Dynamic	0	1,964,800	0.17	0	Unknown	/	Others	
Han Yan	7,700	1,478,141	0.13	0	Unknown	/	Domestic natural person	
Bank Of China Limited—Huatai-pinebridge Xinli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞新利靈活配置混合型證券投資基金)	1,358,203	1,358,203	0.12	0	Unknown	/	Others	
China Reform Investment Co., Ltd	266,200	1,242,100	0.11	0	Unknown	/	State-owned legal person	

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Class and number of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	387,975,309	Overseas listed foreign shares	387,975,309
Hong Kong Securities Clearing Company Limited (Note 2)	10,147,486	Ordinary shares denominated in RMB	10,147,486
China Construction Bank Corporation—Huatai-pinebridge Fuli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞富利靈活配置混合型證券投資基金)	9,215,487	Ordinary shares denominated in RMB	9,215,487
China Construction Bank Corporation—Huatai-pinebridge Multi-Strategy Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞多策略靈活配置混合型證券投資基金)	4,633,825	Ordinary shares denominated in RMB	4,633,825
Industrial Bank Co. Ltd.—Huatai-pinebridge Dingli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞鼎利靈活配置混合型證券投資基金)	2,996,800	Ordinary shares denominated in RMB	2,996,800
Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司) — Investment-Linked – Innovation Dynamic	1,964,800	Ordinary shares denominated in RMB	1,964,800
Han Yan	1,478,141	Ordinary shares denominated in RMB	1,478,141
Bank Of China Limited—Huatai-pinebridge Xinli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞新利靈活配置混合型證券投資基金)	1,358,203	Ordinary shares denominated in RMB	1,358,203
China Reform Investment Co., Ltd	1,242,100	Ordinary shares denominated in RMB	1,242,100

Explanations on the repurchase of special account among the top ten shareholders	N/A
Explanations on the voting rights entrusted by or to or waived by the aforesaid shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, is not engaged in any delegation of/being entrusted with and waiver of voting rights. The Company is not aware of any delegation of/being entrusted with and waiver of voting rights by other shareholders.
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.

10. Details of Preference Shares

The Company had no preference shares during the Reporting Period.

11. 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 shares during the Reporting Period.

12. Interests of Substantial Shareholders and Other Persons

As at 30 June 2023, substantial shareholders of the Company and other persons (other than Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

Name	Capacity	Nature of interests	Number of shares held ¹	Number of underlying shares held under equity derivatives	Total number of shares interested ¹	Percentage of the relevant class of issued share capital ¹ (%)	Percentage of the total issued share capital ¹ (%)	Class of share
YTO ²	Beneficial owner	Beneficial interest	548,485,853 (L)	/	548,485,853 (L)	74.96 (L)	48.81 (L)	A Share

Note 1: (L) – Long position

Note 2: SINOMACH is the controlling shareholder of YTO. SINOMACH is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 548,485,853 A Shares of the Company.

Save as disclosed above, as at 30 June 2023, no person (other than Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

DEFINITIONS

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

A Share(s)	ordinary share(s) as approved by the CSRC which are issued to 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 crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
Auditor or Accountant	the financial statement auditor appointed by the Company, Shine Wing Certified Public Accountants (Special General Partnership) as the Company's auditor for the year of 2023
CBIRC	China Banking and Insurance Regulatory Commission
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
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(s)	ordinary share(s) 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
Listing Rules of the Shanghai Stock Exchange	the Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
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 a power of 25 (inclusive) to 100
Non-public Issuance	the non-public issuance of A Shares by the Company in 2020
power machinery	diesel engine and fuel injection pump/injector and other fuel injection system components and assembly products
SFO	Securities and Futures Ordinance
Shanghai Stock Exchange	the Shanghai Stock Exchange
Sinomach	China National Machinery Industry Corporation (中國機械工業集團有限公司), the de facto controller of the Company
SINOMACH Finance	SINOMACH Finance Co., Ltd. (國機財務有限責任公司), a controlled company of the de facto controller of the Company
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	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), former controlled subsidiary of the Company, deregistered
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
Zhongyuan Bank	Zhongyuan Bank Co., Ltd.

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

Luoyang, the PRC

28 August 2023

As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) as executive Director; Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.

* *For identification purposes only*