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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 ON CORRECTION OF ACCOUNTING ERRORS

The board of directors and all directors of the Company hereby warrant that there are no false information, misleading statements or material omissions in this announcement, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of the contents herein.

IMPORTANT NOTICE:

- The correction of accounting errors of First Tractor Company Limited*(the “**Company**”) will have impact on the presentation of items breakdown of relevant assets in 2022 Half Yearly Report and the consolidated balance sheet of the 2022 Third Quarterly Report. Meanwhile, after the application of the retrospective restatement method to correct the consolidated balance sheet and consolidated income statement for the above reporting periods, there will have no impact on the Company’s total assets, net assets and net profit attributable to shareholders of the listed company in the half yearly report; the Company reported an increase in total assets of RMB242 million and a decrease in total liabilities of RMB2.3 million, an increase in net assets attributable to shareholders of the listed company of RMB226 million and a decrease in net profit attributable to shareholders of the listed company of RMB112 million, with no impact on net profit attributable to shareholders of the listed company after non-recurring profit or loss in the 2022 Third Quarterly Report.
- The correction of accounting errors will not result in a change in the nature of profit or loss in the Company’s 2022 Half Yearly Report and 2022 Third Quarterly Financial Statements.

1. SUMMARY

(I) Reasons for Correction

YTO (Luoyang) Diesel Engine Company Limited (“YTO Diesel Engine”), a controlled subsidiary of the Company, held equity interests in the previous Bank of Luoyang. In early 2022, Zhongyuan Bank entered into the Merger and Absorption Agreement with three banks, including Luoyang Bank, which was approved by the China Banking and Insurance Regulatory Commission and the general meeting of Zhongyuan Bank and became effective on 25 May 2022. From the effective date, YTO Diesel Engine ceased to hold equity interests in the Bank of Luoyang and was required to carry out derecognition of its equity investment in the Bank of Luoyang and the initial recognition of its equity investment in Zhongyuan Bank. The board of directors of YTO Diesel Engine determined that the equity interests in Zhongyuan Bank could not be transferred to an external party in a short term under the prevailing market conditions and therefore designated it as a financial asset to be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income and reported as an investment in other equity instruments.

In preparing the 2022 Annual Report and reviewing the periodic report, the Company found that according to the provisions of “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the categorization of financial assets should be determined on the basis of the management’s ultimate actual intention to hold the financial assets. Therefore, in conjunction with the Company’s requirement to ultimately realize the exit of financial corporate equity interest, the equity interests in Zhongyuan Bank held by YTO Diesel Engine shall be adjusted to financial asset measured at fair value through profit or loss for the period, and reclassified from investment in other equity instruments to financial assets held for trading. Meanwhile, based on the Company's further understanding of Zhongyuan Bank's financial status and in light of the fact that the Company's equity interests in Zhongyuan Bank are non-tradable domestic shares, in order to reasonably and accurately reflect the impact of the valuation of the aforesaid financial assets on the Company’s financial position, the Company engaged an independent evaluation institution to re-evaluate the value of its equity interests in Zhongyuan Bank as of 30 September 2022.

(II) Content of Correction

The Company adopted the retrospective restatement method to correct accounting errors and to retrospectively adjust the Company's consolidated balance sheet in the 2022 Half Yearly Report and the consolidated balance sheet and consolidated income statement in the Third Quarterly Report. The retrospective adjustments will not result in a change in the nature of profit or loss in the financial statements for the above reporting periods.

			Unit: 100 million yuan
2022 Half-Yearly Balance Sheet Items	Before restatement	After restatement	Proportion of adjusted amount to after restatement
Total assets	139.21	139.21	/
Net assets	64.19	64.19	/
Net assets attributable to shareholders of listed companies	58.41	58.41	/
2022 Third Quarter Report Balance Sheet Items	Before restatement	After restatement	Proportion of adjusted amount to after restatement
Total assets	134.48	136.90	1.77%
Net assets	63.67	66.32	4.00%
Net assets attributable to shareholders of listed companies	58.45	60.72	3.74%
2022 Third Quarterly Report Income Statement Items	Before restatement	After restatement	Proportion of adjusted amount to after restatement
Total profit	9.19	7.65	20.13%
Net profit	9.09	7.79	16.69%
Net profit attributable to shareholders of listed companies	9.07	7.96	13.94%

The Company's 2022 Half Yearly Report and 2022 Third Quarterly Financial Statements, each with the corrected consolidated balance sheet and consolidated income statement by applying the retrospective restatement method, are appended to this announcement as "Appendix I" and "Appendix II" respectively.

(III) Voting and Resolutions

At the ninth meeting of the Ninth Session of the Board of the Company held on 20 March 2023, the “Resolution on Correction of Accounting Errors” was considered and passed with 7 votes in favor, 0 votes in objection and 0 votes in abstention.

At the fifth meeting of the Ninth Session of the Supervisory Committee of the Company held on 20 March 2023, the “Resolution on Correction of Accounting Errors” was considered and passed with 5 votes in favor, 0 votes in objection and 0 votes in abstention.

2. DETAILS OF THE CORRECTION AND ITS IMPACT ON THE COMPANY

The effect of the correction of accounting errors on the key financial statement accounts and key financial indicator information in relevant periodic reports is as follows:

(I) Impact on the 2022 Half Yearly Financial Statements

1. Affected Amount of the Consolidated Balance Sheet as at 30 June 2022

Report item	Amount before restatement	Cumulative affected amount	Unit: RMB (Yuan)	
			Amount after restatement	Remarks
Financial assets held for trading	683,083,007.31	689,315,695.01	1,372,398,702.32	Since the Absorption and Merger Agreement between Zhongyuan Bank and Luoyang Bank came into effect on May 25, 2022, prior to the restatement, the Company recorded its equity investment in Zhongyuan Bank based on the share exchange price of the absorption merger of RMB689,315,700, which was reclassified from investment in other equity instruments to financial assets held for trading after the restatement
Total current assets	9,161,877,081.70	689,315,695.01	9,851,192,776.71	
Other investments in equity instruments	713,273,536.90	-689,315,695.01	23,957,841.89	
Total non-current assets	4,759,216,981.19	-689,315,695.01	4,069,901,286.18	
Total assets	13,921,094,062.89		13,921,094,062.89	
Total liabilities	7,502,218,541.00		7,502,218,541.00	
Total equity attributable to owners of the parent company	5,841,460,689.54		5,841,460,689.54	
Total owners' equity	6,418,875,521.89		6,418,875,521.89	
Total liabilities and owners' equity	13,921,094,062.89		13,921,094,062.89	

2. Affected Amounts of the Consolidated Income Statement as at 30 June 2022

There is no impact on the consolidated income statement of the 2022 Half Yearly Report.

(II) Impact on the 2022 Third Quarterly Financial Statements

The main reason why the Company measured its equity interest in Zhongyuan Bank at fair value before and after the restatement and did not recognize the fair value directly using its H share price is: Zhongyuan Bank is an H-share listed company and the Company's equity interest in Zhongyuan Bank is non-tradable domestic shares. Referring to the relevant case analysis in Case Analysis on Implementation of Enterprise Accounting Standards by Listed Companies (2020) prepared by the Accounting Department of CSRC: "Given that the domestic shares held by the listed companies have not yet been listed and traded, and the listed companies do not have access to the Hong Kong Stock Exchange for trading of the domestic shares at the measurement date, it can be judged that the Hong Kong Stock Exchange is not the main market for such domestic equity interest or the most advantageous market and therefore the price of the Hong Kong shares cannot be taken as the fair value of the domestic equity interest".

Prior to this restatement, the fair value of Zhongyuan Bank's equity interest of RMB293,671,300 held by the Company as at 30 September 2022 was determined by adopting the listed company comparison method in the market approach; in this restatement, the valuation method adopted the transaction case method of the market approach, mainly by selecting the five bank equity transaction cases from the information on M&A events obtained from the public market since 2021 as reference, which is highly comparable with Zhongyuan Bank.

1. Affected Amounts of the Consolidated Balance Sheet as at 30 September 2022

Report Item	Unit: RMB (Yuan)			
	Amount before restatement	Cumulative affected amount	Amount after restatement	Remarks
Financial assets held for trading	1,383,564,816.67	535,600,000.00	1,919,164,816.67	Reclassified the equity investment in Zhongyuan Bank to a trading financial asset and included in financial assets held for trading at the fair value of Zhongyuan Bank's equity interest of RMB535,600,000 as at 30 September 2022, as assessed and recognised in March 2023
Total current assets	8,860,077,904.92	535,600,000.00	9,395,677,904.92	/
Other investments in equity instruments	317,629,136.90	-293,671,295.01	23,957,841.89	Before the restatement, as at 30 September 2022, the equity investment in Zhongyuan Bank was included in other equity instruments with an amount of RMB293,671,300. After the restatement, the equity investment of Zhongyuan Bank was reclassified from other equity instrument investments to trading financial assets, and the investment amount of other equity instruments decreased accordingly
Total non-current assets	4,587,571,433.44	-293,671,295.01	4,293,900,138.43	/

Report Item	Amount before restatement	Cumulative affected amount	Amount after restatement	Remarks
Total assets	13,447,649,338.36	241,928,704.99	13,689,578,043.35	/
Deferred income tax liabilities	133,540,652.16	-23,057,354.25	110,483,297.91	After reclassification, the change in the fair value of Zhongyuan Bank's equity interest was recorded in current profit or loss and a deferred income tax liability was recognized according to changes in fair value
Total non-current liabilities	333,839,062.23	-23,057,354.25	310,781,707.98	/
Total liabilities	7,080,531,939.31	-23,057,354.25	7,057,474,585.06	/

Report Item	Amount before restatement	Cumulative affected amount	Amount after restatement	Remarks
Other comprehensive income	-343,838,954.94	338,152,916.59	-5,686,038.35	The equity interest in Zhongyuan Bank was reclassified to financial assets held for trading and the amount originally included in other comprehensive income was adjusted accordingly
Retained earnings	1,860,549,064.92	-111,672,246.61	1,748,876,818.31	As the equity interest of Zhongyuan Bank was reclassified to a financial asset held for trading, the changes in fair value and deferred income tax were included in current profit or loss, with a corresponding impact on retained earnings
Total equity attributable to owners of the parent company	5,845,459,421.02	226,480,669.98	6,071,940,091.00	The impact of changes in other comprehensive income and retained earnings resulted in a corresponding increase in the equity attributable to owners of the parent company
Minority interests	521,657,978.03	38,505,389.26	560,163,367.29	Minority interests increased due to changes in other comprehensive income and net profit of minority interests
Total owners' equity	6,367,117,399.05	264,986,059.24	6,632,103,458.29	/
Total liabilities and owners' equity	13,447,649,338.36	241,928,704.99	13,689,578,043.35	/

2. Affected Amounts of the Consolidated Income Statement as at 30 September 2022

Report Item	Unit: RMB (Yuan)			
	Amount before restatement	Cumulative affected amount	Amount after restatement	Remarks
Gain arising from the changes in fair value	-85,807,199.28	-153,715,695.01	-239,522,894.29	After reclassifying the equity investment in Zhongyuan Bank to a financial asset held for trading, the difference between the fair value of the equity interest in Zhongyuan Bank as at 30 September 2022 recognised in March 2023 and the carrying amount as at 30 June 2022 was included in the gain arising from the changes in fair value
Operating profit	916,246,241.72	-153,715,695.01	762,530,546.71	/
Total profit	918,807,058.32	-153,715,695.01	765,091,363.31	/
Less: Income tax expenses	9,643,357.52	-23,057,354.25	-13,413,996.73	Recognition of deferred income tax expense based on Zhongyuan Bank's gain arising from the changes in fair value
Net profit	909,163,700.80	-130,658,340.76	778,505,360.04	/
Continuous operating net profit	909,163,700.80	-130,658,340.76	778,505,360.04	/

Report Item	Amount before restatement	Cumulative affected amount	Amount after restatement	Remarks
Net profit attributable to shareholders of the parent company	907,475,698.93	-111,672,246.61	795,803,452.32	Net profit attributable to shareholders of the parent company decreased accordingly due to the decrease in net profit
Minority profit or loss	1,688,001.87	-18,986,094.15	-17,298,092.28	Due to the decrease in net profit, the minority profit or loss decreased accordingly
Net other comprehensive income after tax	-390,590,076.84	395,644,400.00	5,054,323.16	/
(I) Net other comprehensive income after tax attributable to owners of the parent company	-332,128,533.50	338,152,916.59	6,024,383.09	/
1. Other comprehensive income that cannot be reclassified to profit or loss	-338,785,931.71	338,152,916.59	-633,015.12	/
(3) Changes in fair value of other investment in equity instruments	-338,785,931.71	338,152,916.59	-633,015.12	/
Net other comprehensive income after tax attributable to minority interests	-58,461,543.34	57,491,483.41	-970,059.93	/
Total comprehensive income	518,573,623.96	264,986,059.24	783,559,683.20	/
Total comprehensive income attributable to owners of the parent company	575,347,165.43	226,480,669.98	801,827,835.41	/
Total comprehensive income attributable to minority interests	-56,773,541.47	38,505,389.26	-18,268,152.21	/

3. Impact on Financial Indicators

(1) Earnings per share

Item	Basic earnings per share			Diluted earnings per share		
	Before adjustment	Adjustment amount	After adjustment	Before adjustment	Adjustment amount	After adjustment
	Unit: RMB (Yuan)/Share					
Net profit attributable to the shareholders of ordinary shares of the Company	0.8076	-0.0994	0.7082	0.8076	-0.0994	0.7082
Net profit attributable to shareholders of ordinary shares of the Company after deduction of non-recurring profit or loss	0.8241		0.8241	0.8241		0.8241

(2) Weighted average return on net assets

Item	Before adjustment	Adjustment amount	After adjustment
	Unit: %		
Weighted average return on net assets	15.99	-2.24	13.75
Weighted average return on net assets after deduction of non-recurring profit or loss	16.32	-0.32	16.00

3. THE IMPACT OF THE ACCOUNTING ERROR CORRECTION ON THE COMPANY

In accordance with the “Accounting Standards for Enterprises No. 28 – Changes in Accounting Policies and Estimates and Corrections of Errors”, “No. 19 of the Rules Relating to Disclosure and Publication of Information by Companies Offering Securities to the Public-Amendment of Financial Information and Related Disclosures” and other relevant requirements, the Company has made corrections to the relevant financial information in the 2022 Half Yearly Report and the Third Quarterly Report by adopting the retrospective restatement method. The corrected financial information and financial statements can reflect the financial position and operation results of the Company in a more objective and fair manner and will not have actual impact on the production operation and financial position of the Company.

4. CONCLUSIVE OPINIONS OF INDEPENDENT DIRECTORS, THE SUPERVISORY COMMITTEE AND THE ACCOUNTING FIRM

(I) Opinions of Independent Directors

The independent directors considered that: The correction of the accounting errors and the procedures for consideration and voting of the Company are in compliance with the “Accounting Standards for Business Enterprises”, the China Securities Regulatory Commission’s “No. 19 of the Rules Relating to Disclosure and Publication of Information by Companies Offering Securities to the Public-Amendment of Financial Information and Related Disclosures” and the Articles of Association of the Company, in which the corrected information can reflect the financial position and operating results of the Company in a more objective and fair manner, and they agree to the correction of accounting errors.

(II) Opinions of the Supervisory Committee

The supervisory committee of the Company considered that: The correction of the accounting errors is in compliance with the relevant documents such as “Accounting Standards for Enterprises No. 28 – Changes in Accounting Policies and Estimates and Corrections of Errors”, and “No. 19 of the Rules Relating to Disclosure and Publication of Information by Companies Offering Securities to the Public-Amendment of Financial Information and Related Disclosures”. The correction of accounting errors enables the Company’s financial statements to reflect the Company’s financial position in a more objective and fair manner, which is conducive to improving the quality of the Company’s financial information, and they agree to the correction of accounting errors.

(III) Opinions of the Accounting Firm

The auditor engaged by the Company for the year 2022, ShineWing Certified Public Accountants (Special General Partnership) issued an audit report, which concluded that: the “Special Note on Correction of Prior Period Accounting Errors” prepared by the Company in accordance with the relevant provisions of “Accounting Standards for Enterprises No. 28 – Changes in Accounting Policies and Estimates and Corrections of Errors”, “No. 19 of the Rules Relating to Disclosure and Publication of Information by Companies Offering Securities to the Public-Amendment of Financial Information and Related Disclosures” and “Shanghai Stock Exchange Guidelines for Self-Regulation of Listed Companies No. 1 – Announcement Format” had faithfully reflected the correction of accounting errors.

In accordance with the relevant provisions of “No. 19 of the Rules Relating to Disclosure and Publication of Information by Companies Offering Securities to the Public-Amendment of Financial Information and Related Disclosures”, the Company has revised the 2022 Half Yearly Report and the 2022 Third Quarterly Report and has disclosed such revisions on the website of the Shanghai Stock Exchange on the same day. The Company sincerely apologizes for any inconvenience caused to investors as a result of the correction.

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

Luoyang, the PRC

21 March 2023

As at the date of this announcement, the board of directors 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*

APPENDIX I

The corrected Company's 2022 Half Yearly Report



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

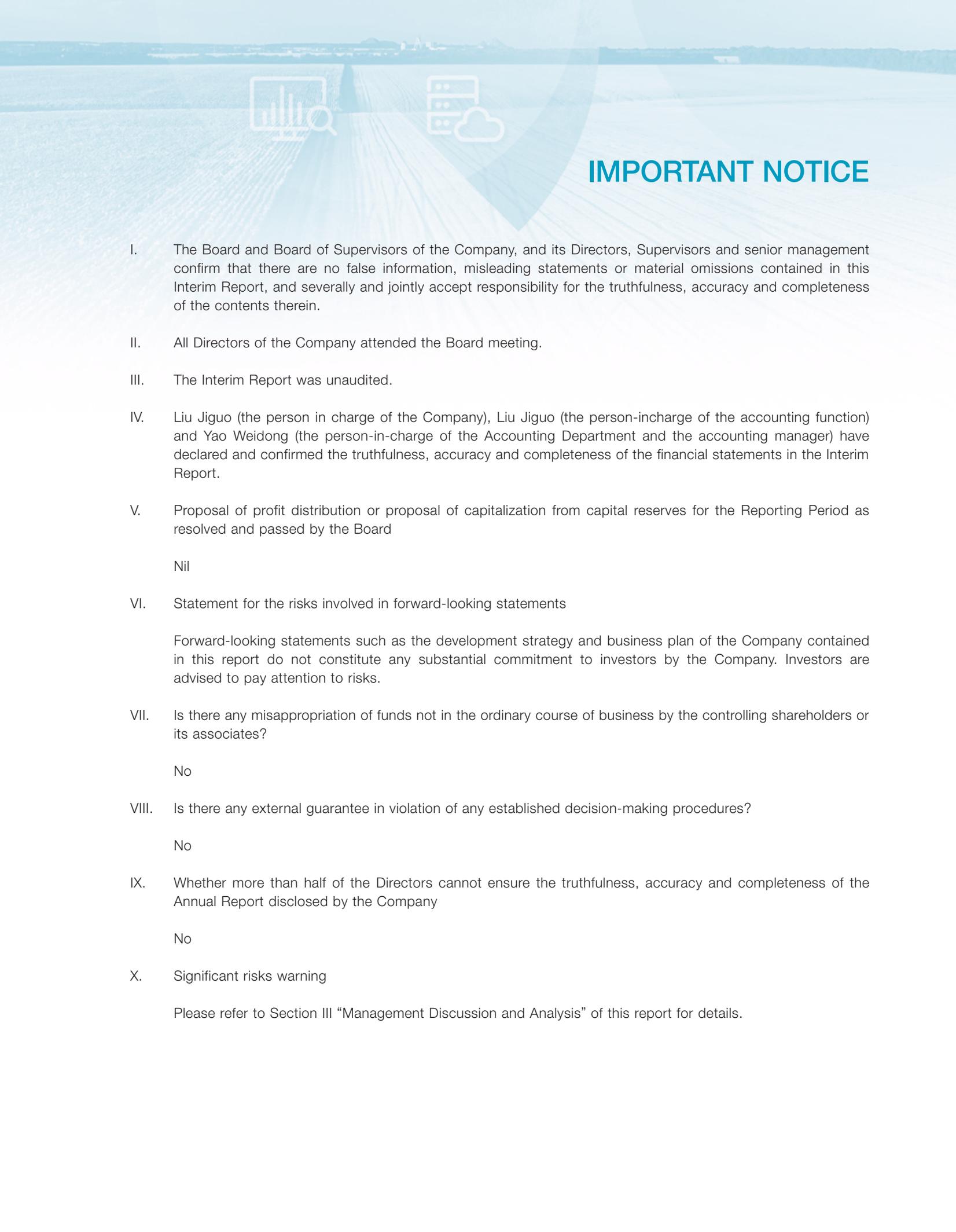
(A joint stock company incorporated in
The People's Republic of China with limited liability)

Stock Code: 0038.HK 601038.SH



INTERIM REPORT 2022

* For identification purposes only



IMPORTANT NOTICE

- I. The Board and Board of Supervisors of the Company, and its Directors, Supervisors and senior management confirm that there are no false information, misleading statements or material omissions contained in this Interim Report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. All Directors of the Company attended the Board meeting.
- III. The Interim Report was unaudited.
- IV. Liu Jiguo (the person in charge of the Company), Liu Jiguo (the person-in-charge of the accounting function) and Yao Weidong (the person-in-charge of the Accounting Department and the accounting manager) have declared and confirmed the truthfulness, accuracy and completeness of the financial statements in the Interim Report.
- V. Proposal of profit distribution or proposal of capitalization from capital reserves for the Reporting Period as resolved and passed by the Board

Nil
- VI. Statement for the risks involved in forward-looking statements

Forward-looking statements such as the development strategy and business plan of the Company contained in this report do not constitute any substantial commitment to investors by the Company. Investors are advised to pay attention to risks.
- VII. Is there any misappropriation of funds not in the ordinary course of business by the controlling shareholders or its associates?

No
- VIII. Is there any external guarantee in violation of any established decision-making procedures?

No
- IX. Whether more than half of the Directors cannot ensure the truthfulness, accuracy and completeness of the Annual Report disclosed by the Company

No
- X. Significant risks warning

Please refer to Section III “Management Discussion and Analysis” of this report for details.



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SECTION I DEFINITIONS

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

DEFINITION OF COMMONLY USED TERMS

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, Da Hua Certified Public Accountants (Special General Partnership) as the Company's auditor for the year of 2022
Bank of Luoyang	Bank of Luoyang Limited (absorbed and merged by Zhongyuan Bank)
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

SECTION I DEFINITIONS (CONTINUED)

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, Cap.571 of the laws of Hong Kong
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

SECTION I DEFINITIONS (CONTINUED)

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 (in judicial liquidation process)
YTO Hydraulic Transmission	YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司), a controlled subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a whollyowned 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) (in bankruptcy and liquidation)
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (採埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company
Zhongyuan Bank	Zhongyuan Bank Co., Ltd.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉機股份有限公司
Abbreviation in Chinese	一拖股份
English name of the Company	First Tractor Company Limited
Abbreviation in English	First Tractor
Legal representative of the Company	Liu Jiguo

II. CONTACT PERSONS AND METHODS

	Secretary to the Board	Representative of Securities Affairs
Name	Yu Lina	Peng Qiang
Contact address	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Telephone	(86 379) 64967038	(86 379) 64970545
Facsimile	(86 379) 64967438	(86 379) 64967438
E-mail	yulina@ytogroup.com	15036783568@163.com

III. INTRODUCTION OF CHANGES IN BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Historical Changes of registered address of the Company	Nil
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471000
Website of the Company	http://www.first-tractor.com.cn
E-mail	misc0038@ytogroup.com
Search index of changes during the Reporting Period	/

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

IV. INFORMATION DISCLOSURE AND CHANGES IN PLACE FOR DOCUMENTS INSPECTION

Name of newspapers designated by the Company for dissemination of information	“China Securities Journal” and “Shanghai Securities News”
Website for publication of the Interim Report as designated by the CSRC	www.sse.com.cn
Website for publication of the Interim Report as designated by the Hong Kong Stock Exchange	www.hkex.com.hk
Place for inspection of the Interim Report of the Company (A Shares)	Office of the Board of the Company
Place for inspection of the Interim Report of the Company (H Shares)	Golden China Consultants Limited, 15/F, Chuang’s Tower, 30–32 Connaught Road Central, Central, Hong Kong
Search index of changes during the Reporting Period	/

V. BASIC INFORMATION OF SHARES

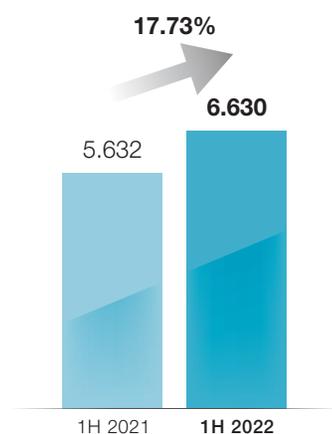
Type	Stock exchange for listing	Stock Short Name	Stock code	Abbreviation of shares prior to the change
A Share(s)	Shanghai Stock Exchange	一拖股份	601038	/
H Share(s)	Stock Exchange	FIRST TRACTOR	0038	/

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

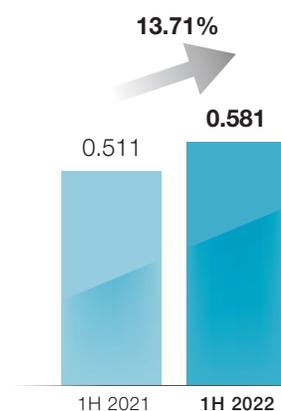
VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

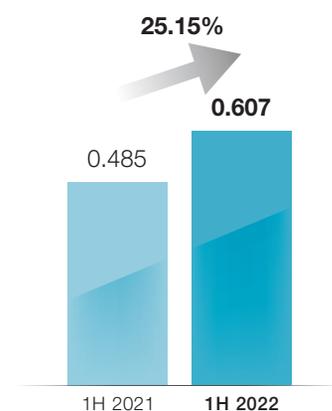
Total operating revenue
(RMB billion)



Net profit attributable to shareholders of the listed company
(RMB billion)



Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss
(RMB billion)



Unit: Yuan Currency: RMB

Key Accounting Data	For the Reporting Period (January to June)	For the corresponding period of last year	Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
Total operating revenue	6,630,331,281.57	5,631,797,809.93	17.73
Operating revenue	6,550,726,514.79	5,575,101,589.75	17.50
Net profit attributable to shareholders of the listed company	581,466,905.85	511,381,288.30	13.71
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	606,677,080.21	484,770,421.11	25.15
Net cash flows from operating activities	3,275,783,250.74	674,240,684.93	385.85

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

	As at the end of the Reporting Period	As at the end of last year	Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
Net assets attributable to shareholders of the listed company	5,841,460,689.54	5,402,078,873.33	8.13
Total assets	13,921,094,062.89	12,339,594,556.58	12.82

(II) KEY FINANCIAL INDICATORS

Key Financial Indicators	For the Reporting Period (January to June)	For the corresponding period of last year	Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share <i>(RMB/share)</i>	0.5175	0.4646	11.39
Diluted earnings per share <i>(RMB/share)</i>	0.5175	0.4646	11.39
Basic earnings per share after deduction of non-recurring profit or loss <i>(RMB/share)</i>	0.5399	0.4404	22.59
Weighted average return on net assets (%)	10.26	9.90	Increase of 0.36 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	10.71	9.38	Increase of 1.33 percentage points

Explanation on major accounting information and financial indicators of the Company

During the Reporting Period, as Zhongyuan Bank completed the absorption and merger of Bank of Luoyang, the equity interest in Bank of Luoyang held by YTO Diesel Engine, a controlled subsidiary of the Company, was converted to equity interest in Zhongyuan Bank. In accordance with the relevant provisions of the PRC Accounting Standards for Business Enterprises and the intention to hold, after performing the corresponding procedures, the equity interest in Zhongyuan Bank held by YTO Diesel Engine was designated as a financial asset measured at fair value through other comprehensive income with the accounting account of investment in other equity instruments. Included in the non-recurring gain or loss for the period is a gain or loss of -106.41 million on the fair value change recognized for the former equity interest in Bank of Luoyang.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss Items	Amount	Notes (if applicable)
Profit or loss from disposal of non-current assets	648,065.96	
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received government grants in certain standard amounts and quantities)	13,017,277.10	
In addition to the effective hedging business related to the normal business operation of the Company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	-88,353,893.73	
Other non-operating income and expenses except for mentioned above	1,895,362.21	
Gain or loss from other extraordinary items	23,713,717.15	Mainly affected by the disposal of subsidiaries
Less: effect on income tax	-11,456,849.12	
Impact on minority shareholders equity interests (after tax)	-12,412,447.83	
Total	-25,210,174.36	

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. EXPLANATION ON THE INDUSTRY AND THE PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

(I) EXPLANATION ON THE PRINCIPAL BUSINESSES OF THE COMPANY

1. Focusing on the manufacturing of advanced agricultural machinery and equipment, and insisting on the technological upgrading of industrial chain and structural optimisation of products, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization 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	Product Description
Wheeled tractor		<p>The walking device is wheeled, mainly used for pulling and driving various supporting equipment, agricultural machinery for completing agricultural operations, various earthwork operations, transportation operations and fixing 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, mainly used for pulling and driving various supporting equipment, agricultural machinery for completing agricultural operations, various earthwork operations, transportation operations and fixing 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>

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Product Name	Images	Product Description
Diesel engine		<p>Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy.</p> <p>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>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>

2. YTO Finance, a controlling subsidiary of the Company, is a non-banking financial institution approved by the China Banking and Insurance Commission to carry out fund settlement, deposit and loan, bills business for members of the enterprise group within the scope of approval, finance leasing for the sale of the Company's products, and interbank business and investment business in compliance with the regulations of the regulatory authorities.

During the Reporting Period, 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)), the integration of YTO Finance and SINOMACH Finance through asset sale and cash capital increase will be dissolved and cancelled after obtaining approval from the CBRC. For details, please refer to the "Announcement of First Tractor in relation to the signing of the Framework Agreement on the Reorganization and Integration of China YTO Group Finance Company Limited and SINOMACH Finance Company Limited and Related Transaction" disclosed by the Company on the website of the Shanghai Stock Exchange on 30 March 2022. During the Reporting Period, there was no material change to the principal businesses and operation modes of the Company.

(II) EXPLANATION ON THE INDUSTRY OF THE COMPANY

For details of the industry situation during the Reporting Period, please refer to Part III headed "Discussion and Analysis on the Operation" of this section.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, comprehensive manufacturing system for core components, efficient and excellent production and organization capacities, and outstanding and stable product quality, and well-established marketing channels and after-sales service system, with significant competitive advantages in the industry.

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

III. DISCUSSION AND ANALYSIS ON THE OPERATION

Since the beginning of this year, the external environment has remained complex and volatile. Affected by various factors such as China's high emphasis on work of Agriculture, Rural Areas and Rural Residents, the switching of off-road National IV and the frequent outbreak of COVID-19, the tractor market fluctuated greatly in the first half of the year, and the sales volume of large and medium-sized tractors by core enterprises in the industry was 197.4 thousand units, increased slightly by 4.79% year-on-year.

In the first half of the year, facing a more complex and volatile internal and external environment, the Company, adhered to the business idea of "seizing opportunities, improving capabilities, adapting to the situation, and maintaining steady growth" determined at the beginning of the year, coordinated enterprise development and safety, overcame difficulties and challenges such as rising raw material and energy prices and sluggish industrial and supply chains, carried out in-depth market development, strengthened technological innovation, optimized product structure, and deepened internal management, and a good momentum continued to be seen in the operation and development of the Company. During the Reporting Period, the Company achieved a total operating revenue of RMB6.63 billion, representing a year-on-year increase of 17.73%; net profit attributable to shareholders of the listed company RMB581 million, representing a year-on-year increase of 13.71%.

(I) Grasped changes in market demand, continued to expand leading edges of leading products

In the first half of 2022, the Company proactively adapted to changes and challenges such as the reduction of subsidy and the spread of the epidemic in different places. By fully utilizing the comprehensive advantages in products, R&D, channels, services, etc., focusing on user needs and changes in the market environment, and strengthening precision and effectiveness of marketing, the contribution of marketing channels continued to increase. During the Reporting Period, the Company achieved sales of 53.7 thousand large and medium-sized tractors, representing a year-on-year increase of 18.31%, and further increased market share. In the international market, the Company has actively developed and deeply cultivated key regional markets such as Central and Eastern Europe and the American region, strengthened channel construction and strengthened the product portfolio, and improved the service system. During the Reporting Period, the Company achieved exports of 2,478 units of tractors, representing a year-on-year increase of 44.7%. In respect of product structure optimization, the Company continued to strengthen the development and promotion of new products with regional adaptability according to different agricultural machinery operating horsepower, model configuration and actual user needs, effectively optimized the product structure and enriched the product portfolio to form a product competitive advantage oriented to the needs of users' agricultural machinery operations.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As a leading enterprise in the industry, the Company adhered to the direction of high-level scientific and technological self-reliance and self-improvement and accelerated the development of core technology research and development, promoted the commercialization of new products such as variable transmission and powershift tractors with horsepower of 180-320, actively met the urgent needs of China's modern agricultural development for large and efficient agricultural machinery products. The "Dongfanghong" tractors made the Company fully capable of implementing National IV switching as scheduled by the end of the year; the operating performance of the Company's diesel engine products has further won recognition from external harvesting machinery and construction machinery users. During the Reporting Period, the Company achieved sales of 80 thousand units of diesel engines, representing a year-on-year increase of 5.97%.

(II) Deepened cost control of the whole value chain, continuous improvement of quality and efficiency

The Company paid close attention to the key links of refined management and implements various key measures to create management efficiency and improve quality and efficiency. First, the Company implemented the concept of target cost management, and to carry out cost management and control of the whole process and all elements around the links of research and development, procurement, production, and sales, so as to facilitate the goal of optimizing the total cost of the enterprise. In the first half of 2022, through designing cost reduction, process optimization, timely locking prices and establishing reserves, strengthening centralized procurement and other methods, costs have been effectively controlled under the condition of high raw material prices and rising energy prices. Second, the Company strengthened the management and control of accounts receivable and inventory. While realizing operating income growth, accounts receivable and inventory are basically stable, and the turnover ratio of accounts receivable and inventory has increased. Third, the Company kept a close eye on international standards, insist on building brands with quality, and through strict quality system management and strict new product verification, major product quality loss has been effectively reduced.

(III) With the goal of promoting the Company's high-quality development, implemented the key tasks of deepening reform during the "14th Five-Year Plan"

The Company firmly implemented the key tasks of the three-year reform of stateowned enterprises and took reform and innovation as the starting point to enhance the endogenous development momentum of the enterprise and the vitality of reform and innovation. First, the Company innovated the management concept and management culture, improved the management system and management process, and promoted the formation of a comprehensive, scientific and standardized management system with efficient operation. Second, the Company adhered to the reform direction that reflects strong incentives and stringent constraints, improved the market-oriented employment mechanism, promoted the Company's selection and employment, labor employment, income distribution reform and other work, and implemented the tenure system and contractual management of the management members of the Company's headquarters and all subordinate enterprises. Third, the Company continued to promote product technology innovation, continuously launched intelligent agricultural machinery products that meet the needs of precision agriculture and smart agriculture development, and vigorously promoted the sales and application of Beidou agricultural machinery automatic assisted driving tractors. At the same time, the Company strengthened the coordinated promotion of risk, internal control and compliance management, and implemented various operational risk prevention measures to ensure the effectiveness of the Company's internal control risk system.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Affected by factors such as the advance of user purchase demand and the clearing of inventory in the market brought by the implementation of off-road “National IV” emission switching by China at the end of this year, it is expected to maintain a certain growth and market competition will further intensify in the second half of 2022. The Company will continue to adhere to the business ideas determined at the beginning of the year, and to seize the switching opportunity of the “National IV” to consolidate market advantages. First, it will focus on research and judgment on the adjustment of subsidy policies and the raw material market, seize the “window period” for expanding market opportunities, carry out in-depth work around market promotion, production and procurement, quality control, and channel optimization, continue to consolidate and enhance market competitiveness, and focus on increasing domestic market share; in the international market, by optimizing the international market layout and product portfolio, innovating the marketing model, continuing to deepen the development of key international markets such as the Russian-speaking region and the Asian region, the Company will accelerate the expansion to blank markets such as Eastern Europe, Africa and the Americas, and improving the operating efficiency and influence in the international market. Second, the Company will focus on realizing the smooth switching of “National IV” and do a good job in all aspects of National IV product verification, production organization and product launch to ensure that sales policies fit users, product portfolios are accurate, service commitments are realized, and ensure the smooth switching of the full range of “Dongfanghong” National IV products. Third, the Company will improve the working mechanism of improving quality and efficiency, aiming at improving the competitive advantage of products and corporate profitability, fine-tune the work of internal operation management, and improve the utilization efficiency of various resources. Meanwhile, the Company will ensure all tasks and measures of the three-year reform of state-owned enterprises are in place, and further improve the market-oriented operation mechanism and management model, laying the foundation for the high-quality development of enterprises.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

IV. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

(I) 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	6,550,726,514.79	5,575,101,589.75	17.50
Operating costs	5,483,733,869.53	4,590,934,012.13	19.45
Interest revenue	74,636,601.43	53,288,535.72	40.06
Selling expenses	66,207,655.04	77,884,334.74	-14.99
Administrative expenses	158,908,787.57	159,139,342.52	-0.14
Financial expenses	-2,210,209.54	23,157,988.53	N/A
Research and development expenses	186,386,944.21	187,715,339.78	-0.71
Investment income (Losses listed as "-")	32,825,671.32	560,541,212.06	-94.14
Gain arising from changes in fair value (Losses listed as "-")	-86,421,175.31	13,535,606.94	N/A
Loss on impairment of assets (Losses listed as "-")	-1,630,983.93	-568,744,258.25	N/A
Asset disposal income (Losses listed as "-")	648,065.96	3,388,682.05	-80.88
Non-operating income	3,781,734.44	6,377,214.92	-40.70
Non-operating expenses	1,742,372.23	442,973.89	293.34
Income tax expenses	7,489,261.82	17,306,689.99	-56.73
Net cash flow generated from operating activities	3,275,783,250.74	674,240,684.93	385.85
Net cash flow generated from investing activities	-401,223,384.33	-430,148,426.27	N/A
Net cash flow generated from financing activities	112,246,860.89	127,284,025.33	-11.81



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in operating revenue: mainly due to the period-on-period increase in sales volume of the Company's major products and the period-on-period increase in operating revenue during the Reporting Period.

Reasons for changes in operating costs: mainly due to the period-on-period increase in sales volume of the Company's major products and the impact of rising raw material and energy prices during the Reporting Period, which resulted in an increase in operating costs exceeding operating revenues.

Reasons for changes in interest revenue: due to an increase of RMB21.35 million over the same period of last year, on the one hand, the sales receipts increased during the Reporting Period; on the other hand, the business of YTO Finance contracted and funds were recovered in the current period, the scale of deposits placed with interbank financial institutions by YTO Finance enlarged and the interest income increased.

Reasons for changes in selling expenses: due to a decrease of RMB11.68 million over the same period of last year, representing a period-on-period decrease of 14.99%, which is mainly due to the period-on-period decrease in certain expenses as a result of the further management of expenses during the Reporting Period.

Reasons for changes in financial expenses: due to a decrease of RMB25.37 million over the same period of last year, which is mainly due to the increase in foreign exchange gains during the Reporting Period compared to the same period due to the appreciation of the US dollar.

Reasons for changes in investment income: due to a decrease of RMB527.72 million over the same period of last year, representing a period-on-period decrease of 94.14%, which is mainly due to the reversal of over losses of \$552.23 million after YTO France entered into judicial liquidation in June last year, which resulted in a larger gain in the same period of the previous year.

Reasons for changes in gain arising from changes in fair value: due to a decrease of RMB99.96 million over the same period of last year, which is mainly due to the period-on-period decrease of gain arising from changes in fair value of the trading financial assets held by the Company during the Reporting Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in loss on impairment of assets: due a decrease of losses by RMB567.11 million over the same period of last year, which is mainly due to the judicial liquidation of the YTO France during the same period of last year, for which the Company recorded an impairment loss of RMB559.03 million on long-term equity investments.

Reason for the changes in income from disposal of assets: due to a decrease of RMB2.74 million over the same period of the last year, representing a period-on-period decrease of 80.88%, which is mainly due to decrease in income from disposal of inefficient and ineffective assets in the Reporting Period as compared to the same period of last year.

Reasons for changes in income tax expenses: due to a decrease of RMB9.82 million over the same period of last year, representing a period-on-period decrease of 56.73%, which is mainly due to the decrease in deferred income tax expenses recognized during the Reporting Period.

Reasons for changes in net cash flow generated from operating activities: due to the additional inflow of RMB2,601.54 million over the same period of last year, which is due to the gradual cessation of the operating business and funds recovery of YTO Finance during the Reporting Period on one hand, and the period-on-period increase in operating business cash flow resulting from the increase in sales of the Company and the increase in sales proceeds on the other hand.

Reasons for changes in net cash flow generated from investment activities: due to the additional inflow of RMB28.93 million over the same period of last year, which is mainly due to the proceeds from the disposal of subsidiaries during the Reporting Period.

Reasons for changes in net cash flow generated from financing activities: due to the additional outflow of RMB15.04 million over the same period of last year, which is due to, first, the funds raised from Non-Public Offering of RMB700 million received over the same period of last year and there was no such activity during the period, resulting in a period-on-period decrease in cash inflow by RMB700 million, second, the period-on-period increase in net loans inflow of RMB850 million during the Reporting Period, and third, the period-on-period increase in dividends outflow of RMB178 million during the Reporting Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: Yuan

Item	Balance as at the end of the current period	Balance as at the end of the current 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 current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Monetary funds	5,933,932,441.71	42.63	3,243,399,611.65	26.28	82.95	On one hand, good operation in the first half of the year, on the other hand, gradual suspension on operating business and fund recovery due to the restructuring of YTO Finance and SINOMACH Finance
Lending to banks and other financial institutions	2,960,000.00	0.02	23,320,000.00	0.19	-87.31	Derecognition of part of the lending to banks and other financial institutions held by YTO Finance
Trading financial assets	689,083,007.31 <u>1,372,398,702.32</u>	4.91 <u>9.86</u>	1,038,970,988.74	8.42	-34.25 <u>32.09</u>	Derecognition of part of the trading financial assets <u>Additional structured deposits during the current period</u>
Notes receivable	23,990,348.98	0.17	62,757,621.58	0.51	-61.77	Decrease in notes receivable held
Accounts receivable	987,261,556.75	7.09	301,661,736.48	2.44	227.27	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	142,605,152.87	1.02	242,712,324.09	1.97	-41.25	Prepayment for procurement reserves at the end of last year, is successively delivered in current period
Financial assets purchased with agreement to resale	0.00	0	360,643,454.77	2.92	-100.00	Reclaim upon expiration of financial assets purchased with agreement to resale of YTO Finance
Inventories	851,615,654.48	6.12	1,674,008,933.28	13.57	-49.13	Inventories reserves at the end of last year is successively absorbed in current period
Other current assets	52,378,238.33	0.38	319,494,747.99	2.59	-83.61	Repayment of and decrease in the value added tax left for deduction in the current period
Loans and advances to customers	307,889,886.60	2.21	891,754,953.83	7.23	-65.47	Decrease in size of loans to customers of YTO Finance

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance as at the end of the current period	Balance as at the end of the current 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 current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Investment in other equity instruments	<u>713,273,536.90</u> <u>23,957,841.89</u>	<u>5.12</u> <u>0.17</u>	4,839,048.00	0.04	<u>14,639.96</u> <u>395.09</u>	Additional financial assets designated at fair value and its changes are accounted in other comprehensive income during the period
Deferred income tax assets	154,461,107.38	1.11	100,562,089.39	0.81	53.60	Increase in the provision for accrued expenses, and the deferred income tax assets recognized
Short-term loans	570,409,999.99	4.1	270,183,333.34	2.19	111.12	Additional short-term loans during the current period
Deposits from banks and other financial institutes	0.00	0	200,050,000.00	1.62	-100.00	Repayment of loans from other banks by YTO Finance
Advance from customers	3,437,755.39	0.02	198,307.51	0.00	1,633.55	Increase in prepaid rent fees
Contractual liability	208,177,816.96	1.5	580,385,482.01	4.7	-64.13	Fulfilment of some performance obligations in the contract
Sale of repurchase financial assets	0.00	0	11,759,888.55	0.1	-100.00	Expiration of rediscount bill of YTO Finance
Absorption of deposits and interbank deposits	1,705,962,199.88	12.25	741,565,080.73	6.01	130.05	Increase in absorbing deposits of YTO Finance
Taxes payables	79,348,143.19	0.57	16,547,128.41	0.13	379.53	Increase in corporate income tax payable
Other current liabilities	481,265,068.48	3.46	262,766,044.87	2.13	83.15	Increase in sales and provision of accrued expenses in the current period
Lease liabilities	1,113,321.49	0.01	1,853,079.74	0.02	-39.92	Reclassification of lease liabilities within one year to non-current liabilities due within one year



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Overseas assets

At the end of the Reporting Period, the Company's total assets amounted to RMB13,921.0941 million, of which overseas assets amounted to 7,250.33 (Unit: 0'000; Currency: RMB), accounting for 0.52% 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 RMB795.3631 million, including bank acceptance margin of RMB138.0912 million, fixed deposits of more than three months of RMB250.00 million, policy bank restricted funds of RMB130.169 million, statutory deposit reserve for central banks of RMB276.5615 million and other restricted deposit of RMB0.5414 million.

As at the end of the Reporting Period, the Group's notes receivable of restricted ownership amounted to RMB14.60 million, which were amount of notes receivable pledged with the bank.

As at the end of the Reporting Period, the original value of Group's fixed assets and intangible assets of restricted ownership amounted to a total of RMB100.0981 million, and the net value amounted to a total of RMB50.9497 million, which were buildings and land mortgaged to the banks for short-term loans granted to the Group.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 (%)	53.89	51.52	Increased by 2.37 percentage points
Current ratio	1.30 <u>1.39</u>	1.31	Decreased by 0.01 Increased by 0.08
Quick ratio	1.17 <u>1.27</u>	1.02	Increased by 0.15 <u>0.25</u>

(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 RMB570.00 million, and bank loans (principal) due over one year amounted to RMB110.00 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's export transactions are settled in foreign currencies (mainly in USD, Euro, HKD, AUD, XOF and ZAR), exchange rate fluctuations may affect the operating results of the Company to a certain extent.

(4) As of the end of the Reporting Period, the Company held structured deposits totaling RMB420 million, including: RMB220 million from China Everbright Bank Co., Ltd., and RMB200 million from Bank of Communications Co., Ltd..

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Analysis on Investments

(1) Significant equity investment

On 29 March 2022, the Company entered into the capital increase agreement regarding SINOMACH Finance Co., Ltd. With SINOMACH Finance and the supplementary agreement of the capital increase agreement regarding SINOMACH Finance Co., Ltd. on 27 May 2022. According to the above arrangements of the capital increase agreement, the Company increased capital by RMB554.7761 million in cash to SINOMACH Finance, owning a 14.29% equity interests in SINOMACH Finance. This capital increase has been considered and approved at the Company's second extraordinary general meeting in 2022.

For details, please refer to the Company's Announcement of First Tractor on Capital Increase in SINOMACH Finance Co., Ltd. and Related Transactions, the Announcement of First Tractor on the Progress of the Reorganization of China YTO Group Finance Limited Liability Company and SINOMACH Finance Co., Ltd. and Related Transactions, and the Announcement of First Tractor on the Resolutions of the 2022 Second Extraordinary General Meeting published on the website of Shanghai Stock Exchange on 30 March, 28 May and 17 June 2022, and (1) Discloseable and Connected Transaction in relation to Disposal of Target Assets; (2) Major and Connected Transaction in relation to Capital Increase in SINOMACH Finance; and (3) Discloseable Transaction in relation to the Deposit Transaction and Continuing Connected Transactions, Major and Connected Transaction Supplemental Agreement to the Investment Agreement in Relation to Capital Increase in SINOMACH Finance, Poll Voting Results of the Extraordinary General Meeting held on 16 June 2022 and related overseas regulatory announcements published on the website of Stock Exchange 29 March, 27 May and 16 June 2022.

(2) Financial assets at fair value

Items	Opening Balance	Ending Balance	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Trading financial assets	1,038,970,988.74	683,083,007.31 <u>1,372,398,702.32</u>	-355,887,981.43 <u>333,427,713.58</u>	-85,182,635.45
Total	1,038,970,988.74	683,083,007.31 <u>1,372,398,702.32</u>	-355,887,981.43 <u>333,427,713.58</u>	-85,182,635.45

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Significant Disposals of Assets and Equity Interests

On 29 March 2022, YTO Finance entered into the Assets Disposal Agreement of China YTO Group Finance Limited Liability Company, YTO Finance transferred part of the credit assets, fixed assets and intangible assets (hereinafter referred to as the “Target Assets”) to SINOMACH Finance at the appraised value. The initial appraisal value of Target Assets was RMB1,047,263,700 with 31 December 2021 as the reference date, and the final transaction consideration was based on the asset appraisal result assessed with 30 June 2022 as the reference date and filed with the state-owned assets supervision department. This asset disposal has been considered and approved at the 2022 second extraordinary general meeting of the Company.

For details, please refer to the Announcement of First Tractor on the Disposal of Assets by Controlled Subsidiary and Related Transactions, the Announcement of First Tractor on the Resolutions of the 2022 Second Extraordinary General Meeting published on the website of Shanghai Stock Exchange on 30 March and 17 June 2022, and (1) Discloseable and Connected Transaction in relation to Disposal of Target Assets; (2) Major and Connected Transaction in relation to Capital Increase in SINOMACH Finance; and (3) Discloseable Transaction in relation to the Deposit Transaction and Continuing Connected Transactions and the Poll Voting Results of the Extraordinary General Meeting held on 16 June 2022 published on the website of Stock Exchange 29 March and 16 June 2022.

(V) 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 at 30 June 2022		Realized during the Reporting Period	
			Total assets	Net assets	Operating income	Net profit
YTO Finance	50,000	Provision of financial services	600,785	69,145	9,046	6,679
YTO Foundry and Forging	24,883	Processing and sale of rough and semifinished products and finished products of casting and forging products	32,456	28,997	12,391	110
YTO International Trade	6,600	International sale of agricultural machinery	23,328	-35,059	29,597	-5,358
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	261,524	150,403	130,222	-293
Tractors Research Company	44,500	Research and development of tractor products	62,094	55,299	8,844	339

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Acquisitions and disposals of subsidiaries during the Reporting Period*

On January 2022, YTO (Luoyang) Flag Auto-Body Company Limited, a wholly owned subsidiary of the Company, completed the transfer of 100% equity and relevant creditor's rights of Zhengzhou Sanzhen Mechanical Equipment Co., Ltd., a wholly owned subsidiary of YTO Flag, through listing and transfer on Beijing Equity Exchange. In accordance with the Enterprise Accounting Standards, Zhengzhou Sanzhen Mechanical Equipment Co., Ltd. was no longer included in the Company's consolidated statements, and the transfer of equity and debt had an impact of RMB23.1 million on the Company's profit and loss during the current period. For details, please refer to the Announcement of First Tractor on the Resolutions of the 30th Meeting of the Eighth Session of the Board and 2022 First Quarterly Report of First Tractor published on the website of Shanghai Stock Exchange on 26 August 2021.

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 Finance	9,046	8,119	6,679

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

YTO Finance: net profit increased by RMB46.37 million period-on-period, which is mainly due to the restructuring with SINOMACH Finance in the current period, business was gradually suspended and loans were recovered, which resulted in the reversal of the provision for loan losses previously made.

YTO Foundry and Forging: net profit decreased by RMB4.34 million period-on-period, mainly due to the decrease in revenue during the current period and the period-on-period decrease in net profit.

YTO International Trade: net profit decreased by RMB4.24 million period-on-period, mainly due to the period-on-period increase in the provision to credit impairment loss during the Reporting Period.

YTO Diesel Engine: net profit decreased by RMB67.63 million period-on-period, mainly due to the loss incurring from the change in fair value of the equity interest in Luoyang Bank held during the current period.

Tractors Research Company: net profit increased by RMB10.98 million period-on-period, mainly due to the increase in revenue and the period-on-period increase in net profit during the current period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

V. OTHER DISCLOSEABLE EVENTS

(I) Potential Risks

1. *Off-road National IV switching led to risk of changes in market demand*

According to the Technical Requirements for Off-road Diesel Mobile Machinery Pollutant Emission Control (Release) (《非道路柴油移動機械污染物排放控制技術要求(發佈稿)》) issued by the Ministry of Ecology and Environment, China will implement the off-road diesel engine emission standard National IV switch from 1 December 2022. In the long run, the upgrade of the National IV standard will help to clear the backward production capacity of the industry and promote efficiency upgrade. However, the upgrade of the National IV standard will also bring about an increase in the cost of purchasing, using and maintaining users, and may suppress users' willingness to purchase machines for a certain period of time, which will lead to a decline in market sales.

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 and product competitiveness of National IV products.

2. *Risk of industry policy adjustment*

In 2022, the central government continued to maintain the subsidy fund for the purchase of agricultural machinery at a total of RMB21 billion. However, according to the "Guiding Opinions on the Implementation of Agricultural Machinery Purchase Subsidy from 2021 to 2023" (《2021-2023年農機購置補貼實施指導意見》) and the "Notice on Focusing on the Implementation of Agricultural Production Development and Other Projects in 2022" (《關於做好2022年農業生產發展等項目實施工作的通知》), the estimated proportion of wheel tractor subsidies this year is projected to drop below 20% and will drop below 15% by 2023. At the same time, the subsidy funds will be tilted to weak agricultural machinery products, which will reduce the subsidy funds for wheeled tractors and other products, which may bring certain financial pressure to the Company's machines for user purchase.

The Company will fully utilize the advantages of technology research and development and core manufacturing, improve cost performance and added value of products, enrich the supporting portfolio of agricultural machinery products, consolidate the competitive advantage as the industry leader, and strive for a larger market share.

3. *Price fluctuation risk of raw material*

As the prices of bulk commodities, such as steel, are affected by various factors including domestic macro policies, market supply and demand, and the international market environment, the fluctuation has been relatively high in recent years, which will bring great challenges to the Company's raw material procurement and inventory control. Meanwhile, the continuous increase in energy prices will push up the Company's production costs and will have a certain impact on the Company's performance.

The Company will carry out further research and judgment on the price trend of raw materials, reasonably select the timing and scale of procurement, and smooth the impact of raw material price fluctuations on the Company to the greatest extent. At the same time, through measures such as product process optimization, quality improvement, and strengthening of internal management, the Company will continue to control costs and improve profit.

SECTION IV CORPORATE GOVERNANCE

I. OVERVIEW OF GENERAL MEETINGS

Session of meeting	Convening date	Search index for the designated website for publishing resolutions	Date of publication of the resolutions	Meeting resolutions
2022 First Extraordinary General Meeting	13 April 2022	“Announcement of First Tractor Company Limited on Resolutions of 2022 First Extraordinary General Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	14 April 2022	<ol style="list-style-type: none"> To approve the resolution in relation to the amendments to the Articles of Association of the Company; To approve the resolution in relation to the “Rules of Procedures for the Board of Directors” of the Company; To approve the resolution in relation to the increase of the cap amounts for the year 2022 to 2024 under the “Energy Procurement Agreement” entered into between the Company and YTO; To approve the resolution in relation to the amendments to the “Decision Making Principles on Investments” of the Company; To approve the remuneration package for the Directors and the Supervisors of the ninth session of the Board and the Board of Supervisors of the Company; To elect the non-independent Directors of the ninth session of the Board; To elect the independent Directors of the ninth session of the Board of the Company; To elect the non-staff representative Supervisors of the ninth session of the Board of Supervisors of the Company.
2021 Annual General Meeting	13 May 2022	“Announcement of First Tractor Company Limited on Resolutions of 2021 Annual General Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	14 May 2022	<ol style="list-style-type: none"> To approve the report of the Board of Directors of the Company for the year 2021; To approve the work report of the Board of Supervisors of the Company for the year 2021; To approve the audited financial report of the Company for the year 2021; To approve the profit distribution plan of the Company for the year 2021; To approve the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company’s financial report and the internal control auditor for the year 2022, and to authorize the Board of the Company to decide its audit fees.

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Convening date	Search index for the designated website for publishing resolutions	Date of publication of the resolutions	Meeting resolutions
2022 Second Extraordinary General Meeting	16 June 2022	“Announcement of First Tractor Company Limited on Resolutions of 2022 Second Extraordinary General Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	17 June 2022	<ol style="list-style-type: none"> To approve the resolution in relation to the reorganization of the Company, YTO Finance and Sinomach Finance Co., Ltd. and related transactions; To approve the resolution in relation to the “Financial Services Agreement” entered into between the Company and Sinomach Finance Co., Ltd. and annual transaction cap amounts for each year; To approve the resolution in relation to the increase in the cap amount of the 2022 ordinary related transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited.

Explanation on general meetings

During the Reporting Period, resolutions presented at the 2022 First Extraordinary General Meeting and 2021 Annual General Meeting and 2022 Second Extraordinary General Meeting of the Company were all passed.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Liu Jiguo	Chairman	Elected
Zhang Zhiyu	Non-executive Director	Elected
Fang Xianfa	Non-executive Director	Elected
Ma Zhihui	Non-executive Director	Elected
Wang Shumao	Independent non-executive Director	Elected
Xu Liyou	Independent non-executive Director	Elected
Gu Aiqin	Supervisor	Elected
Xiao Bin	Supervisor	Elected
Li Peng	Staff representative supervisor	Elected
Wei Tao	Deputy general manager	Appointed

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Name	Position	Change
Yang Guangjun	Deputy general manager	Appointed
Li Xiaoyu	Former executive Director and Chairman	Resigned
Li Hepeng	Former non-executive Director	Retirement from change of session
Xie Donggang	Former non-executive Director	Retirement from change of session
Zhou Honghai	Former non-executive Director	Retirement from change of session
Yang Minli	Former independent non-executive Director	Retirement from change of session
Wang Yuru	Former independent non-executive Director	Retirement from change of session
Tian Peng	Former supervisor	Retirement from change of session
Zhang Bin	Former supervisor	Retirement from change of session
Wang Hongbin	Former staff representative supervisor	Retirement from change of session
Wang Kejun	Former deputy general manager	Resigned
Su Ye	Former financial controller	Resigned

Explanation on changes in Directors, Supervisors and senior management

- During the Reporting Period, the Company completed the change of session of the Board and the Board of Supervisors. On 13 April 2022, the Company held 2022 First Extraordinary General Meeting, and Mr. Liu Jiguo was elected as the executive Director of the ninth session of the Board of the Company, and Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Ma Zhihui were elected as the non-executive Directors of the ninth session of the Board of the Company, and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou were elected as independent non-executive Directors of the ninth session of the Board of the Company, and Mr. Yang Yu and Ms. Gu Aiqin and Mr. Xiao Bin were elected as the Supervisors of the ninth session of the Board of Supervisors of the Company. The democracy management joint meeting of the staff representative committee (職代會民主管理聯席會) elected Mr. Li Peng and Mr. Yang Kun as the staff representative supervisors of the ninth session of the Board of Supervisors of the Company. The term of the ninth session of the Board and the Board of Supervisors of the Company will commence from 13 April 2022 and expire on 12 April 2025. For details, please refer to “Announcement of First Tractor on Resolutions of 2022 First Extraordinary General Meeting” and “Announcement of First Tractor in Relation to Election of Staff Representative Supervisors” published on the website of the Shanghai Stock Exchange on 14 April 2022, and “Poll Voting Results of the Extraordinary General Meeting held on 13 April 2022”, “Announcement in Relation to Election of Staff Representative Supervisors” and “List of Directors, Their Role and Function” published on the website of the Stock Exchange on 13 April 2022.

On the same day, the Company held the first meeting of the ninth session of the Board and the first meeting of the ninth session of the Board of Supervisors, Mr. Liu Jiguo was elected as the Chairman of the ninth session of the Board, and Mr. Yang Yu, the Supervisor, was elected as the Chairman of the ninth session of the Board of Supervisors, and Mr. Liu Jiguo was appointed as the General Manager of the Company; Mr. Su Wensheng, Ms. Yu Lina, Mr. Xue Wenpu, Mr. Wei Tao and Mr. Yang Guangjun were appointed as Deputy General Manager of the Company, and Mr. Su Ye was appointed as the Financial Controller of the Company; Ms. Yu Lina also serves as the Secretary to the Board of the Company. The term of office is the same as the term of the ninth session of the Board of the Company. For details, please refer to “Announcement of First Tractor in Relation to the resolutions passed at the First Meeting of the ninth session of the Board” and “Announcement of First Tractor in Relation to the resolutions passed at the First Meeting of the ninth session of the Board of Supervisors” published on the website of the Shanghai Stock Exchange on 14 April 2022, and the relevant overseas regulatory announcements published on the website of the Stock Exchange on 13 April 2022.

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

2. On 6 June 2022, Mr. Su Ye resigned as the Financial Controller of the Company due to job adjustment. For details, please refer to the “Announcement of First Tractor on Resignation of the Financial Controller” published by the company published on the website of the Shanghai Stock Exchange on 7 June 2022 and on the website of the Stock Exchange on 6 June 2022.

III. 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 Hong Kong 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.

IV. CORPORATE GOVERNANCE CODE

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

V. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

Proposal of profit distribution and proposal of capitalization from capital reserves proposed for the first half of the year

Whether to distribute profit or capitalize capital reserves	No
Number of bonus shares for every 10 shares (share)	/
Dividend for every 10 shares (Yuan) (tax inclusive)	/
Number of conversion shares for every 10 shares (share)	/
Explanation on proposal of profit distribution or capitalization from capital reserves	/

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

VI. EXPLANATION ON APPOINTMENT OR DISMISSAL OF AUDITOR

As considered and approved at the 2021 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 2022, and the Board was authorized to determine the remuneration of the auditor.

VII. REVIEW BY THE AUDIT COMMITTEE

The 2022 interim results have been reviewed by the audit committee of the Company.

VIII. STAFF, REMUNERATION POLICY AND TRAINING OF THE GROUP

As at 30 June 2022, the Company had 7,263 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, skilled operation and other trainings in a timely manner.

IX. CONTINGENT LIABILITIES

As at 30 June 2022, the Company had no other material contingent liabilities.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY

I. ENVIRONMENTAL INFORMATION

(I) Explanation on Environmental Protection of Enterprises Other than Companies that are Major Pollution Discharge Units

1. *Administrative punishment for environmental problems*

In the first half of 2022, the Company was not subject to administrative punishment for environmental problems.

2. *Disclosure of other environmental information with reference to companies that are major pollution discharge units*

(1) *Construction and operation of pollution prevention facilities*

On the basis of strict compliance with environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Company has continuously promoted the upgrading of pollution prevention and control facilities and completed the upgrading of casting system, body plant coating line, diesel engine coating line, small and medium-sized towing coating line and gear transmission company's oil smoke, which has significantly reduced pollutant emissions. During the Reporting Period, the Company was in the process of upgrading the welding fume in the body plant and the coating line in the casting and forging plant. The pollution prevention and control facilities that have been put into use have been operating stably and the pollutant emissions have met the requirements of national or local emission standards.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

(2) *Environmental impact assessment of construction projects and other environmental protection administration approvals*

All construction projects of the Company strictly enforce the requirements of pre-approval and “simultaneous design, construction and operation”. During the Reporting Period, the Company has completed the compilation of environmental impact assessment reports for the “Dust collector dust ash comprehensive utilization project”, “General industrial solid waste disposal and utilization project” and “Coating production line technology upgrade project” and obtained the approval of the government’s environmental impact assessment, and constructed pollution prevention and control facilities in accordance with the approved requirements and put them into operation simultaneously. At the same time, the Company has strengthened post-certification management, established a sound post-certification environmental management ledger to ensure the effective daily operation of environmental protection facilities.

(3) *Contingency plan for emergency environmental incidents*

During the Reporting Period, the Company organized key units to prepare their own emergency plans and on-site solutions for environmental emergencies on the basis of the emergency plans for environmental emergencies, and organized relevant units to conduct emergency plan exercises and effect evaluation for environmental emergencies involving hazardous waste and industrial wastewater, which effectively enhanced the Company’s ability to handle environmental pollution emergencies.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

(4) *Environmental self-monitoring program*

During the Reporting Period, the Company strengthened the regular maintenance and daily supervision of online monitoring equipment to ensure the good operation of online testing equipment and real-time transmission of online data. To ensure that the environmental testing equipment is effective and reliable, the Company has commissioned a third party testing organization to conduct regular testing of the Company's industrial wastewater, industrial exhaust emissions and plant noise, and has focused on the pollution survey and supervisory testing of the soil within the Company's area, with the testing results meeting the requirements of national or provincial and municipal pollutant emission standards and obtaining a qualified report.

(5) *Solid waste management*

During the Reporting Period, the Company completed the formulation and reporting of the annual hazardous waste management plan and transfer plan in accordance with the requirements of the local environmental protection management departments; in accordance with the storage needs of hazardous materials, some of the hazardous waste storage areas were re-modeled to further consolidate the preventive measures; for general solid waste, the Company actively explored the path of comprehensive utilization and implemented the dust ash comprehensive utilization project and the general industrial solid waste disposal and utilization project to significantly improve the comprehensive utilization rate of general solid waste and effectively reduce the impact of general solid waste on the external environment.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

II. THE SPECIFIC WORK TO ENTRENCH AND EXPAND POVERTY ALLEVIATION AND TO PROMOTE VILLAGE REVITALIZATION

Since the start of the village revitalization work, the Company has been insisting on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era, in accordance with the general requirements of the national village revitalization strategy, strictly implementing the “four requirements of sustainable poverty reduction”, actively selecting outstanding cadres to help areas, combining the actual situation of the local area, helping the local area to formulate industrial development planning, guiding and docking the targeted assistance projects, implementing the targeted assistance responsibilities, and effectively helping to promote the smooth implementation of the village revitalization planning in the assisted areas.

In the first half of 2022, the Company fully integrated with the strategic planning of village revitalization in the assisted areas, and comprehensively assisted in the smooth promotion of village revitalization in the assisted areas through measures such as cultivation of special industries, improvement of infrastructure facilities, education and skill training, and pairing of grass-roots party building. Firstly, the Company has strengthened its organizational leadership, insisted on giving top priority to the work of village revitalization, regularly conducted research and planning and project promotion in the areas it helped, and actively fulfilled its social responsibility. Secondly, emphasized the key focus, highlighting assistance work as the important task of the enterprise, put it on the agenda, plan special help projects that combine with local realities, and oversee the implementation of the project. Third, the Company has promoted consumption poverty alleviation, helped village revitalization, helped sell and organize the purchase of a total of RMB428,800 of special agricultural and sideline products in the area of assistance to ensure a sustainable and stable income for farmers. Fourth, combined with the Company’s business characteristics, deepen agricultural machinery assistance, continue to maintain and use donated agricultural machinery, assist in the formation of farmland, mechanization of planting and harvesting to improve farmers’ income from planting.

In the next step, the Company will continue to follow the general requirements of the village revitalization strategy, focus on the “five rejuvenation”, implement the “four requirements of sustainable poverty reduction”, and take advantage of the Company’s agricultural machinery, planning and design, vocational education and other resources to help focus on rural specialty industries, skills training, infrastructure facilities upgrading, etc., and comprehensively promote the work of helping local villages to revitalize.

SECTION VI SIGNIFICANT EVENTS

I. FULFILLMENT OF UNDERTAKINGS

(I) Undertakings made by the Company's de facto controller, shareholders, related parties, acquirers and the Company or other related parties during or subsisting to the Reporting Period

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Undertaking related to the initial public offering	Solutions to horizontal competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Machinery Equipment Company Limited no longer engaged in the purchase, assembly and sale of agricultural machinery and equipment products other than the supporting sale of the agricultural machinery and equipment products which have been purchased or ordered. The Company and all of its controlled subsidiaries shall not engage in the processing, production or assembly of agricultural machinery and equipment, except the supporting sale and relevant procurement	Long-term	No	Yes
	Solutions to horizontal competition	YTO	YTO will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operation. In addition, where YTO or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company	Long-term	No	Yes
	Solutions to horizontal competition	SINOMACH	SINOMACH will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operation. In addition, where SINOMACH or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, SINOMACH will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company	Long-term	No	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Undertakings related to refinancing	Other	SINOMACH	SINOMACH undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings	Long-term	No	Yes
	Other	YTO	YTO undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings	Long-term	No	Yes
	Other	Directors, Supervisors and senior management of the Company	1. I undertake that I will not direct benefits to other units or individuals at nil consideration or on unfair terms, and will not harm the Company's interests in any other manner; 2. I undertake that I will act to restrain duty-related spending; 3. I undertake that I will not utilise the assets of the Company for any investment or consumption irrelevant with the performance of my duties; 4. I undertake that the remuneration system formulated by the Board or the Remuneration Committee will be correlated to the implementation of the Company's measures to make up for returns; 5. I undertake that, in the event of the implementation of any share option incentive scheme by the Company in future, the conditions for exercising options under such scheme proposed to be published will be correlated to the implementation of the Company's measures to make up for returns; 6. during the period from the date on which such undertaking is given to the completion of the non-public issuance of shares, supplementary undertakings will be given in accordance with new regulations announced by the CSRC concerning measures to make up for returns and related undertakings, if such regulations are announced by the CSRC and the foregoing undertakings fall short of meeting such new regulations	Long-term	No	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Restricted shares	YTO	The shares subscribed for by YTO under the 2020 Non-public Issuance of the Company shall not be transferred within 36 months from the completion of the issuance. Where laws and regulations impose other provisions on the lock-up period, those provisions shall prevail. The shares derived from the shares acquired by YTO under the 2020 Non-public Issuance of the Company due to the distribution of bonus shares and conversion of capital reserves to share capital shall also comply with the above lock-up arrangements	36 months from the completion of the issuance	Yes	Yes
	Solutions to horizontal competition	The Company	YTO Finance shall only provide financial business services to the following enterprise members: (1) YTO and its subsidiaries; (2) companies in which YTO and its subsidiaries hold more than 20% equity interests and SINOMACH and its other subsidiaries hold no or less than 20% equity interests; (3) companies in which YTO and its subsidiaries, separately or collectively, hold no more than 20% equity interests but are the largest shareholder; Meanwhile, interbank business with SINOMACH Finance Co., Ltd. shall be subject to approval at a general meeting of the Company	Long-term	No	Yes
	Solutions to horizontal competition	SINOMACH	SINOMACH Finance Co., Ltd. shall not provide financial services to the following enterprise members: (1) YTO and its subsidiaries; (2) companies in which YTO and its subsidiaries hold more than 20% equity interests and SINOMACH and its other subsidiaries hold no or less than 20% equity interests; (3) companies in which YTO and its subsidiaries, separately or collectively, hold no more than 20% equity interests but are the largest shareholder; Meanwhile, interbank business between SINOMACH Finance Co., Ltd. And YTO Finance of the Company shall be subject to approval at a general meeting of the Company	Long-term	No	Yes



SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Other undertakings	Other	YTO	YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual caps of loan obtained by YTO and its subsidiaries (excluding the Company) from YTO Finance. YTO further undertook that, on the basis of the aforesaid Deposit Agreement and Loan Agreement and cap amounts of connected transactions, the loan of YTO and its subsidiaries (excluding the Company) obtained from YTO Finance will be less than their deposits placed with YTO Finance, and YTO will ensure the safety of its subsidiaries' loan through various measures	Long-term	No	Yes

Note: The Commitment Letter on Avoidance of Horizontal Competition between SINOMACH Finance and YTO Finance of SINOMACH and the Company was fulfilled on 30 June 2022. For details, please refer to the “Announcement of YTO on the Fulfillment of the Undertaking of the Effective Control Person and the Company to Avoid Inter-competition” issued by the Company on the website of the Shanghai Stock Exchange on 1 July 2022 and on the website of the Stock Exchange on 30 June.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

II. MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES DURING THE REPORTING PERIOD

Unit: 0'000 Currency: RMB

Name of shareholders or related parties	Connected relationship	Occupation time	Reason	Opening balance	Amount newly occupied during the Reporting Period	Total amount repaid during the Reporting Period	Closing balance	Balance as at the disclosure date of the interim repor	Expected repayment method	Expected repayment amount	Expected repayment time
YTO Shentong	Other related parties	January 2020 to present	Entrusted Loan	17,100.00	0.00	0.00	17,100.00	17,100.00	Results of liquidation under bankruptcy	Results of liquidation under bankruptcy	Progress of liquidation under bankruptcy
Total	/	/	/	17,100.00	0.00	0.00	17,100.00	17,100.00	/	/	/
Proportion of total amount by the end of the period to the latest audited net assets					3.17%						
Procedure for decision on misappropriation of funds by the controlling shareholders and other related parties for nonoperating purposes					Consideration and approval for the fifth meeting of the eighth session of the Board						
Reasons for new misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes during the current period; responsibility investigation; and measures proposed to be taken by the Board					/						
Reasons for non-repayment for funds misappropriated for nonoperating purposes as scheduled; responsibility investigation; and measures proposed to be taken by the Board					/						
Specific auditing opinion by a CPA on the misappropriation, if any					/						

Note: YTO Shentong, a former wholly-owned subsidiary of the Company, enters into bankruptcy liquidation in January 2020, which no longer falls within the scope of consolidation. In accordance with the provisions of the Accounting Standards for Business Enterprises, the Company classified it as another related party, and the time occupied by this sum of money shall be calculated from the date it is classified as another related party.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

III. MATERIAL LITIGATION AND ARBITRATION

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

IV. EXPLANATION ON INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, regarding the Company, its controlling shareholder and its de facto controller, there was no situation of dishonesty of non-performance of court judgment or non-repayment of relative large amount of debt when due, etc.

V. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions relating to daily operation

1. Matters which have been disclosed in the provisional announcements with development or changes in subsequent implementation

Unit: 0'000 Currency: RMB

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, SINOMACH and its subsidiaries and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (taxinclusive) = cost x (1+ mark-up percentage)), where the markup percentage is not more than 30%.	71,000	40,454	6.91
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sales of (including, but not limited to) raw materials, components, spare parts, equipment and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (taxinclusive) = cost x (1+ mark-up percentage)), where the markup percentage is not more than 30%.	24,500	11,878	1.83

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation, transportation ancillary and production-related processing services to the Company and its subsidiaries by YTO.	(1) the market price of an independent third party; (2) if there is no market price, the transaction price between YTO, companies controlled by it and its associates and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 10%.	19,000	13,029	94.22
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) the market price; (2) if there is no the market price, the transaction price between YTO and an independent third party; (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 16%.	24,000	9,809	99.07
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if none of the above is applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property in the adjacent area.	800	427	88.40
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if none of the above is applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use right.	1,400	453	86.19
7	Deposit Service Agreement	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the CBIRC or the People's Bank of China (PBOC).	230,000	179,161	28.50
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBIRC or the PBOC; (2) if none of the above is applicable, the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on comparable transactions in the same industry, and their financial positions and terms and size of the transactions.	100,000	99,684	47.78

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
9	Bills Acceptance Service Agreement	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBIRC or the PBOC; (2) if none of the above is applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions.	21,000	16,711	7.11
10	Bills Discounting Service Agreement	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBIRC or the PBOC; and (2) if none of the above is applicable (as the rate prescribed by the CBIRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions.	10,000	9,230	92.18
11	Interbank Business Service Agreement	SINOMACH Finance	Subsidiary of the de facto controller	YTO Finance and SINOMACH Finance provide financing services to each other, including interbank deposits, lendings, transfer of credit assets and other interbank business services	(1) based on the Shanghai Interbank Offered Rate announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions; (2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit; (3) if financial assets are used as the subject of trading or pledging to obtain financing, reference is made to the market financing price of the subject matter published by other financial institutions; and (4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.	80,000	20,000	7.04

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
12	Financial Services Agreement	SINOMACH Finance	Subsidiary of the de facto controller	SINOMACH Finance provides local and foreign currency deposit services to the Company and its subsidiaries, including but not limited to demand deposits, agreement deposits, call deposits, time deposits, etc.	Interest on all types of deposits of the Company and its subsidiaries with SINOMACH Finance shall be calculated and paid at the benchmark interest rate for the same period and the upper limit of the floating range of interest rates announced by the People's Bank of China from time to time, which shall not be lower than the benchmark interest rate for the same period and the benchmark interest rate for the same type of deposits offered by SINOMACH Finance to other members with the same level of creditworthiness, whichever is higher, at the major independent commercial banks in the territory where the Company and (or) its wholly-owned or controlled subsidiaries are located.	200,000	7,450	1.26
				SINOMACH Finance provides credit services to the Company and its subsidiaries, including but not limited to liquidity loans, fixed asset loans, buyer's credit, factoring of accounts receivable, acceptance and discounting of bills, and credit business such as guarantees, letters of guarantee and letters of credit	In accordance with the relevant requirements of the market interest rate pricing self-regulatory mechanism, the Company and its subsidiaries shall charge interest on loans obtained from SINOMACH Finance at rates no higher than the interest rates quoted by major independent commercial banks in the territory where the Company and/or its wholly-owned or controlled subsidiaries are located, and no higher than the interest rates of similar loans provided by SINOMACH Finance to other members of the same credit standing, whichever is lower.	240,000	22,086	10.42
				SINOMACH Finance provides other financial services to the Company and its subsidiaries, including but not limited to settlement and management of funds in local and foreign currencies, entrusted loans, entrusted investments, underwriting of corporate bonds, financial and financing consultancy, credit verification and related advisory and agency services, and other businesses approved by the CBRC to be engaged in	(1) SINOMACH Finance shall be exempted from charging fees for the remittance of funds by the Company and its subsidiaries for the settlement of funds with Party B; (2) For all financial services other than deposits and loans provided by SINOMACH Finance to the Company and its subsidiaries, the fees charged shall be in accordance with the regulations of the People's Bank of China or the CBRC for such type of services and shall not be higher than the standards of similar fees charged by major independent commercial banks in the territory where the Company and (or) its wholly-owned or controlled subsidiaries are located during the same period, or not higher than the standards of similar fees charged by SINOMACH Finance to other members of the same credit standard, whichever is lower.	1,000	0	0

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
13	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties, plants and ancillary facilities by YTO to the Company and its subsidiaries	(1) the price of non-connected transactions between the lessor and independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar property.	600	235	38.66
14	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the price of non-connected transaction between the lessor and independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights.	35	8	9.79
15	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties; (2) cost plus method, with the mark-up percentage not more than 10%.	750	121	100.00
16	R&D Service Agreement	YTO	Controlling shareholder	Provision of services including product R&D services, process technology R&D services, material testing services, and measuring instrument testing services to YTO and its subsidiaries by the Company	(1) the price of non-connected transactions for similar services between the Company and independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	1,500	135	27.30

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
17	Product Inspection and Testing as well as Technology Services Agreement	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	Wholly-owned subsidiary of the controlling shareholder	Provision of products related technological inspection and testing services, patent and standardized technological support services, and research and development services on nonstandard equipment such as inspection and testing equipment for products of the Company and its subsidiaries	(1) the price of non-connected transactions between Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd and independent third parties; (2) the price of the reasonable cost of the service provided by Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	3,200	1,069	100.00

- For details of the above No.1–11 connected transactions, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Thirtieth Meeting of the Eighth Session of the Board”, “Announcement of First Tractor on Continuing Connected Transactions for 2022–2024”, “Announcement of First Tractor on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting”, “Announcement of First Tractor on the Resolutions Passed at the Thirty-fifth Meeting of the Eighth Session of the Board”, “Announcement of First Tractor Corporation on the Increase of the Maximum Amount of Daily Connected Transactions for the Energy Procurement from 2022 to 2024”, “Announcement of First Tractor on Resolutions of 2022 First Extraordinary General Meeting”, published by the Company on the website of the Shanghai Stock Exchange on 26 August 2021, 3 November 2021, 4 March 2022, 14 April 2022, and the announcements on “Continuing Connected Transactions and Discloseable Transactions”, “Poll Results of the Extraordinary General Meeting and the Class Meeting Held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors”, “Continuing Connected Transactions – Adjustment to the Annual Cap Amount of the Energy Procurement Agreement”, “Poll Voting Results of the Extraordinary General Meeting held on 13 April 2022” and related overseas regulatory announcements published on the website of the Stock Exchange on 25 August 2021, 2 November 2021, 3 March 2022 and 13 April 2022.



SECTION VI SIGNIFICANT EVENTS (CONTINUED)

2. For details of the above No.12 connected transaction, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Thirty-six Meeting of the Eighth Session of the Board”, “Announcement on the Signing of Financial Services Agreement and Ordinary Connected Transaction between YTO and SINOMACH Finance Co., Ltd.”, “Announcement of First Tractor on the Resolutions Passed at 2022 Second Extraordinary General Meeting” published by the Company on the website of the Shanghai Stock Exchange on 30 March 2022 and 17 June 2022, and the announcements on “(1) Discloseable and Connected Transactions in relation to the Sale of Subject Assets; (2) Major and Connected Transactions in relation to the Capital Increase to SINOMACH Finance; and (3) Discloseable Transactions and Continuing Connected Transactions in relation to the Deposit Transaction”, “Poll Voting Results of the Extraordinary General Meeting held on 16 June 2022” and related overseas regulatory announcements published on the website of the Stock Exchange on 29 March 2022 and 16 June 2022.

According to the arrangement of the restructuring agreement between YTO Finance and SINOMACH Finance, YTO Finance will cease its new business on 30 June 2022, and SINOMACH Finance will provide financial services to the Company. Considering that the system and business convergence between the former YTO Finance and the new SINOMACH Finance is an ongoing process, in order to ensure the normal and stable commencement of the Company’s daily operation activities, the Company has commenced the transitional work such as system testing and business switching of deposit, bill and settlement business at SINOMACH Finance before the formal implementation of the business switching after the Financial Services Agreement is approved by the second extraordinary general meeting of the Company in 2022.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

3. For details of the above No.13-17 connected transactions, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Thirty-four Meeting of the Eighth Session of the Board”, “Announcement of First Tractor on Daily Connected Transactions in 2022” published by the Company on the website of the Shanghai Stock Exchange on 25 December 2021 and the announcement of “Continuing Connected Transactions in 2022” and related overseas regulatory announcement published by the Company on the website of the Stock Exchange on 24 December 2021.

Unit: 0'000 Currency: RMB

Connected transaction under Chapter 14A of the Listing Rules of the Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
18	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and other technical services related to tractors and diesel engines and other special services (including testing services) by Tractors Research Company to the Company and its subsidiaries.	(1) the price of the transactions for same business between the Tractors Research Company and the independent third parties; (2) the price of the reasonable cost of the service provided by the Tractors Research Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	21,000	7,141	100.00

For details of the above No.18 connected transaction, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Thirty-four Meeting of the Eighth Session of the Board”, “Announcement of First Tractor on the H Shares” published by the Company on the website of the Shanghai Stock Exchange on 25 December 2021 and the announcement of “Continuing Connected Transactions in 2022” and related overseas regulatory announcement published by the Company on the website of the Stock Exchange on 24 December 2021.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Unit: 0'000 Currency: RMB

Connected transactions under the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
19	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB6,630,000 was determined by both parties under market principles and negotiation.	663	331	84.70
20	Technologies License Agreement	ZF YTO Drive Axle	Associated corporation	Authorization of use of related drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of products applying these technologies as technologies authorization fee of to the Company.	85	12	2.50

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under the Listing Rules of the Shanghai Stock Exchange:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
21	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations.	4,500	2,503	0.38
22	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	(1) Prices of drive axle products are determined under negotiations between both parties based on factors such as prices of past years; the then prevailing market price and raw material price fluctuations; (2) The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Drivtech (Hangzhou) Co. Ltd.* (採埃孚傳動技術(杭州)有限公司).	23,000	11,673	1.99

For details of the above No.19-22 connected transactions, please refer to the “Announcement of First Tractor on Daily Connected Transactions for 2022 with ZF YTO (Luoyang) Drive Axle Company Limited”, “Announcement of First Tractor Company Limited on the Increase of the Cap Amount for the Daily Related Transactions for 2022 with ZF YTO (Luoyang) Drive Axle Company Limited” and “Announcement of First Tractor on the Resolutions Passed at 2022 Second Extraordinary General Meeting” published by the Company on the website of the Shanghai Stock Exchange on 25 December 2021, 28 April 2022 and 17 June 2022 and the overseas regulatory announcement published by the Company published by the Company on the website of the Stock Exchange on 24 December 2021, 27 April 2022 and 16 June 2022 and the announcement on “Poll Results of the Extraordinary General Meeting Held on 16 June 2022” published by the Company on the website of the Stock Exchange on 16 June 2022.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in the first half of 2022	Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Acceptance of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark and font size	(1) Charged in range of 2%-5%of the external product revenue of the trademark products; (2) Calculated on the basis of the external sales revenue of the font size using unit, the maximum charge shall not exceed 5%.	70	0	0
Total				/	70	0	0
Details on return of large-sum sales					Nil		
Explanation on connected transactions					According to the relevant provisions of the Listing Rules of the Shanghai Stock Exchange and the Stock Exchange, the above pricing principle of connected transactions complies with the relevant provisions of the Listing Rules, and the amount does not exceed the amount required for disclosure		

Note: According to the Trademark License Agreement signed between the Company and YTO, YTO paid the license fee for the year in December.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

(II) Related party transactions arising from asset acquisitions or equity acquisitions or disposals

1. *Matters which have been disclosed in the provisional announcements without development or changes in subsequent implementation*

Event details	Search index
<p>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)), SINOMACH, the Company, YTO Finance and SINOMACH Finance signed the Framework Agreement on the Reorganization and Integration of China YTO Group Finance Company Limited and SINOMACH Finance Co., Ltd., YTO Finance and SINOMACH Finance signed the Asset Sale Agreement, and the Company and SINOMACH Finance signed the Capital Increase Agreement, which were considered and approved at the second extraordinary general meeting of the Company in 2022. Under the restructuring arrangement, YTO Finance sold its assets to SINOMACH Finance, the Company increased the capital to SINOMACH Finance in cash, and YTO Finance was eventually liquidated and cancelled.</p>	<p>For details, please refer to the “Announcement of First Tractor in relation to the signing of the Framework Agreement on the Reorganization and Integration of China YTO Group Finance Company Limited and SINOMACH Finance Company Limited and Related Transaction”, “Announcement of First Tractor on the Disposal of Assets by Controlled Subsidiary and Related Transactions”, “Announcement of First Tractor on Capital Increase in SINOMACH Finance Co., Ltd. and Related Transactions”, “Announcement of First Tractor on the Dissolution of China YTO Group Finance Company Limited, a Controlled Subsidiary, and Related Transactions”, “Announcement of First Tractor on the Resolutions of the 2022 Second Extraordinary General Meeting” and the “Announcement on Completion of Fulfilling the Non-competition Undertaking in the Interbank Business between the De Facto Controller and the Company” disclosed by the Company on the website of the Shanghai Stock Exchange on 30 March 2022, 17 June 2022 and 1 July 2022.</p>

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

(III) Financial business of the Company with its financial companies, controlled financial companies and related parties

1. Deposit business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Daily maximum deposit limit ^(Note 1)	Range of deposit interest rates ^(Note 1)	Amount incurred in this period			Ending balance
				Beginning balance	Total deposits for the period	Total withdrawals for the period	
YTO Group Corporation Limited	Controlling shareholder	/	/	33,264.61	770,741.22	697,903.85	106,101.98
Luoyang Tractor Research Institute Co., Ltd. ^(Note 2)	Subsidiary controlled by the Company	/	/	28,745.79	31,943.99	40,385.67	20,304.10
YTO (Luoyang) Logistics Co., Ltd.	The company controlled by controlling shareholders	/	/	2,872.95	44,162.84	41,610.11	5,425.68
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	The company controlled by controlling shareholders	/	/	2,292.48	4,632.35	3,548.41	3,376.42
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	The company controlled by controlling shareholders	/	/	3,281.35	492.70	415.24	3,358.81

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit ^(Note 1)	Range of deposit interest rates ^(Note 1)	Beginning balance	Amount incurred in this period		Ending balance
					Total deposits for the period	Total withdrawals for the period	
YTO (Luoyang) Hydraulic Transmission Corporation Limited ^(Note 2)	Subsidiary controlled by the Company	/	/	4,390.11	5,519.40	7,242.04	2,667.48
Luoyang Fossett Environmental Protection Technology Co. Ltd.	The company controlled by controlling shareholders	/	/	3,291.97	1,121.34	3,254.06	1,159.25
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	The company controlled by controlling shareholders	/	/	979.56	1,529.83	1,502.43	1,006.97
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	The company controlled by controlling shareholders	/	/	134.41	683.36	712.13	105.63
YTO (Luoyang) material equipment Co., Ltd.	The company controlled by controlling shareholders	/	/	2,385.65	301,410.98	299,478.95	4,317.68
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	The company controlled by controlling shareholders	/	/	546.62	254.35	436.24	364.73
Luoyang Tianhui Energy Engineering Co., Ltd.	The company controlled by controlling shareholders	/	/	266.88	309.30	341.44	234.74
Dongfanghong (Luoyang) Culture Communication Centre	The company controlled by controlling shareholders	/	/	450.50	3,035.71	1,839.02	1,647.19

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit ^(Note 1)	Range of deposit interest rates ^(Note 1)	Amount incurred in this period			Ending balance
				Beginning balance	Total deposits for the period	Total withdrawals for the period	
YTO (Luoyang) Huide Tooling Co., Ltd.	The company controlled by controlling shareholders	/	/	365.56	3,546.78	3,748.11	164.23
Luoyang Oriental Printing Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	69.94	124.93	101.00	93.87
Luoyang YTO Driver Training School Co., Ltd.	The company controlled by controlling shareholders	/	/	27.55	62.73	38.54	51.75
Shenzhen Dongfang Pengxing Trade Co., Ltd.	Company originally controlled by controlling shareholders	/	/	23.45	5.26	1.77	26.94
Luoyang Zhongshou Machinery Equipment Co., Ltd.	The company controlled by controlling shareholders	/	/	3.77	0.01	0.00	3.78
Others	Subsidiaries controlled/ invested by controlling shareholders	/	/	0.73	2,122.58	2,122.23	1.08
Total	/	/	/	83,393.88	1,171,699.66	1,104,681.24	150,412.31

Note 1: The Company provides deposit business for all member units with interest rates ranging from 0.42% to 3.5%. For details of the maximum balance at any point of time of the relevant deposit services, please refer to the Deposit Services Agreement disclosed in paragraph 1, (l), v of this section.

Note 2: Tractors Research Company and YTO Hydraulic Transmission are the holding subsidiaries of the Company, and YTO, the controlling shareholder of the Company, holds more than 10% of the shares of the above two companies. According to the relevant provisions of Chapter 14A of the Listing Rules of the Stock Exchange, the above two companies belong to affiliated subsidiaries, and transactions between them and listed companies and holding subsidiaries constitute connected transactions under the Listing Rules of the Stock Exchange.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

2. Loan business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	The range of interest rates of the loans	Beginning Balance	Amount incurred in this period		Ending Balance
				Total loan amount for the period	Total repayment amount for the period	
YTO Group Co., Ltd.	Controlling Shareholders	3.4%-3.696%	79,000.00	143,000.00	206,000.00	16,000.00
YTO (Luoyang) Huide Tooling Co., Ltd.	The Company controlled by controlling shareholders	3.8%-5.655%	570.00	570.00	570.00	570.00
YTO (Luoyang) Logistics Co., Ltd	The Company controlled by controlling shareholders	3.50%	0.00	3,000.00	0.00	3,000.00
Total	/	/	79,570.00	146,570.00	206,570.00	19,570.00

Note: During the Reporting Period, for details of the maximum balance at any point of time of the relevant deposit agreement, please refer to the Loan Services Agreement of the Company disclosed in the paragraph 1, (l), v of this section.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

3. Granting business or other financial business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Actual amount	Ending Balance
YTO Group Corporation	Controlling Shareholder	Bills acceptance	8,155.98	8,185.98
YTO (Luoyang) Logistics Co., Ltd	The Company controlled by controlling shareholders	Bills acceptance	3,400.53	3,407.91
YTO (Luoyang) Huide Tooling Co., Ltd	The Company controlled by controlling shareholders	Bills acceptance	240.00	240.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd	Subsidiary controlled by the Company	Bills acceptance	421.00	421.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd. <i>(Note)</i>	Company originally controlled by controlling shareholders	Bills acceptance	0	2.76
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	The Company controlled by controlling shareholders	Bills acceptance	0	6.00
YTO (Luoyang) Huide Tooling Co., Ltd	The Company controlled by controlling shareholders	Notes discounting	59.38	0
YTO (Luoyang) Logistics Co., Ltd	The Company controlled by controlling shareholders	Notes discounting	10,342.99	5,533.00
YTO (Luoyang) Huide Tooling Co., Ltd	The Company controlled by controlling shareholders	Financial leasing	47.91	74.28

Note: (1) During the Reporting Period, the maximum balance at any one point did not exceed the caps of the Bills Acceptance Service Agreement and Bills Discounting Service Agreement disclosed in the paragraph 1, (l), v of this section.

(2) YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd. has entered into bankruptcy liquidation procedures and the liquidations are in progress.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

4. Other explanations

(1) Deposit business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Range of deposit interest rates (Note)	Beginning balance	Amount incurred in this period		Ending Balance
				Total deposits for the period	Total withdrawals for the period	
SINOMACH Finance	A company controlled by the de facto controller	1.8%~1.85%	0	8,807.08	1,359.60	7,447.48

Note: During the Reporting Period, all deposits made by the Company and its subsidiaries with SINOMACH were short-term deposits within one year. During the Reporting Period, please refer to the Financial Service Agreement disclosed in the paragraph 1, (l), v of this section for the details of the maximum balance at any point of time for the relevant deposit service.

(2) Granting business or other financial business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Actual amount	Balance at the end of the reporting period
SINOMACH Finance	A company controlled by the de facto controller	Bills acceptance	22,001.08	22,001.08

Note: During the Reporting Period, the maximum balance of the Company's and subsidiaries' credit business with SINOMACH Finance at any point in time is detailed in the Financial Services Agreement disclosed in the paragraph 1, (l), v of this section.



SECTION VI SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Custody, contracting and lease matters

(1) Custody

Unit: Yuan Currency: RMB

Name of principal	Name of trustee Account title	Assets in custody	Amounts of assets in custody	Commencement date of custody	End date of custody	Custody income	Recognition basis for custody income	Impact of custody income on the Company	Whether it is a connected transaction	Connected relationship
SINOMACH	First Tractor	Equity interests in Changtuo Company held by SINOMACH	/	7 March 2013	/	/	/	/	Yes	Indirect controlling shareholder

Explanation on custody

During the Reporting Period, there was no change in the 33.33% equity interest in Changtuo Company held in custody by the Company in favour of SINOMACH.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

1. Changes in Shares

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

(II) Changes in restricted shares

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase of restricted shares during the Reporting Period	Number of restricted shares at the end of the period	Reason for restriction	Date of release of the restricted shares
YTO	137,795,275	0	0	137,795,275	YTO undertook that it will not transfer the shares subscribed for through the Non-public Issuance of the Company for a period of 36 months from the date of completion of the issue	19 February 2024
Total	137,795,275	0	0	137,795,275	/	/

II. SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (*shareholder*)

42,815
Including 42,490 holders of A Shares and 325 holders of H Shares

Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (*shareholder*)

/

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

(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)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders			Pledged, marked or frozen		Nature of shareholder
		Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	
YTO Group Corporation	0	548,485,853	48.81	137,795,275	Nil		/ State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-10	388,195,309	34.55	0	Unknown		/ Overseas legal person
Hong Kong Securities Clearing Company Limited (Note 2)	748,580	5,507,227	0.49	0	Unknown		/ Overseas legal person
China Construction Bank Corporation Xiniao New Energy Industry Equity Securities Investment Fund	2,281,618	2,281,618	0.20	0	Unknown		/ Others
Shenzhen Qianhai Huolan Assets Management Co., Ltd. – Huolan Yuanfang No. 1 Private Placement Securities Investment Fund	-510,000	1,838,200	0.16	0	Unknown		/ Others

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders			Pledged, marked or frozen		Nature of shareholder
		Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	
Han Yan	1,479,541	1,479,541	0.13	0	Unknown	/	Domestic natural person
Jiao Yanfeng	-84,000	860,000	0.08	0	Unknown	/	Domestic natural person
Industrial and Commercial Bank of China Limited - Xinao Zhiyuan Three-Year Hybrid Securities Investment Fund	813,300	813,300	0.07	0	Unknown	/	Others
Qin Tao	0	774,400	0.07	0	Unknown	/	Domestic natural person
Han Yujie	-52,100	737,600	0.07	0	Unknown	/	Domestic natural person

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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 <i>(Note 1)</i>	388,195,309	Overseas listed foreign shares	388,195,309
Hong Kong Securities Clearing Company Limited <i>(Note 2)</i>	5,507,227	Ordinary shares denominated in RMB	5,507,227
China Construction Bank Corporation— Xiniao New Energy Industry Equity Securities Investment Fund	2,281,618	Ordinary shares denominated in RMB	2,281,618
Shenzhen Qianhai Huolan Assets Management Co., Ltd.—Huolan Yuanfang No. 1 Private Placement Securities Investment Fund	1,838,200	Ordinary shares denominated in RMB	1,838,200
Han Yan	1,479,541	Ordinary shares denominated in RMB	1,479,541
Jiao Yanfeng	860,000	Ordinary shares denominated in RMB	860,000
Industrial and Commercial Bank of China Limited – Xiniao Zhiyuan Three-Year Hybrid Securities Investment Fund	813,300	Ordinary shares denominated in RMB	813,300
Qin Tao	774,400	Ordinary shares denominated in RMB	774,400
Han Yujie	737,600	Ordinary shares denominated in RMB	737,600

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders with selling restriction and restricted conditions

Unit: Share

Number	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Listing and trading of shares with selling restrictions		Restricted conditions
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	YTO Group Corporation	137,795,275	19 February 2024	137,795,275	No transfer within 36 months from the date of completion of the Company's Non-Public Offering
	Explanation on connected relationship or acting in concert among the aforesaid shareholders	N/A			

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

III. Interests of Substantial Shareholders and Other Persons

As at 30 June 2022, substantial shareholders of the Company and other persons (other than the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares and 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, 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.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Save as disclosed above, as at 30 June 2022, no person (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and 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.

IV. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2022, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including the interests and short positions considered or deemed to be held by such Directors, Supervisors and chief executives under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange.

V. 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.

SECTION VIII PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.



SECTION IX BONDS

The Company had no corporate bonds during the Reporting Period.

SECTION X FINANCIAL STATEMENTS

Consolidated Balance Sheet

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Monetary Funds	Note 1	5,933,932,441.71	3,243,399,611.65
Lendings to Banks and Other Financial Institutions	Note 2	2,960,000.00	23,320,000.00
		683,083,007.31	
Trading financial assets	Note 3	<u>1,372,398,702.32</u>	1,038,970,988.74
Derivative financial assets			
Notes receivable	Note 4	23,690,348.98	62,757,621.58
Accounts receivable	Note 5	987,261,556.75	301,661,736.48
Receivables Financing	Note 6	244,073,462.48	216,495,094.89
Advances to suppliers	Note 7	142,605,152.87	242,712,324.09
Other receivables	Note 8	32,131,805.69	24,247,156.19
Including: Interest receivables		260.00	944.41
Dividends receivables			
Buying back the sale of financial assets	Note 9		360,643,454.77
Inventories	Note 10	851,615,654.48	1,674,008,933.28
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 11	208,145,413.10	188,189,353.75
Other current assets	Note 12	52,378,238.33	319,494,747.99
		<u>9,161,877,081.70</u>	
Total current assets		<u>9,851,192,776.71</u>	<u>7,695,901,023.41</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet (Continued)

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Non-current assets:			
Loans and advances to customers	Note 13	307,889,886.60	891,754,953.83
Debt investment			
Other debt investment			
Long-term receivables	Note 14	189,575,488.20	147,379,925.56
Long-term equity investments	Note 15	130,138,312.01	126,970,546.37
		713,273,536.90	
Investment in other equity instruments	Note 16	<u>23,957,841.89</u>	4,839,048.00
Other non-current financial assets			
Investment properties			
Fixed assets	Note 17	2,372,109,685.86	2,465,981,510.01
Construction in progress	Note 18	94,086,134.11	79,246,144.63
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 19	11,976,726.94	15,044,288.50
Intangible assets	Note 20	726,855,939.05	750,855,986.17
Research and development expenses	Note 21		
Goodwill	Note 22		
Long-term deferred expenses	Note 23	58,850,164.14	61,059,040.71
Deferred income tax assets	Note 24	154,461,107.38	100,562,089.39
Other non-current assets			
		4,759,216,981.19	
Total non-current assets		<u>4,069,901,286.18</u>	<u>4,643,693,533.17</u>
Total assets		<u>13,921,094,062.89</u>	<u>12,339,594,556.58</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet (Continued)

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans	Note 25	570,409,999.99	270,183,333.34
Absorption of deposits and interbank deposits			
Deposits from banks and other financial institutes	Note 27		200,050,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	Note 28	1,427,066,241.34	1,429,974,406.92
Accounts payable	Note 29	2,233,507,661.58	2,005,338,697.27
Advance from customers	Note 30	3,437,755.39	198,307.51
Contractual liability	Note 32	208,177,816.96	580,385,482.01
Funds incorporated into the sale of financial assets under a repurchase agreement	Note 31		11,759,888.55
Absorption of deposits and interbank deposits	Note 26	1,705,962,199.88	741,565,080.73
Employee salary payable	Note 33	91,507,290.15	94,183,174.20
Taxes payables	Note 34	79,348,143.19	16,547,128.41
Other payables	Note 35	256,809,173.21	264,862,718.59
Including: Interest payable		21,284,093.99	17,839,437.74
Dividends payable		10,456,455.85	59,459,387.16
Non-current liabilities due within one year	Note 36	16,733,425.32	13,333,158.50
Other current liabilities	Note 37	481,265,068.48	262,766,044.87
Total current liabilities		7,074,224,775.49	5,891,147,420.90

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet (Continued)

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Non-current liabilities:			
Long-term loans	Note 38	110,000,000.00	110,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 39	1,113,321.49	1,853,079.74
Long-term payables	Note 40	8,026,285.67	8,251,321.72
Long-term employee salary payable	Note 41	38,780,374.28	57,802,347.71
Estimated Liabilities	Note 42	1,962,613.99	1,962,613.99
Deferred income	Note 43	134,064,401.12	138,045,711.55
Deferred tax liabilities	Note 24	134,046,768.96	148,308,914.30
Other non-current liabilities			
Total non-current liabilities		427,993,765.51	466,223,989.01
Total liabilities		7,502,218,541.00	6,357,371,409.91
Shareholder's equity:			
Share capital	Note 44	1,123,645,275.00	1,123,645,275.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 45	2,655,849,996.00	2,655,849,996.00
Less: Treasury shares			
Other comprehensive income	Note 46	-21,678,860.84	-11,710,421.44
Special reserves	Note 47	4,344,836.41	3,465,767.12
Surplus reserves	Note 48	501,495,783.59	501,495,783.59
General risk reserves	Note 49	43,263,387.54	43,263,387.54
Retained earnings	Note 50	1,534,540,271.84	1,086,069,085.52
Total equity attributable to shareholders of the parent company		5,841,460,689.54	5,402,078,873.33
Minority interests		577,414,832.35	580,144,273.34
Total shareholder's equity		6,418,875,521.89	5,982,223,146.67
Total liabilities and shareholder's equity		13,921,094,062.89	12,339,594,556.58

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet of the Parent Company

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Monetary Funds		2,773,288,580.95	2,359,458,905.17
Trading financial assets		662,950,840.64	243,232,200.00
Derivative financial assets			
Notes receivable		1,317,412.22	4,474,442.43
Accounts receivable	Note 1	646,322,505.93	268,784,518.68
Receivables Financing		311,332,847.91	107,547,214.91
Advances to suppliers		142,850,216.82	201,109,349.01
Other receivables	Note 2	109,947,362.67	163,216,480.15
Including: Interest receivable			
Dividends receivable		87,679,096.96	138,679,096.96
Inventories		491,636,108.72	1,160,601,878.63
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		211,330,835.22	680,582,364.34
Total current assets		5,350,976,711.08	5,189,007,353.32

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	Note 3	2,137,417,642.45	2,133,667,445.23
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,384,049,404.49	1,428,183,835.66
Construction in progress		57,171,399.31	48,035,500.29
Productive biological assets			
Oil and gas assets			
Right-to-use assets		7,539,227.51	9,391,087.23
Intangible assets		496,047,794.89	506,056,408.64
Research and development expenses			
Goodwill			
Long-term deferred expenses		40,152,221.07	43,089,905.20
Deferred income tax assets		44,756,551.77	48,206,349.18
Other non-current assets			
Total non-current assets		4,167,134,241.49	4,216,630,531.43
Total assets		9,518,110,952.57	9,405,637,884.75

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans		500,409,999.99	1,090,999,722.24
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		980,100,000.21	902,517,901.06
Accounts payable		1,488,863,156.04	1,372,715,494.19
Advance from customers		3,437,755.39	198,307.51
Contractual liability		131,749,107.10	417,021,907.97
Employee salary payable		62,430,348.60	60,809,164.13
Taxes payables		4,827,316.74	5,009,107.51
Other payables		259,717,208.64	126,855,196.33
Including: Interest payable			
Dividend payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year		12,798,898.36	9,507,198.34
Other current liabilities		39,462,518.28	67,830,207.96
Total current liabilities		3,483,796,309.35	4,053,464,207.24
Non-current liabilities:			
Long-term loans		110,000,000.00	110,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee salary payable		25,300,897.48	38,644,746.62
Estimated Liabilities		1,962,613.99	1,962,613.99
Deferred income		95,786,633.19	96,254,651.84
Deferred tax liabilities		22,695,210.00	19,984,830.00
Other non-current liabilities			
Total non-current liabilities		255,745,354.66	266,846,842.45
Total liabilities		3,739,541,664.01	4,320,311,049.69

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Shareholder's equity:			
Share capital		1,123,645,275.00	1,123,645,275.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,561,176,415.62	2,561,176,415.62
Less: Treasury shares			
Other comprehensive income			
Special reserves		28,489.68	
Surplus reserves		427,002,499.76	427,002,499.76
Retained earnings		1,666,716,608.50	973,502,644.68
Total shareholder's equity		5,778,569,288.56	5,085,326,835.06
Total liabilities and shareholder's equity		9,518,110,952.57	9,405,637,884.75

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
1. Total operating revenue		6,630,331,281.57	5,631,797,809.93
Including: Operating revenue	Note 51	6,550,726,514.79	5,575,101,589.75
Interest income	Note 52	74,636,601.43	53,288,535.72
Premium earned			
Fees and commission income	Note 53	4,968,165.35	3,407,684.46
2. Total cost of operation		5,927,839,751.42	5,074,524,744.86
Including: Cost of operation	Note 51	5,483,733,869.53	4,590,934,012.13
Interest expenses	Note 52	10,371,808.42	10,979,674.37
Fees and commission expense	Note 53	273,748.70	301,437.15
Taxes and surcharges	Note 54	24,167,147.49	24,412,615.64
Selling expenses	Note 55	66,207,655.04	77,884,334.74
Administrative expenses	Note 56	158,908,787.57	159,139,342.52
R & D expenses	Note 57	186,386,944.21	187,715,339.78
Financial expenses	Note 58	-2,210,209.54	23,157,988.53
Including: Interest expenses		12,495,853.25	14,429,371.78
Interest income		1,431,615.26	1,519,298.92
Add: Other income	Note 59	13,387,620.04	17,263,421.41
Investment income (Losses listed as "-")	Note 60	32,825,671.32	560,541,212.06
Including: Income from investments in associates and joint ventures		4,501,370.69	2,703,971.43
Termination of Recognized Income of Financial Assets Measured at Amortized Cost (Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")	Note 61	-86,421,175.31	13,535,606.94
Loss on impairment of credit (Losses listed as "-")	Note 62	-74,465,404.30	-58,024,911.35

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
Loss on impairment on assets (Losses listed as "-")	Note 63	-1,630,983.93	-568,744,258.25
Asset disposal income (Losses listed as "-")	Note 64	648,065.96	3,388,682.05
3. Operating profit (Losses listed as "-")		586,835,323.93	525,232,817.93
Add: Non-operating income	Note 65	3,781,734.44	6,377,214.92
Less: Non-operating expenses	Note 66	1,742,372.23	442,973.89
4. Total profit (Total loss listed as "-")		588,874,686.14	531,167,058.96
Less: Income tax expenses	Note 67	7,489,261.82	17,306,689.99
5. Net profit (Net loss listed as "-")		581,385,424.32	513,860,368.97
(1) classification according to the continuity of operation			
1. Continuous operating net profit (Net loss listed as "-")		581,385,424.32	513,860,368.97
2. Termination of net profit (Net loss listed as "-")			
(2) classification of ownership according to ownership			
1. Net profit attributable to shareholders of the parent company (Net loss listed as "-")		581,466,905.85	511,381,288.30
2. Minority interest (Net loss listed as "-")		-81,481.53	2,479,080.67
6. Net other comprehensive income after tax		-11,173,351.46	14,745,201.52
(I) Net other comprehensive income after tax attributable to owners of the parent company		-9,968,439.40	15,280,197.68
1. Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		-633,015.12	
(1) Re-measurement of Benefit Plan Change			

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
(2) Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			
(3) Changes in Fair Value of Investment in Other Equity Instruments		-633,015.12	
(4) Fair Value Change of Enterprise's Credit Risk			
2. Other comprehensive income that will be subsequently reclassified to profit and loss		-9,335,424.28	15,280,197.68
(1) Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
(2) Changes in Fair Value of Other Creditor's Rights Investment			
(3) Amount of financial assets reclassified into other comprehensive returns			
(4) Credit impairment reserve for other creditor's rights investment			
(5) Cash Flow Hedging Reserve			
(6) The Balance of Conversion of Foreign Currency Financial Statements		-9,335,424.28	15,280,197.68
(7) Others			
(II) Net other comprehensive income after tax attributable to minority interests		-1,204,912.06	-534,996.16

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
7. Total comprehensive income		570,212,072.86	528,605,570.49
(1) Total comprehensive income attributable to shareholders of the parent company		571,498,466.45	526,661,485.98
(2) Total comprehensive income attributable to minority interests		-1,286,393.59	1,944,084.51
8. Earnings per share:			
(1) Basic earnings per share (Yuan/share)		0.5175	0.4646
(2) Diluted earnings per share (Yuan/share)		0.5175	0.4646

If an enterprise merges under the same control in the current period, the net profit of the merged party before the merger is RMB0, and the net profit of the merged party in the previous period is RMB0.

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Income Statement of the Parent Company

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
1. Operating revenue	Note 4	5,453,372,167.82	4,421,650,677.68
Less: Cost of operation	Note 4	4,645,179,108.69	3,732,120,754.86
Taxes and surcharges		10,776,574.77	10,496,997.80
Selling expenses		9,328,938.75	13,047,312.78
Administrative expenses		91,016,585.41	85,543,261.45
R & D expenses		156,784,018.51	138,077,055.85
Financial expenses		-10,980,921.13	2,922,719.03
Including: Interest expenses		18,366,155.45	28,532,124.00
Interest income		29,357,396.82	26,387,408.15
Add: Other income		7,898,098.89	11,919,629.20
Investment income			
(Losses listed as "-")	Note 5	241,952,044.01	14,064,156.05
Including: income from investments in associates and joint ventures		4,336,752.69	2,794,664.17
Termination of Recognized Income of Financial Assets Measured at Amortized Cost (Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")		19,718,640.64	16,556,752.06
Loss on impairment on credit (Losses listed as "-")		3,829,669.57	-2,477,173.38
Loss on impairment of assets (Losses listed as "-")		4,882,263.06	-1,143,858.72
Asset disposal income (Losses listed as "-")		540,763.06	830,123.75

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Income Statement of the Parent Company (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
2. Operating profit (Losses listed as “-”)		830,089,342.05	479,192,204.87
Add: Non-operating income		2,746,818.62	3,278,829.89
Less: Non-operating expenses		466,299.91	442,973.89
3. Total profit (Total loss listed as “-”)		832,369,860.76	482,028,060.87
Less: Income tax expenses		6,160,177.41	5,847,542.64
4. Net profit (Net loss listed as “-”)		826,209,683.35	476,180,518.23
(1) Continuous operating net profit (Net loss listed as “-”)		826,209,683.35	476,180,518.23
(2) Termination of net profit (Net loss listed as “-”)			
5. Net other comprehensive income after tax			
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Re-measurement of Benefit Plan Change			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			
3. Changes in Fair Value of Investment in Other Equity Instruments			
4. Fair Value Change of Enterprise’s Credit Risk			

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Income Statement of the Parent Company (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
(2) Other comprehensive income that will be subsequently reclassified to profit and loss			
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Changes in Fair Value of Other Creditor's Rights Investment			
3. Amount of financial assets reclassified into other comprehensive returns			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements			
7. Others			
6. Total comprehensive income		826,209,683.35	476,180,518.23
7. Earnings per share:			
(1) Basic earnings per share (Yuan/share)			
(2) Diluted earnings per share (Yuan/share)			

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities:			
Cash from sale and render service		5,293,082,906.48	4,080,009,560.32
Net increase of customer's deposit and deposit taking of interbank		963,250,081.38	-175,177,261.41
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution		-200,000,000.00	-300,000,000.00
Cash from original insurance contract premium			
Net cash from reinsurance business			
Net increase of insured deposit and investment			
Interest, handling charges and commissions received		84,421,605.33	56,244,146.47
Net increase in funds deposit			
Net increase of repurchasing business funds		360,000,000.00	680,000,000.00
Refund of tax and levies		225,482,438.54	81,109,394.98
Cash relating to other operating activities	Note 68	25,675,559.96	84,554,661.92
Sub-total of cash inflows from operating activities		6,751,912,591.69	4,506,740,502.28

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
Cash payments for goods purchased and services received		3,612,947,257.57	3,236,130,866.46
Net increase in loans and payments on behalf		-461,862,052.29	-52,154,476.94
Net increase in deposits with centre bank and interbank		-411,208,291.10	-23,404,826.63
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		9,642,778.61	5,474,363.91
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		522,325,121.69	502,126,610.07
Payments of all types of taxes		75,022,100.05	84,077,223.20
Other cash payments relating to operating activities	Note 68	129,262,426.42	80,250,057.28
Sub-total of cash outflows from operating activities		3,476,129,340.95	3,832,499,817.35
Net cash flows from operating activities		3,275,783,250.74	674,240,684.93

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
2. Cash flows from investing activities:			
Cash received from disposals and withdraw on investment		1,201,000.00	2,961,441.60
Cash received from returns on investments		1,393,546.80	5,707,855.33
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		2,052,242.03	14,309,015.49
Net cash received from disposals of subsidiaries and other business units		61,016,327.59	
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		65,663,116.42	22,978,312.42
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		46,885,500.75	31,323,738.69
Cash payments to acquire investments		420,001,000.00	421,803,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		466,886,500.75	453,126,738.69
Net cash flows from investing activities		-401,223,384.33	-430,148,426.27

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
3. Cash flows from financing activities:			
Cash received from investors in making investment in the enterprise			697,999,997.00
Including: cash received from issuing shares of minority shareholders			
Cash received from the loans		460,300,000.00	80,000,000.00
Other cash received relating to financing activities	Note 68	7,883,193.22	
Sub-total of cash outflows from financing activities		468,183,193.22	777,999,997.00
Cash repayments of amounts borrowed		160,300,000.00	630,100,000.00
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		191,185,721.63	12,780,602.80
Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit		50,497,085.48	2,729,300.00
Other cash payments relating to financing activities	Note 68	4,450,610.70	7,835,368.87
Sub-total of cash outflows from financing activities		355,936,332.33	650,715,971.67
Net cash flows from financing activities		112,246,860.89	127,284,025.33

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>-7,090,173.88</u>	<u>-2,791,323.69</u>
5. Net increase in cash and cash equivalents		2,979,716,553.42	368,584,960.30
Add: Cash and cash equivalents at beginning of period		<u>2,146,767,725.61</u>	<u>1,186,932,825.81</u>
6. Cash and cash equivalents at end of period		<u><u>5,126,484,279.03</u></u>	<u><u>1,555,517,786.11</u></u>

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Cash Flow Statement of the Parent Company

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities:			
Cash from sale and render service		3,634,681,897.87	2,847,201,598.62
Refund of tax and levies		203,440,275.88	69,355,326.81
Cash relating to other business activities		197,475,091.42	70,787,505.88
		<u>4,035,597,265.17</u>	<u>2,987,344,431.31</u>
Sub-total of cash inflows from operating activities			
Cash payments for goods purchased and services received		2,508,017,331.37	2,197,689,641.64
Cash paid to and on behalf of employees		323,540,981.49	299,022,874.79
Payments of all types of taxes		11,875,810.21	11,972,923.63
Cash paid relating to other operating activities		103,163,255.28	25,870,271.16
		<u>2,946,597,378.35</u>	<u>2,534,555,711.22</u>
Sub-total of cash outflows from operating activities			
Net cash flows from operating activities		<u>1,088,999,886.82</u>	<u>452,788,720.09</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
2. Cash flows from investing activities:			
Cash received from disposals and withdraw on investment		231,200,000.00	100,029,133.00
Cash received from returns on investments		296,942,121.50	15,843,267.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,514,558.16	7,005,433.17
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		<u>536,656,679.66</u>	<u>122,877,833.47</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		32,281,158.51	16,979,822.46
Cash paid for investments		400,000,000.00	501,800,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		<u>432,281,158.51</u>	<u>518,779,822.46</u>
Net cash flows from investing activities		<u>104,375,521.15</u>	<u>-395,901,988.99</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
3. Cash flows from financing activities:			
Cash received from investment absorption			697,999,997.00
Cash received from the loans		980,000,000.00	980,000,000.00
Cash received relating to other financing activities		7,883,193.22	
Sub-total of cash inflows from financing activities		987,883,193.22	1,677,999,997.00
Cash repayments of amounts borrowed		1,570,000,000.00	1,470,100,000.00
Cash paid for dividends, profits appropriation or payments of interest		151,963,680.57	29,474,902.85
Cash paid relating to other financing activities		2,335,305.93	5,435,651.02
Sub-total of cash outflows from financing activities		1,724,298,986.50	1,505,010,553.87
Net cash flows from financing activities		-736,415,793.28	172,989,443.13
4. Effect of changes in foreign exchange rate on cash and cash equivalents		879.62	-206.90
5. Net increase in cash and cash equivalents		456,960,494.31	229,875,967.33
Add: Cash and cash equivalents at the beginning of the year		1,600,876,655.85	884,329,589.56
6. Cash and cash equivalents at the end of the year		2,057,837,150.16	1,114,205,556.89

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Amount in this year												Total owners' equity		
	The owner's equity attributable to parent company											Minority equity			
	Paid-in capital (or stock)	Other equity instrument			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings			Others	Subtotal
	Preferred shares	Perpetual bond	Others												
I. Closing balance of prior year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,763.59	43,263,367.54	1,086,069,065.52		5,402,078,873.33	580,144,273.34	5,982,223,146.67
Add: accounting policy changes															
Prior errors' correction															
Enterprise merger under the same control															
Others															
II. Balance at the beginning of current year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,763.59	43,263,367.54	1,086,069,065.52		5,402,078,873.33	580,144,273.34	5,982,223,146.67
III. Increase/decreases in current year (Decrease listed as "-")															
(I) Total comprehensive income															
(II) Capital contributed by owners and capital decreases															
1. Capital contributed by owner															
2. Holders of other equity instruments invested capital															
3. The amount of the shares paid into the shareholders' rights and interests															
4. Others															
(III) Profit distribution															
1. Appropriation of surplus reserve															
2. Extraction of general risk reserves															
3. Profit distributed to owners (or stockholders)															
4. Others															
(IV) Transfers within the owners' equity															
1. Capital (or stock) transferred from capital surplus															
2. Capital (or stock) transferred from surplus reserve															
3. Recovery of losses by surplus reserve															
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves															
1. Extraction of special reserves															
2. Use of special reserves															
(VI) Others															
IV. Balance at the end of current year	1,123,645,275.00				2,655,849,996.00		-21,678,860.84	4,344,636.41	501,495,763.59	43,263,367.54	1,534,540,271.84		5,841,460,889.54	577,414,832.35	6,418,875,521.89

SECTION X FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Amount in last year												Total owners' equity		
	The owner's equity attributable to parent company											Minority equity			
	Paid-in capital (or stock)	Preferred shares	Other equity instrument Perpetual bond	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings			Others	Subtotal
I. Closing balance of prior year	965,850,000.00				2,099,466,626.33		-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	795,064,178.33		4,338,179,097.26	637,342,739.85	4,975,521,837.11
Add: accounting policy changes															
Prior errors' correction															
Enterprise merger under the same control															
Others															
II. Balance at the beginning of current year	965,850,000.00				2,099,466,626.33		-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	795,064,178.33		4,338,179,097.26	637,342,739.85	4,975,521,837.11
III. Increases/decreases in current year (Decrease listed as "-")	137,795,275.00				556,383,369.67		15,280,197.68	1,087,951.43			427,107,692.68		1,137,654,696.46	-3,445,135.17	1,134,209,561.29
(I) Total comprehensive income							15,280,197.68				511,381,288.30		528,661,485.98	1,944,084.51	528,626,570.49
(II) Capital contributed by owners and capital decreases	137,795,275.00				556,383,369.67								694,178,644.67		694,178,644.67
1. Capital contributed by owner	137,795,275.00				556,383,369.67								694,178,644.67		694,178,644.67
2. Holders of other equity instruments invested capital															
3. The amount of the shares paid into the shareholders' rights and interests															
4. Others															
(III) Profit distribution											-84,273,395.62		-84,273,395.62	-5,458,600.00	-89,731,995.62
1. Appropriation of surplus reserve											-84,273,395.62		-84,273,395.62		
2. Extraction of general risk reserves															
3. Profit distributed to owners (or stockholders)															
4. Others															
(IV) Transfers within the owners' equity															
1. Capital (or stock) transferred from capital surplus															
2. Capital (or stock) transferred from surplus reserve															
3. Recovery of losses by surplus reserve															
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves								1,087,951.43					1,087,951.43	69,380.32	1,157,331.75
1. Extraction of special reserves								7,657,705.91					7,657,705.91	562,760.06	8,220,465.97
2. Use of special reserves								6,569,754.48					6,569,754.48	493,379.74	7,063,134.22
(VI) Others															
IV. Balance at the end of current year	1,123,645,275.00				2,655,849,996.00		-11,680,535.48	4,103,412.65	442,101,172.16	39,642,392.38	1,222,172,071.01		5,475,833,783.72	633,897,604.68	6,109,731,388.40

Legal Representative:
Liu JiguoChief Financial Officer:
Liu JiguoAccounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Amount in this year									Total owners' equity	
	Paid-in capital (or stock)	Preferred shares	Other equity instrument Perpetual bond	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve		Retained earnings
I. Closing balance of prior year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68	5,085,326,835.03
Add: accounting policy changes											
Prior errors' correction											
Others											
II. Balance at the beginning of current year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68	5,085,326,835.03
III. Increases/decreases in current year (Decrease listed as "-")									28,489.68	693,213,963.82	693,242,453.50
(I) Total comprehensive income										826,209,683.35	826,209,683.35
(II) Capital contributed by owners and capital decreases											
1. Capital contributed by owner											
2. Holders of other equity instruments invested capital											
3. The amount of the shares paid into the shareholders' rights and interests											
4. Others											
(III) Profit distribution										-132,995,719.53	-132,995,719.53
1. Appropriation of surplus reserve										-132,995,719.53	-132,995,719.53
2. Profit distributed to owners (or stockholders)										-132,995,719.53	-132,995,719.53
3. Others											
(IV) Transfers within the owners' equity											
1. Capital (or stock) transferred from capital surplus											
2. Capital (or stock) transferred from surplus reserve											
3. Recovery of losses by surplus reserve											
4. Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves								28,489.68			28,489.68
1. Extraction of special reserves								4,038,251.58			4,038,251.58
2. Use of special reserves								4,009,761.90			4,009,761.90
(VI) Others											
IV. Balance at the end of current year	1,123,645,275.00				2,561,176,415.62			28,489.68	427,002,499.76	1,666,716,608.50	5,778,569,288.56

SECTION X FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY (CONTINUED)

January 1 to June 30, 2022

Unit: Yuan Currency: RMB

Item	Amount in last year										
	Paid-in capital (or stock)	Other equity instrument			Capital reserve	Other comprehensive income		Special reserves	Surplus reserve	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bond	Others		Less: treasury stock					
I. Closing balance of prior year	985,850,000.00				2,004,793,045.95				367,607,888.33	523,139,843.31	3,881,390,777.59
Add: accounting policy changes											
Prior errors' correction											
Others											
II. Balance at the beginning of current year	985,850,000.00				2,004,793,045.95				367,607,888.33	523,139,843.31	3,881,390,777.59
III. Increases/decreases in current year (Decrease listed as "-")	137,795,275.00				556,383,369.67			590,027.96		391,907,122.61	1,066,675,795.24
(I) Total comprehensive income										476,180,518.23	476,180,518.23
(II) Capital contributed by owners and capital decreases	137,795,275.00				556,383,369.67						694,178,644.67
1. Capital contributed by owner	137,795,275.00				556,383,369.67						694,178,644.67
2. Holders of other equity instruments invested capital											
3. The amount of the shares paid into the shareholders' rights and interests											
4. Others											
(III) Profit distribution										-84,273,395.62	-84,273,395.62
1. Appropriation of surplus reserve										-84,273,395.62	-84,273,395.62
2. Profit distributed to owners (or stockholders)										-84,273,395.62	-84,273,395.62
3. Others											
(IV) Transfers within the owners' equity											
1. Capital (or stock) transferred from capital surplus											
2. Capital (or stock) transferred from surplus reserve											
3. Recovery of losses by surplus reserve											
4. Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves								590,027.96			590,027.96
1. Extraction of special reserves								4,931,512.43			4,931,512.43
2. Use of special reserves								4,341,484.47			-4,341,484.47
(VI) Others											
IV. Balance at the end of current year	1,123,645,275.00				2,561,176,415.62			590,027.96	367,607,888.33	915,046,965.92	4,968,066,572.83

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Yao Weidong

SECTION X FINANCIAL STATEMENTS (CONTINUED)

I. GENERAL INFORMATION OF THE COMPANY

Company profile

First Tractor Company Limited (referred hereunder as the “Company”; the Company together with its subsidiaries are referred as the “Group”) is a limited company located in People’s Republic of China and established on May 8, 1997. the Company took over the principle business on tractor manufacturing and the corresponding assets and liabilities of YTO Group Corporation (referred hereunder as the “YTO Group”), with the net assets of RMB636,346,000 equivalent to 450,000,000 state-owned corporation shares held by the Company, according to the reorganization plan effective from December 31, 1996. Thereafter, the Company issues 335,000,000 H shares (par value: RMB1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB785,000,000. The Company has been listed in Hong Kong Exchanges and Clearing Limited (“HKEx”) since June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares with the price of HKD3.95/share, which increased the registered and paid-up share capital of the Company to RMB845,900,000. According to the Permission [2012] No. 736 of China Securities Regulatory Commission, the Company was approved to publicly issue RMB common stocks not exceeding 150,000,000 shares, and the Company actually issued 150,000,000 shares with the issue price of RMB5.40/share on July 27, 2012. The total proceed from the issuance of shares was received by the Company on August 1, 2012. The Company was listed and started to trade in Shanghai Stocks Exchange on August 8, 2012. The registered and paid-up share capital of the Company had increased to RMB995,900,000.

Approved by the 2015 annual general meeting, the first meeting of 2016 A share class shareholders’ meeting, and the first meeting of 2016 H share class shareholders’ meeting, the total number of H shares repurchased and cancelled by the Company from July 19, 2016 to May 26, 2017 was 10,050,000 shares.

In January 2021, China YTO Group Co., Ltd. received the China Securities Regulatory Commission’s “Approval for the Non-public Issuance of Shares by First Tractor Company Limited”, and increased the company’s capital by a net amount of RMB694,178,644.67, which is included in “share capital” of RMB137,795,275.00 and which is included in the “capital reserve – share capital premium” of RMB556,383,369.67.

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by June 30, 2022, the total capital stock of company is 1,123,645,275.00 shares and registered capital is RMB1,123,645,275.00. The registered address of business license of the Company is No. 154 Construction Road, Luoyang, Henan Province. The parent company of the Company is YTO Group Corporation (referred hereunder as the “YTO Group”) and the ultimate controlling party of the YTO Group is China National Machinery Industry Corporation (referred hereunder as the “SinoMach Group”).

SECTION X FINANCIAL STATEMENTS (CONTINUED)

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

Company profile (Continued)

The Group is in agricultural machinery manufacturing industry. Its business scope mainly includes manufacturing and selling agricultural machineries, diesel engines and fuel injections, other machineries and operating business of finance company.

The financial statements are reported in August 25, 2022 by the board of directors of the Group.

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group include 13 companies, which are:

The name of subsidiaries	The type of Subsidiaries	Rank	Holding Ratio (%)	Representative Ratio (%)
Zhongfei Heavy Industry Investment Co., Ltd.	holding subsidiaries	2	55.00	55.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	participating stock subsidiaries	2	33.33	66.66
Luoyang Tractor Research Institute Co., Ltd.	holding subsidiaries	2	51.00	51.00
YTO International Economic and Trade Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang)Flag Auto-Body Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Fuel Injection Co., Ltd.	holding subsidiaries	2	86.11	86.11
Brilliance China Machinery Holding Co., Ltd.	holding subsidiaries	2	90.10	90.10
Luoyang Changxing Agricultural Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
China YTO Group Finance Limited Liability Company	holding subsidiaries	2	98.79	98.79
YTO (Luoyang) Diesel Engine Co., Ltd.	holding subsidiaries	2	85.47	85.47
YTO (Luoyang) Shunxing Parts Limited Liability Company	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Foundry Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO Belarus Technology Co. Ltd.	wholly-owned subsidiaries	2	100.00	100.00



SECTION X FINANCIAL STATEMENTS (CONTINUED)

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The reason why that the proportion of the subsidiary is different from the proportion of the voting rights and holding half or below the voting power but still controlling the unit invested can refer to VIII. Interests in other entities 1. Interests in Subsidiaries.

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

Based on the transactions and events incurred, recognition and measurement shall be carried out in accordance with the Enterprise Accounting Standards – Basic Standards and Specific Enterprise Accounting Standards promulgated by the Ministry of Finance, the Guidelines for the Application of Enterprise Accounting Standards, the Interpretation of Enterprise Accounting Standards and other relevant provisions (hereinafter collectively referred as “ASBEs”). On this basis, we prepare financial statements in accordance with the disclosure provisions of Regulations on the Compilation Rules of Information Disclosure of Public Securities Companies No. 15 – General Provisions on Financial Reporting (Amended in 2014) promulgated by China Securities Regulatory Commission, Disclosure Provisions of Securities Listing Rules and Hong Kong Companies Ordinance of the Hong Kong Stock Exchange, and the accounting policies stated in the Note IV. Principal accounting policies and accounting estimates.

2. Going concern

The sustainability of the 12 months of the report from the end of the period has been evaluated. No significant matters or situation has been found which could influence the ability to maintain its sustainability. Therefore, the financial statements are based on the assumption of going concern.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Specific accounting policies and accounting estimates

Based on historical experience and other factors, including reasonable expectations for future events, the Group carries out a continuous evaluation of the important accounting estimates and key assumptions adopted. If significant changes occur, the following important accounting estimates and key assumptions may lead to a significant impact on the asset and liability value of the future accounting year:

- (a) Impairment of receivables. The management of the Group assesses the credit risk based on the relevant asset portfolio and measures its loss provision based on the amount of expected credit losses over the life of the Group. If the expected figures are different from the original estimates, the difference will affect the book value of accounts receivable, as well as the impairment charges during the estimated changes.
- (b) Estimation of inventory impairment. The management of the Group has measured the lower of the cost and the net realizable value on the balance sheet day and the calculation of the net realizable value needs to be assumed and estimated. If the management of the Group revise the costs when estimating the selling price or project completed, it will affect the estimation of net realizable value of inventory, the differences of estimation will affect the provision of inventory depreciation.
- (c) Estimated useful life and estimated net residual value of fixed assets. The estimated useful life and estimated net residual value of fixed assets are based on the past actual life and actual net residual value of fixed assets with similar properties and functions. In the process of using fixed assets, the economic environment, technical environment and other environment may have a greater impact on the useful life and estimated net residual value of fixed assets. If the estimated useful life and net residual value of fixed assets differ from the original estimate, management will make appropriate adjustments.
- (d) The fair value of financial assets. The Group determines the fair value of financial instruments that do not have an active market using various valuation techniques including discounted cash flow method. For an available-for-sale financial asset that is legally restricted to the Group's disposal during a specified period, its fair value is based on market quotes and adjusted based on the characteristics of the instrument. At the time of valuation, the Group needs to estimate the credit risk, market volatility and correlation of itself and counterparties, and the changes in these related factors assumptions will affect the fair value of financial instruments.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Specific accounting policies and accounting estimates (Continued)

- (e) Deferred income tax assets and deferred income tax liabilities. In recognizing deferred income tax assets, the Group has considered the possibility of deductible temporary differences and the reversal of deductible losses. The deductible temporary differences mainly include the asset impairment provision, the accrued expenses that have not been approved for pre-tax deduction, and the impact of offsetting internal unrealized profits. The recognition of deferred income tax assets is based on the Group's expectation that the deductible temporary difference and the deductible losses can be reversed in the foreseeable future by generating sufficient taxable income through continuing operations.

The Group has provided current income tax and deferred income tax based on current tax law requirements and current best estimates and fake designs. If the future changes due to tax laws or related circumstances, the Group needs to adjust the current income tax and deferred income tax.

- (f) Income tax. In normal business activities, the tax treatment in many transactions and matters are uncertain. A significant decision on the income tax is needed. If the final identification result of these tax matters is different from the amount originally entered the account, the difference will affect the amount of tax payable during the final determination period.

2. Statement of compliance of Accounting Standards for Business Enterprises

In accordance with the Accounting Standards for Business Enterprises (ASBEs), the financial statements of the Group truly and completely present the financial position of the Group 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 Regulatory 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 Group 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 Chinese ASBEs will be provided to shareholders of A shares and H shares of the Group with consideration of disclosure of the rules of the Hong Kong.

3. Accounting year

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

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Recording currency

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

The currency used by the Group at the time of the preparation of this financial statement is RMB.

5. Accounting method for business combination under the common control and not under the common control

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

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

(b) Enterprise merger under common control

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

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting method for business combination under the common control and not under the common control (Continued)

(b) Enterprise merger under common control (Continued)

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 Group 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 Group. the Group generally believes that the transfer of control is realized when the following conditions are met:

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

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting method for business combination under the common control and not under the common control (Continued)

(c) *Enterprise merger not under common control (Continued)*

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

The merger of enterprises under different control, which is realized step by step through multiple exchange transactions, belongs to a package transaction, and each transaction is treated as a transaction that gains control. When it does not belong to a package deal, the equity investments held before the merger date are accounted for by the equity method, the initial cost of investment is the sum of the book value of the equity investment held by the purchaser before the purchase date and the additional investment cost on the purchase date. When disposing the equity investment whose other comprehensive income recognized by equity method for equity investment hold before purchase date shall be conducted on the same basis as direct disposal of related assets or liabilities by the invested entity. The initial investment cost of equity investment accounting by financial instrument recognition and measurement standards on merger date is the sum of the fair value on the date of merger and the additional investment cost. The difference between the fair value and the book value of the original ownership, as well as the changes in the accumulated fair value originally included in other comprehensive gains, shall all be transferred to the investment income of the current period on the merger date.

(d) *The costs of merger*

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

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

(a) *Scope of the merger*

The consolidation scope of the Group includes all subsidiaries controlled.

(b) *Consolidated procedures*

Based on the financial statements of their own and each subsidiary, the Group prepare the consolidated financial statements refer to other relevant information. The Group 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 Group, the necessary adjustment period according to the Group's accounting policies and accounting is needed.

The consolidated financial statements set off the internal transactions between the Group 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 consolidated financial statements and the subsidiaries are different for the same transactions, the transitions 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 imbalance 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.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Category on joint arrangement and accounting treatment on joint operations

The joint arrangement of the Group includes joint operations and joint venture entities. For joint operations, the Group, as the joint operator of the joint operations, recognises assets and liabilities solely held and liabilities assumed by the Group, recognises assets and liabilities jointly owned proportionally, and recognises income and expenses solely or proportionally based on the related agreements. When the Group incurs asset transactions of purchase and sales not constituting to business transactions, the Group only recognizes the portion of profit or loss generated due to the transaction attributable to other parties of the joint operations.

8. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are held less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

9. Translation for financial statements of foreign exchange

(1) *Transactions involving foreign currencies*

Foreign currency transactions of the Group are recognized and are translated into RMB at the spot exchange rate on the date of the transaction.

The monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance date. Except for the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into current profit or loss. For non-monetary items measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB is consistent.

When convert non-monetary items into foreign currency by the fair value of the spot exchange rate, the exchange difference is counted as the profits and losses of the current period as the profit and loss of the fair value change. If non-monetary item used for sale of foreign currency, the balance of exchange formed into other comprehensive benefits.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Translation for financial statements of foreign exchange (Continued)

(2) *Foreign currency translation of financial statements*

The asset and liability items in the foreign currency balance sheets are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for retained earnings, are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate during the accounting period. The difference caused by above translation are separately presented under other comprehensive income.

When dealing with overseas operations, the difference between other comprehensive income items in the balance sheet and equivalent items of overseas operations in the foreign currency financial statements shall be transferred from other comprehensive income items to the current profits and losses. When disposing part of equity investment or other situation which leads to a reduction in the proportion of overseas business rights and interests but not lose control of overseas business, the difference between the foreign currency statements related to the overseas operation and disposal will be attributable to minority shareholders' rights and interests which means it will not be transferred into current profits or losses. When dealing with partial shares of overseas operation as a joint venture or an associate, the difference between the foreign currency statements related to the overseas operation is transferred to the current profit or loss according to the proportion of the overseas operation.

10. Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and amortizing interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected lifetime to the book balance of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis of considering all contractual terms of financial assets or financial liabilities (such as early repayment, rollovers, call options or other similar options, etc.), but the expected credit losses are not considered.

The amortized cost of a financial asset or financial liability is amount of the financial asset or financial liability minus the principal repaid, plus or minus the actual interest rate method between the initial recognition amount and the amount due the accumulated amortization amount formed by the difference is amortized, and then the accumulated loss provision is deducted (only applicable to financial assets).

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Category of financial instruments*

The Group classifies financial assets into the following three categories based on the characteristics of business model of the financial assets under management and the contractual cash flow of financial assets management:

- (a) Financial assets measured at amortized cost.
- (b) Financial assets measured at fair value and its changes are accounted in other comprehensive income.
- (c) Financial assets measured at fair value and its changes are accounted in loss and profit in the current period.

Financial assets are measured at fair value at the time of initial recognition, but accounts receivable or notes receivable result from the sale of goods or the provision of services which do not have significant financing factor or do not take into account the financing factor for no more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value are accounted in loss and profit in the current period, the relevant transaction costs are directly accounted in loss and profit, and the relevant transaction costs of other types of financial assets are accounted in the initially recognized amount.

The subsequent measurement of financial assets depends on their classification. If and only if the company changes the business model of managing financial assets, all the affected related financial assets will be reclassified.

1) *Financial assets classified as measured at amortized cost*

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business mode of managing the financial assets is to collect the contract cash flow, then the Company classifies the financial assets into financial assets measured at amortized cost. The Company classified financial assets as financial assets classified as measured at amortized cost include monetary capital, notes receivable, accounts receivable, other receivables, long-term receivables, debt investment and so on.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

1) *Financial assets classified as measured at amortized cost (Continued)*

The Group adopts the effective interest rate method to recognize the interest income of such financial assets, and subsequent measurement based on the amortized cost. The gains or losses from impairment or derecognition or modification are accounted in the current profit and loss. Except for the following situations, the Company calculates and determines the interest income based on the book balance of financial assets multiplied by the actual interest rate:

- a) For the purchased or original financial assets with credit impairment, the company shall calculate and determine the interest income based on the amortized cost of the financial assets and the actual interest rate adjusted by credit as the initial recognition.
- b) For the financial assets that have no credit impairment when purchased or initially but have credit impairment in the subsequent period, the Company will calculate and determine the interest income based on the amortized cost and actual interest rate of the financial assets in the subsequent period. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the Company will calculate and determine the interest income by multiplying the actual interest rate by the book balance of the financial asset.

2) *Financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income*

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business mode of managing the financial assets is to receive the contract cash flow and sell the financial assets, then the company classifies the financial assets as financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income.

The Group adopts the effective interest rate method to recognize the interest income of such financial assets. Except that interest income, impairment loss and exchange difference are accounted in loss and profit in current period, other changes in fair value are accounted in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously accounted in other comprehensive income are transferred out and accounted in the current profit and loss.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

- 2) *Financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income (Continued)*

Notes receivable and accounts receivable measured at fair value with changes accounted in other comprehensive income are presented as receivables financing, and other financial assets are presented as other debt investment. In which, other debt investment due within one year from the balance sheet date is presented as non-current assets due within one year, and other debt investment originally due within one year is presented as other current assets.

- 3) *Financial assets designated at fair value and its changes are accounted in other comprehensive income*

At initial recognition, the Group can irrevocably designate non-tradable equity instrument investment as a financial asset designated at fair value and its changes are accounted in other comprehensive income.

Changes in the fair value of this kind of financial assets are accounted in other comprehensive income, and no provision for impairment is required. When the financial asset is derecognized, the accumulated gains or losses previously accounted in other comprehensive income are transferred out and are accounted in retained earnings. During the period when the company holds the equity instrument investment, when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amounts of dividends can be reliably measured, the dividend income shall be recognized and accounted in loss and profit in current period. The Company's investment in such financial assets are presented in other equity instruments.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

- 4) *Financial assets classified as measured at fair value and its changes are accounted in loss and profit in current period*

An equity instrument investment that meets one of the following conditions is a financial asset measured at fair value and its changes are accounted in loss and profit in current period: I. The purpose of acquiring the financial assets is mainly to sell them in short term. II. At the time of initial recognition, it is part of the identifiable financial asset portfolio under centralized management, and there is objective evidence that there is a short-term profit model in short term. III. Derivative instruments (excluding derivatives that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

Financial assets that do not meet the conditions of being classified as financial assets measured at amortized cost or fair value and its changes are accounted in other comprehensive income, or are not designated as financial assets measured at fair value and its changes are accounted in other comprehensive income are classified as financial assets measured at fair value and its changes are accounted in loss and profit in current period.

The Group adopts fair value for subsequent measurement of such financial assets, and the gains or losses from changes in fair value and dividends and interest income related to such financial assets are accounted in profit and loss in current period.

The Group presents such financial assets in trading financial assets and other non-current financial assets as their liquidity.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

- 5) *Financial assets designated to be measured at fair value and its changes are accounted in loss a profit in current period*

At initial recognition, in order to eliminate or significantly reduce accounting mismatch, the company can irrevocably designate financial assets as financial assets designated to be measured at fair value and its changes are accounted in loss a profit in current period.

If the mixed contract includes one or more embedded derivatives and its main contract does not belong to the above financial assets, the Company can designate it as financial assets designated to be measured at fair value and its changes are accounted in loss a profit in current period. Except for:

- a) Embedded derivatives will not significantly change the cash flow of mixed contracts.
- b) When determining whether a similar mixed contract needs to be split for the first time, it is almost unnecessary to analyze whether the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to prepay the loan in an amount close to the amortized cost, the prepayment right does not need to be split.

The Group adopts fair value for subsequent measurement of such financial assets, and the gains or losses from changes in fair value and dividends and interest income related to such financial assets are accounted in loss a profit in current period.

The Group presents such financial assets in trading financial assets and other non-current financial assets based on their liquidity.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Classification, Confirmation and measurement of financial liabilities

The Group classifies the financial instrument or its components as financial liabilities or equity instruments at the initial recognition based on the contract terms of the issued financial instruments and the economic substance reflected, rather than in legal form only, in combination with the definition of financial liabilities and equity instruments. Financial liabilities are classified as financial liabilities measured at fair value and its changes are accounted in loss a profit in current period, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value and its changes are accounted in loss a profit in current periods, relevant transaction costs are directly accounted in current profit and loss. For other types of financial liabilities, relevant transaction costs are accounted in the initially recognized amount.

Subsequent measurement of financial liabilities depends on their classification:

1) Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period

Such financial liabilities include trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated to be measured at fair value at the time of initial recognition and its changes are accounted in loss and profit in current period.

If one of the following conditions is met, it belongs to trading financial liabilities: I. The purpose of undertaking related financial liabilities is mainly to sell or repurchase in the short term. II. It is part of the identifiable financial instrument portfolio under centralized management, and there is objective evidence that the enterprise adopts the short-term profit mode in short term. III. It is a derivative instrument, except for the derivative instrument designated as an effective hedging instrument and the derivative instrument conforming to the financial guarantee contract. Trading financial liabilities (including derivatives belonging to financial liabilities) are subsequently measured at fair value. Except for those related to hedge accounting, all changes in fair value are accounted in loss and profit in current period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) *Classification, Confirmation and measurement of financial liabilities (Continued)*

- 1) *Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period (Continued)*

At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value and its changes are accounted in loss and profit in current period:

- a) Can eliminate or significantly reduce accounting mismatches.
- b) According to the enterprise risk management or investment strategy stated in the formal written document, manage and evaluate the financial liabilities portfolio or financial assets and financial liabilities portfolio on the basis of fair value, and report to the key management personnel within the enterprise on this basis.

The Group adopts fair value for subsequent measurement of such financial liabilities. Except for the changes in fair value caused by changes in the Company's own credit risk, other changes in fair value are accounted in loss and profit in current period. Unless changes in fair value caused by changes in the Company's own credit risk are accounted in other comprehensive income, which will cause or expand accounting mismatch in profit and loss, the Company will account all changes in fair value (including the impact amount of changes in its own credit risk) in loss and profit in current period.

- 2) *Other financial liabilities*

In addition to the following items, the Group classifies financial liabilities as financial liabilities measured at amortized cost. For such financial liabilities, the effective interest method is adopted, and subsequent measurement is carried out based on amortized cost. Gains or losses arising from derecognition or amortization are accounted in loss and profit in current period:

- a) Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period.
- b) Financial liabilities formed by transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets.
- c) Financial guarantee contracts that do not belong to the first two categories of this article, and loan commitments that do not belong to the first category of this article, and loans at lower than market interest rates.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Classification, Confirmation and measurement of financial liabilities (Continued)

2) Other financial liabilities (Continued)

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay its debts in accordance with the terms of the original or modified debt instrument when contract due. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and its changes are accounted in loss and profit in current period shall be measured after initial recognition based on the higher of the amount of loss reserves and the balance of initially recognized amount after deducting the accumulated amortization within the guarantee period.

(3) The confirmation of termination of financial instruments

(a) When a financial asset satisfies one of the following conditions, it shall be terminated:

- I. Termination of the contractual right to collect cash flow from the financial asset.
- II. The financial assets have been transferred, meanwhile, the transfer satisfies the requirements of financial assets termination.

(b) Conditions for the confirmation of termination of financial liabilities

If the current obligation of the financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognised.

If the Group and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the new financial liabilities are substantially different from the original financial liabilities or a substantial change is made to the contractual terms of the original financial liability (or part thereof), the original financial liabilities will be terminated and new financial liabilities will be confirmed, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is accounted in profit or loss in current period.

If the Group repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognised portion on the repurchase date. The difference between the book value assigned to the derecognised portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit and loss.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) Recognition and measurement of financial assets transfer

When the financial assets transfer occurs, the Group assesses the extent of the risks and rewards of retaining the ownership of financial assets, and handles the following situations:

- I. If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
- II. If retain almost all the risks and rewards of ownership of financial assets, continue to confirm the financial assets.
- III. If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e. other than paragraphs I and II), then according to whether or not they retain control over financial assets, the following situations are dealt with respectively:
 - i. If the financial assets are not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
 - ii. If the control of the financial assets is retained, the relevant financial assets shall continue to be recognized according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognized accordingly. The extent of continuing involvement in the transferred financial assets refers to the extent to which the Group assumes the risk or reward of changes in the value of the transferred financial assets.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) Recognition and measurement of financial assets transfer (Continued)

When judging whether the transfer of financial assets meets the above conditions for termination of recognition of financial assets, the principle of substance over form is adopted. the Group divides the transfer of financial assets into the overall transfer of financial assets and the partial transfer of financial assets:

- (a) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:
 - I. The book value of the transferred financial assets on the date of termination confirmation.
 - II. The consideration received for the transfer of financial assets is the sum of the amount corresponding to the termination confirmation in the cumulative amount of changes in fair value that was originally recognised directly in other comprehensive income. (The financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income.)
- (b) If part of the financial assets is transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the financial assets as a whole will be transferred between the derecognised part and the continuation confirmation part (in this case, the retained service assets shall be deemed to be part of the continuing recognition of the financial assets. They shall be apportioned according to their respective fair values on the transfer date, and the difference between the following two amounts shall be included in the current profit and loss:
 - I. The book value of the derecognised part on the date of termination confirmation.
 - II. The consideration received by the derecognised part is the sum of the amount corresponding to the derecognised part of the cumulative amount of changes in fair value previously included in other comprehensive income. (The financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income.)

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets are continually recognized and the consideration received is recognized as a financial liability.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(5) *The method of determining the fair value of financial assets and financial liabilities*

Financial assets or financial liabilities in an active market are determined by quoted prices in active markets, unless the financial asset has a restricted period for the asset itself. For the financial assets limited to sale for the asset itself, the compensation amount required by the market participants for bearing the risk that the financial assets cannot be sold on the open market within the specified period shall be deducted from the quotation of the active market. Quoted prices in active markets include easy and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory agencies. A quote for an asset or liability that represents a market transaction that actually and frequently occurs on the basis of fair trade.

Financial assets initially acquired or derived or financial liabilities assumed are based on market transaction prices as the basis for determining their fair value.

There are no financial assets or financial liabilities in an active market, and valuation techniques are used to determine their fair value. At the time of valuation, the Group adopts valuation techniques that are applicable in the current circumstances and that are sufficient to support the use of data and other information, and are selected to be consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. Enter values and use the relevant observable input values as much as possible. Unobservable input values are used where the relevant observable input values are not available or are not practicable.

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*

The Group conducts impairment accounting for financial assets measured at amortized cost based on expected credit losses and recognizes loss provisions.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows discounted by the group at the original effective interest rate, that is, the present value of all cash shortages. Among them, the financial assets purchased or originated by the group that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

For the receivables, contract assets and lease receivables formed by transactions regulated by the income standard, the company uses a simplified measurement method to measure the loss provision according to the amount equivalent to the expected credit loss throughout the lifetime.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*
(Continued)

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses for the entire duration of the period since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the lifetime is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss for the entire duration determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognized as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets that have been purchased or originated from credit impairment, the company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and according to the following circumstances measure their loss reserves, confirm expected credit losses and their changes:

- (1) If the credit risk of the financial instrument has not increased significantly since the initial confirmation and is in the first stage, then the financial instrument shall be measured for its loss allowance at an amount equivalent to the expected credit loss of the financial instrument within the next 12 months, and shall be based on the book balance and the actual interest rate to calculate interest income.
- (2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, and its loss reserve is measured by the amount equivalent to the expected credit loss of the financial instrument throughout its lifetime, and calculate the interest income according to the book balance and the actual interest rate.
- (3) If the financial instrument has undergone credit impairment since initial recognition, it is in the third stage. The company measures its loss reserve at an amount equivalent to the expected credit loss for the entire lifetime of the financial instrument, and at amortized cost and the actual interest rate to calculate interest income.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as fair value and whose changes are included in other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the company recognizes its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed in the balance sheet.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*
(Continued)

In the previous accounting period, the group has measured the loss provision according to the amount of expected credit losses for the entire duration of the financial instrument, but on the balance sheet date of the current period, the financial instrument is no longer a significant increase in credit risk since initial recognition. In the case of the current situation, the company measures the loss reserve of the financial instrument at the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting amount of the loss reserve is included in the current period as an impairment gain, profit and loss.

(1) *Credit risk increased significantly*

The group uses the available reasonable and evidence-based forward-looking information to determine whether the credit risk of financial instruments defaults on the balance sheet date and the default risk on the initial confirmation date to determine whether the credit risk of the financial instrument has been since the initial confirmation. Has increased significantly. For financial guarantee contracts, when the company applies the financial instrument impairment provisions, the day when the company becomes the party making the irrevocable commitment is used as the initial confirmation date.

The group will consider the following factors when assessing whether the credit risk has increased significantly:

- I. Whether the actual or expected operating results of the debtor have changed significantly;
- II. Whether the regulatory, economic or technical environment of the debtor has undergone significant adverse changes;
- III. Whether there have been significant changes in the value of the collateral used as debt collateral or the quality of the guarantee or credit enhancement provided by a third party. These changes are expected to reduce the debtor's economic motivation to repay the debt within the specified period of the contract or affect the probability of default;
- IV. Whether the expected performance and repayment behavior of the debtor has changed significantly;
- V. Whether the group's credit management methods for financial instruments have changed, etc.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*
(Continued)

(1) *Credit risk increased significantly (Continued)*

On the balance sheet date, if the company judges that a financial instrument has only a low credit risk, the group assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of financial instruments is low, the borrower's ability to fulfill its contractual cash flow obligations in the short term is strong, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's performance of its contractual cash the capacity of the flow obligation, the financial instrument is considered to have lower credit risk.

(2) *Financial assets that have suffered credit impairment*

When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

- I. The issuer or debtor has major financial difficulties;
- II. The debtor violates the contract, such as default or overdue payment of interest or principal;
- III. Creditors give concessions that the debtor will not make under any other circumstances out of economic or contractual considerations related to the debtor's financial difficulties;
- IV. The debtor is likely to go bankrupt or other financial restructuring;
- V. The financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
- VI. Purchase or source a financial asset at a substantial discount, the discount reflects the fact that credit losses have occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by individually identifiable events.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*
(Continued)

(3) *Determination of expected credit losses*

The group assesses the expected credit losses of financial instruments based on individual items and portfolios. When evaluating expected credit losses, it considers reasonable and well-founded information about past events, current conditions, and predictions of future economic conditions.

The group divides financial instruments into different combinations based on common credit risk characteristics. The common credit risk characteristics adopted by the group include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria of the relevant financial instruments and the characteristics of the combined credit risk, please refer to the accounting policies of the relevant financial instruments.

The group determines the expected credit losses of related financial instruments according to the following methods:

- I. For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the company should charge and the expected cash flow.
- II. For lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the company should receive and the expected cash flow.
- III. For a financial guarantee contract, the credit loss is the company's estimated payment to the contract holder for the credit loss, minus the company's expected receivables to the contract holder, debtor or any other party. And the difference above is the present value.
- IV. For financial assets that are credit-impaired on the balance sheet date rather than the financial assets are not purchased or originated from credit-impaired, the credit loss is the difference between the financial asset's book balance and the present value of the estimated future cash flows discounted at the original effective interest rate.

The group's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; no unnecessary additional costs or efforts on the balance sheet date. You can obtain reasonable and evidence-based information about past events, current conditions, and future economic conditions.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*
(Continued)

(4) *Write-down of financial assets*

When the group no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book balance of the financial asset is directly written down. Such write-downs constitute the derecognition of related financial assets.

(7) *Offset of financial assets and financial liabilities*

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are met, the net amount offset by each other is listed in the balance sheet:

- (a) The Group has a statutory right to offset the confirmed amount, and such legal right is currently enforceable;
- (b) The Group plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

11. Notes receivable

Determination method and accounting treatment method of expected credit loss of notes receivable

The Group shall make a provision for doubtful accounts on notes receivable based on the expected amount of credit losses during the whole life period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivable

The determination method and accounting treatment method of the expected credit loss of accounts receivable

The Group shall make a provision for doubtful accounts receivable based on the expected amount of credit loss during the whole life period.

The group in the aspect of individual tools can't at a reasonable cost to obtain sufficient evidence about credit risk increased significantly, and on the basis of combination evaluation is a significant increase in credit risk is feasible, so the group in the annual accounts receivable actual loss rate and recovery of the judgment of the risk and credit risk for the future based on the analysis of the characteristics, Determine the expected credit loss rate and set aside the bad debt reserve accordingly.

Portfolio of credit risk	Expected loss reserve rate (%)
Aging portfolio	Accounts receivable are accrued at the expected loss rate
Including: Domestic business customers	Portfolio of estimated loss rate based on aging credit risk
International business customers	After deducting the amount guaranteed by China Export & Credit Insurance Corporation, portfolio of the expected loss rate based on the aging credit risk characteristics
Receivables with mortgage, pledge, guarantee, etc.	The balance after deducting the recoverable value of the collateral from the original value as a risk exposure to predict credit losses

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Receivables financing

For receivables financing, the Group shall make a provision for bad debts based on the expected amount of credit loss during the entire duration.

14. Other receivables

Other expected credit loss of receivables determination method and accounting treatment method

The Group measures the loss reserve for other receivables according to the following circumstances: (1) For financial assets whose credit risk has not increased significantly since the initial recognition, the Group measures the loss reserve according to the amount of expected credit loss in the next 12 months; (2) For the financial assets whose credit risk has increased significantly since the initial recognition, the Group shall measure the loss reserve according to the amount equivalent to the expected credit loss of the financial instrument during its entire life; (3) For the financial assets purchased or originated from which credit impairment has occurred, the Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole life period.

For other receivables, the group in the aspect of individual tools can't at a reasonable cost to obtain sufficient evidence about credit risk increased significantly, and on the basis of combination evaluation is a significant increase in credit risk is feasible, so the group according to the type of financial instrument, the credit risk rating, date, initial remaining contract deadline for common risk characteristics, Other receivables are grouped and considered on a portfolio basis to assess whether credit risk has increased significantly.

Portfolio by credit risk characteristics	Expected loss reserve (%)
Combination method	
Including: Aging portfolio	Expected loss rate
Non-operating low risk portfolio	
Accounts receivable with mortgage, pledge, guarantee, etc	The balance after deducting the recoverable value of the collateral from the original value is taken as the estimated credit loss of risk exposure

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Inventories

(1) *Classification of inventories*

Inventories are products that the Company holds for sale in daily activities, materials consumed in the production process, materials in the process of providing services, in the production process. The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process, finished goods, and projects costs etc.

(2) *Method of valuation of inventory*

The purchase and emits of the stock are priced at the planned cost. Setting the “material cost difference” course and accounting balance of actual cost and plan cost, the final will be issued and balances the cost of inventory adjustment for the actual cost.

(3) *The basis for determining the net realizable value of inventory and the accrual method for the stock price drop preparation*

The estimated sales price of the inventories, such as finished products, inventory commodities and materials directly used for sale is deducted from the estimated sales cost and the amount after the relevant taxes and fees, and the net realizable value is determined. The net realizable value of inventory which require processes is determined by the estimated selling price of finished products deducting the estimated cost, estimated sales cost and related taxes and fees after completion. To execute sales contracts or labour contracts, the net realizable value is measured by the contract price. If the quantity of stock held is more than that of the sales contract, the net realizable value of the excess part will be measured by the general selling price.

Inventories provision accrues individually at the end of term. If a large stock has a lower unit price, provision for decline in inventory is prepared in accordance with the inventory category. If the inventory is related to a series of products that are produced which sold in the same area and have the same or similar end uses or purposes and it is difficult to separate the items from other items, the provision for decline in inventory will be combined.

If the reduction factors of inventory value have disappeared in the past, the reduced amount shall be recovered. Meanwhile, reserving the original provision for inventory, reversal of the amount counts in the current profits and losses.

(4) *Inventory system*

Adopting the perpetual inventory system.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Inventories (Continued)

(5) Amortization method of low-value consumption goods and packaging

- I. Low-value consumption goods adopt once writing-off method;
- II. Packaging adopt once writing-off method.

16. Contractual assets and contractual liabilities

(1) Methods and standards for the recognition of contractual assets and liabilities

Where the Group has transferred the goods to the customer and the right to receive consideration depends on other factors than the passage of time, it shall be recognized as a contractual asset; Part of the obligation to transfer the goods to the customer due to the consideration received or receivable from the customer is recognized as a contractual liability.

(2) Determination method and accounting treatment method of expected credit loss of contracted assets

The Group assesses the expected credit loss of the contracted asset and measures its loss provision in terms of the amount equivalent to the expected credit loss for the entire duration. On the basis of the actual loss rate of contract assets in the previous year, the judgment of future recovery risk and the analysis of credit risk characteristics, the expected loss rate is determined and the impairment provision of contract assets is made accordingly.

17. Assets classified as held for sale

(1) Classified as holding for sale confirmation criteria

The Group recognizes non-current assets or disposal groups that simultaneously satisfy the following conditions as components held for sale:

- 1) In accordance with the practice of selling such assets or disposal groups in similar transactions, it can be sold immediately in the current situation;
- 2) A sale is highly likely to occur, that is, the Group has decided on a sale plan and has obtained regulatory approvals (if applicable) and firm purchase commitments and expects the sale to be completed within one year.

Definitive purchase commitment refers to a legally binding purchase agreement entered into by the Group with other parties, which contains important terms such as transaction price, time and sufficiently severe default penalty, so that the possibility of major adjustment or cancellation of the agreement is minimal.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Assets classified as held for sale (Continued)

(2) Accounting method of holding for sale

This group to hold illiquid assets for sale or disposal of the group of depreciation or amortization, its book value is higher than the fair value minus the net amount after sale cost, book value shall be written down to fair value minus the net amount after selling fees, the amount of write-down shall be recognized as asset impairment loss, included in the current profits and losses, provision for assets impairment provision holds for sale at the same time.

For the non-current assets or disposal group classified as holding for sale on the acquisition date, the initial measurement amount and the net value of the fair value minus the selling expense under the assumption that they are not classified as holding for sale are compared at the initial measurement, and the measurement is whichever is lower.

The above principles apply to all non-current assets, But does not include the fair value model for subsequent measurement of investment real estate, the fair value minus the net amount after sale cost and measurement of biological assets, workers' compensation form of assets and deferred income tax assets and financial assets by financial instruments accounting standards related specifications, by the accounting norms related to the insurance contract of insurance contract rights.

18. Long-term receivables

Determination method and accounting treatment method of expected credit loss of long-term receivables

The Group's accounts receivable arising from finance leases and accounts receivable arising from deferred instalment collections and sales of goods and services that are of a substantially financing nature are recognized as long-term receivables. At the same time, the unrealized financing income is recognized according to the difference between the fair value of the contract receivable or the agreement price and the contract or agreement amount.

Provision for impairment of long-term receivables: taking the balance of original value after deducting unrealized financing income as the basis of deduction.

Overdue age

Expected loss reserve rate

Not overdue receivables

Expected credit loss of risk exposure is the balance of contract amount less unrealized financing income

Overdue receivables

Expected loss rate

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investment

Long-term equity investments of the Group mainly include investment on subsidiaries, associates, and joint ventures.

The Group determines that a common control exists when all parties or groups of parties control that arrangement unilaterally and decisions relating to the basis operating activity of the entity require the unanimous consent of the parties sharing the control.

The Group holds, directly or through subsidiaries, more than 20% but less than 50% of the voting power of the investee, it is assumed that the Group has significant influence. When the Group holds less than 20% of the voting power of the investee, significant influence shall be considered under actual fact and circumstances such as there is a delegate of the investor in the investee's the Board of Directors and other similar power bodies, the investor gets involved in investee's financial and operating policies decision-making process, there are significant transactions occurred between the investor and the investee, the investor assigns management personnel in the investee and the investor provides key technical support to the investee.

When investee is controlled by the Group, it is considered as the Group's subsidiary. The investment cost for long-term equity investment acquired through business combination under common control is the carrying value of the share of equity at the combination date in the acquired company. The investment cost is recorded as zero when the carrying amount of the share of equity at the combination date in the acquired company is in deficit.

For shareholding which obtained by different transactions by steps and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquire after the combination in the consolidated financial statements and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under the common control, cost of combination will be treated as the initial investment cost.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investment (Continued)

For the equity investment to the investee entity not under the common control obtained by steps through multiple transactions, and forming enterprise combination ultimately, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly disposes related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the Group by the investor, the initial cost is the consideration as specified in the relevant contract or agreement.

Investments in subsidiaries are accounted for by the Group using cost method and equity method is used for investment in joint ventures and associates.

Additional investments to long-term equity investments subsequently accounted on the cost method are measured to increase it carrying amount on the fair value of the additional cost and other transaction related expenses occurred. Dividends declared or profit distributed by the investee shall be recognized as investment income in the current period.

For long term equity investment adopting equity method as the subsequent measurement, the book value of the long-term equity investment should be adjusted with an increase or decrease according to the change of the owner' equity of the investee entity. When recognizing the entitle portion in the net profit or loss in the investee company, the basis is the fair value of each identifiable assets of the investee entity obtained in the investment, according to the accounting policies and accounting period of the Group, and netted with the portion of profit or loss of the internal transactions entitled in the investee enterprise based on the calculation according to the shareholding percentage to be recognized after the adjustment to the net profit of the investee entity.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under the equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Group are recycled to investment income for the period on disposal.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investment (Continued)

In the situation where the Group does not joint control or does not has significant influence over the investee company due to the reasons such as disposing a portion of the equity investment, the rest share equity after the disposal is classified as the available-for-sale financial asset. The difference between the fair value at the date when the Group lost the joint control or the impact of significant influence and the book value is recognized into the current profit or loss. The other comprehensive income of the previous equity investment recognized under the equity method is treated according to the accounting treatment same to the basis adopted by the investee company to directly dispose the relative assets or liabilities when terminating the adoption of equity method.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or imposes significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment income for such period.

For each transaction not belonged to a deal of package by steps through multiple disposals of equity investment to lose the right of control, the Group makes accounting treatment separately to each transaction. If belonged to a deal of package, the Group treats each transaction as one transaction to dispose a subsidiary and lose the right of control to make accounting treatment. Nonetheless, the difference between the consideration of disposal and the book value of the respective long-term equity investment disposed for each transaction before losing the right of control is recognized into other comprehensive income. When reaching the loss of the right of control, the amount is transferred into the current period of profit or loss of the period losing the right of control.

20. Investment properties

The investment properties of the Group include land use rights leased out, land use rights held for sale after appreciation and leased buildings. Investment properties of the Group are subsequently measured using cost model.

Investment properties are depreciated or amortized on straight line method. The estimated useful life, residual percentage, and annual depreciation (amortization) rates are in consistent with the ones adopted for fixed assets.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Fixed assets

(1) Conditions for confirmation of fixed assets

Fixed assets are tangible assets, having useful life over one accounting year, which are held to produce goods and/or the rendering of services, leasing to others, or for operating purposes. Fixed assets are confirmed when the following conditions are met at the same time:

- I. Fixed asset is recognized when it is probable that future economic benefits associated with the item will flow to the Group;
- II. The cost of the item can be measured reliably.

(2) Initial measurement of fixed assets

The initial measurement of the group of fixed assets is based on costs.

- a. Purchased fixed assets cost including purchase price, import tariffs and other related taxes and fees, as well as the fixed asset for its intended use before the other expenses are directly attributable to the asset.
- b. The cost of building a fixed asset by itself is made up of the necessary expenditure until the construction of the assets has reached the desired state of use.
- c. The fixed assets invested by investors shall be accounted for the value stipulated in the investment contract or agreement. However, if the value of the contract or agreement is not fair, count the fair value.
- d. The cost of fixed assets is based on the present value of purchase price when the purchase price of fixed assets exceeds the normal credit condition which substantially has the nature of financing. The difference between the actual payment and the present value of the purchase price, in addition to the capitalization, is included in the current profit and loss in the credit period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Fixed assets (Continued)

(3) Follow-up measurement and disposal of fixed assets

a. Depreciation of fixed assets

Provision of fixed asset depreciation is determined by its entry value after deducting the estimated net residual value in expected life. For fixed assets that have been prepared for impairment, the amount of depreciation of it is determined by book value after deducting the impairment based on useful life. When the fixed assets whose accumulated depreciation are enough, no longer depreciate it which continue being used.

The fixed assets formed by special reserve expenditures shall be reduced by the cost of forming fixed assets and the accumulated depreciation of the same amount shall be confirmed. The fixed assets shall not be further depreciated in the future.

Based on the nature and usage of fixed assets, the Group determines the service life of the fixed assets and the estimated net residual value. At the end of the year, the service life of the fixed assets, the estimated net residual value and the method of depreciation shall be reviewed, such as the corresponding adjustment to the original estimates.

Depreciation method, useful life, estimated residual value, depreciation rate of the fixed assets under the classification of the Group are as the following:

Classification	Depreciation method	Useful life (year)	The rate of estimated residual value (%)	Annual depreciation rate (%)
Land	–	Long-term		
Building	straight-line method	10-30	5-10	3.00-9.50
Machinery	straight-line method	10-14	5-10	6.40-9.50
Transportation equipment	straight-line method	8-12	5-10	7.50-11.90
Electric & office equipment	straight-line method	5-8	5-10	11.30-19.00
Others	straight-line method	5-14	5-10	6.40-19.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Fixed assets (Continued)

(3) Follow-up measurement and disposal of fixed assets (Continued)

b. Subsequent measurements of fixed assets

The subsequent expenditures related to the fixed assets, if satisfies the criteria of capitalization, recognize to the cost of fixed assets. if not, charges to profit or loss when it occurs.

c. Disposal of fixed assets

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, discarded, damaged or destroyed, the Group shall deduct the carrying value of it as well as the relevant taxes from the disposal income, and include the residual amount in the current profits or losses.

22. Construction in progress

(1) Initial measurement of construction in process

The actual construction cost of the construction in progress is determined by the actual expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labor costs and relevant taxes payable. Capitalized borrowing costs and indirect costs that should be apportioned.

(2) The criteria for construction-in-progress to convert into fixed asset

The total expenditure incurred before the construction project is constructed to reach the intended usable condition shall be recorded as the value of the fixed assets. The construction of fixed assets under construction has reached the intended use of the state, but has not yet completed the final accounts, since the scheduled use of the date of use, according to the project budget, cost or actual project costs, according to the estimated value into fixed Assets and depreciation of fixed assets in accordance with the depreciation policy of the Group's fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Borrowing cost

(1) Recognition principle of capitalization of borrowing costs

The borrowing costs, the Group can directly attributable to the acquisition and construction or production of assets eligible for capitalization, in the case of eligible for capitalization start capitalization, included in the relevant asset costs; Other borrowing costs shall be recognized as expenses at the time of occurrence and shall be included in the current profits and losses.

Assets that are eligible for capitalization are assets that require a long period of time to purchase or produce activities to achieve fixed assets, investment real estate and inventory that are intended to be available or sold.

Borrowing costs begin to capitalize when the following conditions are met:

- I. Assets expenditure has occurred, including expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization;
- II. Borrowing costs have already occurred;
- III. The purchase and construction or production activities necessary for the asset to reach the intended use or saleable status.

(2) Capitalization period of borrowing costs

During the period of capitalization, the period during which the borrowing costs are suspended from capitalization is not included during the period from the point of time when the borrowing costs are capitalized to the point where the capitalization is stopped.

The borrowing costs shall cease to be capitalized when the assets acquired or produced meet the conditions for capitalization are ready for use or sold.

When part of the assets purchased or produced in accordance with the capitalization conditions are completed and can be used alone, the part of the asset borrowing costs to stop capitalization.

The parts of the assets purchased or produced are completed separately but must wait until the whole is completed or can be sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Borrowing cost (Continued)

(3) Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the borrowing costs shall be suspended; the borrowing costs continue to be capitalized if the acquisition or production of assets eligible for capitalization to meet the required usable status or the availability of sales. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity is resumed.

(4) Calculation for capitalization of borrowing costs

Special loan interest charges (excluding unused borrowing money deposited in the bank interest income, or for a temporary investment return on investment) and its ancillary expenses and construction or production of assets eligible for capitalization, before to the expected conditions for use or sale shall be capitalized.

Based on the weighted average of the asset expenditures that exceed the special borrowing portion, the accumulative asset expenditure is calculated to determine the amount of interest that the general borrowing should be capitalized. The capitalization rate is determined based on the average borrowing weighted average interest rate.

Where there is a discount or premium in the loan, the interest amount shall be adjusted in accordance with the real interest rate method to determine the discount or premium amount that shall be amortized during each accounting period.

24. Right-of-use assets

The Group initially measures the right-of-use assets at cost, which includes:

- (1) Initial measurement amount of lease liabilities;
- (2) For the lease payment paid on or before the lease term, if there is a lease incentive, the relevant amount of the enjoyed lease incentive shall be deducted;
- (3) Initial direct expenses incurred by the Group;
- (4) The Group's estimated costs (excluding costs incurred for the production of inventories) for the purpose of dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the status agreed in the lease terms.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Right-of-use assets (Continued)

After the start date of the lease term, the Company adopts the cost mode to carry out subsequent measurement on the right-of-use assets.

If the ownership of the leased asset can be reasonably determined at the end of the lease term, the company shall accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the end of the lease term, the company shall accrue depreciation within the lease term or the remaining service life of the leased asset, whichever is shorter. For the right-of-use assets with provision for impairment, depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.

25. Intangible assets and development expenditure

An intangible asset is an identifiable non-monetary asset without physical substance. Including land use right, software, other intangible assets.

(1) *Initial measurement of intangible assets*

The cost of outsourcing intangible assets, including purchase price, related taxes and other expenses directly attributable to the asset to the intended use. The purchase price of intangible assets exceeds the normal credit terms deferred payment, in essence, the nature of the financing, the cost of intangible assets to determine the value of the purchase price.

For the intangible assets obtained by debt restructuring for debt repayment, the cost should be determined as the fair value of the intangible assets. The difference between the book value of the restructured debt and the fair value of the intangible asset should be counted into the profit or loss in the current period.

On the premise that the exchange of non-monetary assets possesses commercial essence and the fair value of assets exchanged or converted can be reliably measured, the intangible assets exchanged for non-monetary assets shall determine their entry value on the basis of the fair value of assets exchanged, unless there is conclusive evidence that the fair value of the converted assets is more reliable. Exchange of non-monetary assets that do not satisfy the preconditions mentioned above shall take the book value of the assets exchanged and the relevant taxes and fees payable as the cost of converting into intangible assets, and shall not recognize profits and losses.

The intangible assets acquired under the same control are determined by the book value of the merged party. The intangible assets acquired by enterprises under the control of non-identical control shall determine their accounting value at fair value.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Intangible assets and development expenditure (Continued)

(1) *Initial measurement of intangible assets (Continued)*

Internal self-developed intangible assets, and its cost includes: the development of the intangible assets, consumption of materials, labour costs, registration fees, used in the development process of the amortization of patents and other concessions and for capitalization of interest costs, as well as to make the intangible asset to the expected purpose of the other direct costs.

(2) *The subsequent measurement of intangible assets*

The Group analyses and determines its service life when acquiring intangible assets, which is divided into intangible assets with limited service life and uncertain service life.

a. *Intangible assets with limited service life*

For intangible assets with limited service life, they are amortized by straight-line method for the economic benefits of enterprises. The life expectancy of the intangible assets with limited life span is predicted as follows:

Project	Expect service life	Reason
Land-use life	30-50 years	Benefit years
Software	2-10 years	Benefit years
Patent right	5-10 years	Benefit years

At the end of each term, the service life and amortization method of the intangible assets with limited service life will be rechecked. If there are differences with the original estimates, corresponding adjustments will be made.

After reviewing, the life and amortization methods of intangible assets are not different from previous estimates.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Intangible assets and development expenditure (Continued)

(2) The subsequent measurement of intangible assets (Continued)

b. Intangible assets with uncertain service life

It is impossible to foresee that intangible assets will bring economic benefits to enterprises, which are regarded as intangible assets with uncertain service life. The intangible assets with uncertain service life are as follows:

The right of use of the trademark and the license of production have uncertain service life. The evaluation of the time limit for the right to use trademark and the right of production is based on the trend of market and competitive environment, the cycle of product use and the long-term development strategy of management. These bases generally show that the use of trademark and production license will provide a long-term net cash flow for the group within an unlimited period of time. The service life of it is uncertain because it cannot be foreseen for the period of economic benefits for the group.

For intangible assets with uncertain service life, they will not be amortized during the holding period, and the life of intangible assets will be reviewed at the end of each term. If the final review remains uncertain, the impairment test will continue during each accounting period.

After reviewing, the service life of this kind of intangible assets is still uncertain.

(3) Division of the research and development stages of internal research in the Group and the specific standards for development projects

The stage of research: a stage of original planning, research, and research for the acquisition and understanding of new scientific or technical knowledge.

Development stage: before the commercial production or use, the research results or other knowledge will be applied to a plan or design to produce new or substantial improvements in materials, devices, products and other activities.

The expenditure of the research stage of the internal research and development project is included in the current profit and loss at the time of occurrence.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Intangible assets and development expenditure (Continued)

(4) *Specific standard for capitalization of expenditure in the development stage*

Internal research and development projects in the development phase of the expenditure, while meeting the following conditions identified as intangible assets:

- a. Complete the intangible asset so that it can be used or sold in technical feasibility;
- b. The intention to complete the intangible asset and to use or sell it;
- c. Intangible assets to generate economic benefits, including the ability to prove the existence of the products using the intangible assets market or the market of intangible assets, intangible assets will be used internally, to prove its usefulness;
- d. Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset;
- e. Expenditures attributable to the development stage of the intangible asset can be reliably measured.

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit and loss in the event of occurrence. The development expenditure which has been included in the profit and loss has not been reconfirmed as an asset in the future. Expenditures in the capitalized development phase are shown on the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

26. Impairment on long-term assets

On the balance sheet date, the Group determines whether there may be a sign of a reduction in long-term assets. If there are signs of impairment in long-term assets, the recoverable amount is estimated on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, then determine the recoverable amount of the asset group on the basis of the asset group belonging to the asset.

The estimation of assets recoverable amount is the larger amount between the fair value deducting net cost when disposal and the expected value of future cash flow of assets.

The measurement results show that when the long-term recoverable amount assets is lower than its book value, the book value of long-term assets is reduced to its recoverable amount. The reduced amount is recognized as impairment loss recognised, at the same time, make the corresponding assets depreciation preparation. As soon as the loss of assets is confirmed, it shall not be returned during the subsequent accounting period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Impairment on long-term assets (Continued)

After the asset impairment loss is confirmed, the depreciation or amortization expenses of the impairment assets will be adjusted accordingly in the future period so that the assets' book value of adjusted assets will be allocated in the remaining useful life (deducting the estimated net residual value).

The impairment test should be carried out every year no matter there is any sign of impairment for the goodwill that caused by enterprise merger and the intangible assets with uncertain useful life.

In the impairment test of goodwill, the book value of goodwill would be distributed to asset groups or portfolio groups benefiting from the synergy effect of an enterprise merger as expected. When taking an impairment test on the relevant asset group containing goodwill or portfolio groups, if there is any sign that the portfolio related to goodwill impairs, the impairment test should be first carried out to the portfolio that do not contain goodwill. Then, calculate the recoverable amount and compare it with the related book value and confirm the impairment the corresponding loss. Next, testing impairment of goodwill includes asset group or combination of asset groups and comparing book value of the related asset group or combination of asset groups (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill.

27. Long-term prepayments

(1) *Amortization method*

Long-term prepaid expenses of the Group refer to expenses that already been spent and the benefit period is one year or more (excluding one year). Long-term deferred expenses are amortized using the straight-line method in its useful life.

(2) *Amortization years*

Category	Amortization method	Notes
Maintenance costs	2-10 years	
Mould amortization	3-10 years	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Employee benefits

Remuneration is that the various forms of remuneration or compensation provided by the Group for the service provided by the staff or the dissolution of labour relations. Employee's benefits include short-term remuneration, post-employment benefits, layoff benefits and other long-term benefits.

(1) *Short-term remuneration*

Short-term remuneration includes salary, bonus, allowance, welfare, and the social security include medical, injury, and birth insurance, housing fund, labour union, staff education, short-period paid leave, short-term profit-sharing plan, non-monetary benefit, and other short-term employees benefit. It shall be recognised as liabilities during the accounting period when the employee renders services to the Group and accounted in related cost of assets and loss and profit in current period which based on different beneficiaries.

(2) *Post-employment benefits*

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services from employees, except for the short-term compensation and employee benefits. Post-employment benefits including the endowment insurance, pension, unemployment insurance, retirement benefits and other post-employment benefits, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Group. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

Defined contribution plan of the Group refers to the basic endowment insurance, unemployment insurance, and enterprise annuity paid for the employees according to relevant regulation by local governments. During the accounting period when employees render services to the Group, amount payable calculated by the base and ratio in conformity with local regulation is recognized as liability and accounted for profit and loss or related cost of assets.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Employee benefits (Continued)

(3) *Termination benefits*

Termination benefits refer to the compensation paid when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. For the situation where although the employee does not relieve the labour service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment to the termination benefits. While after the formal retirement date, the Group adopts the treatment according to the treatment of the welfare after the termination of service.

Where the Group provides termination benefits to employees, the Group confirms the liabilities of employee benefits payable generated from the termination benefits and be accounted in loss and profit in current period in current period at the earlier date between the date when the Group cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and the data that when the Group confirms the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

For termination plan of which the termination benefits which are expected not to be entirely paid after the twelve months of the end of the reporting period and the substantial termination work is completed within one year but the term to pay the compensation payment exceeds one year, the Group adopts the appropriate discounted rate and adopts the discounted amount to measure the amount of termination welfare that should be recognized into the current profit or loss.

Early retirement benefits refer to the benefit offered to the employees who voluntarily accept Group’s arrangement for early retirement. The Group pays the salary and social security for the employee who voluntarily retires after approval even though the employee has not yet reached the retiring age stated in government regulation. When qualified for early retirement benefit, proposed payment on early retirement benefit from the date when rendering of service terminated to date when the employee regularly retired is discounted and then recognized as liability and accounted into profit or loss.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Employee benefits (Continued)

(4) Other long-term employment benefit

Other long-term employment benefit refers to all employee benefit except for short-term benefit, post-employment benefit, and termination benefit, includes long-term paid absence, long-term disability benefit and long-term profit-sharing plan etc. Relevant accounting treatments for defined contribution plan are adopted for other long-term employment benefit qualified for defined contribution plan. When the qualification is satisfied, net assets and liabilities of other long-term employment benefits are recognized and measured, accordingly. At the end of reporting period, employee benefits from other long-term employment benefits are recognized into the following components: cost of service, net interests on the net asset liabilities of other long-term employment benefit, changes from revaluation of net assets liabilities of other long-term employment benefit. The total net amount will be recognized as profit and loss or costs to related assets for the current year.

29. Expected liabilities

(1) Criteria for expected liabilities

The Group shall recognize expected liabilities if the contingent matters meet the following requirements:

The assumed responsibilities are current liability;

The fulfilment of obligations will cause the outflow of economic benefit from the Group;

The amount of liabilities can be measured reliably.

(2) Measurement method of expected liabilities

The initial measure of expected liabilities is the best estimate of the expenditure required for the performance of the current obligations.

When determining the best estimates, the Group consider the risks, uncertainties and time value of the currency. If the time value of money has a great influence, the Group determine the best estimate by discounting the related future cash outflows.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Expected liabilities (Continued)

(2) *Measurement method of expected liabilities (Continued)*

The best estimates are measured in different situation as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.

There is a necessary expense that does not exist a continuous range (or range) or exist a continuous range with a range of different possibility of a variety of results. If the contingencies of individual projects involving, the best estimate is most likely to occur in accordance with the amount determined. If contingencies involving a number of projects, the best estimate according to various possible results and related probability calculation.

The total or part of the expected expenses of the Group is expected to be compensated by the third party. When the amount of the compensation is determined, it is basically determined and it can be independently recognized as assets. The amount of compensation confirmed will not exceed the book value of the estimated liabilities.

30. Revenue

(1) *Recognition and measurement of revenue*

(a) *Contract confirmation principle:*

When the contract between the Group and the customer meets the following conditions at the same time, the Group recognizes the income when the customer obtains control of the relevant commodity:

- I. The parties to the contract have approved the contract and promised to fulfill their respective obligations;
- II. The contract clarifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of services;
- III. The contract has clear payment terms related to the goods transferred or services provided;
- IV. The contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the enterprise;
- V. The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

(b) *Principle of confirmation of performance obligations:*

On the contract start date, the contract is evaluated, each individual obligation included in the contract is identified, and is confirmed whether each individual obligation is fulfilled within a certain period of time, or is performed at a certain point in time, and then the revenue is recognized separately upon performance of each individual performance obligation.

If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

- I. The customer acquires and consumes the economic benefits brought by the performance of the Group while fulfilling the contract.
- II. Customers can control the products under construction during the Group's performance.
- III. The goods produced during the performance of the enterprise have irreplaceable use, and the Group has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.

The Group further divides the performance obligations in the customer contract. For the performance obligation fulfilled at a certain point in time, the Group recognizes the income when the customer obtains the control right of the relevant commodity; for the performance obligation fulfilled during a certain period of time, the Group is at that time. Revenue is recognized in accordance with the progress of the performance, and the output method (or input method) is used to determine the appropriate performance schedule based on the nature of the goods and services. The output method is based on the value of the goods transferred to the customer to determine the performance of the customer (the input method is based on the Group's commitment to fulfil the performance obligations), when the performance of the contract cannot be reasonably determined, Where the Group is expected to be reimbursed for the cost incurred, the revenue shall be confirmed according to the cost amount incurred until the performance schedule can be reasonably determined.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

(c) *Confirmation of transaction price*

The Group measures income according to the transaction price allocated to each individual performance obligation.

The Group determines the transaction price based on the terms of the contract and in combination with past practices. When determining the transaction price, consider the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration.

(d) *Confirmation of the transaction price of individual performance obligations*

When the contract includes two or more performance obligations, the Group shall distribute the transaction price to each individual performance obligation on the contract start date in accordance with the relative proportion of the individual selling prices of the commodities promised by each individual performance obligation. For contract discounts, the Group is prorated in proportion to each individual performance obligation.

(e) *Confirmation of revenue*

The enterprise shall fulfil its performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant commodity. Consider the following signs when deciding whether a customer has acquired control of a product:

- I. The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.
- II. The enterprise has transferred the legal title of the goods to the customer, that is the customer has the legal title to the goods.
- III. The enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind.
- IV. The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.
- V. The customer has accepted the item.
- VI. Other indications that the customer has obtained control of the commodity.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

(f) *Sales with warranty*

For sales with warranty, if the warranty provides services in addition to assuring customers that the goods or services sold meet the established standards, the warranty constitutes a single performance obligation. Otherwise, the Group shall carry out accounting treatment for warranty responsibility in accordance with the Accounting Standards for Business Enterprises No.13 – Contingencies.

(g) *Principal liable party/agent*

The Group determines whether it is the principal liable party or the agent in the transaction, according to whether the Group has control over the goods or services before transferring the goods or services to customers. If the Group controls the goods or services before transferring to customers, the Group is the principal liable party. The revenue is recognized as the total amount of money received or receivable. Otherwise, the Group acts as the agent. The revenue is recognized as the amount of commission or service charge that the Group would be entitled to receive. The amount is set at the net consideration received or receivable after deducting the amount payable to other parties, or at the pre-determined amount or pre-determined proportion of the commission.

(2) *The specific accounting policies related to the main activities of the Group and its subsidiaries to obtain income are described as follows:*

i. *Domestic product sales revenue*

Domestic sales revenue mainly refers to the income from sales of products by the Group. According to the contract, the Group obtained the relevant evidence for the control of the product, and the Group completed the contract performance obligation to confirm the revenue.

ii. *Foreign trade revenue*

Export income mainly refers to the income from engaging in foreign trade. Revenue shall be confirmed after the transfer of product control rights which is after the Group declares its commodities offshore.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Revenue (Continued)

(2) *The specific accounting policies related to the main activities of the Group and its subsidiaries to obtain income are described as follows: (Continued)*

III. *Financial services income*

The income from financial services is mainly the interest income and commission and commission income obtained by YTO Group Finance Co., Ltd., a subsidiary of the Group.

Interest income refers to the income provided to the other party but does not constitute an equity investment, or the income obtained by the other party occupying the Group's funds, including the deposit of inter-bank periodic interest income, loan interest income, discount interest income and so on. The Group recognizes the income based on the time and actual interest rate of the right to use the transferred funds.

Fees and commission income are charged fees and commissions by providing various services to customers. The fees and commissions collected through the provision of services during a certain period of time are recognized on average during the corresponding period, and other fees and commissions are recognized at the completion of the relevant transactions.

IV. *Other*

The Group recognizes revenue in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises" and the actual business.

31. Contract performance cost

(1) *Contract performance cost*

The company's costs incurred for the performance of the contract that do not fall within the scope of other accounting standards for business enterprises other than the income standards and meet the following conditions at the same time are recognized as contract performance costs as an asset:

- I. The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clearly borne by the customer, and other costs incurred solely due to the contract.
- II. This cost increases the company's future resources for fulfilling contract performance obligations.
- III. The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal operating cycle.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Contract performance cost

(2) *Cost of obtaining the contract*

The incremental cost incurred by the company in order to obtain the contract is expected to be recovered, and it is recognized as an asset as the cost of obtaining the contract. Incremental costs are costs that the company will not incur without obtaining a contract, such as sales commissions. If the amortization period does not exceed one year, it shall be included in the current profit and loss when it occurs.

(3) *Amortization of contract costs*

The above-mentioned assets related to contract costs shall be amortized at the point of performance of the performance obligation or according to the performance of the performance obligation on the same basis as the income recognition of goods or services related to the asset, and shall be included in the current profit and loss.

(4) *Impairment of contract costs*

If the book value of the above-mentioned assets related to contract costs is higher than the difference between the company's expected remaining consideration due to the transfer of the goods related to the asset and the estimated costs to be incurred for the transfer of the related goods, an impairment provision shall be made for the excess part, and recognized as asset impairment loss.

After the provision for impairment is made, if the impairment factors in the previous period change so that the difference between the above two items is higher than the book value of the asset, the original provision for asset impairment shall be reversed and included in the current profit and loss, but transferred. The book value of the asset after the return does not exceed the book value of the asset on the return date under the assumption that no impairment provision is made.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Government subsidy

(1) *Classification of government subsidy*

Government subsidy is the monetary assets and non-monetary assets obtained by the Group from the government free of charge. According to the relevant government documents provided by the subsidy object, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

As for government subsidies that have not been explicitly subsidized in government documents, the Group classifies government subsidies as grants pertinent to assets and grants pertinent to incomes, relevant judgement is stated which can refer to Note VI. Notes to the items of the consolidated financial statement Deferred revenue & Non-operating income.

Funds related to assets are government grants obtained by the Group for the acquisition, construction or otherwise formation of long-term assets. Revenue-related government grants refer to government grants other than government-related government subsidies.

(2) *Confirmation of government subsidy*

If there is evidence at the end of the period that the Group can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government grants are recognized when they are actually received.

If the government subsidy is monetary assets, it shall be measured according to the amount received or receivable. If the government subsidy is a non-monetary asset, it shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount (RMB1.00). Government grants measured in nominal terms are directly included in the current profits and losses.

(3) *Accounting treatment method*

The government subsidies related to the assets are recognized as deferred income and are included in the expenses or losses according to the period of use of the assets used or purchased.

Revenue related government subsidies are used to compensate the relevant expenses or losses in the subsequent period of the enterprise and are recognized as deferred income and are included in the expenses or losses during the period when the relevant expenses are recognized. Used to compensate for the relevant costs or losses incurred by the enterprise and are directly included in the current expenses or losses.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Government subsidy (Continued)

(3) Accounting treatment method (Continued)

Government subsidies related to the daily activities of the business are included in other benefits. Government subsidies that are not related to daily activities in the business are included in the non-operating income.

Receiving government subsidies related to preferential interest rates for preferential loans to reduce related borrowing costs. To obtain the policy preferential interest rate loan provided by the loan bank, the amount of the loan received is taken as the entry value of the loan. The related borrowing cost is calculated according to the loan principal and the policy preferential interest rate.

When a confirmed government subsidy needs to be returned, the book value of the related assets will be reduced at the time of initial confirmation and the book value of the assets is adjusted. The balance of the related deferred income is reduced to the account balance of the related deferred income which is included in the current profit and loss. If there is no related deferred income, directly included in the profit and loss of the current period.

33. Deferred tax assets/deferred tax liabilities

Deferred tax assets and deferred liabilities are recognised based on the differences (temporary differences) between tax bases of assets and liabilities and respective carrying amount. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

(1) Basis of confirmation for deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference and deduct loss and tax deduction for the year after the end of the year. However, deferred income tax assets resulting from the initial confirmation of assets or liabilities in a transaction with the following characteristics are not recognized: a. The transaction is not an enterprise merger. b. The transaction does not affect the accounting profit and the taxable income or the deductible loss as well.

As for deductible temporary differences related to the investment of the joint venture and meet the following conditions to confirm the corresponding deferred income tax assets: Temporary differences are likely to be turned back in the foreseeable future and it is likely to gain the amount of taxable income that is used to offset the temporary difference of deductible in the future.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Deferred tax assets/deferred tax liabilities (Continued)

(2) Basis of confirmation for deferred tax liabilities

The Group recognised the temporary tax difference between the current and the previous periods as deferred income tax liabilities. But it does not include:

- a. Temporary differences in the initial recognition of goodwill.
- b. A transaction or event formed by a non-enterprise merger. Meanwhile, when the transaction or event occurs, it will neither affect the accounting profits nor affect the temporary difference formed by the taxable income (or deductible loss).
- c. For temporary tax differences related to investment in subsidiaries and joint ventures, the time of temporary difference reversal can be controlled and the temporary difference is unlikely to turn back in the foreseeable future.

34. Lease

On the commencement date of the contract, the company evaluates whether the contract is a lease or includes a lease. If one party in a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or includes a lease.

(1) Spin off of lease contracts

When the contract contains a number of separate leases, the Company will split the contract and separate leases for accounting.

When the contract contains both leasing and non-leasing parts, the company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the leasing standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for enterprises.

(2) Consolidation of lease contracts

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the company shall merge them into one contract for accounting:

- I. The two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(2) Consolidation of lease contracts (Continued)

- II. The amount of consideration for a contract in two or more contracts depends on the pricing or performance of other contracts.
- III. The right-to-use assets transferred by the two or more contracts together constitutes a separate lease.

(3) Accounting for the Company as lessee

On the commencement date of leasing, the company recognizes the right-to-use assets and lease liabilities for leases, in addition to short-term leases and low-value assets leases with simplified treatment.

1) Short-term leases and low-value assets leases

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset has low value when it is new.

The Company does not recognize the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases. Relevant lease payments are incorporated in the cost of related assets or current profits and losses based on the straight-line method or other systematic and reasonable methods during the lease period.

The Company recognizes the right-to-use assets and lease liabilities for short-term leases and low-value assets other than those mentioned above.

2) Right-to-use assets

The Company initially measures the right-to-use assets at cost, which includes:

- I. Initial measurement amount of lease liabilities.
- II. If there are rental incentives in the rental payments paid before or at the beginning of the lease term, the relevant amount of rental incentives happened shall be deducted.
- III. Initial direct expenses incurred by the Company.
- IV. Expected costs of dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the agreed state of leasing terms (Excluding costs incurred for the production of inventory).

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(3) *Accounting for the Company as lessee (Continued)*

2) *Right-to-use assets (Continued)*

After the beginning of the lease period, the company adopts the cost model to measure the right-to-use assets for subsequent measurement.

If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, the company shall depreciate the leased assets within the remaining useful life of the leased assets. If it is impossible to reasonably determine the ownership of the leased assets at the expiration of the lease term, the company shall depreciate the leased assets within the shorter period of time between the lease term and the remaining useful life of the leased assets. In the future, depreciation shall be calculated based on the book value after deduction of impairment reserve refer to the above principles for the right-to-use assets with impairment reserve.

3) *Lease liabilities*

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. In calculating the present value of rental payments, the company adopts the rental interest rate as the discount rate. If it is impossible to determine the interest rate of the lease, the incremental borrowing rate of the company shall be used as the discount rate. Lease payments include:

- I. Fixed Payment and Substantive Fixed Payment after Deducting the Relevant Amount of Lease Incentive.
- II. Variable rental payments depending on index or ratio.
- III. Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of the right to purchase the option.
- IV. Where the lease term reflects that the company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease.
- V. Expected payments based on the guaranteed residual value provided by the Company.

The company calculates the interest charges of the lease liabilities for each period of the lease period at a fixed discount rate and takes them into account the profits and losses of the current period or the cost of related assets.

Variable lease payments not included in the measurement of lease liabilities shall be incorporated in current profits and losses or the cost of related assets when they actually occur.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(4) *Accounting for the Company as Lessor*

1) *Classification of Leases*

The Company divides the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to leases other than financial leases.

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease.

- I. At the end of the lease term, the ownership of the leased assets is transferred to the lessee.
- II. The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- III. Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets.
- IV. At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets.
- V. The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease:

- I. If the lessee ends the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- II. The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- III. The lessee can continue to lease far below the market level for the next period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(4) *Accounting for the Company as Lessor (Continued)*

2) *Accounting for operating lease*

The Company adopts the straight-line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.

3) *Accounting for financial lease*

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets.

When the initial measurement of the financial lease receivable is made, the present value of the financial lease receivable is the sum of the unsecured balance and the amount of the lease receivable that has not yet been received at the beginning of the lease term and the present value discounted at the interest rate included in the lease. The amount of rental receipts includes:

- I. Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive.
- II. Variable rental payments depending on index or ratio.
- III. In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option.
- IV. The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease.
- V. Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period abased on the fixed rental interest rate, and the variable rental payments which are not included in the net rental investment amount are included in the profits and losses of the current period when they actually occur.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(5) *Sale-leaseback*

1) *The Company as the seller and lessee.*

If the transfer of assets in the sale-leaseback transaction is for sale, the company shall measure the assets of the right of use formed by the after-sale leaseback based on the part of the book value of the original assets related to the right of use acquired by the leaseback, and only confirm the relevant gains or losses in respect of the rights transferred to the lessor. If the fair value of the sale consideration is different from the fair value of the assets, or the lessor does not collect rent at the market price, the Company will treat the amount of the sale consideration below the market price as the prepaid rent, and the amount higher than the market price as the additional financing provided by the lessor to the lessee for the accounting office. At the same time, adjust the relevant sales gains or losses based on fair value.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall continue to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer revenue.

2) *The Company as buyer and lessor.*

If the transfer of assets in the sale-leaseback transaction belongs to sales, the Company shall account for the purchase of assets and the lease of assets in accordance with the leasing standards. If the fair value of sales consideration is different from that of assets, or if the Company fails to collect rent at market price, the company will treat the amount of sales consideration below market price as advance rent, and the amount above market price as additional financing provided by the company to lessees. At the same time, adjust rent income according to market price.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall recognize a financial asset equal to the transfer income.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Discontinued operation

It can be recognized as an integral part of discontinued operation when the component has been disposed of or classified as a component that can be separately classified for sale and meet one of the following requirements:

- (1) The component represents an independent major business or a separate major operating area.
- (2) This component is part of a related plan to be disposed of an independent major business or a separate major operating area.
- (3) The component is a subsidiary made for resale.

Operating profit and loss and dispose profit and loss as the terminated profit and loss in the profit statement.

36. Safety production cost

The Group accrues safety production cost and records it to the cost of related products or in the profit or loss and transferred to special reserve based on state regulations. The Group shall directly reduce special reserve if the safety production cost is belonging to expense. If fixed asset is arising in using safety production cost, all expenditures are recorded in construction in progress and recognized as fixed asset when the safety project is finished and ready for its intended use; meanwhile, the Group shall reduce special reserve based on the cost of the fixed asset and recognize the accumulated depreciation in the same amount. No depreciation shall be recognised in for this fixed asset in following periods.

37. Five-level classification of the asset quality in financial business

The subsidiary of the Group YTO Group Finance Co., Ltd belongs to the non-banking financial institutions. In accordance with the requirements of the China Banking Regulatory Commission, a five-level classification management is implemented on the assets of creditor's rights type, assets of equity type and other assets. Such assets are classified into five categories as normal, attention, secondary, suspicious and loss class. The percentage on which the impairment provision is accrued for each class is not less than 1.5%, 3%, 30%, 60% and 100% respectively.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. General risk reserve

The subsidiary of the Group YTO Group Finance Co., Ltd belongs to the non-banking financial institutions. According to the provisions in the 'Measures for the administration of reserve provision of financial enterprises' (Cai Jin [2012] No.20) issued by the Ministry of finance, after adopting the standard method to calculate the potential risk valuation of risk assets, with the deduction of the asset impairment provision accrued, at the end of each year, the general risk reserve which is used to make up the unidentified possibility loss should be accrued from the net profit. When the potential risk valuation is lower than the asset impairment provision, no general risk reserve should be accrued. In principle, the balance of the general risk reserve should not be lower than the 1.5 % of the ending balance of the risk assets.

The assets borne the risk and loss of YTO Group Finance Co., Ltd specifically include: loans and advances granting out, financial assets available-for-sale, held-to-maturity investments, long-term equity investments, inter-bank deposits, funds lending out, assets used to set off debts and other receivables, etc.

39. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

No accounting policies were changed during the reporting period.

(2) Changes in Accounting Estimates

No accounting estimates were changed during the reporting period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

V. TAXATION

(1) Main categories of tax and tax rates

Categories of tax	Tax basis	Tax rates
	Domestic sales\ Provide processing, repair and repair services, etc.	13%
Value added tax	Provide agricultural machinery sales, tap water, heating, gas, etc.	9%
	Other taxable sales service behavior	6%
Urban construction and maintenance tax	Payment of the turnover tax	7%, 5%
Education surcharges	Payment of the turnover tax	3%, 2%
Enterprise income tax	Taxable income	25%, 15%
Property tax	The original value of the property of the 70% (or rental income) as the tax base	1.2%, 12%

The income tax rate of different tax subject:

Name of the subject of tax payment	Income tax rate
First Tractor Company Limited	15%
YTO (Luoyang) Diesel Engine Co., Ltd.	15%
YTO (Luoyang) Flag Auto-body Co., Ltd.	15%
Luoyang Tractor Research Institute Co., Ltd.	15%
Other subsidiaries	25%
Foreign subsidiaries	Local Tax Rate

SECTION X FINANCIAL STATEMENTS (CONTINUED)

V. TAXATION

(2) The preferential tax policy and the basis

1. *Value added tax (VAT)*

From January 1, 2016, Luoyang Tractor Research Institute Co., Ltd, as the transformed scientific research institute, was exempted from import tariffs and VAT for importing reasonable quantities of technical research products that cannot be locally manufactured or whose performance cannot meet the needs according to the decisions of Cai Guan Shui 2016 No. 70 'the Ministry of Finance and the General Administration of Customs of the State Administration of Taxation on the '13th Five-Year' period to support technological innovation import tax policy notice' and Cai Guan Shui 2016 No. 72 'Notice on the publication of the exemption list of import scientific research, scientific and technological development and teaching supplies'.

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to the provision of (the twenty-sixth item) of the article 1 of the Appendix 3 'The rules of the pilot by replacing business tax with VAT transition policy' of the 'Notice of the Ministry of Finance and the State Administration of Taxation on the full implementation of the pilot by replacing business tax with VAT' (Caishui [2016] No.36).

Luoyang Changxing Agriculture Machinery Co., Ltd., subsidiaries of the Group, are exempted from VAT on sale of agricultural machinery according to Caishui [2001] No.113 Notice of Exemption from VAT for Agricultural Production Issued by Ministry of Finance and State Administration of Taxation.

Since the subsidiaries of the Group, CAD FUND MACHINERY (SA) (PTY) LTD., YTO Cote d'Ivoire Agricultural Machinery Assembly Co., Ltd and YTO Belarus Technology Co. Ltd. were registered overseas, these companies pay VAT in accordance with local applicable tax rates.

2. *Enterprise income tax*

As jointly approved by the Science and Technology Department and the Finance Department of Henan Province, the State Administration of Taxation and the local tax bureau, First Tractor Company Limited and its subsidiaries, YTO Diesel Engine Co., Ltd., Tractors Research Company, YTO Flag Auto-body Company Limited and Luoyang Tractor Research Institute Co., Ltd. are entitled to the 15% preferential income tax rate for new and high tech enterprises according to the stipulations of Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

Since the subsidiaries of the Group, CAD FUND MACHINERY (SA) (PTY) LTD., YTO Cote d'Ivoire Agricultural Machinery Assembly Co., Ltd., and YTO Belarus Technology Co. Ltd. were registered overseas, these companies pay income tax in accordance with local applicable tax rates.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

The following disclosed financial statement data, except as specified, “The beginning or beginning of the year” means January 1, 2022, “the end of the year or the end of the period” means June 30, 2022, “the current year or the current period” means January 1, 2022 to June 30, 2022. The unit of currency is RMB.

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	270,480.72	413,447.08
Bank deposit	5,652,772,976.29	3,084,123,983.80
Other monetary funds	268,803,898.78	158,862,180.77
Interest receivable	12,085,085.92	
Total	5,933,932,441.71	3,243,399,611.65
Including: total amount deposited abroad	35,007,129.12	48,719,452.12

The restricted monetary funds are as follows:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deposit of bank acceptance	138,091,222.78	20,218,112.35
Policy Bank Restricted Funds	130,168,955.46	138,052,188.68
Deposit reserve requirement for central banks	276,561,471.13	237,769,762.23
Fixed deposits of more than three months	250,000,000.00	700,000,000.00
Other Restricted Funds	541,427.39	591,822.78
Total	795,363,076.76	1,096,631,886.04

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

2. Lending to banks and other financial institutions

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Non-bank financial institutions	31,500,000.00	99,500,000.00
Less: impairment provision	28,540,000.00	76,180,000.00
Total	2,960,000.00	23,320,000.00

In this reporting period, according to the Reorganization Plan of Tianjin C&T Group Co., Ltd and its Subsidiaries, the lending funds with book value of RMB20.36 million is converted into the shareholding share of YTO Finance Company in the management partnership (limited partnership) of Tianjin C&T No. 2 Enterprise. According to the relevant provisions of the Accounting Standards for Enterprises, after performing the corresponding procedures, the equity is designated as a financial asset measured at fair value and recorded in other comprehensive income.

3. Trading financial assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of financial assets measured at fair value and its movement recorded through profit or loss	421,781,607.31	
Debt instrument investment	421,781,607.31	
Equity instrument investment		
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	261,301,400.00	
Debt instrument investment	950,617,095.01	1,038,970,988.74
Equity instrument investment	261,301,400.00	
Other financial assets designated as fair value	950,617,095.01	1,038,960,400.00
		10,588.74
Total	683,083,007.31	1,038,970,988.74
	1,372,398,702.32	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

4. Notes receivable

(1) *Classification of notes receivable*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes	23,032,066.76	62,129,339.36
Commercial acceptance notes	658,282.22	628,282.22
Total	23,690,348.98	62,757,621.58

(2) *Notes receivable which have been pledged at the end of the period*

No

(3) *Notes receivable which have been endorsed or discounted but not yet due at the end of the period*

Unit: Yuan Currency: RMB

Item	Amount de-recognized at the end of the period	Amount not de-recognized at the end of the period
Bank acceptance notes		7,586,584.22
Commercial acceptance notes		
Total		7,586,584.22

(4) *There is no note that are transferred to accounts receivable by the Group at the end of the term due to the drawer has not fulfilled contract.*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. Accounts receivable

(1) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending Balance	Beginning Balance
Within 1 year	985,537,005.67	292,874,155.48
1 to 2 years	8,635,016.56	4,670,501.05
2 to 3 years	4,088,003.29	8,697,080.46
Over 3 years	456,023,523.84	450,950,037.19
Sub-total	1,454,283,549.36	757,191,774.18
Less: Bad debt provision	467,021,992.61	455,530,037.70
Total	987,261,556.75	301,661,736.48

(2) Classified disclosure according to the method of provision for bad debts

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance Bad debt provision		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	1,454,283,549.36	100.00	467,021,992.61	32.11	987,261,556.75
Including: Aging portfolio	1,375,409,646.75	94.58	436,475,697.21	31.73	938,933,949.54
Risk exposure portfolio such as collateral	78,873,902.61	5.42	30,546,295.40	38.73	48,327,607.21
Total	1,454,283,549.36	/	467,021,992.61	/	987,261,556.75

Item	Book balance		Beginning Balance Bad debt provision		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	757,191,774.18	100.00	455,530,037.70	60.16	301,661,736.48
Including: Aging portfolio	687,108,877.84	90.74	422,490,660.74	61.49	264,618,217.10
Risk exposure portfolio such as collateral	70,082,896.34	9.26	33,039,376.96	47.14	37,043,519.38
Total	757,191,774.18	/	455,530,037.70	/	301,661,736.48

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. Accounts receivable (Continued)

(3) Accounts receivable with expected credit losses by combination

1) Aging portfolio

Unit: Yuan Currency: RMB

Aging	Book Balance	Ending Balance Bad debt provision	Accrual Ratio (%)
Within 1 year	940,683,661.79	13,528,039.01	1.44
1 to 2 yeas	5,114,180.09	1,766,404.13	34.54
2 to 3 yeas	1,640,197.97	1,640,197.97	100.00
Over 3 years	427,971,606.90	419,541,056.10	98.03
Total	1,375,409,646.75	436,475,697.21	31.73

2) Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Beginning Balance Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	78,873,902.61	30,546,295.40	38.73
Total	78,873,902.61	30,546,295.40	38.73

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. Accounts receivable (Continued)

(4) Provision for bad debts charged, recovered or returned in the current period

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase: Provision	Changes in the current period			Ending Balance
			Decrease: disposal of subsidiaries	Decrease: Write off	Decrease: Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	455,530,037.70	13,152,419.89			1,660,464.98	467,021,992.61
Including: Aging portfolio	422,490,660.74	15,645,501.45			1,660,464.98	436,475,692.61
Risk exposure portfolio such as collateral	33,039,376.96	-2,493,081.56				30,546,295.40
Total	455,530,037.70	13,152,419.89			1,660,464.98	467,021,992.61

(5) There is no accounts receivable actually written off during the reporting period

(6) Details of Top Five Accounts Receivable with the Ending Balance Classified by the Borrowers

Unit: Yuan Currency: RMB

Company	Ending Balance	Ratio (%)	Bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	81,419,616.00	5.60	81,419,616.00
YTO (Luoyang) Harvesters Co., Ltd.	74,091,864.82	5.09	74,091,864.82
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	4.28	62,183,376.45
Jiangsu Wude High-tech Agricultural Equipment Co. LTD	31,345,033.13	2.16	536,137.26
YTO (Luoyang) Shentong Construction Machinery Co. LTD	27,533,497.99	1.89	27,533,497.99
Total	276,573,388.39	19.02	245,764,492.52

(7) No other receivables that have not been terminated for the transfer of financial assets

(8) No amount of assets and liabilities formed without the transfer of other receivables and continued involvement

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

7. Advances to suppliers

(1) Aging analysis of advances to suppliers

Unit: Yuan Currency: RMB

Aging	Ending balance			Beginning balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Within 1 year	139,582,388.87	93.61	50,180.00	240,707,027.25	96.61	62,027.96
1-2 years	1,283,561.65	0.86		415,647.03	0.17	1,277.08
2-3 years	217,975.04	0.15	1,277.08	31,722.51	0.01	
Over 3 years	8,027,658.47	5.38	6,454,974.08	8,006,858.46	3.21	6,385,626.12
Total	149,111,584.03	100.00	6,506,431.16	249,161,255.25	100.00	6,448,931.16

No advances to supplier is over one year old and has significant in amount

(2) Details of top five advances to suppliers with the ending balance classified by the payees

Unit: Yuan Currency: RMB

Company name	Ending balance	Percentage in the ending balance of advances to suppliers (%)	Aging	Reason
Xuzhou Xulun Rubber Co., Ltd	68,815,535.14	46.15	Within 1 year	Payment in advance
Shandong Xingtai Tire Co. LTD	13,153,326.44	8.82	Within 1 year	Payment in advance
Shanxi Zhongtiaoshan Mechanical and Electrical Equipment Co. LTD	7,147,860.38	4.79	Within 1 year	Payment in advance
Weishi Yuxin Machinery Parts Co. LTD	5,122,396.98	3.44	Within 1 year	Payment in advance
Guizhou Tyre Co., Ltd.	5,091,899.96	3.42	Within 1 year	Payment in advance
Total	99,331,018.90	66.62		

Other explanations on advances: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables

The project list

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	260.00	944.41
Other receivables	32,131,545.69	24,246,211.78
Total	32,131,805.69	24,247,156.19

Interest receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest receivable on buyer's credit	260.00	944.41
Total	260.00	944.41

Other receivables

a. Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending Balance	Beginning Balance
Within 1 year	27,667,047.80	18,636,260.13
1 to 2 yeas	987,046.63	1,245,778.38
2 to 3 yeas	1,681,453.18	1,496,161.33
Over 3 years	99,324,258.58	99,616,674.67
Sub-total	129,659,806.19	120,994,874.51
Less: Bad debt provision	97,528,260.50	96,748,662.73
Total	32,131,545.69	24,246,211.78

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables (Continued)

*Other receivables (Continued)**b. Classification of other receivables by nature**Unit: Yuan Currency: RMB*

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	82,835,499.45	83,415,252.13
Deposits and petty cash	8,069,874.10	5,722,026.99
Collection and payment of social insurance withheld	2,859,206.70	2,913,552.64
Tax refund for export receivables	16,254,592.90	9,697,109.31
Others	19,640,633.04	19,246,933.44
Total	129,659,806.19	120,994,874.51

*c. Disclosure by three stages of impairment of financial assets**Unit: Yuan Currency: RMB*

Item	Book balance	Ending Balance Bad debt provision	Book value	Beginning Balance		
				Book balance	Bad debt provision	Book value
Stage one	122,973,999.21	95,134,073.02	27,839,926.19	113,165,302.53	93,431,784.46	19,733,518.07
Stage two	6,685,806.98	2,394,187.48	4,291,619.5	7,829,571.98	3,316,878.27	4,512,693.71
Stage three						
Total	129,659,806.19	97,528,260.50	32,131,545.69	120,994,874.51	96,748,662.73	24,246,211.78

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

d. *Classified disclosure according to the method of provision for bad debts*

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	129,659,806.19	100.00	97,528,260.50	75.22	32,131,545.69
Including: Aging portfolio	113,291,620.25	87.37	95,037,249.23	83.89	18,254,371.02
Low-risk portfolio	9,682,378.96	7.47	96,823.79	1.00	9,585,555.17
Risk exposure portfolio such as collateral	6,685,806.98	5.16	2,394,187.48	35.81	4,291,619.50
Total	129,659,806.19	100.00	97,528,260.50	75.22	32,131,545.69

Item	Book balance		Beginning balance Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	120,994,874.51	100.00	96,748,662.73	79.96	24,246,211.78
Including: Aging portfolio	105,059,994.19	86.83	93,350,731.37	88.85	11,709,262.82
Low-risk portfolio	8,105,308.34	6.70	81,053.09	1.00	8,024,255.25
Risk exposure portfolio such as collateral	7,829,571.98	6.47	3,316,878.27	42.36	4,512,693.71
Total	120,994,874.51	100.00	96,748,662.73	79.96	24,246,211.78

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables (Continued)

*Other receivables (Continued)*e. *Accounts receivable for anticipated credit losses on a portfolio basis*

I. Aging portfolio

Unit: Yuan Currency: RMB

Aging	Book balance	Ending balance Bad debt provision	Accrual Ratio (%)
Within 1 year	18,383,321.23	613,315.51	3.34
1-2 years	968,730.62	484,365.32	50.00
2-3 years	1,354,318.81	1,354,318.81	100.00
Over 3 years	92,585,249.59	92,585,249.59	100.00
Total	113,291,620.25	95,037,249.23	

II. Low-risk portfolio

Unit: Yuan Currency: RMB

Aging	Book balance	Ending balance Bad debt provision	Accrual percentage (%)
Within 1 year	9,246,388.09	92,463.88	1.00
1-2 years	6,097.51	60.98	1.00
2-3 years	327,134.37	3,271.34	1.00
Over 3 years	102,758.99	1,027.59	1.00
Total	9,682,378.96	96,823.79	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

e. *Accounts receivable for anticipated credit losses on a portfolio basis (Continued)*

III. Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Ending balance	Bad debt provision	Accrual percentage (%)
Risk exposure portfolio such as collateral	<u>6,685,806.98</u>	<u>2,394,187.48</u>	<u>35.81</u>
Total	<u>6,685,806.98</u>	<u>2,394,187.48</u>	<u>35.81</u>

f. *Provision for bad debts of other receivables*

Unit: Yuan Currency: RMB

Bad debts	Stage one Expected credit loss in the next 12 months	Stage two Expected credit loss over the whole duration (No credit impairment)	Stage three Expected credit loss over the whole duration (Credit impairment occurred)	Total
Beginning balance	93,431,784.46	3,316,878.27		96,748,662.73
Beginning balance in current period	93,431,784.46	3,316,878.27		96,748,662.73
— Shift to stage two				
— Shift to stage three				
— Return to stage two				
— Return to stage one				
Provision in current period	3,978,398.89	-922,690.79		3,055,708.10
Return in current period				
Transfer in current period				
Write off in current period				
Other changes	<u>2,276,110.33</u>			<u>2,276,110.33</u>
Ending balance	<u>95,134,073.02</u>	<u>2,394,187.48</u>		<u>97,528,260.50</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

g. *Bad debt provisions drawn, recovered or rolled back during the current period*

Unit: Yuan Currency: RMB

Category	Initial balance	Increase: Provision	Changes in current period			Ending balance
			Decrease: disposal of subsidiaries	Decrease: write off	Decrease: other changes	
Other receivables expected to incur credit losses on a combined basis	96,748,662.73	3,055,708.10			2,276,110.33	97,528,260.50
Among them: aging combination	93,350,731.37	3,962,568.15			2,276,110.33	95,037,189.19
Low risk portfolio	81,053.09	15,830.74				96,883.83
Portfolio of collateral and other exposures	3,316,878.27	-922,690.79				2,394,187.48
Total	96,748,662.73	3,055,708.10			2,276,110.33	97,528,260.50

h. *No other receivables actually written off during the reporting period.*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Other receivables (Continued)

Other receivables (Continued)

i. *Details of top five other receivables with the ending balance classified by the borrowers*

Unit: Yuan Currency: RMB

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Payment between units of work	82,240,000.00	Over 5 years	63.43	82,240,000.00
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	13,970,599.22	Within 1 year	10.77	578,874.05
Shanghai Pengpu Machinery Factory Co., Ltd.	Payment between units of work	6,490,000.00	Over 5 years	5.01	2,292,959.42
Jiangsu Qingjiang Tractor Co., Ltd.	Payment between units of work	3,315,484.00	Over 5 years	2.56	3,315,484.00
Tax Bureau of Beijing Economic and Technological Development Zone	Refundable export tax refund	2,283,993.68	Within 1 year	1.76	22,839.94
Total		108,300,076.90		83.53	88,450,157.41

j. *No other receivables involving government subsidies*

k. *No other receivables that have not been terminated for the transfer of financial assets*

l. *No amount of assets and liabilities formed without the transfer of other receivables and continued involvement*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

9. Buying back the sale of financial assets

(1) Classification according to the nature of the counterparty

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Domestic interbank institutes		360,643,454.77
Including: Capital		360,000,000.00
Interest receivable		643,454.77
Domestic other financial institutes		
Total		360,643,454.77

(2) Classification according to the asset type

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bonds		360,643,454.77
Total		360,643,454.77

(3) Classification according to the remaining days to the maturity

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Due within one month		310,543,317.78
1-3 month		50,100,136.99
Total		360,643,454.77

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

10. Inventories

(1) Classification of inventories

Unit: Yuan Currency: RMB

Item	Book balance	Ending balance		Book balance	Beginning balance	
		Provision for impairment	Book value		Provision for impairment	Book value
Raw materials	468,121,559.83	70,986,783.35	397,134,776.48	524,270,464.44	77,570,319.57	446,700,144.87
Work in progress	186,000,714.34	8,743,345.15	177,257,369.19	224,080,472.99	10,230,755.26	213,849,717.73
Finished goods	203,323,558.88	14,921,204.24	188,402,354.64	715,572,408.37	18,422,463.04	697,149,945.33
Goods shipped in transit	95,421,713.86	6,600,559.69	88,821,154.17	322,197,294.96	5,888,169.61	316,309,125.35
Total	952,867,546.91	101,251,892.43	851,615,654.48	1,786,120,640.76	112,111,707.48	1,674,008,933.28

(2) Impairment provision for inventories

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Other transfer out	Ending balance
		Provision for impairment	Others	Reversed	Write off		
Raw materials	77,570,319.57	1,281,656.98			7,865,193.20		70,986,783.35
Work in progress	10,230,755.26	-769,941.12			717,468.99		8,743,345.15
Finished goods	18,422,463.04	-31,696.84	137,340.98		3,606,902.94		14,921,204.24
Goods shipped in transit	5,888,169.61	1,093,464.91			381,074.83		6,600,559.69
Total	112,111,707.48	1,573,483.93	137,340.98		12,570,639.96		101,251,892.43

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

11. Non-current assets maturing within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Original value of long-term receivable due within one year	405,442,850.84	391,991,636.72
The original value of financial lease within one year	187,571,950.52	107,479,608.15
Unconfirmed financing gains	-51,381,112.75	-46,766,667.72
Provision for impairment	-333,488,275.51	-264,515,223.40
Total	208,145,413.10	188,189,353.75

12. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	9,443,942.62	8,319,616.38
Loan by mandate	171,000,000.00	171,000,000.00
Value-added tax left for deduction	36,384,153.02	292,339,820.11
Input Tax to be Certified	212,131.78	190,666.19
Advance payment of other tax	6,338,010.91	4,608,443.55
Interest receivable		14,036,201.76
Subtotal	223,378,238.33	490,494,747.99
Provision for impairment	-171,000,000.00	-171,000,000.00
Total	52,378,238.33	319,494,747.99

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. Loans and advances to customers

(1) *Distribution details by individual and corporate of loans and advances*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of individual loans and advances	2,909,862.94	13,710,081.86
Property mortgages		
Others	2,909,862.94	13,710,081.86
Subtotal of corporate loans and advances	312,614,390.39	903,953,910.38
Loans	259,278,120.00	867,608,260.00
Discounting	53,336,270.39	36,345,650.38
Loan interest	619,122.40	1,294,081.19
Total loans and advances	316,143,375.73	918,958,073.43
Less: Impairment provision of loans	8,253,489.13	27,203,119.60
Including: Provision made on individual basis		
Provision made on portfolio basis	8,253,489.13	27,203,119.60
Total carrying value of loans and advances	307,889,886.60	891,754,953.83

(2) *Distribution details by industry sectors of loans and advances*

Unit: Yuan Currency: RMB

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	312,614,390.39	98.88	903,953,910.38	98.37
Individuals	2,909,862.94	0.92	13,710,081.86	1.49
Interests on loans	619,122.40	0.20	1,294,081.19	0.14
Total loans and advances	316,143,375.73	100.00	918,958,073.43	100.00
Less: Impairment provision of loans	8,253,489.13	2.61	27,203,119.60	2.96
Including: Provision made on individual basis				
Provision made on portfolio basis	8,253,489.13	2.61	27,203,119.60	2.96
Total carrying value of loans and advances	307,889,886.60		891,754,953.83	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. Loans and advances to customers (Continued)

(3) Distribution details by geographic location of loans and advances

Unit: Yuan Currency: RMB

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	15,656,360.19	4.95	20,506,676.86	2.23
Central China	288,773,121.14	91.34	879,421,920.38	95.70
Northwest China	11,094,772.00	3.51	17,735,395.00	1.93
Loan interest	619,122.40	0.20	1,294,081.19	0.14
Total loans and advances	316,143,375.73	100.00	918,958,073.43	100.00
Less: Impairment provision of loans	8,253,489.13	2.61	27,203,119.60	2.96
Including: Provision made on individual basis				
Provision made on portfolio basis	8,253,489.13	2.61	27,203,119.60	2.96
Total carrying value of loans and advances	307,889,886.60		891,754,953.83	

(4) Distribution details by type of credit guarantee modes

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Credit loans	190,885,970.52	792,700,000.00
Guaranteed loans	47,327,982.94	63,038,341.86
Loans secured by collateral	77,310,299.87	61,925,650.38
Including: mortgage loans	19,160,000.00	22,580,000.00
Pledged loans	58,150,299.87	39,345,650.38
Loan interest	619,122.40	1,294,081.19
Total loans and advances	316,143,375.73	918,958,073.43
Less: Impairment provision of loans	8,253,489.13	27,203,119.60
Including: Provision made on individual basis		
Provision made on portfolio basis	8,253,489.13	27,203,119.60
Total carrying value of loans and advances	307,889,886.60	891,754,953.83

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. Loans and advances to customers (Continued)

(5) Provision for losses on loans

Unit: Yuan Currency: RMB

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		27,203,119.60		27,546,945.17
Current year provision		-18,949,630.47		-343,825.57
Ending balance		8,253,489.13		27,203,119.60

14. Long-term receivable

Unit: Yuan Currency: RMB

Nature of payment	Ending balance			Beginning balance			Discount Rate Interval
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value	
Finance lease cost	368,762,281.97	11,200,619.03	357,561,662.94	240,261,966.05	7,442,895.85	232,819,070.20	
Including: Unconfirmed							
Financing Income	21,279,464.35		21,279,464.35	13,635,513.51		13,635,513.51	
Selling goods by instalments	397,469,532.72	357,310,294.36	40,159,238.36	386,611,319.87	283,861,110.76	102,750,209.11	
Including: Unconfirmed							
Financing Income	53,532,057.70		53,532,057.70	52,312,631.24		52,312,631.24	
Financial leases due within one year and selling goods by instalments	-541,633,688.61	-333,488,275.51	-208,145,413.10	-452,704,577.15	-264,515,223.40	-188,189,353.75	
Total	224,598,126.08	35,022,637.88	189,575,488.20	174,168,708.77	26,788,783.21	147,379,925.56	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

14. Long-term receivable (Continued)

(1) Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

Bad debts	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Beginning balance		7,442,895.85	283,861,110.76	291,304,006.61
Beginning balance in current period				
— Shift to stage two				
— Shift to stage three				
— Return to stage two				
— Return to stage one				
Provision in current period		3,757,723.18	73,449,183.60	77,206,906.78
Return in current period				
Transfer in current period				
Write off in current period				
Other changes				
Ending balance		11,200,619.03	357,310,294.36	368,510,913.39

Note: The above changes in impairment provisions include impairment provisions reclassified to amounts due within one year.

i. Explanation on the significant changes in the book balance due to changes in the loss provision in the current period

The credit impairment loss incurred in the current period is mainly due to the impairment loss accrued from the receivables from Cuba by YTO International Economic and Trade Co., Ltd., a subsidiary of the Group.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

14. Long-term receivable (Continued)

(1) *Provision for bad debts of other receivables (Continued)*

ii. *The amount of provision for bad debts in the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly*

Due to the impact of the Covid-19 and political sanctions in Cuba, The Group's subsidiary, YTO International Economic and Trade Co., Ltd., has basically not received any receivables from Cuba in the past two years. The company expects the expected credit losses of receivables increased.

(2) *Finance lease receivables*

Unit: Yuan Currency: RMB

Remaining lease term	Ending balance	Beginning balance
Within 1 year	187,571,950.52	107,479,608.15
1-2 years	189,660,738.17	133,201,889.71
2-3 years	12,809,057.63	757,810.96
3-4 years		12,458,170.74
4-5years		
Over 5years		
Subtotal of total lease receivables	390,041,746.32	253,897,479.56
Less: Unrecognized financing income	21,279,464.35	13,635,513.51
Subtotal of present value of lease receivables	368,762,281.97	240,261,966.05
Less: Lease payments due within one year	180,088,402.88	103,447,774.92
Total	188,673,879.09	136,814,191.13

(3) *No long-term receivables terminated due to transfer of financial assets.*

(4) *No assets and liabilities formed by transferring long-term receivables and continuing to involve them.*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

15. Long-term equity investments

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Investment reduced	Changes of increase/decrease in the period						Ending balance	Ending balance of impairment provision
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit to be distributed	Provision for impairment	Others		
I. Investments in associates											
ZF YTO (Luoyang) Drive Axle Co., Ltd	124,811,655.26			5,708,833.80						-743,247.08	129,777,241.98
YTO Chuansong Sichuan Agricultural Equipment Co., Ltd	586,555.47									-586,555.47	
Luoyang Yizhong Technology Consulting Co., Ltd.	347,351.57			17,520.96			-3,802.50				361,070.03
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	1,224,984.07			-1,224,984.07							
Total	126,970,546.37			4,501,370.69			-3,802.50			-1,329,602.55	130,138,312.01

16. Other equity instrument investment

(1) Category of other equity instruments

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	3,597,841.89	4,839,048.00
Tianjin No. 2 Corporation Management Partnership (Limited partnership)	20,360,000.00	
Zhongyuan Bank Co., LTD	689,315,695.01	
Total	713,273,536.90	4,839,048.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. Other equity instrument investment (Continued)

(2) Investment in non-tradable equity instruments

Unit: Yuan Currency: RMB

Item	Dividend income recognized in the current period	Accumulated profits	Accumulated loss	Amount transferred from other comprehensive income to retained earnings	Reasons for transfer of other comprehensive income into retained earnings	Other comprehensive income into retained earnings reasons
Luoyang intelligent agricultural equipment Research Institute Co., Ltd			1,241,206.11		Non-trading equity instrument	
Tianjin No. 2 Corporation Management Partnership (Limited partnership)					Non-trading equity instrument	
Zhongyuan Bank Co., LTD					Non-trading equity instrument	
Total			1,241,206.11			

Notes:

- On March 27, 2019, China YTO Group Finance Co., Ltd., a subsidiary of the Group, inter-bank lending RMB100 million to Tianjin C&T Group Finance Co., Ltd., through the National Interbank Lending Center, with a maturity of 7 days and an annual interest rate of 4.8%, but failed to get paid on April 3. In 2021, Tianjin Products Group Co., Ltd. underwent bankruptcy reorganization and repaid the principal of RMB500,000. The remaining principal is in accordance with the Reorganization Plan of Tianjin Products Group Co., Ltd. and its Subsidiaries and the valuation report of Tianjin Products Group's Equity Conversion Asset Platform. The principal and interest of RMB72.51 million is recognized as the equity investment of RMB20.36 million in Tianjin C&T No. 2 Enterprise Management Partnership (limited partnership). According to the relevant provisions of Accounting Standards for Enterprises, the equity is designated as a financial asset measured at fair value and recorded in other comprehensive income after performing the corresponding procedures.
- In January 2022, the Zhongyuan bank Co., Ltd., Bank of Luoyang Co., Ltd, and three other banks signed a conditional effect of the absorption merger agreement, which including the Zhongyuan bank Co., Ltd. after the effective absorption merger the Bank of Luoyang Co., Ltd. and other three banks. On May 25, 2022 silver for China Insurance Regulatory Commission approved the suction and items, effective absorption merger agreement. The equity of Bank of Luoyang Co., Ltd. held by YTO (Luoyang) Diesel Engine Co., Ltd., a subsidiary of the Company, shall be converted into equity of the Zhongyuan Bank Co., Ltd. in accordance with the number of shares exchanged in the absorption and merger agreement and the value of each additional domestic stock issued by the Zhongyuan Bank Co., Ltd. According to the relevant provisions of Accounting Standards for Business Enterprises and by resolution of the Board of Directors of the Diesel Engine Company, the equity held in the Zhongyuan Bank:

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. Fixed assets

The project list

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Fixed assets	<u>2,372,109,685.86</u>	<u>2,465,981,510.01</u>
Total	<u>2,372,109,685.86</u>	<u>2,465,981,510.01</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. FIXED ASSETS (CONTINUED)

(1) Original Value and Accumulated Depreciation of Fixed Assets

Unit: Yuan Currency: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance							
1. Beginning balance	2,247,379,062.07	4,207,922,890.23	51,726,839.90	125,717,392.84	377,789.31	6,633,123,974.35	
2. Increase amount in this period		-395,884.45	70,072,791.98	1,506,733.91	983,409.38	-	72,167,050.82
(1) Purchase		256,935.13	11,957,745.27	1,082,597.42	667,927.00	-	13,965,204.82
(2) Transferred from construction in progress		1,896,887.88	58,312,770.32	484,070.80	427,007.61	-	61,120,736.61
(3) Converted difference in Foreign Currency Statements		-2,549,707.46	-757.43	-63,049.57	-111,525.23	-	-2,725,039.69
(4) Others		-	-196,966.18	3,115.26	-	-	-193,850.92
3. Decrease amount in this period		20,654,448.34	75,217,873.25	1,001,834.19	4,370,353.99	-	101,244,509.77
(1) Disposal of scrapped		574,509.91	23,710,268.18	1,001,834.19	3,739,735.92	-	29,026,348.20
(2) Disposal of subsidiaries		20,079,938.43	51,507,605.07	-	625,386.42	-	72,212,929.92
(3) Others		-	-	-	5,231.65	-	5,231.65
4. Ending balance	2,226,328,729.28	4,202,777,808.96	52,231,739.62	122,330,448.23	377,789.31	6,604,046,515.40	-
II. Accumulated depreciation							
1. Beginning balance	1,099,804,802.28	2,854,339,632.67	28,863,405.50	98,827,970.06	281,168.69	4,082,116,979.20	-
2. Increase amount in this period		30,937,461.39	101,809,062.83	1,727,561.25	3,204,378.76	17,848.89	137,696,313.12
(1) Provision		31,161,083.28	101,809,568.63	1,692,325.30	3,262,595.41	17,848.89	137,943,421.51
(2) Converted difference in Foreign Currency Statements		-223,621.89	-505.80	35,235.95	-58,216.65	-	-247,108.39
3. Decrease amount in this period		5,568,328.26	60,817,929.00	950,452.47	3,880,331.52	-	71,217,041.25
(1) Disposal or scrap		392,260.66	21,941,698.79	950,452.47	3,501,502.58	-	26,785,914.50
(2) Disposal of subsidiaries		5,176,067.60	38,876,230.21	-	378,828.94	-	44,431,126.75
4. Ending balance	1,125,173,935.41	2,895,330,766.50	29,640,514.28	98,152,017.30	299,017.58	4,148,596,251.07	-
III. Impairment provision							
1. Beginning balance	12,394,241.63	71,453,876.62	970,653.58	206,713.31	-	85,025,485.14	-
2. Increase amount in this period							-
3. Decrease amount in this period		61,440.94	1,601,506.46	-	21,959.27	-	1,684,906.67
(1) Disposal or scrap		-	296,794.61	-	-	-	296,794.61
(2) Disposal of subsidiaries		61,440.94	1,304,711.85	-	21,959.27	-	1,388,112.06
4. Ending balance	12,332,800.69	69,852,370.16	970,653.58	184,754.04	-	83,340,578.47	-
IV. Book value							
1. Ending balance of book value	1,088,821,993.18	1,237,594,672.30	21,620,571.76	23,993,676.89	78,771.73	2,372,109,685.86	-
2. Beginning balance of book	1,135,180,018.16	1,282,129,380.94	21,892,780.82	26,682,709.47	96,620.62	2,465,981,510.01	-

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. FIXED ASSETS (CONTINUED)

(2) *Fixed assets leased out by operating lease*

Unit: Yuan Currency: RMB

Item	Book value
Houses and buildings	119,153,561.12
Machine and equipment	28,149,782.92
Total	147,303,344.04

(3) *Fixed assets with the property right certificate unprocessed yet*

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
Modern agricultural equipment cab automation engineering	80,502,105.28	The property right certificate is in the process.
New Youth Jiayuan Established by Subsidiary Research Institute	65,224,853.28	The property right certificate is in the process.
Large machine workshop one	42,568,542.30	The property right certificate is in the process.
Branch heat treatment plant	4,636,995.89	The property right certificate is in the process.
Bulky machine workshop auxiliary room	3,800,389.86	The property right certificate is in the process.
User training service workshop	2,999,807.14	The property right certificate is in the process.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. FIXED ASSETS (CONTINUED)

(3) *Fixed assets with the property right certificate unprocessed yet (Continued)*

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
Branch heat treatment auxiliary room	1,748,656.45	The property right certificate is in the process.
New cooling channel workshop for kw line	836,358.45	The investment of the construction project is inconsistent with the main body of the construction land. According to the current relevant regulations, it is impossible to apply for the real estate certificate.
Total	<u>202,317,708.65</u>	

(4) *Other explanation of fixed assets:*

The increase of depreciation in this period is RMB137,943,421.51. Among the above fixed assets, the original value of the fixed assets on which the accumulated depreciation was fully accrued and still in use continuously was RMB1,622,817,689.62. Refer to the statement in the Note 70 for detailed information about the ending balance of pledge on fixed assets.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

18. Construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Construction in progress	<u>94,086,134.11</u>	<u>79,246,144.63</u>
Total	<u>94,086,134.11</u>	<u>79,246,144.63</u>

(1) Details of construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance			
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Agricultural high-power diesel engine project	1,675,213.67	1,675,213.67		1,675,213.67	1,675,213.67	
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	73,069.30		73,069.30	15,447,699.59		15,447,699.59
2021 Informatization Project	5,477,122.58		5,477,122.58	4,926,588.28		4,926,588.28
Gear hobbing machine (Luoyang Zhaotai)				3,714,159.60		3,714,159.60
Quality improvement and intelligent transformation project for medium-horsepower tractors				13,397,570.55		13,397,570.55
Small and medium-sized medium frequency electric furnace renovation project	21,702,196.23		21,702,196.23	3,292,149.05		3,292,149.05
High-efficiency and low-emission YTN3 diesel engine intelligent manufacturing construction project	21,033,262.89		21,033,262.89	4,444,824.96		4,444,824.96
Clean and intelligent transformation of foundry production line				4,298,053.39		4,298,053.39
Others	<u>60,283,624.63</u>	<u>14,483,141.52</u>	<u>45,800,483.11</u>	<u>44,208,240.73</u>	<u>14,483,141.52</u>	<u>29,725,099.21</u>
Total	<u>110,244,489.30</u>	<u>16,158,355.19</u>	<u>94,086,134.11</u>	<u>95,404,499.82</u>	<u>16,158,355.19</u>	<u>79,246,144.63</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

18. Construction in progress (Continued)

(2) *Details of significant changes of construction in progress*

Unit: Yuan Currency: RMB

Project name	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Decrease in this period	Ending balance
LR cylinder line quality offers items High efficiency and low emission YTN3 diesel engine intelligent manufacturing construction project		3,928,695.58			3,928,695.58
Clean and intelligent transformation of casting Medium horsepower tractor quality improvement and intelligent transformation project	4,444,824.96	16,588,437.93			21,033,262.89
Lasercutting machine for pipe fittings Planar lasercutting machine Machine and tool capacity improvement Transformation of transmission box shell truss automatic line Accumulation and release chain transformation Medium and small parts line upgrade project Gear hobbing machine (Toman) Splineshaft milling machine (Henan Xinhao 2)	4,298,053.39	203,149.22	337,219.51		4,163,983.10
	13,397,570.55	8,304,625.68			21,702,196.23
		1,066,194.46			1,066,194.46
		1,500,876.96			1,500,876.96
		4,188,798.40			4,188,798.40
	2,184,955.78				2,184,955.78
		1,560,000.00			1,560,000.00
	2,373,122.73	1,542,965.23	2,013,519.65		1,902,568.31
		1,224,189.38			1,224,189.38
		846,902.62			846,902.62
Total	26,698,527.41	40,954,835.46	2,350,739.16		65,302,623.71

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

18. Construction in progress (Continued)

(2) Details of significant changes of construction in progress (Continued)

Unit: Yuan Currency: RMB

Project name	Budget	Percentage of project investment to the budgeted amount (%)	Rate of progress (%)	Accumulated capitalization of interest	Including: capitalization of interest in this period	Rate of interest capitalization in this period (%)	Source of funds
LR cylinder line quality offers items	15,000,000.00	26	30				Raise independently
High efficiency and low emission YTN3 diesel engine intelligent manufacturing construction project	194,900,000.00	11	10	187,345.55	187,345.55		Raise independently
Clean and intelligent transformation of casting	30,000,000.00	20	100				Raise independently
Medium horsepower tractor quality improvement and intelligent transformation project	55,000,000.00	30	40				Raise independently
Laser cutting machine for pipe fittings	1,600,000.00	67	90				Raise independently
Planar laser cutting machine	2,500,000.00	60	90				Raise independently
Machine and tool capacity improvement	10,000,000.00	80	80				Raise independently
Transformation of transmission box shell truss automatic line	8,230,000.00	30	30				Raise independently
Accumulation and release chain transformation	2,938,000.00	60	60				Raise independently
Medium and small parts line upgrade project	15,000,000.00	51	80				Raise independently
Gear hobbing machine (Toman)	4,800,000.00	26	30				Raise independently
Spline shaft milling machine (Henan Xinhao 2)	3,200,000.00	26	30				Raise independently
Total	343,160,000.80	/	/	187,345.55	187,345.55	/	/

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

19. Right-to-use assets

Unit: Yuan Currency: RMB

Item	Venue leasing	Houses and Buildings	Machinery equipment	Total
I. Original book balance				
Beginning balance	13,472,516.24	10,387,578.33	2,400,364.09	26,260,458.66
Increasing amount in this period	6,035,415.41	843,611.86	16,629.70	6,895,656.97
Decreasing amount in this period	173,769.59	424,407.67		598,177.26
Ending balance	19,334,162.06	10,806,782.52	2,416,993.79	32,557,938.37
II. Accumulated depreciation				
Beginning balance	5,641,906.66	4,389,775.05	1,184,488.45	11,216,170.16
Increasing amount in this period	5,915,877.66	3,181,157.31	617,019.22	9,714,054.19
Decreasing amount in this period	83,302.53	265,710.39		349,012.92
Ending balance	11,474,481.79	7,305,221.97	1,801,507.67	20,581,211.43
III. Impairment provisions				
Beginning balance				
Increasing amount in this period				
Decreasing amount in this period				
Ending balance				
IV. Book value				
Ending book value	7,859,680.27	3,501,560.55	615,486.12	11,976,726.94
Beginning book value	7,830,609.58	5,997,803.28	1,215,875.64	15,044,288.50

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

20. Intangible assets

(1) Detail spreadsheet of intangible assets

Unit: Yuan Currency: RMB

Item	Land use right	Patents	Software	Trademarks	Total
I. Original book balance					
1. Beginning balance	883,095,748.55	1,456,412.68	113,720,241.55	60,092,618.55	1,058,365,021.33
2. Increase amount in this period			1,688,014.28		1,688,014.28
(1) Purchase			51,886.79		51,886.79
(2) Construction in progress transferred in			1,636,127.49		1,636,127.49
3. Decrease amount in this period	12,032,494.92		102.76	-4,515.00	12,028,082.68
(1) Disposal of subsidiaries	12,032,494.92				12,032,494.92
(2) Others			102.76	-4,515.00	-4,412.24
4. Ending balance	871,063,253.63	1,456,412.68	115,408,153.07	60,097,133.55	1,048,024,952.93
II. Accumulated amortization					
1. Beginning balance	231,024,716.28	822,897.35	74,029,332.40	520,651.58	306,397,597.61
2. Increase amount in this period	11,365,091.46		4,672,394.60	4,616.37	16,042,102.43
(1) Provision	11,365,091.46		4,672,394.60	4,616.37	16,042,102.43
3. Decrease amount in this period	2,386,105.02		533.69	-4,515.00	2,382,123.71
(1) Disposal of subsidiaries	2,386,105.02				2,386,105.02
(2) Others			533.69	-4,515.00	-3,981.31
4. Ending balance	240,003,702.72	822,897.35	78,701,193.31	529,782.95	320,057,576.33
III. Impairment provision					
1. Beginning balance		633,515.33	477,922.22		1,111,437.55
2. Increase amount in this period					
3. Decrease amount in this period					
4. Ending balance		633,515.33	477,922.22		1,111,437.55
IV. Book value					
1. Ending balance of book value	631,059,550.91		36,229,037.54	59,567,350.60	726,855,939.05
2. Beginning balance of book value	652,071,032.27		39,212,986.93	59,571,966.97	750,855,986.17

The proportion of intangible assets formed through the internal research and development of the company at the end of the period is 0.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

20. Intangible assets (Continued)

(2) *There is no land use right for which the title certificate has not been obtained*

21. Development expenditure

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Internal development expenditure	others	Recognized as intangible assets	Transfer to current period profit or loss	
Updates on accessories and R&D on other machinery products		15,090,896.32			15,090,896.32	
Research and development for dynamical machinery products		37,273,430.98			37,273,430.98	
Process research and development		26,215,507.42			26,215,507.42	
Fundamental research		23,633,854.23			23,633,854.23	
Research and development of tractor products		82,824,428.08			82,824,428.08	
Applied Demonstration Research		455,814.04			455,814.04	
To rebuild the industrial base and develop the manufacturing industry with high quality		893,013.14			893,013.14	
Total		186,386,944.21			186,386,944.21	

22. Goodwill

(1) *Original value of goodwill*

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed from business combination	Others	Disposal	Others	
Changtuo Agricultural Machinery Equipment Group Corporation	14,297,893.81					14,297,893.81
Total	14,297,893.81					14,297,893.81

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

22. Goodwill (Continued)

(2) Impairment provision for goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Provision	Others	Disposal	Others	
Changtuo Agricultural Machinery Equipment Group Corporation	14,297,893.81					14,297,893.81
Total	14,297,893.81					14,297,893.81

23. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease in this period	Ending balance
Amortization of equipment relocation expenses	1,062,876.83		106,287.66		956,589.17
Mold amortization	52,058,721.94	9,411,785.62	10,059,821.81		51,410,685.75
Amortization of maintenance expenditure	5,378,097.32		710,599.96	2,430.83	4,665,066.53
Others	2,559,344.62	4,716.98	746,238.91		1,817,822.69
Total	61,059,040.71	9,416,502.60	11,622,948.34	2,430.83	58,850,164.14

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

24. Deferred tax assets and deferred tax liabilities

(1) *Deferred tax assets that are not offset*

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment	90,844,496.84	14,444,093.72	94,749,809.25	15,082,578.04
Termination welfare	65,279,278.56	10,017,571.39	81,308,091.77	12,480,905.93
Wages payable and accrued expense	508,171,504.54	112,119,212.24	275,544,691.26	54,972,895.48
Deferred revenue	119,201,533.54	17,880,230.03	120,171,399.55	18,025,709.94
Total	783,496,813.48	154,461,107.38	571,773,991.83	100,562,089.39

(2) *Deferred tax liabilities that are not offset*

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset evaluation increase from business combination not under same control	78,684,712.33	19,671,178.08	82,727,310.69	20,681,827.67
Fair value change	762,497,464.95	114,375,590.88	850,840,769.95	127,627,086.63
Total	841,182,177.28	134,046,768.96	933,568,080.64	148,308,914.30

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

24. Deferred tax assets and deferred tax liabilities

(3) Deductible temporary difference that are not recognized as deferred tax assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Provision for asset impairment	1,256,883,258.28	1,258,369,827.72
Deductible losses	<u>617,383,801.31</u>	<u>1,330,462,818.62</u>
Total	<u>1,874,267,059.59</u>	<u>2,588,832,646.34</u>

(4) Deductible losses unrecognized as deferred tax liabilities due in the following year

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remark
Year of 2022	49,545,150.74	69,690,202.53	
Year of 2023	67,085,275.03	67,085,275.03	
Year of 2024	30,445,867.05	12,152,227.99	
Year of 2025	25,635,324.84	51,747,945.86	
Year of 2026	29,307,609.29	30,208,541.32	
Year of 2027	11,856,298.15	31,287,727.15	
Year of 2028	139,321,158.68	628,446,054.17	
Year of 2029	165,028,948.63	333,699,685.79	
Year of 2030	6,996,697.95	13,905,127.48	
Year of 2031	<u>92,161,470.95</u>	<u>92,240,031.30</u>	
Total	<u>617,383,801.31</u>	<u>1,330,462,818.62</u>	<u>/</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

25. Short-term borrowings

(1) Classification of borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Mortgaged loans	70,000,000.00	70,000,000.00
Credit loans	500,000,000.00	200,000,000.00
Interests payable	409,999.99	183,333.34
Total	570,409,999.99	270,183,333.34

Explanation of short-term loans:

The subsidiary of the Group, Changtuo Agricultural Machinery Equipment Group Co., Ltd. drawn short-term loan of RMB70,000,000 from Jilin Bank Dong Sheng Branch by mortgage of real estate and land. The period will be extended after maturity, with an annual interest rate of 6.525% and a maturity date of 13 November 2019.

In April 2020, Bank of Jilin Co., Ltd. and China Huarong Asset Management Co., Ltd. Jilin Branch signed a non-performing asset batch transfer agreement. The loan was transferred to China Huarong Asset Management Co., Ltd. Jilin Branch, and later In June 2020, China Huarong Asset Management Co., Ltd. Jilin Branch transferred the loan to Shanghai Chengfan Enterprise Management Partnership (Limited Partnership).

(2) Short term loans overdue and outstanding

The total amount of the overdue short-term loans at the end of the period is RMB70,000,000.00.

The overdue short-term loans are as follows:

Unit: Yuan Currency: RMB

Loan unit	Ending balance	Borrowing interest rate (%)	Overdue time	Overdue interest rate (%)
Jilin Bank Dongsheng bank	70,000,000.00	6.525	1-2 year	9.7875
Total	70,000,000.00	/	/	/

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

26. Absorption of deposits and interbank deposits

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Demand deposit	1,547,052,981.04	564,575,714.85
Including: Corporate	1,547,052,981.04	564,575,714.85
Individuals		
Time deposit (including notice deposit)	154,018,346.18	173,245,530.99
Including: Corporate	154,018,346.18	173,245,530.99
Individuals		
Interests payable	4,890,872.66	3,743,834.89
Total	1,705,962,199.88	741,565,080.73

27. Loans from other banks

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Capital		200,000,000.00
Interest		50,000.00
Total		200,050,000.00

28. Notes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes	1,426,959,169.07	1,428,971,534.65
Commercial acceptance notes	107,072.27	1,002,872.27
Total	1,427,066,241.34	1,429,974,406.92

The total amount of Notes payable due and unpaid at the end of the period is RMB4,072.27.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

29. Accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Purchase payable	2,049,557,886.05	1,793,783,629.36
Payables on equipment	38,395,033.77	47,254,480.48
Service payment payable	145,511,731.77	164,193,538.26
Others	43,009.99	107,049.17
Total	2,233,507,661.58	2,005,338,697.27

(1) Accounts payable with significant amount aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Hong Kong LLAIF INTERNATIONAL CO., LTD	25,021,917.94	Unsettled
Total	25,021,917.94	/

30. Advance from customers

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Rent	3,437,755.39	198,307.51
Total	3,437,755.39	198,307.51

31. Financial assets sold under repurchase

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Rediscounted Notes		11,759,888.55
Total		11,759,888.55

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

32. Contractual liability

(1) Contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Payment for goods	<u>208,177,816.96</u>	<u>580,385,482.01</u>
Total	<u>208,177,816.96</u>	<u>580,385,482.01</u>

(2) Aging analysis of contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	<u>177,939,373.79</u>	<u>552,449,716.79</u>
Over 1 year	<u>30,238,443.17</u>	<u>27,935,765.22</u>
Total	<u>208,177,816.96</u>	<u>580,385,482.01</u>

(3) Significant amounts of advance from customers aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Henan Luoyang Industrial Park Management Committee	<u>11,926,605.50</u>	Not yet settled
Total	<u>11,926,605.50</u>	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

33. Employee benefits payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Short-term remuneration	57,368,699.25	458,804,259.98	462,513,247.29	53,659,711.94
Post-employment welfare				
– Defined contribution plan	1,244,136.57	45,496,505.69	45,303,197.20	1,437,445.06
Termination welfare	35,570,338.38	19,092,313.43	18,252,518.66	36,410,133.15
Total	94,183,174.20	523,393,079.10	526,068,963.15	91,507,290.15

(2) Short-term remuneration

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	24,930,979.25	333,507,908.66	337,122,698.92	21,316,188.99
Staff welfare expense		21,406,555.52	21,406,555.52	
Social insurance expense	568,073.03	20,609,997.05	20,535,176.10	642,893.98
Including: Medical insurance expense	487,527.36	18,145,748.50	18,074,045.81	559,230.05
Work-related injury insurance	80,545.67	2,464,248.55	2,461,130.29	83,663.93
Housing funds	813,222.00	26,410,432.20	26,417,938.20	805,716.00
Union & employee education funds	31,042,534.97	13,038,980.85	13,242,715.35	30,838,800.47
Other short-term remuneration	13,890.00	43,830,385.70	43,788,163.20	56,112.50
Total	57,368,699.25	458,804,259.98	462,513,247.29	53,659,711.94

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

33. Employee benefits payable (Continued)

(3) Defined contribution plan

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic endowment insurance	1,191,581.20	43,583,504.88	43,397,918.27	1,377,167.81
Unemployment insurance premium	52,555.37	1,879,181.57	1,871,459.69	60,277.25
Enterprise annuity payment		33,819.24	33,819.24	
Total	1,244,136.57	45,496,505.69	45,303,197.20	1,437,445.06

The explanation of taxes payable:

The explanation of defined contribution plan: The Group participates in the social insurance plans set up by the government according to the provisions. According to the plan, the Group pays the costs of such plans according to the relevant provisions of the local government. In addition to the above charges paid, the Group no longer undertakes the further payment obligations. The corresponding expenditure is recognized into the current period profit or loss, or the cost of the related assets when incurred.

The group paid RMB45,496,505.69 (2021: RMB38,603,477.33) to the defined contribution plan participated in this year. At June 30, 2022, the group still has RMB1,437,445.06 (December 31, 2021: RMB1,244,136.57) of deposit fees due but not paid during the reporting period, and the relevant deposit fees have been paid after the reporting period.

34. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Value-added tax (VAT)	6,202,608.69	1,766,372.45
Enterprise income tax	63,011,468.37	5,374,503.44
Individual income tax	442,402.29	1,374,732.26
Urban maintenance and construction tax	401,142.77	159,547.16
Property tax	6,295,351.83	5,366,667.78
Land use tax	2,431,888.11	1,997,073.41
Education surcharge	286,301.93	113,962.25
Other taxes	276,979.20	394,269.66
Total	79,348,143.19	16,547,128.41

The explanation of taxes payable: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

35. Other payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable	21,284,093.99	17,839,437.74
Dividends payable	10,456,455.85	59,459,387.16
Other payables	225,068,623.37	187,563,893.69
Total	256,809,173.21	264,862,718.59

Interests payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest payable on bank loans	21,284,093.99	17,839,437.74
Total	21,284,093.99	17,839,437.74

Dividends payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Natural person shareholders	10,456,455.85	59,459,387.16
Total	10,456,455.85	59,459,387.16

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

35. Other payable (Continued)

*Other payables**a. Classification of other payables by nature**Unit: Yuan Currency: RMB*

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	57,611,288.23	49,011,138.09
Cash pledge and deposits	91,214,436.75	71,248,845.01
Expenses payable	37,222,061.86	21,449,109.11
Collection and payment on behalf of others	13,309,153.55	7,429,494.69
Others	25,711,682.98	38,425,306.79
Total	225,068,623.37	187,563,893.69

*b. Significant amounts of other payables aged over 1 year**Unit: Yuan Currency: RMB*

Company name	Ending balance	Reason for not paid or reversed
YTO Group Corporation	56,907,981.10	Unsettled
Total	56,907,981.10	/

Explanation of other payables: N/A

36. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Lease liabilities due within 1 year	16,629,397.55	13,217,047.39
Interest on long-term loans due within 1 year	104,027.77	116,111.11
Total	16,733,425.32	13,333,158.50

Explanation of non-current liabilities: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

37. Other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Discount and allowance	374,606,322.04	138,282,781.73
Warranty fee for 3 after sale services included	82,868,501.87	90,924,777.20
Agent service fees	1,142,000.00	2,580,000.00
Transportation fee	922,215.00	17,200.00
Output tax to be transferred	13,277,048.78	7,025,715.58
The endorsement of the bill is not terminated	7,586,584.22	23,575,892.03
Others	862,396.57	359,678.33
Total	481,265,068.48	262,766,044.87

38. Long-term loans

(1) Classification of loans

Unit: Yuan Currency: RMB

Classification of loans	Ending balance	Beginning balance
Credit loans	110,000,000.00	110,000,000.00
Interests payable	104,027.77	116,111.11
Subtotal	110,104,027.77	110,116,111.11
Less: Interest on long-term loans due	104,027.77	116,111.11
Long-term loans due over 1 year	110,000,000.00	110,000,000.00

(2) Due date analysis of long-term loans

Unit: Yuan Currency: RMB

Due date	Ending balance	Beginning balance
1-2 years		
2-5 years	110,000,000.00	110,000,000.00
Over 5 years		
Total	110,000,000.00	110,000,000.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

39. Lease liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Present value of lease payments	17,742,719.04	15,070,127.13
Less: Reclassified to non-current liabilities due within one year	16,629,397.55	13,217,047.39
Total Net lease liability	1,113,321.49	1,853,079.74

40. Long-term accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans from non-financial institutions	8,026,285.67	8,251,321.72
Total	8,026,285.67	8,251,321.72

Explanation of long-term accounts payable:

YTO AGRO-INDUSTRIAL, an offshore subsidiary of the Group, signed a supplementary agreement with the Ivorian government which stipulates that XOF 750,120,156.00 (RMB8,026,285.67 at the end of the period) of the transfer loan from the government of YITWO AGRO-INDUSTRIAL in CYD Ivory Coast in 1997 has not been repaid, and the repayment can be postponed until 2024.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

41. Long-term salary payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term dismissal benefits	75,162,769.43	93,344,948.09
Others	27,738.00	27,738.00
Less: Non-discounted long-term payable remuneration for employees whose long-term dismissal benefits expire within one year	-36,410,133.15	-35,570,338.38
Total	38,780,374.28	57,802,347.71

42. Estimated liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Reason for occurring
Other	1,962,613.99	1,962,613.99	Note1
Total	1,962,613.99	1,962,613.99	/

Note 1: In 2017, when the sale of a towed forklift (Luoyang) Co., Ltd. was formed, part of the payment was made in the current period, and the balance was not yet paid.

43. Deferred revenue

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	133,872,843.96	5,110,000.00	9,790,005.78	129,192,838.18	Details refer to (1)
Government subsidies related benefit	4,172,867.59	2,375,251.00	1,676,555.65	4,871,562.94	Details refer to (1)
Total	138,045,711.55	7,485,251.00	11,466,561.43	134,064,401.12	/

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

43. Deferred revenue (Continued)

Item of government grants

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in loss and profit in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
High-power non-road diesel engine	29,400,000.00		2,450,000.00			26,950,000.00	Related to assets
New wheeled tractor core capacity improvement	26,599,999.98		2,418,181.82			24,181,818.16	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	2,750,000.00		250,000.00			2,500,000.00	Related to assets
Modern agricultural equipment smart cockpit digital factory	5,736,111.14		291,666.66			5,444,444.48	Related to assets
Energy saving and environmental protection diesel engine crankshaft machining production line project	2,115,000.00		270,000.00			1,845,000.00	Related to assets
Application project of new model of intelligent manufacturing of new wheeled tractors	8,654,545.42		540,909.10			8,113,636.32	Related to assets
Intelligent workshop and factory industrial Internet platform	10,000,000.00					10,000,000.00	Related to assets
Industrial revitalization and technological transformation	4,400,000.00		1,098,000.00			3,302,000.00	Related to assets
8-12Kg/s Multifunctional Combine Harvester Project	2,625,000.00					2,625,000.00	Related to assets
Diesel Engine National Four Provincial Renovation (Phase I) Project	4,335,000.00		255,000.00			4,080,000.00	Related to assets
Improve independent research and development capabilities	9,297,565.06		671,015.34			8,626,549.72	Related to assets
Special funds for urban security housing projects	7,488,000.00			144,000.00		7,344,000.00	Related to assets
Key product testing platform	8,333,682.97		694,473.60			7,639,209.37	Related to assets
Tractor test environment warehouse and supporting comprehensive verification platform	2,800,000.00		150,000.00			2,650,000.00	Related to assets

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

43. Deferred revenue (Continued)

Item of government grants (Continued)

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in loss and profit in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/related to income
Reconstruction project of moulding line for small and medium parts in foundry	2,634,108.40		128,187.84			2,505,920.56	Related to assets
Modern agricultural equipment intelligent cockpit digital factory project subsidy	6,571,428.58		428,571.42			6,142,857.16	Related to assets
Agricultural machinery pollution emission control technology and system research	69,544.50		69,544.50				Related to income
Research on key technologies of clean and combustion of agricultural diesel engine	112,772.44		112,772.44				Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	229,494.74		229,494.74				Related to income
Development and Industrialization of Non-road Countries No.4 emissions standards Diesel Engine	2,000,000.00					2,000,000.00	Related to income
Research and System Development of Tractor Inspection Technology	13,056.59		13,056.59				Related to income
Research and development of large-scale precision planting and fertilizing robot system	116,148.31		60,851.54			55,296.77	Related to income
Research and development of cloud collaborative intelligent harvesting robot system	5,776.93					5,776.93	Related to income
Development and Application Demonstration of a Network Collaborative Product Design System for Agricultural Equipment Based on Modularity (Special Project)	138,500.00		14,700.00			123,800.00	Related to income

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

43. Deferred revenue (Continued)

Item of government grants (Continued)

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in loss and profit in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
Application demonstration of intelligent management and control technology for agricultural equipment production process based on digital twin technology (special project)	175,684.85		36,879.85			138,805.00	Related to income
Agricultural Equipment Enterprise Supply Chain Network Collaborative Technology Development and Application Demonstration (Special)	361,143.24	399,251.00	51,270.39		260,000.00	449,123.85	Related to income
(Special) 2020 National New Material Production and Application Demonstration Platform Construction Project – Agricultural Machinery Equipment Material Production and Application Demonstration Platform	850,745.99	1,976,000.00	738,994.44			2,087,751.55	Related to income
Yang Hongzhe Skill Master Studio	100,000.00		88,991.16			11,008.84	Related to income
Quality improvement and intelligent transformation of medium horsepower tractor		5,110,000.00				5,110,000.00	Related to assets
Others	13,402.41					13,402.41	Related to assets
Total	138,045,711.55	7,485,251.00	11,062,561.43	144,000.00	260,000.00	134,064,401.12	–

Explanation for deferred revenue:

Other changes are appropriations to third party partners.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

44. Share capital

Unit: Yuan Currency: RMB

Item	Beginning balance	Issue new stock	Changes in current period (+,-)			Subtotal	Ending balance
			Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	1,123,645,275.00						1,123,645,275.00

45. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium		2,408,231,745.23		2,408,231,745.23
Others capital reserve		247,618,250.77		247,618,250.77
Total		2,655,849,996.00		2,655,849,996.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

46. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred in this period		
		Amount before income tax in the current period	Less: accounted in loss and profit in current period which was accounted in other comprehensive income in prior period	Less: accounted in retained earnings in current period which was accounted in other comprehensive income in prior period
Other comprehensive income that cannot be reclassified into profit or loss		-1,241,206.11		
Changes in fair value of other equity instrument investments		-1,241,206.11		
Other comprehensive income that will be subsequently reclassified to profit and loss	-11,710,421.44	-9,932,145.35		
Exchange differences from retranslation of foreign currency financial statements	-11,710,421.44	-9,932,145.35		
Total other comprehensive income	-11,710,421.44	-11,173,351.26		
Items		Amount incurred in this period		Ending balance
		Less: Income tax expense	Attributable to the parent company after tax	Attributable to the minority shareholders after tax
Other comprehensive income that cannot be reclassified into profit or loss			-633,015.12	-608,190.99
Changes in fair value of other equity instrument investments			-633,015.12	-608,190.99
Other comprehensive income that will be subsequently reclassified to profit and loss			-9,335,424.28	-596,721.07
Exchange differences from retranslation of foreign currency financial statements			-9,335,424.28	-596,721.07
Total other comprehensive income			-9,968,439.40	-1,204,912.06

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

47. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production expense	3,465,767.12	7,395,946.38	6,516,877.09	4,344,836.41
Total	3,465,767.12	7,395,946.38	6,516,877.09	4,344,836.41

48. Surplus reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	500,724,352.59			500,724,352.59
Discretionary surplus reserve	771,431.00			771,431.00
Total	501,495,783.59			501,495,783.59

49. General risk reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves	43,263,387.54			43,263,387.54

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

50. Retained earnings

Unit: Yuan Currency: RMB

Item	Current year	Previous year
Beginning balance of retained earnings before adjustment	1,086,069,085.52	795,064,178.33
Total amount of adjustment on beginning balance of retained earnings		
Beginning balance of retained earnings after adjustment	1,086,069,085.52	795,064,178.33
Add: Net profit for the year attributable to shareholders of the parent company	581,466,905.85	438,209,215.31
Less: Appropriation of the statutory surplus reserve		59,394,611.43
Provision of general risk reserves		3,620,995.16
Profit distributions to shareholders	132,995,719.53	84,188,701.53
Ending balance of this period	1,534,540,271.84	1,086,069,085.52

51. Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	6,505,986,146.91	5,455,437,565.29	5,535,756,395.06	4,572,009,949.02
Other business	44,740,367.88	28,296,304.24	39,345,194.69	18,924,063.11
Total	6,550,726,514.79	5,483,733,869.53	5,575,101,589.75	4,590,934,012.13

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

52. Net interest income

Unit: Yuan Currency: RMB

Item	Cumulative amount in this period	Cumulative amount in last period
Interest income	74,636,601.43	53,288,535.72
Including: From deposits in other banks	42,000,785.95	17,037,455.02
From deposits in central bank	2,113,712.62	1,957,339.49
Lending funds		93,333.33
Loans and advances granted	26,939,131.45	21,890,643.40
Including: Individual loans and advances	9,109,362.98	5,156,636.67
Corporate loans and advances	16,848,594.19	16,283,523.49
Notes discounting	981,174.28	450,483.24
Buying back the sale of financial assets	3,582,971.41	12,309,764.48
Interest expense	10,371,808.42	10,979,674.37
Including: From deposits in other banks		
From deposits in central bank		
Deposits from banks and other financial institutes	66,666.67	50,000.00
Deposits adsorption	10,219,151.75	10,880,037.15
Others	85,990.00	49,637.22
Net interest income	64,264,793.01	42,308,861.35

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

53. Fees and net commission income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Fees and commission income	4,968,165.35	3,407,212.77
Including: Clearing and settlement fees	12,039.66	10,752.56
Agent fees		206,877.36
Credit commitment fees and commissions	55,681.65	71,222.40
Others	4,900,444.04	3,118,360.45
Fees and commission expense	273,748.70	301,437.15
Including: Service fee expense	273,748.70	301,437.15
Commission expense		
Fees and net commission income	4,694,416.65	3,105,775.62

54. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Property tax	10,789,214.28	11,123,230.04
Stamp duty	5,411,864.72	4,410,185.74
Land use tax	3,954,538.07	4,060,772.11
Urban maintenance and construction tax	2,220,951.64	2,685,194.71
Education surcharge	1,586,394.03	1,917,996.21
Vehicle and vessel usage tax	16,523.45	13,545.66
Others	187,661.30	201,691.17
Total	24,167,147.49	24,412,615.64

Taxes and additional instructions: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

55. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	37,821,319.41	40,429,002.04
Sales service fees	13,550,285.02	15,860,752.65
Advertising fees	5,245,020.36	2,996,892.08
Travel expenses	5,137,479.40	6,350,196.95
Rent expenses	519,879.60	679,414.97
Others	3,933,671.25	11,568,076.05
Total	66,207,655.04	77,884,334.74

56. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	75,970,907.73	75,198,104.01
Depreciation expenses	26,868,707.08	27,421,179.41
Amortization of intangible assets	14,612,826.77	13,653,488.96
Repair expense	13,470,473.46	15,322,621.77
Rent fees	8,358,897.44	8,079,279.66
Service fees	4,347,548.20	3,903,009.55
Party contribution funds	2,687,885.78	2,442,635.52
Office fee	1,176,816.92	957,459.00
Water and electricity charge	992,716.97	1,081,999.13
Entertainment expenses	984,927.83	1,245,695.96
Travel expenses	762,786.99	906,181.29
Others	8,674,292.40	8,927,688.26
Total	158,908,787.57	159,139,342.52

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

57. Research & development expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	89,155,733.70	86,800,557.02
Material cost	59,557,313.27	62,560,222.88
Depreciation expenses	22,569,835.06	22,754,237.81
Design fee	1,647,655.97	4,717,809.93
Test and Inspection Fee	208,977.81	240,902.93
Others	13,247,428.40	10,641,609.21
Total	186,386,944.21	187,715,339.78

Research and development Expenses: N/A

58. Finance expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Interest expense	12,495,853.25	14,429,371.78
Less: Interest income	1,431,615.26	1,519,298.92
Exchange loss	-13,582,508.38	10,057,622.29
Other expense	308,060.85	190,293.38
Total	-2,210,209.54	23,157,988.53

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

59. Other income

(1) Details of other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Government grants	12,873,277.10	17,120,604.55
Refund of Individual Income Tax Commission Input tax plus deduction	261,430.59 252,912.35	142,816.86
Total	13,387,620.04	17,263,421.41

(2) Government grants included in other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
High-power non-road diesel engine New wheeled tractor core capacity improvement	2,450,000.00 2,418,181.82	2,450,000.00 2,418,181.82	related to assets related to assets
Organic waste gas treatment funds Casting system green technology upgrading project	1,150,000.00 1,098,000.00		related to income related to assets
(Special) 2020 National New Material Production and Application Demonstration Platform Construction Project – Agricultural Machinery Equipment Material Production and Application Demonstration Platform	738,994.44		related to income
Key product testing and testing platform	694,473.60	694,473.60	related to assets
Improve independent research and development capabilities	671,015.34	671,015.34	related to assets

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
New wheeled tractor intelligent manufacturing new model application	540,909.10	540,909.10	related to assets
Modern agricultural equipment intelligent cockpit digital factory project subsidy	428,571.42		related to assets
Small and medium-sized enterprises to expand the international market project subsidies	317,300.00		related to income
Modern agricultural equipment smart cockpit digital factory	291,666.66	291,666.66	related to assets
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	270,000.00	270,000.00	related to assets
Diesel Engine National Four Provincial Renovation (Phase I) Project	255,000.00	255,000.00	related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	250,000.00	250,000.00	related to assets
Study on the control and OBD Key Technology of exhaust post-treatment System for agricultural Machinery subsidized by government	229,494.74		related to income
Tractor whole machine test environment bin and supporting comprehensive verification platform	150,000.00		related to assets
Reconstruction project of moulding line for small and medium parts in foundry	128,187.84	98,518.46	related to assets

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

59. Other income (Continued)

(2) *Government grants included in other income (Continued)*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
Study on Key Technologies of clean combustion of agricultural diesel engine	112,772.44		related to income
Yang Hongzhe Skills Master studio Engineering demonstration of farm machinery post-treatment system that meets the national four stage standards	88,991.16		related to income
Research and development of large-scale precision seeding and fertilization robot system	69,544.50		related to income
Agricultural Equipment Enterprise Supply Chain Network Collaborative Technology Development and Application Demonstration (Special)	60,851.54	17,866.26	related to income
Application demonstration of intelligent management and control technology for agricultural equipment production process based on digital twin technology (special project)	51,270.39		related to income
Development and Application Demonstration of Agricultural Equipment Network Collaborative Product Design System Based on Modularization (Special Project)	36,879.85		related to income
Research on Detection Technology and System Development of Complete Tractor — Research on Quality Detection Technology of Agricultural Machinery Equipment Manufacturing Process (Special Fund)	14,700.00		related to income
Industrial revitalization and technological transformation			
C Series Government Project Grant		1,098,000.00	related to assets
		358,000.00	related to assets

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
Financial subsidies for enterprise R&D expenses		5,453,270.00	related to income
Research and development of cloud cooperative intelligent harvesting robot system		538,240.85	related to income
Research and development of key technology of tractor in hill country (Innovation project in self-owned area) Robot and intelligent equipment 260-340 horsepower power shift tractor research and development and industrialization		533,699.18	related to income
Fund subsidy income of Sinosure project		300,000.00	related to income
The integrated development of medium power energy-saving and environmental protection agricultural diesel engine matches the whole machine		274,300.00	related to income
100-120 HP Wheel Track Conversion Tractor Development Project Subsidy		184,128.57	related to income
Research on Fault Warning and remote diagnosis technology of tractor operation information collection		150,000.00	related to income
Beidou-based integration and demonstration application of agricultural machinery navigation operation technology		48,320.71	related to income
Others	343,415.67	35,914.00	related to income
		189,100.00	
Total	12,873,277.10	17,120,604.55	

Explanation of other income: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

60. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investments by equity method	4,501,370.69	2,703,971.43
Investment income from disposal of long-term equity investments	27,356,702.28	552,226,121.43
Investment income from holding of trading financial assets		
Investment income from disposal of trading financial assets	1,238,539.86	5,611,119.20
others	-270,941.51	
Total	32,825,671.32	560,541,212.06

The investment income generated by the disposal of long-term equity investment in the previous period is mainly the bankruptcy liquidation of the French company in the previous period, and the excess loss is reversed.

61. Income from changes in fair value

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Gains and losses from changes in fair value from held-for-trading financial assets	-86,421,175.31	13,535,606.94
Total	-86,421,175.31	13,535,606.94

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

62. Loss on impairment on credit

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-16,208,127.99	-10,414,461.38
Lendings to Banks and Other Financial Institutions		-10,090,000.00
Loss of impairment of loan investment	18,949,630.47	4,779,510.91
Loss of impairment of Entrusted loan	-77,206,906.78	-42,299,960.88
Total	-74,465,404.30	-58,024,911.35

63. Loss on impairment of assets

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Impairment loss on inventories		-559,025,468.97
Impairment loss on fixed assets	-1,573,483.93	-8,289,521.16
Impairment loss on advance payments		-1,388,112.06
Impairment loss on construction in progress	-57,500.00	-41,156.06
Total	-1,630,983.93	-568,744,258.25

64. Assets disposal income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	648,065.96	3,388,682.05
Total	648,065.96	3,388,682.05

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

65. Non-operating income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Government grants	144,000.00	144,000.00	144,000.00
Unpayable payables	3,232,633.72	5,169,446.81	3,232,633.72
Others	405,100.72	1,063,768.11	405,100.72
Total	3,781,734.44	6,377,214.92	3,781,734.44

Details of government grants

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets / Related to income
Special funds for urban security housing projects	144,000.00	144,000.00	Related to assets
Total	144,000.00	144,000.00	

Other explanation of non-operating income: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

66. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Overdue fine	1,154,598.87		1,154,598.87
Loss of Non-current assets scrapped		439,170.90	
Compensation expenditure	196,465.93		196,465.93
Donations to outside party	10,000.00		10,000.00
Others	381,307.43	3,802.99	381,307.43
Total	1,742,372.23	442,973.89	1,742,372.23

Explanation of non-operating expenses: N/A

67. Income tax expenses

(1) Chart of income tax expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Current income tax expenses	75,650,425.15	59,859,397.11
Deferred income tax expense	-68,161,163.33	-42,552,707.12
Total	7,489,261.82	17,306,689.99

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

67. Income tax expenses (Continued)

(2) *The Adjustment Process of Accounting Profit and Income Tax Expenses*

Unit: Yuan Currency: RMB

Item	Amount in this period
Total profit	588,874,686.14
Income Tax Expenses at Statutory/Applicable Tax Rates	94,943,362.11
The Impact of Different Tax Rates on Subsidiaries	669,442.68
The impact of income tax on the period before adjustment	2,537,787.78
The impact of non-taxable income	885,074.90
Non-deductible Cost, Cost and Loss Impact	540,014.33
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-113,755,873.04
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	22,481,634.48
Extra deductions for R& D expenses	-951,181.11
Others	138,999.69
Income tax expenses	7,489,261.82

Explanation of income tax expenses: N/A

68. Notes to items of cash flow statement

(1) *Cash receipts from other operating activities*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	1,431,615.26	1,620,054.07
Cash receipts of government subsidy	9,295,966.67	13,105,262.00
Cash receipts from other receivables	14,947,978.03	69,829,345.85
Total	25,675,559.96	84,554,661.92

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

68. Notes to items of cash flow statement (Continued)

(2) Cash payments to other operating activities.

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Payment of selling, administrative and R&D expenses	62,962,136.35	63,037,383.97
Payment of other payables	66,300,290.07	17,212,673.31
Total	129,262,426.42	80,250,057.28

(3) Payment of other cash related to investment activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Net cash received from disposal of subsidiaries and other business units is negative	7,883,193.22	
Total	7,883,193.22	

(4) Other cash payments relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Right-to-use assets	4,450,610.70	7,835,368.87
Total	4,450,610.70	7,835,368.87

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

69. Supplementary information for consolidated cash flow statement

(1) *Supplementary information for consolidated cash flow statement*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	581,385,424.32	513,860,368.97
Add: Provision for asset impairment	1,630,983.93	568,744,258.25
Credit impairment loss	74,465,404.30	58,024,911.35
Depreciation of fixed asset	137,943,421.51	145,486,629.48
Amortization of right-to-use assets	9,714,054.19	9,489,020.05
Amortization of intangible assets	16,042,102.43	15,381,037.66
Amortization of long-term deferred expenses	11,622,948.34	9,156,348.97
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-648,065.96	-3,389,682.05
Loss on disposal of fixed assets (Gain listed as "-")		
Gain or loss from changes in fair value (Gain listed as "-")	86,421,175.31	-13,535,606.94
Financial expenses (Gain listed as "-")	12,495,853.25	10,051,302.80
Loss on investments (Gain listed as "-")	-32,825,671.32	-560,541,212.06
Decrease in deferred tax assets (Increase listed as "-")	-53,899,017.99	-43,584,414.96
Increase in deferred tax liabilities (Decrease listed as "-")	-14,262,145.34	1,029,596.62
Decrease in inventories (Increase listed as "-")	833,253,093.85	448,495,128.79
Decrease in operating receivables (Increase listed as "-")	710,084,244.36	156,566,288.10
Increase in operating payables (Decrease listed as "-")	902,359,445.56	-673,257,233.75
Others		32,264,003.65
Net cash flow generated from operating activities	3,275,783,250.74	674,240,684.93
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

69. Supplementary information for consolidated cash flow statement

(1) *Supplementary information for consolidated cash flow statement (Continued)*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
3. Net changes in cash and cash equivalents		
Ending balance of cash	5,126,484,279.03	1,785,410,870.88
Less: Beginning balance of cash	2,146,767,725.61	1,416,825,910.58
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	2,979,716,553.42	368,584,960.30

(2) *The net cash of the subsidiary paid in the current period*

N/A

(3) *Net cash received for disposal of subsidiaries during the period*

Unit: Yuan Currency: RMB

Item	Current amount
Current Period Disposition of cash or cash equivalents received by a subsidiary during the current period	64,561,916.50
Less: Cash and cash equivalents held by the company on the date of loss of control	3,545,588.91
Net cash received from disposal of subsidiaries	61,016,327.59

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

69. Supplementary information for consolidated cash flow statement (Continued)

(4) Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
1. Cash	5,126,484,279.03	2,146,767,725.61
Including: Cash on hand	270,480.72	413,447.08
Bank deposits ready for payment	5,126,211,505.16	2,146,354,221.57
Other monetary fund's ready for payment	2,293.15	56.96
Deposit in the Central Bank ready for payment		
Interbank deposits		
Loans to other banks		
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Ending balance of cash and cash equivalents	5,126,484,279.03	2,146,767,725.61
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group		

70. Assets with restricted ownership or right-to-use

Unit: Yuan Currency: RMB

Item	Ending balance of book value	Reason
Monetary funds	795,363,076.76	Cash deposits and statutory reserve deposited in the Central Bank, Fixed deposits of more than three months
Notes receivable	14,600,000.00	Pledge
Fixed assets	35,858,027.28	Loan mortgage
Intangible assets	15,091,625.19	Loan mortgage
Total	860,912,729.23	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

71. Net current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
	9,161,877,081.70	
Current assets	9,851,192,776.71	7,695,901,023.41
Less: current liabilities	7,074,224,775.49	5,891,147,420.90
Net current assets	<u>2,087,652,306.21</u>	<u>1,804,753,602.51</u>
	<u>2,776,968,001.22</u>	

72. Total assets deduct current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Total assets	13,921,094,062.89	12,339,594,556.58
Less: current liabilities	7,074,224,775.49	5,891,147,420.90
Total assets deduct current liabilities	<u>6,846,869,287.40</u>	<u>6,448,447,135.68</u>

73. Loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Short-term bank loan	570,000,000.00	270,000,000.00
Long-term loans due in one year		
Long-term loan	110,000,000.00	110,000,000.00
Total	<u>680,000,000.00</u>	<u>380,000,000.00</u>

(1) Analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	570,000,000.00	270,000,000.00
Paid after one year	110,000,000.00	110,000,000.00
Total	<u>680,000,000.00</u>	<u>380,000,000.00</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

73. Loan (Continued)

(2) Maturity date analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	570,000,000.00	270,000,000.00
1-2 years		
2-5 years	110,000,000.00	110,000,000.00
Total	680,000,000.00	380,000,000.00

74. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: Yuan

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Monetary funds			111,446,484.60
USD	12,157,179.36	6.7114	81,591,693.56
EUR	3,081,508.55	7.0084	21,596,444.52
HKD	10,938.08	0.8552	9,354.25
AUD	1,431.79	4.6145	6,606.99
XOF	768,670,583.00	0.0107	8,224,775.24
ZAR	1,694.64	0.4133	700.39
BYR	8,507.57	1.9876	16,909.65
Accounts receivable			99,176,050.89
USD	11,991,786.71	6.7114	80,481,677.31
EUR	110,277.29	7.0084	772,867.36
YEN	439,124.00	0.0491	21,560.99
AUD	490,708.22	4.6145	2,264,373.08
XOF	614,666,188.00	0.0107	6,576,928.21
ZAR	21,917,841.61	0.4133	9,058,643.94

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

74. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Unit: Yuan

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Other receivables			1,517,403.36
XOF	132,180,485.50	0.0107	1,414,331.19
ZAR	26,860.62	0.4133	11,101.49
BYR	46,272.23	1.9876	91,970.68
Non-current assets maturing within one year			405,442,850.86
USD	47,719,241.77	6.7114	320,262,919.22
EUR	12,153,976.89	7.0084	85,179,931.64
Other current assets			37,974.23
BYR	19,105.57	1.9876	37,974.23
Long-term receivables			45,558,739.58
EUR	6,500,590.66	7.0084	45,558,739.58
Accounts payable			32,963,884.41
USD	4,020,435.31	6.7114	26,982,749.54
EUR	706,460.10	7.0084	4,951,154.96
AUD	11,794.96	4.6145	54,427.84
XOF	86,266,651.00	0.0107	923,053.17
ZAR	33,300.13	0.4133	13,762.94
BYR	19,488.81	1.9876	38,735.96
Other payables			780,068.40
USD	45,855.47	6.7114	307,754.40
XOF	44,141,495.00	0.0107	472,314.00
Employee benefits payable			61,085.35
BYR	30,733.22	1.9876	61,085.35
Long-term payables			8,026,285.67
XOF	750,120,156.00	0.0107	8,026,285.67

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

74. Foreign currency monetary items (Continued)

- (2) *Description of overseas business entities, including for important overseas business entities, disclosure of their main overseas business locations, functional standard currency and selection basis, and disclosure of reasons for changes in functional standard currency*

Company name	Overseas main business place	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd	Hong Kong	USD	Business environment and the main settlement currency
YTO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MACHINERY(SA) (PTY) LTD.	South Africa	ZAR	Business environment and the main settlement currency
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency

75. Government subsidies

1. Classification of government subsidies

Unit: Yuan Currency: RMB

Projects of government subsidies	Amount	Item	The amount recorded in current profit and loss
Government subsidies included in deferred income	7,485,251.00	deferred income	—
Government subsidies included in other income	1,810,715.67	other income	1,810,715.67
Government subsidies included in non-business income	—	non-business income	—
Total	9,295,966.67		1,810,715.67

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

76. Depreciation and amortization

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Depreciation of fixed assets	137,943,421.51	145,486,629.48
Amortization of intangible assets	16,042,102.43	15,381,037.66
Total	153,985,523.94	160,867,667.14

77. Reserved funds

According to the applicable law of China, where the Group is registered and established, the allowable reserve of the Group on June 30, 2022 is RMB1,534,540,271.84, and the capital reserve-equity premium is RMB2,408,231,745.23.



SECTION X FINANCIAL STATEMENTS (CONTINUED)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business consolidation not under common control

No business consolidation not under common control in this period.

2. Business consolidation under common control

No business consolidation under common control in this period.

3. Disposal of subsidiary companies: N/A

In June 2021, Henan Xigong Mechanical and Electrical Equipment Co., Ltd. signed a property rights transaction contract with YTO (Luoyang) Fulleger Body Co., Ltd., which is a subsidiary of the Group. YTO (Luoyang) Fulleger Body Co., Ltd. The contract stipulated that YTO (Luoyang) Fulleger Body Co., Ltd. transferred its Zhengzhou Sanzhen Machinery Co. Ltd. 100% equity and creditor's rights of RMB42,253,800 (for the creditor's rights, please refer to Asset Evaluation Report and Schedule No. 2128 of China United Evaluation Journal [2021]) to Henan Xigong Mechanical and Electrical Equipment Co., Ltd., and the transfer price was RMB64,561,900. In January 2022, YTO (Luoyang) Fulleger Body Co., Ltd. has received the equity transfer payment and the equity transfer has been completed, Therefore, the merger scope of this year is reduced by one third-level subsidiary compared with the previous period.

4. Changes in the scope of consolidation due to other reasons: N/A

5. Other: N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
China-Africa Heavy Industry Investment Co., Ltd	China	China	Sale of agricultural machinery	55.00		Establishment
Changtuo Agricultural Machinery Equipment Group Corporation	China	China	Tractor manufacturing	33.33		Subsidiaries acquired through business combination not under common control
Luoyang Tractor Research Institute Co., Ltd	China	China	Other	51.00		Business combination under common control
YTO International Economic and Trade Co., Ltd	China	China	Sale of agricultural machinery	100.00		Business combination under common control
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00		Business combination under common control
Yituo (Luoyang) Hydraulic Transmission Co. Ltd	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Co., Ltd	China	Bermuda	Investment shareholding	90.10		Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd	China	China	Sale of agricultural machinery	70.00	30.00	Establishment
China YTO Group Finance Co., Ltd	China	China	Finance	94.60	4.80	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	China	China	Tractor manufacturing	100.00		Subsidiaries acquired through business combination not under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00		Business combination under common control

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
YTO Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00		Business combination under common control

A statement that the proportion of shares in a subsidiary is different from the proportion of voting rights:

According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94.25 million. 00 based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Co., Ltd (referred to as "Changtuo Company") on March 31, 2012. the Company holds 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "SinoMach"), SinoMach authorized its voting right and supervision and management right corresponding to 33.33% equity of Changtuo Company to the Company to independently exercise these rights. The authorization will end when SinoMach transfers the equity to unrelated third parties. During the authorization period, SinoMach cannot unilaterally withdraw its authorization. SinoMach has to obtain the written consent from the Company if SinoMach needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

(2) Significant partially-owned subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Shareholding percentage of minority shareholders (%)	Profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in this period	Ending balance of minority interests
YTO Group Finance Co., Ltd	1.21	808,376.85	1,497,085.48	10,511,688.23
Luoyang Tractor Research Institute Co., Ltd	49.00	1,660,822.83		270,965,851.57
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	-1,153,082.10		254,719,215.87

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Main financial information of significant partially-owned subsidiaries

The main financial information of these subsidiaries is the amount before each company offset each other, but the adjustment of fair value and unified accounting policy is made after the merger day:

Unit: Yuan Currency: RMB

The name of subsidiaries	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YTO Group Finance Co., Ltd	5,447,962,022.08	559,891,282.15	6,007,853,304.23	5,316,405,039.09		5,316,405,039.09	3,291,280,078.88	1,961,557,846.78	5,252,837,925.66	4,378,608,057.09	58,800.98	4,378,666,858.07
Luoyang Tractor Research Institute Co., Ltd	217,161,175.45	403,783,505.32	620,944,680.77	36,885,439.79	31,067,707.17	67,953,146.96	307,320,132.80	422,235,442.36	729,555,575.16	145,137,429.05	33,574,840.54	178,712,269.59
	<u>1,250,094,979.42</u>	<u>1,365,140,980.03</u>										
YTO (Luoyang) Diesel Engine Co., Ltd	1,939,410,674.43	675,825,271.02	2,615,235,945.45	983,096,819.34	128,114,095.41	1,111,210,914.75	1,969,122,462.94	662,236,076.07	2,631,358,539.01	987,254,695.80	137,239,774.79	1,124,494,470.59

The name of subsidiaries	Amount in this period				Amount in last period			
	Operating income	Net profit	Total comprehensive income	Cash Flow of Operational Activities	Operating income	Net profit	Total comprehensive income	Cash Flow of Operational Activities
YTO Group Finance Co., Ltd	90,462,112.99	66,791,444.37	66,791,444.37	3,126,785,201.98	78,083,289.43	20,425,919.57	20,425,919.57	455,425,457.36
Luoyang Tractor Research Institute Co., Ltd	88,442,219.99	3,389,434.35	2,148,228.24	16,063,487.81	72,472,996.10	-7,595,362.35	-7,595,362.35	55,888,190.59
YTO (Luoyang) Diesel Engine Co., Ltd	1,302,218,579.23	-2,933,204.91	-2,933,204.91	169,975,975.58	1,215,554,580.37	64,701,418.20	64,701,418.20	-50,025,950.32

(4) Major restrictions on the use of enterprise group assets and repayment of enterprise group debt

N/A

(5) Financial support or other support provided to the structured body that incorporates the scope of the consolidated financial statements: N/A

2. Situation of which the portion of shareholders' equity in a subsidiary changed but still in control of the subsidiary

N/A

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name of joint ventures or associates	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Drive Axle Co., Ltd	China	China	Tractor manufacturing	49.00		Equity method
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	China	China	Tractor manufacturing	20.00		Equity method

According to the provisions of the Company's "Investment and Operation Decision-making System", the company completed the transfer of 20% of the equity of the company's associate Yituanchuanlong Sichuan Agricultural Equipment Co., Ltd. through listing and transfer in Beijing Equity Exchange in March 2022 after the review and approval of the ninth General Manager's Office meeting of the company, and the transfer price was 1.2 million yuan.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Unit: Yuan Currency: RMB

	Ending balance/ Amount incurred in this period		Beginning balance/ Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	200,251,598.79		3,129,831.15	193,678,117.66
Non-current assets	154,343,510.07		10,422.22	158,216,040.58
Total assets	<u>354,595,108.86</u>		<u>3,140,253.37</u>	<u>351,894,158.24</u>
Current liabilities	83,471,709.80		207,476.01	90,458,334.43
Non-current liabilities	0.04			6,542,410.72
Total liabilities	<u>83,471,709.84</u>		<u>207,476.01</u>	<u>97,000,745.15</u>
Minority interests				
Equity attributable to the parent company shareholders	271,123,399.02		2,932,777.36	254,893,413.09
Share of net assets calculated by shareholding ratio	132,850,465.52		586,555.47	124,897,772.41
Adjusted matters	-3,073,223.54			-86,117.15
- Goodwill				
- Unrealized profits from internal transactions	-3,073,223.54			-86,117.15
- Others				
Book value of equity investments in joint ventures	129,777,241.98		586,555.47	124,811,655.26
Fair value of equity investments in joint ventures with public offer				

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures (Continued)

Unit: Yuan Currency: RMB

	Ending balance/ Amount incurred in this period		Beginning balance/ Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Operating income		145,124,834.41		125,813,562.38
Finance expenses		-1,267,793.52	792.82	-725,149.88
Net profit		10,434,048.48	-161,049.42	4,415,396.13
Net profits of discontinuing operation				
Other comprehensive income				
Total comprehensive income		<u>10,434,048.48</u>	<u>-161,049.42</u>	<u>4,415,396.13</u>
Dividends from associates for current period				

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(3) *Summary financial information of insignificant associates*

	Ending balance/ Amount incurred in this period	Beginning balance/ Amount incurred in last period
Associates:		
Total book value of investments	361,070.03	1,572,335.64
Total amount of the following items calculated by shareholding ratio		
Net profit	-1,207,463.11	-37,370.97
Other comprehensive income		
Total comprehensive income	-1,207,463.11	-37,370.97

(4) *Significant restrictions of the ability to transfer funds from associates or joint ventures to the Group*

None.

(5) *Excess loss incurred in associates or joint ventures*

None.

(6) *Unconfirmed commitments related to investments in associates*

None.

(7) *Contingent liabilities related to investments in associates or joint ventures*

None.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group faces risks of various financial instruments in its daily activities, including credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk). The Group's main financial instruments include currency funds, equity investments, creditor's rights investments, loans, accounts receivable, accounts payable, etc. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks faced by the Group. These risk management policies specify specific risks, covering market risk, credit risk and liquidity risk management, etc. The Group regularly assesses changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems.

The Group disperses the risk of financial instruments through appropriate diversification of investment and business portfolio, and reduces the risk of focusing on a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

(1) Credit risk

Credit risk refers to the risk of financial loss caused by the failure of the counterparty to perform its contractual obligations. The Group has adopted a policy of cooperating only with creditworthy counterparties and obtaining sufficient collateral when necessary to mitigate the risk of financial losses arising from the failure of counterparties to fulfil their contractual obligation. The Group deals only with subjects rated as equal to or above the investment level. Rating information is provided by independent rating agencies. If such information is not available, the Group will use other publicly available financial information and its own transaction records to rate major customers. The Group continuously monitors the exposure to risks and the credit ratings of many counterparties and continuously monitors these exposures to credit risks.

On June 30, 2022, the biggest credit risk exposure that may cause financial losses to the Group was mainly due to the failure of the client or counterparty to perform on the due date. Specifically, it includes accounts receivable, other receivables and notes receivable, as well as the lending business of China YTO Group Finance Co., Ltd., a subsidiary of the Group.

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. the Group evaluate the credit qualification of customers and set up corresponding credit period which are based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factor refer to current market conditions. the Group will conduct regular monitoring of customer credit records. As for bad credit customers, the Group will use the written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk in the controllable range. In addition, the Group will continue to monitor balances of accounts receivable. The board of directors believes that the uncollected accounts receivable in the financial statement has an adequate allowance. Considering with such procedures, the board of directors believes that the credit risk has been significantly reduced.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(1) Credit risk (Continued)

Monetary funds held by the Group are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and asset status, there is no significant credit risk, and will not cause any significant losses due to the default of the other party's units.

The debtor of accounts receivable is a large number of customers distributed in different industries and regions. The Group continues to conduct credit assessments of the financial position of debtors of accounts receivable and to purchase credit guarantee insurance when appropriate. Because the counterparts of currency funds and derivatives are reputable banks with high credit ratings, these instruments have low credit risk.

At June 30, 2022, the accounts receivable of the top five customers accounted for 19.02% (June 30, 2021: 18.36%) of the Group's total accounts receivable, so the group has no significant risk of credit concentration.

The Group's credit risk exposure includes on balance sheet items and off-balance sheet items involving credit risk. On the balance sheet date, the book value of the group's financial assets has represented its maximum credit risk exposure

(2) Liquidity risk

Liquidity risk refers to the risk of capital shortage when the Group fulfils its obligation to pay cash or other financial assets for settlement. Each member of the Group is responsible for its cash flow forecast. The financial company under the Group monitors the long-term and short-term capital demand at the Group level based on the cash flow forecast results of each member company. Through the fund pool plan set up by large banking financial institutions, the Group coordinates and dispatches surplus funds within the group, and ensures that member enterprises have sufficient cash reserves to fulfill payment obligations due for settlement. In addition, the Group has entered into a credit agreement with major business banks to support the Group in fulfilling its obligations related to commercial paper.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(2) Liquidity risk (Continued)

Cash Flow Payable as shown in the Contract Remaining Period at the Balance Sheet Date of the Group's Financial Liabilities:

Item	Net book vale	Within 1 year	June 30, 2022		
			1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,427,066,241.34	1,427,066,241.34			
Accounts payable	2,233,507,661.58	2,233,507,661.58			
Other payables	256,809,173.21	256,809,173.21			
Other current liabilities	481,265,068.48	481,265,068.48			
Short-term borrowings	570,409,999.99	570,409,999.99			
Long-term loans	110,000,000.00			110,000,000.00	
Non-current liabilities due within one year	16,733,425.32	16,733,425.32			
Absorbing deposits and Interbank Deposit	1,705,962,199.88	1,705,962,199.88			
financial assets sold for repurchase	0.00				
Long-term payables	8,026,285.67			8,026,285.67	
Subtotal of non-derivative financial liabilities	6,809,780,055.47	6,691,753,769.80		118,026,285.67	
Financial liabilities	6,809,780,055.47	6,691,753,769.80		118,026,285.67	
			January 1, 2022		
Item	Net book vale	Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,429,974,406.92	1,429,974,406.92			
Accounts payable	2,005,338,697.27	2,005,338,697.27			
Other payables	264,862,718.59	264,862,718.59			
Other current liabilities	262,766,044.87	262,766,044.87			
Short-term borrowings	270,183,333.34	270,183,333.34			
Long-term loans	110,000,000.00			110,000,000.00	
Non-current liabilities due within one year	13,333,158.50	13,333,158.50			
Absorbing deposits and Interbank Deposit	741,565,080.73	741,565,080.73			
Financial assets sold for repurchase	11,759,888.55	11,759,888.55			
Long-term payable	8,251,321.72			8,251,321.72	
Subtotal of non-derivative financial liabilities	5,118,034,650.49	4,999,783,328.77		118,251,321.72	
Financial liabilities	5,118,034,650.49	4,999,783,328.77		118,251,321.72	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(3) Market risk

1) Exchange rate risk

The main business of our company is in China, and the main business is settled in RMB. The Group has confirmed that the foreign currency assets and liabilities and future transactions in foreign currency still exists the risk of exchange rate (the currency for foreign currency assets and liabilities and foreign transactions mainly are US dollar, Hong Kong dollar, Euro, Yen, Australian dollar West African francs and Rand). The financial department of the Group is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Group to minimize the risk of exchange rate so that the Group may achieve the purpose of avoiding the exchange rate risk by signing forward foreign exchange contracts.

By the end of June 30, 2022, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Foreign currency of financial assets				
Monetary funds				
		111,446,484.60		213,276,267.71
USD	12,157,179.36	81,591,693.56	22,514,236.76	143,544,019.31
EUR	3,081,508.55	21,596,444.52	1,473,982.13	10,641,708.78
HKD	10,938.08	9,354.25	49,169,201.37	40,200,739.04
AUD	1,431.79	6,606.99	805,644.87	3,723,690.59
XOF	768,670,583.00	8,224,775.24	1,372,349,529.00	15,095,844.82
ZAR	1,694.64	700.39	121,915.23	48,814.86
BYR	8,507.57	16,909.65	8,603.18	21,450.31
Accounts receivable				
		99,176,050.89		88,862,031.36
USD	11,991,786.71	80,481,677.31	11,757,193.64	74,960,339.49
EUR	110,277.29	772,867.36	127,312.29	919,156.54
YEN	439,124.00	21,560.99		
AUD	490,708.22	2,264,373.08	490,708.22	2,268,053.39
XOF	614,666,188.00	6,576,928.21	170,774,378.00	1,878,518.16
ZAR	21,917,841.61	9,058,643.94	22,067,841.61	8,835,963.78
Other receivables				
		1,517,403.37		2,834,547.37
XOF	132,180,485.50	1,414,331.19	249,330,485.50	2,742,635.34
ZAR	26,860.62	11,101.49	26,860.62	10,754.99
BYR	46,272.23	91,970.68	32,550.05	81,157.04
EUR				
Non-current assets maturing within one year				
		405,442,850.85		391,991,636.70

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(3) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
USD	47,719,241.77	320,262,919.22	47,719,241.77	304,243,569.75
EUR	12,153,976.89	85,179,931.64	12,153,976.89	87,748,066.95
Other current asset		37,974.23		69,365.90
BYR	19,105.57	37,974.23	27,820.92	69,365.90
Long-term receivables		45,558,739.58		46,932,314.39
EUR	6,500,590.66	45,558,739.58	6,500,590.66	46,932,314.39
Foreign currency financial liabilities				
Accounts payable				
USD	4,020,435.31	26,982,749.54	4,036,527.89	25,735,690.87
EUR	706,460.10	4,951,154.96	706,460.12	5,100,430.13
AUD	11,794.96	54,427.84	11,794.96	54,516.31
XOF	86,266,651.00	923,053.17	48,814,268.00	536,956.95
ZAR	33,300.13	13,762.94	183,300.13	73,393.37
BYR	19,488.81	38,735.96	20,393.33	50,846.69
Other payables		780,068.40		550,870.93
USD	45,855.47	307,754.40	45,855.47	292,360.72
HKD			31,811.62	26,009.18
XOF	44,141,495.00	472,314.00	20,776,500.00	228,541.50
BYR			1,588.07	3,959.53
Employee benefits payable		61,085.35		111,986.37
BYR	30,733.22	61,085.35	44,914.92	111,986.37
Long-term accounts payable		8,026,285.67		8,251,321.72
XOF	750,120,156.00	8,026,285.67	750,120,156.00	8,251,321.72

Sensitivity analysis:

By the end of June 30, 2022, as for the Group of foreign currency of financial assets and financial liabilities, if the RMB against the US dollar and euro currency appreciation or depreciation of 10% and other factors remain unchanged, the Group will reduce or increase retained profits about RMB62,131,020.55 (In June 2022: RMB71,859,135.72).

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(3) Market risk (Continued)

2) *Interest rate risk*

The interest rate risk of the Group arises from bank loans. Financial liabilities with floating interest rates push the Group to face the cash flow interest rate risk. Financial liabilities with fixed interest rates push the Group to face the fair value interest rate risk. The Group needs to decide a relative proportion between contracts with floating interest rates and contracts with fixed interest rates according to the market environment.

the Group's financial department continuously monitors the Group's interest rate level. Rising interest rates will increase the cost of new interest-bearing liabilities and the interest expenditure of interest-bearing liabilities that the Group has not yet paid at floating interest rates, which will have a significant negative impact on the Group's financial performance. The management will make timely adjustments based on the latest market conditions. These adjustments may be made by arranging interest rate swaps to reduce interest rate risk.

On June 30, 2022, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB and Euro, amounting to RMB110,000,000.00. (Details in VI Note 38 Long-term Loans)

3) *Price risk*

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE

1. Financial instruments measured at fair value

In June 30, 2022, the Group expose the book value of financial asset instruments measured at fair value at three levels which is based on the lowest level of the three levels of the important input values used in the measurement of fair value. The three levels are defined as following:

First level: Unadjusted quotations of the same assets or liabilities that can be obtained on the day of measurement in the active market.

Second level: An input value directly or indirectly observable except for the first level of input value.

Input values in second level included: 1) Quotations similar to assets or liabilities in active markets. 2) Quotations of the same or similar assets or liabilities in an inactive market. 3) Other observable input values other than quotations, such as: The interest rate and yield curve, implied volatility and credit margin that can be observed during the normal quotation interval. 4) Input value of market verification.

Third level: The unobservable input value of the related assets or liabilities.

2. Ending fair value

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
Investments on debt instrument			421,781,607.31	421,781,607.31
Investments on equity instrument			974,574,936.90	974,574,936.90
Receivables Financing			243,773,462.48	243,773,462.48
Total assets			1,640,130,006.69	1,640,130,006.69

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets incorporated in current profit and loss at fair value).

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is in the second level.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

If one or more of the significant inputs are not based on observable market data, the financial instrument is then listed in the third level.

Specific methods of valuating financial instruments include:

- (1) Market price or industry price of similar financial instruments.
- (2) The fair value of interest rate swap is calculated based on discounted value of estimated future cash flows by observable yield curve.
- (3) Present value discounted from fair value of foreign exchange forward contracts calculated by the exchange rate on the settlement date.
- (4) Other methods such as discounted value of cash flow analysis which is used to calculate the fair value of the rest other financial instruments.

For the equity instrument investment held by the company, the company hired China United Assets Appraisal Group Co., Ltd. to issue a valuation report. The valuation method of the equity instrument in the valuation report adopted the market method.

6. Continuous third level fair value measurement items, adjustment information between the beginning and the end of the book value and sensitivity analysis of unobvious parameters

The above continuous fair value measurement project of the Group has not changed between different levels in this year.

7. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion

The above continuous fair value measurement items of the group have not been converted between all levels in this year.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

8. The changes in the valuation technology and the cause of the change in this period

The fair value valuation technology of the Group's financial instruments has not changed in this year.

9. The fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payables, non-current liabilities and long-term loans due within one year and an equity tool that is not quoted in an active market and its fair value is not reliably measured.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

1. Information of the parent company of the enterprise

Unit: ten thousand Currency: RMB

Name of controlling shareholder	Registration place	Business nature	Registered capital	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
YTO Group Corporation	Henan Luoyang	Production and sales of large and small tractors, construction machinery, diesel engines, etc.	302,374.96	48.81	48.81

(1) *Explanation of the parent company of the Company: N/A*

(2) *The ultimate controlling party of the Company is China National Machinery Industry Corporation Ltd.*

China National Machinery Industry Corporation Ltd, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital of the Group is RMB26 billion.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

2. **Subsidiaries of the Company:** refer to the related content in the Note VIII 1. Interests in subsidiaries for the details of the subsidiaries.

3. **The Company's Joint Ventures and Associated Enterprises**

Refer to the related content in the Note VIII 3. Significant joint ventures or associates for the details.

There are transactions incurred between the joint ventures and associates with the Company in this year or balances due to or from the Company realized in prior period carried forward.

Other associated party names	Relationship to other related parties
Yituo (Luoyang) Hydraulic Transmission Co., Ltd	the Company's subsidiary and the joint venture of the controlling shareholder of the Company
Luoyang Tractor Research Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	The joint venture of the controlling shareholder of the Company
Luoyang Oriental Printing Co., Ltd	The joint venture of the controlling shareholder of the Company
China YTO Kawei (Luoyang) Vehicle Co., Ltd	The joint venture of the controlling shareholder of the Company
YTO (Luoyang) Standard Parts Co., Ltd	The joint venture of the controlling shareholder of the Company
YTO (Luoyang) New Oriental Automobile Co., Ltd	The joint venture of the controlling shareholder of the Company

Note: According to the board rules of the Hong Kong stock exchange, the Company holding a share of 10% or more of the holding shareholders of the Company is a joint venture of the controlling shareholder of the Group.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties

Name of other related parties	Relationship to the Company
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
YTO (Luoyang) material equipment Co., Ltd	Under common control
YTO (Luoyang) Pioneer Equipment Technology Co., Ltd	Other
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang Zhongshou Machinery Equipment Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fusaite Automobile Co., Ltd.	Under common control
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	Under common control
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	Under common control
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Under common control
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Under common control
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	Under common control
Luoyang YTO Driver Training School Co., Ltd.	Under common control
Guoji Finance Co., Ltd.	Same ultimate control
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd	Other
SINOMACH-HI(LUOYANG) Co., Ltd.	Other
YTO (Luoyang) Engineering Machinery Co., Ltd	Other
Beijing Heavy Transport Machinery Design Research Institute	Same ultimate control
Guangzhou SINOMACH Lubrication Technology Co., Ltd.	Same ultimate control
Prime Material Technology CO., LTD	Same ultimate control
Sinomach Foundry and Metal Forming Co., Ltd.	Same ultimate control
The Fourth Design and Research Institute of Machinery Industry Co., LTD	Same ultimate control
The fifth design and Research Institute of Mechanical Industry Co., Ltd	Same ultimate control
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	Same ultimate control
Zhengzhou Abrasives Grinding Research Institute Co., Ltd.	Same ultimate control
China Automobile Industrial Engineering Co., Ltd.	Same ultimate control
Changsha Gas-electric Auto Parts Co., Ltd	Same ultimate control
Zhonghengtian Off-road Vehicle Co., Ltd.	Same ultimate control

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties (Continued)

Name of other related parties	Relationship to the Company
SUMEC Machinery & Electric Technology Co., Ltd.	Same ultimate control
Sumec Hardware & Tools Co., Ltd.	Same ultimate control
China Automotive Industry Engineering Co., Ltd.	Same ultimate control
Hengtian Jiuwei Heavy Industry Co., LTD.	Same ultimate control
Beijing Guoji Lianchuang Advertising Co., Ltd.	Same ultimate control
Beijing Tianshun Great Wall Hydraulic Technology Co., Ltd.	Same ultimate control
Fuyang Bearing Co., Ltd.	Same ultimate control
China Industry International Logistics Co., Ltd.	Same ultimate control
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	Same ultimate control
Beijing Zhuozhong Publishing Co., Ltd.	Same ultimate control
China National Machine Tool Corporation	Same ultimate control
China National Electrical Equipment Research Institute Co., Ltd.	Same ultimate control
Nanchang Kama Co., Ltd.	Same ultimate control
Erzhong Deyang Energy Storage Technology Co., Ltd.	Same ultimate control
Zhongqi Shengjia (Tianjin) Property Management Co., LTD.	Same ultimate control
China Second Heavy Machinery Group Deyang Wanlu Transportation Industry Co., Ltd.	Same ultimate control
SINOMACH PRECISION CO., LTD. Zhengzhou Branch	Same ultimate control
Erzhong (Deyang) heavy equipment Co., Ltd	Same ultimate control
Xi'an Heavy Machinery Research Institute Co., Ltd.	Same ultimate control
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Bankruptcy liquidation is not included in the scope of consolidation
YTO (Luoyang) Harvesters Co., Ltd.	Bankruptcy liquidation is not included in the scope of consolidation

The explanation of other related parties: The ultimate controlling party of the Company is China Machinery Industry Group Co., Ltd., so the subsidiaries controlled by China Machinery Industry Group Co., Ltd. are all related parties of the Company. Only the parties concerned with the Company are disclosed herein.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions

(1) The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.

(2) *Significant transactions with SINOMACH and its subsidiaries*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	8,190,220.25	10,615,971.92
Purchase of raw materials and components	20,873,231.59	4,714,814.11
Purchase of fix assets and equipment		849,557.52
Interest income		93,333.33
Pay clients' deposit interest	66,666.67	50,012.09

(3) *Significant transactions between the Group and YTO Group and the subsidiaries*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	105,046,973.66	109,059,969.01
Purchase of raw materials and components	349,888,705.85	319,520,003.25
Payment and payable of power expense	98,094,993.81	80,770,795.72
Payment and payable of comprehensive services and transportation fees	131,501,410.05	117,306,296.56
Payment and payable of land rental expenses	4,526,223.51	5,726,618.77
Payment and payable of buildings rental and equipment rental expenses	4,265,720.67	3,295,764.14
Pay for R & D expenses	10,694,539.94	7,691,406.44
Rental income of leasing buildings and equipment	2,334,884.28	2,061,403.25
Land lease income	78,719.50	32,855.00
Purchase of plant and equipment	8,974,855.90	338,862.42
Interest income	15,761,483.89	14,561,674.57
Pay clients' deposit interest	8,521,354.38	9,511,871.08
Commission income	67,335.73	288,462.50
Payment received of research and development expense	244,339.62	1,181,886.80
Provide technical and testing services	956,489.30	522,243.85

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(4) *Related party transactions between the Group and the joint ventures and associates (including the joint ventures and associates of SINOMACH and YTO Group Corporation)*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	32,366,933.69	19,721,812.89
Rental income	3,326,977.18	3,327,189.50
Purchase raw materials and parts	193,705,913.43	128,248,936.36
Income from research and development costs	71,407,353.12	57,748,755.54
Research and development revenue	8,849.56	
Providing technology and testing services	266,265.51	131,775.16
Pay clients' deposit interest	2,276.35	2,830,596.20
Commission income	12.74	3,282.53
	<u>32,366,933.69</u>	<u>19,721,812.89</u>

(5) *Borrowing and lending between related parties*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loans granting	1,465,700,000.00	2,065,700,000.00
Notes discounted	210,022,720.49	181,999,401.10
Absorption of deposits	11,713,105,208.44	11,042,920,871.45
Loans from other banks		200,000,000.00
	<u>1,465,700,000.00</u>	<u>2,065,700,000.00</u>

(6) *Remuneration of key management personnel (Unit: RMB10 thousand)*

Item	Amount incurred in this period	Amount incurred in last period
Fees	10.90	9.43
Salaries and other benefits	521.06	337.89
Retirement benefits scheme contribution	20.44	13.89
	<u>552.40</u>	<u>361.21</u>
Total remuneration	552.40	361.21

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Analysis of key management personnel remuneration:

Personnel and duties	Fees	Amount in this period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Liu Jiguo		23.66	1.53	25.19
Non-executive directors				
Zhang Zhiyu				
Fang Xianfa				
Ma Zhihui				
Independent non-executive directors				
Xue Lipin	3.42			3.42
Wang Shumao				
Xu Liyou				
Supervisors				
Yang Yu				
Gu Aiqin				
Xiao Bin		21.02	1.53	22.55
Li Peng		121.78	1.53	123.31
Yang Kun		111.98	1.53	113.51
Key management personnel				
Su Wensheng (Deputy general manager)		19.46	1.53	20.99
Yu Lina (Deputy general manager & Board Secretary)		19.46	1.53	20.99
Xue Wenpu (Deputy general manager)		19.46	1.53	20.99
Wei Tao (Deputy general manager)		18.61	1.53	20.14
Yang Guangjun (Deputy general manager)		18.61	1.53	20.14

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) *Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)*

Personnel and duties	Fees	Amount in this period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Other personnel				
Li Xiaoyu (Former Executive Director and Chairman)				
Li Hepeng (Former Non-executive director)	0.36			0.36
Xie Donggang (Former Non-executive director)	0.36			0.36
Zhou Honghai (Former Non-executive director)				
Yang Minli (Former Independent non-executive director)	3.38			3.38
Wang Yuru (Former Independent non-executive director)	3.38			3.38
Tian Peng (Former Supervisor)				
Zhang Bin (Former Supervisor)				
Wang Hongbin (Former Staff Supervisor)		111.35	1.53	112.88
Wang Kejun (Former Deputy General Manager)		19.46	1.53	20.99
Su Ye (Former Financial Controller)		16.21	3.61	19.82
Total	10.90	521.06	20.44	552.40

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Li Xiaoyu				
Liu Jiguo		21.5	1.43	22.93
Non-executive directors				
Zhou, Hongha				
Li, Hepeng	0.48			0.48
Xie, Donggang	0.36			0.36
Independent non-executive directors				
Xue Lipin	2.93			2.93
Yang Minli	2.83			2.83
Wang Yuru	2.83			2.83
Supervisor				
Wang Dongxing				
Tian Peng				
Zhang Bin				
Wang Hongbin		124.73	1.43	126.16
Yang Kun		102.29	1.43	103.72
Key management personnel				
Wang Kejun (Deputy general manager)		18.08	1.43	19.51
Su Wensheng (Deputy general manager)		18.55	1.43	19.98
Xue Wenpu (Deputy general manager)		17.79	1.43	19.22
Yu Lina (Deputy general manager & Board Secretary)		18.08	1.43	19.51
Su Ye (Financial Controller)		16.87	3.88	20.75
Other personnel				
Cai Jibo (Former Executive Director and Vice Chairman)				
Total	9.43	337.89	13.89	361.21

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments

(1) Bank savings

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Bank deposits of the Group and China National Machinery Group and its subsidiaries (excluding China YTO and its subsidiaries)	74,474,754.92	
Guoji Finance Co., Ltd.	74,474,754.92	
Total	74,474,754.92	

(2) Notes receivable and receivables financing

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Notes receivable between the Group and YTO Group and its subsidiaries	30,495,370.00	2,891,646.89
YTO Group Corporation	30,395,370.00	2,506,000.00
YTO (Luoyang) Logistics Co., Ltd	100,000.00	385,646.89
(2) Notes receivable between the Group and SINOMACH and its subsidiaries		1,587,320.00
SUMEC Machinery & Electric Technology Co., Ltd.		1,587,320.00
Total	30,495,370.00	4,478,966.89

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(3) Accounts receivable

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Accounts receivable between the Group and YTO Group and its subsidiaries	6,253,279.63	1,742,769.88	4,128,950.40	2,394,591.86
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.	179,000.00	1,790.00		
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	682,159.05	682,159.05	682,159.05	682,159.05
SINOMACH-HI (Luoyang) Co., Ltd	989,595.58	989,595.58	989,595.58	989,595.58
Zhengzhou Research Institute For Abrasives & Grinding Co., Ltd.	522,400.00	5,224.00	443,800.00	4,438.00
China HI-TECH OFF-ROAD VEHICLE Co., Ltd.	0.00	0.00	898,921.97	707,105.49
Jiangsu Sumida Electromechanical Technology Co., Ltd.	3,700,125.00	37,001.25	919,573.80	9,195.74
Sumec Hardware & Tools Co., Ltd.	180,000.00	27,000.00	180,000.00	1,800.00
Chtc Jove Heavy Industry Co., Ltd.	0.00	0.00	14,900.00	298.00
(2) Accounts receivable between the Group and the shareholder	16,724,831.76	197,580.98	12,693,690.39	1,310,062.90
YTO Group Corporation	16,724,831.76	197,580.98	12,693,690.39	1,310,062.90

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(3) Accounts receivable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(3) Accounts receivables between the Group and SINOMACH and its subsidiaries	23,625,439.34	4,331,579.21	31,240,374.86	5,124,468.05
Luoyang Zhongshou Machinery Equipment Co., Ltd.			83,839.70	12,575.96
YTO (Luoyang) Huide Tooling Co., Ltd	1,040,506.00	10,405.06	5,942,626.56	59,426.27
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,136,691.67	4,136,691.67	4,136,691.67	4,136,691.67
YTO (Luoyang) Logistics Co., Ltd	8,374,807.48	83,748.15	6,592,140.69	65,921.41
YTO (Luoyang) Material Equipment Co., Ltd	9,540,934.19	95,409.33	13,502,648.98	135,026.48
YTO (Luoyang) Special Purpose Vehicle Co., Ltd			860,527.26	713,607.26
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	532,500.00	5,325.00	121,900.00	1,219.00
(4) Accounts receivable between the group and joint venture or associates	19,615,266.07	196152.66	3,847,234.21	38,472.35
ZF YTO (Luoyang) axle Co. Ltd.	3,467,733.97	34,677.34	3,847,234.21	38,472.35
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd	16,147,532.10	161,475.32		

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(3) Accounts receivable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(5) Accounts receivable from atomic companies not included in the scope of consolidation	101,625,362.81	101,625,362.81	101,625,362.81	101,625,362.81
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	27,533,497.99	27,533,497.99	27,533,497.99	27,533,497.99
YTO (Luoyang) Harvesters Co., Ltd.	74,091,864.82	74,091,864.82	74,091,864.82	74,091,864.82
Total	167,844,179.61	108,093,445.54	153,535,612.67	110,492,957.97

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(4) Advance to suppliers

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	153,060.30		172,375.54	
China National Machine Tool Corp.				
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	153,060.30		72,882.00	
(2) Advance to suppliers between the Group and the shareholder	1,400,000.00		34,780,433.99	
YTO Group Corporation	1,400,000.00		34,780,433.99	
(3) Advance to suppliers between the Group and SINOMACH and its subsidiaries	707,800.00		80,220.00	
Luoyang Fossett Environment Protection Technology Co. Ltd	134,900.00		80,220.00	
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	572,900.00			
Total	2,260,860.30		35,033,029.53	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(5) Other current assets

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Other current assets of the Group and Atomic companies not included in the scope of the merger	171,000,000.00	171,000,000.00
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	<u>171,000,000.00</u>	<u>171,000,000.00</u>
Total	<u>171,000,000.00</u>	<u>171,000,000.00</u>

(6) Other receivables

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	479,128.97	314,438.05	180,207.06	180,207.03
China HI-TECH OFF-ROAD VEHICLE Co., Ltd.	298,921.97	134,231.05		
YTO (Luoyang) Engineering Machinery Co., Ltd	96,314.00	96,314.00	96,314.00	96,314.00
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry			0.06	0.03
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd	83,893.00	83,893.00	83,893.00	83,893.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(6) Other receivables (Continued)

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(2) Other receivables between the Group and the majority shareholder				
YTO Group Corporation	155,125.87	15,551.26	318,102.82	25,623.42
	<u>155,125.87</u>	<u>15,551.26</u>	<u>318,102.82</u>	<u>25,623.42</u>
(3) Other receivables between the Group and YTO Group and its subsidiaries				
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	134.42	134.42	134.42	134.42
	<u>134.42</u>	<u>134.42</u>	<u>134.42</u>	<u>134.42</u>
(4) Other receivables between the Group and associate and joint ventures				
ZF YTO (Luoyang) axle Co. Ltd.			727,607.83	7,276.08
			<u>727,607.83</u>	<u>7,276.08</u>
(5) Other receivable from atomic companies not included in the scope of consolidation				
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	82,240,000.00	82,240,000.00	82,240,000.00	82,240,000.00
	<u>82,240,000.00</u>	<u>82,240,000.00</u>	<u>82,240,000.00</u>	<u>82,240,000.00</u>
Total	<u>82,874,389.26</u>	<u>82,570,123.73</u>	<u>83,466,052.13</u>	<u>82,453,240.95</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(7) Non-current assets due within one year

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Non-current assets maturing within one year between the Group and subsidiaries of China YTO Group	742,817.14	22,284.51		
YTO (Luoyang) Huide Tool & Equipment Co., Ltd.	<u>742,817.14</u>	<u>22,284.51</u>		
Total	<u>742,817.14</u>	<u>22,284.51</u>		

(8) Long-term receivables

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Long-term receivables between the Group and YTO Group and its subsidiaries			1,221,941.13	36,658.23
YTO (Luoyang) Huide Tool & Equipment Co., Ltd.			<u>1,221,941.13</u>	<u>36,658.23</u>
Total			<u>1,221,941.13</u>	<u>36,658.23</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(9) *Right-to-use assets*

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Right-to-use assets between the Group and the majority shareholder	28,147,231.63	21,865,538.07
YTO Group Corporation	28,147,231.63	21,865,538.07
(2) Right-to-use assets between the Group and YTO Group and its subsidiaries	379,200.00	379,200.00
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	83,200.00	83,200.00
YTO (Luoyang) Logistics Co., Ltd	296,000.00	296,000.00
(3) Right-of-use assets of the Group and associates and joint ventures	728,153.32	642,461.20
ZF YTO (Luoyang) axle Co. Ltd.	728,153.32	642,461.20
Total	29,254,584.95	22,887,199.27

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(10) Loans and advances

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Deposit of Capital Discounted:				
(1) Discounted assets of the Group and subsidiaries of China YTO Group				
YTO (Luoyang) Huide Tooling Co., Ltd	55,330,032.34	1,383,250.81	36,345,650.43	913,509.34
YTO (Luoyang) Logistics Co., Ltd.			2,190,660.37	55,000.00
	55,330,032.34	1,383,250.81	34,154,990.06	858,509.34
Loans:				
(1) Loans between the Group and the controlling shareholder				
YTO Group Corporation	160,136,000.00	4,000,000.00	790,795,899.99	19,750,000.00
YTO Group Corporation (Interest receivable)	160,000,000.00	4,000,000.00	790,000,000.00	19,750,000.00
	136,000.00		795,899.99	
(2) Loans between the Group and subsidiaries of China YTO Group				
YTO (Luoyang) Huide Tooling Co., Ltd	35,731,665.00	142,500.00	5,708,953.75	142,500.00
YTO (Luoyang) Huide Tooling Co., Ltd (Interest receivable)	5,700,000.00	142,500.00	5,700,000.00	142,500.00
YTO (Luoyang) Logistics Co., Ltd.	5,415.00		8,953.75	
YTO (Luoyang) Logistics Co., Ltd. (Interest receivable)	30,000,000.00	750,000.00		
	26,250.00			

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(11) Short-term borrowings

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
The Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)		
Short-term borrowings		200,050,000.00
SINOMACH Finance Co., Ltd.		200,000,000.00
SINOMACH Finance Co., Ltd. (Interest payable)		50,000.00
Total		200,050,000.00

(12) Collecting deposits and granting loans

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(1) The Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries) Collecting deposits and granting loans	7.81	7.81
SINOMACH-HI (Luoyang) Co., Ltd	4.15	4.15
YTO (Luoyang) Engineering Machinery Co., Ltd	3.64	3.64
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	0.02	0.02
(2) The Group and its controlling shareholders		
Collecting deposits and granting loans	1,061,019,758.23	332,646,128.50
YTO Group Corporation	1,061,019,758.23	332,646,128.50

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(12) Collecting deposits and granting loans (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(3) The Group and subsidiaries of YTO Group and its subsidiaries Collecting deposits and granting loans	212,437,888.92	169,226,757.90
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd	3,647,254.53	5,466,177.72
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	33,764,188.29	22,924,768.49
Luoyang Zhongshou Machinery Equipment Co., Ltd.	37,791.67	37,715.07
YTO (Luoyang) Material Equipment Co., Ltd	43,176,812.67	23,856,463.45
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	1,056,336.56	1,344,076.33
YTO (Luoyang) Logistics Co., Ltd	54,256,793.89	28,729,458.41
Dongfanghong (Luoyang) Modern Life Service Center	16,471,899.62	4,504,955.65
YTO (Luoyang) Huide Tooling Co., Ltd	1,642,281.60	3,655,647.85
Luoyang Tianhui Energy Engineering Co., Ltd	2,347,417.34	2,668,767.70
Luoyang YTO Driver Training School Co., Ltd.	517,457.11	275,546.44
Luoyang Fossett Environment Protection Technology Co. Ltd.	11,592,470.54	32,919,666.26
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	10,069,661.30	9,795,589.12
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	33,588,129.55	32,813,463.86
Shenzhen Dongfang Pengxing Trade Co., Ltd	269,394.25	234,461.55

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(12) Collecting deposits and granting loans (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(4) The Group and joint ventures and associates Collecting deposits and granting loans	230,665,182.41	332,065,606.17
Luoyang Tractor Research Institute Co., Ltd.	203,041,026.17	287,457,866.34
YTO (Luoyang) Fuel Injection Co., Ltd.	26,674,759.38	43,901,097.22
YTO (Luoyang) Rico Automobile Co., Ltd.	7,355.91	735.93
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	3,108.02	3,101.43
Luoyang Oriental Printing Co., Ltd	938,656.58	699,365.26
YTO (Luoyang) Standard Parts Co., Ltd		3,164.23
YTO (Luoyang) New Oriental Automobile Co., Ltd.	276.35	275.76
Total	1,504,122,837.37	833,938,500.38

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(13) Deposit taking and interbank deposits (Interest payable)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(1) The Group and its controlling shareholder		
Deposit taking and interbank deposits		
(Interest payable)	737,738.81	737,738.81
YTO Group Corporation	737,738.81	538,065.01
(2) The Group and subsidiaries of YTO Group		
Deposit taking and interbank deposits		
(Interest payable)	1,088,741.57	683,730.79
Luoyang Zhongshou Machinery Equipment Co., Ltd.	3.97	0.91
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	436,213.30	139,543.02
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	349,558.37	286,945.25
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	1.89	
YTO (Luoyang) Logistics Co., Ltd.	58,277.74	83,261.98
YTO (Luoyang) Material Equipment Co., Ltd.	18,395.38	9,794.27
Dongfanghong (Luoyang) Modern Life Service Center	200,660.02	19,820.18
Luoyang Fossett Environmental Technology Co., Ltd.	4,711.88	10,930.45
YTO (Luoyang) Huide Tooling Co., Ltd.	622.60	3,389.77
Luoyang Tianhui Energy Engineering Co., Ltd.	745.84	1,171.44
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	1,521.86	2,084.61
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	156.60	59.74
Luoyang YTO Driver Training School Co., Ltd.	58.02	33.78
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	17,785.71	126,666.96
Shenzhen Dongfang Pengxing Trade Co., Ltd.	28.39	28.43

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(13) Deposit taking and interbank deposits (Interest payable) (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(3) The Group and joint ventures and associates Deposit taking and interbank deposits (Interest payable)	2,147,743.25	82.99
Luoyang Tractor Research Institute Co. Ltd	2,085,817.41	
YTO (Luoyang) Fuel Injection Co. Ltd	61,808.16	
Luoyang Oriental Printing Co., Ltd.	98.77	82.19
YTO (Luoyang) Rico Automobile Co., Ltd.	18.55	0.04
YTO (Luoyang) Standard Parts Co., Ltd.		0.37
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.33	0.36
YTO (Luoyang) New Oriental Motor Co., Ltd.	0.03	0.03
Total	<u>3,974,223.63</u>	<u>1,221,878.79</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(14) Accounts payable

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	13,065,263.37	18,017,921.83
The Fourth Design and Research Institute of Machinery Industry Co., LTD	579,130.00	1,672,512.85
China Automobile Industrial Engineering Co., Ltd.	6,520,586.03	10,520,586.03
Changsha Gas-electric Auto Parts Co., Ltd	29,642.77	55,996.67
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	8,000.00	8,000.00
The fifth design and Research Institute of Mechanical Industry Co., Ltd	161,600.04	161,600.04
China Machine Tools Corporation	99,492.94	
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	13,383.50	13,383.50
Guangzhou Optical Sky Materials Technology Co., Ltd.	1,260,262.57	531,591.33
Sinomach Foundry and Metal Forming Co., Ltd.	396,216.53	896,216.53
Guangzhou Jetsun Lubrication Technology Co., Ltd.	753.45	26,166.97
China National Electrical Equipment Research Institute Co., Ltd.	579,000.00	777,000.00
Erzhong (Deyang) heavy equipment Co., Ltd	12,000.00	12,000.00
Xi'an Heavy Machinery Research Institute Co., Ltd.	0.75	0.75
SINOMACH PRECISION CO., LTD. Zhengzhou Branch	2,929,595.65	1,204,316.87
China Second Heavy Machinery Group Deyang Wanlu Transportation Industry Co., Ltd.	176,450.30	1,372,401.45
SAIC Shengjia (Tianjin) Property Management Co., Ltd.	10,148.84	10,148.84
Erzhong Deyang Energy Storage Technology Co., Ltd.	189,000.00	756,000.00
Beijing Zhuozhong Publishing Co. LTD	100,000.00	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(14) Accounts payable (Continued)

Related parties	Ending balance	Beginning balance
(2) Accounts payable between the Group and shareholder	91,832,704.94	18,654,777.84
YTO Group Corporation	91,832,704.94	18,654,777.84
(3) Accounts payable between the Group and YTO Group and its subsidiaries	49,741,977.73	50,529,659.68
YTO (Luoyang) Logistics Co., Ltd	34,647,254.34	35,488,698.01
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	155,956.58	38,071.26
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	3,717,143.07	3,723,143.07
Luoyang Tianhui Energy Engineering Co., Ltd	1,848,406.72	3,646,891.63
YTO (Luoyang) Huide Tooling Co., Ltd	8,422,897.34	3,601,319.92
YTO (Luoyang) material equipment Co., Ltd	422,081.68	1,321,195.79
Luoyang Fossett Automobile Co., Ltd.	28,000.00	36,650.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	469,250.00	2,671,900.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	28,500.00	1,790.00
Dongfanghong Agricultural Service Technology (Guangxi) Co. Ltd	2,488.00	
(4) Accounts payable between the group and other parties	20,362,629.13	22,173,453.35
ZF YTO (Luoyang) axle Co. Ltd.	13,089,034.79	20,550,659.73
Jiangxi Dongfanghong Agricultural Machinery Co. LTD	4,943,560.00	
YTO (Luoyang) Rico Automobile Co. Ltd.	44,364.39	44,364.39
YTO (Luoyang) Standard Parts Co., Ltd.	4,812.90	4,812.90
Luoyang Oriental Printing Co., Ltd.	369,934.18	620,507.45
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	1,910,922.87	953,108.88
Total	175,002,575.17	109,375,812.70

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(15) Deposit received

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
The Group receives advance accounts from joint ventures and associates	3,294,312.26	
ZF YTO (Luoyang) Axle Co. LTD	3,294,312.26	
Total	3,294,312.26	

(16) Contractual liability

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Contractual liability between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	369.72	71,166.18
SINOMACH-HI(LUOYANG) Co., Ltd.	86.80	86.80
Nanchang Kama Co., Ltd.	282.92	282.92
Erzhong Deyang Energy Storage Technology Co., Ltd.		70,796.46
(2) Contractual liability between the Group and the shareholder	490,984.37	
YTO Group Corporation	490,984.37	
(3) Contractual liability between the Group and YTO Group and its subsidiaries	46,548.67	46,548.67
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	46,548.67	46,548.67
(4) Contractual liability between the group and other parties	12,831.95	12,831.95
Luoyang YTO Light Vehicle Co., Ltd.	12,831.86	12,831.86
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	0.09	0.09
Total	550,734.71	130,546.80

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

(17) Other payables

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	838,807.00	746,695.20
CAMCE International Logistics Co., Ltd	100,000.00	100,000.00
Guangzhou Guoji Lubrication Technology Co. LTD	100,000.00	100,000.00
Guangzhou Qingtian Material Technology Co., Ltd	150,000.00	150,000.00
Sichuan Deyang Erzong Electromechanical Equipment Supporting Corporation	255,750.00	255,750.00
Fuyang Bearing Co., Ltd.		140,945.20
Luoyang Axis Research Technology Co., Ltd. Zhengzhou Branch	233,057.00	
(2) Other payables between the Group and the shareholder	54,785,975.07	50,891,612.33
YTO Group Corporation (Other payable)	54,785,975.07	1,891,612.33
YTO Group Corporation (Dividend payable)		49,000,000.00
(3) Other payables between the Group and YTO Group and its subsidiaries	861,227.72	991,019.73
YTO (Luoyang) Logistics Co., Ltd	613,000.00	610,000.00
YTO (Luoyang) Huide Tooling Co., Ltd	12,000.00	12,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	56,227.72	56,227.72
Luoyang Tianhui Energy Engineering Co., Ltd	30,000.00	22,000.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	10,000.00	7,000.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	140,000.00	283,792.01
(4) Other payables between the group and other parties	219,625.00	219,625.00
Luoyang Oriental Printing Co., Ltd.	10,000.00	10,000.00
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	200,000.00	200,000.00
Luoyang Yizhong Technology Consulting Co., Ltd.	9,625.00	9,625.00
Total	56,705,634.79	52,848,952.26

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6 Related parties' payments (Continued)

*(18) Non-current liabilities due within one year**Unit: Yuan Currency: RMB*

Related parties	Ending balance	Beginning balance
(1) Non-current liabilities due within one year between the Group and the shareholder	14,718,422.14	11,648,134.93
YTO Group Corporation	14,718,422.14	11,648,134.93
(2) Non-current liabilities due within one year between the Group and YTO Group and its subsidiaries	148,000.00	379,200.00
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.		83,200.00
YTO (Luoyang) Logistics Co., Ltd.	148,000.00	296,000.00
(3) The Group's lease liabilities with joint ventures and associates	438,823.31	642,461.20
ZF YTO (Luoyang) axle Co. Ltd.	438,823.31	642,461.20
Total	15,305,245.45	12,669,796.13

*(19) Other current liability**Unit: Yuan Currency: RMB*

Related parties	Ending balance	Beginning balance
Other current liabilities of the Group and the controlling shareholder	609,600.00	
China YTO Group Co. LTD	609,600.00	
Total	609,600.00	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XII. SHARE PAYMENT

The Group does not pay shares.

XIII. COMMITMENT AND CONTINGENCIES

1. Commitment

- (1) *For investment contracts and related financial expenditures that have not yet been fulfilled or not fully fulfilled*

N/A

- (2) *Outsourcing contract with significant amount that was signed and performing or commencing to perform and its financial impacts*

N/A

- (3) *Leased agreement that was signed and performing or commencing to perform and its financial impact*

- 1) As a financial lessor, the Group's future minimum rental receipts for agricultural machinery products are as follows:

Period	Amount in this period	Amount in last period
Within 1 year	180,088,402.88	76,470,370.54
1-2 years	176,884,192.50	104,912,559.18
2-3 years	11,789,686.59	2,556,000.00
After 3 years		13,117,500.00
Total	368,762,281.97	197,056,429.72

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. Commitment (Continued)

(3) *Leased agreement that was signed and performing or commencing to perform and its financial impact (Continued)*

- b. On June 30, 2022, the future minimum rental charges receivable by the Group as the lessor for the irrevocable operating leases of the leasing items of housing, buildings and equipment during the following period was summarized as below:

Period	Amount in this period	Amount in last period
Within 1 year	10,524,094.78	10,581,115.55
1-2 years	12,299,158.48	7,833,849.71
2-3 years	1,658,897.69	968,508.28
After 3 years	3,332,623.86	2,793,508.96
Total	27,814,774.81	22,176,982.50

Note: In January 2018, the Company signed a six-year housing lease contract with ZF YTO (Luoyang) vehicle bridge Co., Ltd., which stipulates that the annual housing rent is RMB7,460,724.38. In 2019, both parties negotiated to amend the terms of the contract, reduce the rent from the original RMB7,460,724.38 to RMB6,588,624.54, and amend the lease time to five years from January 2019.

Except for the above commitments, at the end of June 30, 2022, the Group has no other major undertakings that should be disclosed.

2. Important contingencies existed on the balance sheet date

(1) *Pending proceeding or arbitration of contingencies and their financial implications*

On September 17, 2021, the Shanghai Financial Court made a judgment and issued (2019) Hu 74 Min Chu No. 22 in the case of a tort liability dispute between China YTO Group Finance Co., Ltd., a subsidiary of the Company, and Shanghai Pudong Development Bank Co., Ltd. Shanghai Pudong Development Bank Co., Ltd. should compensate China YTO Group Finance Co., Ltd. for the loss of 40% of the principal and interest of 15 Guoyu Logistics CP001 of 53.5 million yuan, totaling 21.4 million yuan. At present, both parties are not satisfied with the aforesaid judgment and have appealed to the Shanghai Higher People's Court.

(2) *Contingencies resulted from external guarantees provided*

As of June 30, 2022, the Group had no external debt guarantees.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date (Continued)

(3) *Letter of guarantee and letter of credit*

Opening bank	Beneficiary	Amount	Beginning date	Ending date
Bank of China Luoyang Chang'an Road Branch	Department of Commerce of Henan Province	200,000.00	2009/11/20	Depends on business
Total		<u>200,000.00</u>		

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The Group shall not disclose any material post-balance sheet events that have not been disclosed.

XV. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) *The basis for the determination of the segment report and the accounting policy*

The Group is based on internal organizational structure, management requirements, and internal reporting system as the basis for determining the operating segment. The business branch of the Group refers to a component that meets the following conditions at the same time:

- 1) This component can generate income and cost in daily activities.
- 2) The management can regularly evaluate the operating results of the component in order to determine the allocation of resources to it and evaluate its performance.
- 3) The accounting information, such as the financial situation, the operating results and the cash flow of the component, can be obtained.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(1) The basis for the determination of the segment report and the accounting policy (Continued)

The Group determines the segment report on the basis of the operating segments, and the operating segments, which meets the following conditions, is determined to be a segment report:

- 1) The operating segments accounts for 10% or more of the total income of the division.
- 2) The absolute profit of the segment profit of the segment accounts for 10% or more of the total amount of the total profits of all profit segments or the total amount of all deficit segment losses.

Determined according to the above accounting policy report segment operating division of foreign trade total revenue accounted for the proportion of the total income of the merger does not reach 75%, increase the number of segment reporting, according to the following provisions will not report as Division operating segments into reportable range, until the proportion reached 75%:

- 1) The management department considers that the management division that discloses the management branch information to the users of the accounting information is determined to be the reporting branch
- 2) Merge the business segment with one or more other business segments which have similar economic characteristics and meet the merger conditions of business segments as a reporting segment

Interdivisional transfer price is determined by market price, and the assets and related expenses shared by different branches are distributed among different segments according to the proportion of income.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(2) *The factors for segments' classification and the types of products and services of a segment*

Each segment is a business unit that provides different products and services. Because various business needs different technology and market strategy, the Group independently manages the production and operation activities of each report branch, evaluates its operation result separately, decides to allocate resources to it, evaluates its performance.

The Group has three reporting divisions: Agricultural Machinery, Power Machinery, Finance. The Agricultural Machinery Division is responsible for the production and sale of agricultural tractors, harvesters, etc. The power machinery division is mainly responsible for producing and selling diesel engines. The financial branch mainly for the Group subsidiary China group finance limited company, the main business is to handle the member units between the entrusted loans and investment, internal transfer settlement, absorption of member units' deposits and other business.

(3) *Reporting segment*

Unit: Yuan Currency: RMB

Item	Agricultural machinery	Power machinery	Finance service	Elimination among segments	Total
1. Total operating revenue	6,102,344,246.45	1,322,477,823.60	90,462,112.99	884,952,901.47	6,630,331,281.57
Including: external transaction revenue	5,929,924,794.56	620,801,720.23	79,604,766.78		6,630,331,281.57
Revenue between segments	172,419,451.89	701,676,103.37	10,857,346.21	884,952,901.47	
Loss on impairment of assets	-446,471.36	-759,543.83		424,968.74	-1,630,983.93
Loss on impairment of credit	-88,168,965.86	-3,264,083.52	37,712,871.81	20,745,226.73	-74,465,404.30
Depreciation and amortization fee	144,643,924.26	30,029,340.56	648,115.84		175,321,380.66
2. Total profit	525,089,000.16	-17,799,285.99	81,187,126.53	-397,845.44	588,874,686.14
3. Income tax expenses	7,880,028.57	-14,722,505.31	14,395,682.16	63,943.60	7,489,261.82
4. Net profit	517,208,971.59	-3,076,780.68	66,791,444.37	-461,789.04	581,385,424.32
5. Total assets	8,936,860,074.91	2,787,506,117.16	6,007,799,624.55	3,811,071,753.73	13,921,094,062.89
6. Total liabilities	5,080,640,266.34	1,143,609,517.56	5,316,351,359.41	4,038,382,602.31	7,502,218,541.00
7. Other important non-cash items	77,498,467.90	50,509,679.42	1,809,392.75		129,817,540.07
1) Non-cash expenses other than depreciation and amortization	12,226,296.70	8,191,304.63	1,147,037.77		21,564,639.10
2) Capital expenditure	65,272,171.20	42,318,374.79	662,354.98		108,252,900.97

The accounting policies of the segments of the Group are the same as those described in the Principal accounting policies and accounting estimates.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending Balance	Beginning Balance
Within 1 year	654,054,592.10	266,799,840.85
1 to 2 yeas	1,449,814.76	11,424,591.36
2 to 3 yeas	981,200.65	7,248,611.65
Over 3 years	149,909,974.35	153,106,268.98
Sub-total	806,395,581.86	438,579,312.84
Less: Bad debt provision	160,073,075.93	169,794,794.16
Total	646,322,505.93	268,784,518.68

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(2) *Classified disclosure according to the method of provision for bad debts*

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	806,395,581.86	100.00	160,073,075.93	19.85	646,322,505.93
Including: Aging portfolio	805,405,986.28	99.88	159,083,480.35	19.75	646,322,505.93
Risk exposure portfolio such as collateral	989,595.58	0.12	989,595.58	100.00	
Total	806,395,581.86	100.00	160,073,075.93	19.85	646,322,505.93

Item	Book balance		Beginning Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	438,579,312.84	100.00	169,794,794.16	38.71	268,784,518.68
Including: Aging portfolio	434,068,978.03	98.97	165,284,459.35	38.08	268,784,518.68
Risk exposure portfolio such as collateral	4,510,334.81	1.03	4,510,334.81	100.00	
Total	438,579,312.84	100.00	169,794,794.16	38.71	268,784,518.68

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(3) Accounts receivable with expected credit losses by combination

1) Aging portfolio

Unit: Yuan Currency: RMB

Aging	Book Balance	Ending Balance Bad debt provision	Accrual Ratio (%)
Within 1 year	654,054,592.10	8,077,822.37	1.24
1 to 2 years	691,472.43	345,736.23	50.00
2 to 3 years	749,947.40	749,947.40	100.00
Over 3 years	149,909,974.35	149,909,974.35	100.00
Total	805,405,986.28	159,083,480.35	19.75

2) Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Ending Balance Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	989,595.58	989,595.58	100.00
Total	989,595.58	989,595.58	100.00

(4) Provision for bad debts charged, recovered or returned in the current period

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase: Provision	Changes in the current period			Ending Balance
			Decrease: roll-out	Decrease: Write off	Decrease: Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	169,794,794.16	-8,364,368.02			1,357,350.21	160,073,075.93
Including: Aging portfolio	165,284,459.35	-4,843,628.79			1,357,350.21	159,083,480.35
Risk exposure portfolio such as collateral	4,510,334.81	-3,520,739.23				989,595.58
Total	169,794,794.16	-8,364,368.02			1,357,350.21	160,073,075.93

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(5) *No accounts receivable actually written off during the reporting period*

(6) *Details of Top Five Accounts Receivable with the Ending Balance Classified by the Borrowers*

Unit: Yuan Currency: RMB

Company	Ending Balance	Ratio (%)	Bad debt provision
Luoyang Changxing Agricultural Machinery Co., Ltd.	252,827,019.64	31.35	2,528,270.19
YTO International, Ltd.	226,652,603.87	28.11	3,275,376.53
YTO (Luoyang) Harvesters Co., Ltd.	74,091,864.82	9.19	74,091,864.82
YTO (Luoyang) Diesel Engine Co., Ltd.	53,387,100.77	6.62	536,202.54
Changtuo Agricultural Machinery Equipment Group Corporation	38,132,408.91	4.73	38,132,408.91
Total	645,090,998.01	80.00	118,564,122.99

(7) *No other receivables that have not been terminated for the transfer of financial assets*

(8) *No amount of assets and liabilities formed without the transfer of other receivables and continued involvement*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable	87,679,096.96	138,679,096.96
Other receivables	22,268,265.71	24,537,383.19
Total	109,947,362.67	163,216,480.15

Interest receivable

(1) Classification of Interest Receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Entrusted loan interest	4,606,406.37	3,634,513.10
Impairment	-4,606,406.37	-3,634,513.10
Total	0.00	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Interest receivable (Continued)

(2) *Provision for bad debts of interest receivable*

Unit: Yuan Currency: RMB

Bad debts	Stage one Expected credit loss in the next 12 months	Stage two Expected credit loss over the whole duration (No credit impairment)	Stage three Expected credit loss over the whole duration (Credit impairment occurred)	Total
Beginning balance				
Beginning balance in current period				
- Shift to stage two				
- Shift to stage three				
- Return to stage two				
- Return to stage one				
Provision in current period		4,606,406.37		4,606,406.37
Return in current period				
Transfer in current period				
Write off in current period				
Other changes				
Ending balance		4,606,406.37		4,606,406.37

Dividends receivable

Unit: Yuan Currency: RMB

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holding Co., Ltd.	76,808,376.96	76,808,376.96
YTO (Luoyang) Diesel Engine Co., Ltd.	10,870,720.00	10,870,720.00
Luoyang Tractor Research Institute Co., Ltd.		51,000,000.00
Total	87,679,096.96	138,679,096.96

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Dividends receivable (Continued)(1) *Significant Dividends Receivable Aged Over 1 Year**Unit: Yuan Currency: RMB*

Company Name	Ending balance	Age	Reason	Whether impairment occurs
Brilliance China Machinery Holding Co., Ltd.	76,808,376.96	4-5 years	Payment in progress	No
Total	76,808,376.96			

Other receivables(1) *Age Disclosure of Accounts Receivable**Unit: Yuan Currency: RMB*

Aging	Ending Balance	Beginning Balance
Within 1 year	25,169,741.37	24,481,443.41
1 to 2 yeas	863,798.65	757,598.30
2 to 3 yeas	591,966.25	21,746.23
Over 3 years	7,782,341.56	7,853,372.19
Sub-total	34,407,847.83	33,114,160.13
Less: Bad debt provision	12,139,582.12	8,576,776.94
Total	22,268,265.71	24,537,383.19

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(2) *Classification of other receivables by nature*

Unit: Yuan Currency: RMB

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	79,467.29	1,175,252.13
Deposits and petty cash	1,246,880.18	988,040.04
Collection and payment of social insurance withheld	2,151,282.40	2,076,842.43
Research and development funds receivable from subsidiaries	22,000,000.00	21,800,000.00
Others	8,930,217.96	7,074,025.53
Total	34,407,847.83	33,114,160.13

(3) *Disclosure by three stages of impairment of financial assets*

Unit: Yuan Currency: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Stage one	34,407,847.83	12,139,582.12	22,268,265.71	33,114,160.13	8,576,776.94	24,537,383.19
Stage two						
Stage three						
Total	34,407,847.83	12,139,582.12	22,268,265.71	33,114,160.13	8,576,776.94	24,537,383.19

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(4) Classified disclosure according to the method of provision for bad debts

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	34,407,847.83	100.00	12,139,582.12	35.28	543,071.01
Including: Aging portfolio	33,859,291.25	98.41	12,134,096.55	35.84	543,071.01
Low-risk portfolio	548,556.58	1.59	5,485.57	1.00	543,071.01
Total	34,407,847.83	—	12,139,582.12	—	22,268,265.71

Unit: Yuan Currency: RMB

Item	Book balance		Beginning balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	33,114,160.13	100	8,576,776.94	33.23	24,537,383.19
Including: Aging portfolio	33,063,600.70	99.85	8,576,271.35	25.94	24,487,329.35
Low-risk portfolio	50,559.43	0.15	505.59	1.00	50,053.84
Total	33,114,160.13	—	8,576,776.94	—	24,537,383.19

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(5) Accounts receivable for anticipated credit losses on a portfolio basis

1) Aging portfolio

Unit: Yuan Currency: RMB

Aging	Book balance	Ending balance Bad debt provision	Accrual Ratio (%)
Within 1 year	24,623,584.79	13.52	3,329,089.41
1-2 years	861,398.65	50.00	430,699.33
2-3 years	591,966.25	100.00	591,966.25
Over 3 years	7,782,341.56	100.00	7,782,341.56
Total	33,859,291.25		12,134,096.55

2) Low-risk portfolio

Unit: Yuan Currency: RMB

Name of portfolio	Book balance	Ending balance Accrual Ratio (%)	Bad debt provision
Low-risk portfolio	548,556.58	5,485.57	1.00
Total	548,556.58	5,485.57	1.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(6) Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

Bad debts	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Beginning balance	8,576,776.94			8,576,776.94
Beginning balance in current period	8,576,776.94			8,576,776.94
— Shift to stage two				
— Shift to stage three				
— Return to stage two				
— Return to stage one				
Provision in current period	3,562,805.18			3,562,805.18
Return in current period				
Transfer in current period				
Write off in current period				
Other changes				
Ending balance	12,139,582.12			12,139,582.12

(7) No other receivables actually written off during the reporting period

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(8) Details of top five other receivables with the ending balance classified by the borrowers

Unit: Yuan Currency: RMB

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang) Diesel Engine Co., Ltd.	Research and development receivables	21,790,000.00	Within 1 year	63.33	3,268,500.00
Jiangsu Qingjiang Tractor Co., Ltd.	Prepayments receivable	3,315,484.00	Over 5 years	9.64	3,315,484.00
Luoyang Yuchuan Thermal Equipment Co., Ltd.	Prepayments receivable	1,769,100.28	0-2 years	5.14	814,290.41
Luoyang Jiangyang Metal Components Co., Ltd.	Prepayments receivable	1,060,000.00	Over 5 years	3.08	1,060,000.00
Henan Xinbang Human Resources Services Co., Ltd	Receivables from related parties	279,768.66	Within 1 year	0.81	2,797.69
Total		28,214,352.94		82.00	8,461,072.10

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments

Unit: Yuan Currency: RMB

Nature of investments	Ending balance			Beginning balance		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Subsidiaries	2,106,112,790.91	97,250,000.00	2,008,862,790.91	2,106,112,790.91	97,250,000.00	2,008,862,790.91
Joint venture or associates	128,554,851.54		128,554,851.54	124,804,654.32		124,804,654.32
Total	2,234,667,642.45	97,250,000.00	2,137,417,642.45	2,230,917,445.23	97,250,000.00	2,133,667,445.23

(1) Investments in subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
Luoyang Changxing Agricultural Machinery Co., Ltd	3,000,000.00			3,000,000.00		3,000,000.00
Yangdong Co., Ltd.	76,000,000.00			76,000,000.00		
Brilliance China Machinery Holding Co., Ltd.	27,838,370.11			27,838,370.11		
YTO Group Finance Co., Ltd	485,040,302.00			485,040,302.00		
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00			55,022,000.00		
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36			281,414,966.36		
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14			392,257,881.14		
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62			77,192,767.62		
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32			152,989,481.32		
YTO (Luoyang) Foundry Company Limited	300,391,996.60			300,391,996.60		
YTO International Economic and Trade Co., Ltd	75,668,335.13			75,668,335.13		
ChangTuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00			94,250,000.00		94,250,000.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32			33,670,762.32		
YTO Belarus Technology Co. Ltd.	51,375,928.31			51,375,928.31		
Total	2,106,112,790.91			2,106,112,790.91		97,250,000.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in joint venture and associates

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Changes in this period			Adjusted other comprehensive income
		Additional investment	Reduce investment	Profit and loss on investments by rights and interests' law	
Associates					
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	586,555.47				
ZF YTO (Luoyang) axle Co. Ltd.	122,993,114.78			5,561,736.76	
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	1,224,984.07			-1,224,984.07	
Total	124,804,654.32			4,336,752.69	

Invested company	Changes in other interests	Declaration of cash dividends or profits	Changes in this period			Provision for impairment ending balance
			Provision for impairment	others	Ending balance	
Associates						
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.				-586,555.47		
ZF YTO (Luoyang) axle Co. Ltd.					128,554,851.54	
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.						
Total				-586,555.47	128,554,851.54	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	5,436,639,043.50	4,639,835,503.40	4,401,354,259.86	3,724,334,949.99
Other business	16,733,124.32	5,343,605.29	20,296,417.82	7,785,804.87
Total	5,453,372,167.82	4,645,179,108.69	4,421,650,677.68	3,732,120,754.86

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investment by cost method	236,040,477.49	5,681,400.00
Investment income from long-term equity investments by equity method	4,336,752.69	2,794,664.17
Investment income from disposal of long-term equity investments	613,537.86	-1,798.52
Investment income from disposal of held-for-trading financial assets	1,219,434.15	5,589,890.40
Other	-258,158.18	
Total	241,952,044.01	14,064,156.05

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Schedule of gain or loss from extraordinary items in this period

Unit: Yuan Currency: RMB

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	648,065.96	
Government subsidy recognized in current profit or loss (except for government subsidies which related to company business that are fixed or quantified based on the national standard)	13,017,277.10	
In addition to the effective hedging business related to the normal business operation of the company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	-88,353,893.73	
Other non-operating income and expenses except for mentioned above	1,895,362.21	
Gain or loss from other extraordinary items	23,713,717.15	Mainly impact of major disposition of subsidiaries
Less: Income tax	-11,456,849.12	
Effects on non-controlling interests (after tax)	-12,412,447.83	
Total	-25,210,174.36	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Return on equity and earnings per share

Unit: Yuan Currency: RMB

Profit in reporting period	Weighted average rate of return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Group	10.26	0.5175	0.5175
Net profit attributable to common shareholders of the Group after non operating profit or loss	10.71	0.5399	0.5399

Chairman: **Liu Jiguo**The date of approval by the Board for submission:
25 August 2022

APPENDIX II

The corrected 2022 Third Quarterly Financial Statements

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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)

2022 THIRD QUARTERLY REPORT

IMPORTANT NOTICE:

The board of directors, board of supervisors of the Company and its directors, supervisors and senior management warrant that there are no false information, misleading statements or material omissions contained in the quarterly report, and severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the contents herein.

Person in charge of the Company, person in charge of the accounting function and head of the Accounting Department (person in charge of the accounting) have warranted the truthfulness, accuracy and completeness of the financial information in this quarterly report.

The third quarterly financial statements have not been audited.

I. DEFINITION

A Share(s)	ordinary shares as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on PRC stock exchanges, denominated, subscribed for and traded in RMB
Company or First Tractor	First Tractor Company Limited* (第一拖拉機股份有限公司)
Controlled subsidiary(ies)	companies in which the Company holds more than 50% of its shares/equity; companies effectively controlled through arrangements by agreement
CSRC	China Securities Regulatory Commission
Group	the Company and its Controlled Subsidiary
H Share(s)	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
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
subsidiary(ies)	a subsidiary as defined under the Listing Rules of the Stock Exchange
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

II. MAJOR FINANCIAL DATA

1. Major accounting data and financial indicator

Unit: Yuan Currency: RMB

Item	For the Reporting Period	Increase/Decrease for the Reporting Period as compared to the corresponding period of the previous year (%)	From the beginning of the year to the end of Reporting Period	Changes from the beginning of the year to the end of Reporting Period over the same period of the preceding year (%)
Operating revenue	3,670,863,462.78	43.06	10,221,589,977.57	25.56
Net profit attributable to shareholders of the Company	<u>326,008,793.08</u> <u>214,336,546.47</u>	<u>106.60</u> <u>35.83</u>	<u>907,475,698.93</u> <u>795,803,452.32</u>	<u>35.61</u> <u>18.92</u>
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	319,318,626.81	137.82	925,995,707.03	49.59
Net cash flows from operating activities	N/A	N/A	3,730,549,350.17	155.07
Basic earnings per share (Yuan/share)	<u>0.2901</u> <u>0.1908</u>	<u>106.62</u> <u>35.90</u>	<u>0.8076</u> <u>0.7082</u>	<u>33.75</u> <u>17.29</u>
Diluted earnings per share (Yuan/share)	<u>0.2901</u> <u>0.1908</u>	<u>106.62</u> <u>35.90</u>	<u>0.8076</u> <u>0.7082</u>	<u>33.75</u> <u>17.29</u>
Weighted average return on net assets (%)	<u>5.58</u> <u>3.60</u>	increase of <u>2.74</u> percentage points	<u>15.99</u> <u>13.75</u>	increase of <u>3.27</u> percentage points
		As at the end of the Reporting Period	As at the end of the previous year	Increase/Decrease as at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	<u>13,447,649,338.36</u> <u>13,689,578,043.35</u>		12,339,594,556.58	<u>8.98</u> <u>10.94</u>
Owners' equity attributable to shareholders of the Company	<u>5,845,459,421.02</u> <u>6,071,940,091.00</u>		5,402,078,873.33	<u>8.21</u> <u>12.40</u>

Note: "Reporting Period" refers to the three-month period from the beginning of the quarter to the end of the quarter, same as below.

2. Non-recurring profit or loss items and amounts

Unit: Yuan Currency: RMB

Item	Amount for the Reporting Period	Amount from the beginning of the year to the end of Reporting Period	Explanation
Profit or loss from disposal of non-current assets	1,038,207.24	1,686,273.20	
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received in certain standard amounts and quantities)	6,147,374.98	19,164,652.08	
Gain or loss on changes in fair value of held-for trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, other than effective hedging activities related to normal business operations of the Company	<u>-153,715,695.01</u>	<u>-242,069,588.74</u>	
Other non-operating income or expenses other than the above	449,454.39	2,344,816.60	
Other profit and loss items falling within the meaning of non-recurring profit or losses	258,158.18	23,971,875.33	Mainly affected by the disposal of subsidiaries
	430,181.00	-11,026,668.12	
Less: Effect of income taxes	<u>-22,627,173.25</u>	<u>-34,084,022.37</u>	
Effect of minority shareholders' interests (after tax)	<u>772,847.52</u>	<u>-11,639,600.31</u>	
	<u>-18,213,246.63</u>	<u>-30,625,694.46</u>	
	6,690,166.27	-18,520,008.09	
Total	<u><u>-104,982,080.34</u></u>	<u><u>-130,192,254.70</u></u>	

3. Changes in major accounting data, financial indicators and the reasons thereof

Item	Percentage changes (%)	Main reasons
Operating revenue – the Reporting Period	43.06	Mainly due to the period-on-period increase in sales volume of the Company's major products and the period-on-period increase in revenue and net profit
Net profit attributable to shareholders of listed companies – this Reporting Period	106.60 <u>35.83</u>	
Net profit attributable to shareholders of the listed company – from the beginning of the year to the end of the Reporting Period	35.61	
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss – the Reporting Period	137.82	
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss – from the beginning of the year to the end of the Reporting Period	49.59	
Net cash flows from operating activities – from the beginning of the year to the end of the Reporting Period	155.07	Due to the gradual cessation of the operating business and financial assets recovery of YTO Finance during the Reporting Period on one hand, and the period-on-period increase in net operating business cash flow resulting from the increase in sales of the Company and the increase in sales proceeds on the other hand
Basic earnings per share (RMB/share) – the Reporting Period	106.62 <u>35.90</u>	Mainly due to the increase in net profit
Basic earnings per share (RMB/share) – from the beginning of the year to the end of the Reporting Period	33.75	

III. INFORMATION OF SHAREHOLDERS

1. Total number of shareholders of ordinary shares and shareholders of preference shares with restored voting rights and shareholdings of the top ten shareholders

Unit: share

Total number of shareholders of ordinary shares as at the end of the Reporting Period	41,582 holders Including: 41,257 holders of A Shares; 325 holders of H Shares	Total number of shareholders of preference shares with restored voting rights at the end of the Reporting Period (if any)	/
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Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholders	Number of shares held	Percentage of shareholding (%)	Number of shares held with selling restriction	Shares pledged, marked or frozen Status of shares	Number
YTO Group Corporation	State-owned legal person	548,485,853	48.81	137,795,275	Nil	0
HKSCC NOMINEES LIMITED (Note 1)	Overseas legal person	388,215,309	34.55	0	Unknown	/
Hong Kong Securities Clearing Company Limited (Note 2)	Overseas legal person	4,166,977	0.37	0	Unknown	/
Shen Jia (沈嘉)	Domestic natural person	1,888,200	0.17	0	Unknown	/
Shenzhen Qianhai Huolan Assets Management Co., Ltd. – Huolan Yuanfang No. 1 Private Placement Securities Investment Fund (深圳市前海火藍資產管理有限公司—火藍遠方 1 號私募證券投資基金)	Other	1,838,200	0.16	0	Unknown	/

Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholders	Number of shares held	Percentage of shareholding (%)	Number of shares held with selling restriction		Shares pledged, marked or frozen	
				0	Unknown	Status of shares	Number
Han Yan (韓豔)	Domestic natural person	1,479,541	0.13	0	Unknown	/	
Zhang Yonghua (張永華)	Domestic natural person	919,200	0.08	0	Unknown	/	
Jiao Yanfeng (焦延峰)	Domestic natural person	860,000	0.08	0	Unknown	/	
Yang Zhiyang (楊志陽)	Domestic natural person	851,200	0.08	0	Unknown	/	
Qin Tao (秦濤)	Domestic natural person	834,400	0.07	0	Unknown	/	

Shareholdings of the top ten shareholders without selling restriction

Name of shareholders	Number of circulating shares held without selling restriction	Class and number of shares	
		Class of shares	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	388,215,309	Overseas listed foreign shares	388,215,309
Hong Kong Securities Clearing Company Limited (Note 2)	4,166,977	Ordinary shares denominated in RMB	4,166,977
Shen Jia (沈嘉)	1,888,200	Ordinary shares denominated in RMB	1,888,200
Shenzhen Qianhai Huolan Assets Management Co., Ltd. – Huolan Yuanfang No. 1 Private Placement Securities Investment Fund (深圳市前海火藍資產管理有限公司—火藍遠方1號私募證券投資基金)	1,838,200	Ordinary shares denominated in RMB	1,838,200

Shareholdings of the top ten shareholders without selling restriction

Name of shareholders	Number of circulating shares held without selling restriction	Class and number of shares	
		Class of shares	Number
Han Yan (韓豔)	1,479,541	Ordinary shares denominated in RMB	1,479,541
Zhang Yonghua (張永華)	919,200	Ordinary shares denominated in RMB	919,200
Jiao Yanfeng (焦延峰)	860,000	Ordinary shares denominated in RMB	860,000
Yang Zhiyang (楊志陽)	851,200	Ordinary shares denominated in RMB	851,200
Qin Tao (秦濤)	834,400	Ordinary shares denominated in RMB	834,400

Explanation on connected relation or parties acting in concert of 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.

Explanations on the participation of the top ten shareholders and the top ten shareholders without selling restrictions in financing securities and refinancing businesses (if any)

N/A

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

Note 2: The ordinary shares dominated in RMB held by Hong Kong Securities Clearing Company Limited are held on behalf of overseas investors who held these shares via the Northbound Trading through the Shanghai-Hong Kong Stock Connect.

IV. OTHER REMINDERS

1. During the Reporting Period, under the complex and changeable external environment, the Company actively leveraged its comprehensive advantages in products, channels, services and promotions around changes, focused on market conditions and user demand changes and managed to achieve continued growth in sales of its major products and maintain its leading position in the market through a series of precise and flexible marketing measures. During the Reporting Period, the Company achieved sales of 26 thousand units of large and medium-sized tractor products, representing a period-on-period increase of 35%, and achieved accumulated sales of 79.7 thousand units in the first three quarters, representing a period-on-period increase of 23.32%, which was higher than the industry growth rate, meaning that the market share has further increased. During the Reporting Period, the Company achieved sales of 39.3 thousand units of diesel engine products, representing a period-on-period increase of 19%, and achieved accumulated sales of 119.4 thousand units in the first three quarters, representing a period-on-period increase of 9.95%. Meanwhile, the Company continued to improve the quality and efficiency of the whole value chain. During the Reporting Period, the net profit attributable to the parent company recorded a period-on-period increase of ~~106.60%~~35.83% and the net profit attributable to the parent company for the first three quarters recorded a period-on-period increase of ~~35.61%~~18.92%.
2. To implement the financial regulatory requirements under the Implementation Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (Order of CBRC 2020 No.6) which requires only one finance company within the same corporate group, on 29 March 2022, SINOMACH Group, the Company, YTO Finance and SINOMACH Finance entered into the Framework Agreement on Restructuring and Integration between China YTO Group Finance Company Limited and SINOMACH Finance Co., Ltd. It is proposed to complete the restructuring of the personnel, assets and business of YTO Finance and SINOMACH Finance through a series of transaction arrangements, including the sale of assets by YTO Finance to SINOMACH Finance, the capital increase by First Tractor to SINOMACH Finance in cash, the termination of the operation of YTO Finance and the implementation of liquidation and cancellation, and the provision of financial services by SINOMACH Finance to the Company.

During the Reporting Period, the Company received the “Approval from Beijing Regulatory Bureau of China Banking and Insurance Regulatory Commission on the Change of Registered Capital and Adjustment of SINOMACH Finance Co., Ltd.” forwarded by SINOMACH Finance, agreeing to change the registered capital of SINOMACH Finance to RMB1,750,000,000, of which the Company contributed RMB250,000,000, representing 14.29% of the capital contribution. For details, please refer to the “Announcement of the Approval of the Capital Increase of SINOMACH Finance Co., Ltd. by the Beijing Regulatory Bureau of China Banking and Insurance Regulatory Commission” published on the website of the Shanghai Stock Exchange on 16 September 2022 and the website of the Stock Exchange on 15 September 2022.

Due to the progress of asset evaluation and filing work, the delivery of the target assets to be transferred from YTO Finance to SINOMACH Finance could not be completed before 30 September 2022, and the delivery of assets and payment of transfer payment by both parties have not been made. There are no material obstacles to the implementation of the asset transfer and it is expected that the filing of the valuation of the target assets and the delivery of the assets will be completed by the end of December 2022. For details, please refer to the “Announcement on the Progress of the Disposal of Target Assets by Controlling Subsidiary and Connected Transaction” published by the Company on the website of the Shanghai Stock Exchange on 11 October 2022 and on the website of the Stock Exchange on 10 October 2022.

3. Due to change of work, Mr. Ma Zhihui resigned from the positions of non-executive director and a member of the remuneration committee of the Board of the Company. On 27 October 2022, the Company held the sixth meeting of the ninth session of the Board and nominated Mr. Zhang Bin as a candidate of the ninth session of the Board for the position of non-executive director and submitted the proposal to the shareholders’ meeting of the Company for consideration. For details, please refer to the “Announcement on the Resignation of Directors” dated 20 October 2022 and the “Announcement of Resolutions of the Sixth Meeting of the Ninth Session of the Board of Directors” dated 28 October 2022 on the website of the Shanghai Stock Exchange, and the “Announcement on the Resignation of Directors” dated 19 October 2022 and the “Announcement of Resolutions of the Sixth Meeting of the Ninth Session of the Board of Directors” dated 27 October 2022 on the website of the Stock Exchange published by the Company.

V. QUARTERLY FINANCIAL STATEMENTS

1. Financial Statement

Consolidated Balance Sheet

30 September 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB Audit type: unaudited

Item	30 September 2022	31 December 2021
Current assets:		
Monetary Funds	4,582,311,437.26	3,243,399,611.65
Settlement reserves for balance		
Loans to banks and other financial institutions	2,944,382.28	23,320,000.00
	1,383,564,816.67	
Financial assets held for trading	1,919,164,816.67	1,038,970,988.74
Derivative financial assets		
Notes receivable	26,460,213.78	62,757,621.58
Accounts receivable	1,211,368,116.34	301,661,736.48
Receivables financing	307,742,732.34	216,495,094.89
Advances to suppliers	135,948,299.79	242,712,324.09
Premium receivables		
Reinsurance receivables		
Reinsurance contract reserves receivable		
Other receivables	38,871,233.29	24,247,156.19
Including: Interest receivable	1,552.50	944.41
Dividends receivable		
Financial assets purchased with agreement to resale		360,643,454.77
Inventories	957,243,010.08	1,674,008,933.28
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year	164,223,568.16	188,189,353.75
Other current assets	49,400,094.93	319,494,747.99
	8,860,077,904.92	
Total current assets	9,395,677,904.92	7,695,901,023.41

Item	30 September 2022	31 December 2021
Non-current assets:		
Loans and advances to customers	78,137,890.09	891,754,953.83
Debt investments		
Other debt investments		
Long-term receivables	152,950,104.47	147,379,925.56
Long-term equity investments	690,382,721.06	126,970,546.37
Other investments in equity instruments	317,629,136.90 <u>23,957,841.89</u>	4,839,048.00
Other non-current financial assets		
Investment properties		
Fixed assets	2,309,505,058.90	2,465,981,510.01
Construction in progress	155,111,572.60	79,246,144.63
Productive biological assets		
Oil and gas assets		
Right-of-use assets	7,085,031.89	15,044,288.50
Intangible assets	722,738,336.13	750,855,986.17
Research and development expenses		
Goodwill		
Long-term unamortized expenses	56,571,817.59	61,059,040.71
Deferred tax assets	97,459,763.81	100,562,089.39
Other non-current assets		
	4,587,571,433.44	
Total non-current assets	4,293,900,138.43	4,643,693,533.17
	13,447,649,338.36	
Total assets	13,689,578,043.35	12,339,594,556.58

Item	30 September 2022	31 December 2021
Current liabilities:		
Short-term loans	370,409,999.99	270,183,333.34
Borrowings from central bank		
Loans from banks and other financial institutions		200,050,000.00
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,848,951,256.14	1,429,974,406.92
Accounts payable	3,088,477,132.98	2,005,338,697.27
Advances from customers	1,768,616.40	198,307.51
Contract liabilities	256,592,802.13	580,385,482.01
Funds from selling (out) and repurchasing financial assets		11,759,888.55
Absorption of deposits and interbank deposits	221,419,235.99	741,565,080.73
Funds received as agent of stock exchange		
Funds received as stock underwriter		
Employee benefits payable	82,252,228.12	94,183,174.20
Taxes payables	25,848,219.18	16,547,128.41
Other payables	299,916,265.26	264,862,718.59
Including: Interest payable	23,034,968.99	17,839,437.74
Dividends payable	8,439,607.88	59,459,387.16
Fee and commission payable		
Reinsurance accounts payables		
Liabilities classified as held for sale		
Non-current liabilities due within one year	12,125,182.19	13,333,158.50
Other current liabilities	538,931,938.70	262,766,044.87
Total current liabilities	<u>6,746,692,877.08</u>	<u>5,891,147,420.90</u>

Item	30 September 2022	31 December 2021
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	20,680,000.00	110,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bond		
Lease liabilities	1,113,321.49	1,853,079.74
Long-term payables	8,026,285.67	8,251,321.72
Long-term employee salary payable	39,036,207.03	57,802,347.71
Estimated liabilities	1,962,613.99	1,962,613.99
Deferred income	129,479,981.89	138,045,711.55
	133,540,652.16	
Deferred tax liabilities	<u>110,483,297.91</u>	148,308,914.30
Other non-current liabilities		
	333,839,062.23	
Total non-current liabilities	<u>310,781,707.98</u>	<u>466,223,989.01</u>
	7,080,531,939.31	
Total non-current liabilities	<u><u>7,057,474,585.06</u></u>	<u><u>6,357,371,409.91</u></u>

Item	30 September 2022	31 December 2021
Owner's equity		
(or shareholder's equity):		
Paid-up capital (or share capital)	1,123,645,275.00	1,123,645,275.00
Other equity instruments		
Including: Preference shares		
Perpetual bond		
Capital reserves	2,655,849,996.00	2,655,849,996.00
Less: Treasury shares		
	-343,838,954.94	
Other comprehensive income	-5,686,038.35	-11,710,421.44
Special reserves	4,494,868.91	3,465,767.12
Surplus reserves	501,495,783.59	501,495,783.59
General risk reserves	43,263,387.54	43,263,387.54
	1,860,549,064.92	
Retained earnings	1,748,876,818.31	1,086,069,085.52
Total equity attributable to owners of the parent company (or shareholders' equity)	5,845,459,421.02	
	6,071,940,091.00	5,402,078,873.33
	521,657,978.03	
Minority interests	560,163,367.29	580,144,273.34
Total owners' equity (or shareholder's equity)	6,367,117,399.05	
	6,632,103,458.29	5,982,223,146.67
Total liabilities and owners' equity (or shareholder's equity)	13,447,649,338.36	
	13,689,578,043.35	12,339,594,556.58

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Jiang Jingyuan

Consolidated Income Statement

January to September 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB Audit type: unaudited

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
I. Total operating revenue	10,320,425,131.42	8,230,081,343.31
Including: Operating revenue	10,221,589,977.57	8,141,101,593.06
Interest income	93,815,682.56	84,017,593.60
Earned insurance premiums		
Fees and commission	5,019,471.29	4,962,156.65
II. Total cost of operation	9,245,609,963.55	7,492,511,151.43
Including: Cost of operation	8,525,370,329.09	6,775,598,318.92
Interest expenses	11,711,821.43	17,621,368.01
Fees and commission expense	387,925.59	461,898.43
Refunded premiums		
Net amount of compensation payout		
Net amount of reserves for reinsurance contract		
Policy dividend payment		
Reinsurance expenses		
Taxes and surcharges	37,760,127.97	33,797,221.16
Selling expenses	119,391,600.83	118,774,015.20
Administrative expenses	238,283,910.90	233,162,141.38
Research and development expenses	340,517,897.96	281,602,816.31
Financial expenses	-27,813,650.22	31,493,372.02
Including: Interest expenses	17,362,868.22	20,891,517.23
Interest income	10,644,826.47	1,888,505.08

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
Add: Other gains	19,462,995.02	30,910,759.13
Investment income (Loss listed with “-”)	44,693,590.42	567,479,928.20
Including: Income from investments in associates and joint ventures	9,529,584.15	3,291,332.78
Gains on derecognition of financial assets measured at amortized cost		
Exchange gain (Loss listed with “-”)		
Net gain on hedging exposure (Loss listed with “-”)		
Gain arising from the changes in fair value (Loss listed with “-”)	<u>-85,807,199.28</u> <u>-239,522,894.29</u>	13,212,407.55
Loss on credit impairment (Loss listed with “-”)	-131,443,947.90	-80,908,777.95
Loss on impairment of assets (Loss listed with “-”)	-7,160,637.61	-575,595,390.25
Gain on disposal of assets (Loss listed with “-”)	1,686,273.20	4,869,787.99
	916,246,241.72	
III. Operating profit (Loss listed with “-”)	<u>762,530,546.71</u>	697,538,906.55
Add: Non-operating income	4,109,785.54	19,266,812.92
Less: Non-operating expenses	1,548,968.94	889,318.94
	918,807,058.32	
IV. Total profit (Total loss listed with “-”)	<u>765,091,363.31</u>	715,916,400.53
	9,643,357.52	
Less: Income tax expenses	<u>-13,413,996.73</u>	44,709,615.50

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
	909,163,700.80	
V. Net profit (Net loss listed with “-”)	<u>778,505,360.04</u>	671,206,785.03
(I) Classification according to the continuity of operation		
1. Continuous operating net profit (Net loss listed with “-”)	909,163,700.80 <u>778,505,360.04</u>	671,206,785.03
2. Termination of net profit (Net loss listed with “-”)		
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the parent company (Net loss listed with “-”)	907,475,698.93 <u>795,803,452.32</u>	669,177,736.32
2. Non-controlling interests (Net loss listed with “-”)	1,688,001.87 <u>-17,298,092.28</u>	2,029,048.71
VI. Net other comprehensive income after tax	<u>-390,590,076.84</u> <u>5,054,323.16</u>	16,467,884.22
(I) Net other comprehensive income after tax attributable to owners of the parent company	-332,128,533.50 <u>6,024,383.09</u>	16,739,050.55
1. Other comprehensive income that cannot be reclassified to profit or loss	-338,785,931.71 <u>-633,015.12</u>	0.00
(1) Changes of re-measurement of defined benefit plans		
(2) Other comprehensive income that cannot be reclassified into profit or loss under the equity method		

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
(3) Changes in fair value of other investment in equity instruments	-338,785,931.71 <u>-633,015.12</u>	0.00
(4) Changes in fair value of the enterprise's own credit risks		
2. Other comprehensive income that will be reclassified to profit or loss	6,657,398.21	16,739,050.55
(1) Other comprehensive income that can be reclassified into profit or loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) Amount of financial assets reclassified into other comprehensive income		
(4) Provision for the credit impairment of other debt investments		
(5) Reserves for cash flows hedges		
(6) Differences on translation of foreign currency financial statements	6,657,398.21	16,739,050.55
(7) Others		
(II) Net other comprehensive income after tax attributable to minority interests	-58,461,543.34 <u>-970,059.93</u>	-271,166.33

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
	<u>518,573,623.96</u>	
VII. Total comprehensive income	<u>783,559,683.20</u>	687,674,669.25
(I) Total comprehensive income attributable to owners of the parent company	<u>575,347,165.43</u> <u>801,827,835.41</u>	685,916,786.87
(II) Total comprehensive income attributable to minority interests	<u>-56,773,541.47</u> <u>-18,268,152.21</u>	1,757,882.38
VIII. Earnings per share:		
(I) Basic earnings per share (Yuan/share)	<u>0.8076</u> <u>0.7082</u>	0.6038
(II) Diluted earnings per share (Yuan/share)	<u>0.8076</u> <u>0.7082</u>	0.6038

The net profit realized by the parties being absorbed prior to the business combinations under common control was RMB nil during the period and RMB nil for the previous period.

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Jiang Jingyuan

Consolidated Cash Flow Statement

January to September 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB Audit type: unaudited

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	8,481,561,987.90	6,427,500,889.18
Net increase in deposits from customers and deposits from other banks	-521,163,977.52	17,307,692.07
Net increase borrowings from central bank		
Net increase in loans from other financial institutions		
Cash from original insurance contract premium		
Net cash from reinsurance business		
Net increase of insured deposit and investment		
Interest, handling charges and commissions received	113,162,287.94	84,981,476.18
Net increase in placement from banks and other financial institution	-199,984,382.28	-299,500,000.00
Net increase in sales and repurchase operations	360,000,000.00	710,000,000.00
Net cash flows from brokerage trading		
Refund of tax and levies	252,747,603.83	94,005,049.94
Cash received relating to other operating activities	94,115,650.21	145,474,000.17
Sub-total of cash inflows from operating activities	8,580,439,170.08	7,179,769,107.54

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
Cash payments for goods purchased and services received	5,108,372,506.83	4,662,293,668.34
Net increase in loans and disbursement to customers	-744,879,711.10	-14,193,370.37
Net increase in deposits with central bank and interbanks	-855,161,043.48	10,896,846.16
Payments of claims for original insurance contracts		
Net increase in placements with banks and other financial institution		
Cash paid for interest, handling charges and commissions	11,234,561.18	9,128,208.43
Cash paid for dividends of insurance policies		
Cash paid to and on behalf of employees	764,981,477.48	712,176,191.60
Payments of taxes and surcharges	96,177,482.47	116,796,238.14
Cash paid relating to other operating activities	<u>469,164,546.53</u>	<u>220,092,427.80</u>
Sub-total of cash outflows from operating activities	<u>4,849,889,819.91</u>	<u>5,717,190,210.10</u>
Net cash flows from operating activities	<u><u>3,730,549,350.17</u></u>	<u><u>1,462,578,897.44</u></u>

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
II. Cash flows from investment activities:		
Cash received from return of investments	1,201,000.00	3,318,094.56
Cash received from investments income	8,365,419.11	12,052,863.46
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	2,719,206.55	19,211,317.65
Net cash received from disposals of subsidiaries and other business units	61,016,327.59	0.00
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities	73,301,953.25	34,582,275.67
Cash paid to acquire fixed assets, intangible assets and other long-term assets	76,252,982.43	43,836,356.92
Cash paid for investments	1,674,777,100.00	371,805,000.00
Net increase in pledged deposits		
Net cash paid to acquire subsidiaries and other business units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	<u>1,751,030,082.43</u>	<u>415,641,356.92</u>
Net cash flows from investing activities	<u>-1,677,728,129.18</u>	<u>-381,059,081.25</u>

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
III. Cash flows from financing activities:		
Cash received from investment absorption	0.00	697,999,997.00
Including: Cash received by subsidiaries from investment absorption of minority interest	0.00	0.00
Cash received from borrowings	480,980,000.00	480,000,000.00
Cash received relating to other financing activities	138,052,188.68	0.00
Sub-total of cash inflows from financing activities	619,032,188.68	1,177,999,997.00
Cash paid for settlement of borrowings	470,300,000.00	760,200,000.00
Cash paid for dividends, profits appropriation or payments of interest	196,411,933.58	103,438,414.19
Including: Dividends and profits paid to minority interests of subsidiaries	52,762,144.65	5,458,600.00
Cash paid relating to other financing activities	<u>9,033,146.14</u>	<u>7,835,368.87</u>
Sub-total of cash outflows from financing activities	<u>675,745,079.72</u>	<u>871,473,783.06</u>
Net cash flows from financing activities	<u><u>-56,712,891.04</u></u>	<u><u>306,526,213.94</u></u>

Item	First three quarters of 2022 (January – September)	First three quarters of 2021 (January – September)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	6,924,922.56	-2,032,971.98
V. Net increase in cash and cash equivalents	2,003,033,252.51	1,386,013,058.15
Add: Cash and cash equivalents at the beginning of the period	2,146,767,725.61	1,416,825,910.58
VI. Cash and cash equivalents at the end of the period	4,149,800,978.12	2,802,838,968.73

Legal Representative:
Liu Jiguo

Chief Financial Officer:
Liu Jiguo

Accounting Manager:
Jiang Jingyuan

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

Luoyang, the PRC
27 October 2022

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

* *For identification purposes only*