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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Financial Highlights)

Total operating revenue:	RMB12,563,780,344.92
Net profit attributable to the equity holders of the parent company:	RMB681,050,957.24
Earnings per share attributable to the equity holders of the parent company:	RMB0.6061

The board of directors (the “**Board**”) of First Tractor Company Limited* (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2022, which have been prepared in accordance with the Accounting Standards for Business Enterprises of China, together with comparative figures for the same period in 2021, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi (Unit: Yuan)).

CONSOLIDATED BALANCE SHEET

31 December 2022

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	<i>Note</i>	31 December 2022	31 December 2021
Current assets:			
Monetary Funds	<i>Note 1</i>	4,363,742,346.01	3,243,399,611.65
Lendings to Banks and Other Financial Institutions		0.00	23,320,000.00
Trading financial assets		1,249,646,900.00	1,038,970,988.74
Derivative financial assets		0.00	0.00
Notes receivable		76,769,291.70	62,757,621.58
Accounts receivable	<i>Note 2</i>	351,792,105.00	301,661,736.48
Accounts receivable Financing		246,084,731.86	216,495,094.89
Advances to suppliers		214,603,079.62	242,712,324.09
Other receivables		26,664,987.91	24,247,156.19
Including: Dividend receivable		0.00	0.00
Interest receivable		0.00	944.41
Buying back the sale of financial assets		0.00	360,643,454.77
Inventories		1,191,302,696.00	1,674,008,933.28
Contract assets		0.00	0.00
Assets classified as held for sale		0.00	0.00
Non-current assets due within one year		26,138,882.38	188,189,353.75
Other current assets		135,457,079.03	319,494,747.99
Total current assets		<u>7,882,202,099.51</u>	<u>7,695,901,023.41</u>

Item	<i>Note</i>	31 December 2022	31 December 2021
Non-current assets:			
Loans and advances to customers		0.00	891,754,953.83
Debt investment		1,086,568,216.50	0.00
Other debt investment		0.00	0.00
Long-term receivables		0.00	147,379,925.56
Long-term equity investments		635,976,086.00	126,970,546.37
Other equity instrument investment		3,513,464.70	4,839,048.00
Other non-current financial assets		0.00	0.00
Investment properties		0.00	0.00
Fixed assets		2,311,846,878.77	2,465,981,510.01
Construction in progress		126,466,820.01	79,246,144.63
Productive biological assets		0.00	0.00
Oil and gas assets		0.00	0.00
Right-to-use assets		34,164,906.27	15,044,288.50
Intangible assets		713,225,331.16	750,855,986.17
Research and development expenses		0.00	0.00
Goodwill		0.00	0.00
Long-term deferred expenses		59,464,923.38	61,059,040.71
Deferred income tax assets		132,713,596.93	100,562,089.39
Other non-current assets		0.00	0.00
Total non-current assets		<u>5,103,940,223.72</u>	<u>4,643,693,533.17</u>
Total assets		<u><u>12,986,142,323.23</u></u>	<u><u>12,339,594,556.58</u></u>

Item	<i>Note</i>	31 December 2022	31 December 2021
Current liabilities:			
Short-term loans		270,223,055.56	270,183,333.34
Loans from banks and other financial institutes		0.00	200,050,000.00
Trading financial liabilities		0.00	0.00
Derivative financial liabilities		0.00	0.00
Notes payable		1,829,411,578.37	1,429,974,406.92
Accounts payable	<i>Note 3</i>	2,286,961,766.98	2,005,338,697.27
Advance from customers		190,366.98	198,307.51
Contract liabilities		846,464,703.95	580,385,482.01
Sale of repurchase financial assets		0.00	11,759,888.55
Absorption of deposits and interbank deposits		34,112,630.48	741,565,080.73
Employee salary payable		108,545,159.39	94,183,174.20
Taxes payables		21,049,384.80	16,547,128.41
Other payables		338,162,726.80	264,862,718.59
Including: Interests payable		24,785,843.99	17,839,437.74
Dividends payable		8,439,607.83	59,459,387.16
Liabilities classified as held for sale		0.00	0.00
Non-current liabilities due within one year		17,750,080.09	13,333,158.50
Other current liabilities		374,987,097.17	262,766,044.87
Total current liabilities		<u>6,127,858,550.57</u>	<u>5,891,147,420.90</u>

Item	<i>Note</i>	31 December 2022	31 December 2021
Non-current liabilities:			
Long-term loans		49,380,000.00	110,000,000.00
Bonds payable		0.00	0.00
Including: Preference shares		0.00	0.00
Perpetual bond		0.00	0.00
Lease liabilities		16,459,875.98	1,853,079.74
Long-term payables		8,476,357.76	8,251,321.72
Long-term employee salary payable		48,210,828.04	57,802,347.71
Special payables		0.00	0.00
Estimated Liabilities		1,962,613.99	1,962,613.99
Deferred income		121,762,517.70	138,045,711.55
Deferred income tax liabilities		114,860,703.26	148,308,914.30
Other non-current liabilities		0.00	0.00
		<hr/>	<hr/>
Total non-current liabilities		361,112,896.73	466,223,989.01
		<hr/>	<hr/>
Total liabilities		6,488,971,447.30	6,357,371,409.91
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Item	<i>Note</i>	31 December 2022	31 December 2021
Shareholder's equity			
Share capital		1,123,645,275.00	1,123,645,275.00
Other equity instruments		0.00	0.00
Including: Preferred shares		0.00	0.00
Perpetual bond		0.00	0.00
Capital reserves		2,655,849,996.00	2,655,849,996.00
Less: Treasury shares		0.00	0.00
Other comprehensive income		-5,853,544.29	-11,710,421.44
Special reserves		5,497,405.05	3,465,767.12
Surplus reserves		595,433,495.89	501,495,783.59
General risk reserves		43,263,387.54	43,263,387.54
Retained earnings	<i>Note 4</i>	1,540,248,936.64	1,086,069,085.52
Total equity attributable to shareholders of the parent Company		5,958,084,951.83	5,402,078,873.33
Minority interests		539,085,924.10	580,144,273.34
Total shareholder's equity		<u>6,497,170,875.93</u>	<u>5,982,223,146.67</u>
Total liabilities and shareholder's equity		<u><u>12,986,142,323.23</u></u>	<u><u>12,339,594,556.58</u></u>

CONSOLIDATED INCOME STATEMENT

Year of 2022

Prepared by: First Tractor Company Limited

Item	Note	<i>Unit: Yuan Currency: RMB</i>	
		Amount incurred in this period	Amount incurred in last period
1. Total operating revenue		12,563,780,344.92	9,333,808,881.54
Including: Operating revenue		12,455,465,114.62	9,209,135,833.76
Interest income		103,241,584.91	118,198,056.28
Fees and commission income		5,073,645.39	6,474,991.50
2. Total cost of operation		11,663,299,445.57	8,811,858,933.89
Including: Operating costs		10,497,058,564.32	7,712,932,565.70
Interest expenses		12,119,803.80	21,572,879.07
Fees and commission expense		505,541.79	695,451.23
Taxes and surcharges		49,187,427.97	43,006,114.05
Selling expenses		222,210,134.64	203,809,324.49
Administrative expenses		395,202,295.32	363,378,163.19
Research and development expenses		528,782,269.55	415,352,332.37
Financial expenses		-41,766,591.82	51,112,103.79
Add: Other income		42,737,331.02	43,498,171.42
Investment income (Loss listed with “-”)		7,287,769.45	639,394,264.83
Gain arising from the changes in fair value (loss listed with “-”)		-232,279,776.57	38,351,073.07
Loss on impairment of credit (loss listed with “-”)		-88,215,114.78	-228,857,326.55
Loss on impairment of assets (loss listed with “-”)		-43,627,186.06	-587,501,045.67
Asset disposal income (loss listed with “-”)		1,634,977.44	62,931.82

Item	Note	Amount incurred in this period	Amount incurred in last period
3. Operating profit		588,018,899.85	426,898,016.57
Add: Non-operating income		26,426,150.40	34,290,423.02
Less: Non-operating expenses		2,547,188.18	896,517.08
4. Total profit		611,897,862.07	460,291,922.51
Less: Income tax expenses	Note 6	-30,060,272.03	26,948,716.18
5. Net profit		641,958,134.10	433,343,206.33
Including: Net profit achieved by the merger of the merged party before the merger under the same control		0.00	0.00
(1) Classification according to the continuity of operation		—	—
Continuous operating net profit		558,427,311.90	381,682,035.01
Termination of net profit		83,530,822.20	51,661,171.32
(2) Classification of ownership according to ownership		—	—
Net profit attributable to shareholders of the parent company		681,050,957.24	438,209,215.31
Profit or loss attributable to minority interests		-39,092,823.14	-4,866,008.98
6. Net other comprehensive income after tax		5,477,415.54	14,875,597.03
Net other comprehensive income after tax attributable to owners of the parent company		5,856,877.15	15,250,311.72
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		-745,755.85	0.00
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		0.00	0.00
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method		-69,708.37	0.00
3. Changes in fair value of other equity instrument investments		-676,047.48	0.00
4. Changes in fair value of credit risk due to enterprise itself		0.00	0.00

Item	Note	Amount incurred in this period	Amount incurred in last period
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		6,602,633.00	15,250,311.72
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		0.00	0.00
2. Gains and losses from changes in fair value of available-for-sale financial assets		0.00	0.00
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale		0.00	0.00
4. Changes in fair value of other debt investments		0.00	0.00
5. Financial assets reclassified into other comprehensive income		0.00	0.00
6. Provision for credit impairment of other debt investment		0.00	0.00
7. Effective part of hedging gains and losses from cash flows		0.00	0.00
8. Cash flow hedging reserve		0.00	0.00
9. Exchange differences from translation of foreign currency financial statements		6,602,633.00	15,250,311.72
10. Others		0.00	0.00
Net other comprehensive income after tax attributable to minority interests		-379,461.61	-374,714.69
7. Total comprehensive income		647,435,549.64	448,218,803.36
Total comprehensive income attributable to owners of the parent company		686,907,834.39	453,459,527.03
Total comprehensive income attributable to minority interests		-39,472,284.75	-5,240,723.67
8. Earnings per share:			
(1) Basic earnings per share		0.6061	0.3940
(2) Diluted earnings per share		0.6061	0.3940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

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

The Company is a company of manufacturing and sales of agricultural machinery. In the following, the Company and its affiliated companies are collectively referred to as the Group. During the year, the main business operations of the Group in China are as follows:

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

The directors of the Company believe that the immediate holding company is YTO Group Corporation Limited and the ultimate holding company is China National Machinery Industry Corporation. Both are companies registered and established in China.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Based on the going-concern assumption and transactions and events actually incurred, the financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and relevant stipulations by the Ministry of Finance of the PRC, disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance, and based on the accounting policies stated in the Note "4. Accounting policies".

3. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the consolidated and the financial position of the Company and the Group and their financial performance and cash flows and other related information.

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

4. ACCOUNTING POLICIES

(1) Accounting period

The accounting period for the Group is from 1 January to 31 December.

(2) Reporting currency

The Group's reporting currency is Renminbi (RMB). Its subsidiaries, associates, and joint operators apply their reporting currency based on the consideration of their local economics.

(3) The Group uses Renminbi (RMB) as the reporting currency for the preparation of the financial statements.

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

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

- (1) These transactions are occurred at the same time, or have considered the impact of each other
- (2) All of these transactions as a whole comes to a complete business outcome.

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

2. *Enterprise merger under common control*

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

If there 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 subsequent contingent consideration price, should be adjusted through the capital surplus (capital premium or equity premium), and if the capital surplus is insufficient, adjust the retained earnings.

As enterprise merger realized by multiple transactions which belong to a package transaction, considering these transactions as a control transaction when carrying out accounting method. In the case of non-package transactions, 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 on the day of gaining control. 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.

3. *Enterprise merger not under common control*

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

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

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

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

4. *The costs of merger*

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

(5) Preparation of consolidated financial statements

1. *Scope of the merger*

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

2. *Consolidated procedures*

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

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

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

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

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

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

(6) Segment information

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

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

- (1) The ‘agricultural machinery’ segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and component;
- (2) The ‘power machinery’ segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets;
- (3) The ‘financial service’ segment engages in the provision of loans, bills discounting and deposit-taking services.

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

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

(7) Changes in accounting policies

1. Changes in accounting policies

No accounting policies were changed during the reporting period.

2. Changes in accounting estimates

No accounting estimates were changed during the reporting period.

5. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Monetary funds

Items	Ending Balance	Beginning Balance
Cash on hand	60,612.69	413,447.08
Cash in bank	3,528,903,780.24	3,084,123,983.80
Other monetary funds	834,777,953.08	158,862,180.77
Total	4,363,742,346.01	3,243,399,611.65
Including: Total amount deposited abroad	49,270,197.48	48,719,452.12
Deposit in financial company	1,968,212,255.21	0.00

The details of the restricted monetary funds are as follows:

Items	Ending Balance	Beginning Balance
Bank acceptance deposit	834,209,742.51	20,218,112.35
Statutory deposit reserve	9,176,871.31	237,769,762.23
Policy Bank Restricted Funds	0.00	138,052,188.68
Fixed deposits of more than three months	0.00	700,000,000.00
Other restricted funds	778,150.32	591,822.78
Total	844,164,764.14	1,096,631,886.04

Note 2. Accounts receivables

1. Age Disclosure of Accounts Receivable

Aging	Ending Balance	Beginning Balance
Within 1 year	353,550,459.77	292,874,155.48
1-2 years	4,997,809.04	4,670,501.05
2-3 years	2,503,989.10	8,697,080.46
Over 3 years	340,919,992.89	450,950,037.19
Subtotal	701,972,250.80	757,191,774.18
Less: Provision for bad debt	350,180,145.80	455,530,037.70
Total	351,792,105.00	301,661,736.48

2. Disclosure by provision for bad debt

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

Continued:

Item	Book balance		Opening Balance		Book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Ratio (%)	
Bad debt provision on a portfolio basis	757,191,774.18	100.00	455,530,037.70	—	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	100.00	455,530,037.70	—	301,661,736.48

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

(1) Aging portfolio

Aging	Book Balance	Ending Balance	Accrual Ratio (%)
		Bad debt provision	
Within 1 year	337,004,122.40	7,091,459.23	2.10
1 to 2 years	4,037,088.01	1,948,145.23	48.26
2-3 years	518,344.86	350,499.39	67.62
Over 3 years	312,523,930.07	311,153,950.83	99.56
Total	654,083,485.34	320,544,054.68	—

(2) *Risk exposure portfolio such as collateral*

Name of portfolio	Ending Balance	Bad debt provision	Accrual Ratio (%)
Risk exposure portfolio such as collateral	47,888,765.46	29,636,091.12	61.89

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

Item	Beginning Balance	Provision	Changes in the current year			Ending Balance
			Recovery/ Reversal	Decrease: Transfer or Write off	Other	
Aging portfolio	422,490,660.74	6,922,588.23	0.00	109,126,958.92	257,764.63	320,544,054.68
Risk exposure portfolio such as collateral	33,039,376.96	1,093,852.71	0.00	4,497,138.55	0.00	29,636,091.12
Total	455,530,037.70	8,016,440.94	0.00	113,624,097.47	257,764.63	350,180,145.80

5. *Accounts receivable write-off in current reporting period*

Item	Amount of write off
Actual accounts receivable write-off	113,624,097.47

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

Company name	Ending Balance	Percentage of ending balance of accounts receivable (%)	Bad debt provision
YTO (Luoyang) Harvesting Machinery Co., Ltd.	63,100,203.73	8.99	63,100,203.73
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd	62,183,376.45	8.86	62,183,376.45
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	27,533,497.99	3.92	27,533,497.99
YTO Group Corporation	26,452,838.19	3.77	328,904.83
Cuba TECNOIMPORT	24,842,643.30	3.54	24,842,643.30
Total	204,112,559.66	29.08	177,988,626.30

Note 3. Accounts payable**1. Classification of accounts payable by nature**

Item	Ending Balance	Opening Balance
Purchase payment payable	2,081,660,028.31	1,793,783,629.36
Purchase of construction equipment payable	41,054,870.93	47,254,480.48
Service fee payable	164,161,767.34	164,193,538.26
Others	85,100.40	107,049.17
Total	2,286,961,766.98	2,005,338,697.27

2. Accounts payable with significant amount aged over 1 year Current year

Company name	Ending Balance	Reason for not paid or reversed
LLAF INTERNATIONAL CO., LTD	26,071,952.38	Unsettled

Note 4. Retained earnings

Item	Amount	Percentage of appropriation or distribution (%)
Retained earnings at the end of last period before adjustment	1,086,069,085.52	
Total retained earnings at the beginning of adjustment period	0.00	
Beginning balance of retained earnings after adjustment	1,086,069,085.52	
Add: net profit for the current period attributable to owners of the parent company	681,050,957.24	
Less: Statutory surplus reserves	93,937,712.30	
Common stock dividends payable	132,933,393.82	
Ending balance of retained earnings	1,540,248,936.64	

Note 5. Depreciation and amortization

Item	Amount in this period	Amount in last period
Depreciation of fixed assets	275,564,874.10	289,360,872.78
Amortization of intangible assets	32,647,428.19	31,246,634.19
Total	308,212,302.29	320,607,506.97

Note 6. Income tax expenses**1. Income tax expenses**

Item	Amount in this period	Amount in last period
Current income tax expenses	35,539,446.55	21,028,898.18
Deferred income tax expense	-65,599,718.58	5,919,818.00
Total	-30,060,272.03	26,948,716.18

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

Item	Amount in this year
Total consolidated profit of this year	611,897,862.07
Income Tax Expenses at Statutory/Applicable Tax Rates	91,784,679.31
The Impact of Different Tax Rates on Subsidiaries	-22,079,400.47
The impact of income tax on the period before adjustment	8,625,743.21
The impact of non-taxable income	1,128,858.31
Non-deductible Cost, Expenses and Loss Impact	2,934,768.45
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current year	46,709,833.40
Extra deductions for research and development expenses	-79,257,332.70
Others	-79,907,421.54
Income tax expenses	-30,060,272.03

Note 7. Net current assets

Item	Ending Balance	Opening Balance
Current assets	7,882,202,099.51	7,695,901,023.41
Less: Current liabilities	6,127,858,550.57	5,891,147,420.90
Net current assets	1,754,343,548.94	1,804,753,602.51

Note 8. Total assets minus current liabilities

Item	Ending Balance	Opening Balance
Total assets	12,986,142,323.23	12,339,594,556.58
Less: current liabilities	6,127,858,550.57	5,891,147,420.90
Total assets minus current liabilities	6,858,283,772.66	6,448,447,135.68

Note 9. Segment information

Item	Agricultural machinery	Power machinery	Finance service	Elimination	Total
1. Total operating revenue	11,647,531,951.61	2,575,469,432.61	119,630,174.66	-1,778,851,213.41	12,563,780,344.92
Including: External transaction revenue	11,226,401,926.33	1,229,063,188.29	108,315,230.30	0.00	12,563,780,344.92
Revenue between segments	421,130,024.73	1,346,406,244.32	11,314,944.36	-1,778,851,213.41	0.00
Loss on impairment of asset	-38,354,748.51	-5,129,595.94	0.00	-142,841.61	-43,627,186.06
Loss on impairment of credit	-150,989,548.69	122,820.12	49,829,250.22	12,822,363.57	-88,215,114.78
Depreciation and amortization fee	292,651,505.87	55,373,653.33	1,750,231.70	0.00	349,775,390.90
2. Total profit (total loss)	937,277,193.45	-228,889,929.61	101,193,378.06	-197,682,779.83	611,897,862.07
3. Income tax expenses	-21,159,009.53	-31,329,096.36	22,406,407.61	21,426.25	-30,060,272.03
4. Net profit (Loss)	958,436,202.98	-197,560,833.25	78,786,970.45	-197,704,206.08	641,958,134.10
5. Total assets	9,946,205,692.81	2,608,312,598.80	778,555,342.13	-346,931,310.51	12,986,142,323.23
6. Total liabilities	5,454,969,192.54	1,298,997,384.19	74,350,443.36	-339,345,572.79	6,488,971,447.30
7. Other important non cash item	201,677,981.73	181,669,545.85	783,533.26	0.00	384,131,060.84
1. Non-cash expenses other than depreciation and amortization	58,861,861.31	68,808,549.81	116,800.00	0.00	127,787,211.12
2. Capital expenditure	142,816,120.42	112,860,996.04	666,733.26	0.00	256,343,849.72

Note 10. Net asset returns and Earnings per share

Items	Year of 2022
Net profit attributable to shareholders of parent company	681,050,957.24
Non recurring profit and loss attributable to the parent company	-90,371,468.36
Net profit attributable to shareholders of parent company after deducting non recurring profit and loss	771,422,425.60
Weighted average number of common shares outstanding	1,123,645,275.00
Basic earnings per share (I) (before deducting non earnings)	0.6061
Basic earnings per share (II) (after deducting non earnings)	0.6865
Weighted average of net assets attributable to shareholders of parent company	5,680,081,912.58
Weighted average return on net assets (I) (before deducting non earnings)	11.9902%
Weighted average return on net assets (II) (after deducting non earnings)	13.5812%

Note 11. Dividends

The 2022 profit distribution plan: Based on the Company's fixed-increased total share capital of 1,123,645,275 as of 31 December 2022 as the base, a cash dividend of 0.2257 yuan per share (tax included) will be distributed to all shareholders, totaling 253.6067 million yuan. The above-mentioned profit distribution plan has been reviewed and approved at the tenth meeting of the ninth session of the board of directors of the Company, and must be reviewed and approved at the Company's shareholders meeting before implementation.

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

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

(I) Explanation on the Principal Businesses and Operating Models 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>

Product Name

Images

Product Description

Crawler tractor



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.

The Company has a full range of crawler tractor products with better soil adhesion, suitable for wet soil and soft ground.

Diesel engine



Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy.

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.

Components



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.

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. As of the disclosure date of this announcement, the liquidation and cancellation of YTO Finance is in progress.

(II) Key Operation Modes

During the Reporting Period, there was no major change to the key operation modes of the Company.

Product Research and Development: The Company adopts a standardized research and development process to carry out its research and development activities, and its research and development projects are divided into strategic planning type and market demand type. The research and development center of the Company focuses on the research and development of strategic planning type products and technologies, and the subsidiaries and manufactories focus on the research and development of market demand type products. Based on the mature products, the Company improves and refines the products according to the market demand to meet the requirements of different market segments. Meanwhile, through the joint establishment of project teams, the Company improves the research and development quality of strategic planning projects of the research and development center of the headquarters, the research and development capability of market-oriented projects of subsidiaries and manufactories and the efficiency of solving field problems.

Procurement Mode: The Company adopts a model combining centralized procurement and decentralized procurement. For main raw materials and components (such as steel, pig iron, tire and bearing) with high demand and generic in nature in the production process, centralized procurement would be adopted so as to take full advantage of economies of scale. On the other hand, decentralized procurement would be adopted for differentiated raw materials and components required by each operating unit based on its needs.

Production Mode: The Company manufactures and operates through mass production in assembly lines, including the production of mass generic products and customized products. The agricultural machinery products of the Company reasonably arranges its production plans and organizes production according to market forecasts, market sales, information on product demand reflected by dealers and users and the seasonal features of sales of the Company's products. The power machinery products of the Company are mainly supplied through execution of annual supply contracts entered into between main unit manufacturers and the Company, with production arranged and organized according to the demand plans and the specific orders.

Sales Mode: The agricultural machinery products of the Company are mainly sold by dealers of the Company in domestic market and adopted the sales policy such as cash on delivery and general credit sales. For dealers which have long cooperative relationship with the Company and good credit, the Company will give a certain credit limit and make annual evaluation and adjustment according to the credit situation. Our PRC sales network currently covers all 31 provinces, autonomous regions and municipalities in the mainland China. As for the international market, the Company is establishing and improving its sales and service network step by step according to the progress of its business development. Currently, the overseas sales markets mainly include Asia areas, Russian-speaking areas, Central and Eastern Europe areas, Africa areas, and countries and regions along the Belt and Road. Overseas sales are mainly conducted through project sales such as government procurement, and by other local dealers.

Power machinery and spare parts products of the Company are mainly supplied to be accessory for main unit manufacturers, mostly by direct sale.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company has been deeply engaged in the agricultural machinery industry for many years, and has the leading capacity of independent innovation in product development and core key technologies, complete core parts manufacturing system, efficient production organization and quality assurance capacity, as well as a sound and complete marketing pipeline and after-sales service system in the domestic agricultural machinery industry. The Company has always maintained its leading position in the tractor industry. During the Reporting Period, the Company has insisted on “strengthening the strengths and making up for shortcomings”, and has further enhanced its competitive advantages in various segments of the value chain, including research and development, innovation, production and manufacturing, and sales and services, and has continuously strengthened its overall corporate strength.

1. Continuous R&D innovation capability. the Company owned domestic intellectual properties in terms of powershift and variable transmission technology for tractors, intelligent driving technology as well as electronic control technology for whole machine and parts. During the Reporting Period, the Company accelerated the core technology research and product development of high-end intelligent, new energy and short board equipment. Heavy-duty powershift tractor LF2204 was delivered to the partner in batches after completion of nationalization improvement, and LZ2604 was rolled out in batches and promoted in small batches. Heavy-duty stepless speed tractor LW3204 filled a number of domestic technology gaps and achieved trial sale in small-lot. Hybrid tractor HB2204 tractor has completed the function of debugging, and application verification is being carried out. It is expected to be released to the market in small batches in 2023. The hilly mountain tractor MH804M has filled the gap of special tractor products for hilly and mountainous areas in China, and has achieved mass market sales in the second half of 2022. The diesel engine products have been upgraded to National IV technology and technically finalized, and the research and development of Euro V products for Central and Eastern Europe and the construction of YTN new product platform are being carried out in an orderly manner. The competitiveness of diesel engine products has continued to increase steadily.
2. Increasingly intelligent manufacturing capabilities. The Company has the most comprehensive manufacturing systems from whole machine to core spare parts in China's tractor industry and possesses the capabilities for manufacturing vehicle body, forged parts, castings, engines, gears and other key components of tractors. During the Reporting Period, the Company continued to promote the smart and green upgrading of the manufacturing process around tractors and their key components with an aim to build a leading domestic advanced manufacturing base for agricultural machinery equipment.

3. Stable and reliable product technology and product quality. The Company has adhered to the quality concept of “zero-defect quality and internationalized standards” and has continuously deepened its quality system. The Company enabled technology strength of major products to be a leading position in the industry through the continuous implementation of high-quality projects and strengthening quality control. With outstanding performance, stable product quality, the Company’s agricultural machinery, power machinery and other products have won satisfactory feedback from users.
4. Well-established marketing and after-sales service system. The Company has well established service platform system such as nationwide distribution service network, agricultural equipment call center, diesel call center and vocational skills training and certification center for agricultural machinery industry to ensure the Company can respond to the market quickly. During the Reporting Period, the Company insisted on promoting the improvement of weak markets, optimizing the pipeline structure and consolidating the pipeline foundation to support marketing sales and after-sales services.

III. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2022, China’s economic development was impacted by the domestic and foreign factors that were beyond expectations. China has introduced and implemented a series of policies and successive measures to stabilize the economy, strengthen the stability of production and supply of food and important agricultural products, hold the bottom line of food safety, and ensure stable and increased agricultural production. During the Reporting Period, benefited from China’s continued emphasis on the work of Agriculture, Rural Areas and Rural Residents, stabilization of grain production, high volatility of domestic grain prices and the implementation of “National IV” emissions for off-road diesel engines by the end of 2022, the domestic tractor market experienced greater growth. According to the data of China Agricultural Machinery Industry Association, the annual sales volume of large and medium-sized tractors of core enterprises in the industry was 375.0 thousand units, increased by 17.2% year-on-year.

The Company has kept in mind its mission and responsibility to provide high quality and efficient agricultural equipment to accelerate the development of modern agriculture in China, and strived to overcome the difficulties and challenges such as increasing cost pressure, the heavy task of National IV switching. The Company closely focused on the main line of work of “stabilizing growth and promoting development”, and the business development of the Company continued to maintain a good momentum. During the Reporting Period, the Company achieved a total operating revenue of RMB12,564 million, representing a year-on-year increase of 34.61%; net profit attributable to shareholders of the listed company RMB681 million, representing a year-on-year increase of 55.42%.

(I) Grasped technology upgrades and market opportunities, continued to consolidate and improve industry position and market share

During the Reporting Period, the Company seized the opportunities brought by the growth of demand for large-scale agricultural operations, the forward shift of market demand brought by the “National IV” switch and the technological upgrade of the industry, and enhanced its comprehensive competitiveness in the large and medium-sized tractor market through a series of measures such as optimizing product structure, enriching product portfolio and continuously strengthening pipeline construction. The annual sales of large and medium-sized tractors hit a record high, achieving sales volume of 88.4 thousands, representing a year-on-year increase of 27.58%. The market share and industry position continued to consolidate and improve. In terms of key core technology research and product structure optimization, the Company continued to intensify the development and promotion of new products with regional adaptability according to different agricultural machinery operating horsepower, model configuration and actual user needs, accelerating the formation of product competitive advantage oriented to the needs of users’ agricultural machinery operations. The “Dongfanghong” LZ2604 heavy powershift tractor achieved mass production, and the tractor intelligent operation control system and other high-end intelligent agricultural machinery core technologies achieved breakthroughs.

The Company focused on the technology and emission upgrade of off-road diesel engines and fully carried out operation and quality verification to ensure that the National IV switch was realized on schedule. The operating performance of the Company’s diesel engine products has further won the recognition of external users such as harvesting machinery and construction machinery. During the Reporting Period, the Company achieved sales of 151.3 thousands of diesel engines, with the sales volume of supporting machineries in external markets increased year-on-year by 8.31%.

The Company actively overcame the adverse factors such as the conflict between Russia and Ukraine, and achieved continuous growth in sales volume in overseas markets by enhancing planning capabilities, differentiated marketing, optimizing product structure, improving product adaptability and strengthening pipeline construction. The annual export of large and medium-sized tractor products increased year-on-year by 37.80%.

(II) Implemented full value chain cost control and the effect of improving quality and efficiency was seen

During the Reporting Period, the Company implemented the concept of target cost management and took the cost control of the whole value chain as the grasp, and strived to overcome the impact of rising prices of energy and some raw material on the Company's costs and achieved the target of improving quality and efficiency for the year. First, starting from the source of the value chain, the Company has given full play to technology cost reduction through design optimization and process upgrade. At the same time, the Company has strengthened procurement cost reduction through price locking and storage, swing purchasing, value chain optimization and other measures to promote the realization of cost reduction and efficiency enhancement goals from the procurement link. The Company continued to strengthen the control of accounts receivable and inventory and improved the turnover rate of accounts receivable and inventory, resulting in a net inflow and significant growth in operating cash flow. During the Reporting Period, the Company's accounts receivable turnover rate was 17.07 times, representing an increase of 4.98 times year-over-year, and the inventory turnover rate was 6.8 times, representing an increase of 2.14 times year-over-year. Third, the Company has promoted lean production and strengthened quality improvement. The quality loss and failure rate has been reduced and user satisfaction has been improved through the standardized operation of the system and quality culture. During the Reporting Period, despite the high volatility of raw material prices and the significant increase in energy prices, the consolidated gross profit margin of the Company's leading products was 15.72%, representing a year-on-year decrease of 0.53 percentage points.

(III) with the promotion of the Company’s high-quality development, implemented the key tasks of the three-year action to reform state-owned enterprises.

As a state-owned enterprise listed company, the Company firmly implemented the key tasks of the three-year reform of state-owned enterprises and realized the reform to further improve the mechanism, stimulate vitality and improve the quality of development. The first was to further improve the governance mechanism to stimulate vitality and enhance efficiency. In accordance with the principles of “limited scope, equal rights and responsibilities, and controlled risks”, the Company has formulated the “Management Rules for Delegation by the Board of Directors (《董事會授權管理辦法》)” to regulate the delegation of decision-making by the Board to the management. At the same time, the management system was improved to further strengthen the foundation of the corporate governance system. During the year, the Company revised and improved a series of fundamental systems of the Company, including the asset investment and disposal management system and the capital management system, to continue to regulate the management of external investment, project construction, asset disposal and fund utilization, and to deepen the development of compliance. The second was to continue to implement the “lean and healthy”, resource integration, and improve enterprise resource allocation and operational efficiency. During the Reporting Period, the Company completed the withdrawal and reorganization of two subsidiaries by way of bankruptcy liquidation and absorption and merger respectively. The Company has implemented the financial regulatory requirements (according to the regulations of China Banking and Insurance Regulatory Commission on “an enterprise group can only set up one finance company”) and promoted the reorganization and integration of YTO Finance and SINOMACH Finance under SINOMACH. Third, the Company further improved the market-oriented employment mechanism, deepened the reform of the income distribution system, implemented the tenure system and contractual management for the management of the Company’s head office and all subordinate enterprises, strengthened the rigid binding effect of performance assessment objectives. The Company also stimulated the motivation of each level and released the vitality of operation and development through the linkage of wages and efficiency and positive incentive.

IV. THE COMPANY'S DISCUSSION AND ANALYSIS ON ITS FUTURE DEVELOPMENT

(I) Industry landscape and trend

The report of the 20th Party Congress pointed out that rural revitalization will be comprehensively advanced, and development of agricultural and rural areas will be prioritized so as to accelerate the construction of a strong agricultural country; the “No. 1 File” of the Central Government in 2023 also released a clear signal that the “top priority” of the the work on “Agriculture, Rural Areas and Rural Residents” is to strengthen the foundation of food safety in all aspects and firmly guard the bottom line of ensuring food safety. In this context, there are still important opportunities to accelerate the development of agricultural mechanization to strengthen the support of agricultural equipment and improve the efficiency of modern agricultural production. The implementation of policies and projects such as the “factory condition review”, the “superior machine subsidy”, the introduction of the “K” value for subsidy filing, the “agricultural machinery application subsidy pilot” and the “agricultural machinery research and development, manufacturing, promotion and application integration pilot”, as well as the implementation of the “National IV” switch in December 2022 will accelerate the development of agricultural machinery products to the high quality of “intelligent, environmentally friendly, comfortable, efficient and highly reliable”, and high quality development, thereby promoting the further improvement of industry concentration and more standardized and orderly competition in the industry, which will be conducive to the key enterprises in the industry with comprehensive competitiveness to give better play to their products and market advantages.

Meanwhile, 2023 is the first year after the switch of National IV, affected by the price of National IV agricultural machinery products, the cost of use, maintenance and other factors, as well as the past two years of early purchase of machines, industry demand shifted forward, to a certain extent, overdraft market demand after the switch of National IV, the agricultural machinery market demand in 2023 will show a certain degree of adjustment.

(II) Development strategy of the Company

2023 is the year for the Company to take the next step in implementing the “14th Five-Year Plan”, and it is also the year for agricultural machinery enterprises to face the first year of the transition from the National IV. The Company will maintain strategic determination and insist on planning and guidance, adhere to the strategic development idea of “innovation-driven, optimize the structure, penetrate the market and seize the high-end”, and firmly seize the market opportunities brought about by the modernization of agriculture and rural areas and transformation and upgrading of agricultural machinery and equipment industry. The Company will promote the implementation of the key strategic measures of the “14th Five-Year Plan” to strengthen the leadership of research and development innovation, promote product technology upgrade, and effectively based on the Company’s leading advantages in technology, manufacturing and services, in order to create market competitive advantages for products. At the same time, we will continue to build up the international competitiveness of our products, continue to cultivate key markets and steadily promote the development of international markets.

(III) Operation plan

In 2023, the Company will study and grasp the changes in market adjustment after the switch to National IV, seize the opportunity of product upgrading in the industry in the face of short-term impact on demand in the agricultural machinery market, focus on cost control and quality control of National IV products, stabilize product sales and strive for further increase in market share. Meanwhile, we will work on the business development to maintain the sustainable, healthy and stable development of the enterprise.

First, “seizing orders, expanding market”, actively respond to the changes in market demand and subsidy policies after the switch of National IV, enhance our marketing planning capability, improve our service guarantee capability for National IV models, make quick responses to the market and users, and actively seize market opportunities.

Second, “gaining internal strengths, exploring potential”, promote cost management along the entire value chain, improve the efficiency of capital turnover, strictly control and reduce period expenses, and strive to achieve stable and improved corporate profitability.

Third, “strengthening innovation, facilitating transformation”, adhere to innovation-driven, increase scientific and technological efforts with “problem-tackling” technology, focus on promoting large-scale and high-end tractors and other strategic research and development projects, research and develop Hilly Mountain and other specialized tractors, and accelerate the research and development process of new products.

Meanwhile, the Company will coordinate its operational risk control and strengthen the synergy of risk, internal control and compliance management to ensure the effectiveness of the Company’s internal control risk system.

(IV) Potential risks

1. *Risk of changes in market demand due to the switch of off-road National IV*

The National IV emission standard for off-road diesel engines will be implemented in China from 1 December 2022 which is beneficial to environmental protection and the upgrading and advancement of agricultural machinery main technology from a development perspective. However, the upgrade of the National IV standard will also increase the cost of purchase, use and maintenance for users, and the stability of National IV products needs to be further verified by the market, which may suppress users' willingness to purchase machines for a certain period of time, and the influence of factors such as the early overdraft of National III products, which may lead to a decline in market sales for a certain period of time.

The Company will give full play to its advantages in supporting diesel engines and main engine products, firmly grasp the transformation and upgrading opportunities brought about by the switch of National IV, improve in cost control and quality control of National IV products, focus on improving the reliability and competitiveness of National IV products, and strive to further increase its market share.

2. *Risk of fluctuations in raw material and energy prices*

Affected by various factors such as the economic recovery, market supply and demand and the international market environment, the trend of commodity prices such as steel and rubber, which are the Company's major raw materials, is subject to greater uncertainty. The conflict between Russia and Ukraine also caused an increase in energy prices, increasing the difficulty in cost management of product production. If the prices of the Company's major raw materials and energy resources fluctuate significantly in the future, it will not be conducive to the control of the Company's production costs, which will in turn affect the stability of the Company's earnings.

The Company will reduce the impact of raw material price fluctuations on the Company's results by improving the level of research and judgment of raw material price trends, choosing the timing and scale of purchases in accordance with the fluctuations in raw material prices and the actual demand of the business, and controlling costs and improving profitability through measures such as product process optimisation and strengthening internal management.

3. *Risk relating to undiversified product mix*

With the development of large-scale and intensive management of land, large-scale agricultural business entities need agricultural machinery enterprises to provide complete sets of equipment to meet their "comprehensive, full-process mechanization" operating needs. Meanwhile, subsidy policy for agricultural machinery purchase has indicated clearly that the amount of subsidy for the wheeled tractors and other machinery and tools with obsolete technologies the ownership of which are excessive in the region would be gradually reduced, and it would focus on supporting the weak links in agricultural mechanization. However, currently, the Company's product mix is undiversified, reducing the subsidy amount for single agricultural machine purchase may divert the subsidy funds for some traditional products such as tractors, which may have an adverse impact on the operating performance of the Company.

The Company will continuously enrich its agricultural machinery product portfolios. The Company will actively promote the improvement of the product varieties of agricultural machinery and the sales of machine sets while consolidating its competitive advantages in tractor products, to develop complete sets of agricultural equipment and reduce the market risks.

V. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

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

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change (%)
Operating revenue	12,455,465,114.62	9,209,135,833.76	35.25
Operating costs	10,497,058,564.32	7,712,932,565.70	36.10
Selling expenses	222,210,134.64	203,809,324.49	9.03
Administrative expenses	395,202,295.32	363,378,163.19	8.76
Financial expenses	-41,766,591.82	51,112,103.79	-181.72
R&D expenses	528,782,269.55	415,352,332.37	27.31
Investment income (Losses listed as “-”)	7,287,769.45	639,394,264.83	-98.86
Gain arising from changes in fair value (Losses listed as “-”)	-232,279,776.57	38,351,073.07	-705.67
Loss on impairment on credit (Losses listed as “-”)	-88,215,114.78	-228,857,326.55	N/A
Loss on impairment of assets (Losses listed as “-”)	-43,627,186.06	-587,501,045.67	N/A
Income tax expenses	-30,060,272.03	26,948,716.18	-211.55
Net cash flows from operating activities	3,602,007,317.35	582,279,759.33	518.60
Net cash flow from investment activities	-2,096,009,934.95	272,575,926.72	-868.96
Net cash flows from financing activities	-140,526,633.94	-119,911,581.04	N/A

Reasons for changes in operating revenue: increased by 35.25% over the previous year, mainly due to the year-on-year increase in sales volume of the Company’s major products and the year-on-year increase in operating revenue during the Reporting Period.

Reasons for changes in operating costs: increased by 36.10% over the previous year, mainly due to the year-on-year 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 selling expenses: due to an increase of 9.03% over the previous year, which was mainly due to the increase in revenue and the corresponding increase in selling expenses during the Reporting Period.

Reasons for changes in administrative expenses: due to an increase of 8.76% over the previous year, which was mainly due to the year-on-year increase in staff costs during the Reporting Period.

Reasons for changes in financial expenses: due to a decrease of 181.72% over the previous year, which was 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 on the one hand, and the increase in interest income as a result of the increase in the size of monetary funds during the Reporting Period on the other hand.

Reasons for changes in research and development expenses: due to an increase of 27.31% over the previous year, which was mainly due to the Company's active promotion of the research and development of project during the Reporting Period and the increase of R&D investment.

Reasons for changes in investment income: due to a decrease of RMB632.11 million over the same period of last year, which was mainly due to the fact that YTO France and Harvesting Machinery Company were no longer included in the scope of consolidation as a result of the liquidation during the the same period of last year, and the Company reversed the excess losses in the previous period.

Reasons for changes in gain arising from changes in fair value: due to a decrease of RMB270.63 million over the same period of last year, which was mainly due to the changes in fair value of the trading financial assets held by the Company during the Reporting Period.

Reasons for changes in loss on impairment of credit: due to a decrease of losses by RMB140.64 million over the same period of last year, which was mainly due to, first, the Harvest Machinery Company was liquidated in the same period of the previous year and the Company made an impairment provision of RMB74.09 million on its receivables, and second, the restructuring of YTO Finance was implemented during the Reporting Period and the business was gradually terminated, the loans and other assets were recovered and the loan impairment provision was reversed by RMB26.69 million.

Reasons for changes in loss on impairment of assets: due to a decrease of losses by RMB543.87 million over the same period of last year, which was mainly due to the liquidation of the YTO France and the Harvesting Machinery Company in the same period of last year, for which the Company recorded an impairment loss of RMB559.04 million on long-term equity investments.

Reasons for changes in income tax expenses: due to a decrease of RMB57.01 million over the same period of last year, which was mainly due to the decrease in deferred income tax expenses recognized during the Reporting Period.

2. Income and cost analysis

(1). Explanation on principal businesses by industry, product, region and sales model

Unit: 0'000 yuan Currency: RMB

Principal business by industry

By industry	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Equipment manufacturing industry	1,245,547	1,049,706	15.72	35.25	36.10	Decreased by 0.53 percentage points

Principal businesses by products

By products	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Agricultural machinery	1,164,753	1,001,135	14.05	37.64	38.01	Decreased by 0.23 percentage points
Power machinery	257,547	225,324	12.51	13.08	13.26	Decreased by 0.13 percentage points
Inter-segment elimination	<u>-176,753</u>	<u>-176,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,245,547</u>	<u>1,049,706</u>	<u>15.72</u>	<u>35.25</u>	<u>36.10</u>	Decreased by 0.53 percentage points

Principal businesses by region

By region	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
In the PRC	1,173,831	985,965	16.00	33.17	33.88	Decreased by 0.44 percentage points
Outside the PRC	71,716	63,741	11.12	81.68	82.93	Decreased by 0.60 percentage points

Principal businesses by sales model

Sales model	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Distribution	1,016,817	843,358	17.06	48.45	51.14	Decreased by 1.47 percentage points
Direct selling	228,730	206,348	9.79	-3.07	-3.25	Increased by 0.17 percentage points

Explanation on principal businesses by industry, product, region and sales model

The comprehensive gross profit margin of the equipment manufacturing business during the Reporting Period was 15.72%, representing a decrease of 0.53 percentage points as compared with the corresponding period of last year, which was mainly due to the impact of the domestic and international environment and rising energy prices. The Company actively took actions such as reducing design cost, locking the price of materials and swing purchase, which curbed the impact of increase in price of raw materials on gross profit margin to a certain extent. At the same time, the Company strengthened its cost control, strict expenses, and reduced non-production operating expenses, resulting in a year-over-year decrease in the manufacturing cost rate.

The gross profit margin of the Company's agricultural machinery business was 14.05%, representing a year-on-year decrease of 0.23 percentage points.

The gross profit margin of the Company's power machinery business was 12.51%, representing a year-on-year decrease of 0.13 percentage point.

(2). Operating revenue

During the Reporting Period, the Company achieved operating revenue of RMB12,455 million, representing an increase of 32.25% over the corresponding period of the previous year, mainly due to the year-on-year increase in sales volume of leading products during the Reporting Period.

(3). Cost analysis

Unit: 0'000 yuan Currency: RMB

By industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Equipment manufacturing industry	Material	1,122,296	91.51	821,910	88.91	36.55
Equipment manufacturing industry	Labour	40,640	3.31	38,328	4.15	6.03
Equipment manufacturing industry	Production costs	63,523	5.18	64,138	6.94	-0.96

By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Agricultural machinery	Material	917,257	91.62	645,655	89.00	42.07
Agricultural machinery	Labour	32,448	3.24	28,998	4.00	11.90
Agricultural machinery	Production costs	51,430	5.14	50,771	7.00	1.30
Power machinery	Material	205,039	91.00	176,255	88.59	16.33
Power machinery	Labour	8,192	3.64	9,330	4.69	-12.20
Power machinery	Production costs	12,093	5.36	13,367	6.72	-9.53

Note: The data set out above are figures before inter-segment elimination.

Explanation on other situations on cost analysis

During the Reporting Period, the proportion of material costs increased as compared to the same period of last year, which was mainly due to the increase in total sales of tractors and diesel engines. The proportion of labour and production costs decreased. This was mainly due to strict control of labor costs, implementation of lean production and target cost management, and a year-over-year decrease in the manufacturing cost rate of the production process.

3. Expenses

Unit: Yuan Currency: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Selling expenses	222,210,134.64	203,809,324.49	18,400,810.15	9.03
Administrative expenses	395,202,295.32	363,378,163.19	31,824,132.13	8.76
Research and development expenses	528,782,269.55	415,352,332.37	113,429,937.18	27.31
Financial expenses	-41,766,591.82	51,112,103.79	-92,878,695.61	-181.72
Total	<u>1,104,428,107.69</u>	<u>1,033,651,923.84</u>	<u>70,776,183.85</u>	<u>6.85</u>

4. Research and development investment

Analysis on research and development investment

Unit: Yuan Currency: RMB

Research and development investment expensed for the Reporting Period	528,782,269.55
Research and development investment capitalized for the Reporting Period	0.00
Total research and development investment	528,782,269.55
Total research and development investment as a percentage of operating revenue (%)	4.25
Ratio of research and development investment capitalized (%)	0

5. Cash Flow

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the correspond in period of last year	Change in amounts	Change (%)
Net cash flow from operating activities	3,602,007,317.35	582,279,759.33	3,019,727,558.02	518.60
Net cash flow from investing activities	-2,096,009,934.95	272,575,926.72	-2,368,585,861.67	-868.96
Net cash flow from financing activities	-140,526,633.94	-119,911,581.04	-20,615,052.90	N/A

Net cash flow from operating activities: the inflow increased by RMB3,019.73 million as compared with the corresponding period of last year. This was attributable to the growth in sales volume and increase in sales proceeds during the Reporting Period, which led to the year-on-year increase in cash flow from operating activities, and the gradual cessation of the operating business of YTO Finance and the recovery of funds.

Net cash flow from investing activities: the outflow increased by RMB2,368.59 million as compared with the corresponding period of last year, which was due to the increase in net outflow of investment in structured deposits and large certificates of deposit during the Reporting Period and the new equity investment in SINOMACH Finance during the Reporting Period.

Net cash flow from financing activities: the outflow increased by RMB20.62 million as compared with the corresponding period of last year. The first was that due to the receipt of proceeds from Non-public Issuance of RMB700 million in the same period of the previous year, and there is no such item in the Reporting Period, resulting in an inflow decreased by RMB700 million year-on-year. The second was a decrease in net outflow of RMB765 million from the repayment of debts and recovery of loan deposits during the Reporting Period, and the third was an increase in outflow of RMB87 million from the distribution of dividends during the Reporting Period.

6. Analysis on Assets and liabilities situation

Unit: Yuan

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year Change (%)	Reasons for the changes
Monetary funds	4,364,510,619.25	33.61	3,243,399,611.65	26.28	34.57	On one hand, good operation in the Reporting Period, 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	0.00	0.00	23,320,000.00	0.19	-100.00	Derecognition of the lending to banks and other financial institutions held by YTO Finance
Financial assets purchased with agreement to resale	0.00	0.00	360,643,454.77	2.92	-100.00	Reclaim upon expiration of financial assets purchased with agreement to resale of YTO Finance
Non-current assets due within one year	26,138,882.38	0.20	188,189,353.75	1.53	-86.11	Finance Leasing Business was sold by YTO Finance due to the reorganization and integration
Other current assets	134,688,805.79	1.04	319,494,747.99	2.59	-57.84	Repayment of and decrease in the value added tax left for deduction in the Reporting Period
Loans and advances to customers	0.00	0.00	891,754,953.83	7.23	-100.00	Recovery of loans by YTO Finance

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year Change (%)	Reasons for the changes
Long-term receivables	0.00	0.00	147,379,925.56	1.19	-100.00	On one hand, YTO Finance sold part of its finance lease business due to the reorganization and integration during the Reporting Period, and on the other hand, a bad debt provision was made for long-term receivables during the Reporting Period
Long-term equity Investments	635,976,086.00	4.90	126,970,546.37	1.03	400.88	New equity investment in SINOMACH Finance during the Reporting Period
Construction in progress	126,466,820.01	0.97	79,246,144.63	0.64	59.59	New construction projects under construction during the Reporting Period
Right-to-use assets	34,164,906.27	0.26	15,044,288.50	0.12	127.10	New lease business contracts were added during the reporting period and an increase in right-of-use assets was recognized
Deferred income tax	132,713,596.93	1.02	100,562,089.39	0.81	31.97	Increase in the provision for assets accrued expenses, and the deferred income tax assets recognized
Deposits from banks and other financial institutes	0.00	0.00	200,050,000.00	1.62	-100.00	Repayment of loans from other banks by YTO Finance
Contractual liability	846,464,703.95	6.52	580,385,482.01	4.70	45.85	Increase in the advances received from customers with contracts
Sale of repurchase financial assets	0.00	0.00	11,759,888.55	0.10	-100.00	Expiration of rediscount bill of YTO Finance

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year Change (%)	Reasons for the changes
Absorption of deposits and interbank deposits	34,112,630.48	0.26	741,565,080.73	6.01	-95.40	Decrease in absorbing deposits of YTO Finance
Non-current liabilities due within one year	17,750,080.09	0.14	13,333,158.50	0.11	33.13	Increase in lease liabilities due within one year
Other current liabilities	374,987,097.17	2.89	262,766,044.87	2.13	42.71	Increase in sales and provision of accrued expenses in the Reporting Period
Long-term loans	49,380,000.00	0.38	110,000,000.00	0.89	-55.11	Repayment of partial long-term borrowings in the Reporting Period
Lease liabilities	16,459,875.98	0.13	1,853,079.74	0.02	788.24	New lease business contracts were added during the reporting period, resulting in the recognition of an increase in lease liabilities
Other comprehensive income	-5,853,544.29	-0.05	-11,710,421.44	-0.09	-50.01	Mainly due to the impact of translation differences in foreign currency statements
Special reserves	5,497,405.05	0.04	3,465,767.12	0.03	58.62	Increase in the provision for production safety during the Reporting Period
Retained earnings	1,540,248,936.64	11.86	1,086,069,085.52	8.80	41.82	Profits in the current period

(1) Key financial ratios

Item	As at the end of the Reporting Period	As at the beginning of the Year	Year-on-year change
Gearing ratio (%)	49.97	51.52	Decreased by 1.55 percentage points
Current ratio	1.29	1.31	Decreased by 0.02
Quick ratio	1.09	1.02	Increased by 0.07

(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 RMB270.20 million, and bank loans (principal) due over one year amounted to RMB49.38 million.

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

As at the end of the Reporting Period, the Company's restricted cash and cash equivalents amounted to RMB844.1648 million, including bank's acceptance bill deposits of RMB834.2097 million, the statutory deposit reserve with central bank of RMB9.1769 million and other restricted funds of RMB0.7782 million.

As at the end of the Reporting Period, the Company's notes receivable of restricted ownership amounted to RMB25.0269 million, which were notes receivable pledged with the bank during the Reporting Period.

During the Reporting Period, the original value of the Company's fixed assets and intangible assets of restricted ownership amounted to a total of RMB48.0338 million, which were buildings and land mortgaged to the banks for short-term loans granted to Changtuo Company.

FOREIGN EXCHANGE RISK

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

PRINCIPAL SOURCES AND USE OF FUNDS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company has adopted the principles and complied with all code provisions and, where applicable, the recommended best practices as set out in the Corporate Governance Code, Appendix 14 to the Listing Rules, save for the deviation from Code provision C.2.1 where Mr. Liu Jiguo acted as the chairman and the president of the Company. The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and president, are necessary.

REQUIREMENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

In 2022, the Company completed the preparation of the Environmental, Social and Governance Report in accordance with the requirements of the Environmental, Social and Governance Reporting Guide. The Company's Environmental, Social and Governance Report for 2022 will be published on the websites of the Company and the Stock Exchange in April 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange as its own code of conduct regarding securities transactions by the Directors. After making enquiries to, and as confirmed by all the Directors of the Company, no Director held shares of the Company. During the Reporting Period, all Directors of the Company strictly complied with the code of conduct in relation to the securities transactions by the Directors under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange.

CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. 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 nonexecutive 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. 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 and elected Liu Jiguo, the Director, as the Chairman of the ninth session of the Board and Mr. Yang Yu, the Supervisor, as the Chairman of the ninth session of the Board of Supervisors of the Company 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.
2. On 6 June 2022, Mr. Su Ye resigned as the Financial Controller of the Company due to job adjustment. On 20 December 2022, the Company held the seventh meeting of the ninth session of the Board, and Mr.康志鋒 was appointed as the Financial Controller of the Company for a term commencing from the date of appointment by the Board to the date of expiry of the term of the ninth session of the Board.

3. On 18 October 2022, Mr. Ma Zhihui, the non-executive director of the Company, resigned as a non-executive director and a member of the remuneration committee of the Board of the Company due to work rearrangement. On 28 November 2022, as approved at the 2022 Fourth Extraordinary General Meeting of the Company, Mr. Zhang Bin was elected as a non-executive director of the Company for a term commencing on the date of election at the general meeting and expiring on 12 April 2025. On 20 December 2022, the Company convened the seventh meeting of the Ninth Session of the Board to add Zhang Bin, the Director, as a member of the Remuneration Committee of the Ninth Session of the Board of the Company for a term commencing from the date of the resolution of the Board to the date of expiry of the term of the Ninth Session of the Board.

DIVIDEND

In accordance with the profit distribution policy of the Articles of Association of the Company, the Board recommends the following profit distribution proposal for 2022: a cash dividend of RMB2.257 (tax inclusive) for every ten Shares on the basis of the total share capital of 1,123,645,275 Shares of the Company as of 31 December 2022, totaling RMB253.6067 million. There will be no capitalization from capital reserves for the year. The proposal is still subject to the approval of the shareholders at the 2022 annual general meeting of the Company. Subject as aforesaid, the Company expects to pay the dividend on or before 31 July 2023.

As the date of the 2022 annual general meeting of the Company has not been determined, the relevant record date will be announced later. If the aforesaid proposal is approved by the shareholders of the Company, then pursuant to the “Corporate Income Tax Law of the PRC” and its implementing regulations and other relevant rules, which came into force on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the “Corporate Income Tax Law of the PRC”) shareholders whose names appear on the H Share register of members of the Company. Any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The individual income tax will not be withheld by the Company from the dividend payable to any natural person shareholders whose names appear on the H Share register of members of the Company.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

As at the date hereof, the Audit Committee under the ninth session of the Board of the Company has reviewed the financial report of the Company in 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2022 in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

The auditor of the Company, ShineWing Certified Public Accountants (Special General Partnership), agreed with the figures in this preliminary announcement of the results of the Group for the year ended 31 December 2022, which are consistent with the amounts that will be contained in the 2022 Annual Report of the Company. The unqualified auditor's report will also be included in the 2022 Annual Report of the Company.

DEFINITIONS

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

A Share(s)	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
Agricultural machinery	various machineries used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
auditor	the financial report auditor appointed by the Company, ShineWing Certified Public Accountants (Special General Partnership) as the Company's auditor for the year of 2022
CBIRC	China Banking and Insurance Regulatory Commission

Company	First Tractor Company Limited* (第一拖拉機股份有限公司)
controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel
Group	the Company and its controlled subsidiaries
H Shares	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	wheeled tractor with a power of 100 (inclusive) horsepower or above
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
low-powered wheeled tractor	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	wheeled tractor with a power of 25 (inclusive) to 100 horsepower
power machinery	products including diesel engine and fuel injection pump

PRC	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary(ies)	a subsidiary as defined under the Listing Rules
YTO	YTO Group Corporation* (中國一拖集團有限公司), the controlling shareholder 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 France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company (has gone into judicial liquidation process)
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited* (一拖(洛陽)神通工程機械有限公司) (has gone into bankruptcy and liquidation)
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 limited liability company approved to be established in the PRC by the CBIRC as a non-banking financial institution, and a subsidiary of Sinomach
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

Harvesting Machinery Company YTO (Luoyang) Harvesting Machinery Company Limited* (一拖(洛陽)收獲機械有限公司) (has gone into bankruptcy and liquidation)

National IV The fourth stage of the national motor vehicle emission standards, with effect from 1 December 2022. All production, import and sale of non-road mobile machinery under 560kW and its installed diesel engines should comply with the “National IV” standard

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

Luoyang, the PRC
29 March 2023

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

* *For identification purposes only*