



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

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

Stock Code: 0038.HK 601038.SH



ANNUAL REPORT  
**2022**

\* For identification purposes only



## IMPORTANT NOTICE

I. The Board, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirmed that there are no false information, misleading statements or material omissions contained in this Annual Report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents herein.

II. Directors absent at the 10th meeting of the ninth session of the Board of the Company held on 29 March 2023

Position of absent director	Name of absent director	Reason for absence	Name of Proxy
Director	Zhang Zhiyu	Business activity	Liu Jiguo

III. ShineWing Certified Public Accountants (Special General Partnership) issued the standard unqualified audit report to the Company.

IV. Liu Jiguo (the person in charge of the Company), Kang Zhifeng (the person in charge of the accounting function) and Jiang Jingyuan (the person in charge of the Accounting Department and the accounting manager) have declared and confirmed the truthfulness, accuracy and completeness of the financial statements in the Annual Report.

V. Proposal of profit distribution or proposal of capitalization from capital reserves for the Reporting Period as approved by the Board

At the 10th meeting of the ninth session of the Board of the Company, the profit distribution proposal for 2022 of the Company was considered and approved: 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 for the year ended 31 December 2022, totaling RMB253.6067 million. The Company will not make capitalization from capital reserves during the year.

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

Forward-looking statements such as the development strategy and business plan of the Company contained in this Annual Report do not constitute any substantial commitment to investors by the Company. Investors are advised to be aware of the risks.

VII. Is there any misappropriation of funds not in the ordinary course of business by the controlling shareholders or other associates

No

VIII. Is there any external guarantee in violation of any established decision-making procedures

No

IX. Whether more than half of the Directors cannot ensure the truthfulness, accuracy and completeness of the Annual Report disclosed by the Company

No

X. Significant risks warning

Please refer to “Management Discussion and Analysis” of this Annual Report for analysis and description of risks which may occur in management and future development of the Company concluded based on the industry and operation situation of the Company under the principle of materiality.



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## CHAPTER I DEFINITIONS

Unless the context otherwise requires, the following terms should have the following meanings in this Annual Report:

### DEFINITION OF COMMONLY USED TERMS

A Share(s)	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
auditor, accountant	the financial statement auditor, ShineWing Certified Public Accountants (Special General Partnership), appointed by the Company as the Company's auditor for the year of 2022
CAMACO	China-Africa Machinery Corp. (中非重工投資有限公司), a controlled subsidiary of the Company
CBIRC	China Banking and Insurance Regulatory Commission
Changtuo Company	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Changxing Agricultural Machinery	Luoyang Changxing Agricultural Machinery Company Limited (洛陽長興農業機械有限公司), a wholly-owned subsidiary of the Company
Company or First Tractor	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
Finance Company or YTO Finance	China YTO Group Finance Limited Liability Company (中國一拖集團財務有限責任公司)
Group	the Company and its controlled subsidiaries



## CHAPTER I DEFINITIONS (CONTINUED)

H Share(s)	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
Harvesting Machinery Company	YTO (Luoyang) Harvesting Machinery Company Limited (— 拖 (洛陽) 收 獲 機 械 有 限 公 司) (has gone into bankruptcy and liquidation, pending cancellation)
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Shanghai Stock Exchange	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Luoyang Bank	Bank of Luoyang Co., Ltd. (already absorbed by and merged with Zhongyuan Bank)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100
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
Non-public Issuance	the non-public issuance of A Shares by the Company in 2020
power machinery	products including diesel engine and fuel injection pump
Shanghai Stock Exchange	the Shanghai Stock Exchange
SINOMACH	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the de facto controller of the Company
SINOMACH Finance	Sinomach Finance Co., Ltd. (國機財務有限責任公司), a company controlled by the de facto controller of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company



## CHAPTER I DEFINITIONS (CONTINUED)

YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel	YTO (Luoyang) Diesel Engine Co., Ltd. (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Flag	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company
YTO Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company
YTO France	YTO France SAS (一拖法國農業裝備有限公司)(in judicial liquidation process)
YTO Hydraulic Transmission	YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司), a controlled subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司)(has gone into bankruptcy and liquidation procedures)
YTO Shunxing	YTO (Luoyang) Shunxing Parts Limited Liability Company (一拖順興(洛陽)零部件有限責任公司), a wholly-owned subsidiary of the original Company and has been absorbed by and merged with the Company
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (採埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company
Zhongyuan Bank	Zhongyuan Bank Co., Ltd.



## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSONS AND METHODS

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

### III. BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Historical changes of registered address of the Company	Nil
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471004
Website of the Company	<a href="http://www.first-tractor.com.cn">http://www.first-tractor.com.cn</a>
E-mail	<a href="mailto:m5c0038@ytogroup.com">m5c0038@ytogroup.com</a>

## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

### IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENTS INSPECTION

Name and website of the media in which the Company's annual report is disclosed	China Securities Journal (www.cs.com.cn) Shanghai Securities News (www.cnstock.com)
Website for publication of the annual report as disclosed by the Company (A Shares)	www.sse.com.cn
Website for publication of the annual report as disclosed by the Company (H Shares)	www.hkex.com.hk
Place for inspection of the annual report (A Shares)	Office of the Board of the Company
Place for inspection of the annual report (H Shares)	Golden China Consultants Limited 15/F, Chuang's Tower, 30-32 Connaught Road Central, Hong Kong

### V. BASIC INFORMATION OF SHARES

Basic Information of Shares				
Type	Stock exchange for listing	Stock Short Name	Stock code	Stock Short Name prior to the change
A Shares	Shanghai Stock Exchange	一拖股份	601038	/
H Shares	Stock Exchange	First Tractor	0038	/

### VI. OTHER RELATED INFORMATION

Auditor of the Company (the PRC)	Name	ShineWing Certified Public Accountants (Special General Partnership)
	Office address	8/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing
	Names of the signing accountants	Ma Chuanjun, Ma Jing
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Co., Ltd.
	Office address	CITIC Securities Building, 48 Liangmaqiao Road, Chaoyang District, Beijing
	Names of the signing sponsor representatives	Liu Mengdi, Sun Pengfei
	Period of continuing supervision	9 February 2021 to 31 December 2022

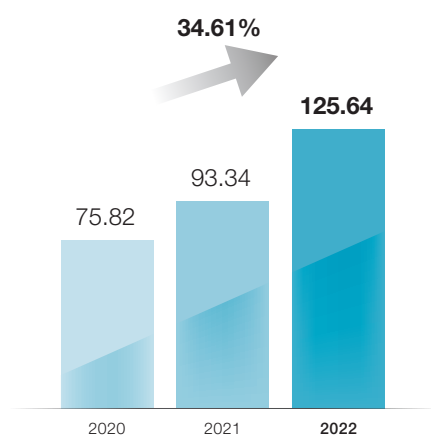


## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

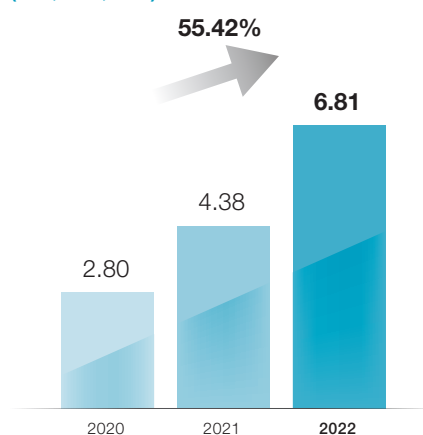
### VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LATEST THREE YEARS

#### (I) Key Accounting Data

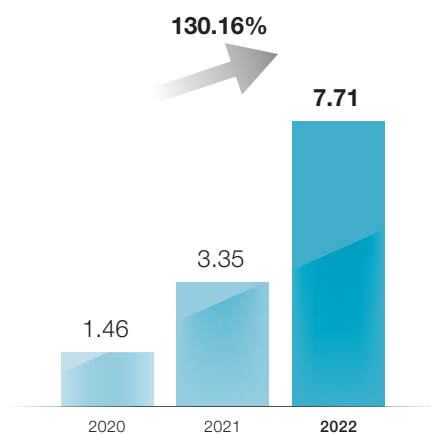
Total operating revenue  
('00,000,000)



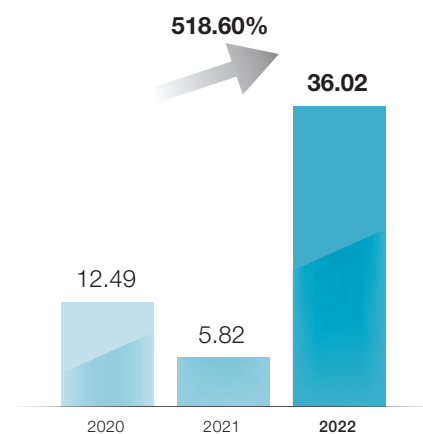
Net profit attributable to  
shareholders of the Company  
('00,000,000)



Net profit attributable to shareholders  
of the Company after deduction of  
non-recurring profit or loss ('00,000,000)



Net cash flows from  
operating activities  
('00,000,000)



## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

Unit: Yuan Currency: RMB

Key accounting data	2022	2021	Increase/Decrease during the Reporting Period as compared with the corresponding period last year		2020
			(%)		
Total operating revenue	12,563,780,344.92	9,333,808,881.54	34.61		7,582,476,787.76
Operating revenue	12,455,465,114.62	9,209,135,833.76	35.25		7,480,729,879.48
Net profit attributable to shareholders of the Company	681,050,957.24	438,209,215.31	55.42		280,150,740.30
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	771,422,425.60	335,165,588.96	130.16		146,000,785.45
Net cash flows from operating activities	3,602,007,317.35	582,279,759.33	518.60		1,248,778,258.13
	As at the end of 2022	As at the end of 2021	Increase/Decrease as at the end of the Reporting Period as compared with the corresponding period last year		As at the end of 2020
			(%)		
Net assets attributable to the shareholders of the Company	5,958,084,951.83	5,402,078,873.33	10.29		4,338,179,097.26
Total assets	12,986,142,323.23	12,339,594,556.58	5.24		12,342,608,882.99

### (II) Key Financial Indicators

Key financial indicators	2022	2021	Increase/decrease in the Period as compared to the corresponding period of the previous year	2020
			(%)	
Basic earnings per share (RMB/share)	0.6061	0.3940	53.83	0.2842
Diluted earnings per share (RMB/share)	0.6061	0.3940	53.83	0.2842
Basic earnings per share after deduction of non-recurring profit and loss (RMB/ share)	0.6865	0.3014	127.77	0.1481
Weighted average return on net assets (%)	11.99	8.49	Up by 3.50 percentage points	6.66
Weighted average return on net assets after deduction of non-recurring profit and loss (%)	13.58	6.50	Up by 7.08 percentage points	3.47



## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

Explanation on the key accounting data and financial indicators of the Company for the last three years as at the end of the Reporting Period

Against the backdrop of a complex and severe domestic and international environment, China's economic development was impacted by various factors that were beyond expectations in 2022. Notwithstanding the increasing competitions within the industry, rising cost pressures and the heavy task of "National IV" switching, the Company strived to overcome the difficulties and challenges and closely focused on the main line of work of stabilizing growth and promoting development. Through continuous improvement of product competitiveness and optimization of channel construction, the key operating indicators such as revenue and profits increased significantly, which formed a solid ground to promote high quality and rapid development of the Company.

### VIII. KEY QUARTERLY FINANCIAL INDICATORS IN 2022

Unit: Yuan Currency: RMB

	Q1 (January – March)	Q2 (April – June)	Q3 (July – September)	Q4 (October to December)
Operating revenue	4,212,613,259.83	2,338,113,254.96	3,670,863,462.78	2,233,875,137.05
Net profit attributable to shareholders of the Company	480,638,615.59	100,828,290.26	214,336,546.47	-114,752,495.08
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	450,718,935.19	155,958,145.02	319,318,626.81	-154,573,281.42
Net cash flows from operating activities	45,561,344.86	3,230,221,905.88	454,766,099.43	-128,542,032.82

Explanation on the differences between quarterly data and disclosed regular reporting data

According to the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" and in conjunction with the Company's requirement to ultimately realize the exit of financial corporate equity interest, the equity interests in Zhongyuan Bank held by YTO Diesel Engine (a subsidiary of the Company) were adjusted to financial asset measured at fair value through profit or loss for the period, and such changes were reclassified from investment in other equity instruments to financial assets held for trading, and retrospective adjustments were made to the consolidated income statement in the 2022 third quarterly report of the Company.

For further details, please refer to the "Announcement on Correction of Accounting Errors" dated 21 March 2023 announced by the Company on the website of the Stock Exchange.

## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

### IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amounts in 2022	Note (as applicable)	Amounts in 2021	Amounts in 2020
Profit or loss from disposal of non-current assets	1,634,977.44		62,931.82	8,249,140.24
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received in certain standard amounts and quantities)	41,491,816.27		51,981,774.14	127,002,899.81
Gain or loss on debt restructuring				-280,000.00
Gain or loss from non-related business operations or contingencies in addition to the effective hedging business related to the normal business operation of the Company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	-232,800,754.20		54,201,460.53	27,042,589.08
Non-operating income and expenses other than those stated above	23,590,962.22		24,749,907.87	-7,272,311.27
Other profit and loss items that meet the definition of non-recurring profit or loss	23,971,757.10	Mainly for the disposal of effects of the subsidiaries	-11,268,600.28	2,240,493.01
Less: effect on income tax	-25,446,135.82		7,812,372.89	6,478,732.10
Impact on minority shareholders equity interests (after tax)	-26,293,636.99		8,871,474.84	16,354,123.92
Total	-90,371,468.36		103,043,626.35	134,149,954.85



## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

Explanation on the Company's extraordinary gain or loss items as defined in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses" and the extraordinary gain or loss items as illustrated in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses" defined as its recurring gain or loss items.

Unit: Yuan Currency: RMB

Item	Amount Involved	Reason
Gain on large certificates of deposit and structural deposit products	17,344,719.13	Normal fund management of the Company

## X. ITEMS UNDER FAIR VALUE MEASUREMENT

Unit: Yuan Currency: RMB

Items	Balance as at the beginning of the Reporting Period	Balance as at the end of the Reporting Period	Changes during the Reporting Period	Amount affecting profit for the Reporting Period
Trading financial assets	1,038,970,988.74	1,249,646,900.00	210,675,911.26	-215,852,196.02
Investment in other equity instruments	4,839,048.00	3,513,464.70	-1,325,583.30	0.00
Receivables financing	216,495,094.89	246,084,731.86	29,589,636.97	-12,783.33
Total	1,260,305,131.63	1,499,245,096.56	238,939,964.93	-215,864,979.35

## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

### XI. FINANCIAL SUMMARY OF THE COMPANY FOR THE LATEST FIVE YEARS

#### (I) Results for latest five years of the Company

Unit: Yuan Currency: RMB

Items	2022	2021	2020	2019	2018
Total operating revenue	<b>12,563,780,344.92</b>	9,333,808,881.54	7,582,476,787.76	5,830,175,119.64	5,681,547,536.68
Total profit	<b>611,897,862.07</b>	460,291,922.51	307,334,435.87	182,623,838.91	-1,314,750,256.02
Income tax expense	<b>-30,060,272.03</b>	26,948,716.18	26,372,185.09	56,110,713.49	50,221,900.25
Net profit	<b>641,958,134.10</b>	433,343,206.33	280,962,250.78	126,513,125.42	-1,364,972,156.27
Net profit attributable to shareholders of parent company	<b>681,050,957.24</b>	438,209,215.31	280,150,740.30	61,475,427.17	-1,300,108,773.92
Profit or loss attributable to minority shareholders	<b>-39,092,823.14</b>	-4,866,008.98	811,510.48	65,037,698.25	-64,863,382.35

#### (II) Assets, liabilities and shareholders' equity interests for latest five years of the Company

Unit: Yuan Currency: RMB

Items	2022	2021	2020	2019	2018
Total assets	<b>12,986,142,323.23</b>	12,339,594,556.58	12,342,608,882.99	11,629,022,385.51	13,140,741,755.99
Total liabilities	<b>6,488,971,447.30</b>	6,357,371,409.91	7,367,087,045.88	6,845,156,596.06	8,484,665,985.63
Total shareholders' equity interests	<b>6,497,170,875.93</b>	5,982,223,146.67	4,975,521,837.11	4,783,865,789.45	4,656,075,770.36
Total amount attributable to shareholders' equity interests of the parent company	<b>5,958,084,951.83</b>	5,402,078,873.33	4,338,179,097.26	4,070,005,449.08	4,007,081,663.62
Minority shareholders equity interests	<b>539,085,924.10</b>	580,144,273.34	637,342,739.85	713,860,340.37	648,994,106.74

The financial summary of the Company for the latest five years are financial data prepared under the PRC Accounting Standards for Business Enterprises.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2022, China's economic development was impacted by 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 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, with annual 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.





## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 151,300 units of diesel engines, with the sales volume of supporting machineries in external markets increased 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 achieved a year-on-year increase of 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. Firstly, 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. Secondly, 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. Thirdly, 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.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) With the promotion of the Company's high-quality development, implemented the key tasks of the three-year action to reform state-owned enterprise

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 basic management systems, 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. Thirdly, 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 different means such as the linkage of wages and efficiency and positive incentive.

## II. EXPLANATION ON THE INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD



For details of industry of the Company during the Reporting Period, please refer to "Discussion and Analysis on the Operations"

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### III. BUSINESS OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD

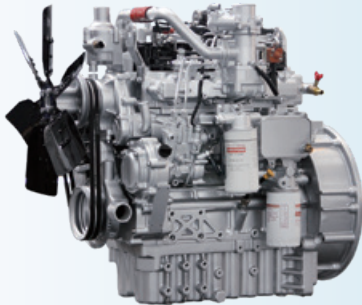

#### (I) Explanation on the Principal Businesses of the Company

1. Focusing on the manufacturing of advanced agricultural machinery and equipment, and insisting on the technological upgrading of industrial chain and structural optimisation of products, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization of the PRC agricultural industry. The Company's principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and related spare parts. The main products are as follows:

Product Name	Images	Product Description
<b>Wheeled tractor</b>		<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>
<b>Crawler tractor</b>		<p>The walking device is a crawler type, mainly used for pulling and driving various supporting equipment, agricultural machinery for completing agricultural operations, various earthwork operations, transportation operations and fixing operations.</p> <p>The Company has a full range of crawler tractor products with better soil adhesion, suitable for wet soil and soft ground.</p>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Product Name	Images	Product Description
<b>Diesel engine</b>		<p>Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy.</p> <p>The Company's off-road diesel engine products include displacement from 2L to 12L, power output from 10KW to 450KW high, medium and low horsepower range. The products are mainly matching agricultural machinery, such as tractors and harvesters, accessories of construction machinery, vessels and power generators.</p>
<b>Components</b>		<p>The components produced by the Company include castings and forgings, gears, gearboxes and coverings for agricultural machinery products, as well as cylinder blocks, crankshafts, oil injection pumps and oil injection nozzles for power machinery products.</p>

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

During the Reporting Period, in order to implement the financial regulatory requirement that "an enterprise group can only set up one finance company" as stipulated in the "Measures of China Banking and Insurance Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (CBIRC Order [2020] No.6)"\* (《中國銀保監會非銀行金融機構行政許可事項實施辦法》(銀保監會令2020年第6號)), YTO Finance, through the integration of YTO Finance and SINOMACH Finance by 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 date of disclosure of this Report, YTO Finance is still under the liquidation and cancellation procedures.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (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 PRC. 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.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### IV. 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 is a domestic leader 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 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.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### V. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

Please refer to the “Discussion and Analysis on the Operations” in Part I of this section.

#### (I) Analysis on principal businesses

##### 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:** due to an increase of 35.25% over the same period of last year, which was 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:** due to an increase of 36.10% over the same period of last year, which was 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.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Reasons for changes in selling expenses:** due to an increase of 9.03% over the same period of last 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 same period of last 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 same period of last 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 same period of last 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 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 credit-related business was 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.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. Income and cost analysis

See table below

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

Unit: 0'000 Currency: RMB

#### Principal businesses 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	-176,753	-176,753	-	-	-	-
Total	1,245,547	1,049,706	15.72	35.25	36.10	Decreased by 0.53 percentage points

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 point 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. During the Reporting Period, 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-on-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.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (2). Analysis on production and sales volume

Main products	Unit	Production volume	Sales volume	Inventories	Increase/decrease in production volume as compared with last year (%)	Increase/decrease in sales volume as compared with last year (%)	Increase/decrease in inventories as compared with last year (%)
Tractor products	Set	81,122	88,487	2,965	10.40	27.41	-71.30
Diesel engine products	Set	141,030	151,293	9,967	-1.79	9.16	-50.73

### (3). Cost analysis

Unit: 0'000

#### 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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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-on-year decrease in the manufacturing cost rate of the production process.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (4) Information on major customers and major suppliers

#### A. Information on major customers of the Company

Sales to the top five customers amounted to RMB807.20 million, accounting for 6.48% of the total sales for the year, among which, sales to the top five customers which were sales to related parties amounted to RMB228.49 million, accounting for 1.83% of the total sales for the year.

During the Reporting Period, sales to a single customer accounted for more than 50% of the total amount, and there were new customers or significant reliance on a few customers among the top five customers

*Unit: 0'000 Currency: RMB*

No.	Name of customer	Sales amount	Proportion to total annual sales amount (%)
1	Customer One	11,070.49	0.89

*Note:* The above listed customer is the new customer among the top five customers.

#### B. Information on major suppliers of the Company

Procurement from the top five suppliers amounted to RMB2,089.58 million, accounting for 21.92% of the total procurement amount for the year, among which, procurement from the top five suppliers which was procurement from related parties amounted to RMB1,339.03 million, accounting for 14.05% of the total procurement amount for the year.

During the Reporting Period, the proportion of procurement from a single supplier exceeded 50% of the total amount, and there were new suppliers or significant reliance on a few suppliers among the top five suppliers.

*Unit: 0'000 Currency: RMB*

No.	Name of supplier	Procurement amount	Proportion to total annual Procurement amount (%)
1	Supplier One	13,426.41	1.41

*Note:* The supplier listed above is the new supplier among the top five suppliers.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Expenses

Unit: Yuan

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	1,104,428,107.69	1,033,651,923.84	70,776,183.85	6.85

### 4. Research and development investment

(1). Analysis on research and development investment

Unit: Yuan

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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (2). *Analysis on research and development personnel*

Number of research and development personnel of the Company	1,145
Number of research and development personnel as a percentage of total staff of the Company (%)	16.03

#### Education level profile of research and development personnel

Type of education level	Number of education level
Doctoral candidate	0
Master student	172
Bachelor	856
Technical school	106
High school and below	11

#### Age profile of research and development personnel

Type of age profile	Number of age profile
Below 30 (excluding 30)	274
30 to 40 (including 30, excluding 40)	436
40 to 50 (including 40, excluding 50)	203
50 to 60 (including 50, excluding 60)	232
60 and above	0



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 5. Cash Flow

Unit: Yuan

Item	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. It was due to, firstly, 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. Secondly, a net outflow of RMB765 million from the repayment of debts and recovery of loan deposits during the Reporting Period, and thirdly, a year-on-year excess outflow of RMB87 million from the distribution of dividends during the Reporting Period.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) Analysis on assets and liabilities

#### 1. 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 at 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, and increased receipts from sales, 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
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
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 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

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance at 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
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
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
Undistributed profits	1,540,248,936.64	11.86	1,086,069,085.52	8.80	41.82	Profits in the current period

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other explanations

### (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 Group 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.

## 2. Foreign assets

### (1) Assets scale

As of the end of the Reporting Period, the Company had total assets of RMB12,986.1423 million, of which: foreign assets of 9,497.11 (unit: 0'000, currency: RMB), accounting for 0.73% of the total assets.

## 3. Restrictions on Main Assets as at the end of the Reporting Period

As at the end of the Reporting Period, the Company's monetary funds of restricted ownership 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.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. Other Explanations

#### (1) Foreign exchange risk

The business of the Company is mainly situated in the PRC and most of the transactions are settled in RMB. The Company's export transactions 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.

#### (2) Contingent liabilities

For further details, please refer to "VII.42 Estimated Liabilities" under section X of the Financial Statement of this Report.

#### (3) 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.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) Analysis on investments

#### 1. Significant equity investment

Unit: 0'000 Currency: RMB

Invested company name	Major business	Whether the subject is principally engaged in investment business	Investment method	Investment amount	Shareholding ratio	Whether to consolidate	Statement subject (if applicable)	Sources of funds	Progress as of balance sheet date	Impact on current profit and loss	Whether involved in litigation	Disclosure index (if any)
SINOMACH Finance	Financial and financing consultancy, credit verification and related advisory and agency services to member units; assisting member units in the collection and payment of transaction funds; providing guarantees to member units; handling entrusted loans and entrusted investments among member units; accepting and discounting bills to member units; handling internal transfer settlement among member units and the design of corresponding settlement and liquidation plans; taking deposits from member units; Loans and finance leases to member entities; interbank lending; underwriting of corporate bonds of member entities; approved issuance of finance company bonds; equity investments in financial institutions; investments in marketable securities; consumer credit, buyer's credit and finance leasing of member entities' products; insurance agency business.	No	Capital increase	55,477.61	14.29%	No	Long-term equity investment	Self-owned funds	Capital increase completed	1,433.62	No	For details, please refer to the Announcement of YTO Shares in relation to the Capital Increase in SINOMACH Finance Co., Ltd. and Connected Transaction, Announcement of YTO Shares in relation to the Progress of the Reorganization and Integration of China YTO Group Finance Company Limited and SINOMACH Finance Co., Ltd. and Connected Transaction, Announcement of the Resolution of the Second Extraordinary General Meeting of YTO Shares in 2022 and Announcement of YTO Shares on the Completion of the Change of Business Registration of the Capital Increase in SINOMACH Finance Co., Ltd. disclosed on the website of the SSE on 30 March, 28 May, 17 June and 16 November 2022, and (1) Discloseable and Connected Transaction in relation to the Disposal of Subject Assets; (2) Major and Connected Transaction in relation to the Capital Increase in SINOMACH Finance; and (3) Discloseable Transaction and Continuing Connected Transactions in respect of the Deposit Transaction, Supplemental Agreement to the Major and Connected Transaction in respect of the Investment Agreement for the Capital Increase in SINOMACH Finance, Poll Results of the Extraordinary General Meeting held on 16 June 2022, Announcement on the Completion of Change of Business Registration of the Capital Increase in SINOMACH Finance Co., Ltd. and the relevant overseas regulatory announcement published on the website of the Stock Exchange on 29 March, 27 May, 16 June and 15 November 2022.
Total	/	/	/	55,477.61	/	/	/	/	/	1,433.62	/	/

#### 2. Financial assets measured at fair value

Unit: Yuan Currency: RMB

Asset category	Opening balance	Profit and loss in fair value for the Reporting Period	Accumulated fair value changes included in equity	Impairment provision for the Reporting Period	Current purchase amount	Disposal/redemption amount for the Reporting Period	Other change	Closing balance
Others	1,043,810,036.74	-232,279,776.57	-1,325,583.30	0.00	3,723,305,382.28	3,280,349,694.45	0.00	1,253,160,364.70
Total	1,043,810,036.74	-232,279,776.57	-1,325,583.30	0.00	3,723,305,382.28	3,280,349,694.45	0.00	1,253,160,364.70

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (IV) Material Assets and Equity Disposals

On 29 March 2022, YTO Finance and SINOMACH Finance entered into an Agreement for the Sale of Assets of China YTO Group Finance Company Limited, pursuant to which YTO Finance transferred certain credit assets, fixed assets and intangible assets ("Subject Assets") to SINOMACH Finance at an appraised value, the consideration for which was based on the appraisal results of the assets appraised as at 30 June 2022 and recorded by the State-owned Assets Supervision and Administration Department. On 10 December 2022, YTO Finance signed a "Supplementary Agreement to the Asset Sale Agreement of China YTO Group Finance Company Limited" with SINOMACH Finance, confirming that the final transaction price of the asset sale was RMB340.7196 million. As at the end of the Reporting Period, the asset disposal transaction had been fully completed.

For details, please refer to the Announcement of YTO on the Disposal of Assets and Connected Transactions by its Holding Subsidiaries, Announcement of Resolutions of the 2022 Second Extraordinary General Meeting of YTO and Announcement on the Progress of the Disposal of Assets and Connected Transactions by its Holding Subsidiary disclosed by the Company on the website of the SSE on 30 March, 17 June and 14 December 2022, and (1) Discloseable and Connected Transaction in relation to the Disposal of Subject Assets; (2) Major and Connected Transaction in relation to the Capital Increase to SINOMACH Finance; and (3) Discloseable Transaction and Continuing Connected Transaction in relation to the Deposit Transaction, Poll Results of the Extraordinary General Meeting held on 16 June 2022, Announcement on the Progress of the Disposal of Assets and Connected Transaction by YTO Corporation in respect of its Holding Subsidiary published on the website of the Stock Exchange on 29 March, 16 June and 13 December 2022.

### (V) Analysis on key equity holding and participating companies

#### 1. Information on key subsidiaries

Name of company	Registered Capital (0'000)	Principal business	As of 31 December 2022		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating revenue (0'000)	Net profit (0'000)
YTO Finance	50,000	Provision of financial services	77,856	70,420	12,039	7,955
YTO International Trade	6,600	International sale of agricultural machinery	25,025	-35,468	63,391	-5,768
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	260,831	130,932	253,446	-19,756
Tractors Research Company	44,500	Research and development of tractor products	63,001	55,514	22,088	563

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

(1) In January 2022, YTO Flag, a wholly-owned subsidiary of the Company, completed the transfer of 100% equity interest and the related debt of Zhengzhou Sanzhen Machinery Equipment Co., Ltd. (鄭州三真機械設備有限公司), its wholly-owned subsidiary, through listing for sale on the Beijing Stock Exchange. Zhengzhou Sanzhen Machinery Equipment Co., Ltd. was no longer included in the scope of the Company's consolidated statements in accordance with the relevant provisions of the Accounting Standards for Business Enterprises. The transfer of equity and debts had an impact of RMB23.1 million on the Company's profit and loss for the Reporting Period.

(2) In August 2022, the Company and Shunxing Company entered into the "Absorption and Merger Agreement", provided that: the company absorbed Shunxing Company, and YTO Shunxing Company was dissolved. On 28 December 2022, the Company completed the absorption and merger procedures, and Shunxing Company completed the industrial and commercial cancellation procedures on 30 December 2022.

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

Unit: 0'000 Currency: RMB

Number	Name of company	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Finance	12,039	8,055	7,955
2	YTO Diesel Engine	253,446	-22,952	-19,756

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

YTO Finance: Net profit increased by RMB37.10 million year-on-year, mainly due to the restructuring with SINOMACH Finance in the Reporting Period, the winding down of its business and the recovery of loans, with a corresponding reversal of the provision for loan losses made in the previous period.

YTO International Trade: Net profit increased by RMB113.81 million year-on-year due to an increase in net profit as a result of higher revenue for the Reporting Period and an increase in foreign exchange gains due to the appreciation of the US dollar during the Reporting Period.

YTO Diesel Engine: Net profit decreased by RMB242.25 million year-on-year, mainly due to the loss of trading financial assets held in the Reporting Period due to changes in fair value.

Tractors Research Company: Net profit increased by RMB4.58 million, mainly due to the increase in revenue during the Reporting Period, resulting in the increase in net profit year-on-year.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### VI. 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 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.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (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.

Firstly, “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.

Secondly, “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.

Thirdly, “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 Non-road Countries No.4*

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 overdrift 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.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.



## CHAPTER IV CORPORATE GOVERNANCE

### I. EXPLANATION ON CORPORATE GOVERNANCE RELATED SITUATION

During the Reporting Period, the Company continued to improve its corporate governance mechanism, prevent and control risks effectively to cope with the changing external environment, safeguard stable business operations, and expedite its innovative development, in accordance with the “Company Law”, “Securities Law”, “Code of Corporate Governance for Listed Companies” and other laws, regulations and the domestic and overseas regulatory requirements of the place of listing, so as to promote and achieve sustainable high quality development. The Company always adheres to disciplined operations, strictly complied with its disclosure obligations of information, actively managed investors relationships and deeply performed its social responsibilities, so as to enhance its corporate governance practices.

1. In respect of shareholders and general meetings. During the Reporting Period, the Company has strictly complied with the “Code of Corporate Governance for Listed Companies”, the “Rules Governing the Listing of Stocks on the Shanghai Stock Exchange”, the Articles of Association and the Rules of Procedure for General Meetings of Shareholders in relation to convening and holding procedures of Board meetings, and the adoption of a mingled polling method by means of voting in person or internet voting. The Company engaged lawyers to attend the general meeting, to confirm and witness the convening and holding procedures of the general meetings, qualifications of the attendees, to consider and pass resolutions and voting of related matters, which were legal and effective, to ensure all shareholders rank in pari passu and can exercise their rights fully. 5 general meetings were held in 2022 by the Company. For details, please refer to “Explanation on the Situations of General Meetings.
2. In respect of directors and the Board. During the reporting period, the Company completed the change of new session of the Board. The ninth board of directors currently consists of 7 directors, including 3 independent directors. The Company’s Board of directors consists of four special committees: Strategy, Investment and Sustainable Development Committee, Audit Committee, Nomination Committee and Remuneration Committee. The Audit Committee, Nomination Committee and Remuneration Committee are all chaired by independent directors. The Company has formulated the “Measures for Management of Authorization of the Board of Directors” to standardize the board of directors’ management of authorization behavior and improve the efficiency of business decision-making. For details regarding the holding of meetings by the Board of Directors and various special committees during the Reporting Period, please refer to “Related Conditions of Meetings Held During the Reporting Period” and “Special Committees under the Board of Directors”. All directors of the Company perform duties and obligations faithfully, diligently and prudently, understand and continue to pay attention to the Company’s operation and management status, and fully discuss various issues at each meeting. Resolutions are considered deeply with scientific approach taken during decision-making. There was no violation of laws or regulations or damage to the interests of the Company and shareholders.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

3. In respect of supervisors and Supervisory Committee. During the Reporting Period, the Company completed the change of new session of the Board of Supervisors. The ninth board of Supervisors currently consists of 5 supervisors, including 2 staff representative supervisors. The Company's Supervisory Committee and supervisors, in accordance with the Company's "Articles of Association" and "Rules of Procedures of the Board of Supervisors", in the spirit of being responsible to all shareholders, earnestly fulfill the supervisory and inspection responsibilities assigned by the general meeting of shareholders, and monitor the Company's standardized operations, financial conditions, internal control formulation, and effectively monitor the performance of duties of directors and senior management. During the Reporting Period, the Board of Supervisors held a total of 6 meetings to consider and monitor the important matters such as Company's regular reports, internal control formulation, and the change of new session of the Board of Supervisors and management of proceeds raised, etc. There was no violations of laws and regulations or damage to the interests of the shareholders.
4. In respect of governance system. During the reporting period, the Company amended its "Articles of Association" and "Director's Rules of Procedure for Meetings", "Working Rules of the Strategy, Investment and Sustainable Development Committee of the Board of Directors", "Working Rules of the Remuneration Committee of the Board of Directors", "Management System for Inside Information and Insiders" and "Investor Relations Management System", in accordance with the regulatory requirement changes and continuous practical enhancement of its systems. Under the premise of formulating (amending) the relevant primary management systems, the "Investment and Operation Decision-Making System" was abolished, and the business process was continuously improved to effectively strengthen our internal control. The Company strictly complied with the relevant systems, and formulated each work procedure for resolution decision-making, information disclosures as well as investors' relationship management, etc. At the same time, the Company earnestly implemented the Management System for Inside Information and Insiders, continued to perform in various management tasks such as registration and reporting of insider information insiders, and safeguarded the fairness of the Company's information disclosure.
5. In terms of Information disclosure and transparency. During the Reporting Period, the Company strictly complied with the listing rules of two sides to perform its obligation of information disclosure according to laws, and timely disclosed relevant information including the regular reports and temporary announcement in a fair, accurate and completed way strictly based on a fair, objective, and open principles. During the Reporting Period, the Company held 3 performance presentations at the Shanghai Stock Exchange Roadshow Center, held 19 teleconferences with investment institutions, and answered calls from investors for more than 40 times, 22 questions from investors were answered on the "SSE e-Interaction" platform, which fully met the diversified and interactive requirements of investors and helped investors understand the Company's operating conditions in a timely and accurate manner, and built a bridge for the Company to deliver value and for investors to discover our value.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### Corporate Governance Principles

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance standards are essential in providing a framework for the Company to build effective management, healthy corporate culture, achieve business growth and enhance shareholders' value. The corporate governance principles of the Company emphasized on a high quality Board of directors, sound and healthy internal control so as to enhance its transparency and accountability to all shareholders.

### II. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS, AS WELL AS THE SOLUTIONS, WORK PROGRESS AND FOLLOW-UP WORK PLAN ADOPTED TO AFFECT THE INDEPENDENCE OF THE COMPANY

The Company had achieved the "Five Separations" with its controlling shareholder in terms of assets, personnel, finance, organization and business. The Company had a completely independent business system and is capable of engaging in production and operation activities independently.

1. Assets: The Company had independent and complete assets, clear property rights, independent supply, production and sales systems, and patented and proprietary technologies.
2. Personnel: The Company's personnel were independent of the controlling shareholder and had an independent labor and personnel management department with an independent labor and personnel, and salary management system.
3. Finance: The Company has set up an independent finance department, established an independent accounting system and financial and accounting management system, thus forming a completely independent internal control mechanism, independent accounting, opened bank accounts independently and paid taxes independently.
4. Organization: The Company had a complete organization and an independent organizational structure; the Board, the Board of Supervisors and other internal organizations of the Company operate completely independently.
5. Business: The Company has independent business and self-management capabilities, makes independent decisions, operates independently, is self-financing, and independently bears the corresponding responsibilities and risks.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

**Controlling shareholders, de facto controllers and other entities under their control engaged in the same or similar business as the Company, and the impact of competition or significant changes in competition on the Company, the measures taken to resolve the issue, the progress of the resolution and the plan to resolve the issue in the future**

YTO Finance is a non-banking financial institution established with the approval of the People's Bank of China in 1992 and a controlled subsidiary of the Company. SINOMACH Finance is a non-banking financial institution with the approval of China Banking Regulatory Commission through the reorganization of the former Zhonggong Trust and Investment Co., Ltd. (中工信託投資有限公司). It is an enterprise controlled by SINOMACH. In 2008, YTO Finance was merged into SINOMACH after the reorganization of YTO, thereby forming the control of two finance companies under SINOMACH.

The principal business of the Finance Company is the same as that of SINOMACH Finance, but the scope of services, i.e. the member units, is different. YTO Finance serves members of YTO and does not provide financial services to other members of SINOMACH Group other than members of YTO. SINOMACH Finance serves members of the SINOMACH Group. The existence of two finance companies under the SINOMACH Group was formed in the history of such companies since the initial public offering of the Company, and each of the two finance companies serves its member units respectively. Therefore, there is no competition within the industry.

As Article 16 of the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions (CBRC Decree No. 6 of 2015) stipulates that "an enterprise group can only establish one finance company", the Company executed the cancellation and liquidation of YTO Finance after approval by the general meeting of the Company in order to meet the regulatory requirements of the industry. On 30 June 2022, YTO Finance has ceased new operations and its application of dissolution was approved by the CSRC in November 2022, which has now gone through the liquidation procedure.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### III. BRIEFS OF GENERAL MEETINGS

Session of meeting	Date	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results	Meeting resolutions
2022 First Extraordinary General Meeting	13 April 2022	Announcement of First Tractor Company Limited on the Notice OF 2022 First Extraordinary General Meeting published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	14 April 2022	<ol style="list-style-type: none"> <li>1. To approve the resolution regarding the amendments to the Articles of Association</li> <li>2. To approve the resolution regarding the amendments to the Rules of Procedure of the Board Meetings</li> <li>3. To approve the resolution regarding the increase in the cap amount of the Energy Procurement Agreement for 2022 to 2024 between the Company and YTO Group Corporation Limited</li> <li>4. To approve the resolution regarding the amendments to the Decision Making Principles on Investments and Operation of the Company</li> <li>5. To approve the remuneration plan for the Directors of the ninth session of the Board of Directors and Supervisors of the Board of Supervisors of the Company</li> <li>6. To approve the resolutions regarding the Election of non-independent Directors of the ninth session of the Board of Directors of the Company</li> <li>7. To approve the resolutions regarding the election of independent Directors of the ninth session of the Board of Directors of the Company</li> <li>8. To approve the resolution regarding the election of non-staff representative Supervisors of the ninth session of the Board of Supervisors of the Company</li> </ol>
2021 Annual General Meeting	13 May 2022	Announcement of First Tractor Company Limited on the Notice of Resolutions of 2021 Annual General Meeting published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	14 May 2022	<ol style="list-style-type: none"> <li>1. To approve the report of the Board of Directors of the Company for the year 2021</li> <li>2. To approve the work report of the Board of Supervisors of the Company for the year 2021</li> <li>3. To approve the audited financial report of the Company for the year 2021</li> <li>4. To approve the profit distribution plan of the Company for the year 2021</li> <li>5. To approve the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the Company's financial auditor and the internal control auditor for the year 2022, and to authorize the Board of the Company to decide its audit fees</li> </ol>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Date	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results	Meeting resolutions
2022 Second Extraordinary General Meeting	16 June 2022	Announcement of First Tractor Company Limited on the Resolutions of the 2022 Second Extraordinary General Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	17 June 2022	<ol style="list-style-type: none"> <li>1. To consider and approve the resolutions regarding the restructuring and consolidation, and connected transactions of the Company, YTO Finance and Sinomach Finance</li> <li>2. To consider and approve the resolution regarding the financial services framework agreement (including the relevant annual caps) entered into between the Company and Sinomach Finance</li> <li>3. To consider and approve the resolution regarding the increase in the cap amount of the 2022 ordinary related transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited</li> </ol>
2022 Third Extraordinary General Meeting	12 October 2022	Announcement of First Tractor Company Limited on the Resolutions of the 2022 Third Extraordinary General Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	13 October 2022	<ol style="list-style-type: none"> <li>1. To approve the resolution of the proposal regarding the absorption and merger of YTO Shunxing (Luoyang) Spare Parts Co., Ltd.</li> </ol>
2022 Fourth Extraordinary General Meeting	28 November 2022	Announcement of First Tractor Company Limited on the Resolutions of the 2022 Fourth Extraordinary General Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	29 November 2022	<ol style="list-style-type: none"> <li>1. To approve the resolution regarding the increase in the cap amounts for 2022 under the Material Procurement Agreement and the Composite Services Agreement between the Company and YTO Group Corporation</li> <li>2. To approve the resolution regarding the change of the Company's financial auditor and internal control auditor for 2022</li> <li>3. To approve the resolution regarding the election of Director of the Company</li> </ol>

### Explanation on General Meetings

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

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Change in shareholdings and remuneration of incumbent and resigned Directors, Supervisors and senior management during the Reporting Period

Unit: Share

Name	Position	Gender	Age	Commencement date of tenure	End date of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares held during the year	Reason for changes	Total remuneration (before tax) received from the Company during the Reporting Period (RMB'0'000) (Note 1)	Remuneration received from the Company during the Reporting Period	Realised performance of previous years	Whether he/she received remuneration from related parties of the Company during his/her tenure
Liu Jiguo	Executive Director, Chairman and General Manager	Male	58	2022.4.13	2025.4.12	0	0	0	/	89.64	80.64	No	
Zhang Zhiyu	Non-executive Director	Male	66	2022.4.13	2025.4.12	0	0	0	/	1.55	0	Yes (Note 2)	
Fang Xianfa	Non-executive Director	Male	60	2022.4.13	2025.4.12	0	0	0	/	0	0	Yes (Note 2)	
Zhang Bin	Non-executive Director	Male	40	2022.11.28	2025.4.12	0	0	0	/	0	0	No	
Edmund Sit	Independent non-executive Director	Male	59	2022.4.13	2025.4.12	0	0	0	/	11.24	0	No	
Wang Shumao	Independent non-executive Director	Male	63	2022.4.13	2025.4.12	0	0	0	/	7.44	0	No	
Xu Liyou	Independent non-executive Director	Male	48	2022.4.13	2025.4.12	0	0	0	/	0	0	No	
Yang Yu	Chairman of the Board of Supervisors	Male	48	2022.4.13	2025.4.12	0	0	0	/	0	0	Yes (Note 2)	
Gu Aiqin	Supervisor	Female	44	2022.4.13	2025.4.12	0	0	0	/	0	0	Yes (Note 2)	
Xiao Bin	Supervisor	Male	54	2022.4.13	2025.4.12	0	0	0	/	29.11	0	No	
Li Peng	Staff Supervisor	Male	49	2022.4.13	2025.4.12	0	0	0	/	16.59	113.10	No	
Yang Kun	Staff Supervisor	Male	54	2022.4.13	2025.4.12	0	0	0	/	18.50	103.20	No	
Su Wensheng	Deputy General Manager	Male	54	2022.4.13	2025.4.12	0	0	0	/	70.00	63.71	No	
Yu Lina	Deputy General Manager and Secretary to the Board	Female	52	2022.4.13	2025.4.12	0	0	0	/	69.83	66.09	No	
Xue Wenpu	Deputy General Manager	Male	50	2022.4.13	2025.4.12	0	0	0	/	68.59	63.71	No	
Wei Tao	Deputy General Manager	Male	42	2022.4.13	2025.4.12	0	0	0	/	45.67	34.29	No	
Yang Guangjun	Deputy General Manager	Male	40	2022.4.13	2025.4.12	0	0	0	/	40.97	47.63	No	
Kang Zhifeng	Financial Controller	Male	40	2022.12.20	2025.4.12	0	0	0	/	3.25	0	Yes (Note 2)	
Li Xiaoyu	Resigned Executive Director and Chairman	Male	56	2019.4.25	2022.4.12	0	0	0	/	0	0	Yes (Note 2)	
Li Hepeng	Resigned Non-executive Director	Male	69	2018.10.29	2022.4.12	0	0	0	/	0.36	0	Yes (Note 2)	
Xie Donggang	Resigned Non-executive Director	Male	66	2018.10.29	2022.4.12	0	0	0	/	0.36	0	Yes (Note 2)	
Zhou Honghai	Resigned Non-executive Director	Male	50	2018.10.29	2022.4.12	0	0	0	/	0	0	No	
Ma Zhihui	Resigned Non-executive Director	Male	38	2022.4.13	2022.10.18	0	0	0	/	0	0	No	
Yang Minli	Resigned Independent Non-executive Director	Female	57	2018.10.29	2022.4.12	0	0	0	/	3.38	0	No	
Wang Yuru	Resigned Independent Non-executive Director	Female	68	2018.10.29	2022.4.12	0	0	0	/	3.38	0	No	
Tian Peng	Resigned Supervisor	Male	59	2018.10.29	2022.4.12	0	0	0	/	0	0	Yes (Note 2)	
Wang Hongbin	Resigned Staff Supervisor	Male	54	2018.10.29	2022.4.12	0	0	0	/	16.36	103.03	No	
Wang Kejun	Resigned Deputy General Manager	Male	58	2018.10.30	2022.4.12	0	0	0	/	70.38	63.71	No	
Su Ye	Resigned Financial Controller	Male	49	2020.10.19	2022.6.6	0	0	0	/	46.30	66.09	Yes (Note 2)	
Total	/	/	/	/	/	0	0	0	/	612.90	805.20	/	

**Note 1:** The total pre-tax remuneration in 2022 is the remuneration received by directors, supervisors and senior managers from the Company in 2022 and the realization of previous years' performance.

**Note 2:** During the Reporting Period, such Directors or Supervisors were employed in related parties of the Company and received remuneration.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Liu Jiguo	Born in December 1964, professor level senior engineer and currently serves as the Chairman, member of the Strategy, Investment and Sustainable Development Committee, member and the General Manager of the Nomination Committee of the Board of the Company, Secretary to Party Committee and chairman of YTO. Mr. Liu joined YTO in 1987, and served as the General Manager Assistant, Deputy General Manager and Safety Director of YTO, and Deputy General Manager and General Manager of the Company. Mr. Liu studied in Northeast Heavy Machinery College and Jiangsu University with a Bachelor degree in Engineering and a Master degree in Engineering. Mr. Liu has extensive experience in corporate management, production and management, financial operation, etc.
Zhang Zhiyu	Born in April 1956, is a professor-level senior engineer and senior international business engineer, and received a special government allowance from the State Council. He currently serves as the non-executive Director of the Company and a member of the Audit Committee of the Board. At present, he also serves as the director of YTO and China Foma (Group) Co., Ltd. Mr. Zhang served as a deputy chief economist of China Jiangsu Machinery Equipment Import & Export Corporation* (中設江蘇機械設備進出口公司), the manager of Import and Export Branch and the general manager of SUMEC Trading Company* (江蘇蘇美達貿易公司), a deputy general manager of China Jiangsu Machinery Equipment Import & Export Group Corporation* (中設江蘇機械設備進出口集團公司), the deputy general manager of SUMEC Group Corporation (江蘇蘇美達集團有限公司), the director of Sinomach Automobile Co., Ltd.* (600335.SH) (國機汽車股份有限公司), China Hi-Tech Group Corporation* (中國恒天集團有限公司) and China Machinery Engineering Corporation* (中國機械設備工程股份有限公司). Mr. Zhang studied at Hebei Institute of Mechano-Electric Engineering with a bachelor's degree in engineering. Mr. Zhang has extensive experience in machinery manufacturing, international trade and corporate management.
Fang Xianfa	Born in February 1963, is the chief expert of Chinese Academy of Agricultural Mechanization Sciences* (中國農業機械化科學研究院) and received a special government allowance from the State Council. He is currently the non-executive Director of the Company and a member of the Strategy, Investment and Sustainable Development Committee of the Board, the vice president, chief engineer, researcher and doctoral tutor of Chinese Academy of Agricultural Mechanization Sciences* (中國農業機械化科學研究院) and the director of YTO. Mr. Fang served as the deputy chief engineer of Chinese Academy of Agricultural Mechanization Sciences* (中國農業機械化科學研究院). Mr. Fang studied at Beijing Institute of Agricultural Machinery and China Agricultural University with a doctorate degree in engineering. Mr. Fang has extensive experience in agricultural machinery, agricultural engineering and corporate management.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Zhang Bin	<p>Born in June 1982, postgraduate, currently serves as a non-executive Director, member of the Remuneration Committee of the Board of Directors, secretary of the Party committee and chairman of Luoyang State-owned Assets Management Co., Ltd. (洛陽市國資國有資產經營有限公司), and is also the director of YTO, Sinosteel Luonai Technology Company Limited* (688119.SH) (中鋼洛耐科技股份有限公司) and China Luoyang Float Glass Group Company Limited. Mr. Zhang had served as the deputy general manager of Luoyang State-owned Assets Management Co., Ltd., deputy secretary of the Party Committee and general manager of Luoyang Guorun Enterprise Service Co., Ltd., and also served as the supervisor of YTO and the Company. Mr. Zhang studied business administration at Zhengzhou University and a postgraduate program on social security (human resource management) at Sichuan University. Mr. Zhang has extensive experience in corporate operation and management, and human resources management.</p>
Edmund Sit	<p>Born in November 1963, is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. In addition, Mr. Sit is also a member of Association of International Certified Financial Consultants, an associate member of Society of Chinese Accountants &amp; Auditors and a member of Hong Kong Business Accountants Association. He currently serves as the Independent Non-executive Director, Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee under the Board of the Company, independent non-executive Director of BAIC Motor Corporation Limited (1958.HK) director of Alpcorp Ltd and Alpcorp Trading Services Ltd, the General Manager of Chuanghui Consulting Co., Ltd. (創慧顧問諮詢公司) and Chuanghui Traditional Chinese Medicine Clinic (創慧中醫診所), and Principal Lecturer of the Association of International Certified Financial Consultants (特許金融策略師協會). He has over 30 years' experience in auditing, finance, management accounting, personnel management, corporate finance, company secretary and listing. Mr. Sit graduated from Hong Kong Baptist University and holds a bachelor's degree (merit) and master's degree of business administration. He has worked for KPMG, Ernst &amp; Young, System Pro Uarco Business Forms Ltd, Logo S.A., Xiang Lu Industries Ltd, Chubb Hong Kong Ltd, Johnson Controls Hong Kong Ltd, C &amp; C Joint Printing Co., (HK) Ltd and Sino Fame International Group (譽中國際集團). Mr. Sit had also served as the senior manager of the following listed companies: Tianneng Power International Limited (819.HK), Beijing Media Corporation Limited (1000.HK), SMI Holdings Group Limited (198.HK), Wong's International Holdings Limited (99.HK) and Beijing Gas Blue Sky Holdings Limited (6828.HK and SGX UQ7).</p>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Wang Shumao	<p>Born in July 1959, is a professor and doctoral tutor of China Agricultural University. Mr. Wang is currently the non-executive Director of the Company, the chairman of the Nomination Committee and also a member of the Remuneration Committee of the Board. He had served as the Professor of College of Engineering of China Agricultural University, director of China Society for Agricultural Machinery, an honorary director of the Chinese Society for Agricultural Machinery Basic Technology Branch, director of the Network and Virtual Instrument Branch of the Chinese Instrument and Control Society, director of the Equipment and Maintenance Branch of China Mechanical Engineering Society, a member of the Agricultural Machinery Appraisal and Testing Branch of Chinese Society for Agricultural Machinery, a director of the Beijing Agricultural Engineering Association, an expert of the Advisory Expert Group on Agricultural Mechanization Technology Innovation Strategy of the Ministry of Agriculture, the member of American Society of Agricultural and Biological Engineers, Editorial Board Member of Zhihui NongYe 《智慧農業》 and Foreign Electronic Measurement Technology 《國外電子測量技術》, etc. Mr. Wang studied in Beijing Agricultural Mechanization College and Beijing Agricultural Engineering University successively, and obtained a bachelor and a master's degree in engineering. He has been engaged in teaching and research in the field of intelligent agricultural equipment for over forty years. He has presided over a number of national scientific and technological support and key research and development projects, and won the title of "Top Ten Agricultural Machinery Teachers in China".</p>
Xu Liyou	<p>Born in December 1974, is currently the dean and professor and a doctoral tutor of the School of Vehicle and Traffic Engineering of Henan University of Science and Technology and the director of the Research Center of Engineering Technology for Low-speed Electric Vehicles in Henan Province. He is currently the independent non-executive Director of the Company, and a member of the Strategy, Investment and Sustainable Development Committee and the Audit Committee of the Board. Mr. Xu is also a director of China Society for Agricultural Machinery and Chinese Society for Automotive Engineering, vice director of Henan Society for Automotive Engineering, deputy chairman of Chinese Society for Agricultural Machinery Tractor Branch, deputy chairman of Chinese Society for Agricultural Machinery Ground Machine System Branch, member of China Machinery Industry Education Association Vehicle Engineering Teaching Committee, Member of the Teaching Committee of Vehicle Engineering Discipline of Chinese Society for Agricultural Machinery and Chinese Society for Agricultural Machinery Material Processing Branch. Mr. Xu graduated from Xi'an University of Technology with a doctorate degree in engineering. He is mainly engaged in the research and teaching of new vehicle transmission theory and control technology, vehicle performance analysis method and simulation technology, and low-speed electric vehicle transmission technology. He is an expert in the field of vehicle engineering, a high-level talent in Henan Province, an outstanding expert in Luoyang County, a technology and innovative leader in Luoyang County, and an academic and technical leader of the Education Department of Henan Province.</p>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Yang Yu	Born in August 1974, senior engineer, currently serves as the chairman of the Board of Supervisors of the Company, a standing member of the Party Committee and secretary of the Discipline Inspection Commission of YTO. Mr. Yang joined YTO in September 2021, and served as the assistant to the general manager and a member of the Discipline Inspection Commission of China Electric Apparatus Research Institute Co., Ltd., secretary of the Discipline Inspection Commission and a member of the Party Committee of Guilin Electric Apparatus Research Institute Co., Ltd. Mr. Yang studied in Zhejiang University with a bachelor's degree in engineering. Mr. Yang has extensive experience in corporate management, scientific research and discipline inspection and supervision.
Gu Aiqin	Born in January 1979, is a senior political engineer, currently serves as the Supervisor of the Company, the Director of the Work Department of the Party Committee and the vice chairman of the trade union of YTO. Ms. Gu joined YTO in 2003 and has served as the Secretary of the Youth League Committee of YTO, a member of the 17th Central Committee of the Communist Youth League, the secretary of the Party Committee, secretary of the Disciplinary Committee, chairman of the trade union and the deputy general manager of YTO Flag, and chief of the human resources department of YTO. Ms. Gu studied at Henan University and holds a bachelor's degree in literature. Ms. Gu has extensive experience in press and publicity, corporate management and human resources management.
Xiao Bin	Born in January 1969, is a senior engineer, currently serves as the Supervisor of the Company and the head of the production and operation department of the Company. Mr. Xiao joined YTO in 1989 and served as the deputy head and head of the production and operation department and the deputy head of the safety production and environmental protection department of the Company. Mr. Xiao studied at Henan University of Science and Technology. Mr. Xiao has extensive experience in production and procurement management.
Li Peng	Born in April 1973, holds a master degree in engineering and the title of engineer. He currently serves as a staff representative supervisor of the Company, the general manager and the Party Secretary of the high-powered tractors company of the Company. Mr. Li had served as a deputy factory manager of No. 3 Assembly Factory of the Company, a deputy factory manager of high-powered tractors assembly factory and a deputy Party Secretary of high-powered tractors company.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Yang Kun	Born in January 1969, holds a bachelor's degree and the title of economist. He currently serves as a staff representative Supervisor of the Company, general manager and Party Secretary of the mid- and low-powered wheeled tractors assembly factory of the Company. Mr. Yang had served as a deputy factory manager of the No. 1 assembly factory of the Company, the head of domestic sales department of the agricultural equipment division of the Company, the deputy general manager (taking charge of work), the Party Secretary and the Secretary of the Discipline Inspection Commission and the chairman of the labor union of the agricultural equipment marketing center of the Company, and the Party Secretary, the Secretary of the Discipline Inspection Commission, the chairman of the labor union and concurrently served as the Party Secretary and a deputy head of the procurement center of the Company, the Party Secretary and the factory manager of the mid- and low-powered wheeled tractors assembly factory of the Company, and the Party Secretary of the mid- and low- powered tractors company.
Su Wensheng	Born in August 1968, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Communist Party of YTO. Mr. Su joined YTO in 1991, and served as the General Manager Assistant of the Company, etc. Mr. Su studied in Gansu University of Technology, Jiangsu University, Henan University of Science and Technology with a Bachelor degree in engineering and a Master degree in Engineering. Mr. Su has extensive experience in production operation, enterprise management, etc.
Yu Lina	Born in August 1970, economist, level two corporate legal advisers, with the qualification of lawyer, currently serves as the Deputy General Manager and Secretary to the Board of the Company and a member of the Standing Committee of the Communist Party of YTO, director of SINOMACH Capital Holdings Ltd. and Director of Brilliance China Machinery Holdings Limited. Ms. Yu joined YTO in 1992, and served as the Director of Investor Relations and other positions of the Company. Ms. Yu studied in the Zhongnan University of Economics and Law and China University of Political Science and Law with a Bachelor degree in Law and a Master degree in Law. Ms. Yu has extensive experience in investment and capital operation, corporate governance, and human resource management etc.
Xue Wenpu	Born in February 1973, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Party Committee of YTO. Mr. Xue joined YTO in 1994 and successively served as deputy director, director, deputy secretary of the party committee (concurrently) of the Third Assembly Plant, director of the First Assembly Plant, director and deputy secretary of the party committee (concurrently) of the High-powered Tractors Assembly Plant. Mr. Xue studied in Zhengzhou University of Technology (鄭州工學院) and holds a Bachelor's degree in engineering. Mr. Xue has profound experience in production, operation and management.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Wei Tao	Born in October 1980, senior engineer, currently serves as a Deputy General Manager of the Company and a member of the standing committee of the Party Committee of YTO. Mr. Wei joined YTO in 2003, successively served as deputy director of the Third Assembly Plant, the deputy head of Quality Engineering Center, the head of the Quality Department and the deputy head of the Technology Development Department of the Company and the General Manager Assistant of the Company. Mr. Wei graduated from Northeast Agricultural University with a Bachelor degree in engineering. Mr. Wei has extensive experience in production and manufacturing, technical quality management, cadre and human resources management, etc.
Yang Guangjun	Born in February 1983, engineer, currently serves as a Deputy General Manager of the Company and a member of the standing committee of the Party Committee of YTO. Mr. Yang joined YTO in 2009, and served as the secretary of the Party Committee and the deputy general manager of YTO Diesel. and the General Manager Assistant of the Company. Mr. Yang graduated from Henan University of Science and Technology with a Bachelor degree in engineering. Mr. Yang also has extensive experience in marketing, production and manufacturing and procurement management, etc.
Kang Zhifeng	Born in December 1982, is a senior accountant and is currently the chief financial officer of the Company and a member of the Standing Committee of the Party Committee of YTO. Mr. Kang has served as Deputy General Manager of the Finance Headquarters of China Machinery Engineering Co., Ltd., Deputy General Manager of the Financial Investment Management Department, Financial Director of China Machinery International Engineering Design and Research Institute Co., Ltd., Financial Director of China Electric Power Engineering Co., Ltd., Financial Director of China Complete Engineering Co., Ltd., and General Manager of the Finance Department of China Industrial International Engineering Co., Ltd (002051.SZ). Mr. Kang studied at Renmin University of China Business School and has a bachelor's degree in management. Mr. Kang has extensive experience in financial management, etc.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (II) APPOINTMENTS OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

#### 1. Positions held at corporate shareholders

Name	Name of corporate shareholder	Positions held at corporate shareholders	Commencement date of tenure	End date of tenure
Li Xiaoyu (resigned)	YTO Group Corporation	Chairman	2019.02	2023.01
Ma Zhihui (resigned)	YTO Group Corporation	Director	2020.08	2022.05
Description of positions held at corporate shareholders	Nil			

#### 2. Positions held at other entities

Name	Name of other entities	Positions held at other entities	Commencement date of tenure	End date of tenure
Li Xiaoyu (resigned)	China National Machinery Industry Corporation	Deputy General Manager	2022.11	
Li Hepeng (resigned)	China Geological Equipment Group Co., Ltd. (中國地質裝備集團有限公司)	Director	2020.08	
Xie Donggang (resigned)	China National Erzhong Group Co.	Director	2018.04	
	Guilin Scientific Research Institute Co., Ltd.	Director	2020.09	
	China United Engineering Corporation	Director	2020.09	
	SINOMACH Precision Industry Co., Ltd.	Director	2020.09	
Zhou Honghai (resigned)	Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司)	Deputy General Manager	2022.11	
Ma Zhihui (resigned)	Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司)	Deputy General Manager	2022.11	
	Luoyang Guohong Park Zone Development Co. Ltd. (洛陽國宏園區發展有限公司)	Chairman	2020.06	
Description of positions held at other entities	Nil			



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (III) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision making process for remuneration of Directors, Supervisors and senior management	The remuneration of Directors are proposed in the remuneration packages by the Remuneration Committee under the Board and, after having been considered and approved by the Board, submitted for shareholders' approval at a general meeting. The Remuneration Committee under the Board of the Company sets out the "The Administrative Measures for the Remuneration of the Person-in-charge of the Company" and submitted it to the Board for approval. The annual remuneration of senior management of the Company is determined by the Remuneration Committee under the Board in accordance with the "Performance Assessment Measures for the Person-in-charge of the Company".
Basis for determining the remuneration of Directors, Supervisors and senior management	The remuneration of Directors, Supervisors and senior management members are determined based on remuneration standard of the industry and with reference to the factors including the Company's remuneration system and operating results for current year.
Remuneration paid to Directors, Supervisors and senior management	During the Reporting Period, the Company paid RMB14.1810 million to its Directors, Supervisors and senior management
Total remuneration received by all Directors, Supervisors and senior management as at the end of the Reporting Period	RMB14.1810 million

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (IV) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Liu Jiguo	Chairman	Election	Board changes
Zhang Zhiyu	Non-executive director	Election	Board changes
Fang Xianfa	Non-executive director	Election	Board changes
Zhang Bin	Non-executive director	Election	Work needs
Wang Shumao	Independent non-executive director	Election	Board changes
Xu Liyou	Independent non-executive director	Election	Board changes
Gu Aiqin	Supervisor	Election	Supervisory Committee changes
Xiao Bin	Supervisor	Election	Supervisory Committee changes
Li Peng	Staff representative supervisor	Election	Supervisory Committee changes
Wei Tao	Deputy general manager	Appointment	Work needs
Yang Guangjun	Deputy general manager	Appointment	Work needs
Kang Zhifeng	Chief financial officer	Appointment	Work needs
Li Xiaoyu	Former executive director and chairman	Resigned	Expiry of the term of service of the Board
Li Hepang	Former non-executive director	Resigned	Expiry of the term of service of the Board
Xie Donggang	Former non-executive director	Resigned	Expiry of the term of service of the Board
Zhou Honghai	Former non-executive director	Resigned	Expiry of the term of service of the Board
Ma Zhihui	Former non-executive director	Resigned	Work changes
Yang Minli	Former independent non-executive director	Resigned	Expiry of the term of service
Wang Yuru	Former independent non-executive director	Resigned	Board changes
Tian Peng	Former supervisor	Resigned	Board changes
Zhang Bin	Former supervisor	Resigned	Board changes
Wang Hongbin	Former staff representative supervisor	Resigned	Board changes
Wang Kejun	Former deputy general manager	Resigned	Work changes
Su Ye	Former chief financial officer	Resigned	Work changes



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

1. On 13 April 2022, the first extraordinary meeting of the Company 2022 was convened to consider and elect Mr. Liu Jiguo as the executive director of the ninth session of the Board of the Company, to elect Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Ma Zhihui as the non-executive director of the ninth session of the Board of the Company, to elect Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as the independent non-executive director of the ninth session of the Board of the Company, to elect Mr. Yang Yu, Ms. Gu Aiqin and Mr. Xiao Bin as the supervisor of the Supervisory Committee of the ninth session of the Board of the Company. The Democratic Management Joint Committee of the Workers' Congress of the Company elected Mr. Li Peng and Mr. Yang Kun as the staff representative supervisors of the ninth session of the Supervisory Committee of the Company. The directors and supervisors of the Company have a term of service starting from 13 April, 2022 to 12 April, 2025. On the same day, the Company held the first meeting of the ninth session of board of Directors and the first meeting of the ninth session of the Supervisory Committee to elect Liu Jiguo, the director, as the chairman of the Company's ninth session of the board of directors, and to elect Mr. Yang Yu, a supervisor, as the Chairman of the Company's ninth session of Supervisory Committee, to appoint Mr. Liu Jiguo as the general manager of the Company, and Mr. Su Wensheng, Ms. Yu Lina, Mr. Xue Wenpu, Mr. Wei Tao and Mr. Yang Guangjun as the deputy general managers of the Company, to elect Mr. Su Ye as the Company's chief financial officer, and Ms. Yu Lina is also appointed as the Secretary to the Board and the Company Secretary of the Company. The term of office of whom is the same as that of the ninth session of the Board.
2. On 6 June 2022, Mr. Su Ye has resigned as chief financial officer of the Company due to work rearrangement. On 20 December 2022, the seventh meeting of the ninth session of the Board of the Company was held to appoint Mr. Kang Zhifeng as the chief financial officer of the Company. The term of office of whom is starting from the date of appointment by the Board to the expiry of its term of service of the ninth session of the Board.
3. On 18 October 2022, Mr. Ma Zhihui, the non-executive director of the Company, resigned as non-executive director and member of the remuneration committee of the board of directors of the Company due to work rearrangement. On 28 November 2022, upon approval by the fourth extraordinary meeting 2022 of the Company, Mr. Zhang Bin was elected as the non-executive director of the Company. The term of service of whom is starting from the date of election of the Board of Directors till 12 April 2025. On 20 December 2022, the seventh meeting of the ninth session of the Board of Directors of the Company was convened to include Mr. Zhang Bin as a member of the Remuneration Committee of the ninth session of the Board of Directors. The term of service of whom is starting from the date of election as resolved by the Board of the Directors to the expiry of its term of service of the ninth session of the Board.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### V. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session	Date	Resolution
The thirty-fifth meeting of the eighth session of the Board	3 March 2022	<ol style="list-style-type: none"> <li>1. The Resolution regarding the Amendments to the Articles of Association, the Rules of Procedure of the Board, the Rules of Procedure of the Strategy, Investment and Sustainable Development Committee of the Board, and the Rules of Procedure for the Remuneration Committee of the Board was considered and passed</li> <li>2. The Resolution regarding the Nomination of Proposed Directors to the Board of Directors of the Ninth Session of the Company was considered and passed</li> <li>3. The Resolution regarding the Remuneration Plan for the Directors of the Board of Directors and Supervisors of the Supervisory Committee of the Ninth Session of the Company was considered and passed</li> <li>4. The Resolution regarding the Increase in the Cap Amount of the Energy Procurement Agreement for 2022 to 2024 between the Company and YTO Group Corporation Limited was considered and passed</li> <li>5. The Resolution regarding the Amendments to the Decision Making Principles on Investments and Operation of the Company was considered and passed</li> <li>6. The Resolution regarding the Request for Convening of 2022 First Extraordinary Meeting of the Company was considered and passed</li> </ol>
The thirty-sixth meeting of the eighth session of the Board	29 March 2022	<ol style="list-style-type: none"> <li>1. The Report of the Board of Directors of the Company for 2021 was considered and passed</li> <li>2. The Resolution regarding the Provision for Impairment on Assets of the Company for 2021 was considered and passed</li> <li>3. The Audited Financial Report of the Company for 2021 was considered and passed</li> <li>4. The Proposed Plan of the Company for Profit Distribution for 2021 was considered and passed</li> <li>5. The Annual Report and Summary of the Company for 2021, the Annual Results Announcement of the Company for 2021 were considered and passed</li> <li>6. The Social Responsibility Report of the Company for 2021, the Environmental, Social and Governance Report for 2021 were considered and passed</li> <li>7. The Internal Control Assessment Report of the Company for 2021 was considered and passed</li> <li>8. The Financial Budget Report of the Company for 2022 was considered and passed</li> <li>9. The Resolution regarding the Management Measures of Total Salary Amount and Financial Budget for Total Salary Amount for 2022 was considered and passed</li> </ol>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
		<ol style="list-style-type: none"> <li>10. The Resolution regarding the Financing of the Company for 2022 was considered and passed</li> <li>11. The Resolution regarding the Purchase of Structured Deposits with Self-owned Idle Funds was considered and passed</li> <li>12. The Resolution regarding the Confirmation of Remuneration of Auditor of the Company for 2021 and Reappointment of Financial and Internal Control Auditors of the Company for 2022 was considered and passed</li> <li>13. The Resolution regarding the Amendments to the Internal Control and Management Procedures was considered and passed</li> <li>14. The Resolution regarding the Special Report on the Depositing and Actual Utilization of the Funds Raised of the Company for 2021 was considered and passed</li> <li>15. The Resolution regarding Restructuring and Integration of China YTO Group Finance Company Limited was considered and passed</li> <li>16. The Resolution regarding the Signing of Financial Service Agreement between the Company and SINOMACH Finance Co., Ltd., and its Supplementary Documents of Risk Evaluation Report on SINOMACH Finance Co., Ltd., and Risk Disposal Plan for Conducting Financial Business with SINOMACH Finance Co., was considered and passed</li> <li>17. The Resolution regarding Request for Convening of 2021 Annual General Meeting and Extraordinary General Meeting of the Company was considered and passed</li> </ol>
The first meeting of the ninth session of the Board	13 April 2022	<ol style="list-style-type: none"> <li>1. The Resolution in Relation to Election of the Chairman of the Board of the Company was considered and passed</li> <li>2. The Resolution in relation to the Composition of Special Committees of the Ninth Session of the Board of the Company was considered and passed</li> <li>3. The Resolution in Relation to the Appointment of the General Manager of the Company was considered and passed</li> <li>4. The Resolution in Relation to the Appointment of the Deputy General Managers and Financial Controller of the Company was considered and passed</li> <li>5. The Resolution in Relation to the Appointment of Secretary to the Board of the Company was considered and passed</li> <li>6. The Resolution in Relation to the Appointment of the Representative of Securities Affairs of the Company was considered and passed</li> </ol>

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The second meeting of the ninth session of the Board	27 April 2022	<ol style="list-style-type: none"> <li>1. The 2022 First Quarterly Report of the Company was considered and passed</li> <li>2. The Resolution regarding the Amendments to the Remuneration and Performance Assessment of the Persons In Charge of the Company was considered and passed</li> <li>3. The Resolution regarding the Increase of Cap Amount for the Daily Related Party Transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited for 2022 was considered and passed</li> </ol>
The third meeting of the ninth session of the Board	7 July 2022	<ol style="list-style-type: none"> <li>1. The Resolution regarding the Formulation of Measures for Management of Authorization of the Board of Directors was considered and passed</li> <li>2. The Resolution regarding the Amendments to the Performance Assessment for Persons in Charge of the Company was considered and passed</li> </ol>
The fourth meeting of the ninth session of the Board	25 August 2022	<ol style="list-style-type: none"> <li>1. The Resolution regarding the 2022 Interim Report and Summary, the 2022 Interim Results Announcement of the Company was considered and passed</li> <li>2. The Resolution regarding the Increase of Structured Deposits with Self-owned Idle Funds was considered and passed</li> <li>3. The Resolution regarding the Assets Write-offs was considered and passed</li> <li>4. The Resolution regarding the Absorption and Merger of YTO Shunxing (Luoyang) Spare Parts Co., Ltd. was considered and passed</li> <li>5. The Resolution regarding the Amendments to the Management Measures of Information Disclosures of the Company was considered and passed</li> <li>6. The Resolution regarding the Request Convening the Third Extraordinary General Meeting of the Company was considered and passed</li> </ol>
The fifth meeting of the ninth session of the Board	29 September 2022	<ol style="list-style-type: none"> <li>1. The Resolution regarding the Increase in the Cap Amounts for 2022 under the Material Procurement Agreement and the Composite Services Agreement between the Company and YTO Group Corporation was considered and passed</li> </ol>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The sixth meeting of the ninth session of the Board	27 October 2022	<ol style="list-style-type: none"> <li>1. The Third Quarterly Report of 2022 of the Company was considered and passed</li> <li>2. The Resolution regarding the Change of the Financial Advisor and Internal Control Auditor of the Company for 2022 was considered and passed</li> <li>3. The Resolution regarding the Adjustments to the Reduction of Registered Capital of Zhongfei Heavy Industry Investment Co., Ltd. was considered and passed</li> <li>4. Amendments to the Internal Control Management Manual were considered and passed</li> <li>5. Amendments to the Investor Relations Management System of the Company were considered and passed</li> <li>6. Amendments to the Management System for Inside Information and Insiders of the Company were considered and passed</li> <li>7. The Resolution regarding the Nomination of Proposed Non-executive Directors to the Board of Directors for the Ninth session of the Company was considered and passed</li> <li>8. The Resolution regarding the Request for Convening of 2022 Fourth Extraordinary General Meeting of the Company was considered and passed</li> </ol>
The seventh meeting of the ninth session of the Board	20 December 2022	<ol style="list-style-type: none"> <li>1. The Resolution regarding the Increase of Members to the Remuneration Committee of the ninth session of the Board was considered and passed</li> <li>2. The Resolution regarding the Appointment of the Financial Controller of the Company was considered and passed</li> <li>3. The Resolution regarding the Daily Related Party Transactions of the Company for 2023 was considered and passed</li> <li>4. The Resolution regarding the Cash Management of the Self-owned Idle Funds of the Company was considered and passed</li> <li>5. The Resolution regarding the Purchase of Liability Insurance to Cover the Directors, Supervisors and Senior Management of the Company was considered and passed</li> <li>6. The Resolution regarding the Formulation of (Amendments to) the Primary Management System and Abortion of Decisions Making System for the Investment and Operations of the Company was considered and passed</li> </ol>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### VI. PERFORMANCE OF DUTIES BY DIRECTORS

#### (I) Attendance of Board meetings and general meetings by Directors

Name	Independent director or not	Required attendance for the year	Attendance by physical presence	Attendance at Board meetings		Absence from two consecutive meetings	Attendance at general meetings
				Attendance by telecommunication	Attendance by proxy		
Liu Jiguo	No	9	9	5	0	0	5
Zhang Zhiyu	No	7	7	4	0	0	4
Fang Xianfa	No	7	7	4	0	0	4
Zhang Bin	No	1	1	1	0	0	0
Edmund Sit	Yes	9	9	5	0	0	5
Wang Shumao	Yes	7	7	4	0	0	4
Xu Liyou	Yes	7	7	4	0	0	4
Li Xiaoyu	No	2	2	1	0	0	0
Li Hepeng	No	2	2	1	0	0	1
Xie Donggang	No	2	2	1	0	0	1
Zhou Honghai	No	2	2	1	0	0	1
Ma Zhihui	No	5	4	4	1	0	3
Yang Minli	Yes	2	2	1	0	0	1
Wang Yuru	Yes	2	2	1	0	0	1
Number of Board meetings convened during the year							9
Among which: number of physical meetings							0
Number of meetings held by means of telecommunication							5
Number of meetings convened on site and by means of telecommunication							4

### VII. SPECIAL COMMITTEE UNDER THE BOARD

#### (I) Member of the special committee under the Board

Classification of special committee	Name
Audit Committee	Edmund Sit, Zhang Zhiyu, Xu Liyou
Nomination Committee	Wang Shumao, Liu Jiguo, Edmund Sit
Remuneration Committee	Edmund Sit, Zhang Bin, Wang Shumao
Strategy, Investment and Sustainable Development Committee	Liu Jiguo, Fang Xianfa, Xu Liyou



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Explanation:

1. Each of the special committee of the Board of the Company had considered each Director's professional background and experience and the composition requirements set out in the "Code of Corporate Governance for Listed Companies" of the CSRC and the "Code on Corporate Governance" of the Stock Exchange, among which the Audit Committee, Nomination Committee and Remuneration Committee are all chaired by independent non-executive Directors while the members are mostly non-executive Directors of the Company.
2. On 13 April 2022, the first extraordinary general meeting was convened by the Company for election of the new session of the Board. On the same day, the first meeting of the ninth session of the Board was also convened to confirm the composition of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy, Investment and Sustainable Development Committee of the Board.
3. Mr. Ma Zhihui, the former non-executive director of the Board and member of the Remuneration Committee has applied for resignation due to change of work on 18 October 2022. The Company held the fourth extraordinary general meeting and nominated Mr. Zhang Bin as non-executive director of the Company. Upon approval at the seventh meeting of the ninth session of the Board, Mr. Zhang Bin was included as a member of the Remuneration Committee of the ninth session of the Board for the Company.

### (II) Duties and operation of each of special committees of the Board

#### 1. *Duties and operation of the Audit Committee*

- (1) to oversee the relationship between the external auditors and the Company, including but not limited to making recommendations to the Board on appointment, reappointment and removal of external auditors, approving the audit fee, terms of appointment and policies on non-audit services of external auditors, raising any queries in respect of their resignations or dismissals, and reviewing and monitoring the independence and objectivity of the external auditors and the effectiveness of audit process;
- (2) to review the financial reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the listing rules and other laws and regulations;
- (3) to regulate and review the effectiveness of the internal control system of the Company, the review scope covers the effectiveness and compliance of the Company's internal control system, financial controls, internal audits and risk management systems, etc.;
- (4) to review the Company's financial and accounting policies and practices; and
- (5) to study other topics defined by the Board.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

During the Reporting Period, the Audit Committee convened eight meetings, all the members attended all the on-site meetings and fully expressed their opinion. Details are set out below:

Date	Contents	Important advice and recommendations	Performance of other duties
2022.1.10	1. to consider plan for preparation of annual report of the Company in 2021 and plan for preparation of auditing of annual financial report of the Company in 2021	/	/
2022.1.25	1. to consider proposed 2021 estimated annual results and make asset impairment	/	/
2022.3.1	1. To consider the resolution regarding the increase in the Cap Amount of the Energy Procurement Agreement for 2022 to 2024 between the Company and YTO Group Corporation Limited	/	/
2022.3.25	1. to consider the resolution on the Company's provision for asset impairment for 2021 2. to consider the audited financial report of the Company in 2021 3. to consider the annual report of the Company in 2021 4. to consider the resolution regarding the annual internal control evaluation report of the Company in 2021 5. to consider the opinions on the execution of continuing connected transactions of the Company for 2021 6. to consider the resolution on determination of auditor's remuneration in 2021 and the appointment of the financial advisor and internal control auditor of the Company in 2022	/	/



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Date	Contents	Important advice and recommendations	Performance of other duties
	7. to consider the resolution on the amendments to the internal control management manual of the Company 8. to consider the resolution regarding restructuring and integration of China YTO Group Finance Company Limited 9. to consider the resolution regarding the signing of financial service agreement between the Company and SINOMACH Finance Co., Ltd 10. to consider the performance report of the Audit Committee under the Board in 2021		
2022.4.22	1. to consider the resolution regarding the first quarterly report of the Company in 2022 2. to consider the resolution regarding the increase in the cap amount of the 2022 ordinary connected transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited	/	/
2022.8.23	1. to consider resolution on the interim report of the Company in 2022	/	/
2022.9.27	1. to consider the resolution regarding the increase in the cap amounts for 2022 under the material procurement agreement and the composite services agreement between the Company and YTO Group Corporation	/	/



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Date	Contents	Important advice and recommendations	Performance of other duties
2022.10.25	<ol style="list-style-type: none"> <li>1. to consider the resolution regarding the third quarterly report of the Company in 2022</li> <li>2. to consider the resolution regarding the change of the financial advisor and internal control auditor of the Company for 2022</li> <li>3. to consider the work proposal for preparation of internal control evaluation of the Company in 2022</li> </ol>	It is suggested that the Company shall aware of the effect of gain or loss arising from exchange differences on the Company due to changes in currency markets	/

During the report period, the Nomination Committee convened three meetings. Details are set out below:

Dates	Contents	Important advice and recommendations	Performance of other duties
2022.3.1	1. to consider the resolution regarding the nomination of proposed directors of the Company to the ninth session of the Board	/	/
2022.10.21	1. to consider the resolution regarding the nomination of the proposed non-executive directors of the Company to the ninth session of the Board	/	/
2022.12.9	1. to consider the proposed chief financial officer of the Company	/	/



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

During the report period, the Remuneration Committee convened three meetings. Details are set out below:

Dates	Contents	Important advice and recommendations	Performance of other duties
2022.3.1	1. to consider the resolution regarding the remuneration plan of the directors of the Board and the supervisors of the Supervisory Committee of the ninth session of the Board	/	/
2022.4.22	1. to consider the resolution regarding the amendments to the remuneration and performance assessment of the persons in charge of the Company	It is suggested that the Company shall provide the latest regulatory documents regarding the remuneration of State-owned enterprises to all members in a timely manner for consideration	/
2022.10.18	1. to consider the remuneration and performance assessment results of senior management of the Company for 2021	It is suggested that the Company to improve the calculation procedure of other senior management apart from general manager	/

During the report period, the Strategy, Investment and Sustainable Development Committee convened one meeting. Details are set out below:

Dates	Contents	Important advice and recommendations	Performance of other duties
2022.3.28	1. to consider the social responsibilities report of the Company for 2021, the environmental, social and corporate governance report for 2021 2. to consider the resolution regarding restructuring and integration of China YTO Group Finance Company Limited	/	/

## VIII. RISKS DISCOVERED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee had no dissenting opinions on the supervision matters during the Reporting Period.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### IX. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES AS AT THE END OF REPORTING PERIOD

#### (I) Employees

Number of existing employees of the parent company	4,676
Number of existing employees of major subsidiaries	2,469
Total existing employees	7,145
Number of retired employees who are pensioned by the parent company and major subsidiaries	15,339

#### Staff composition

Category	Number of persons
Production staff	4,175
Sales staff	631
Technical staff	1,184
Management staff	1,084
Service staff	71
Total	7,145

#### Educational background

Education level	Number of persons (person)
Postgraduate and above	268
Undergraduate	1,994
Diploma	1,446
Below diploma	3,437
Total	7,145

#### (II) Remuneration policy

The Company has established a basic wage system based on the post wage system, which is post value and performance oriented, determines the wage level for different posts with reference to the wage level in the labor market with combination of the economic benefits of the enterprise and with preference to key posts, front-line production posts, and urgently needed high-skilled talents. According to the working characteristics of different types of personnel, the Company has formulated distribution forms such as annual salary system, post performance salary system, piece rate system, hourly salary system, project commission salary system, and negotiated salary system.

The Company continues to promote the reform of the incentive mechanism, has established a performance assessment system with benefit and efficiency as the orientation, strengthened the assessment and incentives for the management team's business objectives, scientifically determined the annual business objectives and assessment indicators, implemented stringent target management, and mobilized the management team's enthusiasm for operating efficiency of special factories and subsidiaries; promoted the reform of the two-level R&D system, sent R&D personnel to special factories and subsidiaries to stay closer to the market and stimulated the innovation vitality of R&D personnel through project-based incentives; promoted special incentives such as sales staff performance commissions and all staff cost reduction commissions; the effect of the positive incentive is outstanding.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (III) Training plan

During the Reporting Period, the Company continued to carry out employee trainings at all levels. At the beginning of the year, the annual training plan was formulated and issued to clarify the training level and annual work arrangements, organized various types of training for middle and senior leaders, marketing personnel, technical operators, functional management personnel and professional technicians. The talent training system of the Company was further improved. The Company also established cooperative relationships with a number of universities, vocational and technical colleges and training and consulting institutions, relying on the training platform formulated qualification system based on positions and clarified the requirements of professional knowledge and skills for each position of career development. In terms of trainers' qualification, the Company continued to develop internal trainers in addition to the engagement of external trainers. Knowledge acquisition and sharing have been continuously strengthened. In terms of training methods, the Company also developed online training resources to optimize its training platform continuously. Meanwhile, the Company continued to pay attention to the growth and development of young employees and has launched special training programs such as trainings for electrical and control engineering professionals, new employees and a new apprenticeship system. At the same time, the Company actively responded to and participated in the national vocational skills improving special activities, declared the qualification of independent recognition of vocational skills level, and further built a platform for the growth of highly skilled talents.

## X. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

### (I) Special explanation of cash dividend distribution policies

Whether the provisions of the Articles of Association or the requirements of the resolutions of general meetings are met	√Yes	<input type="checkbox"/> No
Whether the standard and proportion of dividends are explicit and clear	√Yes	<input type="checkbox"/> No
Whether relevant decision making procedures and mechanisms are adequate	√Yes	<input type="checkbox"/> No
Whether the independent directors have performed their duties and played their due roles	√Yes	<input type="checkbox"/> No
Whether small and medium shareholders have the opportunity to fully express their opinions and appeals, and whether their legal rights and interests have been fully protected	√Yes	<input type="checkbox"/> No



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### XI. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER INCENTIVE MEASURES FOR EMPLOYEES AND THEIR IMPACTS

#### (I) Establishment and implementation of assessment system and incentive system for the senior management during the Reporting Period

During the Reporting Period, the Company made continuous effort to work on the Term System and Contractualization of the Management of the Company's Managerial Staff in accordance with the Regulations Governing the Performance Appraisal of Corporate Officers, to enhance the system of performance assessment indicators on persons in charge and established a differential performance assessment system based on "common indicators + personal indicators". During the Reporting Period, the Company has made amendments to the "Administrative Measures for the Remuneration of the Person-in-charge of the Company" and the "Performance Assessment Measures for the Person-in-charge of the Company". The performance appraisal incentives of the senior management of the Company are divided into 2 parts, namely annual remuneration and fixed term incentives. The remuneration committee of the Board of the Company determined the annual remuneration of senior management staff and fixed term incentive offer in accordance with the aforementioned method, after evaluating the achievement of the Company's key operating indicators and KPI indicators of the competent authority, key tasks and the business targets of the associated units of different divisions.

### XII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

During the Reporting Period, the Company established a sound internal control management system in strict compliance with the requirements of the SFC, the Shanghai Stock Exchange, the Stock Exchange and laws and regulations such as the Company Law and the Articles of Association of the Company. On the basis of internal organization adjustment and the actual operation of the Company, the Company continued to promote the revision of the management system by sorting out and optimizing the internal environment, various business processes and relevant systems, and updated the relevant systems and management rules to the information system of the Company's cloud platform in a timely manner in accordance with the arrangement of the system list, so as to provide institutional protection for the legal compliance of the Company's operation and management.

According to the arrangement of the internal control system and internal control evaluation work plan, the Company organized internal control self-evaluation and self-examination of the effectiveness of the internal control system, etc. For problems and defects found, the responsible person and the time for completion of rectification are clearly defined and rectification measures are formulated. The Company has implemented the rectification of problems through daily supervision and inspection. As of the end of 2022, the rectification of all deficiencies identified in the internal control self-assessment has been completed. The internal control mechanism of the Company was effective and has achieved the expected objectives of internal control, ensuring the interests of the Company and all shareholders.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### XIII. MANAGEMENT AND CONTROL ON SUBSIDIARIES DURING THE REPORTING PERIOD

During the Reporting Period, the Company managed its subsidiaries in accordance with the laws and regulations and also the regulatory documents of the Company Law, the Securities Law, the Listing Rules of the Shanghai Stock Exchange, and also the relevant requirements of the Articles of Association through strategic operations planning and management, overall budget management, daily management and guidance of each functional system, as well as the appointment of directors and supervisors to its subsidiaries. At the same time, the Company clarified through its management system that its subsidiaries, as members of the listed group, must comply with the requirements for the standardized operation of listed companies and the standardized operation of the Company's internal control system, and clearly stipulated the reporting system and consideration procedures for material matters, timely tracking of the subsidiaries' operation, financial status, production and operation, project construction, safety and environmental protection and other material matters, and fulfillment of information disclosure obligations in a timely manner.

### XIV. EXPLANATION ON INTERNAL CONTROL AUDIT REPORT RELATED MATTERS

For details, please refer to the "2022 Annual Internal Control Evaluation Report of First Tractor Company Limited" issued by the Company on the same day as this report.

Whether the internal control audit report is disclosed: Yes

Type of opinion on the internal control audit report: Standard unqualified opinion

### XV. 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 of the Stock Exchange, 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.

Mr. Liu Jiguo acted as the Chairman and the General Manager of the Company. The Board of the Company was composed of highly experienced and talented members and meetings were held regularly to discuss issues that might affect the operations of the Company. The operation of the Board was sufficient to ensure the balance of powers and duties. The Board considered that such structure would not affect the balance of power and duties between the Board and the management. The Board was full of confidence in Mr. Liu and believed that the then appointment of him as the Chairman and General Manager was beneficial for the business development of the Company.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (I) Securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) 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 directors held shares of the Company. During the Reporting Period, all the Directors of the Company had 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.

### (II) Directors and the Board of Directors

#### 1. *Directors*

During the Reporting Period, the Company conducted change of session of the Board. Members of the ninth session of the Board were elected at the 2022 first extraordinary general meeting of the Company on 13 April 2022. On 18 October 2022, Mr. Ma Zhihui, the non-executive director of the Company, has resigned as the non-executive director of the Company and the member of the Remuneration Committee of the Board. On 28 November 2022, upon approval at the fourth extraordinary general meeting of the Company 2022, Mr. Zhang Bin was elected as non-executive director of the Company. As of the date of this Report, the ninth session of the Board consisted of seven Directors. The composition and biographical details of Directors are set out in this section headed “Directors, Supervisors, Senior Management and Employees” in this Annual Report.

The Company has received the annual confirmation letter issued by each of the three independent non-executive Directors, namely Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou in respect of their respective independence, in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange and the independence confirmation letter of Ms. Yang Minli and Ms. Wang Yuru in relation to their terms of office. The Company considers that all the independent non-executive Directors are qualified independent persons and comply with the requirements on independence as set out in Rule 3.13 of the Listing Rules of the Stock Exchange. The proportion of the independent non-executive Directors represented one-third of the members of the Board of the Company.

During the Reporting Period, other than their working relationships with the Company, none of the Directors, Supervisors or senior management of the Company had any financial, business or family relationship or any other material/relevant relationship with each other.

During the Reporting Period, by preparing the information disclosure announcement, and sending the operation information of the Company to all of its Directors, Supervisors and senior management in a timely manner, the Company provided them with its latest operation updates and public information as a basis to form better judgement and decisions on the matters of the Company. The Directors, Supervisors, senior management of the Company have been organized to attend the training on improving the performance ability of Director, Supervisor, senior management of the Company organized by the CSRC and the Shanghai Stock Exchange, to further improve the compliance awareness in performance of Directors, Supervisors, senior management of the Company.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### 2. *Board of Directors*

The Board is responsible for formulating and reviewing the Company's development strategies and operating strategies, preparing annual budgets and final accounting schemes and annual business plans, proposing dividend plans, monitoring the management and holding regular meetings to discuss material matters affecting the Company's operations pursuant to the relevant laws and regulations, rules and the "Articles of Association" of the Company. The "Articles of Association" and the "Procedural Rules for the Board" of the Company as considered and approved at the general meeting has stipulated the terms of reference of the Board.

The ninth session of the Board has diversified feature, its members' age range is between 40 and 66, with backgrounds of industry experts in accounting, agriculture machinery and experienced persons in the fields of business operations and management. Their knowledge structure and expertise are professional and mutually complementary to the overall structure of the Board, which helped members of the Board to consider issues from different perspectives so as to enable the Board to be more deliberate and prudent in making any important decisions. A diversified Board provides guarantee and support for the scientific decision-making of the Board.

During the Reporting Period, the Board convened nine meetings (including Board meetings held by way of telecommunication), including four regular meetings. Attendance of Directors in Board meetings are set out in this section "Performance of Duties by Directors."

### (III) Diversity Policy of the Board

The Board has adopted a new Board Diversity Policy ("Board Diversity Policy") in compliance with the mandatory disclosure requirements as set out in paragraph J.

The Board Diversity Policy aims to formulate the means for the Company to arrive a diversified composition of the Board, which does not apply to diversify employees of the Company or board members and employees of any subsidiary of the Company. When reviewing and evaluating the composition of the Board, the Nomination Committee will take into account various benefits of diversity, including but not limited to having different talents, skills, regional and industry experience, background, gender, age and other characteristics of Board members, so that the Board maintains an appropriate range and balance of talents, skills, experience and backgrounds. When nominating candidates for appointment to the board of directors, the Nomination Committee will consider the strengths of the relevant candidates based on objective conditions, and fully take into account the benefits of diversity in the composition of board of directors. The Nomination Committee will discuss and agree on the measurable goals related to achieving diversity of the Board, and will recommend the adoption of the above measurable goals to the board of directors. The board may seek to improve one or more of its diversity areas and measure progress at any time accordingly. The Company aims to maintain an appropriate and balanced perspectives of board diversity to cope with the Company's business development.

Currently, all members of the Board are male. The Board will endeavor to comply with the diversity requirements under Rule 13.92 of the Listing Rules of the Stock Exchange as and when appropriate.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (IV) The Chairman and the management

Mr. Liu Jiguo acted as the Chairman and the General Manager of the Company. The Board of the Company was composed of highly experienced and talented members and meetings were held regularly to discuss issues that might affect the operations of the Company. The operation of the Board was sufficient to ensure the balance of powers and duties. The Board considered that such structure would not affect the balance of power and duties between the Board and the management, and the appointment of Mr. Liu Jiguo as the Chairman and the General Manager of the Company will not have any negative effects on the business development of the Company.

The management of the Company includes the General Manager, Deputy General Manager and Chief Financial Officer, who are responsible for the Company's daily business operation, business planning and implementation, and accountable for the operation of the Company to the Board. The management of the Company shall keep in touch with all Directors to ensure that the Directors are kept updated of information about the Company's business activities. The "Articles of Association" and "Working Rule of the General Manager" of the Company were approved at the general meeting which specifically define the duties and authority of the management.

### (V) Non-executive Directors (Including Independent Non-executive Directors)

The term of office of the non-executive Directors, Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin, and the independent non-executive Directors, Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou, will expire on 12 April 2025.

All the above six non-executive/independent non-executive Directors possess proper experience and professional qualifications required to perform the duties of Directors.

### (VI) Special committees under the Board

Details of the Remuneration Committee, Nomination Committee, Audit Committee and Strategy, Investment and Sustainable Development Committee are set out in this section "VII. Details of special committees under the Board".

### (VII) Auditors' remuneration

For details, please refer to "Appointment or Dismissal of Auditor" under Part VI of Section VI of this report.

### (VIII) Internal key contact persons of the Company

For details, please refer to Part II of Section II headed "Contact and Contact Method" of this report.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (IX) Shareholders' Right

1. According to Article 77 of the "Articles of Association" of the Company, when shareholder(s) solely or jointly holding 10 percent or more of the Company's voting shares require(s) to convene an extraordinary general meeting in writing, the Board of the Company shall convene an extraordinary general meeting within two months.
2. According to Article 81 of the "Articles of Association" of the Company, shareholders individually or jointly holding more than 3% of the Company's shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals.
3. If shareholders of the Company have enquiry about relevant information of the Company or request for information, they shall provide documentary evidence that they are holding certain type and numbers of shares of the Company to the Secretary to the Board or office of the Board. After verifying the identity of the shareholders by the Company, the Company will provide relevant information as stipulated in Article 61 of the "Articles of Association" of the Company. For details of contact information of the Company, please refer to annual reports, interim reports and relevant announcements of the Company.

In consideration of the above, the Company was in strict compliance with all the Code provisions and the "Articles of Association" of the Company in relation to shareholders' rights during the Reporting Period.

### (X) Investor relations

During the Reporting Period, the Company strictly complied with the regulatory requirements of both Shanghai and Hong Kong and seriously performed its information disclosure work by preparing and disclosing regular reports and various ad hoc announcements on a timely basis. For some important information that does not meet the mandatory disclosure standards but helps to enhance investors' understanding of the Company, voluntary information disclosure was made in a timely manner to provide investors with more information for decision making.

The Company has further enhanced communication with investors through various means such as holding results meetings, "Shanghai interactive e-platform", on-site meetings at shareholders' meetings, receiving calls from investors and receiving visits from investors. After the disclosure of the 2021 annual report, the 2022 semi-annual and the third quarter reports, the Company organized a timely results presentation on the platform of the SSE to discuss in depth the Company's operating results, product layout, strategic direction and innovative development measures. The Company held the shareholders' meeting by combining on-site meeting and network voting, actively creating conditions for investors, especially small and medium-sized investors, to participate in the meeting and ensuring the exercise of their legal rights by the large number of medium and minority shareholders.

### (XI) Risk Management and Internal Control

For details, please refer to the 2022 Internal Control Evaluation Report of First Tractor Co., Ltd. published on the website of the Shanghai Stock Exchange on the same day as this report and the overseas regulatory announcement published on the website of the Stock Exchange.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (XII) Amendments of Articles of Association

During the reporting period, the Company revised and improved the relevant provisions of the Company's Articles of Association in accordance with the new amendments to the "Guidelines for Articles of Association of Listed Companies" in 2022. In addition, the composition of the Board was amended in light of the actual situation of the Company, so as to improve the disciplined operations and decision-making efficiency of the Board of the Company.

### (XIII) Dividend policy

In accordance with the dividend policy of the Company, subject to the Articles of Association of our Company, the board of the Company shall put forward a proposal on distribution of dividends annually with reference to the operation, financial situation and the capital needs of the Company. Such proposal on distribution of dividends shall be approved by the shareholders at the general meeting of the Company.

## XVI. CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include the followings:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (e) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (f) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2022, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

## XVII. TRAININGS FOR DIRECTORS, SUPERVISORS AND OFFICERS

During the Reporting Period, all Directors participated in appropriate continuous professional development and provided the Company with their records of training they received. Directors participated in the training which included reading regulatory updates, attending seminars or conducting training sessions and exchanging views.

During the Reporting Period, the current Deputy General Manager and Secretary to the Board Ms. Yu Lina has received not less than 15 hours of continuous professional training.

## XVIII. DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

Appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Group.

## CHAPTER V ENVIRONMENT AND SOCIAL RESPONSIBILITY

### I. ENVIRONMENTAL INFORMATION

Whether to establish mechanisms related to environmental protection	Yes
Funds invested in environmental protection during the Reporting Period (unit: RMB '0,000)	9,382.07

#### (I) Information on efforts conducive to ecological protection, pollution prevention and control and environmental responsibility fulfillment

Please refer to the Company's "2022 Environmental, Social and Governance Report" published on the website of the Shanghai Stock Exchange and the Stock Exchange for relevant information on the Company's efforts conducive to ecological protection, pollution prevention and control and environmental responsibility fulfillment.

#### (II) Measures taken to reduce its carbon emissions during the Reporting Period and its effects

Whether carbon emission reduction policy is adopted	Yes
Reduction of carbon dioxide emissions (Unit: tonnes)	12,344

Types of carbon emission reduction (such as use of clean energy power generation, use of carbon emission reduction technology during production, or R&D on new products which help to reduce carbon emissions, etc.)	1.	In the transformation of the painting production line, vigorously promoted low-carbon processes such as robot spraying, dry spray booth utilization and air circulation in the spray booth.
	2.	In the transformation project of the lost foam exhausted gas treatment equipment for the casting and forging business, through reasonable process planning, replaced the original exhausted gas treatment process during online catalytic combustion with "active carbon adsorption + offline desorption and catalytic combustion" exhausted gas treatment process system, effectively reduced the consumption of electric energy by the exhausted gas treatment system.
	3.	Using water source heat pump technology to recover low-grade heat energy produced by the circulating water from the centrifugal air compressor, while municipal high-temperature hot water is introduced for co-heating to replace the original high-cost steam heat exchange heating method. Achieved the goal of steam heat source transformation and replacement, effectively reduced the amount of external heat energy collected and the heating cost of the Company.



## CHAPTER V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

### II. SOCIAL RESPONSIBILITY WORK

#### (I) Whether to disclose a separate social responsibility report, sustainability report or ESG report

Please refer to the Company's "2022 Environmental, Social and Governance Report" published on the website of the Shanghai Stock Exchange and the Stock Exchange for relevant information on social responsibility of the Company.

#### (II) Specifics of social responsibility work

Please refer to the Company's "2022 Environmental, Social and Governance Report" published on the website of the Shanghai Stock Exchange and the Stock Exchange for relevant information on social responsibility of the Company.

### III. DETAILS OF CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

Poverty alleviation and rural revitalization items	Quantity/Content	Description
Total investment (RMB '0,000)	25.7	/
Of which: funds (RMB '0,000)	25	Investment of poverty alleviation projects
Materials (RMB '0,000)	0.7	Door-to-door visits and condolences
Number of beneficiaries (people)	1,733	The beneficiaries of the five major revitalizations
Form of assistance (e.g. industrial poverty alleviation, employment poverty alleviation, education poverty alleviation, etc.)	Employment transfer, skills training, cultural exchange, ecological improvement	Comprehensively promoting Industry revitalization, talents revitalization, culture revitalization, ecology revitalization and organization revitalization

## CHAPTER V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

### Explanations

The Company shall deeply implement the spirit of the State Council on “Doing a Good Job in the Key Work of Comprehensively Promoting Rural Revitalization in 2022”, giving full play to the social responsibilities as a central enterprise under the support of the overall rural revitalization plan of the areas of poverty alleviation and the actual needs of local counties, to assist the areas of poverty alleviation to formulate development plans and execute assistance responsibilities, develop assistance projects, carry out consumption assistance, and promote the development of rural revitalization in the areas of poverty alleviation.

In 2022, the Company has been insisting to put rural revitalization work as its top priority, actively performed its social responsibilities by frequently visiting areas of poverty alleviation to carry out research and planning and project promotion work. Firstly, the Company focused around 6 directions helping the areas of poverty alleviation to cultivate special industries, improve infrastructure facilities, upgrade talent quality, and pairing of grassroot party building in order to further promote the rural revitalization of the areas of poverty alleviation. Secondly, the Company carried out door-to-door condolences and regularly visited 22 targeted households within areas of poverty alleviation by pairing up and providing assistance to solve their practical needs and difficulties to prevent return to poverty. Thirdly, the Company actively promoted consumption during “Double Festivals” and helped to sell and organized the purchase of special agricultural and sideline products in poor areas to strengthen the results of poverty alleviation. Fourthly, combined with the Company’s business characteristics, the Company deepened its assistance on agricultural machinery, continued to conduct the maintenance and use of donated agricultural machinery, and assisted in the formation of farmland, so as to achieve machinery planting and harvesting of over 200 Chinese mu in the areas of poverty alleviation to improve farmers’ income from planting.

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

## IV. 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 of the Stock Exchange. 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.

## CHAPTER VI SIGNIFICANT EVENTS

### I. FULFILLMENT OF UNDERTAKINGS

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

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Whether in a timely and strict manner
	Solutions to horizontal competition	SINOMACH	SINOMACH will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operation. In addition, where SINOMACH or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, SINOMACH will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes
Undertakings related to refinancing	Other	SINOMACH	SINOMACH undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings.	Long-term	No	Yes
	Other	YTO	YTO undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings.	Long-term	No	Yes



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Whether in a timely and strict manner
	Other	Directors, Supervisors and senior management of the Company	<p>1. I undertake that I will not direct benefits to other units or individuals at nil consideration or on unfair terms, and will not harm the Company's interests in any other manner;</p> <p>2. I undertake that I will act to restrain duty-related spending;</p> <p>3. I undertake that I will not utilise the assets of the Company for any investment or consumption irrelevant with the performance of my duties;</p> <p>4. I undertake that the remuneration system formulated by the Board or the Remuneration Committee will be correlated to the implementation of the Company's measures to make up for returns;</p> <p>5. in the event of the implementation of any share option incentive scheme by the Company in future, the conditions for exercising options under such scheme proposed to be published will be correlated to the implementation of the Company's measures to make up for returns;</p> <p>6. during the period from the date on which such undertaking is given to the completion of the non-public issuance of shares, supplementary undertakings will be given in accordance with new regulations announced by the CSRC concerning measures to make up for returns and related undertakings, if such regulations are announced by the CSRC and the foregoing undertakings fall short of meeting such new regulations.</p>	Long-term	No	Yes

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Whether in a timely and strict manner
	Solutions to business competition	SINOMACH	<p>SINOMACH Finance shall not provide financial services to the following enterprise members:</p> <p>(1) YTO and its subsidiaries;</p> <p>(2) companies in which YTO and its subsidiaries hold more than 20% equity interests and SINOMACH and its other subsidiaries hold no or less than 20% equity interests;</p> <p>(3) companies in which YTO and its subsidiaries, separately or collectively, hold no more than 20% equity interests but are the largest shareholder; Meanwhile, interbank business between SINOMACH Finance and YTO Finance of the Company shall be subject to approval at a general meeting of the company.</p>	Long-term	No	Yes
Other undertakings	Other	YTO	<p>YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual caps of loan obtained by YTO and its subsidiaries (excluding the Company) from YTO Finance. YTO further undertook that, on the basis of the aforesaid Deposit Agreement and Loan Agreement and cap amounts of connected transactions, the loan of YTO and its subsidiaries (excluding the Company) obtained from YTO Finance will be less than their deposits placed with YTO Finance, and YTO will ensure the safety of its subsidiaries' loan through various measures.</p>	Long-term	No	Yes

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Name of shareholders or related parties	Connected relationship	Occupation time	Reason	Opening balance	Amount newly occupied during the Reporting Period	Total amount repaid during the Reporting Period	Ending balance	Balance as at the disclosure date of the annual report	Expected repayment method	Expected repayment amount	Expected repayment time
YTO Shentong	Other related parties	January 2020 to present	Entrusted Loan	17,100.00	0.00	0.00	17,100.00	17,100.00	Results of liquidation under bankruptcy	Results of liquidation under bankruptcy	Progress of liquidation under bankruptcy
Total	/	/	/	17,100.00	0.00	0.00	17,100.00	17,100.00	/	/	/
Proportion of total amount by the end of the period to the latest audited net assets						2.87%					
Procedure for decision on misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes						Consideration and approval at the fifth meeting of the eighth session of the Board					
Reasons for new misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes during the current period; responsibility investigation; and measures proposed to be taken by the Board						/					
Reasons for non-repayment of funds misappropriated for non-operating purposes as scheduled; responsibility investigation; and measures proposed to be taken by the Board						/					
Specific auditing opinion by a CPA on the misappropriation (if any)						/					
Reasons for differences between the misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes and the special auditing opinions as disclosed in the annual report (if any)						/					

**Note:** Shentong Company was originally a wholly-owned subsidiary of the Company and entered into bankruptcy liquidation in January 2020, and was no longer included in the scope of consolidation. According to the requirements of the Accounting Standards for Business Enterprises, the Company classified it as other related parties, and the occupation time of the fund was calculated from the date when it was classified as other related parties.



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### III. APPOINTMENT OR DISMISSAL OF AUDITOR

Unit: 0'000 Currency: RMB

	Original appointment	Current appointment
Name of the domestic auditor	Da Hua Certified Public Accountants (Special General Partnership)	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the domestic auditor	50	220
Term of the domestic auditor	5	1
Name of the domestic auditor certified public accountant	/	Ma Chuanjun, Ma Jing
Term of the domestic auditor certified public accountant	/	Ma Chuanjun (2022), Ma Jing (2022)

	Name	Remuneration
Auditor for internal control	ShineWing Certified Public Accountants (Special General Partnership)	35

*Note:* The remuneration of the domestic auditor represents the audit fees borne by the Company during the Reporting period, of which the Company paid an interim review fee of RMB500,000 to Da Hua Certified Public Accountants and an annual financial audit fee of RMB2.2 million to ShineWing Certified Public Accountants (Special General Partnership) for 2022.

#### Explanation on appointment or dismissal of auditor

As Da Hua Certified Public Accountants has been providing audit services to the Company for five consecutive years, the Company changed its auditor in accordance with the relevant documents such as the "Measures for the Administration of the Final Account Reports of Central Enterprises" (SASAC Order No. 5) and the "Notice on Strengthening the Auditing of Final Accounts of Central Enterprises" (Guozi Department Evaluation [2005] No. 43), in order to better ensure the independence, objectivity and fairness of the audit work.

### IV. MATERIAL LITIGATION AND ARBITRATION

During the Year, the Company had no material litigation and arbitration.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

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

### VI. MATERIAL CONNECTED TRANSACTIONS

#### (I) Connected transactions relating to daily operation

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

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
1	Material Procurement YTO Agreement		Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company.	<p>(1) the market price of an independent third party;</p> <p>(2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, SINOMACH and its subsidiaries and an independent third party; and</p> <p>(3) if none of the above is applicable, price (tax- inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the markup percentage is not more than 30%.</p>	85,000	70,764	6.31

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sale of (including, but not limited to) raw materials, components, spare parts, equipment and other necessities by the Company to YTO.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the markup percentage is not more than 30%.	24,500	24,469	1.98
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation, transportation ancillary services and Production Related Processing Contracts to the Company and its subsidiaries by YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the markup percentage is not more than 10%.	27,000	24,414	93.25
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) market price; (2) if there is no market price, the transaction price between YTO and an independent third party; (3) if none of the above is applicable, price (tax-inclusive) is determined according to markup percentage (i.e. price = cost x (1+ mark-up percentage)), where the markup percentage is not more than 16%.	24,000	19,249	98.61

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and  (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property in similar area.	800	782	90.33
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and  (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use right.	1,400	1,068	93.26
7	Deposit Service Agreement	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the CBIRC or the People's Bank of China.	230,000	179,161	28.50
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBIRC or the PBOC;  (2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and  (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	100,000	99,684	47.78



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
9	Bills Acceptance Service Agreement	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBIRC or the PBOC;</p> <p>(2) if the above rate is not applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.</p>	21,000	16,711	7.11
10	Bills Discounting Service Agreement	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBIRC or the PBOC;</p> <p>(2) if the above rate is not applicable (as the rate prescribed by the CBIRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.</p>	10,000	9,230	92.18

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
11	Interbank Business Service Agreement	SINOMACH Finance	Subsidiary of the de facto controller	YTO Finance and SINOMACH Finance provide financing services to each other, including interbank deposits, lendings, transfer of credit assets and other interbank business services	<p>(1) based on the Shanghai Interbank Offered Rate announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions;</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit;</p> <p>(3) If a financial asset is used as the subject of a sale or purchase or financial assets as collateral to obtain financial access, with reference to the market price of the subject financial asset as published by other financial institutions; and</p> <p>(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.</p>	80,000	20,000	7.04
12	Financial Service Agreement	SINOMACH Finance	Subsidiary of the de facto controller	SINOMACH Finance provides deposit services to the Company and its subsidiaries in both local and foreign currencies, including but not limited to demand deposits, negotiated deposits, notice deposits, time deposits, etc.	Interest on all types of deposits of the Company and its subsidiaries with SINOMACH shall be calculated and paid on the basis of the benchmark interest rate for deposits of the same class and the upper limit of the floating range of interest rates announced by the People's Bank of China from time to time, which shall not be lower than the benchmark interest rate for deposits of the same class and at the same time of the main independent commercial banks in the territory where the Company and (or) its wholly-owned and controlled subsidiaries are located, and shall not be lower than the benchmark interest rate for deposits of the same class and at the same time of the same type offered by SINOMACH to other members of the same credit standing, whichever is higher.	200,000	199,750	40.61

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
				SINOMACH Finance provides credit facilities to the Company and its subsidiaries, including but not limited to liquidity loans, fixed asset loans, buyer's credit, factoring of receivables, acceptance and discounting of bills, and credit facilities such as guarantees, letters of guarantee and letters of credit	In accordance with the relevant requirements of the market interest rate pricing self-regulatory mechanism, the Company and its subsidiaries shall charge interest on the loans obtained from SINOMACH on the basis of the quoted market interest rate for the loans, which shall not be higher than the interest rate for similar loans offered by major independent commercial banks in the territory where the Company and (or) its wholly-owned or controlled subsidiaries are located, and shall not be higher than the interest rate for similar loans offered by SINOMACH Finance to other members of the same credit standing, whichever is lower.	240,000	198,001	91.08
				Other financial services provided by SINOMACH to the Company and its subsidiaries, including but not limited to settlement and management of funds in local and foreign currencies, entrusted loans, entrusted investments, underwriting of corporate bonds, financial and financing consultancy, credit verification and related advisory and agency services, and other business as approved by the China Banking and Insurance Commission	(1) SINOMACH Finance shall be exempt from charging the Company and its subsidiaries for the remittance of funds for the settlement of funds with Party B; (2) The fees charged by SINOMACH for all financial services other than deposits and loans provided by SINOMACH to the Company and its subsidiaries shall comply with the regulations of the People's Bank of China or the CBIRC for such type of services and shall not be higher than the standard of similar fees charged by major independent commercial banks in the territory where the Company and (or) its wholly-owned or controlled subsidiaries are located during the same period, or the standard of similar fees charged by SINOMACH to other members of the same credit standing, whichever is lower.	1,000	103	66.62

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
13	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties, plant and auxiliary facilities by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar property	600	529	24.46
14	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights.	35	8	1.54
15	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties; (2) cost plus method, with the mark-up percentage of no more than 10%.	750	707	100.00
16	Research and Development Services Agreement	YTO	Controlling shareholder	Provision of services including product R&D services, process technology R&D services, material testing services, and measuring instrument testing services to YTO and its subsidiaries by the Company.	(1) the price of the non-connected transactions for same services between the Company and the independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	1,500	1,487	27.00



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
17	Product Inspection and Testing as well as Technological Services Agreement	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	Wholly-owned subsidiary of the controlling shareholder	Provision of productsrelated technological testing services, patent services, standardized technological support services, and research and development services on nonstandard equipment such as inspection and testing equipment for products of the Company and its subsidiaries.	(1) the price of the non-connected transactions between Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd and the independent third parties;  (2) the price of the reasonable cost of the service provided by Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd with the addition of gross margin of the comparable non-connected transactions;  (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	3,200	3,192	100.00

- For details of the above No.1-11 connected transactions, please refer to the "Announcement on the Resolutions Passed at the Thirtieth Meeting of the Eighth Session of the Board of First Tractor" and "Announcement on Continuing Connected Transactions for 2022-2024", "Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First Class Meeting for Holders of A Shares and the 2021 First Class Meeting for Holders of H Shares of First Tractor", "Announcement on the Resolutions Passed at the Thirty-fifth Meeting of the Eighth Session of the Board of First Tractor", "Announcement on Increase in the Cap Amount of Daily Related Transactions for Procurement of Energy in 2022-2024 of First Tractor", "Announcement of First Tractor on Resolutions of 2022 First Extraordinary General Meeting", "Announcement on Increase in Cap Amount for Daily Related Transactions for Procurement of Goods and Composite Services in 2022" and "Announcement of First Tractor on Resolutions of 2022 Forth Extraordinary General Meeting" published by the Company on the website of the Shanghai Stock Exchange on 26 August 2021, 3 November 2021, 4 March 2022, 14 April 2022, 30 September 2022 and 29 November 2022, and the "Continuing Connected Transactions and Discloseable Transactions", "Poll Results of the Extraordinary General Meeting and the Class Meeting Held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors", "Continuing Connected Transactions – Adjustment to the Annual Cap for the Energy Procurement Agreement", "Poll Results of the Extraordinary General Meeting Held on 13 April 2022", "Continuing Connected Transactions - Adjustment to the Annual Cap for the Sales of Goods Agreement and the Composite Services Agreement for 2022", and "Poll Results of the Extraordinary General Meeting Held on 28 November 2022" announcement and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 25 August 2021, 2 November 2021, 3 March 2022, 13 April 2022, 29 September 2022 and 28 November 2022;



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

2. For details of the above No.12 connected transaction, please refer to the “Announcement on the Resolutions Passed at the Thirty-sixth Meeting of the Eighth Session of the Board of First Tractor”, “Announcement on the Signing of the Financial Services Agreement with SINOMACH Finance Co. and Daily Related Transaction” and “Announcement of First Tractor on Resolutions of 2022 Second Extraordinary General Meeting” published by the Company on the website of the Shanghai Stock Exchange on 30 March and 17 June 2022, and the “(1) Discloseable and Related Transactions in Relation to the Disposal of the Subject Assets; (2) Major and Related Transactions in Relation to the Capital Increase to SINOMACH Finance; and (3) Discloseable Transactions and Continuing Related Transactions in Relation to the Deposit Transactions” and “Poll Results of the Extraordinary General Meeting Held on 16 June 2022” announcement and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 29 March 2022 and 16 June 2022.

According to the restructuring agreement arrangement between YTO Finance and SINOMACH Finance, YTO Finance ceased its new business on 30 June 2022 and SINOMACH Finance will provide financial services to the Company.

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
18	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation, and also other technical services and other special services (including inspection services) related to tractors and diesel engines by Tractors Research Company to the Company and the subsidiaries.,	(1) the same transaction price between Tractors Research Company and an independent third party; (2) price is determined at a reasonable cost for the services provided by Tractors Research Company, plus gross profit from comparable non-related transactions; (2) if none of the above is applicable, price is determined by negotiation between both parties on fair basis.	21,000	17,736	100.00

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
19	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB6,630,000 was determined by both parties under market principles and negotiation.	663	663	24.97
20	Technologies License Agreement	ZF YTO Drive Axle	Associated corporation	Authorization of use of related drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of products applying these technologies as technologies authorization fee of to the Company	85	79	100.00
21	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations.	4,500	4,227	0.34
22	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	<p>(1) Prices of drive axle products are determined under negotiations between both parties based on factors such as prices of past years; the then prevailing market price and raw material price fluctuations;</p> <p>(2) The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Drivetech (Hangzhou) Co. Ltd.* (采埃孚傳動技術(杭州)有限公司).</p>	23,000	23,000	2.05

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



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

## 3. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for transaction amount in 2022	Actual transaction amount in 2022	Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Acceptance of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark and font size	(1) Charged in range of 2%-5% of the external product revenue of the trademark products;  (2) Calculated on the basis of the external sales revenue of the font size using unit, the maximum charge shall not exceed 5% <sup>a</sup>	70	12	39.67
	ZF YTO Drive Axle	Associate	Product after-sales technical service agreement		400	370	3.48
	ZF YTO Drive Axle	Associate	Housing lease agreement		85	82	9.50
Total					555	464	

Details on return of large-sum sales

None

Explanation on connected transactions

- The licensed use of the trademark and font size between the Company and the controlling shareholder is a connected transaction under the Listing Rules of the Shanghai Stock Exchange and the Stock Exchange, the pricing principle complies with the relevant provisions of the Listing Rules, and the amount does not meet the disclosure standards;
- The provision of services and house leasing between the Company and ZF YTO Drive Axle do not constitute connected transactions under the Listing Rules of the Stock Exchange. According to the relevant provisions of the Listing Rules of the Shanghai Stock Exchange, the individual disclosure standards were not met.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

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

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 Company, YTO Finance (a controlled subsidiary of the Company), SINOMACH Finance (a company controlled by SINOMACH Group, the de facto controller of the Company) and Machinery Industry entered into the “Framework Agreement on Restructuring and Integration between China YTO Group Finance Company Limited and SINOMACH Finance Co., Ltd.” on 29 March 2022 (hereinafter referred to as “**Restructuring Framework Agreement**”), which intends to complete the restructuring of the relevant personnel, assets and business of YTO Finance and SINOMACH Finance through a series of transaction arrangements, including the sale of assets by YTO Finance to SINOMACH Finance, the capital increase by First Tractor to SINOMACH Finance in cash, the termination of the operation and the implementation of liquidation of YTO Finance, and the provision of financial services by SINOMACH Finance to First Tractor.

On the same date of signing the Restructuring Framework Agreement on 29 March 2022, (i) YTO Finance and SINOMACH Finance entered into the Asset Sale Agreement, under which YTO Finance Company intends to sell part of its credit assets (i.e. loans and advances disbursed, non-current assets due within one year, long-term receivables with maturity date after 30 September 2022 as confirmed by appraisal) and part of its fixed assets and intangible assets related to business (hereinafter collectively referred to as the “**Target Assets**”) to SINOMACH Finance, for a consideration not exceeding RMB1.8 billion, subject to the appraised value confirmed in the filed asset appraisal report as the basis for pricing; (ii) the Company entered into an investment agreement with SINOMACH Finance in relation to the Capital Increase. Pursuant to the Investment Agreement, the Company has conditionally agreed to increase the capital of SINOMACH Finance by RMB558,168,900 in cash and upon completion of the capital increase, the Company will hold approximately 14.29% equity interest in SINOMACH Finance; and (iii) the Company and SINOMACH Finance entered into a financial services framework agreement in relation to the provision of financial services by SINOMACH Finance to the Group, which is valid until 31 December 2024.

On 27 May 2022, the Company entered into a supplemental agreement to the Investment Agreement with SINOMACH Finance to confirm and adjust the final contribution amount for the Capital Increase. Pursuant to the Supplement Investment Agreement and the Final Sinomach Valuation Report as filed with the relevant state-owned regulatory authorities, both parties agreed and confirmed that the contribution amount shall be adjusted from RMB558,168,900 to RMB554,776,100, of which RMB250,000,000 will be credited as registered capital and RMB304,776,100 will be credited as contributed surplus in Sinomach Finance. The Company's shareholding in Sinomach Finance remains unchanged at approximately 14.29% upon completion of the Capital Increase.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

In order to determine the scope of the assets to be transferred, the valuation method and the estimated transaction amount, the parties to the transaction agreed to conduct the first appraisal of the Target Assets on the base date of 31 December 2021, and the first appraisal of the Target Assets will be used as the reference for pricing the transaction. According to the appraisal report issued by China Enterprise Appraisals Consultation Co., Ltd. (hereafter, “**China Enterprise Appraisals**”) on the base date of 31 December 2021 and adopting the asset-based method, the book value of the Target Assets proposed to be transferred by YTO Finance was RMB1,025,844,400 and the appraisal value was RMB1,047,263,700, representing an appreciation of RMB21,419,300 and a 2.09% appreciation rate.

In view of the background of the restructuring and integration of YTO Finance and SINOMACH Finance, YTO Finance will continue to operate until the cessation of its business and the scope of the Target Assets will continue to change. Therefore, the parties agreed to conduct another appraisal of the Target Assets on the base date ending on the date of cessation of business of YTO Finance (30 June 2022) and to determine the final transaction price of the Target Assets based on the appraised value of the assets on file by then.

The filing of the Asset Appraisal Report issued by China Enterprise Appraisals has been completed with the state-owned assets supervision department. Based on the business cessation date of YTO Finance (30 June 2022) as the base date, the book value of the Target Assets was RMB457,812,100 and the appraised value was RMB459,091,600, representing an appreciation of RMB1,279,400 and a 0.28% appreciation rate.

On 10 December 2022, the Company and SINOMACH Finance entered into the Supplemental Agreement to the Disposal Agreement of China YTO Group Finance Company Limited (hereafter, the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement and the Asset Appraisal Report issued and filed by China Enterprise Appraisals, as of the date of cessation of business of YTO Finance (30 June 2022), the parties confirmed that the disposal price of the Target Assets is RMB459,091,600. During the period from the business cessation date of YTO Finance to the delivery date of the Target Assets, the principal amount of the Target Assets such as loan and long-term receivables received by YTO Finance will be deducted from the asset disposal price. Both parties confirmed that SINOMACH Finance shall pay YTO Finance the final disposal price of the Target Assets amounting to RMB339,369,200, that is, the disposal price of the Target Assets of RMB459,091,600 deducting the principal amount of the Target Assets received by YTO Finance during the period from 30 June 2022 to 10 December 2022 amounting to RMB119,722,400.

As of the date of this Report, both parties have completed the delivery of the Target Assets in accordance with the Supplemental Agreement, and SINOMACH Finance has paid the transfer price and accruals in full in the total sum of RMB340,719,600, and the asset disposal transaction has been fully completed.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

#### 1. Deposit Business

##### (1) Deposit service provided by YTO Finance to its member units

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Daily maximum deposit limit (Note 1)	Range of deposit interest rates (Note 1)	Amount incurred in this period			Ending balance
				Beginning balance	Total deposit amount in this period	Total withdraw amount in this period	
YTO Group Corporation Limited	Controlling shareholder	/	/	33,264.61	894,967.57	927,932.18	300.00
Luoyang Tractor Research Institute Co., Ltd. (Note 2)	A controlled subsidiary of the Company	/	/	28,745.79	46,790.83	72,536.62	3,000.00
YTO (Luoyang) Logistics Co., Ltd.	A company controlled by controlling shareholders	/	/	2,872.95	49,854.02	52,726.97	0.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	A company controlled by controlling shareholders	/	/	2,292.48	6,314.56	7,607.04	1,000.00
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	A company controlled by controlling shareholders	/	/	3,281.35	3,234.8	6,516.15	0.00
YTO (Luoyang) Hydraulic Transmission Corporation Limited (Note 2)	A controlled subsidiary of the Company	/	/	4,390.11	7,253.45	11,643.56	0.00
Luoyang Fossett Environmental Protection Technology Co. Ltd.	A company controlled by controlling shareholders	/	/	3,291.97	1,121.86	4,413.83	0.00
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	A company controlled by controlling shareholders	/	/	979.56	1,832.83	2,812.39	0.00
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	A company controlled by controlling shareholders	/	/	134.41	683.37	817.78	0.00
YTO (Luoyang) material equipment Co., Ltd.	A company controlled by controlling shareholders	/	/	2,385.65	302,025.18	304,410.83	0.00
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	A company controlled by controlling shareholders	/	/	546.62	254.51	801.13	0.00
Luoyang Tianhui Energy Engineering Co., Ltd.	A company controlled by controlling shareholders	/	/	266.88	355.89	622.77	0.00
Dongfanghong (Luoyang) Modern LifeAn Services Co., Ltd.	An enterprise controlled by controlling shareholders	/	/	450.50	3,825.57	3,076.07	1,200
YTO (Luoyang) Huide Tooling Co., Ltd.	A company controlled by controlling shareholders	/	/	365.56	4,441.27	4,806.83	0.00
Luoyang Oriental Printing Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	69.94	124.93	194.87	0.00
Luoyang YTO Driver Training School Co., Ltd.	A company controlled by controlling shareholders	/	/	27.55	72.47	100.02	0.00
Shenzhen Dongfang Pengxing Trade Co., Ltd.	A Company formerly controlled by controlling shareholders	/	/	23.45	5.26	28.71	0.00
YTO (Luoyang) Rico Automobile Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.07	507.95	508.02	0.00
YTO (Luoyang) Standard Parts Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.32	0.00	0.32	0.00
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.31	0.00	0.00	0.31



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit (Note 1)	Range of deposit interest rates (Note 1)	Beginning balance	Amount incurred in this period		Ending balance
					Total deposit amount in this period	Total withdraw amount in this period	
YTO (Luoyang) New Oriental Automobile Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.03	0.00	0.03	0.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.	A company controlled by controlling shareholders	/	/	3.77	0.01	3.78	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	A company controlled by controlling shareholders	/	/	0.00	1,256.68	1,256.68	0.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.	A company controlled by controlling shareholders	/	/	0.00	389.16	389.16	0.00
Total	/	/	/	83,393.88	1,325,312.17	1,403,205.74	5,500.31

*Note 1:* YTO Finance provided deposit business interest rate range from 0.42% to 3.5% for each member unit, and please refer to the Deposit Service Agreement disclosed in this Chapter XII (I) 2 for the details of the maximum balance at any point of time for the relevant deposit service.

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

(2) Deposit service provided by SINOMACH Finance to the Company

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Range of deposit interest rates	Beginning Balance	Amount incurred in this period		Ending Balance
				Total deposit amount in this period	Total withdraw amount in this period	
SINOMACH Finance	A company controlled by the defacto controller	1.80%-1.85%	0.00	2,268,069.71	2,071,248.49	196,821.23

*Note:* For the details of the maximum balance at any point of time of the deposit service business provided by the SINOMACH Finance to the Company during the Reporting Period, please refer to the Financial Service Agreement disclosed in this chapter XII (I) 2.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### 2. Loan Business

#### (1) Loan services provided by YTO Finance to its member units

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Range of deposit interest rates	Beginning Balance	Amount incurred in this period		Ending Balance
				Total deposit amount in this period	Total withdraw amount in this period	
YTO Group Co., Ltd	Controlling Shareholders	3.4%-3.696%	79,000.00	143,000.00	222,000.00	0.00
YTO (Luoyang) Huide Tooling Co., Ltd.	A company controlled by controlling shareholders	3.8%-5.655%	570.00	570.00	1,140.00	0.00
YTO (Luoyang) Logistics Co., Ltd	A company controlled by controlling shareholders	3.50%	0.00	3,000.00	3,000.00	0.00
Total	/	/	79,570.00	146,570.00	226,140.00	0.00

*Note:* For the details of the maximum balance at any point of time of the loan facilities provided by the YTO Finance to its member units during the Reporting Period, please refer to the Loan Service Agreement disclosed in this chapter XII (I) 2.

#### (2) Loan services provided by SINOMACH Finance to the Company

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Range of deposit interest rates (Note)	Beginning Balance	Amount incurred in this period		Ending Balance
				Total deposit amount in this period	Total withdraw amount in this period	
SINOMACH Finance	A company controlled by the de facto controller	3.40%-3.70%	0.00	4,958.00	0.00	4,958.00

*Note:* For the details of the maximum balance at any point of time of the loan business provided by the SINOMACH Finance Company to the Company during the Reporting Period, please refer to the Financial Service Agreement disclosed in this chapter XII (I) 2.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### 3. Granting business or other financial business

#### (1) Credit granting business and other financial business services provided by YTO Finance Company to its member units

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Actual amount	Balance at the end of the reporting period
YTO Group Corporation	Controlling Shareholder	Bills acceptance	8,155.98	0.00
YTO (Luoyang) Logistics Co., Ltd	A company controlled by controlling shareholders	Bills acceptance	3,400.53	0.00
YTO (Luoyang) Fuel Injection Co., Ltd.	A company controlled by controlling shareholders	Bills acceptance	240.00	0.00
YTO (Luoyang) Huide Tooling Co., Ltd	A subsidiary controlled by the Company	Bills acceptance	421.00	0.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd (note)	A company formerly controlled by controlling shareholders	Bills acceptance	0.00	2.76
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	A company controlled by controlling shareholders	Bills acceptance	0.00	6.00
YTO (Luoyang) Huide Tooling Co., Ltd	A company controlled by controlling shareholders	Notes discounting	59.38	0.00
YTO (Luoyang) Logistics Co., Ltd	A company controlled by controlling shareholders	Notes discounting	10,342.99	0.00
YTO (Luoyang) Huide Tooling Co., Ltd	A company controlled by controlling shareholders	Financial leasing	122.19	0.00

Note: (1) During the Reporting Period, the maximum balance at any one point did not exceed the caps of the Bills Acceptance Service Agreement and Bills Discounting Service Agreement disclosed in chapter XII (1) 2.

(2) YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd has entered into bankruptcy liquidation.

#### (2) Credit business and other financial business services provided by SINOMACH Finance to the Company

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Actual amount	Balance at the end of the reporting period
SINOMACH Finance	A company controlled by the de facto controller	Bills acceptance	214,286.05	192,284.97

Note: For the details of the maximum balance at any point of time of the credit granting business in SINOMACH Finance of the Company and its subsidiaries during the Reporting Period, please refer to the Financial Service Agreement disclosed in this chapter XII (1) 2.



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### VII. RELATED PARTY TRANSACTION

Details of the significant related party transactions entered into by the Group during the financial year are set out in Note 12 to the consolidated financial statements. Except for the transactions described in the section headed “Related transactions related to daily operations” (which complied with the disclosure requirements of Chapter 14A of the Listing Guidelines of the Stock Exchange), none of these related party transactions constituted a discloseable Connected Transaction (as defined in the Stock Exchange Listing Rules).

#### Annual Review of Continuing Connected Transactions

The above continuing connected transactions (i.e. connected transactions relating to daily operations and deposit business between the Company and financial companies with related relationships, financial companies controlled by the Company and related parties) have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the above continuing connected transactions are:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better;
- (iii) conducted in accordance with an agreement relating to the transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with the Standards for Other Assurance Practices of Chinese Certified Public Accountants No.3101 - Assurance Practices Other than Auditing or Reviewing Historical Financial Information issued by the Ministry of Finance of the PRC and with reference to the Practice Note 740 “Auditor Letters for Continuing Connected Transactions under the Hong Kong Listing Rules”, the Company’s independent auditor, ShineWing (a special general partnership) has been engaged to report on the above-mentioned continuing connected transactions of the Group for the current financial year ended, and has issued an unqualified letter containing its findings and conclusions in accordance with Rule 14A.56 of the Listing Rules of the Stock Exchange. A copy of the auditor’s letter has been submitted to the Stock Exchange.



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

#### (I) Custody, contracting and lease matters

##### 1. Custody

Unit: Yuan Currency: RMB

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

##### Explanation on custody

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

#### (II) Guarantee

During the Reporting Period, the Company did not have any external guarantees of any kind, nor did it have any external guarantees that occurred in the previous period but continued into the Reporting Period.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### (III) Cash assets management by others under entrustment

#### 1. Entrusted loans

##### (1) General conditions of entrusted loans

Unit: 0'000 Currency: RMB

Type	Source of fund	Amount incurred	Amount not yet due	Amount overdue and not recovered
Entrusted loans	Own funds	-42,000.00	0.00	19,200.00

Note: During the Reporting Period, YTO International Trade repaid the entrusted loan, and the amount incurred was negative.

##### (2) Individual entrusted loans

Unit: 0'000 Currency: RMB

Trustee	Categories of entrusted loan	Amount of entrusted loan	Commencement date of the entrusted loan	End date of entrusted loan	Source of fund	Use of fund	Remuneration determination method	Annualized rate of return	Expected income (if any)	Actual gain or loss	Actual recovery	Whether it passed the legal procedures	Is there any entrusted loan plan in the future	Amount provided for impairment (if any)
Changtuo Company	Entrusted loans	540	27 June 2019	26 June 2020	Own funds	Production and operation		6.175%			Not recovered	Yes	No	540
Changtuo Company	Entrusted loans	130	1 July 2019	30 June 2020	Own funds	Production and operation		5.655%			Not recovered	Yes	No	130
Changtuo Company	Entrusted loans	130	3 July 2019	2 July 2020	Own funds	Production and operation		5.655%			Not recovered	Yes	No	130
Changtuo Company	Entrusted loans	100	12 September 2019	11 September 2020	Own funds	Production and operation		5.655%			Not recovered	Yes	No	100
Changtuo Company	Entrusted loans	1,200	28 November 2019	21 November 2020	Own funds	Production and operation		5.655%			Not recovered	Yes	No	1,200

#### Other Matters

Save as listed in the table above, the Company provided entrusted loans with a total amount of RMB171 million to YTO Shentong, which were not recovered during the Reporting Period and for which the Company has made full provision for impairment. YTO Shentong entered into bankruptcy liquidation proceedings upon a ruling from court on 13 January 2020, and the Company has reported its debts according to regulations.

##### (3) Impairment allowance of entrusted loans

During the Reporting Period, no provision was made for the impairment on entrusted loans, however, a provision of RMB192 million was made for the impairment on entrusted loans.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### IX. DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective close associates (as defined under the Listing Rules of the Stock Exchange) has an interest in any business which competes or may compete, directly or indirectly, with the business of the Group.

### X. SERVICE CONTRACTS

Each of the Directors has not entered into any service contract with the Company or any of its subsidiaries which obliges the employer not to terminate his service within one year unless compensation (other than statutory compensation) is paid.

### XI. MANAGEMENT CONTRACTS

The Company had no contract (as defined in section 543 of the Companies Ordinance (Cap. 622)) entered into or subsisting during the year relating to the management and/or administration of the whole or any substantial part of the business of the Company.

### XII. PERMITTED INDEMNITY

Pursuant to the Articles of Association of the Company and subject to the relevant provisions thereof, each Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties as a Director of the Company. The Company has taken out appropriate Directors' and Officers' liability insurance and the permitted indemnity provisions for the benefit of the directors is now in force and in force throughout the year under review.

### XIII. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company complied with relevant laws and regulations that have a significant impact on the Company's operations in major aspects.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### XIV. INTERESTS OF DIRECTORS IN SIGNIFICANT CONTRACTS

At the year-end date or at any time during the financial year, the Company has not entered into any agreement involving direct or indirect material interests of the directors of the Company and with the ultimate holding company of the Company or its significant contracts relating to the business of any subsidiary.

### XV. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals during the financial year are set out in Note 12 (2) 7 of the consolidated financial statements respectively.

### XVI. MAJOR CUSTOMERS AND SUPPLIERS

As of the current financial year, the percentage share of the Group's revenue from the sale of goods or provision of services attributable to the Group's five largest customers in aggregate was approximately 6.48% and that of the largest customer was approximately 1.76%; the percentage share of the Group's purchases attributable to the Group's five largest suppliers in aggregate was approximately 21.92% and that of the largest supplier was approximately 11.60%.

None of the directors or any of their close associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the issued share capital of the Company) has any interest in the five largest customers and suppliers of the Group.

### XVII. RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in the consolidated statement of changes in equity and Note 7.79 to the consolidated financial statements on pages 144 to 145 of the Annual Report.

### XVIII. DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves were approximately RMB1.540 billion (2021: approximately RMB1.086 billion).

### XIX. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### XX. PUBLIC FLOAT

Pursuant to the published information and to the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained the required public float under the Listing Rules of the Stock Exchange.

### XXI. TAX CONCESSIONS

None of the holders of the Company's listed securities was entitled to any tax concessions for holding securities of the Company.

### XXII. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

The Company had no preference shares during the Reporting Period.

### XXIII. SUBSCRIPTION OF SHARE OPTION SCHEME

The Company and its subsidiaries have no share option scheme.

### XXIV. ARRANGEMENT FOR PURCHASE OF SHARES OR BONDS

Neither the Company nor any holding company, subsidiary or fellow subsidiary of the Company was a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the year ended 31 December 2022.

## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in Shares

##### 1. Changes in Shares

During the Reporting Period, the total number of shares and share capital structure of the Company remained unchanged.

#### (II) Changes in restricted shares

*Unit: Share*

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

### II. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

#### (I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (shareholder)	33,988 including 33,666 holders of A Shares and 322 holders of H Shares
Total number of ordinary shareholders as at the end of the month prior to the date of the Annual Report (shareholder)	35,267 including 34,948 holders of A Shares and 319 holders of H Shares
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (shareholder)	/
Total number of preference shareholders with voting rights restored as at the end of the month prior to the date of the Annual Report (shareholder)	/

## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

### (II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders without selling restrictions) as at the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of the top ten shareholders		Number of shares held subject to selling restrictions	Pledged, charged or frozen		
		Total number of shares held as at the end of the Reporting Period	Percentage (%)		Status of shares	Number	Nature of shareholder
YTO Group Corporation	0	548,485,853	48.81	137,795,275	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-12,010	388,183,309	34.55	0	Unknown	/	Overseas legal person
Hong Kong Securities Clearing Company Limited (Note 2)	20,758,127	25,516,774	2.27	0	Unknown	/	Overseas legal person
Taikang Life Insurance Co., Ltd. – Investment Link – Innovation Power	1,964,800	1,964,800	0.17	0	Unknown	/	Other
Shenzhen Qianhai Huolan Assets Management Co., Ltd. – Huolan Yuanfang No. 1 Private Placement Securities Investment Fund (深圳市前海火藍資產管理有限公司－火藍遠方1號私募證券投資基金)	-510,000	1,838,200	0.16	0	Unknown	/	Other
CITIC Securities Company Limited	1,350,471	1,493,668	0.13	0	Unknown	/	State-owned legal person
Han Yan	1,470,441	1,470,441	0.13	0	Unknown	/	Domestic natural person
Xu Dongmei	1,300,706	1,300,706	0.12	0	Unknown	/	Domestic natural person
Agricultural Bank of China Limited Enterprise Annuity Plan—Bank of China Limited	1,094,800	1,094,800	0.10	0	Unknown	/	Other
Bank of China Limited – China Merchants Quantitative Selected Stock Type Launched Securities Investment Fund	1,053,173	1,053,173	0.09	0	Unknown	/	Other

## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

### Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of nonrestricted circulating shares held	Number and class of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	388,183,309	Overseas listed foreign shares	388,183,309
Hong Kong Securities Clearing Company Limited (Note 2)	25,516,774	Ordinary shares denominated in RMB	25,516,774
Taikang Life Insurance Co., Ltd. – Investment Link – Innovation Power	1,964,800	Ordinary shares denominated in RMB	1,964,800
Shenzhen Qianhai Huolan Assets Management Co., Ltd. – Huolan Yuanfang No. 1 Private Placement Securities Investment Fund (深圳市前海火藍資產管理有限公司—火藍遠方1號私募證券投資基金)	1,838,200	Ordinary shares denominated in RMB	1,838,200
CITIC Securities Company Limited	1,493,668	Ordinary shares denominated in RMB	1,493,668
Han Yan	1,470,441	Ordinary shares denominated in RMB	1,470,441
Xu Dongmei	1,300,706	Ordinary shares denominated in RMB	1,300,706
Agricultural Bank of China Limited Enterprise Annuity Plan—Bank of China Limited	1,094,800	Ordinary shares denominated in RMB	1,094,800
Bank of China Limited – China Merchants Quantitative Selected Stock Type Launched Securities Investment Fund	1,053,173	Ordinary shares denominated in RMB	1,053,173



## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Explanation on special repurchase accounts of top ten shareholders Not applicable

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

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

Explanation on preference shareholders with voting rights restored and number of shares held thereby Not applicable

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

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

The shareholdings and selling restrictions of the top ten shareholders subject to selling restrictions

*Unit: share*

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Time available for listing and trading	Shares subject to selling restrictions available for listing and trading		Selling restrictions
				Number of additional shares available for listing and trading		
1	YTO Group Corporation	137,795,275	19 February 2024	137,795,275		No transfer shall be made within 36 months from the date of completion of Non-public Issuance of the Company

Explanation on connected relationship or acting in concert among the aforesaid shareholders Not applicable

## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

### III. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS DISCLOSED IN ACCORDANCE WITH THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (THE "SFO")

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

Note 1: (L) – Long position

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

Save as disclosed above, as at 31 December 2022, there was no record of any other person having an interest or short position in the shares or underlying shares of equity derivatives of the Company in the register of interests required to be kept under section 336 of the SFO.

### IV. CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

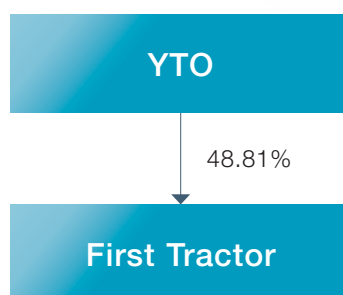
#### (I) Controlling Shareholder

##### 1 Corporation

<b>Name</b>	<b>YTO Group Corporation</b>
Person in charge or legal representative	Liu Jiguo
Date of establishment	6 May 1997
Principal business	Agricultural machinery, power machinery, vehicles and components industry
Equities interests (either controlling or participating) Nil held in other Chinese and overseas listed companies during the Reporting Period	
Other explanation	Nil

## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

- 2 *Diagram showing the equity interest and controlling relationship between the Company and the controlling shareholders*



### (II) Ultimate Controller

#### 1 *Corporation*

##### Name

**China National Machinery Industry Corporation Ltd**

Person in charge or legal representative  
Date of establishment

Zhang Xiaolun  
21 May 1988

##### Main business

External dispatch of contract workers required by overseas projects; domestic and foreign contracting of large equipment and projects, organization of the research and development of major technology and equipment in the industry, and the production and sales of scientific research products; sales of motor vehicles, cars and auto parts; contracting of overseas projects and domestic international bidding projects; import and export business; holding economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas; holding exhibition and show activities; convention services. (Enterprise is allowed to choose the business to be engaged in and carry out such business activities pursuant to laws. For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities. No business activities which are prohibited and restricted by the industrial policies of the municipality shall be carried out.)

## CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

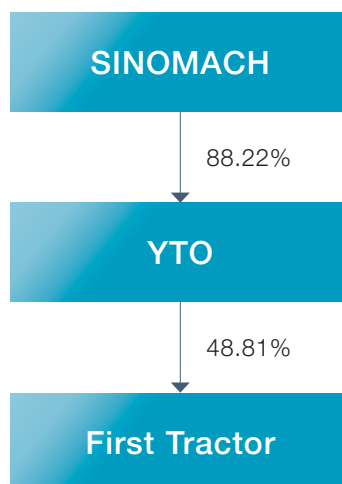
Equity interests in other domestic and overseas listed companies controlled and held by the Company during the Reporting Period

SINOMACH directly or indirectly holds equity interests in the following domestic and overseas listed companies: Lanpec Technologies Co., Ltd. (甘肅藍科石化高新裝備股份有限公司)(SH601798), SUMEC Co. Ltd. (SH600710), Linhai Co., Ltd. (林海股份有限公司)(SH600099), SINOMACH Automobile Co., Ltd. (國機汽車股份有限公司)(SH600335), China CAMC Engineering Co., Ltd. (SZ002051), SINOMACH Precision Industry Co., Ltd. (國機精工股份有限公司)(SZ002046), SINOMACH General Machinery Science & Technology Co., Ltd. (國機通用機械科技股份有限公司)(SH600444), China Electric Science and Technology Research Institute Co. Ltd. (中國電器科學院股份有限公司)(SH688128), Jingwei Textile Machinery Co., Ltd. (SZ000666), CHTC Fong's International Company Limited (中國恒天立信國際有限公司)(HK00641), Kama Co., LTD. (恒天凱馬股份有限公司)(B900953), CHTC Helon Co., Ltd. (恒天海龍股份有限公司)(SZ000677), SINOMACH-HI Equipment Group Co., Ltd. (SH601399)

Other explanations

Nil

**2 Diagram showing the equity interest and controlling relationship between the Company and the ultimate controller**





## CHAPTER VIII RELEVANT INFORMATION ON PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.



## CHAPTER IX RELEVANT INFORMATION ON BONDS

The Company had no financing instruments such as enterprise bonds, corporate bonds and non-financial enterprise bonds or convertible corporate bonds during the Reporting Period.

## CHAPTER X AUDIT REPORT

XYZH/2023BJAA3B0172

To all shareholders of First Tractor Company Limited:

### I. AUDITOR'S OPINION

We have audited the financial statements of First Tractor Company Limited (hereinafter referred to as "the Company"), including the consolidated and the parent company's Balance Sheets as at December 31, 2022, the consolidated and the parent company's Income Statements, the consolidated and the parent company's Cash Flow Statements and the consolidated and the parent company's Statements of Changes in Shareholders' Equity for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the attached financial statements present fairly, in all material respects, the consolidated and parent company's financial positions of the Company as of December 31, 2022, and its consolidated and parent company's financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

### II. BASIS FOR OPINION

We conducted our audit in accordance with the *Auditing Standards for Certified Public Accountants of China*. The section in the Auditor's Report titled "CPAs' Responsibilities for the Audit of the Financial Statements" further describes our responsibilities under these standards. We conduct our audit independent of the Company in accordance with the *China Code of Ethics for Certified Public Accountants* and fulfil other responsibilities in ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. KEY AUDIT MATTERS

Key audit matters are those matters that are deemed most important to the audit of the financial statements for the current period based on our professional judgment. These matters are addressed by auditing the financial statements integrally and forming the audit opinion, so we do not express the opinions for them separately.



## CHAPTER X AUDIT REPORT (CONTINUED)

### III. KEY AUDIT MATTERS(CONTINUED)

#### 1. Recognition of revenues from main operations

Key Audit Matters	Countermeasures in the Audit
<p>As mentioned in the accounting policies of “Note V.32” and “Note VII. Main items in consolidated financial statements No. 52” to the Financial Statements, the sales revenue of the Company mainly comes from the manufacturing and sales of agricultural machinery, the manufacturing and sales of diesel engines and fuel injection, and the manufacturing and sales of other machinery, etc. The amount of revenues from main operations in 2022 is 12,349.2602 million, accounting for 98.29% of the total operating revenue of the Company. As the revenues from main operations are one of the key performance indicators of the Company and have a significant impact on the Financial Statements, we recognize the revenues from main operations of the Company as a key audit matter.</p>	<p>Our main targeted procedures are as follows:</p> <ol style="list-style-type: none"> <li>1. Evaluate and test the effectiveness of the design and operation of the Company's key internal controls related to revenue recognition;</li> <li>2. Implement the test on revenue breakdown, select samples from the Company's sales revenue breakdown, check the sales contracts or orders, dispatch lists/packing list receipts, or customs declarations, and evaluate whether the time point of revenue recognition conforms to the accounting policy on the revenue recognition;</li> <li>3. Implement an analytical procedure for the revenues from main operations and gross profit and judge the rationality of the gross margin of sales in the current year;</li> <li>4. Implement the confirmation procedure by selecting customers with large annual sales amounts; and</li> <li>5. Implement cut-off tests for sales revenues recognized before and after the balance sheet date to evaluate whether the sales revenues are recognized in the appropriate period.</li> </ol>



## CHAPTER X AUDIT REPORT (CONTINUED)

### III. KEY AUDIT MATTERS(CONTINUED)

#### 2. Impairment of accounts receivable

Key Audit Matters	Countermeasures in the Audit
<p>As mentioned in the accounting policies of “Note V.12” and “Note VII. Main items in consolidated financial statements No. 5” to the Financial Statements, the book value of accounts receivable of the Company is 701.9723 million, with an impairment of 350.1801 million and a carrying amount of 351.7921 million. As the impairment of accounts receivable involves the management estimates, if it cannot be recovered on schedule or cannot be recovered, which has a significant impact on the financial statements, we recognize the impairment of accounts receivable of the Company as a key audit matter.</p>	<p>Our main targeted procedures are as follows:</p> <ol style="list-style-type: none"> <li>1. Evaluate and test the design and operational effectiveness of the internal control system related to collection from sales;</li> <li>2. Check the sales contract, learn about the payment collection policy and credit policy, check the payment collection from sales, and learn about and evaluate the rationality of the management’s accounting estimates of the expected credit loss rate of accounts receivable;</li> <li>3. Obtain the calculation table of provision for bad debt for accounts receivable of the Company, to check the accuracy of provision;</li> <li>4. Implement confirmation procedures of the ending balance of accounts receivable by selecting samples; and</li> <li>5. Analyse whether there is any sign of impairment for accounts receivable with a long age and whether the accrual for provision for impairment is sufficient.</li> </ol>



## CHAPTER X AUDIT REPORT (CONTINUED)

### III. KEY AUDIT MATTERS(CONTINUED)

#### 3. Provision for inventory impairment

Key Audit Matters	Countermeasures in the Audit
<p>As mentioned in the accounting policies of “Note V.15” and “Note VII. Main items in consolidated financial statements No. 10” to the Financial Statements, the inventories of the Company are mainly raw materials, products in process, finished products, and goods shipped, with an original value of 1,300.5455 million at the end of the year and a provision for inventory impairment of 109.2428 million, and a carrying amount of 1,191.3027 million. As the book value of the inventories of the Company is large, and the impairment of inventory involves significant judgment and estimates of the management, whether the accrual for provision for inventory impairment is sufficient and appropriate has a significant impact on the Financial Statements. We recognize the accrual for provision for inventory impairment of the Company as a key audit matter.</p>	<p>Our main targeted procedures are as follows:</p> <ol style="list-style-type: none"> <li>1. Evaluate and test the design and operating effectiveness of key internal controls related to the provision for inventory impairment;</li> <li>2. Select samples of finished products, compare the product cost with the selling price of similar goods, and evaluate whether there is impairment;</li> <li>3. Obtain the list of inventory ageing at the end of the year, and analyse the rationality of the accrual for provision for long-aged inventory impairment in combination with the inventory status;</li> <li>4. Obtain and review the data on which the management evaluates whether there is a sign of impairment of inventories, and evaluate their appropriateness and rationality;</li> <li>5. Obtain the breakdown of the goods shipped, interview the management to learn about the status and receipt of the goods shipped, and review whether the provision for inventory impairment is reasonable based on the contract price and advances from customers;</li> <li>6. Implement the inventory monitoring work, and check the quantity and condition of inventory.</li> </ol>

## CHAPTER X AUDIT REPORT (CONTINUED)

### IV. OTHER INFORMATION

The management of the Company (hereinafter referred to as the management) is responsible for other information. Other information includes information covered in 2022 annual report of the Company, except the financial statements and our auditor's report.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit on the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work that we have executed, we should report the fact in case of determining the material misstatement of other information. In this regard, we have nothing to report.

### V. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining necessary internal control to make sure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparation of the Financial Statements, the management is responsible for assessing the Company's going-concern ability, disclosing the going-concern related items (if applicable) and applying going-concern assumptions, unless otherwise the management plans to liquidate the Company, stop operation or it has no other practical choice.

The Governance of the Company (hereinafter referred to as "the Governance") is responsible for supervising the financial reporting process of the Company.



## CHAPTER X AUDIT REPORT (CONTINUED)

### VI. CPAS' RESPONSIBILITY FOR AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with auditing standards can always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users would take on the basis of these financial statements.

We exercise professional judgment and maintain professional scepticism in carrying out our audit in accordance with the Auditing Standards. At the same time, we also:

- (1) Identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. The risk of not detecting a material misstatement resulting from fraudulent practices is higher than that resulting from mistakes, as fraudulent practices may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Understand the audit-related internal control to design appropriate audit procedures.
- (3) Evaluate the appropriateness of the Management's selection of accounting policies and the rationality of accounting estimates as well as related disclosures.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting. Conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on information available as of the date of the Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and events.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for guiding, supervising, and performing the group audit, and assume all responsibilities for our opinion.



## CHAPTER X AUDIT REPORT (CONTINUED)

### VI. CPAS' RESPONSIBILITY FOR AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided the governance with a statement that we have complied with the ethical requirements associated with independence and communicated with the Governance all relationships and other matters that may reasonably be considered to affect our independence, as well as related safeguards.

From the matters communicated with the Governance, we determine which items are most important to the audit of the financial statements for the current period and thus constitute a key audit matter. We described these matters in our auditor's report, except in those cases where public disclosure of such matters is prohibited by law or regulation, or in those rare cases where we determine not to communicate with the Governance about a matter in our auditor's report if we reasonably expect that the adverse consequences of communicating about such matter in our auditor's report would outweigh the benefits in the public interest.

ShineWing Certified Public Accountants LLP

Certified Public Accountant of China: 馬傳軍 (*Engagement Partner*)

Certified Public Accountant of China: 馬靜

Beijing, China

March 29, 2023

# CONSOLIDATED BALANCE SHEET

December 31<sup>st</sup>, 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VII	December 31, 2022	December 31, 2021
<b>Current assets:</b>			
Monetary fund	Note 1	4,363,742,346.01	3,243,399,611.65
Lendings to banks and other financial institutions	Note 2		23,320,000.00
Financial assets held for trading	Note 3	1,249,646,900.00	1,038,970,988.74
Derivative financial assets			
Bills receivable	Note 4	76,769,291.70	62,757,621.58
Accounts receivable	Note 5	351,792,105.00	301,661,736.48
Receivables financing	Note 6	246,084,731.86	216,495,094.89
Advances to suppliers	Note 7	214,603,079.62	242,712,324.09
Other receivables	Note 8	26,664,987.91	24,247,156.19
Including: interest receivable	Note 8.1		944.41
Dividends receivable			
Financial assets purchased under agreements to resell	Note 9		360,643,454.77
Inventories	Note 10	1,191,302,696.00	1,674,008,933.28
Contract assets			
Held-for-sale assets			
Non-current assets due within one year	Note 11	26,138,882.38	188,189,353.75
Other current assets	Note 12	135,457,079.03	319,494,747.99
<b>Total current assets</b>		<b>7,882,202,099.51</b>	<b>7,695,901,023.41</b>
<b>Non-current assets:</b>			
Disbursement of loans and advances to customers	Note 13		891,754,953.83
Debt instruments at amortised cost	Note 14	1,086,568,216.50	
Debt instruments at fair value through other comprehensive income			
Long-term receivables	Note 15		147,379,925.56
Long-term equity investment	Note 16	635,976,086.00	126,970,546.37
Equity instruments at fair value through other comprehensive income	Note 17	3,513,464.70	4,839,048.00
Other non-current financial assets			
Investment properties			
Fixed assets	Note 18	2,311,846,878.77	2,465,981,510.01
Projects under construction	Note 19	126,466,820.01	79,246,144.63
Productive biological assets			
Oil and gas assets			
Right-of-use assets	Note 20	34,164,906.27	15,044,288.50
Intangible assets	Note 21	713,225,331.16	750,855,986.17
Development expenditures	Note 22		
Goodwill	Note 23		
Long-term deferred expenses	Note 24	59,464,923.38	61,059,040.71
Deferred tax assets	Note 25	132,713,596.93	100,562,089.39
Other non-current assets			
<b>Total non-current assets</b>		<b>5,103,940,223.72</b>	<b>4,643,693,533.17</b>
<b>Total assets</b>		<b>12,986,142,323.23</b>	<b>12,339,594,556.58</b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31<sup>st</sup>, 2022

Unit: Yuan Currency: RMB

Item	Note VII	December 31, 2022	December 31, 2021
<b>Current liabilities:</b>			
Short-term borrowings	Note 26	270,223,055.56	270,183,333.34
Borrowings from central bank			
Deposits from banks and other financial institutions	Note 27		200,050,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	Note 28	1,829,411,578.37	1,429,974,406.92
Accounts payable	Note 29	2,286,961,766.98	2,005,338,697.27
Advances from customers	Note 30	190,366.98	198,307.51
Contract liabilities	Note 31	846,464,703.95	580,385,482.01
Financial assets sold under agreements to repurchase	Note 32		11,759,888.55
Customer bank deposits and interbank deposits	Note 33	34,112,630.48	741,565,080.73
Employee compensation payable	Note 34	108,545,159.39	94,183,174.20
Taxes payable	Note 35	21,049,384.80	16,547,128.41
Other payables	Note 36	338,162,726.80	264,862,718.59
Including: interests payable	Note 36.1	24,785,843.99	17,839,437.74
Dividends payable	Note 36.2	8,439,607.83	59,459,387.16
Held-for-sale liabilities			
Non-current liabilities due within one year	Note 37	17,750,080.09	13,333,158.50
Other current liabilities	Note 38	374,987,097.17	262,766,044.87
<b>Total current liabilities</b>		<b>6,127,858,550.57</b>	<b>5,891,147,420.90</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	Note 39	49,380,000.00	110,000,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities	Note 40	16,459,875.98	1,853,079.74
Long-term payables	Note 41	8,476,357.76	8,251,321.72
Long-term employee compensation payable	Note 42	48,210,828.04	57,802,347.71
Provision	Note 43	1,962,613.99	1,962,613.99
Deferred incomes	Note 44	121,762,517.70	138,045,711.55
Deferred tax liabilities	Note 25	114,860,703.26	148,308,914.30
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>361,112,896.73</b>	<b>466,223,989.01</b>
<b>Total liabilities</b>		<b>6,488,971,447.30</b>	<b>6,357,371,409.91</b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31<sup>st</sup>, 2022

Unit: Yuan Currency: RMB

Item	Note VII	December 31, 2022	December 31, 2021
<b>Shareholders' equity:</b>			
Share capital	Note 45	1,123,645,275.00	1,123,645,275.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserves	Note 46	2,655,849,996.00	2,655,849,996.00
Less: treasury shares			
Other comprehensive incomes	Note 47	-5,853,544.29	-11,710,421.44
Special reserves	Note 48	5,497,405.05	3,465,767.12
Surplus reserves	Note 49	595,433,495.89	501,495,783.59
General risk provision	Note 50	43,263,387.54	43,263,387.54
Retained earnings	Note 51	1,540,248,936.64	1,086,069,085.52
<b>Total equity attributable to shareholders of the parent company</b>		<b>5,958,084,951.83</b>	<b>5,402,078,873.33</b>
<b>Minority interests</b>		<b>539,085,924.10</b>	<b>580,144,273.34</b>
<b>Total shareholders' equity</b>		<b>6,497,170,875.93</b>	<b>5,982,223,146.67</b>
<b>Total liabilities and shareholders' equity</b>		<b>12,986,142,323.23</b>	<b>12,339,594,556.58</b>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan



# BALANCE SHEET OF THE PARENT COMPANY

December 31<sup>st</sup>, 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVII	December 31, 2022	December 31, 2021
<b>Current assets:</b>			
Monetary fund		1,722,897,157.23	2,359,458,905.17
Financial assets held for trading		675,482,733.33	243,232,200.00
Derivative financial assets			
Bills receivable		1,625,000.00	4,474,442.43
Accounts receivable	Note 1	581,387,851.71	268,784,518.68
Receivables financing		221,126,278.14	107,547,214.91
Advances to suppliers		215,931,829.44	201,109,349.01
Other receivables	Note 2	201,924,617.91	163,216,480.15
Including: interest receivable			
Dividends receivable		76,808,376.96	138,679,096.96
Inventories		665,370,559.45	1,160,601,878.63
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		83,603,174.36	680,582,364.34
<b>Total current assets</b>		<b>4,369,349,201.57</b>	<b>5,189,007,353.32</b>
<b>Non-current assets:</b>			
Debt instruments at amortised cost		1,086,568,216.50	
Debt instruments at fair value through other comprehensive income			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	Note 3	2,609,671,715.57	2,133,667,445.23
Equity instruments at fair value through other comprehensive income			
Other non-current financial assets			
Investment properties			
Fixed assets		1,368,715,459.93	1,428,183,835.66
Projects under construction		41,927,945.62	48,035,500.29
Productive biological assets			
Oil and gas assets			
Right-of-use assets		25,832,986.85	9,391,087.23
Intangible assets		490,628,424.39	506,056,408.64
Development expenditures			
Goodwill			
Long-term deferred expenses		35,249,504.90	43,089,905.20
Deferred tax assets		49,107,751.71	48,206,349.18
Other non-current assets			
<b>Total non-current assets</b>		<b>5,707,702,005.47</b>	<b>4,216,630,531.43</b>
<b>Total assets</b>		<b>10,077,051,207.04</b>	<b>9,405,637,884.75</b>

## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31<sup>st</sup>, 2022

Unit: Yuan Currency: RMB

Item	Note XVII	December 31, 2022	December 31, 2021
<b>Current liabilities:</b>			
Short-term borrowings		200,223,055.56	1,090,999,722.24
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		1,022,266,618.92	902,517,901.06
Accounts payable		1,434,693,508.64	1,372,715,494.19
Advances from customers		190,366.98	198,307.51
Contract liabilities		831,726,460.38	417,021,907.97
Employee compensation payable		81,901,948.04	60,809,164.13
Taxes payable		6,011,774.44	5,009,107.51
Other payables		339,791,958.50	126,855,196.33
Including: interests payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		13,519,395.20	9,507,198.34
Other current liabilities		106,292,965.99	67,830,207.96
<b>Total current liabilities</b>		<b>4,036,618,052.65</b>	<b>4,053,464,207.24</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			110,000,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities		12,313,591.65	
Long-term payables			
Long-term employee compensation payable		31,670,478.87	38,644,746.62
Provision		1,962,613.99	1,962,613.99
Deferred incomes		88,032,488.71	96,254,651.84
Deferred tax liabilities		24,806,160.00	19,984,830.00
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>158,785,333.22</b>	<b>266,846,842.45</b>
<b>Total liabilities</b>		<b>4,195,403,385.87</b>	<b>4,320,311,049.69</b>

## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31<sup>st</sup>, 2022

Unit: Yuan Currency: RMB

Item	Note XVII	December 31, 2022	December 31, 2021
<b>Shareholders' equity:</b>			
Share capital		1,123,645,275.00	1,123,645,275.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserves		2,561,176,415.62	2,561,176,415.62
Less: treasury shares			
Other comprehensive incomes		-69,708.37	
Special reserves			
Surplus reserves		520,940,212.06	427,002,499.76
Retained earnings		1,675,955,626.86	973,502,644.68
<b>Total shareholders' equity</b>		<b>5,881,647,821.17</b>	<b>5,085,326,835.06</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,077,051,207.04</b>	<b>9,405,637,884.75</b>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan

# CONSOLIDATED INCOME STATEMENT

Year of 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
<b>I. Total operating revenue</b>	Note 52	<b>12,563,780,344.92</b>	9,333,808,881.54
Including: operating revenue	Note 52	<b>12,455,465,114.62</b>	9,209,135,833.76
Interest income	Note 53	<b>103,241,584.91</b>	118,198,056.28
Fee and commission income	Note 54	<b>5,073,645.39</b>	6,474,991.50
<b>II. Total operating cost</b>	Note 52	<b>11,663,299,445.57</b>	8,811,858,933.89
Including: operating cost	Note 52	<b>10,497,058,564.32</b>	7,712,932,565.70
Interest expenses	Note 53	<b>12,119,803.80</b>	21,572,879.07
Fee and commission expenses	Note 54	<b>505,541.79</b>	695,451.23
Taxes and surcharges	Note 55	<b>49,187,427.97</b>	43,006,114.05
Selling expenses	Note 56	<b>222,210,134.64</b>	203,809,324.49
Administrative expenses	Note 57	<b>395,202,295.32</b>	363,378,163.19
R&D expenses	Note 58	<b>528,782,269.55</b>	415,352,332.37
Financial Expenses	Note 59	<b>-41,766,591.82</b>	51,112,103.79
Including: interest expenses		<b>21,199,843.59</b>	28,392,320.26
Interest income		<b>27,386,455.05</b>	2,450,078.79
Add: other incomes	Note 60	<b>42,737,331.02</b>	43,498,171.42
Investment income (loss to be listed with "-")	Note 61	<b>7,287,769.45</b>	639,394,264.83
Including: Income from investment in affiliated business and joint venture		<b>-33,233,515.23</b>	1,845,539.21
Revenue from derecognition of financial assets at amortized cost		<b>-3,646,257.54</b>	
Exchange earnings (loss to be listed with "-")			
Net exposure hedging revenue (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")	Note 62	<b>-232,279,776.57</b>	38,351,073.07
Credit impairment loss (loss to be listed with "-")	Note 63	<b>-88,215,114.78</b>	-228,857,326.55
Asset impairment loss (loss to be listed with "-")	Note 64	<b>-43,627,186.06</b>	-587,501,045.67
Income of assets disposal (loss to be listed with "-")	Note 65	<b>1,634,977.44</b>	62,931.82



## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
<b>III. Operating profit (loss to be listed with "-")</b>		<b>588,018,899.85</b>	426,898,016.57
Add: non-operating revenue	Note 66	26,426,150.40	34,290,423.02
Less: non-operating expenses	Note 67	2,547,188.18	896,517.08
<b>IV. Total profit (total loss to be listed with "-")</b>		<b>611,897,862.07</b>	460,291,922.51
Less: income tax expenses	Note 68	-30,060,272.03	26,948,716.18
<b>V. Net profit (net loss to be listed with "-")</b>		<b>641,958,134.10</b>	433,343,206.33
(I) Classified by continuity of operation			
1. Net profit from going concern (net losses to be listed with "-")		558,427,311.90	381,682,035.01
2. Net profit from discontinued operations (net losses to be listed with "-")		83,530,822.20	51,661,171.32
(II) Classification by ownership			
1. Net profit attributable to owners of the parent company (net losses to be listed with "-")		681,050,957.24	438,209,215.31
2. Minority interest income (net loss to be listed with "-")		-39,092,823.14	-4,866,008.98

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
<b>VI. Net after-tax amount of other comprehensive income</b>		<b>5,477,415.54</b>	<b>14,875,597.03</b>
Net after-tax amount of other comprehensive income attributable to the owners of the parent company		<b>5,856,877.15</b>	<b>15,250,311.72</b>
(I) Other comprehensive income that cannot be reclassified into profit or loss		<b>-745,755.85</b>	
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive incomes that cannot be reclassified into profit or loss under the equity method		<b>-69,708.37</b>	
3. Changes in fair value of equity instruments at FVTOCI		<b>-676,047.48</b>	
4. Changes in fair value of the Company's credit risk			
5. Others			
(II) Other comprehensive income reclassified into profit or loss		<b>6,602,633.00</b>	<b>15,250,311.72</b>
1. Other comprehensive incomes that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of debt instruments at FVTOCI			
3. The amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in debt instruments at FVTOCI			
5. Cash flow hedging reserve (effective portion of profit and loss arising from cash flow hedging)			
6. Exchange difference arising from foreign currency statements		<b>6,602,633.00</b>	<b>15,250,311.72</b>
7. Others			
Net after-tax amount of other comprehensive income attributable to minority shareholders		<b>-379,461.61</b>	<b>-374,714.69</b>

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
<b>VII.Total comprehensive income</b>		<b>647,435,549.64</b>	448,218,803.36
Total comprehensive income attributable to the owner of the parent company		<b>686,907,834.39</b>	453,459,527.03
Total consolidated income attributable to minority shareholders		<b>-39,472,284.75</b>	-5,240,723.67
<b>VIII.Earnings per share:</b>			
(I) Basic earnings per share (yuan/share)		<b>0.6061</b>	0.3940
(II) Diluted earnings per share (yuan/share)		<b>0.6061</b>	0.3940

Legal representative:  
**Liu Jiguo**

Chief Financial Officer:  
**Kang Zhifeng**

Director of Accounting Department:  
**Jiang Jingyuan**

# INCOME STATEMENT OF THE PARENT COMPANY

Year of 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
<b>I. Operating revenues</b>	Note 4	<b>9,620,186,370.81</b>	7,429,887,637.27
Less: operating costs	Note 4	<b>8,206,502,679.07</b>	6,380,545,058.12
Taxes and surcharges		<b>21,641,122.55</b>	19,952,946.86
Selling expenses		<b>28,677,107.56</b>	27,595,409.74
Administrative expenses		<b>248,954,371.82</b>	215,783,177.08
R&D expenses		<b>437,525,760.09</b>	323,297,910.00
Financial Expenses		<b>-27,116,301.64</b>	-1,477,677.69
Including: interest expenses		<b>24,098,719.37</b>	53,873,791.80
Interest income		<b>51,125,536.56</b>	56,537,448.61
Add: other incomes		<b>27,386,100.37</b>	26,028,468.37
Investment income (loss to be listed with "-")	Note 5	<b>232,257,984.40</b>	90,111,029.53
Including: Income from investment in affiliated business and joint venture		<b>-33,344,803.50</b>	1,842,297.95
Revenue from derecognition of financial assets at amortized cost		<b>11,829,075.04</b>	
Net exposure hedging revenue (loss to be listed with "-")			
Incomes from fair value changes (loss to be listed with "-")		<b>32,250,533.33</b>	31,030,600.00
Credit impairment loss (loss to be listed with "-")		<b>-37,423,825.56</b>	-5,510,627.17
Asset impairment loss (loss to be listed with "-")		<b>-19,573,662.40</b>	-28,755,391.97
Income of assets disposal (loss to be listed with "-")		<b>1,846,339.96</b>	1,834,706.44
<b>II. Operating profit (loss to be listed with "-")</b>		<b>940,745,101.46</b>	578,929,598.36
Add: non-operating revenue		<b>3,023,145.67</b>	18,576,033.67
Less: non-operating expenses		<b>471,196.62</b>	880,265.03
<b>III. Total profit (total loss to be listed with "-")</b>		<b>943,297,050.51</b>	596,625,367.00
Less: income tax expenses		<b>3,919,927.47</b>	2,679,252.67
<b>IV. Net profit (net loss to be listed with "-")</b>		<b>939,377,123.04</b>	593,946,114.33
(I) Net profit from continuing operations (net loss to be listed with "-")		<b>939,377,123.04</b>	593,946,114.33
(II) Net profit from discontinued operations (net loss to be listed with "-")			



## INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
<b>V. Net amount of other comprehensive incomes after tax</b>		<b>-69,708.37</b>	
(I) Other comprehensive income that cannot be reclassified into profit or loss		<b>-69,708.37</b>	
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive incomes that cannot be reclassified into profit or loss under the equity method		<b>-69,708.37</b>	
3. Changes in fair value of equity instruments at FVTOCI			
4. Changes in fair value of the Company's credit risk			
5. Others			
(II) Other comprehensive income reclassified into profit or loss			
1. Other comprehensive incomes that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of debt instruments at FVTOCI			
3. The amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in debt instruments at FVTOCI			
5. Cash flow hedging reserve (effective portion of profit and loss arising from cash flow hedging)			
6. Exchange difference arising from foreign currency statements			
7. Others			
<b>VI. Total comprehensive incomes</b>		<b>939,307,414.67</b>	<b>593,946,114.33</b>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan



# CONSOLIDATED CASH FLOW STATEMENT

Year of 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and provision of services		11,124,620,253.17	8,395,931,276.69
Net increase in customer deposit and interbank deposit		-704,351,604.48	-669,699,461.17
Cash received from interests, fees and commissions		125,551,707.44	120,240,307.26
Net increase in deposits from banks and other financial institutions		-199,984,382.28	-99,500,000.00
Net increase from repurchasing business funds		360,000,000.00	1,200,000,000.00
Refund of taxes and surcharge		289,003,521.77	120,727,601.36
Other cash received relating to operating activities	Note 70	129,139,816.33	102,506,989.76
Subtotal of cash inflows from operating activities		11,123,979,311.95	9,170,206,713.90
Cash paid for goods and services		7,314,107,202.61	6,541,336,828.11
Net increase in loans and advances to customers		-1,139,923,646.57	25,440,657.45
Net increase in deposits in the central bank and other financial institutions		-928,592,890.92	678,042,047.61
Cash paid for interests, fees and commissions		15,909,417.59	23,971,986.18
Cash paid to and on behalf of employees		1,084,174,701.45	1,016,729,745.80
Payments of taxes and surcharges		189,281,299.72	141,532,356.10
Cash paid for other operating activities	Note 70	987,015,910.72	160,873,333.32
Subtotal of cash outflows from operating activities		7,521,971,994.60	8,587,926,954.57
<b>Net cash flows from operating activities</b>		<b>3,602,007,317.35</b>	<b>582,279,759.33</b>

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
<b>II. Cash flows from investing activities:</b>			
Cash received from the return of investment		1,201,000.00	305,414,818.66
Cash received from acquirement of investment income		27,880,170.83	16,111,594.82
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		7,114,701.99	20,823,126.69
Net cash received from disposal of subsidiaries and other business units		21,762,511.09	
Other cash received relating to investing activities	Note 70		
Subtotal of cash inflows from investing activities		57,958,383.91	342,349,540.17
Cash paid to acquire fixed assets, intangible assets and other long-term assets		94,191,218.86	67,845,645.52
Cash paid to acquire investments		2,059,777,100.00	1,800,000.00
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities	Note 70		127,967.93
Subtotal of cash outflows from investing activities		2,153,968,318.86	69,773,613.45
<b>Net cash flows from investing activities</b>		<b>-2,096,009,934.95</b>	<b>272,575,926.72</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			697,999,997.00
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		709,880,000.00	490,000,000.00
Other cash received relating to financing activities	Note 70	138,052,188.68	
Subtotal of cash inflows from financing activities		847,932,188.68	1,187,999,997.00
Cash paid for repayment of debts		770,300,000.00	1,039,800,000.00
Cash paid for distribution of dividends, profits or interest repayment		198,574,645.94	111,793,827.38
Including: dividends and profits paid by subsidiaries to minority shareholders		52,762,144.65	5,491,600.00
Other cash paid relating to financing activities	Note 70	19,584,176.68	156,317,750.66
Subtotal of cash outflows from financing activities		988,458,822.62	1,307,911,578.04
<b>Net cash flows from financing activities</b>		<b>-140,526,633.94</b>	<b>-119,911,581.04</b>



## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note VII	Amount in current year	Amount in last year
IV. Effects from the change of exchange rate on cash and cash equivalents		<u>7,339,107.80</u>	<u>-5,002,289.98</u>
V. Net increase in cash and cash equivalents	Note 70	<u>1,372,809,856.26</u>	<u>729,941,815.03</u>
Add: Beginning balance of cash and cash equivalents	Note 70	<u>2,146,767,725.61</u>	<u>1,416,825,910.58</u>
VI. Ending balance of cash and cash equivalents	Note 70	<u><u>3,519,577,581.87</u></u>	<u><u>2,146,767,725.61</u></u>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan



# CASH FLOW STATEMENT OF THE PARENT COMPANY

Year of 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and provision of services		7,591,469,369.27	5,793,100,714.08
Refund of taxes and surcharge		231,963,626.55	82,863,365.80
Other cash received relating to operating activities		348,250,920.01	149,375,741.08
Subtotal of cash inflows from operating activities		8,171,683,915.83	6,025,339,820.96
Cash paid for goods and services		4,757,789,797.18	4,640,968,525.09
Cash paid to and on behalf of employees		654,327,401.62	606,040,594.32
Payments of taxes and surcharges		55,246,220.34	23,652,643.12
Cash paid for other operating activities		435,260,385.15	240,859,076.81
Subtotal of cash outflows from operating activities		5,902,623,804.29	5,511,520,839.34
Net cash flows from operating activities		2,269,060,111.54	513,818,981.62
<b>II. Cash flows from investing activities:</b>			
Cash received from the return of investment		421,200,000.00	400,029,133.00
Cash received from acquirement of investment income		335,326,093.90	46,853,211.91
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		11,618,186.68	9,919,670.21
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		768,144,280.58	456,802,015.12
Cash paid to acquire fixed assets, intangible assets and other long-term assets		55,397,675.56	43,987,069.88
Cash paid to acquire investments		2,039,776,100.00	101,800,000.00
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities			
Subtotal of cash outflows from investing activities		2,095,173,775.56	145,787,069.88
Net cash flows from investing activities		-1,327,029,494.98	311,014,945.24

## CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Note XVII	Amount in current year	Amount in last year
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			697,999,997.00
Cash received from borrowings		1,180,000,000.00	1,540,000,000.00
Other cash received relating to financing activities		138,052,188.68	
Subtotal of cash inflows from financing activities		1,318,052,188.68	2,237,999,997.00
Cash paid for repayment of debts		2,180,000,000.00	2,279,800,000.00
Cash paid for distribution of dividends, profits or interest repayment		157,874,352.09	139,035,182.99
Other cash paid relating to financing activities		15,266,449.36	153,079,488.71
Subtotal of cash outflows from financing activities		2,353,140,801.45	2,571,914,671.70
Net cash flows from financing activities		-1,035,088,612.77	-333,914,674.70
<b>IV. Effects from the change of exchange rate on cash and cash equivalents</b>		-78,946.64	-431.48
<b>V. Net increase in cash and cash equivalents</b>		-93,136,942.85	490,918,820.68
Add: Beginning balance of cash and cash equivalents		1,600,876,655.85	1,109,957,835.17
<b>VI. Ending balance of cash and cash equivalents</b>		1,507,739,713.00	1,600,876,655.85

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year of 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in the current year												
	Shareholders' equity attributable to the parent company												
	Other equity instruments												
	Share capital	Preferred stock	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk provision	Retained earnings	Others	Subtotal
I. Ending balance of the previous year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,783.59	43,263,387.54	1,086,069,085.52		5,402,078,873.33
Add: changes in accounting policies													
Correction of prior period errors													
Business combination under common control													
Other													
II. Beginning balance of the current year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,783.59	43,263,387.54	1,086,069,085.52		5,402,078,873.33
III. Movements in the Current Year (decrease to be listed with "-")							5,856,877.15	2,031,637.93	93,937,712.30		454,179,851.12		556,006,078.50
(I) Total comprehensive incomes							5,856,877.15				681,050,957.24		686,907,834.39
(II) Capital invested and decreased by shareholders													
1. Common shares invested by shareholders													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in shareholder's equity													
4. Others													
(III) Profit distribution									93,937,712.30		-226,871,106.12		-132,933,393.82
1. Appropriation to surplus reserves									93,937,712.30		-93,937,712.30		
2. Appropriation to general risk reserve													
3. Distribution to shareholders											-132,933,393.82		-132,933,393.82
4. Others													
(IV) Internal carry-over in shareholder's equity													
1. Capital surplus transferred to share capital													
2. Surplus reserves transferred to share capital													
3. Surplus reserves to recover losses													
4. Retained earnings carried forward from changes in defined benefit plan													
5. Retained earnings carried forward from other comprehensive incomes													
6. Others													
(V) Appropriation and use of special reserves								2,031,637.93					2,031,637.93
1. Appropriation in current year								15,985,602.60					15,985,602.60
2. Use in current year								-13,953,964.67					-13,953,964.67
(VI) Others													
IV. Ending balance of the current year	1,123,645,275.00				2,655,849,996.00		-5,853,544.29	5,497,405.05	595,433,495.89	43,263,387.54	1,540,248,936.64		5,958,084,951.83

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Year of 2022

Unit: Yuan Currency: RMB

Item	Amount in the previous year														Total shareholders' equity
	Shareholders' equity attributable to the parent company														
	Other equity instruments														
	Share capital	Preferred stock	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk provision	Retained earnings	Others	Subtotal	Non-controlling interests	
I. Ending balance of the previous year	985,850,000.00				2,099,466,626.33		-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	795,064,178.33		4,338,179,097.26	637,342,739.85	4,975,521,837.11
Add: changes in accounting policies															
Correction of prior period errors															
Business combination under common control															
Others															
II. Beginning balance of the current year	985,850,000.00				2,099,466,626.33		-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	795,064,178.33		4,338,179,097.26	637,342,739.85	4,975,521,837.11
III. Movements in the Current Year (decrease to be listed with "-")	137,795,275.00				556,383,369.67		15,250,311.72	450,305.90	59,394,611.43	3,620,995.16	291,004,907.19		1,063,899,776.07	-57,198,466.51	1,006,701,309.56
(I) Total comprehensive incomes							15,250,311.72				438,209,215.31		453,459,527.03	-5,240,723.67	448,218,803.36
(II) Capital invested and decreased by shareholders	137,795,275.00				556,383,369.67								694,178,644.67	4,504,577.79	698,683,222.46
1. Common shares invested by shareholders	137,795,275.00				556,383,369.67								694,178,644.67		694,178,644.67
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payment included in shareholder's equity															
4. Others														4,504,577.79	4,504,577.79
(III) Profit distribution									59,394,611.43	3,620,995.16	-147,204,308.12		-84,188,701.53	-56,508,448.00	-140,697,149.53
1. Appropriation to surplus reserves									59,394,611.43		-59,394,611.43				
2. Appropriation to general risk reserve										3,620,995.16	-3,620,995.16				
3. Distribution to shareholders											-84,188,701.53		-84,188,701.53	-56,508,448.00	-140,697,149.53
4. Others															
(IV) Internal carry-over in shareholder's equity															
1. Capital surplus transferred to share capital															
2. Surplus reserves transferred to share capital															
3. Surplus reserves to recover losses															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive incomes															
6. Others															
(V) Special reserves								450,305.90					450,305.90	46,127.37	496,433.27
1. Appropriation in current year								12,371,045.95					12,371,045.95	1,030,024.81	13,401,070.76
2. Use in current year								-11,920,740.05					-11,920,740.05	-983,897.44	-12,904,637.49
(VI) Others															
IV. Ending balance of the current year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,783.59	43,263,387.54	1,086,069,085.52		5,402,078,873.33	580,144,273.34	5,982,223,146.67

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan



# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year of 2022

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in the current year										Total shareholders' equity
	Share capital	Preferred stock	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Retained earnings	
I. Ending balance of the previous year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68	5,085,326,835.06
Add: changes in accounting policies											
Correction of prior period errors											
Others											
II. Beginning balance of the current year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68	5,085,326,835.06
III. Movements in the Current Year (decrease to be listed with "-")							-69,708.37		93,937,712.30	702,452,982.18	796,320,986.11
(I) Total comprehensive incomes							-69,708.37			939,377,123.04	939,307,414.67
(II) Capital invested and decreased by shareholders										-10,053,034.74	-10,053,034.74
1. Common shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholder's equity											
4. Others										-10,053,034.74	-10,053,034.74
(III) Profit distribution									93,937,712.30	-226,871,106.12	-132,933,393.82
1. Appropriation to surplus reserves									93,937,712.30	-93,937,712.30	
2. Distribution to shareholders										-132,933,393.82	-132,933,393.82
3. Others											
(IV) Internal carry-over in shareholder's equity											
1. Capital surplus transferred to share capital											
2. Surplus reserves transferred to share capital											
3. Surplus reserves to recover losses											
4. Retained earnings carried forward from changes in defined benefit plan											
5. Retained earnings carried forward from other comprehensive incomes											
6. Others											
(V) Special reserves											
1. Appropriation in current year								9,103,333.29			9,103,333.29
2. Use in current year								-9,103,333.29			-9,103,333.29
(VI) Others											
IV. Ending balance of the current year	1,123,645,275.00				2,561,176,415.62		-69,708.37		520,940,212.06	1,675,955,626.86	5,881,647,821.17

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

Year of 2022

Unit: Yuan Currency: RMB

Item	Amount in the previous year											Total shareholders' equity
	Share capital	Preferred stock	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Retained earnings	Others	
I. Ending balance of the previous year	985,850,000.00				2,004,793,045.95				367,607,888.33	523,139,843.31		3,881,390,777.59
Add: changes in accounting policies												
Correction of prior period errors												
Others												
II. Beginning balance of the current year	985,850,000.00				2,004,793,045.95				367,607,888.33	523,139,843.31		3,881,390,777.59
III. Movements in the Current Year (decrease to be listed with "-")	137,795,275.00				556,383,369.67				59,394,611.43	450,382,801.37		1,203,936,057.47
(I) Total comprehensive incomes										593,946,114.33		593,946,114.33
(II) Capital invested and decreased by shareholders	137,795,275.00				556,383,369.67							694,178,644.67
1. Common shares invested by shareholders	137,795,275.00				556,383,369.67							694,178,644.67
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in shareholder's equity												
4. Others												
(III) Profit distribution									59,394,611.43	-143,583,312.96		-84,188,701.53
1. Appropriation to surplus reserves									59,394,611.43	-59,394,611.43		
2. Distribution to shareholders										-84,188,701.53		-84,188,701.53
3. Others												
(IV) Internal carry-over in shareholder's equity												
1. Capital surplus transferred to share capital												
2. Surplus reserves transferred to share capital												
3. Surplus reserves to recover losses												
4. Retained earnings carried forward from changes in defined benefit plan												
5. Retained earnings carried forward from other comprehensive incomes												
6. Others												
(V) Special reserves												
1. Appropriation in current year								7,166,518.41				7,166,518.41
2. Use in current year								-7,166,518.41				-7,166,518.41
(VI) Others												
IV. Ending balance of the current year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68		5,085,326,835.06

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan

# NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

## III. GENERAL INFORMATION OF THE COMPANY

### 1. Company Profile

First Tractor Company Limited (hereinafter referred to as the Company, including its subsidiaries, collectively referred to as the Group) is a limited company established in the People's Republic of China on May 8, 1997. The Company acquired the main tractor manufacturing business and related assets and liabilities of China YTO Group Corporation (hereinafter referred to as China YTO Group) in accordance with the reorganization plan effective on December 31, 1996. The net asset value is RMB636,346,000.00, which is converted into 450,000,000 state-owned legal person shares. Subsequently, the Company was approved to issue 335,000,000 H shares (par value of 1 RMB per share) in Hong Kong, and the registered capital and paid-in capital were increased to RMB785,000,000.00. The H shares issued by the Company were listed on the Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange) on June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares at HKD 3.95 per share. After the allotment, the registered capital and paid-in capital increased to RMB845,900,000.00. On July 27, 2012, with the approval of ZJXX [2012] No. 736 Document of China Securities Regulatory Commission, the Company publicly issued not more than 150,000,000 ordinary shares, and the actual issued shares were 150,000,000 shares at an issue price of RMB5.40 per share. All the issuance funds were in place on August 1, 2012, and the Company was officially listed for trading on Shanghai Stock Exchange on August 8, 2012. The registered capital and paid-in capital of the Company were increased to RMB995,900,000.00.

With the approval of the Company's 2015 Annual General Meeting, the first A share shareholders' meeting in 2016 and the first H share shareholders' meeting in 2016, the Company repurchased and canceled a total of 10,050,000 H shares from July 19, 2016 to May 26, 2017.

In January 2021, after the Company received the *Reply on Approving the Private Placement of Shares by First Tractor Company Limited* from China Securities Regulatory Commission, China YTO Group increased the capital of the Company by RMB694,178,644.67, of which RMB137,795,275.00 was included in the share capital and RMB556,383,369.67 was included in the share premium of the capital reserve.

After the distribution of bonus shares, placement of new shares, conversion to share capital, issuance of new shares, share repurchase, etc., over the years, as of December 31, 2022, the Company has a total of 1,123,645,275 shares of share capital and a registered capital of RMB1,123,645,275.00.

The Group operates in the agricultural machinery manufacturing industry, and its business scope mainly includes: manufacturing and sales of agricultural machinery, diesel engines and fuel injection, and other machinery, and business operations of financial companies.

The parent company of the Company is China YTO Group, and the ultimate controller is China National Machinery Industry Corporation (hereinafter referred to as Sinomach).

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### III. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

#### 2. Scope of Consolidated Financial Statements

The consolidated financial statements of the Group cover 12 secondary subsidiaries. The details are shown as follows:

Name of subsidiary	Type of subsidiary	Level	Shareholding proportion (%)	Voting right proportion (%)
China-Africa Heavy Industry Investment Co., Ltd.	Holding subsidiary	2	55.00	55.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	Holding subsidiary	2	33.33	66.66
Luoyang Tractor Research Institute Co., Ltd.	Holding subsidiary	2	51.00	51.00
YTO International Economic and Trade Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO (Luoyang) Flagauto-Body Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	Holding subsidiary	2	86.11	86.11
Brilliance China Machinery Holdings Ltd.	Holding subsidiary	2	90.10	90.10
Luoyang Changxing Agricultural Machinery Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO Group Finance CO., LTD.	Holding subsidiary	2	98.79	98.79
YTO (Luoyang) Diesel Engine Co., Ltd.	Holding subsidiary	2	85.47	85.47
YTO (Luoyang) Casting and Forging Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO Belarus Technology Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00

Compared with the previous year, this year, due to the merger and acquisition, one level-2 subsidiary YTO Shunxing (Luoyang) Spare Parts Co., Ltd. was excluded, and due to the disposal of equity interest, one level-3 subsidiary Zhengzhou Sanzhen Machinery Equipment Co., Ltd. was excluded.

See relevant contents of “VIII. Changes in Consolidation Scope” and “IX. Interests in Other Entities” in the Notes for details.

### IV. BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

#### 1. Preparation basis

The Group prepared the financial statements on the basis of going concern, as per the actually incurred transaction and events as well as related disclosure made according to *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and relevant provisions and as required by Companies Ordinance of Hong Kong and Listing Rules of Hong Kong Stock Exchange, and based on the accounting policies and accounting estimates in the “Note IV. Significant Accounting Policies and Accounting Estimates”.

#### 2. Going concern

It is believed reasonable that the Group’s financial statements have been prepared based on going concern for recent profit-making history and sourced financial support.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### 1. Declaration on compliance with ASBE

The financial statements prepared by the Company conform to the requirements of the Accounting standards of business enterprises, and truly and completely reflect the relevant information such as the financial position, the operating results and the cash flows of the Company and the Group.

#### 2. Accounting period

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

#### 3. Business cycle

The business operating cycle of the Group is 12 months.

#### 4. Bookkeeping currency

Cadfund Machinery Pty Ltd, a subsidiary of the Company, uses Rand as its bookkeeping currency; Yitwo Argo Industrial uses XOF as its bookkeeping currency; Brilliance China Machinery Holdings Ltd. uses USD as its bookkeeping currency; YTO Belarus Technology Co. Ltd., uses BYN as its bookkeeping currency except for the above companies, the Company and other subsidiaries use RMB as their bookkeeping currency.

#### 5. Accounting treatment method for business combination under common control and different controls

The assets and liabilities acquired by the Group, as the combining party, from the business combinations under common control should be measured based on the carrying amount in the ultimate controller's consolidated statements of the combined party on the combination date. The difference between the carrying amount of the net assets acquired and that of the paid combination consideration shall be used to adjust the capital reserve. Where the capital reserve is insufficient for offset, retained earnings shall be adjusted.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 5. Accounting treatment method for business combination under common control and different controls (Continued)

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combinations not under common control are measured at fair value on the acquisition date. The combination cost is the sum of fair value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. on the acquisition date for obtaining the control right of the acquiree and various direct expenses in business combination (in the business combination realized step by step through several transactions, the combination cost is the sum of the cost for each single transaction). Positive balance between the combination cost and the fair value of the identifiable net assets of the acquiree obtained by the Group on the acquisition date shall be recognized as goodwill; if the combination cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in the business combination and the fair value of non-cash assets or equity security issued in the consideration of combination shall be re-checked first. If the rechecked combination cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in current non-operating revenue.

#### 6. Preparation method of consolidated financial statements

The Group incorporates all subsidiaries controlled by it and structured entities into consolidated financial statements.

In preparing the consolidated financial statements, where the accounting policy or accounting period adopted by subsidiaries are inconsistent with that adopted by the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits within the scope of consolidation shall be eliminated during preparation of consolidated financial statements. Shares in owners' equity of subsidiaries but not attributable to the parent company, net profit and loss for the current period, other comprehensive income, and shares attributable to non-controlling interests in total comprehensive income shall be listed in consolidated financial statements as "Non-controlling interests, non-controlling interests, other comprehensive income equity attributed to minority shareholders and total comprehensive income equity attributed to minority shareholders" respectively.

For the subsidiaries acquired in the business combinations under common control, its operating results and cash flow are included into the consolidated financial statements from the beginning of the current period of the combination. During the preparation of comparative consolidated financial statements, relevant items of the financial statements of the previous period shall be adjusted. It shall be deemed that the reporting entity formed after the combination has existed since the beginning of control by the ultimate controller.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 6. Preparation method of consolidated financial statements (Continued)

Under the circumstance that the equity of the investee is obtained under the common control through multiple transactions step by step, which results in a business combination, supplementary disclosure to treatment methods in consolidated financial statements shall be made in the reporting period for acquiring the control. For example, if equity of the investee under the common control is obtained step by step through several transactions, which results in a business combination, such equity shall be adjusted in the preparation of consolidated financial statements as if they might have existed as the current state from the time when the ultimate controller takes the control. When preparing comparative accounts, relevant assets and liabilities of the acquiree are included in comparative accounts of consolidated financial statements of the Group according to the restriction that the time above shall be later than the time when the Group and the acquiree are under the common control of the ultimate controller, moreover, increased net assets resulting from the merger are adjusted as relevant items under owners' equity. In order to avoid repeated calculation of value of net assets of the combined party, the long-term equity investment held by the Group before the combination is achieved, the changes in relevant profits and losses, other comprehensive income and other net asset that have been recognized in the period from the later date, when the long-term equity investment is acquired and when the Group and the combined party are under the final control of the same party, to the combination date, shall respectively be applied to write down the beginning retained earnings or current profits and losses during the period of comparative statement.

As for subsidiaries acquired by business combinations not under common control, operating results and cash flows shall be incorporated into consolidated financial statements from the date when the Group takes the control. In preparing of consolidated financial statements, financial statements of the subsidiaries are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

Under the circumstance that the equity of the investee is obtained under different control through multiple transactions step by step, which results in a business combination, supplementary disclosure to treatment methods in consolidated financial statements shall be made in the reporting period for acquiring the control. For instance, under the circumstance that the business combination is realized under different control through multiple transactions step by step, the equity of the Acquiree obtained before the acquisition date shall be recalculated as per the fair value of the equity on the acquisition date when preparing the consolidated financial statements, with the balance between the fair value and its carrying amount included into the current investment income; if the equity of the Acquiree held before the acquisition date involves other comprehensive income calculated under the equity method and other change of the owner's equity except for net profits and incomes, other comprehensive incomes and profit allocation, the relevant other comprehensive incomes and other change of owners' equity shall be transferred into the current income of the acquisition date, except other comprehensive incomes arising out from that the investee remeasures change of the net liabilities or net assets of the set benefit plan.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 6. Preparation method of consolidated financial statements (Continued)

At the situation when the Group partially disposes long-term equity investments in subsidiaries without losing control right, in the consolidated financial statements, for the difference between the disposal price and the share of net assets which should be entitled by the Group in the subsidiaries continuously calculated since the acquisition date or combination date corresponding to the disposed long-term equity investments, such difference shall be adjusted to capital premium or share premium. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

Where control right over the investee is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance between the sum of consideration acquired from disposal of equity interest and the fair value of the residual equity interest and the share of net assets of the original subsidiaries measured constantly based on the original shareholding proportion from the acquisition date or combination date shall be recognized as the profit and loss on investment of the period at the loss of control and the goodwill shall be offset. Other comprehensive income in connection with equity investment of the original subsidiary shall be transferred to the profit and loss on investment of the period at the loss of control.

When the Group disposes of equity investment of the subsidiaries step by step through multiple transactions till losing the control right, if various transactions from disposal of equity investment of subsidiaries till losing the control right belong to package deal, accounting treatment shall be conducted for each transaction as the transaction that disposes of subsidiary with loss of control right. Nonetheless, before loss of control right, the balance between each disposal price and the net asset share of such subsidiary enjoyed correspondingly in asset disposal is recognized in the other comprehensive income in the consolidated financial statements and transferred into the current profit and loss when losing control right.

#### 7. Classification of joint-operation arrangement and accountant treatment method of joint operation

The Group's joint arrangements include joint operations and joint ventures. In projects for joint operation, for assets held and liabilities assumed solely which are recognized by the Group as the joint-venture party in joint operation and assets held and liabilities assumed according to shares, their relevant income and costs shall be determined as per related individual agreements or shares.

Only profit or loss attributable to other joint operators shall be recognized in transactions where assets purchase and sale occurred with joint operator but not classified as trading transactions.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 8. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term of not more than 3 months and high liquidity, and is easily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### 9. Foreign currency transactions and translation of foreign currency financial statements

##### (1) Foreign currency transaction

The amount of the Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date. The foreign currency monetary items in the balance sheet date are translated into RMB at the spot exchange rate on the balance sheet date; the translation difference is directly recognized as the current profit and loss, except the disposal of translation difference that is formed by foreign currency specific borrowings for establishing or producing assets eligible for capitalization as per capitalization principle.

##### (2) Translation of foreign currency financial statements

The assets and liabilities in the foreign currency balance sheet shall be converted based on the exchange rate on the balance sheet date; Owners' equity items except "Retained earnings", shall be converted according to the spot exchange rate on the business date. The revenue and expense items in the profit statement shall be converted according to the spot exchange rate on the date of transaction occurrence. The difference arising from the above translation shall be listed in other comprehensive income items. Foreign currency cash flow shall be converted at the spot rate on the date that cash flow occurs. The amount of effect of exchange rate fluctuations on cash shall be separately listed in the cash flow statement.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities

When the Group becomes a party of a financial instrument contract, the Group recognizes a financial asset or a financial liability.

##### (1) *Financial assets*

##### 1) *Classification, recognition and measurement of financial assets*

According to the business mode of financial assets management and the contract cash flow characteristics of financial assets, the Company classifies financial assets into financial assets measured at amortized cost, financial assets at FVTOCI, and financial assets at FVTPL.

The Company classified the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: ① the business mode of the financial assets management takes the collection of contract cash flow as the objective. ② The contract terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. The difference between the initial amount and due amount shall be amortized by the effective interest method, unless designated for the hedged items, and the gains or losses arising from its amortization, impairment, exchange gain or loss and derecognition shall be included in the current profits and losses.

The Company classifies the financial assets that meet the following conditions simultaneously into the financial assets at FVTOCI: ① the business mode of the financial assets management takes the collection of contract cash flow and selling the financial assets as the objective. ② The contract terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. The gains or losses of such financial assets, other than the credit impairment loss or gain, exchange gain or loss and interest of such financial assets calculated by the effective interest method, shall be included in other comprehensive income, unless designated for the hedged items. When the financial assets are derecognized, the accumulative gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income, and included in the current profits and losses.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities (Continued)

##### (1) Financial assets (Continued)

##### 1) Classification, recognition and measurement of financial assets (Continued)

The Company recognizes the interest income by the effective interest method. The interest income shall be determined by multiplying the book value of financial assets by the effective interest rate, except for the following circumstances: ① for the purchased or originated financial assets that the credit impairment has occurred, their interest incomes shall be determined at their amortized costs and by the effective interest rate adjusted through credit from the initial recognition. ② For purchased or originated financial assets that the credit impairment has not occurred but the credit impairment has occurred in the subsequent period, their interest incomes shall be determined at their amortized costs and by the effective interest rate during the subsequent period.

The Company shall designate the non-trading equity instruments as the financial assets at FVTOCI. This designation shall not be revoked once made. The non-trading equity instrument investments at FVTOCI that the Company designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and other relevant gains and losses (including the exchange gain or loss) shall be included in other comprehensive income, and shall not be transferred in the current profits and losses subsequently, but the obtained dividends (except for those belonging to the investment cost recovered). When its recognition is terminated, the accumulated gains or losses previously booked into other comprehensive income shall be transferred from other comprehensive incomes and recorded into retained earnings.

Financial assets other than the above financial assets measured at the amortized cost and the financial assets measured at FVTOCI. The Company classified it as financial assets at FVTPL. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the current profits and losses directly. The gains or losses of such financial assets shall be included in the profits and losses of current year.

The financial assets will be classified as the financial assets at FVTPL if they are recognized by the Company in the business combination not under common control and constituted by the contingent consideration.

The Company reclassifies all affected financial assets when changing the business mode of financial assets management.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities (Continued)

##### (1) *Financial assets (Continued)*

##### 2) *Recognition basis and measurement for transfer of financial assets*

The Company derecognizes the financial assets that meet one of the following conditions:

① the contract right of collecting the cash flow of such financial assets is terminated; ② the financial assets are transferred, and the Company has transferred almost all risks and rewards related to the ownership of the financial assets; and ③ the financial assets are transferred, and the Company neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the carrying amount of transferred financial asset and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profits and losses.

If the partial transfer of the financial assets meets derecognition conditions, the entire carrying amount of the transferred financial assets shall be amortized at their own relative fair values between the derecognized part and the underecognized part, and the difference between the sum of consideration received from the transfer and the amount which should be amortized to the derecognized part, originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire carrying amount of the aforesaid financial assets amortized shall be included in the current profits and losses.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities (Continued)

##### (2) Financial liabilities

##### 1) Classification, recognition and measurement of financial liabilities

Except for the following items, the Company classifies the financial liabilities as the financial liabilities measured at amortized cost and uses the effective interest method to carry out a subsequent calculation based on the amortized cost:

- ① The financial liabilities at FVTPL (including derivatives falling under financial liabilities), including the financial liabilities held for trading and financial liabilities designated as financial liabilities at FVTPL when initially recognizing, are measured subsequently at fair value, the gains or losses resulting from the changes in fair value and the dividends and interest expenses related to such financial liabilities are recorded in the current profits and losses.
- ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. Such financial liabilities shall be measured by the Company in accordance with relevant standards for the transfer of financial assets.
- ③ Financial guarantee contracts that do not fall under the above circumstances ① or ②, and loan commitments that do not fall under the above circumstance ① and lend at a rate lower than market interest rates. If the Company is the issuer of such financial liabilities, the liabilities after initial recognition shall be subsequently measured according to the higher of the loss reserve amount determined according to the impairment provisions of financial instruments, and the balance of initially recognized amount after deducting the accumulated amortized amount recognized according to the revenue standard.

The financial liabilities recognized by the Company as the acquirer in the business combination not under common control and constituted by the contingent consideration shall be subjected to the accounting treatment at fair value through current profits and losses.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities (Continued)

##### (2) *Financial liabilities (Continued)*

##### 2) *Recognition criteria for termination of financial liabilities*

Where the current obligation of financial liabilities has been terminated entirely or partially, the financial liabilities or obligation that has been terminated shall be derecognized. The Company and the Creditor sign an agreement in which the existing financial liabilities are replaced by means of undertaking new financial liabilities; in the event that the contract terms of the new financial liabilities and those for existing financial liabilities are inconsistent, recognition for the existing

financial liabilities shall be terminated and the new financial liabilities shall be recognized. In case the Company makes a material alteration to all or part of the contract terms of the existing financial liabilities, recognition for the existing financial liability or part thereof shall be terminated while the financial liabilities after the alteration shall be recognized as new financial liabilities. The difference between the carrying amount of the derecognized part and the paid consideration shall be included in current profits and losses.

##### 3) *Determination methods for fair values of financial assets and financial liabilities*

The fair value of financial assets and financial liabilities in the Company shall be measured by the price in the primary market, and in case of no primary market, such assets and liabilities shall be measured by the price in the most favorable market. And then applicable and sufficient data and valuation techniques supported by other information shall be used. The inputs for measuring the fair value are divided into three levels: the inputs for Level 1 are the unadjusted quotation of identical assets or liabilities in the active market which can be obtained on the measurement date; the inputs for Level 2 are the inputs directly or indirectly observable for relevant assets or liabilities other than those for Level 1; the inputs for Level 3 are the inputs that are unobservable for relevant assets or liabilities. The Company gives priority in use of the input value for the first level and finally uses that of the third level. The level of fair value measurement results is determined based on the lowest level for input value that is significant for the whole fair value measurement.

The investment of the Company in the equity investment shall be measured at the fair value. However, under the limited circumstances, if the recent information for determining the fair value is insufficient and the cost represents the best estimate for the fair value within this range, such cost could represent its appropriate estimate for the fair value within this distribution range.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities (Continued)

##### (2) *Financial liabilities (Continued)*

##### 4) *Offset of financial assets and financial liabilities*

Financial assets and financial liabilities of the Company shall be presented separately in the balance sheet and be not mutually offset. However, the net amount is presented in the balance sheet after being offset, when the following conditions are met at the same time: (1) The Company has a legal right to offset the recognized amount and that such legal rights are currently enforceable; (2) The Company plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

##### 5) *Difference between financial liability and equity instrument and related treatment method*

The Company distinguishes financial liabilities and equity instruments according to the following principles: (1) if the Company fails to unconditionally perform one contract obligation by delivering cash or other financial assets, the contract obligation satisfies the definition of financial liabilities. While some financial instruments do not expressly include the terms and conditions for the obligation to deliver cash or other financial assets, it is possible to form contract obligations indirectly through other terms and conditions. (2) if one financial instrument must or can be settled by the Company's own equity instruments, the Company's own equity instruments used for settling such instruments shall be considered as a substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If it is the former one, this instrument is the financial liabilities of the Issuer. If it is the latter, the instrument is the equity instrument of the Issuer. Under certain circumstances, a financial instrument contract requires that the Company must or may settle the financial instrument with its own equity instruments, where the amount of contract rights or contract obligations is equal to the number of own equity instruments available or to be delivered multiplied by the fair value upon its settlement. In this case, regardless of whether the amount of the contract right or obligation is a fixed value or changes based in whole or in part on changes in variables other than the market price of the Company's own equity instruments (such as interest rates, the price of a good or the price of a financial instrument), the contract is classified as financial liabilities.

When classifying a financial instrument (or its components) in the consolidated financial statements, the Company takes into consideration all the terms and conditions agreed between members of the Group and holders of financial instruments. If the Group as a whole has assumed the obligation to deliver cash, other financial assets or settle it by other means of rendering the instrument a financial liability, the instrument should be classified as a financial liability.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Financial assets and financial liabilities (Continued)

##### (2) *Financial liabilities (Continued)*

##### 5) *Difference between financial liability and equity instrument and related treatment method (Continued)*

Where the financial instruments or their components are classified as financial liabilities, the related interest, stock dividends (or dividends), gains or losses, gains or losses arising from redemption or refinancing, etc. are included by the Company in the current profits and losses.

Where the financial instruments or their components are classified as equity instruments, its issue (including refinancing), repurchase, sale or cancellation is treated as a change in equity and the fair value change of the equity instruments is not recognized.

#### 11. Notes receivable

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

The Company accrues provision for bad debt for notes receivable according to the amount of expected credit loss in the whole duration.

#### 12. Accounts receivable

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

The Company accrues provision for bad debt for accounts receivable according to the amount of expected credit loss in the whole duration.

The Company cannot obtain sufficient evidence about the significant increase of credit risk at a reasonable cost at the level of individual instruments, but it is feasible to evaluate whether the credit risk has increased significantly on the basis of portfolio. Therefore, the Company, on the basis of the actual loss rate of accounts receivable in previous years, the judgment for future recovery risk and the analysis of credit risk characteristics, determines the expected credit loss rate and accrue the combination of provision for bad debt.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 12. Accounts receivable (Continued)

The Company calculates expected credit loss of accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of impairment provision of the current accounts receivable, the Company will recognize the difference as an impairment loss on accounts receivable, debit “credit impairment loss” and credit “bad debt provision”. On the contrary, the Company recognizes the difference as impairment gains and makes opposite accounting records.

If the Company actually suffers a credit loss and determines that the relevant accounts receivable cannot be taken back and are approved to be written off, the “bad debt provision” shall be debited and the “accounts receivable” shall be credited according to the approved written-off amount. If the written off amount is greater than the accrued loss provision, “credit impairment loss” shall be debited against difference of the period.

Portfolio by credit risk characteristics	Expected loss provision ratio (%)
Ageing portfolio	Accrual according to the estimated loss rate in the whole duration
Including: domestic business customers	Loss rate estimated based on account age credit risk feature portfolio
International business customers	Loss rate estimated based on account age credit risk feature portfolio after netting of the amount guaranteed by Sinosure
Receivables with mortgage and pledge guarantee	The balance after netting of the recoverable value of collateral from the original value is taken as the expected credit loss of risk exposure

#### 13. Receivables financing

##### *The determination method and accounting treatment method of expected credit loss of receivables financing*

The Group accrues provision for bad debt for receivables financing according to the amount of expected credit loss in the whole duration.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 14. Other receivables

***The determination method and accounting treatment method of expected credit loss of other receivables***

The Group shall measure loss provisions for other receivables according to the following situations: ① for financial assets whose credit risk has not increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount of the expected credit loss in the next 12 months; ② for financial assets whose credit risk has increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration; ③ for the purchase or underlying financial assets that have occurred credit impairments, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration.

For other receivables, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, initial recognition date and remaining contract term as the common risk characteristics, the Group groups other receivables and considers whether credit risk increases significantly on a portfolio basis.

Portfolio by credit risk characteristics	Expected loss provision ratio (%)
Combination mode	Estimated loss rate
Including: Ageing portfolio	
Non-operating low-risk portfolio	
Receivables guarantee with mortgage and pledge	The balance after netting of the recoverable value of collateral from the original value is taken as the expected credit loss of risk exposure

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 15. Inventories

Inventories of the Group mainly include raw materials, revolving materials, materials outsourced for processing, unfinished products, self-manufactured semi-finished products, finished products (commodities in stock), and commodities shipped in transit.

The purchased and sent inventories shall be valued according to the predetermined planned cost, and a separate "Material Cost Variance" account shall be set up to carry forward the difference between the actual cost and the planned cost on schedule. The cost of the sent and balanced inventories shall be adjusted to the actual cost at the end of the period.

For merchandise inventories directly for selling such as finished products, goods in stocks and materials for selling, the net realizable value shall be recognized at the amount of the estimated selling price less estimated selling expenses and relevant taxes; for material inventories to be processed, the net realizable value shall be recognized at the amount of the estimated selling price of the finished products less estimated cost incurred till completion of production, estimated selling expenses and relevant taxes; for inventories held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price and if the quantity of inventories held is greater than the ordered quantity of the sales contract, the net realizable value of the excess part shall be calculated based on the general selling price. At the end of the period, provision for inventory impairment is accrued according to individual inventory items; however, for inventories with large quantity and low unit price, provision for inventory impairment shall be accrued according to inventory type; for inventories that are related to product series produced and sold in the same region, have the same or similar end use or purpose, and are difficult to be measured separately from other items, the provision for inventory write-down shall be accrued together. If the influencing factors of the previous write-down of inventory value have disappeared, the impairment amount shall be restored, and shall be reversed within the original provision for inventory impairment. And the reversed amount shall be included in current profits and losses.

Perpetual inventory system is adopted for inventories.

Low-value consumables and packaging materials are amortized by the one-off write-off method.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 16. Contract assets

**(1) Method and standards for the recognition of contract assets**

The Group has transferred the goods to the customer and has the right to receive the consideration, and if the right depends on factors other than the passage of time, it shall be recognized as contract assets; the obligation to transfer the goods to the customer due to customer consideration received or receivable shall be recognized as contract liabilities.

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

The Group evaluates the expected credit loss of contract assets and measures its provision for loss according to the amount equivalent to the expected credit loss in the whole duration. On the basis of the actual loss rate of contract assets in previous years, the judgment of future recovery risk and the analysis of credit risk features, the expected loss rate is determined and the provision for impairment of contract assets is accrued accordingly.

#### 17. Contract cost

**(1) Determination method of assets related to contract costs**

The Group's assets related to contract costs include contract performance cost and contract acquisition costs.

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Group's resources for future using for performance of obligations; and the cost is expected to be recovered.

Contract acquisition cost, namely, the incremental cost incurred by the Group for the acquisition of the contract and expected to be recovered, as the contract acquisition cost, it shall be recognized as an asset; and if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs. Incremental cost refers to the cost (such as sales commissions) that would not have occurred if the Group had not obtained the contract. Other expenses incurred by the Group for the acquisition of the contract, excluding the incremental costs expected to be recovered (such as the travel expenses incurred regardless of whether or not the contract is obtained), include in the current profit and loss when it occurs, however, except costs clearly borne by the customer.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 17. Contract cost (Continued)

##### (2) *Amortization of assets related to contract costs*

The assets related to the contract costs of the Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

##### (3) *Impairment of assets related to contract costs*

When determining the impairment losses of assets related to contract costs, the Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the difference between the carrying amount and the remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, and the difference between the carrying amount and the estimated costs due to the transfer of the relevant commodity, the provision for impairment shall be made for the excess and recognized as asset impairment losses.

If the factors for impairment in previous periods change after that, so that the aforesaid difference is higher than the carrying amount of the asset, the original provision for impairment of the asset shall be reversed and included in the current profits or losses, but the carrying amount of the asset after reversal shall not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

#### 18. Long-term receivables

##### *The determination method and accounting treatment method of expected credit loss of long-term receivables*

The Group recognizes the receivables from finance leases, receivables from installments by deferred method, receivables from sales of goods and rendering of labor services of financing nature as long-term receivables. At the same time, it recognizes the unrealized financing income according to the difference between the fair value of the contract or agreement price receivable and the contract or agreement amount.

Accrual for provision for impairment of long-term receivables: the balance of the original value deducting the unrealized financing income shall be taken as the basis for accrual for impairment.

##### **Overdue ageing**

##### **Expected loss provision ratio**

Normal payment

The balance of the contract amount minus the unrealized financing income is taken as the expected credit loss of risk exposure

Overdue accounts

Estimated loss rate

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 19. Long-term equity investments

The long-term equity investment of the Group is mainly aimed to subsidiaries, associates and joint ventures.

The Group judges the common control based on the point that all the participants or group of participants collectively control the arrangement, and that the policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. The Group, if holding less than 20% of the voting right of the investee, may have a significant influence on the investee in consideration of facts and situations that the Group sends representatives to the Board of Directors or similar organs of authorities of the investee, participates in financial and operation policy-making of the investee, has important transactions with the investee, sends management personnel to the investee, or provides critical technical information for the investee.

The investee under the control of the Group shall be deemed as a subsidiary of the Group. As to long-term equity investments acquired in business combination under common control, the share of carrying amount of net assets in the ultimate controller's consolidated statements of the acquiree on the combination date shall be recognized as the initial investment amount of long-term equity investments. If the carrying amount of the net asset of the combined party on the combination date is negative, then the cost of long-term equity investments shall be determined as zero.

Under the circumstance that the equity of the investees under common control is obtained through multiple transactions step by step, which results in business combination, supplementary disclosure to treatment methods for long-term equity investments in consolidated financial statements shall be made in the reporting period acquiring the control. For instance, as to the equity of the investee under common control acquired step-by-step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control power. If it is not a package deal, the combined party's portion of carrying amount of net assets in the ultimate controller's consolidated financial statements owned on the combination date is taken as the initial investment amount for long-term equity investments. The balance between the initial investment amount and the sum of the carrying amount of long-term equity investments which has reached the amount before the combination and the carrying amount of new payment consideration obtained on the combination date shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 19. Long-term equity investments (Continued)

For long-term equity investments acquired via business combination not under common control, the combination cost is taken as the initial investment amount.

As to equity interest of the investee under different controls acquired step-by-step through multiple transactions and a business combination finally completed, the method for handling the cost of long-term equity investments in the financial statement of the parent company shall be complementarily disclosed during the reporting period acquiring the control. For instance, as to the equity of the investee under different control acquired step-by-step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control power. If it is not a package deal, the sum of carrying amount of equity investment originally held and new investment cost is taken as the initial investment amount calculated by the cost method. If the equity interest originally held before the acquisition date and calculated by the equity method, relevant other comprehensive income originally figured out by the equity method is temporarily not adjusted and will be subject to accounting treatment when disposing the investment, on the same basis as that adopted by the investee entity for directly handling related assets or liabilities. If the equity held before the acquisition date is non-trading equity instruments that are designated by the Group to be measured at FVTOCI, the accumulated changes in fair value originally included in other comprehensive income shall not be transferred into current profits or losses.

Apart from aforementioned long-term equity investment acquired through business combination, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost.

The Group calculates the investment to the subsidiaries by cost method, with equity method adopted for joint ventures and associates.

For long-term equity investments subsequently calculated by the cost method, when more investments added, the carrying amount of the long-term equity investments cost is increased based on the fair value of cost paid for added investments and related transaction expenses. Cash dividend or profit declared by the investee is recognized as current investment income in accordance with the amount to enjoy.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 19. Long-term equity investments (Continued)

For long-term equity investments subsequently measured by the equity method, the carrying amount of the long-term equity investments shall be accordingly increased or decreased as the owners' equity of the investee changes. Wherein, the Group shall, when recognizing the shares of the net losses of the investee that shall be enjoyed by the Group, calculate the portion attributed to the Group based on the fair value of each identifiable asset of the investee upon acquisition in accordance with the shareholding ratio by offsetting profits and losses of unrealized internal transaction incurred between the joint venture and associate, then recognize the net profits of the investee after adjustment.

For the disposal of long-term equity investments, the difference between the carrying amount and actually obtained price shall be included in the current investment income. For long-term equity investment calculated by the equity method, the related other comprehensive income previously calculated by the equity method should be accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method. The owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution should be transferred in full to current investment income upon the termination of the equity method.

Where the Group loses the joint control over or the significant influence on the investee due to the disposal of part of the equity investment, the remaining disposed equity shall be accounted for as per the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK [2017] No.7), and the balance between the fair value and the carrying amount on the date of losing joint control or significant influence is included in current profit or loss. Other comprehensive income recognized on the former equity investment due to the adoption of the equity method of accounting is treated on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting and carried forward proportionately. Owners' equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution should be transferred proportionately to current investment income.

For loss control of the investee due to disposal of partial long-term equity investments, the residual equity after disposal, if capable of realizing joint control or applying significant influence on the investee, is changed to the equity method for calculation, the difference for disposal of carrying amount and consideration is included in the investment income, and the residual equity is adjusted as it is calculated by the equity method since it is acquired; the residual equity after disposal, if unable to realize joint control or apply significant effect on the investee, is changed to accounting treatment based on the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK [2017] No.7), the difference for disposal of carrying amount and consideration is included in the investment income, and the difference between the fair value and carrying amount of the residual equity on the loss-control date is included in current profit and loss.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 19. Long-term equity investments (Continued)

Various transactions of the Group from step-by-step equity disposal to loss of controlling power do not belong to the package deal, and every transaction is separately subject to accounting treatment. Any transaction categorized as package deal is subject to the accounting treatment oriented for subsidiary disposal and loss of controlling power. However, before the loss of controlling power, the difference between the disposal price and carrying amount of long-term equity investments of the corresponding disposed equity interest for every transaction is recognized as other comprehensive income, which is not transferred into current profit and loss until the controlling power is lost.

#### 20. Investment properties

Investment properties of the Group refer to the properties held for earning rents or capital appreciation, or both, including plant & buildings that have already been rented, and these properties are measured by cost model.

The Group's investment real estates shall be depreciated or amortized by the straight-line method. The estimated useful life, net residuals rate, and annual rate of depreciation (amortization) of various investment real estate refer to those of fixed assets:

#### 21. Fixed assets

No fixed asset may be recognized unless it simultaneously meets the conditions as follows: The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and the cost of the fixed asset can be measured reliably. Fixed assets of the Group include plant and buildings, machinery equipment, transportation facility, office equipment and electronic equipment.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 21. Fixed assets (Continued)

Except for the fully depreciated fixed assets that are still in use and the land that is separately valued and recorded, all the fixed assets of the Group shall be depreciated. Straight line method shall be adopted for calculating depreciation. The depreciation life by category, estimated residuals rate and depreciation rate of the fixed assets of the Group are as follows:

No.	Category	Depreciation method	Depreciable life (year)	Estimated residual rate (%)	Annual depreciation rate (%)
1	Land	—	Long-term	—	—
2	Houses and buildings	Straight-line method	10-30	5-10	3.00-9.50
3	Machinery Equipment	Straight-line method	10-14	5-10	6.40-9.50
4	Transportation facilities	Straight-line method	8-12	5-10	7.50-11.90
5	Office and electronic equipment	Straight-line method	5-8	5-10	11.30-19.00
6	Others	Straight-line method	5-14	5-10	6.40-19.00

At the end of each year, the Group reviews the estimated useful life, estimated net residual value and depreciation methods of fixed assets. If a change occurs, it shall be treated as a change in accounting estimates.

If a fixed asset is disposed of or if no economic benefit will be obtained from the use or disposal, the recognition of such fixed asset is terminated. The disposal income from selling, transferring, discarding or damaging of fixed assets shall be deducted by the carrying amount thereof and relevant taxes and then included in the current profit and loss.

#### 22. Construction in progress

Construction in progress ready for intended use shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 23. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment real estates and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements acquired or constructed are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets eligible for capitalization are suddenly suspended in acquisition or construction or production for more than three months continuously, the capitalization of borrowing costs shall be suspended until the restart of acquisition or construction and production activities of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from unused borrowings deposited in banks or investment income from temporary investment of unused borrowings is deducted. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowings.

#### 24. Right-of-use assets

The right-of-use asset refers to the right of the Company as the lessee to use the leased asset during the lease term.

##### (1) Initial measurement

At the commencement of the lease term, the Group initially measures the right-of-use assets at cost. The cost includes the following four items: ① initial measurement of lease liabilities; ② deducted amount related to the enjoyed lease incentive if there is a lease incentive for the lease payment made on or before the commencement of the lease term; ③ initial direct cost incurred, i.e., incremental cost incurred to reach the lease; and ④ costs expected to be incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state agreed in the leasing terms, except those incurred for the production of inventory.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 24. Right-of-use assets (Continued)

##### (2) *Subsequent measurement*

After the commencement of the lease term, the Group uses the cost model to carry out subsequent measurement on the right-of-use asset, i.e. the right-of-use assets is measured by the cost minus accumulated depreciation and accumulated impairment loss.

If the Group remeasures the lease liabilities in accordance with the relevant provisions of the leasing standards, the carrying amount of the right-of-use asset shall be adjusted accordingly.

##### (3) *Depreciation of right-to-use asset*

Since the Group accrues provision for depreciation of the right-of-use assets in the current month from the commencement of the lease term, the amount of depreciation accrued shall be included in the cost of the relevant asset or current profits and losses.

When determining the depreciation method of the right-of-use assets, the Group depreciates the right-of-use assets by the straight-line method. For the depreciation life, the Group follows the following principles: if the ownership of the leased asset can be reasonably confirmed to be acquired at the expiration of the lease term, the depreciation shall be carried out within the remaining useful life of the leased asset; otherwise, the depreciation shall be carried out within the remaining lease term or the useful life of the leased asset, whichever is shorter.

If the right-of-use asset is impaired, the Group will carry out subsequent depreciation according to the carrying amount of the right-of-use asset after deducting the impairment loss.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 25. Intangible assets

The intangible assets of the Group include land use right, patented technology, non-patented technology, software and trademark right, etc., which shall be measured at actual cost when being obtained; wherein, for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value.

The land use right shall be averagely amortized according to the transfer period from the start date of transfer. Intangible assets of software and exclusive right shall be averagely amortized within the period with economic benefits. The amortized amounts shall be included in current profits and losses and relevant asset costs according to beneficiaries. The estimated useful life and the amortization method of intangible assets with limited useful life shall be reviewed at the end of each year. Any change shall be handled as changes in accounting estimates.

The useful life of the trademark use right and production licensing right cannot be determined, because it is impossible to foresee the period during which it will bring economic benefits to the Group. Intangible assets with uncertain useful life shall not be amortized during the holding period, and the useful life of intangible assets shall be rechecked at the end of each period. If it is still uncertain after re-examination at the end of the period, the impairment test shall be continued in each accounting period.

Item	Estimated Service Life	Basis
Land use right	30-50 years	Years of benefiting
Software	2-10 years	Years of benefiting
Patent rights	5-10 years	Years of benefiting

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 26. Impairment of long-term assets

On each balance sheet date, the Group shall check the long-term equity investment, investment real estate measured by cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with limited useful life, operating leasing assets and other items. In case of any indication of impairment, the Group shall carry out an impairment assessment. Impairment tests shall be conducted on goodwill and intangible assets with uncertain useful life at the end of each year, whether there is any indication of impairment.

The Group determines whether there is any sign of possible impairment for the assets on the balance sheet date. If there is any sign of possible impairment for the long-term assets, the Company will estimate the recoverable amount on single asset basis. If the recoverable amount of the single asset is hard to estimate, it shall be determined by the asset group to which it belongs.

The recoverable amount of the assets is estimated based on the net amount calculated by deduction of disposal fees from the fair value of the assets, or the present value of expected future cash flow of the assets, whichever is higher. Where the recoverable amount of long-term assets is lower than the carrying amount according to the measurement of recoverable amount, their carrying amount shall be written down to the recoverable amount, and the write-down amount shall be recognized as impairment loss of assets and included in current profits and losses. Simultaneously, the provision for impairment of assets shall be drawn accordingly. Once confirmed, the impairment loss of assets shall not be reversed in future accounting periods.

After the impairment loss of assets is recognized, the depreciation or amortization charges of the impaired assets shall be adjusted accordingly in the future to enable systematic amortization of the adjusted carrying amount of assets (deducting the expected net residual value) in the remaining useful life.

Impairment tests shall be conducted on goodwill formed in business merger and intangible assets with uncertain useful life every year no matter whether there is any sign of impairment.

In conducting the impairment test for goodwill, the carrying amount of goodwill shall be amortized to the assets group or asset portfolio benefit from the synergy of business merger. When conducting impairment tests on the related asset portfolio or portfolio of asset groups that contain(s) goodwill, if there are indications of impairment, test the asset groups or groups of asset groups that do not contain goodwill firstly and calculate the recoverable amount, and compare it with the related carrying amount to confirm the corresponding impairment loss. Then, the asset groups portfolio or portfolio of asset groups including goodwill are tested for impairment. Comparing the carrying amount (including the carrying amount of goodwill amortized) of the related asset groups or groups of asset groups and their recoverable amounts, where the recoverable amount of an asset group or groups of asset groups is lower than its carrying amount, an impairment loss is recognized for goodwill.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 27. Long-term deferred expenses

The Group's long-term deferred expenses include mold amortization and maintenance expenses. Such expenses shall be equally amortized in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortized value of unamortized items shall be all transferred to the current profit or loss. The amortization period of molds is 3-10 years, and the amortization period of maintenance expenses is 2-10 years.

#### 28. Contract liabilities

The contract liabilities reflect the Group's obligations to transfer commodities to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Company has obtained the right to receive the contract consideration unconditionally before the transfer of the commodities to the customer, the contract liabilities shall be confirmed according to the amount received or receivable when the customer actually makes the payment and payment due.

#### 29. Employee compensation

Employee compensation of the Group includes short-term compensation, post-employment benefits, termination benefits and other long-term welfare.

Short-term compensations mainly include: salary, bonus, allowances and subsidies; welfare expenses; medical insurance premiums, employment injury insurance premiums, birth insurance premiums and other social insurance premiums; housing provident fund; labor union expenditure and employee education fund; short-term compensated absences; short-term profit sharing plan; non-monetary welfare and other short-term compensations. During the accounting period when employees provide services, the actual short-term compensation is recognized as liabilities and included in the current profits and losses or relevant asset costs according to the beneficiaries.

Post-employment welfare mainly includes endowment insurance, annuity, unemployment insurance, early retirement benefits and other post-employment welfare, which are classified into defined contribution plan and defined benefit plan according to the risks and obligations borne by the Company. Contribution that paid to individual subject for the services provided by the employees in the accounting period on the balance sheet date as per the defined contribution plan shall be recognized as liabilities, and included in the current profit or loss or related asset cost as per the benefit object.

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

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 29. Employee compensation (Continued)

Dismissal welfare arise from the termination of employment relationships with employees prior to the expiration of their employment contracts, or compensation given to employees to encourage them to voluntarily accept redundancy. The salaries expected to be paid in the future to employees subject to early retirement are cashed once at the time of early retirement and recognized in current profit or loss, and long-term employee compensation payable is subsequently measured in amortized cost.

Other long-term employee welfare refers to the employee benefits except for short-term benefits, post-employment welfare and dismissal welfare, including long-term compensated absences, long-term disability welfare, long-term profit sharing plan, etc. Other long-term employee welfare provided by the Group to employees that meet the conditions of defined contribution plan, the accounting shall be treated as per the provisions in above defined contribution plan. Net liabilities or assets of other long-term employee welfares provided by the Group to employees and satisfying conditions of the defined benefit plan shall be recognized and measured as per provisions of the defined benefit plan. At the end of the reporting period, the Group recognizes employee payroll cost generated from other long-term employee welfares as the following components: service cost; net interest amount of net liabilities or assets of other long-term employee welfares; changes generated from remeasurement of net liabilities or assets of other long-term employee welfares. The total net amount shall be included in current profits and losses or relevant asset cost.

#### 30. Lease liabilities

##### (1) Initial measurement

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

##### 1) Lease payment

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use the leased asset during the lease term, including: ① fixed payment and substantially fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; ③ exercise price of purchase option when the Group reasonably determines to exercise purchase option; ④ payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; and ⑤ amount expected to be paid according to the guaranteed residual value provided by the Group.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 30. Lease liabilities (Continued)

##### (1) *Initial measurement (Continued)*

##### 2) *Discount rate*

When calculating the present value of the lease payment, the Group adopts the interest rate included in the lease as the discount rate; if the interest rate included in the lease cannot be recognized, the incremental borrowing rate of the Group is to be adopted as the discount rate.

##### (2) *Subsequent measurement*

After the commencement of the lease term, the Group will carry out subsequent measurement of the lease liabilities according to the following principles: ① increase the carrying amount of the lease liabilities when confirming the interest on the lease liabilities; ② reduce the carrying amount of lease liabilities when making the lease payment; and ③ remeasure the carrying amount of the lease liabilities when the lease payment changes due to revaluation or lease change.

The interest expenses of the lease liabilities within each lease term shall be calculated according to the fixed periodic rate, and included in the current profits and losses, except for those should be capitalized. Periodic rate refers to the discount rate adopted by the Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be remeasured according to the revised discount rate due to changes in the lease payment or lease changes.

##### (3) *Remeasurement*

After the commencement of the lease term, in case of the following circumstances, the Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the remaining amount in the current profits and losses. ① The substantial fixed payment changes; ② the expected payable amount of the guaranteed residual value changes; ③ the index or ratio used to determine the lease payment changes; ④ the evaluation result of purchase option changes; and ⑤ the evaluation result of renewal option or option to terminate the lease or actual exercise changes.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 31. Provision

When an external warranty, discount of commercial acceptance notes, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements at the same time, the Group shall recognize such responsibilities as estimated liabilities: the assumed responsibilities are current obligations; the fulfillment of such obligations will likely cause the outflow of economic benefits from the Group; the amount of such obligations can be measured reliably.

The provisions are initially measured at the best estimate of expenditures required to perform relevant current obligations, and the risks, uncertainties, and time value of money related to contingencies are taken into comprehensive consideration. Where the time value of money is of great influence, the best estimate is recognized through the discount of relevant future cash outflows. As of the balance sheet date, the carrying amount of the provision is reviewed and adjusted (if any change) to reflect the current best estimate.

#### 32. Recognition principles and measuring methods of revenue

The Group's operating revenue mainly includes domestic sales revenue, export revenue, financial service revenue and others.

**(1) The general principles for revenue recognition are as follows:**

The Group has fulfilled its performance obligations of the contract, meaning it recognizes the revenue when the customer has obtained the control rights of the relevant commodities or services.

If the contract contains two or more performance obligations, the Group shall, at the beginning of the contract, apportion the transaction price to each performance obligation according to the relative proportion of the individual selling price of the commodities or services promised by each performance obligation, and measure the revenue according to the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive for the transfer of commodities or services to the customer, excluding payments received on behalf of third parties. The transaction price recognized by the Group shall not exceed the amount of accumulative confirmed revenue that will most likely not be great reverse when the relevant uncertainty is removed. The amount expected to be refunded to the customer shall not be included in the transaction price as the liabilities. Where there is a material financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest method. At the beginning of the contract, if the Group expects that the interval between the customer's acquisition of control over goods or services and the payment of the price by the customer will not exceed one year, the significant financing component existing in the contract is considered.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 32. Recognition principles and measuring methods of revenue (Continued)

**(1) The general principles for revenue recognition are as follows: (Continued)**

In case one of the following conditions is met, the Group will perform the performance obligations within a period of time. Otherwise, it will perform the performance obligations at a time point:

1. The customer obtains and consumes the economic benefits brought by the Group while performing the contract.
2. The customer can control the goods under construction during the Group's performance.
3. The goods generated during the performance of the Group are irreplaceable, and the Group is entitled to collect the amount for the performance accumulatively completed so far throughout the term of the Contract.

For the performance obligations performed within a certain period of time, the Group shall confirm the revenue according to the performance progress during that period and determine the performance progress according to the percentage of completion method. If the performance progress cannot be reasonably confirmed, and the costs incurred by the Group can be expected to be compensated, the revenue shall be confirmed according to the amount of costs incurred until the performance progress can be reasonably confirmed.

For performance obligations performed at a certain time point, the Group shall confirm the revenue at the time point when the customer gains control rights of the relevant commodities or services. In determining whether a customer has obtained the control rights of the goods or services, the Group shall take the following indications into consideration:

1. The Group enjoys the current collection right in regard to such goods or services.
2. The Group has transferred the legal ownership of such goods to the customer.
3. The Group has transferred the physical goods to the customer.
4. The Group has transferred the main risk and rewards of such goods in terms of ownership to the customer.
5. The customer has accepted such goods or services, etc.

The right that the Group has the right to collect the consideration because it has transferred such goods or services to the customer shall be presented as the contract asset, and the contract assets take the expected credit loss as the base to make the impairment. The Group's unconditional right to collect consideration from customers shall be presented as receivables. The Group's obligations to transfer goods or services to the customer due to customer consideration received or receivable shall be presented as the contract liabilities.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 32. Recognition principles and measuring methods of revenue (Continued)

##### (2) *Specific principles for revenue recognition*

- 1) Domestic sales revenue mainly refers to the revenue obtained from the sales of products by the Group. According to the contract, as long as the Group has the relevant evidence that the other party obtains the control right of the product, the Group completes the contract performance obligation and recognizes the revenue.

- 2) *Export revenue*

Export revenue mainly refers to the revenue obtained from foreign trade. After the Group's goods are declared offshore, the revenue is recognized with relevant evidence that the other party has obtained control of the product.

- 3) *Revenue from financial services*

The revenue from financial services mainly includes interest revenue, fees and commission revenue obtained by China YTO Group Finance CO., LTD., a subsidiary of the Group. Interest revenue refers to the revenue obtained by providing funds to the other party for use but not constituting equity investment, or due to the other party's occupation of the Group's funds, including interbank regular interest revenue, loan interest revenue, discount interest revenue, etc. The Group recognizes the revenue according to the time and effective interest rate of the abalienation of the right to use funds. Fees and commission revenue are charged by providing various services to customers. Service charges & commissions charged for providing services within a certain period are recognized on average during the corresponding period, and other fees and commissions are recognized upon completion of the relevant transaction.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 33. Government subsidy

Government subsidy refers to monetary or non-monetary assets acquired by the Group from the government for free. The government subsidies shall be recognized when all the attached conditions can be satisfied and the government subsidies can be received by the Group.

If the government subsidy is a monetary asset, it shall be measured according to the amount actually received. For subsidies appropriated according to fixed quota standards, or when at the end of the period, there is conclusive evidence that the relevant conditions stipulated in the financial support policy can be met and the financial support funds are expected to be received, such government subsidies shall be measured in accordance with the amount receivable; If government subsidy is non-monetary assets, they shall be measured at fair value. If the fair value cannot be obtained reliably, the government subsidies shall be measured according to the nominal amount (1 RMB).

Government subsidies fall into asset-related government subsidy and revenue-related government subsidy. The asset-related government subsidies refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtainment of such assets in other forms. The revenue-related government subsidies refer to those other than the asset-related government subsidies. If no assistance object is specified in the government documents, the Group shall determine it based on the above identifying principles. For those hard to be identified, classify them totally in the revenue-related government subsidies.

Where a government subsidy related to an asset is recognized as deferred income, it shall be amortized to profit or loss over the useful life of the constructed or purchased asset on a reasonable and systematic basis.

The government subsidies related to income shall be recognized as deferred incomes and included into the current profits and losses when recognizing the related expenses or losses if they are used for compensating the subsequent related expenses or losses of the enterprise; should they are used for compensating the related expenses or losses that have incurred, they shall be included into the current profits and losses upon acquisition.

The government subsidies related to the daily activities of the enterprise shall be included in other income; and the government subsidies irrelevant to the daily activities of the enterprise shall be included in non-operating revenue and expense.

Government subsidies related to policy-based preferential loan discount shall offset related borrowing costs; for loans with policy-based preferential interest rate provided by the lending bank, the actually received loan amount shall be taken as the entry value of the loan. When the recognized government subsidies of the relevant loan costs need to be returned according to the loan principal and the policy-based preferential interest rate, the carrying amount of the assets shall be adjusted if the government subsidies are used to offset the carrying amount of the relevant assets at the time of initial recognition.; If deferred incomes are concerned, the government subsidies shall offset against the book value of the deferred incomes, and the excess shall be included in current profits and losses.; If there are no deferred incomes concerned, they shall be directly included in the current profits and losses.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities of the Group shall be recognized by calculating the difference (temporary difference) between the tax base and carrying amount thereof. For the deductible loss of taxable income that can be deducted in the future years as specified by tax laws, corresponding deferred tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred tax liabilities shall not be recognized. For the temporary difference with respect to initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable income (or deductible losses), relevant deferred tax assets and liabilities shall not be recognized. Deferred tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

The deferred tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Group.

#### 35. Leases

##### (1) *Identification of lease*

On the commencement date of a contract, the Group evaluates whether the contract is a lease or includes a lease. Where a party to a contract transfers the right to control the use of one or more identified assets for a certain period of time in return for a consideration, the contract is a lease or includes a lease. If the contract includes multiple separate leases at the same time, the lessee and the lessor will split the contract and carry out accounting treatment for each separate lease.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 35. Leases (Continued)

##### (2) *The Group as the lessee*

At the commencement of the lease term, the Group recognizes the right-of-use asset and lease liabilities for the lease. For the recognition and measurement of right-of-use assets and lease liabilities, please refer to Note IV “23. Right-of-use Assets and “29. Lease Liabilities”.

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope or extend the lease term by increasing the right to use one or more leased assets, and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope or the extended lease term according to the contract.

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee's incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the carrying amount of the right-of-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profits and losses. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the carrying amount of the right-of-use asset accordingly.

##### ① Short-term lease and low-value asset lease

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognize the right-of-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profits and losses by the straight-line method or other systematic and reasonable methods during each lease term.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 35. Leases (Continued)

##### (3) *The Group as the lessor*

On the basis that the contract evaluated in (1) is the lease or includes the lease, the Group, as the lessor, divides the lease into finance leases and operating leases on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a finance lease and other leases other than the finance lease as an operating lease.

If a lease has one or more of the following circumstances, the Group usually classifies it as a finance lease: ① When the lease term expires, the ownership of the leased assets is transferred to the lessee; ② The lessee has the option to purchase the leased assets, and the purchase price is low enough compared with the fair value of the leased assets when the option is expected to be exercised, so it can be reasonably determined that the lessee will exercise the option on the lease start date; ③ Although the ownership of the assets is not transferred, the lease period accounts for most of the useful life of the leased assets (not less than 75% of the useful life of the leased assets); ④ On the lease start date, the present value of lease receipts is almost equal to the fair value of leased assets (not less than 90% of the fair value of leased assets.); ⑤ The property of the leasing assets is special. The leasing assets can be used by the lessee only if not changed significantly. If a lease has one or more of the following signs, the Group may also classify it as a finance lease: ① If the lessee cancels the lease, the lessee shall bear the losses caused to the lessor by the cancellation of the lease; ② The gain or loss arising from the fluctuation of the fair value of the residual value of assets belongs to the lessee; ③ The lessee has the ability to renew the lease for the next period at a rent far below the market level.

##### ① Accounting treatment of operating lease

###### *Treatment of rent*

In each lease term, the Group will recognize the lease amount of operating lease as the rental income by the straight-line method.

###### *Incentives provided*

Where a rent-free period is provided, the Group will distribute the total rent by the straight-line method throughout the lease term without deduction of rent-free period, and the rental income shall be recognized during the rent-free period. Where the Group assumes some expenses of the lessee, such expenses will be deducted from the total rent income and distribute the balance of rental income, and the balance of the deducted rental income will be apportioned in the lease term.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

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### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 35. Leases (Continued)

##### (3) The Group as the lessor (Continued)

###### ① Accounting treatment of operating lease (Continued)

###### *Initial direct expense*

The initial direct expense incurred by the Group relating to the operating lease shall be capitalized to the cost of the underlying asset of the lease, and shall be included in the current profits and losses in stages during the lease term according to the same recognition basis as rental income.

###### *Depreciation*

The fixed assets in the assets under operating lease will be depreciated according to the depreciation policies applied by the Group for similar assets; and other assets under operating lease shall be amortized in a systematic and reasonable way.

###### *Variable lease payment*

The Group's variable lease payment which is related to operating lease and not included in lease receipts is included in the current profits and losses when it actually occurs.

###### *Change in operating lease*

If there is a change in the operating lease, the Group will take it as a new lease from the effective date of change, and the lease receipts received in advance or receivable related to the lease before the change will be regarded as the receipts for the new lease.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 35. Leases (Continued)

##### (3) The Group as the lessor (Continued)

##### ② Accounting treatment of finance lease

###### *Initial measurement*

At the commencement of the lease term, the Group recognizes the finance lease receivables for the finance lease and derecognizes the finance leasing assets. When the Group initially measures the finance lease receivables, the net investment in a lease is taken as the entry value of the finance lease receivables.

The net investment in a lease is equivalent to the sum of the unguaranteed residual value and the present value of the lease receipts that have not yet been received at the commencement of the lease term which is discounted at the interest rate implicit in the lease. The lease receipts refer to the amount that the lessor should collect from the lessee due to the transfer of right to use the leased asset during the lease term, including: ① the fixed payment and the substantial fixed payment that the lessee needs to pay; if there is the lease incentive, the relevant amount of lease incentive shall be deducted; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; ③ the exercise price of purchase option, provided that it reasonably determines that the lessee will exercise the option; ④ the amount to be paid by the lessee for exercising the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; and ⑤ the guaranteed residual value provided by the lessee, the party related to the lessee and an independent third party that has the economical ability to perform the guarantee obligation to the lessor.

###### *Subsequent measurement*

The Group calculates and recognizes interest income in each lease term at a fixed periodic rate. The periodic rate means that the implicit discount rate is adopted by determining the net investment in a lease (in case of sublease, if the implicit interest rate of sublease cannot be determined, the discount rate of the original lease is adopted (adjusted according to the initial direct expenses related to sublease)), or the change in finance lease is not taken as a separate lease for the accounting treatment and meets the revised discount rate determined according to relevant regulations when the lease is classified as the finance lease condition if the change takes effect on the lease commencement date.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 35. Leases (Continued)

##### (3) The Group as the lessor (Continued)

##### ② Accounting treatment of finance lease (Continued)

##### *Accounting treatment of lease change*

If the finance lease changes and meets the following conditions, the Group will take the change as a separate lease for accounting treatment: ① the change expands the lease scope by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope according to the contract.

If the change in finance lease is not taken as a separate lease for the accounting treatment, and takes effect on the lease commencement date, the lease will be classified as an operating lease condition, and the Group will take it as a new lease for the accounting treatment from the effective date of lease change and take the net investment in a lease before the effective date of lease change as the carrying amount of the leased asset.

#### 36. Held-for-sale

The Group classifies the non-current assets or disposal groups meeting the following conditions as the held-for-sale assets: (1) The non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups; (2) The sales are very likely to occur, i.e., a resolution has been taken on a sales plan and a definitive purchase commitment has been obtained, and the sales are expected to be completed within one year. Relevant regulations require that the relevant approval needs to be obtained for those available for sale after approval by relevant authorities or regulators. Before the non-current assets or disposal groups are classified as the held-for-sale assets for the first time, the Group shall measure the carrying amount of each asset and liability in the non-current assets or disposal groups in accordance with the relevant accounting standards. When the non-current assets or disposal groups held for sale are measured initially or remeasured on the balance sheet date, if the carrying amount is higher than the net amount obtained by deducting the selling expenses from the fair value, the carrying amount shall be reduced to the net amount obtained by deducting the selling expenses from the fair value, and the write-down amount shall be recognized as the asset impairment losses and shall be included in the current profits or losses and the impairment provision of held-for-sale assets shall be made at the same time.

The Group classifies the non-current assets or disposal groups that are acquired exclusively for resale, meeting the conditions of “the sales are expected to be completed within one year” on the acquisition date and likely to meet other conditions for held-for-sale assets in a short time (usually 3 months) as the held-for-sale assets on the acquisition date. In the initial measurement, the initial measurement amount assuming they are not classified as the held-for-sale assets and the net amount obtained by deducting the selling expenses from the fair value are compared, whichever is less. Except for the non-current assets or disposal groups acquired in the business combination, the difference arising from the net amount obtained by deducting the selling expenses from the fair value in the non-current assets or disposal groups as the initial measurement amount shall be included in the current profits or losses.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 36. Held-for-sale (Continued)

If the Group loses control over its subsidiaries due to the sales of investment in subsidiaries and other reasons, whether the Group reserves some of its equity investments after the sales or not, when the investment in subsidiaries to be sold meets the conditions for the held-for-sale assets, the investment in subsidiaries will be classified as the held-for-sale assets as a whole in the individual financial statements of the parent company and all the assets and liabilities of subsidiaries will be classified as the held-for-sale assets in the consolidated financial statements.

If the net amount obtained by deducting the selling expenses from the fair value of non-current assets held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the held-for-sale assets shall not be reversed.

For the asset impairment losses recognized in the disposal group held for sale, the carrying amount of the goodwill in the disposal group shall be deducted, and then the carrying amount shall be deducted proportionately based on the proportion of the carrying amount of each non-current asset.

If the net amount obtained by deducting the selling expenses from the fair value of disposal groups held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized in the non-current assets applicable to the relevant measurement rules after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The carrying amount of goodwill deducted and the asset impairment losses recognized in the non-current assets before being classified as the held-for-sale assets shall not be reversed.

For the subsequently reversed amount of asset impairment losses recognized in the disposal group held for sale, the carrying amount shall be increased proportionately based on the proportion of the carrying amount of each non-current asset other than the goodwill in the disposal group.

Non-current assets held for sale or non-current assets in disposal groups are not depreciated or amortized and interest and other expenses on liabilities in disposal groups held for sale continue to be recognized.

When the non-current assets or disposal groups held for sale are not further classified as the held-for-sale assets or the non-current assets are removed from the disposal groups held for sale due to failure to meet the conditions for the held-for-sale assets, the measurement shall be conducted based on the lower of the following two: (1) carrying amount before being classified as the held-for-sale assets based on the amount of depreciation, amortization or impairment after adjustment that should be recognized in the case that assuming they are not classified as the held-for-sale assets; (2) recoverable amount.

When the non-current assets or disposal groups held for sale are derecognized, the unrecognized gains or losses shall be included in the current profits or losses.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 37. Termination of operation

Discontinued operations refer to the components of the ZGC GROUP which meet one of the following conditions, which could be separately distinguished, and that such components have been disposed or been classified as the type of held for sale assets: (1) Such components represent an independent main business or separate main operating areas; (2) Such components are parts of a related plan to dispose of an independent main business or a separate main business area; (3) Such components are subsidiaries specially acquired for resale.

#### 38. Five-level classification of asset quality in financial business

YTO Group Finance CO., LTD., a subsidiary of the Group, is a non-bank financial institution. According to the requirements of the China Banking and Insurance Regulatory Commission, its creditor's rights assets, equity assets and other assets are classified into five categories: normal, concerned, secondary, suspicious and loss according to the risk degree. The proportion of provision for impairment shall not be less than 1.5%, 3%, 30%, 60% and 100%, respectively.

#### 39. Provision for general risk

YTO Group Finance CO., LTD., a subsidiary of the Group, is a non-bank financial institution. According to the regulations of Administrative Measures for the Provision of Reserves of Financial Enterprises (CJ [2012] No.20) issued by the Ministry of Finance, for financial assets with risks and losses assumed by the Company, after the potential risk valuation of risky assets is calculated by the standard method, deduct the accrued provision for impairment of assets, the provision for general risk used to cover the unidentified possible losses shall be accrued from the net profit at the end of each year. When the valuation of potential risks is lower than the provision for impairment of assets, no provision for general risk shall be accrued. In principle, the balance of provision for general risk shall not be less than 1.5% of the ending balance of risk assets.

The assets with risks and losses assumed by YTO Group Finance CO., LTD. specifically include: loans and advances, financial assets held for trading, Debt instrument at amortised cost, long-term equity investment, interbank deposits, lendings to banks and other financial institutions, debt-expiated assets, other receivables, etc.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 40. Other significant accounting policies and accounting estimates

The Group continuously evaluates the significant accounting estimates and key assumption adopted based on historical experience and other factors, including reasonable expectations for future events. Major changes, if any, in the following significant accounting estimates and key assumptions may cause a significant impact on the carrying amount of assets and liabilities in subsequent accounting years:

- (1) Impairment for receivables. The management of the Company evaluates credit risk on the basis of relevant asset portfolios and measures the provision for the loss according to the amount of expected credit loss in the whole duration. If the expected figure differs from the original estimates, the related difference will affect the carrying amount of receivables and the impairment charge during the change period of estimates.
- (2) Estimate of impairment of inventories. On the balance sheet date, the management of the Company measures the inventories according to the lower of cost and net realizable value, and the net realizable value shall be calculated by utilizing assumptions and estimates. If the management revises the estimated selling price as well as the costs and expenses to be incurred until completion, it will affect the estimates of the net realizable value of inventories, and the difference will affect the provision for inventory impairment accrued.
- (3) Estimated useful life and estimated net residual value of fixed assets. The estimated useful life and estimated net residual value of fixed assets are estimated based on the previous actual useful life and the actual net residual value of fixed assets with similar properties and functions. During the use of fixed assets, the economic environment, technical environment, and other environments may have a great impact on the useful life and estimated net residual value of fixed assets. If the estimated useful life and the net residual value of fixed assets are different from the original estimates, the management will make appropriate adjustments.
- (4) Fair value of financial assets. For financial instruments without an active market, the Group determines their fair value by various valuation techniques including the discount cash flow method. For financial assets that the Group is expressly restricted by law from disposing of within a specific period, their fair value is adjusted based on the market quotation and the characteristics of the instrument. In valuation, the Group needs to estimate the credit risk, market volatility, and correlation of itself and counterparties, and the changes in assumptions of these relevant factors will have an impact on the fair value of financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 40. Other significant accounting policies and accounting estimates (Continued)

- (5) Deferred tax assets and liabilities. When recognizing the deferred tax assets, the Group also takes into account the possibility of reversal of deductible temporary differences and deductible losses. The deductible temporary differences mainly include influences of the provision for impairment of assets, the accrued expenses that have not been approved for pre-tax deduction, the offset of internal unrealized profits, etc. Deferred tax assets are recognized based on the Group's expectation that the deductible temporary differences and deductible losses will be reversed in the foreseeable future through the generation of sufficient taxable income from continuing operations. The Group has accrued the current income tax and deferred income tax based on the current tax laws and regulations and the current best estimates and assumptions. In case of changes due to the tax laws and regulations or relevant circumstances in the future, the Group needs to make adjustments to the current income tax and deferred income tax.
- (6) Income tax. During the normal business activities, final tax treatment for many transactions and events has uncertainties. When accruing income tax, the Group needs to make significant judgments. If there is a difference between the finally recognized outcome for these taxes and the initially received amount, it will have an impact on the above-mentioned taxes in the final recognition period.

#### 41. Changes in significant accounting policies and accounting estimates

- (1) Change in significant accounting policies  
None.
- (2) Changes in significant accounting estimates  
None.
- (3) Implementation of relevant items in financial statements at the beginning of the year upon the adjustment of the interpretation of standards from 2022 (for the first time)

On December 31, 2021, the Ministry of Finance issued Interpretation No. 15 of the Accounting Standards for Business Enterprises (hereinafter referred to as Interpretation No. 15), and the Group started to implement it from January 1, 2022. The implementation of Interpretation No. 15 has no impact on the financial statements of the Group.

On December 13, 2022, the Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (hereinafter referred to as Interpretation No. 16), and the Group started to implement it from December 13, 2022. The implementation of Interpretation No. 16 has no impact on the financial statements of the Group.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VI. TAXES

#### 1. Main taxes and tax rates

Tax category	Taxation basis	Tax rate
Value-added tax(VAT)	Domestic sales; providing processing, repair, maintenance services, etc.	13%
	Providing agricultural machinery sales, tap water, heating, gas, etc.	9%
	Other taxable sales and services	6%
	Urban maintenance and construction tax	7%, 5%
Educational surcharges	Turnover tax actually paid	3%, 2%
Enterprise income tax	Taxable income	25%, 15%
Real estate tax	70% (or rental income) of the original value of the property as the tax basis	1.2%, 12%

Taxpayer's description for the tax rates of different corporate income taxes:

Name of taxpayer	Income tax rate
First Tractor Company Limited	15%
YTO (Luoyang) Diesel Engine Co., Ltd.	15%
YTO (Luoyang) Flagauto-Body Co., Ltd.	15%
Luoyang Tractor Research Institute Co., Ltd.	15%
Other domestic subsidiaries	25%
Overseas subsidiaries	Calculated and paid per local tax policy



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VI. TAXES (CONTINUED)

#### 2. Tax preference

##### (1) Value-added tax

Luoyang Tractor Research Institute Co., Ltd., a company subsidiary, was transformed into a research institute. According to the decisions of the *Notice of the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on the Import Tax Policies for Supporting Scientific and Technological Innovations during the Period of the "14th Five-Year Plan"* (CGS [2021] No. 23) and the *Notice on Issuing the List of Supplies for Scientific Research, Scientific and Technological Development and Teaching Imported that Are Exempt from Import Taxes during the Period of the "14th Five-Year Plan"* (CGS [2021] No. 44). Scientific research institutions, technology development institutions, schools and other organizations that import the supplies for scientific research, scientific and technological development, and teaching that cannot be produced at home or the performances of relevant supplies produced at home cannot meet the needs shall be exempted from import tariffs, value-added taxes, and consumption taxes on import links.

According to the provisions of Item (26) of Article I of Appendix 3 "*Provisions on the Transitional Policies for the Pilot Program of Replacing Business Tax with Value-Added Tax*" to the *Notice of the Ministry of Finance and the State Taxation Administration on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax* (CS [2016] No. 36), taxpayers are exempt from VAT for provision of technology transfer, technology development and associated technology consulting, and technology services. The preferential policy is applicable to Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company.

According to Article VII of the *Announcement of the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement No. 39 [2019], MOF, STA, and GACC), for the current deductible input tax for taxpayers in the production and life service sector, the tax payable is allowed to be credited at an additional rate of 10% (hereinafter referred to as the "additional credit policy") from April 1, 2019, to December 31, 2021. The period of execution for the additional credit policy for value-added tax in the production and life service sector stipulated in the *Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Value-Added Tax Policies for Promoting the Resolution of Difficulties so as to Develop the Difficulty-Ridden Industries in the Service Sector* (Announcement No. 11 [2022], MOF and STA) shall be extended to December 31, 2022. The preferential policy is applicable to Luoyang Tractor Research Institute Co., Ltd.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VI. TAXES (CONTINUED)

#### 2. Tax preference (Continued)

##### (1) *Value-added tax (Continued)*

According to the *Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Tax Policies for Public Rental Housing* (Announcement No. 61 [2019], MOF and STA), public rental housing shall be exempt from urban land use tax and house property tax, and rent revenue obtained from the operation of public rental housing shall be exempt from value-added tax. The implementation period is extended to December 31, 2023, in accordance with the *Announcement of the Ministry of Finance and the State Taxation Administration on Extending the Implementation Period of Certain Preferential Tax Policies* (Announcement No. 6 [2021], MOF and STA). The preferential policy is applicable to Luoyang Tractor Research Institute Co., Ltd.

Luoyang Changxing Agricultural Machinery Co., Ltd. enjoys the VAT exemption policy for the sales of agricultural machinery in accordance with the *Notice of the Ministry of Finance and the State Taxation Administration concerning the Policy of Exemption of Value Added Tax on Agricultural Means of Production* (CS [2001] No. 113).

Overseas subsidiaries, including Cadfund Machinery Pty Ltd, Yitwo Argo-Industrial and YTO Belarus Technology Co. Ltd., compliance with local tax policy.

##### (2) *Enterprise income tax*

The Company and its subsidiaries, including YTO (Luoyang) Diesel Engine Co., Ltd., YTO (Luoyang) Flagauto-Body Co., Ltd., and Luoyang Tractor Research Institute Co., Ltd. are high-tech enterprises jointly recognized by the Provincial Department of Science and Technology, the Public Finance Department, and the State Taxation Administration and according to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate of 15% is applicable.

Subsidiaries of the Group, including Cadfund Machinery Pty Ltd, Yitwo Argo-Industrial and YTO Belarus Technology Co. Ltd., are registered abroad and pay income tax at the local applicable tax rate.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, among the following disclosed data in the financial statements, “ending balance” refers to December 31, 2022; “beginning balance” refers to January 1, 2022; “current year” refers to the period from January 1 to December 31, 2022; “previous year” refers to the period from January 1 to December 31, 2021; and the monetary unit is RMB.

#### 1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	60,612.69	413,447.08
Bank deposits	3,528,903,780.24	3,084,123,983.80
Other monetary funds	834,777,953.08	158,862,180.77
<b>Total</b>	<b>4,363,742,346.01</b>	<b>3,243,399,611.65</b>

Including: total amount deposited overseas	49,270,197.48	48,719,452.12
Deposits in financial companies	1,968,212,255.21	0.00

Monetary funds with restricted right of use:

Item	Ending balance	Beginning balance
Margin for bank acceptance bill	834,209,742.51	20,218,112.35
Statutory reserve deposited in the Central Bank	9,176,871.31	237,769,762.23
Funds restricted by policy	0.00	138,052,188.68
Time deposits with maturity over three months	0.00	700,000,000.00
Others	778,150.32	591,822.78
<b>Total</b>	<b>844,164,764.14</b>	<b>1,096,631,886.04</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2. Lendings to banks and other financial institutions

Item	Ending balance	Beginning balance
Original value of lendings to banks and other financial institutions from non-bank financial institutions	0.00	99,500,000.00
Less: provision for impairment of lendings to banks and other financial institutions	0.00	76,180,000.00
<b>Total</b>	<b>0.00</b>	<b>23,320,000.00</b>

#### 3. Financial assets held for trading

Item	Ending balance	Beginning balance
Financial assets at FVTPL	420,172,500.00	0.00
Including: bond instrument investment	420,172,500.00	0.00
Financial assets designated as measured at FVTPL	829,474,400.00	1,038,970,988.74
Including: equity instruments investment	829,474,400.00	1,038,960,400.00
Others	0.00	10,588.74
<b>Total</b>	<b>1,249,646,900.00</b>	<b>1,038,970,988.74</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Notes receivable

(1) *Notes receivable listed by category*

Item	Ending balance	Beginning balance
Bank acceptance bill	24,937,093.37	62,129,339.36
Commercial acceptance bill	51,832,198.33	628,282.22
<b>Total</b>	<b>76,769,291.70</b>	<b>62,757,621.58</b>

(2) *Notes receivable without pledge at the end of the period*

(3) *Notes receivable which have been endorsed or discounted but not yet expired on the balance sheet date at the end of the year*

Item	Derecognition amount at the end of the year	Non-derecognition amount at the end of the year
Bank acceptance bill	0.00	11,175,744.49
Commercial acceptance bill	0.00	200,000.00
<b>Total</b>	<b>0.00</b>	<b>11,375,744.49</b>

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

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Accounts receivable

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

Category	Book value		Ending balance			Book value		Ending balance		
			Provision for bad debts		Carrying amount			Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	701,972,250.80	100.00	350,180,145.80	-	351,792,105.00	757,191,774.18	100.00	455,530,037.70	-	301,661,736.48
Including: Ageing portfolio	654,083,485.34	93.18	320,544,054.68	49.01	333,539,430.66	687,108,877.84	90.74	422,490,660.74	61.49	264,618,217.10
Collateral and other risk exposure portfolios	47,888,765.46	6.82	29,636,091.12	61.89	18,252,674.34	70,082,896.34	9.26	33,039,376.96	47.14	37,043,519.38
<b>Total</b>	<b>701,972,250.80</b>	<b>100.00</b>	<b>350,180,145.80</b>	<b>-</b>	<b>351,792,105.00</b>	<b>757,191,774.18</b>	<b>100.00</b>	<b>455,530,037.70</b>	<b>-</b>	<b>301,661,736.48</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Accounts receivable (Continued)

##### (1) Classified disclosure according to the method of provision for bad debts (Continued)

###### 1) Provision for bad debts of accounts receivable accrued as per portfolio—Ageing portfolio

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	337,004,122.40	7,091,459.23	2.10
1-2 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
<b>Total</b>	<b>654,083,485.34</b>	<b>320,544,054.68</b>	<b>—</b>

###### 2) Provision for bad debts of accounts receivable accrued as per portfolio—Collateral and other risk exposure portfolios

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	47,888,765.46	29,636,091.12	61.89

##### (2) Accounts receivable listed by age

Ageing	Ending balance	Beginning balance
Within 1 year (including 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 impairment	350,180,145.80	455,530,037.70
<b>Total</b>	<b>351,792,105.00</b>	<b>301,661,736.48</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Accounts receivable (Continued)

##### (3) Bad debt provision of accounts receivable

Category	Beginning balance	Provision	Amount changed in the current year		Others	Ending balance
			Recovered or transferred back	Charged or written off		
Ageing portfolio	422,490,660.74	6,922,588.23	0.00	109,126,958.92	257,764.63	320,544,054.68
Collateral and other risk exposure portfolios	33,039,376.96	1,093,852.71	0.00	4,497,138.55	0.00	29,636,091.12
<b>Total</b>	<b>455,530,037.70</b>	<b>8,016,440.94</b>	<b>0.00</b>	<b>113,624,097.47</b>	<b>257,764.63</b>	<b>350,180,145.80</b>

Note: Other changes are due to exchange rate changes.

##### (4) Accounts receivable written off during the current year

Item	Amount
Accounts receivable written off	113,624,097.47

Significant accounts receivables written off:

Company name	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Client A	Payment for goods	81,419,616.00	Irrecoverable	Group internal approval	No
Client B	Payment for goods	19,046,124.96	Irrecoverable	Group internal approval	No
<b>Total</b>	/	<b>100,465,740.96</b>	/	/	/



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Accounts receivable (Continued)

(5) *Accounts receivable with top five ending balance collected as per the borrowers*

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
YTO (Luoyang) Harvesters Co., Ltd.	63,100,203.73	Over 5 years	8.99	63,100,203.73
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	Over 5 years	8.86	62,183,376.45
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	27,533,497.99	4-5 years and more than 5 years	3.92	27,533,497.99
YTO Group Corporation	26,452,838.19	Within 1 year	3.77	328,904.83
TECNOIMPORT,(Cuba)	24,842,643.30	Over 5 years	3.54	24,842,643.30
<b>Total</b>	<b>204,112,559.66</b>	<b>-</b>	<b>29.08</b>	<b>177,988,626.30</b>

#### 6. Receivables financing

(1) *Classified presentation of notes receivable*

Item	Ending balance	Beginning balance
Bank acceptance bill	246,084,731.86	216,495,094.89

(2) *Receivables financing which has been endorsed or discounted at end of the year but not yet expired on the balance sheet date*

Item	Derecognition amount at the end of the year	Non-derecognition amount at the end of the year
Bank acceptance bill	2,537,957,239.51	0.00

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6. Receivables financing (Continued)

*(3) Notes Receivable which has been pledged at end of the year*

Item	Amount of pledge
Bank acceptance bill	25,026,889.31

#### 7. Advances to suppliers

*(1) Ageing of advances to suppliers*

Item	Ending balance		Provision for bad debts	Beginning balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	214,045,042.97	96.08	0.00	240,707,027.25	96.61	62,027.96
1-2 years	484,493.59	0.22	50,180.00	415,647.03	0.17	1,277.08
2-3 years	250,823.84	0.11	147,187.14	31,722.51	0.01	0.00
Over 3 years	7,998,214.91	3.59	7,978,128.55	8,006,858.46	3.21	6,385,626.12
<b>Total</b>	<b>222,778,575.31</b>	<b>100.00</b>	<b>8,175,495.69</b>	<b>249,161,255.25</b>	<b>100.00</b>	<b>6,448,931.16</b>

*(2) Top five of the ending balance of the prepayment collected according to the  
counterparty*

Company name	Ending balance	Ageing	Proportion in total ending balance of advances to suppliers (%)
Xuzhou Armour Rubber Company Ltd	91,940,466.21	Within 1 year	41.27
Guizhou Tyre Co., Ltd	17,248,892.44	Within 1 year	7.74
Golden Century (Luoyang) Wheel Manufacturing Co., Ltd.	16,086,267.69	Within 1 year	7.22
Shandong Xingtai Tyre Co., Ltd.	10,263,761.83	Within 1 year	4.61
Sino Shaanxi Nuclear Moly Bdenum Industry Co., Ltd.	9,613,660.00	Within 1 year	4.32
<b>Total</b>	<b>145,153,048.17</b>	—	<b>65.16</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Other receivables

Item	Ending balance	Beginning balance
Interests receivable	0.00	944.41
Dividends receivable	0.00	0.00
Other receivables	26,664,987.91	24,246,211.78
<b>Total</b>	<b>26,664,987.91</b>	<b>24,247,156.19</b>

#### *Interests receivable*

Item	Ending balance	Beginning balance
Interest receivable from buyer's credit business	0.00	944.41

#### *Other receivables*

(1) *Other receivables classified as per nature*

Nature	Book value at the end of the year	Book value at the beginning of the year
Unit's transaction payments	98,800,759.92	86,328,804.77
Security deposits, pretty cash, margin, etc.	4,698,369.17	5,722,026.99
Export tax refund receivable	8,832,737.30	9,697,109.31
Others	10,411,856.95	19,246,933.44
<b>Total</b>	<b>122,743,723.34</b>	<b>120,994,874.51</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Other receivables (Continued)

##### *Other receivables (Continued)*

(2) *Provision for bad debts of other receivables*

Provision for bad debts	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2022	93,431,784.46	3,316,878.27	0.00	96,748,662.73
Book value of other receivables on January 1, 2022 in the current year	—	—	—	—
– Be transferred to Stage II	0.00	0.00	0.00	0.00
– Be transferred to Stage III	0.00	0.00	0.00	0.00
– Be transferred back to Stage II	0.00	0.00	0.00	0.00
– Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current year	1,466,914.98	-922,690.79	0.00	544,224.19
Reversal in the current year	0.00	0.00	0.00	0.00
Write-off in the current year	0.00	0.00	0.00	0.00
Amount written off in the current year	619,060.00	37,338.48	0.00	656,398.48
Other changes	-557,753.01	0.00	0.00	-557,753.01
<b>Balance as at December 31, 2022</b>	<b>93,721,886.43</b>	<b>2,356,849.00</b>	<b>0.00</b>	<b>96,078,735.43</b>

Note: Other changes are mainly due to the decrease in the disposal of asset groups by YTO Group Finance CO., LTD., as detailed in Note XII. (II) 6. Asset transfer of related parties.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Other receivables (Continued)

##### *Other receivables (Continued)*

(3) *Other receivables listed as per ageing*

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	20,638,200.08	18,636,260.13
1-2 years	2,114,878.20	1,245,778.38
2-3 years	994,680.46	1,496,161.33
Over 3 years	98,995,964.60	99,616,674.67
<b>Subtotal</b>	<b>122,743,723.34</b>	<b>120,994,874.51</b>
Less: provision for impairment	96,078,735.43	96,748,662.73
<b>Total</b>	<b>26,664,987.91</b>	<b>24,246,211.78</b>

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts*

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	122,743,723.34	100.00	96,078,735.43	-	26,664,987.91
Including: Ageing portfolio	111,198,658.86	90.59	93,672,920.46	84.24	17,525,738.40
Low risk portfolio	4,896,595.98	3.99	48,965.97	1.00	4,847,630.01
Collateral and other risk exposure portfolios	6,648,468.50	5.42	2,356,849.00	35.45	4,291,619.50
<b>Total</b>	<b>122,743,723.34</b>	<b>100.00</b>	<b>96,078,735.43</b>	<b>-</b>	<b>26,664,987.91</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Other receivables (Continued)

##### *Other receivables (Continued)*

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)*

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	120,994,874.51	100.00	96,748,662.73	–	24,246,211.78
Including: Ageing portfolio	105,059,994.19	86.83	93,350,731.37	88.85	11,709,262.82
Low risk portfolio	8,105,308.34	6.70	81,053.09	1.00	8,024,255.25
Collateral and other risk exposure portfolios	7,829,571.98	6.47	3,316,878.27	42.36	4,512,693.71
<b>Total</b>	<b>120,994,874.51</b>	<b>100.00</b>	<b>96,748,662.73</b>	<b>–</b>	<b>24,246,211.78</b>

1) Provision for bad debts of other receivables accrued as per portfolio—Ageing portfolio

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	17,332,043.31	291,489.34	1.68
1-2 years	970,368.88	485,184.45	50.00
2-3 years	689,237.34	689,237.34	100.00
Over 3 years	92,207,009.33	92,207,009.33	100.00
<b>Total</b>	<b>111,198,658.86</b>	<b>93,672,920.46</b>	<b>–</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Other receivables (Continued)

##### *Other receivables (Continued)*

(4) Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)

2) Provision for bad debts of other receivables accrued as per portfolio—Low-risk portfolio

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	3,306,156.77	33,061.57	1.00
1-2 years	1,143,780.82	11,437.81	1.00
2-3 years	293,953.12	2,939.53	1.00
Over 3 years	152,705.27	1,527.06	1.00
<b>Total</b>	<b>4,896,595.98</b>	<b>48,965.97</b>	<b>—</b>

3) Provision for bad debts of other receivables accrued as per portfolio—Collateral and other risk exposure portfolios

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	6,648,468.50	2,356,849.00	35.45

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Other receivables (Continued)

##### *Other receivables (Continued)*

##### (5) *Bad debt provision of other receivables*

Category	Beginning balance	Provision	Amount changed in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Ageing portfolio	93,350,731.37	1,499,002.10	0.00	619,060.00	-557,753.01	<b>93,672,920.46</b>
Low risk portfolio	81,053.09	-32,087.12	0.00	0.00	0.00	<b>48,965.97</b>
Collateral and other risk exposure portfolios	3,316,878.27	-922,690.79	0.00	37,338.48	0.00	<b>2,356,849.00</b>
<b>Total</b>	<b>96,748,662.73</b>	<b>544,224.19</b>	<b>0.00</b>	<b>656,398.48</b>	<b>-557,753.01</b>	<b>96,078,735.43</b>

##### (6) *Other receivables written off in this year*

Item	Amount
Other receivables written off	<b>656,398.48</b>

##### (7) *Other receivables from top five ending balances collected as per the borrowers*

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Unit's transaction payments	<b>82,240,000.00</b>	Over 5 years	67.00	82,240,000.00
Luoyang Jianxi District Tax Bureau, State Taxation Administration	Tax refund receivable	<b>8,195,601.10</b>	Within 1 year	6.68	86,538.08
Shanghai Pengpu Machine Building Plant (Group) Co., Ltd.	Unit's transaction payments	<b>6,490,000.00</b>	Over 5 years	5.29	2,292,959.42
Heilongjiang Provincial Department of Agriculture and Rural Affairs	Unit's transaction payments	<b>5,500,000.00</b>	Within 1 year	4.48	110,000.00
Jiangsu Qingjiang Tractor Co., Ltd.	Unit's transaction payments	<b>3,315,484.00</b>	Over 5 years	2.70	3,315,484.00
<b>Total</b>	-	<b>105,741,085.10</b>	-	<b>86.15</b>	<b>88,044,981.50</b>

##### (8) *No receivables involving government subsidies.*

##### (9) *Other receivables that have not been terminated due to the transfer of financial assets.*

##### (10) *The amount of assets and liabilities formed without transferring other receivables and continuing to be involved.*



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 9. Financial assets purchased under agreements to resell

##### (1) Classification by nature of counterparty

Item	Ending balance	Beginning balance
Domestic peers	0.00	360,643,454.77
Including: principal	0.00	360,000,000.00
Interests receivable	0.00	643,454.77
<b>Total</b>	<b>0.00</b>	<b>360,643,454.77</b>

##### (2) Classification by asset type

Item	Ending balance	Beginning balance
Bonds	0.00	360,643,454.77

##### (3) Classification by maturity date

Item	Ending balance	Beginning balance
Within 1 month	0.00	310,543,317.78
1-3 month(s)	0.00	50,100,136.99
<b>Total</b>	<b>0.00</b>	<b>360,643,454.77</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 10. Inventories

##### (1) *Category of inventories*

Item	Ending balance			Beginning balance		
	Book value	Provision for the decline in inventory value/impairment provision for contract performance cost	Carrying amount	Book value	Provision for the decline in inventory value/impairment provision for contract performance cost	Carrying amount
Raw materials	599,532,962.43	79,184,887.39	520,348,075.04	524,270,464.44	77,570,319.57	446,700,144.87
Goods in process	140,705,044.95	7,833,196.52	132,871,848.43	224,080,472.99	10,230,755.26	213,849,717.73
Goods in stock	472,333,919.11	16,922,162.81	455,411,756.30	715,572,408.37	18,422,463.04	697,149,945.33
Goods in transit	87,973,619.02	5,302,602.79	82,671,016.23	322,197,294.96	5,888,169.61	316,309,125.35
<b>Total</b>	<b>1,300,545,545.51</b>	<b>109,242,849.51</b>	<b>1,191,302,696.00</b>	<b>1,786,120,640.76</b>	<b>112,111,707.48</b>	<b>1,674,008,933.28</b>

##### (2) *Provision for inventory impairment/contract performance cost impairment*

Item	Beginning balance	Increase in the current year		Decrease in the current year		Ending balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	77,570,319.57	10,852,279.20	0.00	9,233,725.65	3,985.73	79,184,887.39
Goods in process	10,230,755.26	-1,680,089.75	0.00	0.00	717,468.99	7,833,196.52
Goods in stock	18,422,463.04	2,605,991.31	146,489.10	4,252,780.64	0.00	16,922,162.81
Goods in transit	5,888,169.61	-480,831.56	0.00	104,735.26	0.00	5,302,602.79
<b>Total</b>	<b>112,111,707.48</b>	<b>11,297,349.20</b>	<b>146,489.10</b>	<b>13,591,241.55</b>	<b>721,454.72</b>	<b>109,242,849.51</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11. Non-current assets due within one year

Item	Ending balance	Beginning balance
Original value of long-term receivables due within one year	469,397,036.77	391,991,636.72
Original value of financial lease payments due within one year	151,060.48	107,479,608.15
Less: unrealized financing income	55,135,840.70	46,766,667.72
Less: provision for impairment	388,273,374.17	264,515,223.40
<b>Total</b>	<b>26,138,882.38</b>	<b>188,189,353.75</b>

#### 12. Other current assets

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	8,433,310.27	8,319,616.38
Entrusted loan	171,000,000.00	171,000,000.00
VAT to be certified/credited	121,090,525.95	292,530,486.30
Other prepaid taxes	12,164,969.57	4,608,443.55
Interests receivable	768,273.24	14,036,201.76
<b>Subtotal</b>	<b>313,457,079.03</b>	<b>490,494,747.99</b>
Less: provision for impairment	178,000,000.00	171,000,000.00
<b>Total</b>	<b>135,457,079.03</b>	<b>319,494,747.99</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. Loans and advances

*(1) Distribution situation of loans and advances by individuals and companies*

Item	Ending balance	Beginning balance
Personal loans and advances:	0.00	13,710,081.86
– Credit card	0.00	0.00
– Housing mortgage	0.00	0.00
– Others	0.00	13,710,081.86
Enterprise loans and advances:	0.00	903,953,910.38
– Loans	0.00	867,608,260.00
– Discount	0.00	36,345,650.38
Loan interest	0.00	1,294,081.19
Total of loans and advances	0.00	918,958,073.43
Less: Loan loss provision	0.00	27,203,119.60
Including: Individually accrued	0.00	0.00
Collectively accrued	0.00	27,203,119.60
Carrying amount of loans and advances	0.00	891,754,953.83

*(2) Distribution situation of loans and advances by industry*

Industry Distribution	Ending balance	Proportion (%)	Beginning balance	Proportion (%)
Machinery manufacturing	0.00	0.00	903,953,910.38	98.37
Individual	0.00	0.00	13,710,081.86	1.49
Loan interest	0.00	0.00	1,294,081.19	0.14
Total of loans and advances	0.00	0.00	918,958,073.43	100.00
Less: Loan loss provision	0.00	0.00	27,203,119.60	2.96
Including: Individually accrued	0.00	0.00	0.00	0.00
Collectively accrued	0.00	0.00	27,203,119.60	2.96
Carrying amount of loans and advances	0.00	0.00	891,754,953.83	–



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. Loans and advances (Continued)

##### (3) Distribution situation of loans and advances by region

Regional Distribution	Ending balance	Proportion (%)	Beginning balance	Proportion (%)
Northeast China	0.00	0.00	20,506,676.86	2.23
Central China	0.00	0.00	879,421,920.38	95.70
Northwest China	0.00	0.00	17,735,395.00	1.93
Loan interest	0.00	0.00	1,294,081.19	0.14
Total of loans and advances	0.00	0.00	918,958,073.43	100.00
Less: Loan loss provision	0.00	0.00	27,203,119.60	2.96
Including: Individually accrued	0.00	0.00	0.00	0.00
Collectively accrued	0.00	0.00	27,203,119.60	2.96
Carrying amount of loans and advances	0.00	0.00	891,754,953.83	—

##### (4) Distribution situation of loans and advances by guarantee method

Item	Ending balance	Beginning balance
Credit loan	0.00	792,700,000.00
Guaranteed loans	0.00	63,038,341.86
Secured loans	0.00	61,925,650.38
Including: loans secured by mortgages	0.00	22,580,000.00
Pledge loan	0.00	39,345,650.38
Loan interest	0.00	1,294,081.19
Total of loans and advances	0.00	918,958,073.43
Less: Loan loss provision	0.00	27,203,119.60
Including: Individually accrued	0.00	0.00
Collectively accrued	0.00	27,203,119.60
Carrying amount of loans and advances	0.00	891,754,953.83

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. Loans and advances (Continued)

##### (5) Provision for impairment of loans

Item	Amount incurred in the current year		Amount incurred in the previous year	
	Individual	Portfolio	Individual	Portfolio
Beginning balance	0.00	27,203,119.60	0.00	27,546,945.17
Provision in the current period	0.00	-26,688,938.80	0.00	-343,825.57
Other changes	0.00	-514,180.80	0.00	0.00
Ending balance	0.00	0.00	0.00	27,203,119.60

#### 14. Debt instruments at amortised cost

##### (1) Debt instruments at amortised cost

Item	Ending balance			Beginning balance		
	Book value	Provision for Impairment	Carrying amount	Book value	Provision for Impairment	Carrying amount
Large-denomination certificate of deposit	1,086,568,216.50	0.00	1,086,568,216.50	0.00	0.00	0.00

##### (2) Significant debt instruments at amortised cost at the end of the year

Item	Ending balance				Beginning balance			
	Par Value	Coupon rate	Effective interest rate	Expiry date	Par Value	Coupon rate	Effective interest rate	Expiry date
Large-denomination certificate of deposit	1,085,000,000.00	-	-	-	0.00	-	-	-

Notes: The company's debt instruments at amortised cost at the end of the year is mainly large-denomination certificates of deposit purchased from banks, with a par value of deposit between 50 million RMB and 500 million RMB.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Long-term receivables

##### (1) Long-term receivables

Item	Ending balance			Beginning balance			Interval of discount rate
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Finance lease payments	148,925.98	81,995.98	66,930.00	240,261,966.05	7,442,895.85	232,819,070.20	-
Among them: Unrealized financing revenue	2,134.50	0.00	2,134.50	13,635,513.51	0.00	13,635,513.51	-
Sales payment receivable	415,604,903.28	389,532,950.90	26,071,952.38	386,611,319.87	283,861,110.76	102,750,209.11	-
Among them: Unrealized financing revenue	55,211,517.42	0.00	55,211,517.42	52,312,631.24	0.00	52,312,631.24	-
Long-term receivables due within one year	-414,412,256.55	-388,273,374.17	-26,138,882.38	-452,704,577.15	-264,515,223.40	-188,189,353.75	-
<b>Total</b>	<b>1,341,572.71</b>	<b>1,341,572.71</b>	<b>0.00</b>	<b>174,168,708.77</b>	<b>26,788,783.21</b>	<b>147,379,925.56</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Long-term receivables (Continued)

*(2) Provision for bad debt*

Provision for bad debts	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2022	0.00	7,442,895.85	283,861,110.76	291,304,006.61
Book value of long-term receivables as at January 1, 2022 in the current year	—	—	—	—
– Be transferred to Stage II	0.00	0.00	0.00	0.00
– Be transferred to Stage III	0.00	0.00	0.00	0.00
– Be transferred back to Stage II	0.00	0.00	0.00	0.00
– Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current year (Note 1)	0.00	671,548.31	105,671,840.14	106,343,388.45
Reversal in the current year	0.00	0.00	0.00	0.00
Write-off in the current year	0.00	0.00	0.00	0.00
Amount written off in the current year	0.00	0.00	0.00	0.00
Other changes (Note 2)	0.00	-8,032,448.18	0.00	-8,032,448.18
Balance as at December 31, 2022	0.00	81,995.98	389,532,950.90	389,614,946.88

Note 1: The provision for credit impairment loss in the current year is mainly due to the provision for impairment of the receivables from Cuba of YTO International, Ltd., a subsidiary of the Company;

Note 2: Other changes are mainly due to the decrease in the disposal of asset groups by YTO Group Finance CO., LTD., as detailed in Note XII. (II) 6. Asset transfer of related parties;

Note 3: The above provision for impairment includes the impairment reclassified to non-current asset due within one year.

*(3) No Long-term receivables terminated by the transfer of financial assets.*

*(4) No transfer of Long-term receivables and continued involvement in the formation of assets and Liabilities.*



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16. Long-term equity investment

Investees	Beginning balance	Increase in investment	Negative investment	Increase and decrease for the current year			Other changes in equity
				Profit or loss on investments recognized under the equity method	Other comprehensive income adjustments		
I. Associates							
ZF YTO (Luoyang) Axle Co., Ltd.	124,811,655.26	0.00	0.00	-46,363,489.68	0.00		0.00
Sinomach Finance Co., Ltd.	0.00	554,776,100.00	0.00	14,336,186.67	-69,708.37		0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	586,555.47	0.00	1,200,000.00	0.00	0.00		0.00
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	1,224,984.07	0.00	0.00	-1,224,984.07	0.00		0.00
Luoyang I&C Technology Consulting Co., Ltd.	347,351.57	0.00	0.00	18,771.85	0.00		0.00
Total	126,970,546.37	554,776,100.00	1,200,000.00	-33,233,515.23	-69,708.37		0.00

Investees	Increase and decrease for the current year				Ending balance	Ending balance of impairment provision
	Cash dividends or profits declared to pay	Accrual of provision for impairment	Others			
I. Associates						
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	-776,978.80	<b>77,671,186.78</b>		0.00
Sinomach Finance Co., Ltd.	11,100,000.00	0.00	0.00	<b>557,942,578.30</b>		0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	0.00	0.00	613,444.53	<b>0.00</b>		0.00
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	0.00	0.00	0.00	<b>0.00</b>		0.00
Luoyang I&C Technology Consulting Co., Ltd.	3,802.50	0.00	0.00	<b>362,320.92</b>		0.00
<b>Total</b>	<b>11,103,802.50</b>	<b>0.00</b>	<b>-163,534.27</b>	<b>635,976,086.00</b>		<b>0.00</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 17. Equity instruments at FVTOCI

##### (1) Equity instruments at FVTOCI

Item	Ending balance	Beginning balance
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	3,513,464.70	4,839,048.00

##### (2) Investment in non-trading equity instruments in the current period

Item	Dividend income recognized this year	Accumulated gains	Cumulative losses	Amount of other comprehensive income transferred to retained earnings	Reasons for being designated as being measured at FVTOCI	Reasons for transferring other comprehensive income to retained earnings
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	0.00	0.00	1,325,583.30	0.00	Non-trading equity instruments	-

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 18. Fixed assets

Item	Carrying amount at the end of the year	Carrying amount at the beginning of the year
Fixed assets	<b>2,311,846,878.77</b>	<b>2,465,981,510.01</b>

##### (1) Details of fixed assets

Item	Houses and buildings	Machinery Equipment	Transportation facilities	Office and electronic equipment	Others	Total
<b>I. Book value</b>						
1. Beginning balance	2,247,379,062.07	4,207,922,890.23	51,726,839.90	125,717,392.84	377,789.31	6,633,123,974.35
2. Increase in the current year	22,181,391.33	146,364,763.76	3,742,448.72	3,162,876.63	0.00	175,451,480.44
(1) Purchase	2,505,128.71	17,395,412.63	1,333,019.99	1,782,249.98	0.00	23,015,811.31
(2) Transfer to construction in progress	15,004,900.77	132,254,182.49	2,338,474.99	1,310,613.81	0.00	150,908,172.06
(3) Difference of foreign currency translation	1,398,001.94	757.43	67,894.61	60,843.09	0.00	1,527,497.07
(4) Reclassification of details of fixed assets	3,273,359.91	-3,285,588.79	3,059.13	9,169.75	0.00	0.00
3. Decrease in the current year	21,503,225.97	103,638,347.06	1,362,984.37	9,835,556.08	0.00	136,340,113.48
(1) Disposal or retirement	1,423,287.54	52,130,741.99	1,362,984.37	9,210,169.66	0.00	64,127,183.56
(2) Sale of subsidiaries	20,079,938.43	51,507,605.07	0.00	625,386.42	0.00	72,212,929.92
4. Ending balance	2,248,057,227.43	4,250,649,306.93	54,106,304.25	119,044,713.39	377,789.31	6,672,235,341.31
<b>II. Accumulated depreciation</b>						
1. Beginning balance	1,099,804,802.28	2,854,339,632.67	28,863,405.50	98,827,970.06	281,168.69	4,082,116,979.20
2. Increase in the current year	62,548,419.13	203,261,776.90	3,447,935.00	6,519,571.64	35,697.76	275,813,400.43
(1) Provision	62,398,312.23	203,259,154.16	3,397,741.54	6,473,968.41	35,697.76	275,564,874.10
(2) Difference of foreign currency translation	150,106.90	544.48	47,134.33	39,766.92	0.00	237,552.63
(3) Reclassification of details of fixed assets	0.00	2,078.26	3,059.13	-5,137.39	0.00	0.00
(4) Others	0.00	0.00	0.00	10,973.70	0.00	10,973.70
3. Decrease in the current year	6,085,150.11	85,377,058.27	1,293,545.15	8,101,007.57	0.00	100,856,761.10
(1) Disposal or retirement	909,082.51	46,500,828.06	1,293,545.15	7,722,178.63	0.00	56,425,634.35
(2) Sale of subsidiaries	5,176,067.60	38,876,230.21	0.00	378,828.94	0.00	44,431,126.75
4. Ending balance	1,156,268,071.30	2,972,224,351.30	31,017,795.35	97,246,534.13	316,866.45	4,257,073,618.53
<b>III. Provision for impairment</b>						
1. Beginning balance	12,394,241.63	71,453,876.62	970,653.58	206,713.31	0.00	85,025,485.14
2. Increase in the current year	587,582.04	19,394,602.28	31,231.18	10,954.83	0.00	20,024,370.33
(1) Provision	587,582.04	19,394,602.28	31,231.18	10,954.83	0.00	20,024,370.33
3. Decrease in the current year	61,440.94	1,651,611.25	0.00	21,959.27	0.00	1,735,011.46
(1) Disposal or retirement	0.00	346,899.40	0.00	0.00	0.00	346,899.40
(2) Sale of subsidiaries	61,440.94	1,304,711.85	0.00	21,959.27	0.00	1,388,112.06
4. Ending balance	12,920,382.73	89,196,867.65	1,001,884.76	195,708.87	0.00	103,314,844.01
<b>IV. Carrying amount</b>						
1. Carrying amount at the end of the year	1,078,868,773.40	1,189,228,087.98	22,086,624.14	21,602,470.39	60,922.86	2,311,846,878.77
2. Carrying amount at the beginning of the year	1,135,180,018.16	1,282,129,380.94	21,892,780.82	26,682,709.47	96,620.62	2,465,981,510.01

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 18. Fixed assets (Continued)

##### (2) Fixed assets leased out under operating leases

Item	Carrying amount at the end of the year
Houses and buildings	103,118,269.33
Machinery equipment and other equipment	26,689,008.71
<b>Total</b>	<b>129,807,278.04</b>

##### (3) Fixed assets whose certificate of titles are not settled

Item	Carrying amount	Reason(s) for the failure to transact the certificate of title
Modern Agricultural Equipment Cab Automation Factory	79,055,474.42	In progress
Qingnian Jiayuan	61,883,843.02	In progress
Large Machine Workshop I	41,738,462.15	In progress
New Lost Foam Workshop	17,917,239.72	In progress
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Renovation Project	16,008,943.52	In progress
Main Workshop for Reclamation of Used Sand	7,911,397.43	In progress
Heat Treatment Workshop	4,546,941.82	In progress
Staff Canteen in Industrial Park	4,356,962.29	In progress
Auxiliary Room of Large Machine Workshop I	3,726,341.87	In progress
User Training Service Workshop	2,939,798.03	In progress
New Cooling Passage Workshop for kw Line	1,883,387.56	The main body of investment in the construction project is inconsistent with that of the construction land, so the real estate ownership certificate cannot be handled temporarily.
Auxiliary Room for Heat Treatment	1,714,696.18	In progress
<b>Total</b>	<b>243,683,488.01</b>	–

##### (4) Note

The original value of the fixed assets that were accrued to depreciation expense and are still in use is RMB1,788,089,535.25. For the mortgage of fixed assets at the end of the year, refer to Note VII. 71. Assets with ownership or right of use restricted.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 19. Projects under construction

Item	Ending balance	Beginning balance
Projects under construction	<b>126,466,820.01</b>	79,246,144.63

##### (1) Construction in progress

Item	Book value	Ending balance Provision for Impairment	Carrying amount	Book value	Beginning balance Provision for Impairment	Carrying amount
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	67,532,825.87	0.00	67,532,825.87	4,444,824.96	0.00	4,444,824.96
Intelligent Renovation Project of Medium- horsepower Tractor LR Cylinder Line Quality Provision Project	6,866,253.67	0.00	6,866,253.67	13,397,570.55	0.00	13,397,570.55
Information-based Project 2022 Upgrading and Renovation Project of Small and Medium- sized Parts Line	5,896,329.20	0.00	5,896,329.20	0.00	0.00	0.00
Information-based Project 2021 Discharge Bench Construction Project	5,638,255.84	0.00	5,638,255.84	0.00	0.00	0.00
Renovation of Automatic Line of Gear Box Shell Truss	5,413,016.91	0.00	5,413,016.91	2,373,122.73	0.00	2,373,122.73
Second Batch of High-power Diesel Engine (Phase II) Project in Industrial Park	5,058,565.56	0.00	5,058,565.56	4,926,588.28	0.00	4,926,588.28
Cleaning Intelligent Renovation of Casting Production Line	4,376,322.56	0.00	4,376,322.56	0.00	0.00	0.00
Intelligent Environmental Protection Improvement Project of Dongfanghong Diesel Engine Hot Trial Line	4,369,911.53	0.00	4,369,911.53	2,184,955.78	0.00	2,184,955.78
Hobbing machine (Luoyang Zhaotai)	1,675,213.67	1,675,213.67	0.00	1,675,213.67	1,675,213.67	0.00
Renovation Project of Intermediate Frequency Electric Furnace for Small and Medium-sized Parts	227,271.94	0.00	227,271.94	4,298,053.39	0.00	4,298,053.39
CNC Worm Wheel Gear Grinding Machine (Henan Xinhao)	73,069.30	0.00	73,069.30	15,447,699.59	0.00	15,447,699.59
Others	0.00	0.00	0.00	3,714,159.60	0.00	3,714,159.60
<b>Total</b>	<b>39,072,381.15</b>	<b>18,057,383.52</b>	<b>21,014,997.63</b>	<b>37,862,109.12</b>	<b>14,483,141.52</b>	<b>23,378,967.60</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 19. Projects under construction (Continued)

##### (2) Changes of major construction in progress in the current year

Project name	Beginning balance	Increase in the current year	Decrease in the current year Transferred to fixed assets	Other decreases	Ending balance	Budget	Ratio of accumulative investment to budget (%)	Progress (%)	Accumulated amount of capitalization of interest	Including: Amount of capitalized interest in current year	Capitalization rate of interest in current year (%)	Source of funds
Intelligent Environmental Protection Improvement Project of Dongfanghong Diesel Engine Hot Trial Line	15,447,699.59	2,122,313.64	17,496,943.93	0.00	73,069.30	25,000,000.00	70.28	95.00	0.00	0.00	0.00	Own funds
Intelligent Renovation Project of Medium-horsepower Tractor	13,397,570.55	24,535,448.53	31,066,765.41	0.00	6,866,253.67	55,000,000.00	68.97	68.97	0.00	0.00	3.64	Own funds
Information-based Project 2021	4,926,588.28	1,613,518.45	0.00	1,481,541.17	5,058,565.56	12,355,200.00	69.14	62.93	0.00	0.00	0.00	Own funds
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	4,444,824.96	63,088,000.91	0.00	0.00	67,532,825.87	194,900,000.00	34.65	20.00	444,778.43	444,778.43	0.00	Self-owned funds/bank loans
Cleaning Intelligent Renovation of Casting Production Line	4,298,053.39	430,421.16	4,501,202.61	0.00	227,271.94	5,000,000.00	94.57	90.00	0.00	0.00	0.00	Own funds
Hobbing machine (Luoyang Zhaotai)	3,714,159.60	0.00	3,714,159.60	0.00	0.00	4,500,000.00	82.54	100.00	0.00	0.00	0.00	Own funds
Renovation Project of Intermediate Frequency Electric Furnace for Small and Medium-sized Parts	3,292,149.05	2,371,034.90	5,663,183.95	0.00	0.00	6,810,300.00	83.16	100.00	0.00	0.00	0.00	Own funds
Upgrading and Renovation Project of Small and Medium-sized Parts Line	2,373,122.73	5,053,413.83	2,013,519.65	0	5,413,016.91	15,000,000.00	49.51	85.00	0.00	0.00	0.00	Own funds
Renovation of Automatic Line of Gear Box Shell Truss	2,184,955.78	2,184,955.75	0.00	0.00	4,369,911.53	8,230,000.00	53.10	60.00	0.00	0.00	0.00	Own funds
CNC Worm Wheel Gear Grinding Machine (Henan Xinhao)	1,788,053.10	4,172,123.95	5,960,177.05	0.00	0.00	7,000,000.00	85.15	100.00	0.00	0.00	0.00	Own funds
Information-based Project 2022	0.00	8,782,878.24	0.00	3,144,622.40	5,638,255.84	10,671,900.00	93.33	94.19	0.00	0.00	0.00	Own funds
LR Cylinder Line Quality Provision Project	0.00	5,896,329.20	0.00	0.00	5,896,329.20	15,000,000.00	39.31	30.00	0.00	0.00	0.00	Own funds
Discharge Bench Construction Project	0.00	4,376,322.56	0.00	0.00	4,376,322.56	19,650,000.00	22.05	20.00	0.00	0.00	0.00	Own funds
<b>Total</b>	<b>55,867,177.03</b>	<b>124,626,761.12</b>	<b>70,415,952.20</b>	<b>4,626,163.57</b>	<b>105,451,822.38</b>	<b>379,317,400.00</b>	<b>-</b>	<b>-</b>	<b>444,778.43</b>	<b>444,778.43</b>	<b>-</b>	<b>-</b>

##### (3) Provision for impairment of projects under construction in the current year

Item	Withdrawal in current year	Reason for withdrawal
Electrophoresis Line	3,574,242.00	Without use value

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 20. Right-of-use assets

Item	Land use right	Houses and buildings	Machinery Equipment	Total
<b>I. Book value</b>				
1. Beginning balance	13,472,516.24	10,387,578.33	2,400,364.09	26,260,458.66
2. Increase in the current year	22,052,279.94	13,037,269.40	2,168,651.98	37,258,201.32
(1) Lease in	22,052,279.94	13,037,269.40	2,168,651.98	37,258,201.32
3. Decrease in the current year	15,436,572.38	9,940,254.13	2,416,993.79	27,793,820.30
(2) Lease Expiry	15,436,572.38	9,940,254.13	2,416,993.79	27,793,820.30
4. Ending balance	20,088,223.80	13,484,593.60	2,152,022.28	35,724,839.68
<b>II. Accumulated depreciation</b>				
1. Beginning balance	5,641,906.66	4,389,775.05	1,184,488.45	11,216,170.16
2. Increase in the current year	10,939,971.70	5,142,240.63	1,232,505.34	17,314,717.67
(1) Accrual	10,939,971.70	5,132,895.65	1,232,505.34	17,305,372.69
(2) Impacts of foreign currency translation	0.00	9,344.98	0.00	9,344.98
3. Decrease in the current year	15,285,940.64	9,268,019.99	2,416,993.79	26,970,954.42
(1) Disposal	15,285,940.64	9,268,019.99	2,416,993.79	26,970,954.42
4. Ending balance	1,295,937.72	263,995.69	0.00	1,559,933.41
<b>III. Provision for impairment</b>				
1. Beginning balance	0.00	0.00	0.00	0.00
2. Increase in the current year	0.00	0.00	0.00	0.00
3. Decrease in the current year	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00
<b>IV. Carrying amount</b>				
1. Carrying amount at the end of the year	18,792,286.08	13,220,597.91	2,152,022.28	34,164,906.27
2. Carrying amount at the beginning of the year	7,830,609.58	5,997,803.28	1,215,875.64	15,044,288.50

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 21. Intangible assets

##### (1) Breakdown of intangible assets

Item	Land use right	Patent rights	Software	Trademark right	Total
<b>I. Book value</b>					
1. Beginning balance	883,095,748.55	1,456,412.68	113,720,241.55	60,092,618.55	1,058,365,021.33
2. Increase in the current year	0.00	0.00	7,983,043.73	3,815.00	7,986,858.73
(1) Purchase	0.00	0.00	2,519,911.54	0.00	2,519,911.54
(2) Transfer to construction in progress	0.00	0.00	5,460,465.66	0.00	5,460,465.66
(3) Difference of foreign currency translation	0.00	0.00	2,666.53	3,815.00	6,481.53
3. Decrease in the current year	12,032,494.92	0.00	5,516,800.26	0.00	17,549,295.18
(1) Sale	0.00	0.00	5,516,800.26	0.00	5,516,800.26
(2) Sale of subsidiaries	12,032,494.92	0.00	0.00	0.00	12,032,494.92
4. Ending balance	871,063,253.63	1,456,412.68	116,186,485.02	60,096,433.55	1,048,802,584.88
<b>II. Accumulated amortization</b>					
1. Beginning balance	231,024,716.28	822,897.35	74,029,332.40	520,651.58	306,397,597.61
2. Increase in the current year	22,730,182.96	0.00	9,908,965.74	13,047.73	32,652,196.43
(1) Provision	22,730,182.96	0.00	9,908,012.50	9,232.73	32,647,428.19
(2) Difference of foreign currency translation	0.00	0.00	953.24	3,815.00	4,768.24
3. Decrease in the current year	2,386,105.02	0.00	2,197,872.85	0.00	4,583,977.87
(1) Sale	0.00	0.00	2,197,872.85	0.00	2,197,872.85
(2) Sale of subsidiaries	2,386,105.02	0.00	0.00	0.00	2,386,105.02
4. Ending balance	251,368,794.22	822,897.35	81,740,425.29	533,699.31	334,465,816.17
<b>III. Provision for impairment</b>					
1. Beginning balance	0.00	633,515.33	477,922.22	0.00	1,111,437.55
2. Increase in the current year	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Decrease in the current year	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	633,515.33	477,922.22	0.00	1,111,437.55
<b>IV. Carrying amount</b>					
1. Carrying amount at the end of the year	619,694,459.41	0.00	33,968,137.51	59,562,734.24	713,225,331.16
2. Carrying amount at the beginning of the year	652,071,032.27	0.00	39,212,986.93	59,571,966.97	750,855,986.17



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 22. Development expenditures

Item	Beginning balance	Increase in the current year		Decrease in the current year		Ending balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred into current profits and losses	
R&D of Tractor Products	0.00	260,356,299.24	0.00	0.00	260,356,299.24	0.00
R&D of Power Machinery Products	0.00	133,195,597.94	0.00	0.00	133,195,597.94	0.00
Process R&D	0.00	63,039,787.02	0.00	0.00	63,039,787.02	0.00
Component Optimization and R&D of Other Machinery Products	0.00	49,492,393.16	0.00	0.00	49,492,393.16	0.00
Basic research	0.00	21,281,291.76	0.00	0.00	21,281,291.76	0.00
Application Demonstration Research	0.00	1,416,900.43	0.00	0.00	1,416,900.43	0.00
<b>Total</b>	<b>0.00</b>	<b>528,782,269.55</b>	<b>0.00</b>	<b>0.00</b>	<b>528,782,269.55</b>	<b>0.00</b>

#### 23. Goodwill

##### (1) Original value of goodwill

Name of investee or matters forming goodwill	Beginning balance	Increase in the current year		Decrease in the current year		Ending balance
		Formed by business combination	Others	Disposal	Others	
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

##### (2) Provision for impairment of goodwill

Name of investee or matters forming goodwill	Beginning balance	Increase in the current year		Decrease in the current year		Ending balance
		Provision	Others	Disposal	Others	
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24. Long-term deferred expenses

Item	Beginning balance	Increase in the current year	Amortization in the current year	Other decreases in the current year	Ending balance
Amortized equipment relocation expenditure	1,062,876.83	0.00	1,062,876.83	0.00	0.00
Amortized mold	52,058,721.94	22,632,507.98	20,422,317.45	0.00	54,268,912.47
Amortized maintenance expenditure	5,378,097.32	0.00	1,290,392.84	-2,329.56	4,090,034.04
Others	2,559,344.62	28,761.05	1,482,128.80	0.00	1,105,976.87
<b>Total</b>	<b>61,059,040.71</b>	<b>22,661,269.03</b>	<b>24,257,715.92</b>	<b>-2,329.56</b>	<b>59,464,923.38</b>

#### 25. Deferred tax assets and liabilities

##### (1) Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	102,564,028.34	16,070,713.22	94,749,809.25	15,082,578.04
Dismissal welfare	71,917,522.62	10,959,910.41	81,308,091.77	12,480,905.93
Wages payable and accrued expenses	422,919,443.59	88,698,059.47	275,544,691.26	54,972,895.48
Deferred incomes	113,232,758.86	16,984,913.83	120,171,399.55	18,025,709.94
<b>Total</b>	<b>710,633,753.41</b>	<b>132,713,596.93</b>	<b>571,773,991.83</b>	<b>100,562,089.39</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 25. Deferred tax assets and liabilities (Continued)

##### (2) Deferred tax liabilities not offset

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Assets evaluation appreciation in the business combination not under the same control	75,376,708.87	18,658,944.47	82,727,310.69	20,681,827.67
Changes in fair value	<u>641,345,058.59</u>	<u>96,201,758.79</u>	<u>850,840,769.95</u>	<u>127,627,086.63</u>
<b>Total</b>	<b><u>716,721,767.46</u></b>	<b><u>114,860,703.26</u></b>	<b><u>933,568,080.64</u></b>	<b><u>148,308,914.30</u></b>

##### (3) Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Provision for asset impairment	1,167,184,917.53	1,258,369,827.72
Deductible losses	<u>983,701,608.75</u>	<u>1,344,492,420.79</u>
<b>Total</b>	<b><u>2,150,886,526.28</u></b>	<b><u>2,602,862,248.51</u></b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 25. Deferred tax assets and liabilities (Continued)

*(4) Deductible loss of unrecognized deferred tax assets due in the following years*

Year	Ending balance	Beginning balance	Remarks
2022	0.00	69,800,966.03	
2023	67,085,275.03	67,085,275.03	
2024	12,152,227.99	12,152,227.99	
2025	21,068,321.46	51,747,945.86	
2026	16,093,546.50	44,095,132.31	
2027	59,314,402.97	31,287,727.15	
2028	198,274,266.79	628,446,054.17	
2029	330,817,082.36	333,699,685.79	
2030	13,905,127.48	13,905,127.48	
2031	92,272,278.98	92,272,278.98	
2032	172,719,079.19	0.00	
<b>Total</b>	<b>983,701,608.75</b>	<b>1,344,492,420.79</b>	

#### 26. Short-term loans

*(1) Classification of short-term loans*

Category of loans	Ending balance	Beginning balance
Mortgage loan (Note)	70,000,000.00	70,000,000.00
Debt of honour	200,000,000.00	200,000,000.00
Interests payable	223,055.56	183,333.34
<b>Total</b>	<b>270,223,055.56</b>	<b>270,183,333.34</b>

Note: Changtuo Agricultural Machinery Equipment Group Co., Ltd., a subsidiary of the Company, obtained a loan of RMB70,000,000.00 from Changchun Dongsheng Sub-branch of Bank of Jilin by mortgage of real estate and land, at an annual interest rate of 6.525%, and the maturity date is November 13, 2019. Up to now, it has been overdue.

In April 2020, the Bank of Jilin Co., Ltd. signed an agreement on batch transfer of non-performing assets with China Huarong Asset Management Co., Ltd. Jilin Branch, to whom the loan was transferred. In June 2020, China Huarong Asset Management Co., Ltd. Jilin Branch transferred the loan to Shanghai Chengfan Enterprise Management Partnership (Limited Partnership).



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 26. Short-term loans (Continued)

##### (2) Unpaid short-term loans in maturity

The total amount of overdue but unpaid short-term loans at the end of the year is RMB70,000,000.00. The details are as follows:

Entity	Ending balance	Interest Rate of the Loan	Overdue time	Overdue charge rate (%)
Shanghai Chengfan Enterprise Management Partnership (Limited Partnership)	70,000,000.00	6.525	3-4 years	9.7875

#### 27. Deposits from banks and other financial institutions

Item	Ending balance	Beginning balance
Principal	0.00	200,000,000.00
Interest	0.00	50,000.00
<b>Total</b>	<b>0.00</b>	<b>200,050,000.00</b>

#### 28. Notes payable

Type of bill	Ending balance	Beginning balance
Bank acceptance bill	1,829,304,506.10	1,428,971,534.65
Commercial acceptance bill	107,072.27	1,002,872.27
<b>Total</b>	<b>1,829,411,578.37</b>	<b>1,429,974,406.92</b>

Note: The bill payable due but unpaid at the end of the current year is RMB107,072.27.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 29. Accounts payable

*(1) Accounts payable listed as per type and nature*

Item	Ending balance	Beginning balance
Procurement Payable	2,081,660,028.31	1,793,783,629.36
Engineering equipment purchase payables	41,054,870.93	47,254,480.48
Service payables	164,161,767.34	164,193,538.26
Others	85,100.40	107,049.17
<b>Total</b>	<b>2,286,961,766.98</b>	<b>2,005,338,697.27</b>

*(2) Accounts payable listed as per ageing*

Ageing	Ending balance	Beginning balance
Within 1 year	1,976,325,706.83	1,622,916,943.48
1-2 years	142,792,136.62	292,148,251.71
2-3 years	94,323,052.54	28,222,987.53
Over 3 years	73,520,870.99	62,050,514.55
<b>Total</b>	<b>2,286,961,766.98</b>	<b>2,005,338,697.27</b>

*(3) Significant payables with the ageing over 1 year*

Company name	Ending balance	Reasons for not repaying or carrying forward
LLAF INTERNATIONAL CO.,LTD	26,071,952.38	Unsettled

#### 30. Advances from customers

Item	Ending balance	Beginning balance
Rental received in advance	190,366.98	198,307.51

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 31. Contract liabilities

##### (1) Contract liabilities

Item	Ending balance	Beginning balance
Sales payment	846,464,703.95	580,385,482.01

##### (2) Contract liabilities presented by ageing

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	817,628,370.07	552,449,716.79
Over one year	28,836,333.88	27,935,765.22
<b>Total</b>	<b>846,464,703.95</b>	<b>580,385,482.01</b>

##### (3) Significant contract liabilities over one year

Company name	Ending balance	Reason for not transfer
Management Committee of Henan Luoyang Industrial Park	11,926,605.50	Unsettled
Poly Technologies	3,937,265.60	Unsettled
<b>Total</b>	<b>15,863,871.10</b>	—

#### 32. Financial assets sold under agreements to repurchase

Item	Ending balance	Beginning balance
Rediscounted Notes	0.00	11,759,888.55

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 33. Customer bank deposits and interbank deposits

Item	Ending balance	Beginning balance
Current deposits	7,969,641.36	564,575,714.85
Including: the Company	7,969,641.36	564,575,714.85
Time deposits (including notice deposits)	25,500,000.00	173,245,530.99
Including: the Company	25,500,000.00	173,245,530.99
Interests payable	642,989.12	3,743,834.89
<b>Total</b>	<b>34,112,630.48</b>	<b>741,565,080.73</b>

#### 34. Employee compensation payable

##### (1) *Classification of employee benefits payable*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Short-term remuneration	57,368,699.25	975,163,066.05	957,601,456.15	74,930,309.15
Post-employment benefits – defined contribution plan	1,244,136.57	96,009,939.86	95,997,813.18	1,256,263.25
Dismissal welfare	35,570,338.38	34,327,256.83	37,539,008.22	32,358,586.99
<b>Total</b>	<b>94,183,174.20</b>	<b>1,105,500,262.74</b>	<b>1,091,138,277.55</b>	<b>108,545,159.39</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 34. Employee compensation payable (Continued)

##### (2) Short-term remuneration

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Salary, bonus, allowance and subsidy	24,930,979.25	705,466,263.95	690,125,959.97	40,271,283.23
Employee benefits	0.00	54,592,647.20	54,592,647.20	0.00
Social insurance premium	568,073.03	44,458,971.27	44,453,990.42	573,053.88
Including: medical insurance premiums	487,527.36	38,760,027.27	38,755,827.73	491,726.90
Industrial injury insurance premium	80,545.67	5,698,944.00	5,698,162.69	81,326.98
Housing provident fund	813,222.00	55,586,799.60	55,502,554.60	897,467.00
Labor union funds and employee education funds	31,042,534.97	25,612,764.98	23,466,794.91	33,188,505.04
Others	13,890.00	89,445,619.05	89,459,509.05	0.00
<b>Total</b>	<b>57,368,699.25</b>	<b>975,163,066.05</b>	<b>957,601,456.15</b>	<b>74,930,309.15</b>

##### (3) Defined contribution plan

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Basic endowment insurance premium	1,191,581.20	92,003,932.86	91,992,313.50	1,203,200.56
Unemployment insurance premium	52,555.37	3,972,187.76	3,971,680.44	53,062.69
Enterprise annuity payment	0.00	33,819.24	33,819.24	0.00
<b>Total</b>	<b>1,244,136.57</b>	<b>96,009,939.86</b>	<b>95,997,813.18</b>	<b>1,256,263.25</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 34. Employee compensation payable (Continued)

##### (3) Defined contribution plan (Continued)

Description of defined contribution plan: The Group participates in the social insurance plan established by government agencies according to regulations. As per the program, the Group will contribute to the program in accordance with relevant regulations of the local government. Besides the contribution above, the Group will not assume any obligations for payment. Corresponding expenditures shall be counted in current profit and loss or relevant asset costs.

The Group shall pay RMB96,009,939.86 (whose amount of 2021 is RMB85,179,076.00) into the defined contribution plan for the year in which it participates. As at December 31, 2022, there was a payable contribution of RMB1,256,263.25 (with RMB1,244,136.57 as at December 31, 2021) for paying the relevant payable contributions at the end of the reporting period that has been due but not paid in the reporting period.

#### 35. Taxes payable

Item	Ending balance	Beginning balance
Real estate tax	6,841,823.68	5,366,667.78
VAT	4,110,146.45	1,766,372.45
Land use tax	2,920,036.11	1,997,073.41
Enterprise income tax	2,625,844.52	5,374,503.44
Individual income tax	1,873,618.50	1,374,732.26
Urban maintenance and construction tax	253,716.84	159,547.16
Educational surcharges	180,997.69	113,962.25
Other taxes and fees	2,243,201.01	394,269.66
<b>Total</b>	<b>21,049,384.80</b>	<b>16,547,128.41</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 36. Other payables

Item	Ending balance	Beginning balance
Interests payable	24,785,843.99	17,839,437.74
Dividends payable	8,439,607.83	59,459,387.16
Other payables	304,937,274.98	187,563,893.69
<b>Total</b>	<b>338,162,726.80</b>	<b>264,862,718.59</b>

#### *Interests payable*

##### (1) *Classification*

Item	Ending balance	Beginning balance
Interest payable on bank borrowings	24,785,843.99	17,839,437.74

##### (2) *Significant interest due but unpaid*

Entity	Overdue amount	Overdue reason
Shanghai Chengfan Enterprise Management Partnership (Limited Partnership)	24,785,843.99	Insufficient working capital

Note: See Note VII. 26 Short-term Loan for details.

#### *Dividends payable*

Item	Ending balance	Beginning balance
Ordinary share dividends	8,439,607.83	59,459,387.16

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 36. Other payables (Continued)

##### *Other payables*

##### *(1) Classification of other payables by nature*

Item	Ending balance	Beginning balance
Unit's transaction payments	161,706,679.18	49,011,138.09
Guarantee deposit and security deposit	70,380,574.69	71,248,845.01
Collection and payment on behalf of others	40,140,737.24	7,429,494.69
Expenses payable	13,520,468.85	21,449,109.11
Others	19,188,815.02	38,425,306.79
<b>Total</b>	<b>304,937,274.98</b>	<b>187,563,893.69</b>

##### *(2) Significant other payables with an ageing over 1 year*

Company name	Ending balance	Reasons for not repaying or carrying forward
YTO Group Corporation	50,727,183.06	Unsettled

#### 37. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Lease liabilities due within one year	17,515,361.76	13,217,047.39
Long-term loans due within one year	200,000.00	0.00
Interest on long-term borrowings	34,718.33	116,111.11
<b>Total</b>	<b>17,750,080.09</b>	<b>13,333,158.50</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 38. Other current liabilities

Item	Ending balance	Beginning balance
Discounts	246,923,863.47	138,282,781.73
Sales and Warranty Service Fees for Repair, Replacement, and Refund	104,886,888.97	90,924,777.20
The Endorsement of Notes without Derecognition	11,375,744.49	23,575,892.03
Output VAT to be carried forward	8,461,910.42	7,025,715.58
Intermediary service cost	2,660,000.00	2,580,000.00
Others	678,689.82	376,878.33
<b>Total</b>	<b>374,987,097.17</b>	<b>262,766,044.87</b>

#### 39. Long-term loan

##### (1) Classification of long-term borrowings

Item	Ending balance	Beginning balance
Principal of Credit Loan	49,580,000.00	110,000,000.00
Interests payable	34,718.33	116,111.11
Subtotal	49,614,718.33	110,116,111.11
Less: Long-term loans due within one year	200,000.00	0.00
Less: Interest on long-term loan	34,718.33	116,111.11
<b>Total</b>	<b>49,380,000.00</b>	<b>110,000,000.00</b>

##### (2) Analysis on maturity dates of long-term borrowings

Expiry date	Ending balance	Beginning balance
1-2 years	4,200,000.00	0.00
2-5 years	45,180,000.00	110,000,000.00
<b>Total</b>	<b>49,380,000.00</b>	<b>110,000,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 40. Lease liabilities

##### (1) Presentation of lease liabilities

Item	Ending balance	Beginning balance
Present Value of Lease Liabilities	33,975,237.74	15,070,127.13
Less: re-classified to non-current liabilities due within one year	17,515,361.76	13,217,047.39
Net amount of lease liabilities	16,459,875.98	1,853,079.74

##### (2) Analysis of maturity date of lease liabilities

The carrying amount of the above lease liabilities shall be repaid in the following periods	Amount
Within 1 year	17,515,361.76
1 to 2 years	15,855,187.47
2 to 5 years	604,688.51
Over 5 years	0.00
<b>Total</b>	<b>33,975,237.74</b>
Less: lease liabilities due within one year	17,515,361.76
Lease Liabilities disclosed under Non-current Liabilities	16,459,875.98

#### 41. Long-term payables

Item	Ending balance	Beginning balance
Long-term Non-financial Institution Loans	8,476,357.76	8,251,321.72

*Notes:* Yitwo Argo Industrial, an overseas subsidiary of the Group, signed a supplementary agreement with the Ivory Coast Government, which stipulated that the sub-loan amount of XOF 750,120,156.00 (equivalent to RMB8,476,357.76 at the end of the year) obtained by Yitwo Argo Industrial from the government in 1997 had not been repaid. Repayment may be postponed to 2024.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 42. Long-term employee compensation payable

Item	Ending balance	Beginning balance
Long-term Dismission Welfare	80,193,727.03	93,344,948.09
Others	375,688.00	27,738.00
Less: undiscounted long-term employee compensation payable due within one year	32,358,586.99	35,570,338.38
<b>Total</b>	<b>48,210,828.04</b>	<b>57,802,347.71</b>

#### 43. Provision

Item	Ending balance	Beginning balance	Cause of formation
Other	1,962,613.99	1,962,613.99	Note

*Note:* It was formed by selling Yituo (Luoyang) Forklift Limited Company Sales Company in 2017, and the balance has not been paid.

#### 44. Deferred income

##### (1) Classification

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance	Cause of formation
Asset-related government subsidies	133,872,843.96	5,110,000.00	19,715,261.56	119,267,582.40	—
Income-related government subsidies	4,172,867.59	2,989,808.00	4,667,740.29	2,494,935.30	—
<b>Total</b>	<b>138,045,711.55</b>	<b>8,099,808.00</b>	<b>24,383,001.85</b>	<b>121,762,517.70</b>	<b>—</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 44. Deferred income (Continued)

##### (2) Projects using government subsidies

Projects using government subsidies	Beginning balance	Amount of new subsidies in current year	Amount included in non-operating revenue of the current year	Amount included in other gains in the current year	Amount for writing down the costs and expenses in the current year	Other changes	Ending balance	Asset-related/income-related
High-power Non-road Diesel Engine Core Capacity Improvement of New Wheeled Tractors	29,400,000.00	0.00	0.00	4,900,000.00	0.00	0.00	24,500,000.00	Asset-related
Intelligent Workshop and Factory Industrial Internet Platform	26,599,999.98	0.00	0.00	4,836,363.64	0.00	0.00	21,763,636.34	Asset-related
To Improve Independent R&D Capability	10,000,000.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00	Asset-related
Application Project of New Wheeled Tractor Intelligent Manufacturing Model	9,297,565.06	0.00	0.00	1,342,030.68	0.00	0.00	7,955,534.38	Asset-related
Key Product Test and Inspection Platform	8,654,545.42	0.00	0.00	1,081,818.20	0.00	0.00	7,572,727.22	Asset-related
Special Funds for the Urban Affordable Housing Project	8,333,682.97	0.00	0.00	1,388,947.20	0.00	0.00	6,944,735.77	Asset-related
Subsidies for Modern Agricultural Equipment Intelligent Cockpit Digital Factory Project	7,488,000.00	0.00	288,000.00	0.00	0.00	0.00	7,200,000.00	Asset-related
Modern Agricultural Equipment Intelligent Cockpit Digital Factory	6,571,428.58	0.00	0.00	857,142.84	0.00	0.00	5,714,285.74	Asset-related
Green Technology Upgrading and Renovation Project of the Casting System	5,736,111.14	0.00	0.00	583,333.32	0.00	0.00	5,152,777.82	Asset-related
National IV Provincial Renovation (Phase I) Project of Diesel Engine Complete Tractor Test Environment Chamber and Supporting Comprehensive Verification Platform	4,400,000.00	0.00	0.00	2,200,000.00	0.00	0.00	2,200,000.00	Asset-related
Annual Output of 1,000 High-horsepower Shifting Heavy-duty Wheeled Tractors	4,335,000.00	0.00	0.00	510,000.00	0.00	0.00	3,825,000.00	Asset-related
Renovation Project of Small and Medium-sized Parts Modelling Line of Foundry	2,800,000.00	0.00	0.00	300,000.00	0.00	0.00	2,500,000.00	Asset-related
8-12Kg/s Multifunctional Combine Harvester Project	2,750,000.00	0.00	0.00	50,000.00	0.00	0.00	2,250,000.00	Asset-related
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Project	2,634,108.40	0.00	0.00	256,375.68	0.00	0.00	2,377,732.72	Asset-related
Development and Industrialization of Non-road China IV Diesel Engines	2,625,000.00	0.00	0.00	131,250.00	0.00	0.00	2,493,750.00	Asset-related
	2,115,000.00	0.00	0.00	540,000.00	0.00	0.00	1,575,000.00	Asset-related
	2,000,000.00	0.00	0.00	2,000,000.00	0.00	0.00	0.00	Income-related



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 44. Deferred income (Continued)

##### (2) Projects using government subsidies (Continued)

Projects using government subsidies	Beginning balance	Amount of new subsidies in current year	Amount included in non-operating revenue of the current year	Amount included in other gains in the current year	Amount for writing down the costs and expenses in the current year	Other changes	Ending balance	Asset-related/ income-related
2020 National New Material Production and Application Demonstration Platform Construction Project-agricultural Machinery Equipment Material Production and Application Demonstration Platform	850,745.99	1,976,000.00	0.00	1,669,975.13	0.00	0.00	1,156,770.86	Income-related
Development and Application Demonstration of Supply Chain Network Collaborative Technology for Agricultural Equipment Enterprises	361,143.24	139,251.00	0.00	152,152.80	0.00	0.00	348,241.44	Income-related
Research on Key Technologies of Exhaust After-treatment System Control and OBD of Agricultural Machinery	229,494.74	0.00	0.00	229,494.74	0.00	0.00	0.00	Income-related
Application Demonstration of Intelligent Control Technology for Agricultural Equipment Production Process Based on Digital Twin Technology	175,684.85	233,057.00	0.00	163,008.49	0.00	0.00	245,733.36	Income-related
Development and Application Demonstration of Collaborative Product Design System Based on Modular Agricultural Equipment Network	138,500.00	41,500.00	0.00	49,195.61	0.00	0.00	130,804.39	Income-related
R&D of Large-scale Precision Sowing and Fertilization Robot System	116,148.31	0.00	0.00	113,771.90	0.00	0.00	2,376.41	Income-related
Research on Key Technologies of Clean Combustion of Agricultural Diesel Engine	112,772.44	0.00	0.00	112,772.44	0.00	0.00	0.00	Income-related
Yang Hongzhe Skill Master Studio Research Project on Pollution Emission Control Technology and System of Agricultural Machinery Research and System Development of Complete Tractor Detection Technology	100,000.00	0.00	0.00	88,991.16	0.00	0.00	11,008.84	Income-related
R&D of Cloud Collaborative Intelligent Harvesting Robot System	69,544.50	0.00	0.00	69,544.50	0.00	0.00	0.00	Income-related
Quality improvement and the intelligent transformation of medium-horsepower tractors	13,056.59	0.00	0.00	13,056.59	0.00	0.00	0.00	Income-related
30-50 HP 3-cylinder Lightweight Diesel Engine	5,776.93	0.00	0.00	5,776.93	0.00	0.00	0.00	Income-related
Others	0.00	5,110,000.00	0.00	0.00	0.00	0.00	5,110,000.00	Asset-related
	0.00	600,000.00	0.00	0.00	0.00	0.00	600,000.00	Income-related
	132,402.41	0.00	0.00	0.00	0.00	0.00	132,402.41	Asset-related
<b>Total</b>	<b>138,045,711.55</b>	<b>8,099,808.00</b>	<b>288,000.00</b>	<b>24,095,001.85</b>	<b>0.00</b>	<b>0.00</b>	<b>121,762,517.70</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 45. Share capital

Item	Beginning balance	New share issued	Increase (+)/decrease (-) in the current year			Subtotal	Ending balance
			Bonus issue	Shares converted from reserves	Others		
Total shares	1,123,645,275.00	0.00	0.00	0.00	0.00	0.00	1,123,645,275.00

#### 46. Capital reserve

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Share premium	2,408,231,745.23	0.00	0.00	2,408,231,745.23
Other capital reserves	247,618,250.77	0.00	0.00	247,618,250.77
<b>Total</b>	<b>2,655,849,996.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,655,849,996.00</b>

#### 47. Other comprehensive incomes

Item	Beginning balance	Amount incurred before income tax in the current year	Amount in the current year				Attributable to the parent company – net of income tax	After-tax amount attributable to minority shareholders	Ending balance
			Less: Amount included in other comprehensive income in the previous period and transferred to profit and loss in the current period	Less: Amount included in other comprehensive income in the previous period and transferred to retained income in the current period	Less: income tax expenses				
I. Other comprehensive income not to be reclassified into profit and loss	0.00	-1,395,291.67	0.00	0.00	0.00	-745,755.85	-649,535.82	-745,755.85	
Other comprehensive income that cannot be transferred to profit or loss under the equity method	0.00	-69,708.37	0.00	0.00	0.00	-69,708.37	0.00	-69,708.37	
Changes in fair value of investments in equity instruments at FVTOCI	0.00	-1,325,583.30	0.00	0.00	0.00	-676,047.48	-649,535.82	-676,047.48	
II. Other comprehensive income that will be reclassified into profit and loss	-11,710,421.44	6,872,707.21	0.00	0.00	0.00	6,602,633.00	270,074.21	-5,107,788.44	
Differences arising from translation of foreign currency financial statements	-11,710,421.44	6,872,707.21	0.00	0.00	0.00	6,602,633.00	270,074.21	-5,107,788.44	
Total other comprehensive incomes	-11,710,421.44	5,477,415.54	0.00	0.00	0.00	5,856,877.15	-379,461.61	-5,853,544.29	

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 48. Special reserves

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Work safety expenses	3,465,767.12	15,985,602.60	13,953,964.67	5,497,405.05

#### 49. Surplus reserves

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Statutory surplus reserves	500,724,352.59	93,937,712.30	0.00	594,662,064.89
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
<b>Total</b>	<b>501,495,783.59</b>	<b>93,937,712.30</b>	<b>0.00</b>	<b>595,433,495.89</b>

#### 50. Provision for general risk

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
General risk provision	43,263,387.54	0.00	0.00	43,263,387.54

#### 51. Retained earnings

Item	Current year	Previous year
<b>Ending balance of the previous year</b>	<b>1,086,069,085.52</b>	795,064,178.33
Add: adjusted amount of beginning retained earnings	0.00	0.00
<b>Beginning balance of the current year</b>	<b>1,086,069,085.52</b>	795,064,178.33
Add: net profit attributable to owners of parent company in current period	681,050,957.24	438,209,215.31
Less: appropriation to statutory surplus reserves	93,937,712.30	59,394,611.43
Withdrawal of provision for general risk	0.00	3,620,995.16
Dividends payable on ordinary shares	132,933,393.82	84,188,701.53
<b>Ending balance of the current year</b>	<b>1,540,248,936.64</b>	1,086,069,085.52

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 52. Operating revenues and costs

Item	Amount in the current year		Amount in the previous year	
	Revenue	Cost	Revenue	Cost
Main business	12,349,260,208.54	10,436,237,450.67	9,119,573,244.59	7,666,972,224.57
Other business	106,204,906.08	60,821,113.65	89,562,589.17	45,960,341.13
<b>Total</b>	<b>12,455,465,114.62</b>	<b>10,497,058,564.32</b>	<b>9,209,135,833.76</b>	<b>7,712,932,565.70</b>

#### 53. Net interest income

Item	Amount in the current year	Amount in the previous year
<b>I. Interest Income</b>	<b>103,241,584.91</b>	118,198,056.28
1. Inter-bank deposits	57,257,215.58	45,018,581.43
2. Deposits at central bank	2,958,852.62	4,033,136.30
3. Lendings to banks and other financial institutions	0.00	93,333.33
4. Loans and advances	39,442,545.30	45,680,070.60
Including: Personal loans and advances	18,553,363.97	12,465,004.93
Corporate Loans and Advances	19,715,207.69	32,546,784.35
Bills discounting	1,173,973.64	668,281.32
5. Financial assets purchased under agreements to resell	3,582,971.41	23,372,934.62
Including: interest income from impaired financial assets	0.00	0.00
<b>II. Interest Expenses</b>	<b>12,119,803.80</b>	21,572,879.07
1. Deposits from banks and other financial institutions	66,666.67	100,000.00
2. Absorption of deposits	11,967,147.13	21,334,727.01
3. Others	85,990.00	138,152.06
<b>III. Net Interest Income</b>	<b>91,121,781.11</b>	96,625,177.21



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 54. Net income from fees and commissions

Item	Amount in the current year	Amount in the previous year
<b>I. Fee and commission income</b>	<b>5,073,645.39</b>	<b>6,474,991.50</b>
1. Settlement and Liquidation Fees	21,363.03	41,058.68
2. Agency fees	0.00	465,066.04
3. Guarantee fees and commissions	55,681.68	134,343.16
4. Others	4,996,600.68	5,834,523.62
<b>II. Fee and commission expenses</b>	<b>505,541.79</b>	<b>695,451.23</b>
1. Expenses of procedure fees	505,541.79	695,451.23
2. Expenses of commissions	0.00	0.00
<b>III. Net income from fees and commissions</b>	<b>4,568,103.60</b>	<b>5,779,540.27</b>

#### 55. Taxes and surcharges

Item	Amount in the current year	Amount in the previous year
Real estate tax	21,606,692.46	20,271,762.04
Stamp duty	10,965,527.41	7,893,880.32
Land use tax	8,006,826.55	7,148,190.52
Urban maintenance and construction tax	4,778,178.39	4,241,213.59
Educational surcharges	3,412,984.62	3,029,438.28
Vehicle and vessel use tax	79,500.73	78,359.57
Others	337,717.81	343,269.73
<b>Total</b>	<b>49,187,427.97</b>	<b>43,006,114.05</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 56. Selling expenses

Item	Amount in the current year	Amount in the previous year
Sales and Warranty Service Fees for Repair, Replacement, and Refund	99,062,166.24	87,629,597.59
Employee compensation	86,172,175.72	82,177,146.17
Business travel expense	14,080,157.01	14,220,997.52
Advertising expenses	13,871,509.97	9,887,378.06
Insurance premium	1,649,510.46	1,036,934.90
Depreciation expenses	1,103,514.40	1,097,987.03
Others	6,271,100.84	7,759,283.22
<b>Total</b>	<b>222,210,134.64</b>	<b>203,809,324.49</b>

#### 57. Administrative expenses

Item	Amount in the current year	Amount in the previous year
Employee compensation	204,731,850.78	178,105,958.16
Depreciation expenses	53,614,724.84	54,498,923.86
Repair expenses	35,754,833.92	36,853,114.37
Amortization of intangible assets	29,423,969.25	27,800,204.06
Rental expenses	15,897,893.76	15,575,748.73
Working funds for Party building	5,294,222.95	4,522,169.69
Intermediary agency fees	5,996,890.64	3,685,499.02
Office expenses	3,259,030.12	2,685,520.98
Business entertainment expenses	2,654,244.84	3,136,989.22
Business travel expense	2,352,938.82	2,577,771.26
Consulting expenses	617,563.03	1,901,888.98
Litigation cost	748,320.36	1,178,994.92
Insurance premium	980,774.40	1,069,262.38
Conference expenses	47,880.26	140,932.51
Others	33,827,157.35	29,645,185.05
<b>Total</b>	<b>395,202,295.32</b>	<b>363,378,163.19</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 58. R&D expenses

Item	Amount in the current year	Amount in the previous year
Employee compensation	193,142,768.44	184,440,267.75
Material expenses	254,708,677.76	153,922,638.41
Depreciation expenses	44,076,788.66	40,812,764.32
Design expenses	10,954,513.21	9,859,319.46
Test and inspection expenses	1,204,850.61	838,018.85
Others	24,694,670.87	25,479,323.58
<b>Total</b>	<b>528,782,269.55</b>	<b>415,352,332.37</b>

#### 59. Financial expenses

Item	Amount in the current year	Amount in the previous year
Interest expenses	21,199,843.59	28,392,320.26
Less: interest income	27,386,455.05	2,450,078.79
Add: Net exchange gains or losses	-36,683,918.41	25,207,539.60
Bank service charges	1,551,837.28	416,588.11
Others	-447,899.23	-454,265.39
<b>Total</b>	<b>-41,766,591.82</b>	<b>51,112,103.79</b>

#### 60. Other incomes

##### (1) Details of other incomes

Item	Amount in the current year	Amount in the previous year
Government subsidies	41,203,816.27	43,337,776.07
Return of service charges of individual income tax	261,430.59	160,395.35
VAT additional deduction	1,272,084.16	0.00
<b>Total</b>	<b>42,737,331.02</b>	<b>43,498,171.42</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 60. Other incomes (Continued)

##### (2) Details of Government Subsidies

Item	Amount in the current year	Amount in the previous year	Asset-related/ income-related
R&D and Manufacturing of High-horsepower Intelligent Tractor	11,000,000.00	0.00	Income-related
High-power Non-road Diesel Engine	4,900,000.00	4,900,000.00	Asset-related
Core Capacity Improvement of New Wheeled Tractors	4,836,363.64	4,836,363.64	Asset-related
Green Technology Upgrading and Renovation Project of the Casting System	2,200,000.00	2,200,000.00	Income-related
Development and Industrialization of Non-road China IV Diesel Engines	2,000,000.00	0.00	Income-related
50-80 HP Lightweight 4-cylinder Supercharged Diesel Engine	1,750,000.00	0.00	Income-related
2020 National New Material Production and Application Demonstration Platform Construction Project-agricultural Machinery Equipment Material Production and Application Demonstration Platform	1,669,975.13	873,254.01	Income-related
Key Product Test and Inspection Platform	1,388,947.20	1,388,947.20	Asset-related
To Improve Independent R&D Capability	1,342,030.68	1,342,030.68	Asset-related
Funds for Organic Waste Gas Treatment	1,150,000.00	0.00	Income-related
Application Project of New Wheeled Tractor Intelligent Manufacturing Model	1,081,818.20	1,081,818.20	Asset-related
Unemployment subsidy	1,000,000.00	0.00	Income-related
Subsidies for Modern Agricultural Equipment Intelligent Cockpit Digital Factory Project	1,440,476.16	1,011,904.74	Income-related
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Project	540,000.00	540,000.00	Asset-related
National IV Provincial Renovation (Phase I) Project of Diesel Engine	510,000.00	510,000.00	Income-related
Others	4,394,205.26	24,653,457.60	—
<b>Total</b>	<b>41,203,816.27</b>	<b>43,337,776.07</b>	<b>—</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 61. Investment income

Item	Amount in the current year	Amount in the previous year
Investment income from disposal of long-term equity investments	27,356,584.05	621,698,338.16
Investment income from disposal of financial assets held for trading	16,427,580.55	15,850,337.59
Interest income from debt instruments at amortised cost during the holding period	396,160.95	0.00
Investment income from financial assets held for trading during the holding period	0.00	49.87
Revenue from derecognition of financial assets at amortized cost	-3,646,257.54	0.00
Long-term equity investment incomes calculated at equity method	-33,233,515.23	1,845,539.21
Others	-12,783.33	0.00
<b>Total</b>	<b>7,287,769.45</b>	<b>639,394,264.83</b>

#### 62. Income from changes in fair value

Sources of income from changes in fair value	Amount in the current year	Amount in the previous year
Profit and loss due to changes in fair value of financial assets held for trading	-232,269,187.83	38,340,484.33
Derivative financial instrument	-10,588.74	10,588.74
<b>Total</b>	<b>-232,279,776.57</b>	<b>38,351,073.07</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 63. Credit impairment losses

Item	Amount in the current year	Amount in the previous year
Bad debt loss for receivables	-114,904,053.58	-213,021,152.12
Impairment Loss on Loan Assets	26,688,938.80	343,825.57
Lendings to Banks and Other Financial institutions	0.00	-16,180,000.00
<b>Total</b>	<b>-88,215,114.78</b>	<b>-228,857,326.55</b>

#### 64. Asset impairment loss

Item	Amount in the current year	Amount in the previous year
Loss from fixed assets impairment	-20,024,370.33	-1,388,112.06
Inventory depreciation loss and contract performance cost impairment loss	-11,297,349.20	-26,786,452.13
Impairment loss on other current assets	-7,000,000.00	0.00
Impairment losses for construction in progress	-3,574,242.00	0.00
Impairment Loss on Prepayments	-1,731,224.53	-291,012.51
Long-term equity investment impairment loss	0.00	-559,035,468.97
<b>Total</b>	<b>-43,627,186.06</b>	<b>-587,501,045.67</b>

#### 65. Incomes from disposal of assets

Item	Amount in the current year	Amount in the previous year	Amount included in non-recurring profits and losses in the current year
Gains or losses from disposal of fixed assets	2,638,077.77	62,931.82	2,638,077.77
Gains or losses from disposal of intangible assets	-1,003,100.33	0.00	-1,003,100.33
<b>Total</b>	<b>1,634,977.44</b>	<b>62,931.82</b>	<b>1,634,977.44</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 66. Non-operating revenue

##### (1) Breakdown of non-operating revenue

Item	Amount in the current year	Amount in the previous year	Amount included in non-recurring profits and losses in the current year
Government subsidy unrelated to daily activities	288,000.00	8,643,998.07	288,000.00
Payables not to be paid	3,397,357.82	23,469,917.44	3,397,357.82
Recovery of Litigation Compensation	21,400,000.00	0.00	21,400,000.00
Others	1,340,792.58	2,176,507.51	1,340,792.58
<b>Total</b>	<b>26,426,150.40</b>	<b>34,290,423.02</b>	<b>26,426,150.40</b>

##### (2) Breakdown of government subsidy

Item	Amount in the current year	Amount in the previous year	Source and basis	Asset-related/ Income-related
Special Funds for the Urban Affordable Housing Project	288,000.00	288,000.00	Document of Luoyang Municipal Finance Bureau and Luoyang Municipal Commission of Housing and Urban-Rural Development: LCY [2014] No. 164	Asset-related
Zombie Enterprise Subsidy	0.00	8,355,998.07	Policies and Measures for Relief and Assistance to SMEs	Income-related
<b>Total</b>	<b>288,000.00</b>	<b>8,643,998.07</b>	—	—

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 67. Non-operating expenses

Item	Amount in the current year	Amount in the previous year	Amount included in non-recurring profits and losses in the current year
Losses of retirement of non- current assets	4,796.71	835,443.12	4,796.71
External donation	10,000.00	42,129.08	10,000.00
Others	2,532,391.47	18,944.88	2,532,391.47
<b>Total</b>	<b>2,547,188.18</b>	896,517.08	2,547,188.18

#### 68. Income tax expenses

##### (1) Chart of Income tax expenses

Item	Amount in the current year	Amount in the previous year
Income tax expense in the current year	35,539,446.55	21,028,898.18
Deferred tax expenses	-65,599,718.58	5,919,818.00
<b>Total</b>	<b>-30,060,272.03</b>	26,948,716.18



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 68. Income tax expenses (Continued)

##### (2) Adjustment process of accounting profits and income tax expenses

Item	Amount in the current year
Consolidated total profits in the current year	611,897,862.07
Income tax expense calculated in accordance with legal/applicable tax rate	91,784,679.31
Effect of different tax rates applicable to subsidiaries	-22,079,400.47
Impact of income tax in previous periods before adjustment	8,625,743.21
Impact of non-taxable income	1,128,858.31
Impact of non-deductible costs, expenses and losses	2,934,768.45
Effect from deductible temporary balance or deductible losses of deferred tax assets unrecognized in the current year	46,709,833.40
Weighted Deduction of R&D Expenses and Other Expenses	-79,257,332.70
Others	-79,907,421.54
Income tax expenses	-30,060,272.03

#### 69. Other comprehensive incomes

Refer to Note "VII. 47 Other comprehensive income" for details.

#### 70. Items of cash flow statements

##### (1) Cash receipts from other operating activities

Item	Amount in the current year	Amount in the previous year
Cash Received Related to Interest on Deposits	27,386,455.05	2,450,078.79
Government subsidies received	25,208,622.42	47,389,207.55
Cash Received Related to Other Transactions	76,544,738.86	52,667,703.42
Total	129,139,816.33	102,506,989.76

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 70. Items of cash flow statements (Continued)

##### (2) Other cash paid relating to operating activities

Item	Amount in the current year	Amount in the previous year
Cash Paid for Selling, Administrative and R&D Expenses	108,495,633.81	108,928,131.29
Cash Paid Related to Other Transactions	43,780,484.40	31,161,276.08
Cash Paid for Other Operating Activities	834,739,792.51	20,783,925.95
<b>Total</b>	<b>987,015,910.72</b>	<b>160,873,333.32</b>

##### (3) Other cash paid relating to investing activities

Item	Amount in the current year	Amount in the previous year
Net cash received from disposal of subsidiaries and other business units	0.00	127,967.93

##### (4) Other cash received relating to financing activities

Item	Amount in the current year	Amount in the previous year
Recovery of funds restricted by policy	138,052,188.68	0.00

##### (5) Other cash paid relating to financing activities

Item	Amount in the current year	Amount in the previous year
Funds restricted by policy	0.00	138,052,188.68
Right-of-use assets	19,584,176.68	18,265,561.98
<b>Total</b>	<b>19,584,176.68</b>	<b>156,317,750.66</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 71. Supplementary information of consolidated cash flow statement

##### (1) Supplementary information for consolidated cash flow statement

Item	Amount in the current year	Amount in the previous year
<b>1. Adjust net profit to cash flow from operating activities:</b>		
Net profit	641,958,134.10	433,343,206.33
Add: provision for impairment of assets	43,627,186.06	587,501,045.67
Credit impairment losses	88,215,114.78	228,857,326.55
Depreciation of fixed assets	275,564,874.10	289,360,872.78
Depreciation of right-of-use assets	17,305,372.69	18,350,857.76
Amortization of intangible assets	32,647,428.19	31,246,634.19
Amortization of long-term unamortized expenses	24,257,715.92	19,345,020.71
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-1,634,977.44	-62,931.82
Losses from retirement of fixed assets (profits marked with "-")	4,796.71	835,443.12
Losses from changes in fair value (profits marked with "-")	232,279,776.57	-38,351,073.07
Financial expenses (profits marked with "-")	21,199,843.59	28,386,532.06
Investment losses (profits marked with "-")	-7,287,769.45	-639,394,264.83
Decrease on deferred tax assets (increase to be listed with "-")	-32,151,507.54	2,349,659.40
Increase in deferred tax liabilities (decrease to be listed with "-")	-33,448,211.04	3,567,649.02
Decrease in inventory (increase marked with "-")	468,504,171.10	-303,373,922.68
Decrease in operating receivables (increase marked with "-")	1,680,443,898.45	530,038,670.77
Increase in operating payables (decrease marked with "-")	150,521,470.56	-609,720,966.63
Others	0.00	0.00
Net cash flows from operating activities	3,602,007,317.35	582,279,759.33

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 71. Supplementary information of consolidated cash flow statement (Continued)

##### (1) *Supplementary information for consolidated cash flow statement (Continued)*

Item	Amount in the current year	Amount in the previous year
<b>2. Major investment and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds due within one year	0.00	0.00
Fixed assets acquired under financial leases	0.00	0.00
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance of cash	3,519,577,581.87	2,146,767,725.61
Less: Beginning balance of cash	2,146,767,725.61	1,416,825,910.58
Add: Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	<u>1,372,809,856.26</u>	<u>729,941,815.03</u>

##### (2) *Net cash received from disposal of subsidiaries in the current year*

Item	Amount in the current year
Cash and cash equivalents received in the current year from disposal of subsidiaries in the current year	25,308,100.00
Including: Zhengzhou Sanzhen Machinery Equipment Co., Ltd.	25,308,100.00
Less: cash and cash equivalents held by subsidiaries on the loss-control date	3,545,588.91
Including: Zhengzhou Sanzhen Machinery Equipment Co., Ltd.	3,545,588.91
Net cash received from disposal of subsidiaries	<u>21,762,511.09</u>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 71. Supplementary information of consolidated cash flow statement (Continued)

##### (3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	3,519,577,581.87	2,146,767,725.61
Including: cash on hand	60,612.69	413,447.08
Cash in bank available for payments at any time	3,519,516,908.93	2,146,354,221.57
Other monetary funds available for payment at any time	60.25	56.96
Cash equivalents	0.00	0.00
Ending balance of cash and cash equivalents	3,519,577,581.87	2,146,767,725.61
Including: the parent company or subsidiaries within the group use restricted cash and cash equivalents	0.00	0.00

#### 72. Assets with ownership or right of use restricted

Item	Carrying amount at the end of the year	Reasons for restriction
Monetary fund	844,164,764.14	Security Deposit, etc.
Fixed assets	33,156,753.63	Loan mortgage
Intangible assets	14,877,039.04	Loan mortgage
Receivables financing	25,026,889.31	Notes Pledge
Total	917,225,446.12	—

#### 73. Net current assets

Item	Ending balance	Beginning 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

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 74. Total assets minus current liabilities

Item	Ending balance	Beginning 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

#### 75. Loans

Item	Ending balance	Beginning balance
Principal of Short-term Bank Loans	270,000,000.00	270,000,000.00
Principal of long-term loans	49,580,000.00	110,000,000.00
Total	319,580,000.00	380,000,000.00

##### (1) Loan Analysis

Item	Ending balance	Beginning balance
Bank borrowings		
Repayment within one year	270,200,000.00	270,000,000.00
Repayment after one year	49,380,000.00	110,000,000.00
Total	319,580,000.00	380,000,000.00

##### (2) Analysis of due date of loans

Item	Ending balance	Beginning balance
Bank borrowings		
Within 1 year	270,200,000.00	270,000,000.00
1-2 years	4,200,000.00	0.00
2-5 years	45,180,000.00	110,000,000.00
Total	319,580,000.00	380,000,000.00

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 76. Monetary items in foreign currency

##### (1) Monetary items in foreign currency

Item	Ending balance in foreign currency	Exchange rate	Ending balance in RMB (equivalent)
<b>Monetary fund</b>			<b>160,133,842.91</b>
Including: USD	18,605,805.05	6.9646	129,581,989.85
EUR	3,128,789.14	7.4229	23,224,688.91
HKD	53,657.29	0.8933	47,932.06
AUD	1,393.25	4.7138	6,567.50
XOF	637,499,889.00	0.0113	7,203,748.75
ZAR	136,749.69	0.4113	56,245.15
BYN	4,592.16	2.7592	12,670.69
<b>Accounts receivable</b>			<b>93,888,998.65</b>
Including: USD	10,319,809.98	6.9646	71,873,348.59
EUR	110,277.29	7.4229	818,577.30
AUD	486,820.81	4.7138	2,294,775.93
XOF	874,998,989.00	0.0113	9,887,488.58
ZAR	21,917,841.61	0.4113	9,014,808.25
<b>Other receivables</b>			<b>10,201,385.75</b>
Including: XOF	67,503,960.50	0.0113	762,794.75
ZAR	22,819,632.23	0.4113	9,385,714.74
BYN	19,163.62	2.7592	52,876.26
<b>Non-current assets due within one year</b>			<b>414,263,330.58</b>
Including: USD	43,098,403.23	6.9646	300,163,139.14
EUR	15,371,376.61	7.4229	114,100,191.44
<b>Other current assets</b>			<b>24,802.34</b>
Including: BYN	8,988.96	2.7592	24,802.34
<b>Long-term receivables</b>			<b>1,341,572.71</b>
Among them: EUR	180,734.31	7.4229	1,341,572.71
<b>Accounts payable</b>			<b>34,657,236.97</b>
Including: USD	4,126,134.66	6.9646	28,736,877.45
EUR	706,460.12	7.4229	5,243,982.82
AUD	11,794.96	4.7138	55,599.08
XOF	48,696,601.00	0.0113	550,271.59
BYN	25,553.07	2.7592	70,506.03

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 76. Monetary items in foreign currency (Continued)

##### (1) *Monetary items in foreign currency (Continued)*

Item	Ending balance in foreign currency	Exchange rate	Ending balance in RMB (equivalent)
<b>Other payables</b>	—	—	<b>9,691,804.10</b>
Including: XOF	23,076,395.00	0.0113	260,763.26
ZAR	22,792,771.61	0.4113	9,374,666.96
BYN	20,431.24	2.7592	56,373.88
<b>Employee compensation payable</b>	—	—	<b>95,886.23</b>
Including: BYN	34,751.46	2.7592	95,886.23
<b>Non-current liabilities due within one year</b>	—	—	<b>518,443.45</b>
Including: XOF	45,879,951.13	0.0113	518,443.45
<b>Long-term payables</b>	—	—	<b>8,476,357.76</b>
Including: XOF	750,120,156.00	0.0113	8,476,357.76

*Note:* The amounts above are the original values of relative assets.

##### (2) *Overseas business entity*

Company name	Overseas Business Place	Bookkeeping currency	Selection basis of bookkeeping currency
Brilliance China Machinery Holdings Ltd.	Hong Kong	USD	Operating Environment and Main Settlement Currencies
Yitwo Argo Industrial	Côte d'Ivoire	XOF	Operating Environment and Main Settlement Currencies
CAD FUND MACHINERY (SA) (PTY) LTD	Southern Africa	ZAR	Operating Environment and Main Settlement Currencies
YTO Belarus Technology Co., Ltd.	Belarus	BYN	Operating Environment and Main Settlement Currencies



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 77. Government subsidy

##### *Basic information of government subsidies*

Category	Occurred in the current year	Occurred in the previous year	Remarks
Government subsidy included in deferred income	8,099,808.00	20,562,592.00	
Government subsidy included in other income	17,108,814.42	18,470,617.48	
Government subsidy recognized into non-operating income	0.00	8,355,998.07	
<b>Total</b>	<b>25,208,622.42</b>	<b>47,389,207.55</b>	

#### 78. Depreciation and amortization

Item	Amount incurred in the current period	Amount incurred in the previous 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
<b>Total</b>	<b>308,212,302.29</b>	<b>320,607,506.97</b>

#### 79. Reserves

According to the applicable laws of the People's Republic of China, the Group's available-for-distribution reserve on December 31, 2022, is RMB1,540,248,936.64, and the share premium of the capital reserve is RMB2,408,231,745.23.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### VIII. CHANGES IN CONSOLIDATION SCOPE

#### 1. Business merger under different controls

None.

#### 2. Business combination under common control

None.

#### 3. Reversed takeover

None.

#### 4. Disposal of subsidiaries

Name of subsidiary	Price of equity disposal	Proportion of equity disposal (%)	Method of equity disposal	Time of loss of control	The basis for determining the point of loss of control	The difference between the disposal price and the disposal investment corresponding to the consolidated financial statement level of the subsidiary's net asset share	Percentage of remaining equity on the date of loss of control	Carrying amount of remaining equity on the date of loss of control	Fair value of remaining equity on the date of loss of control	Profit or loss caused by recalculation of remaining equity according to fair value	Determining method and main assumptions of remaining equity fair value on the date of loss of control	Profit or loss on investment transferred from other comprehensive incomes in connection with equity investment of the original subsidiary
Zhengzhou Sanzhen Machinery Equipment Co., Ltd.	25,308,100.00	100.00	Transfer	8 January, 2022	Completion of asset delivery	26,743,046.19	0.00	N/A	N/A	N/A	N/A	N/A

Note: In June 2021, YTO (Luoyang) Flagauto-Body Co., Ltd. (hereinafter referred to as Flag), a subsidiary of the Company, signed a Property Rights Transaction Contract with Henan Xigong Electromechanical Equipment Co., Ltd. (hereinafter referred to as Xigong Electromechanical Company), agreeing that Flagauto intends to transfer 100% equity of Zhengzhou Sanzhen Machinery Equipment Co., Ltd. (hereinafter referred to as Sanzhen Company) to Xigong Electromechanical Company and transfer the creditor's rights of the Company and Flagauto against Sanzhen Company (hereinafter referred to as creditor's rights). Among them, the equity transfer price is RMB25,308,100.00 and the creditor's right transfer price is RMB39,253,816.50, totalling RMB64,561,916.50. In January 2022, after the completion of equity delivery, Sanzhen Company was no longer included in the scope of consolidation, and the difference between the equity transfer price of RMB25,308,100.00 and the carrying amount of net assets of Sanzhen Company on the balance sheet date of RMB26,743,046.19 was included in the investment income.

#### 5. Changes in consolidation scope for other reasons

In August 2022, the Company signed a Merger Agreement with YTO Shunxing (Luoyang) Spare Parts Co., Ltd. (hereinafter referred to as YTO Shunxing Company) stipulating that the Company plans to merge YTO Shunxing Company and YTO Shunxing Company plans to dissolve. On December 28, 2022, the Company completed the merger formalities, and on December 30, 2022, YTO Shunxing Company completed the industrial and commercial cancellation formalities.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. EQUITY IN OTHER ENTITIES

#### 1. Equity in subsidiaries

##### (1) Composition of the Enterprise Group

Name of subsidiary	Principal place of business	Place of Registration	Business Nature	Shareholding proportion (%)		Way of acquisition
				Direct	Indirect	
China-Africa Heavy Industry Investment Co., Ltd.	China	China	Agricultural machinery sales	55.00	0.00	Establishment
Changtuo Agricultural Machinery Equipment Group Co., Ltd. (Note)	China	China	Tractor manufacturing	33.33	0.00	Business merger under different control
Luoyang Tractor Research Institute Co., Ltd.	China	China	Tractor research & development	51.00	0.00	Business merger under different control
YTO International Economic and Trade Co., Ltd.	China	China	Agricultural machinery sales	100.0	0.00	Business combination under common control
YTO (Luoyang) Flagauto-Body Co., Ltd.	China	China	Tractor manufacturing	100.0	0.00	Business combination under common control
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Ltd.	China	Bermuda Islands	Investment holding	90.10	0.00	Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd.	China	China	Agricultural machinery sales	70.00	30.00	Establishment
YTO Group Finance CO., LTD.	China	China	Finance	94.60	4.80	Business combination under common control
YTO (Luoyang) Diesel Engine Co., Ltd.	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.0	0.00	Business combination under common control
YTO Belarus Technology Co., Ltd.	Belarus	Belarus	R&D	100.0	0.00	Business combination under common control

Notes: According to the resolution of the first meeting of the sixth board of directors of the Company in 2012, the Company increased its capital by RMB94.25 million to Changtuo Company based on the net asset appraisal value of Changtuo Agricultural Machinery Equipment Group Co., Ltd. (hereinafter referred to as Changtuo Company) on March 31, 2012, and held 33.33% of the equity of Changtuo Company after the capital increase. According to the agreement between the Company and Sinomach, Sinomach entrusts the Company to independently exercise its voting rights, supervision and management rights, and other rights corresponding to 33.33% of the equity held by it in Changtuo Company, and the custody period ends on the date when Sinomach transfers the aforementioned rights to an irrelevant third party. During the custody period, Sinomach shall not unilaterally revoke the custody authorization. If Sinomach transfers its equity to a third party, it shall obtain written consent from the Company, and the Company shall have the preemptive right. Therefore, the Company obtained 66.66% of the voting rights and actual control rights of Changtuo Company

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. EQUITY IN OTHER ENTITIES(CONTINUED)

#### 1. Equity in subsidiaries (Continued)

##### (2) Important non-wholly-owned subsidiaries

Name of subsidiary	Shareholding proportion of minority shareholders (%)	Profits and losses attributable to minority shareholders in current year	Dividends announced and distributed to minority shareholders in current year	Balance of non-controlling interests at the end of the year
YTO Group Finance CO., LTD.	1.21	962,770.39	1,497,085.48	11,492,625.24
Luoyang Tractor Research Institute Co., Ltd.	49.00	2,757,042.53	0.00	272,020,726.44
YTO (Luoyang) Diesel Engine Co., Ltd.	14.53	-29,336,868.94	0.00	169,341,908.12

##### (3) Main financial information of important non-wholly-owned subsidiaries

Name of subsidiary	Current assets	Non-current assets	Ending balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
YTO Group Finance CO., LTD.	776,496,380.06	2,058,962.07	778,555,342.13	74,002,493.36	347,950.00	74,350,443.36
Luoyang Tractor Research Institute Co., Ltd.	241,859,587.48	388,149,320.00	630,008,907.48	47,204,538.92	27,660,028.89	74,864,567.81
YTO (Luoyang) Diesel Engine Co., Ltd.	1,890,953,090.71	717,359,508.09	2,608,312,598.80	1,177,671,827.16	121,325,557.03	1,298,997,384.19

Name of subsidiary	Current assets	Non-current assets	Beginning balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
YTO Group Finance CO., LTD.	3,291,280,078.88	1,961,557,846.78	5,252,837,925.66	4,378,608,057.09	58,800.98	4,378,666,858.07
Luoyang Tractor Research Institute Co., Ltd.	307,320,132.80	422,235,442.36	729,555,575.16	145,137,429.05	33,574,840.54	178,712,269.59
YTO (Luoyang) Diesel Engine Co., Ltd.	1,969,122,462.94	662,236,076.07	2,631,358,539.01	987,254,695.80	137,239,774.79	1,124,494,470.59



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. EQUITY IN OTHER ENTITIES(CONTINUED)

#### 1. Equity in subsidiaries (Continued)

##### (3) Main financial information of important non-wholly-owned subsidiaries (Continued)

Name of subsidiary	Revenue	Net profit	Amount in the current year	
			Total comprehensive income	Cash flow from operating activities
YTO Group Finance CO., LTD.	120,391,282.21	79,548,078.00	79,548,078.00	-846,448,461.69
Luoyang Tractor Research Institute Co., Ltd.	220,878,119.98	5,626,617.40	4,301,034.10	51,212,994.67
YTO (Luoyang) Diesel Engine Co., Ltd.	<u>2,534,455,560.23</u>	<u>-197,560,833.25</u>	<u>-197,560,833.25</u>	<u>358,187,229.05</u>

Name of subsidiary	Revenue	Net profit	Amount in the previous year	
			Total comprehensive income	Cash flow from operating activities
YTO Group Finance CO., LTD.	164,224,708.73	42,448,609.26	42,448,609.26	746,811,752.80
Luoyang Tractor Research Institute Co., Ltd.	182,427,170.44	1,048,241.41	1,048,241.41	96,808,279.23
YTO (Luoyang) Diesel Engine Co., Ltd.	<u>2,219,188,020.14</u>	<u>44,684,191.60</u>	<u>44,684,191.60</u>	<u>-22,152,152.72</u>

##### (4) Major limitations on the use of enterprise group assets and payment of enterprise group debts

None

##### (5) Financial support or other supports provided to the structural body within the combined financial statement

None

#### 2. Conditions of the owner's equity portion variation in the subsidiaries and the subsidiaries still being under control

None.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IX. EQUITY IN OTHER ENTITIES(CONTINUED)

#### 3. Interests in joint ventures or associated enterprises

##### (1) Important joint ventures or associates

Name of joint venture or associate	Principal place of business	Registration place	Business Nature	Shareholding proportion (%)		Accounting methods for the investment in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Axle Co., Ltd.	China	China	Tractor Manufacturing	49.00	0.00	Equity method
Sinomach Finance Co., Ltd.	China	China	Tractor Manufacturing	14.29	0.00	Equity method

##### (2) Key financial information for significant associates

Item	Ending balance/Amount incurred in the current year	
	Sinomach Finance Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
Current assets	36,689,470,606.31	203,439,764.95
Non-current assets	12,348,321,284.90	32,041,661.01
Total assets	49,037,791,891.21	235,481,425.96
Current liabilities	43,839,788,145.20	70,850,136.40
Non-current liabilities	1,240,570,500.78	0.00
Total liabilities	45,080,358,645.98	70,850,136.40
Non-controlling interests	0.00	0.00
Shareholders' equity attributable to the parent company	3,957,433,245.23	164,631,289.56
Shares of net assets calculated as per the shareholding proportion	565,347,041.11	80,669,331.88
Adjustments	7,404,462.81	-2,998,145.10
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	0.00	-2,998,145.10
– Others	7,404,462.81	0.00
Carrying amount of equity investments in associates	557,942,578.30	77,671,186.78
Fair value of equity investments in associates with public offer	0.00	0.00
Revenue	1,097,091,887.22	272,225,642.67
Financial Expenses	0.00	-2,723,722.95
Income tax expenses	85,729,289.79	0.00
Net profit	312,177,488.64	-96,016,228.69
Net profit from discontinued operations	0.00	0.00
Other comprehensive incomes	-17,348,062.52	0.00
Total comprehensive income	294,829,426.12	-96,016,228.69
Dividends received from joint ventures in the current year	11,100,000.00	0.00

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. EQUITY IN OTHER ENTITIES(CONTINUED)

#### 3. Interests in joint ventures or associated enterprises (Continued)

##### (2) Key financial information for significant associates (Continued)

Item	Beginning balance/Amount incurred in the previous year	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
Current assets	3,129,831.15	193,678,117.66
Non-current assets	10,422.22	158,216,040.58
Total assets	3,140,253.37	351,894,158.24
Current liabilities	207,476.01	90,458,334.43
Non-current liabilities	0.00	6,542,410.72
Total liabilities	207,476.01	97,000,745.15
Non-controlling interests	0.00	0.00
Shareholders' equity attributable to the parent company	2,932,777.36	254,893,413.09
Shares of net assets calculated as per the shareholding proportion	586,555.47	124,897,772.41
Adjustments	0.00	-86,117.15
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	0.00	-86,117.15
– Others	0.00	0.00
Carrying amount of equity investments in associates	586,555.47	124,811,655.26
Fair value of equity investment with public offer	0.00	0.00
Revenue	0.00	236,289,956.39
Financial Expenses	1,161.28	-1,933,038.54
Income tax expenses	0.00	0.00
Net profit	-156,417.57	6,734,956.11
Net profit from discontinued operations	0.00	0.00
Other comprehensive incomes	0.00	0.00
Total comprehensive income	-156,417.57	6,734,956.11
Dividends received from joint ventures in the current year	0.00	0.00

Note: The Company's shareholding in Chuan Long was disposed of and increase a new shareholding in SINOMACH Finance Co during this year.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. EQUITY IN OTHER ENTITIES(CONTINUED)

#### 3. Interests in joint ventures or associated enterprises (Continued)

##### (3) Summary of financial information of unimportant joint ventures and associates

Item	Ending balance/ Amount incurred in the current year	Beginning balance/ Amount incurred in the previous year
<b>Associated enterprise</b>		
Total carrying amount of investment	362,320.92	1,572,335.64
Total amount of the following items at the shareholding percentage		
– Net profits	-2,496,708.33	-501,344.48
– Other comprehensive incomes	0.00	0.00
– Total comprehensive incomes	-2,496,708.33	-501,344.48

##### (4) Significant restrictions of the ability to transfer funds from associates or joint ventures to the Group

None.

##### (5) Summary of excess losses incurred by joint ventures or associates

Name of joint ventures or associates	Accumulated unrecognised losses in prior years	Unrecognised losses in the current year	Accumulated unrecognised losses in the current year
Jiangxi Orient Red Agricultural Machinery Co.	0.00	1,290,496.11	1,290,496.11

##### (6) Unconfirmed commitments related to investments in associates

None.

##### (7) Contingent liabilities related to investments in associates or joint ventures

None.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group faces various financial instrument risks in its daily activities, mainly including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk). The main financial instruments of the Group include monetary fund, equity investment, and debt instruments at amortised cost, loans, accounts receivable, and accounts payable. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows:

The Board of Directors is responsible for the planning and establishment of the Group's risk management structure, the development of the Group's risk management policies and guidelines, and the monitoring of the implementation of risk management measures. The Group has developed risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify specific risks, covering many aspects of market risk, credit risk, and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's operating activities to determine whether the risk management policies and systems are updated. The Group diversifies the risk of financial instruments through appropriate diversified investments and business combinations and reduces the risk of focusing on any single industry, specific region, or specific counterparty by developing appropriate risk management policies.

#### 1. Risk management objectives and policies

The Group's risk management aims to achieve a proper balance between risk and benefit, to minimize the negative effect of risks on the business performance of the Group, and to maximize the interest of shareholders and other equity investors. Based on the objective of risk management, the basic strategy of the Group's risk management is to determine and analyse all risks faced by the Group, to set up an appropriate bottom line of risk standing and to manage risks, as well as to supervise all risks in a timely and reliable manner and control the risk into the limited scope.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk management objectives and policies (Continued)

##### (1) Credit risk

A credit risk is the risk of financial loss of the Group caused by the counterparty's failure to meet its obligations in the contract. The Group adopts the policy to trade with the counterparty with good credit and request securities when necessary, so as to remediate the financial loss when the counterparty is unable to fulfil its own obligation. The Group only trades with entities that are assessed to be investment grade or above. Rating information is provided by independent rating agencies, and if such information is not available, the Group will use other publicly available financial information and its own transaction records to rate key customers. The Group continuously monitors the exposure to risks and the credit ratings of many counterparties and continuously monitors the exposure to these credit risks. As of December 31, 2022, the maximum credit exposure to risks that may cause the Group's financial loss mainly comes from the risk of failure of customers or counterparties to perform on the due date. Specifically, it includes accounts receivable, other receivables, and notes receivable. It is the Group's policy that all customers trading on credit terms must pass the credit review process. The Company evaluates clients' credit rating and sets the credit period based on their financial conditions, possibility of obtaining security from third party, credit record and other factors, such as current market situation. The Group will monitor the credit record of the customer periodically. For customers with poor credit record, measures such as written collection, shortening credit period or cancelling the credit period will be adopted by the Group, to ensure the overall credit risk being in the controllable scope. The Group continuously monitors receivable balances and the board of directors believes that adequate provision has been made in the financial statements for uncollected receivables. In this regard, the board of directors believes that credit risk has been substantially reduced.

The monetary funds held by the Group are mainly deposited in financial institutions such as state-owned holding banks and other large and medium-sized commercial banks. The Management believes that these commercial banks have high credit standing and asset status without significant credit risks and will not cause any significant losses due to the default of the other unit. The debtors of accounts receivable are a great many customers distributed in different industries and geographical areas. The Group continuously performs credit assessments on the accounts receivable of the debtors and purchases credit guarantee insurance when necessary. Because the counterparties of monetary funds and derivative financial instruments are banks with good reputation and high credit rating, the credit risk of these financial instruments is low. As of December 31, 2022, the accounts receivable of the Group's top five customers accounted for 29.08% (2021: 35.40%) of the Group's total accounts receivable, so the Group has no significant credit concentration risk. The Group's credit exposure to risks includes on-balance sheet items and off-balance sheet items involving credit risk. On the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit risk exposure.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk management objectives and policies (Continued)

##### (2) Liquidity risks

Item	Book amount	December 31, 2022			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities:					
Notes payable	1,829,411,578.37	1,829,411,578.37	0.00	0.00	0.00
Accounts payable	2,286,961,766.98	2,286,961,766.98	0.00	0.00	0.00
Other payables	338,162,726.80	338,162,726.80	0.00	0.00	0.00
Other current liabilities	374,987,097.17	374,987,097.17	0.00	0.00	0.00
Short-term borrowings	270,223,055.56	270,223,055.56	0.00	0.00	0.00
Long-term borrowings	49,380,000.00	0.00	4,200,000.00	45,180,000.00	0.00
Non-current liabilities due within one year	17,750,080.09	17,750,080.09	0.00	0.00	0.00
Customer bank deposits and interbank deposits	34,112,630.48	34,112,630.48	0.00	0.00	0.00
Financial assets sold under agreements to repurchase	0.00	0.00	0.00	0.00	0.00
Long-term payables	8,476,357.76	0.00	0.00	8,476,357.76	0.00
Financial liabilities	<u>5,209,465,293.21</u>	<u>5,151,608,935.45</u>	<u>4,200,000.00</u>	<u>53,656,357.76</u>	<u>0.00</u>
Item	Book amount	December 31, 2021			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities:					
Notes payable	1,429,974,406.92	1,429,974,406.92	0.00	0.00	0.00
Accounts payable	2,005,338,697.27	2,005,338,697.27	0.00	0.00	0.00
Other payables	264,862,718.59	264,862,718.59	0.00	0.00	0.00
Other current liabilities	262,766,044.87	262,766,044.87	0.00	0.00	0.00
Short-term borrowings	270,183,333.34	270,183,333.34	0.00	0.00	0.00
Long-term borrowings	110,000,000.00	0.00	0.00	110,000,000.00	0.00
Non-current liabilities due within one year bond	13,333,158.50	13,333,158.50	0.00	0.00	0.00
Customer bank deposits and interbank deposits	741,565,080.73	741,565,080.73	0.00	0.00	0.00
Financial assets sold under agreements to repurchase	11,759,888.55	11,759,888.55	0.00	0.00	0.00
Long-term payables	8,251,321.72	0.00	0.00	8,251,321.72	0.00
Financial liabilities	<u>5,118,034,650.49</u>	<u>4,999,783,328.77</u>	<u>0.00</u>	<u>118,251,321.72</u>	<u>0.00</u>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk management objectives and policies (Continued)

##### (3) Market risk

##### 1) Exchange rate risk

The Group's principal operations are located in the PRC and its principal activities are denominated in RMB. However, the Group's recognised foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are denominated mainly in US dollars, Euro and Hong Kong dollars, Japanese yen, Australian dollars, West African dollars and Rand) are still subject to exchange rate risk. The Group's finance department is responsible for monitoring the size of the Company's foreign currency transactions and foreign currency assets and liabilities in order to minimise its exposure to exchange rate risk; to this end, the Group may enter into forward foreign exchange contracts or currency swap contracts for the purpose of hedging exchange rate risk.

As at 31 December 2022, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Group that were translated into RMB are set out below:

Item	Ending balance		Beginning balance	
	Original Currency	converted into RMB	Original Currency	converted into RMB
<b>Monetary fund</b>		<b>160,133,842.91</b>		<b>213,276,267.71</b>
USD	18,605,805.05	129,581,989.85	22,514,236.76	143,544,019.31
EUR	3,128,789.14	23,224,688.91	1,473,982.13	10,641,708.78
HKD	53,657.29	47,932.06	49,169,201.37	40,200,739.04
AUD	1,393.25	6,567.50	805,644.87	3,723,690.59
XOF	637,499,889.00	7,203,748.75	1,372,349,529.00	15,095,844.82
ZAR	136,749.69	56,245.15	121,915.23	48,814.86
BYN	4,592.16	12,670.69	8,603.18	21,450.31
<b>Accounts receivable</b>		<b>93,888,998.65</b>		<b>88,862,031.36</b>
USD	10,319,809.98	71,873,348.59	11,757,193.64	74,960,339.49
EUR	110,277.29	818,577.30	127,312.29	919,156.54
AUD	486,820.81	2,294,775.93	490,708.22	2,268,053.39
XOF	874,998,989.00	9,887,488.58	170,774,378.00	1,878,518.16
ZAR	21,917,841.61	9,014,808.25	22,067,841.61	8,835,963.78
<b>Other receivables</b>		<b>10,201,385.75</b>		<b>2,834,547.37</b>
XOF	67,503,960.50	762,794.75	249,330,485.50	2,742,635.34
ZAR	22,819,632.23	9,385,714.74	26,860.62	10,754.99
BYN	19,163.62	52,876.26	32,550.05	81,157.04



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk management objectives and policies (Continued)

##### (3) Market risk (Continued)

##### 1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original Currency	converted into RMB	Original Currency	converted into RMB
<b>Non-current assets</b>				
<b>due within one year</b>		<b>414,263,330.58</b>		<b>391,991,636.70</b>
USD	43,098,403.23	300,163,139.14	47,719,241.77	304,243,569.75
EUR	15,371,376.61	114,100,191.44	12,153,976.89	87,748,066.95
<b>Other current assets</b>		<b>24,802.34</b>		<b>69,365.90</b>
BYN	8,988.96	24,802.34	27,820.92	69,365.90
<b>Long-term receivables</b>		<b>1,341,572.71</b>		<b>46,932,314.39</b>
EUR	180,734.31	1,341,572.71	6,500,590.66	46,932,314.39
<b>Accounts payable</b>		<b>34,657,236.97</b>		<b>31,551,834.32</b>
USD	4,126,134.66	28,736,877.45	4,036,527.89	25,735,690.87
EUR	706,460.12	5,243,982.82	706,460.12	5,100,430.13
AUD	11,794.96	55,599.08	11,794.96	54,516.31
XOF	48,696,601.00	550,271.59	48,814,268.00	536,956.95
ZAR	0.00	0.00	183,300.13	73,393.37
BYN	25,553.07	70,506.03	20,393.33	50,846.69
<b>Other payables</b>		<b>9,691,804.10</b>		<b>550,870.93</b>
USD	0.00	0.00	45,855.47	292,360.72
XOF	23,076,395.00	260,763.26	20,776,500.00	228,541.50
HKD	0.00	0.00	31,811.62	26,009.18
ZAR	22,792,771.61	9,374,666.96	0.00	0.00
BYN	20,431.24	56,373.88	1,588.07	3,959.53
<b>Employee compensation payable</b>		<b>95,886.23</b>		<b>111,986.37</b>
BYN	34,751.46	95,886.23	44,914.92	111,986.37
<b>Long-term payables</b>		<b>8,476,357.76</b>		<b>8,251,321.72</b>
XOF	750,120,156.00	8,476,357.76	750,120,156.00	8,251,321.72
<b>Non-current liabilities</b>				
<b>due within one year</b>		<b>518,443.45</b>		<b>0.00</b>
XOF	45,879,951.13	518,443.45	0.00	0.00

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk management objectives and policies (Continued)

##### (3) Market risk (Continued)

##### 2) Interest rate risk

Interest rate risks are mainly incurred from bank borrowings. Due to financial liabilities with a floating interest rate, the Group faces cash flow interest rate risk; due to financial liabilities with a fixed interest rate, the Group faces fair value interest rate risk. The Group decides the relative proportion of the fixed interest rate and floating interest rate contracts in accordance with the current market environment.

The finance department of the Group constantly monitors interest rate level of the Company. The increase in interest rates will increase the cost of new interest-bearing debts and the Group's unpaid interest expense on interest-bearing debts calculated in floating interest rates, which will have a significant adverse effect on the Group's financial results. The management will duly make adjustments according to the latest market condition. These adjustments may reduce interest rate risk via interest rate swap.

##### 3) Price risk

Price risk refers to the risk of fluctuations due to changes in market prices other than exchange rate risk and interest rate risk, mainly arising from changes in commodity prices, stock market indexes, equity instrument prices, and other risk variables.

#### 2. Analysis on sensitivity

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period or shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

##### (1) Foreign Exchange Risk Sensitivity Analysis

Sensitivity analysis of foreign exchange risk assumes that all overseas net operating investment hedges and cash flow hedges are highly effective.

On the basis of the above assumptions, under the condition that other variables remain unchanged, the after-tax impact of possible reasonable changes in exchange rate on current profits and losses and equity is as follows:

As of December 31, 2022, for various financial assets of the Group such as USD and EUR, and financial liabilities such as USD and EUR, if RMB appreciates or depreciates by 10% against USD and EUR and other factors remain unchanged, the Group will decrease or increase its net profit by about RMB62,641,420.44 (about RMB70,350,015.01 in 2021). The above calculation does not take into account the amount of impairment reserve.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. DISCLOSURE OF FAIR VALUE

#### 1. Ending fair value of assets and liabilities measured at fair value

Item	Fair value at the end of the year			Total
	Level 1 measurement at fair value	Level 2 measurement at fair value	Level 3 measurement at fair value	
I. Continuous fair value measurement				
(I) Financial assets held for trading	0.00	0.00	1,249,646,900.00	1,249,646,900.00
1. Financial assets at FVTPL	0.00	0.00	420,172,500.00	420,172,500.00
(1) Debt instrument investments	0.00	0.00	420,172,500.00	420,172,500.00
(2) Equity instruments	0.00	0.00	0.00	0.00
(3) Derivative financial assets	0.00	0.00	0.00	0.00
2. Designated financial assets at FVTPL	0.00	0.00	829,474,400.00	829,474,400.00
(1) Debt instrument investments	0.00	0.00	0.00	0.00
(2) Equity instruments	0.00	0.00	829,474,400.00	829,474,400.00
(II) Equity instruments at FVTOCI	0.00	0.00	3,513,464.70	3,513,464.70
(III) Receivables financing	0.00	0.00	246,084,731.86	246,084,731.86
Total assets continuously measured at fair value	0.00	0.00	1,499,245,096.56	1,499,245,096.56

#### 2. Basis for determination of market prices for continuous and non-continuous level I measurement items at fair value

Financial instruments traded in an active market are stated at quoted market prices at the date of the financial statements. Quoted prices are considered active when they are available in real time or periodically from stock exchanges, dealers, economic, industry, pricing service providers, or regulatory agents, and they represent actual and regular market transactions on an arm's length basis.

#### 3. Valuation techniques and qualitative and quantitative information about key parameters of items subject to continuous and non-continuous level 2 fair value measurement

The fair value of financial instruments not traded in an active market (e.g. OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data as much as possible and rely as little as possible on entity-specific estimates. A financial instrument is classified in level II if all significant inputs required to calculate its fair value are observable.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

#### 4. Valuation techniques and qualitative and quantitative information about important parameters of items subject to continuous and non-continuous level 3 fair value measurement

If one or more significant inputs are not based on observable market data, the financial instrument is classified as Level III.

Specific methods used to measure financial instruments include:

- (1) Market list price or dealer list price of similar financial instruments.
- (2) The fair value of the interest rate adjustment contract is calculated by estimating the discount value of future cash flow according to the observable curve of the rate of return.
- (3) The fair value of forward foreign exchange contracts is calculated at the foreign exchange rate on the settlement date, and then discounted to the discounted value.
- (4) Other methods, such as discounted value cash flow analysis, are used to calculate the fair value of the remaining other financial instruments.

For the equity instruments of Financial assets held for trading held by the Company, the Company hired assets appraisal company to issue a valuation report. The valuation method of equity instruments in the valuation report adopts the market approach.

#### 5. Information on adjustment between beginning carrying amount and ending carrying amount of items subject to continuous level 3 fair value measurement and sensitivity analysis of non-observable parameters

The above items of the Group measured by recurring fair value did not convert between levels in this year.

#### 6. Items measured by recurring fair value convert between levels in the current year

The above items of the Group measured by recurring fair value did not convert between levels in this year.

#### 7. Change of valuation techniques incurred during the current year and the reasons for change

The valuation techniques for fair value of financial instruments of the Group have not changed in this year.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS

#### (I) Relationship with related parties

##### 1. Controlling shareholder and ultimate controlling party

Name of controlling shareholder	Registration place	Business Nature	Registered capital (10,000 RMB)	Shareholding proportion (%) to the Group	Proportion (%) of voting right to the Company
YTO Group Corporation	Luoyang City, Henan Province	Production and sales of various large, medium, and small tractors, engineering machinery, diesel engines, etc.	302,374.96	48.81	48.81

The ultimate controlling party is Sinomach, registered and operated in Beijing, with a business scope of: the contracting of large-scale complete equipment and engineering projects at home and abroad, organizing the research and development of major technical equipment in the industry and the production and sales of scientific research products; Sales of automobiles, sedans, and auto parts; The contracting of overseas projects and domestic international bidding projects; Import and export business; Going abroad to hold economic and trade exhibitions; Organizing domestic enterprises to go abroad to participate in and hold exhibitions; The registered capital is RMB26 billion.

##### 2. Subsidiaries

For details of subsidiaries, refer to contents of "IX. 1. (1) Composition of the Group" in the Notes.

##### 3. Joint ventures and associates

For details of important joint ventures or associated enterprises of the Company, please refer to contents of "IX. 3. (1) Important joint ventures or associated enterprises" in the Notes.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Relationship with related parties (Continued)

##### 3. Joint ventures and associates (Continued)

The information of other joint ventures or associated enterprises which produced balance for conducting connected transactions with the Group in this year or in the earlier period is shown as follows:

Name of joint ventures or associates	Relationship with the Company	Remarks
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	Subsidiary of the Company and associate of the parent company of the Company	The controlling shareholder of the Company holds 10.57% of the shares
Luoyang Tractor Research Institute Co., Ltd.	Subsidiary of the Company and associate of the parent company of the Company	The controlling shareholder of the Company directly holds 49% of the shares
ZF YTO (Luoyang) Axle Co., Ltd.	Associated companies of the company	—
Sinomach Finance Co., Ltd.	Associated companies of the company	With same the ultimate controlling party of the company
YTO (Luoyang) Like Automobile Co., Ltd.	Associated companies of the controlling party	—
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	Associated companies of the controlling party	—
Luoyang Dongfang Printing Co., Ltd.	Associated companies of the controlling party	—
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	Associated companies of the controlling party	—
YTO (Luoyang) Standard Parts Co., Ltd.	Associated companies of the controlling party	—
YTO (Luoyang) Xindongfang Automobile Co., Ltd.	Associated companies of the controlling party	—
Luoyang YTO Light Vehicle Co., Ltd.	Associated companies of the controlling party	—
Luoyang I&C Technology Consulting Co., Ltd.	Associated companies of the company's subsidiary	—

*Note:* According to the Main Board Rules of the Hong Kong Stock Exchange, companies in which the controlling shareholder of the Company holds 10% or more of the shares are associates of the controlling shareholder of the Company.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Relationship with related parties (Continued)

##### 4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Beijing Materials Handling Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Machinery & Electric Technology Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Hardware & Tools Co., Ltd.	Controlled by the same ultimate controlling party
Zhengzhou Research Institute for Abrasives & Grinding Co., Ltd.	Controlled by the same ultimate controlling party
China Hi-Tech Off-road Vehicle Co., Ltd.	Controlled by the same ultimate controlling party
CHTC Jove Heavy Industry Co., Ltd.	Controlled by the same ultimate controlling party
Erzhong (Deyang) Heavy Equipment Co., Ltd.	Controlled by the same ultimate controlling party
Erzhong Deyang Energy Storage Technology Co., Ltd.	Controlled by the same ultimate controlling party
Guangzhou Sinomach Lubrication Technology Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	Controlled by the same ultimate controlling party
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	Controlled by the same ultimate controlling party
SCIVIC Engineering Corporation	Controlled by the same ultimate controlling party
Fifth Design and Research Institute of The Ministry of Machinery Industry	Controlled by the same ultimate controlling party
Kinte Materials Science and Technology Co., Ltd.	Controlled by the same ultimate controlling party
Xi'an Heavy Machinery Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Changsha Qidian Automotive Parts Co., Ltd.	Controlled by the same ultimate controlling party
Deyang Wanlu Transportation Service Co., Ltd. of China National Erzhong Group Co., Ltd.	Controlled by the same ultimate controlling party
China National Electric Apparatus Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Automotive Engineering Corporation	Controlled by the same ultimate controlling party
Zhongqi Shengjia (Tianjin) Property Management Co., Ltd.	Controlled by the same ultimate controlling party
SIPPR Engineering Group Co., Ltd.	Controlled by the same ultimate controlling party
Safety Sliding Contact Line Factory of SCIVIC Engineering Corporation	Controlled by the same ultimate controlling party

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Relationship with related parties (Continued)

##### 4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Sinomach Foundry and Metal Forming Co., Ltd.	Controlled by the same ultimate controlling party
China National Machine Tool Sales and Technical Service Corporation	Controlled by the same ultimate controlling party
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	Controlled by the same ultimate controlling party
CAMCE Logistics Co., Ltd.	Controlled by the same ultimate controlling party
CMEC General Machinery Import & Export Co., Ltd.	Controlled by the same ultimate controlling party
Sichuan Deyang Erzhang Electromechanical Equipment Supporting Corporation	Controlled by the same ultimate controlling party
Fuyang Bearing Co., Ltd.	Controlled by the same ultimate controlling party
Nanchang Kaima Co., Ltd.	Controlled by the same ultimate controlling party
Guangzhou Qingtian Industrial Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Machinery & Electric Co., Ltd.	Controlled by the same ultimate controlling party
New Dayang Shipbuilding Co., Ltd.	Controlled by the same ultimate controlling party
China National Heavy Machinery Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Menoble Technology Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach Heavy Industry Changlin Co., Ltd.	Controlled by the same ultimate controlling party
JFMI Inspection & Testing Technology Co., Ltd.	Controlled by the same ultimate controlling party
Luoyang Bearing Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Luoyang YTO Light Vehicle Co., Ltd.	Controlled by the same ultimate controlling party
SINOMACH Capital Management Corporation	Controlled by the same ultimate controlling party
Luoyang Saida Environmental Protection Technology Co., Ltd.	Controlled by the same ultimate controlling party
Beijing Prominion Publishing Co., Ltd.	Controlled by the same ultimate controlling party
Sinotest Equipment Co., Ltd.	Controlled by the same ultimate controlling party
Chinese Academy of Agricultural Mechanization Sciences Group Co., Ltd.	Controlled by the same ultimate controlling party
Beijing Unite-Idea Advertising Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach-Hi Shanghai International Trade Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Textile and Light Industry Co., Ltd.	Controlled by the same ultimate controlling party
Xinjiang Zhongshou Agriculture & Animal Husbandry Machinery Co., Ltd.	Controlled by the same ultimate controlling party



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Relationship with related parties (Continued)

##### 4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Controlled by the same party
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	Controlled by the same party
YTO (Luoyang) Logistics Co., Ltd.	Controlled by the same party
YTO (Luoyang) Materials and Equipment Co., Ltd.	Controlled by the same party
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	Controlled by the same party
Luoyang Zhongshou Machinery Equipment Co., Ltd.	Controlled by the same party
YTO (Luoyang) Special Vehicle Co., Ltd.	Controlled by the same party
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	Controlled by the same party
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	Controlled by the same party
Luoyang Fossett Environmental Protection Technology Co., Ltd. (Headquarters)	Controlled by the same party
Luoyang Tianhui Energy Engineering Co., Ltd.	Controlled by the same party
Luoyang Fossett Environmental Protection Technology Co., Ltd.	Controlled by the same party
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	Controlled by the same party
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	Controlled by the same party
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Controlled by the same party
YTO (Heilongjiang) Dongfanghong Industry Park Co., Ltd.	Controlled by the same party
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	The bankruptcy liquidation of the former subsidiary of the Company is not included in the scope of consolidation
YTO (Luoyang) Harvesters Co., Ltd.	The bankruptcy liquidation of the former subsidiary of the Company is not included in the scope of consolidation
Shenzhen Dong-fang Pengxing Trading Co., Ltd.	Others
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	Others

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Relationship with related parties (Continued)

##### 4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Sinomach Heavy Industry (Luoyang) Co., Ltd.	Others
YTO (Luoyang) Construction Machinery Co., Ltd.	Others
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	Others

Notes:

- (1) Description of other related parties of the Company: The ultimate controller of the Company is Sinomach, so the subsidiaries controlled by Sinomach are all related parties of the Company. Only related parties with business relations with the Company are disclosed here.
- (2) Others represents the atomic enterprises that are not included in the scope of consolidation due to the bankruptcy and liquidation of the Company's controlling shareholder.

#### (II) Related party transaction

##### 1. Major transactions between the Group and Sinomach and its subsidiaries

Item	Amount in the current year	Amount in the previous year
Purchase of raw materials and parts	53,468,774.44	25,455,805.95
Sales of raw materials and parts	22,691,990.45	15,013,167.71
Interest income	16,703,713.24	160,000.00
Interest expenses	1,665,733.73	100,021.79
Expenditure of service charges	1,033,880.56	0.00
Purchase of fixed assets and equipment	0.00	28,113,643.41
<b>Subtotal</b>	<b>95,564,092.42</b>	<b>68,842,638.86</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 2. Major transactions between the Group and YTO Group Corporation and its subsidiaries

Item	Amount in the current year	Amount in the previous year
Purchase of raw materials and parts	574,128,914.69	728,705,835.27
Comprehensive service and transportation costs paid and payable	251,205,502.42	222,386,264.36
Sales of raw materials and parts	210,283,492.31	221,860,175.77
Power cost paid and payable	192,208,133.13	186,707,900.19
Payment of R&D expenses	31,917,336.98	26,981,460.41
R&D revenue	12,189,056.61	4,874,339.62
Interest income	16,772,103.01	29,121,268.93
Purchase of plant and equipment	11,595,304.73	2,699,293.67
Land rent paid and payable	10,628,039.62	10,870,612.14
Interest expenses	9,506,161.91	18,807,856.95
Plant & buildings rent paid and payable	6,176,794.15	6,791,417.06
Revenue from plant & buildings and machinery equipment rent	5,275,717.02	4,394,063.33
Machinery equipment rent paid and payable	1,217,566.68	1,351,233.40
Provision of technical and testing services	525,222.00	0.00
Revenue from trademark use	119,339.63	166,037.74
Income from fees	76,231.32	639,196.44
Revenue from land lease	76,037.00	65,710.00
<b>Total</b>	<b>1,333,900,953.21</b>	<b>1,466,422,665.28</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

**3. Connected transactions between the Group and joint ventures and associates (including joint ventures and associates of Sinomach and YTO Group Corporation)**

Item	Amount in the current year	Amount in the previous year
Purchase of raw materials and parts	298,452,391.87	264,494,225.38
Payment of R&D expenses	177,362,390.18	134,332,539.09
Sales of raw materials and parts	57,685,907.14	52,255,239.75
Lease income	6,640,743.33	6,640,743.32
Interest expenses	3,081,336.67	5,583,472.17
R&D revenue	1,647,142.76	0.00
Rent paid and payable	1,244,734.95	601,535.00
Revenue from technology license fees	786,895.50	686,422.48
Provision of technical and testing services	507,498.36	1,113,930.49
Power cost paid and payable	332,387.67	517,125.44
Revenue from trademark use	4,716.98	4,528.30
Income from service charges	4,116.67	8,454.18
Interest income	0.00	565,182.64
Revenue from comprehensive service fees	0.00	2,201,614.03
<b>Total</b>	<b>547,750,262.08</b>	<b>469,005,012.27</b>

*Note:* The Company's associate, Sinomach Finance Limited, has been disclosed in the section on significant transactions between the Group and Sinomach and its subsidiaries and is not repeatedly disclosed here.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 4. Loans between related parties

Name of related party	Amount of inter-bank lending	Starting date	Expiry date	Remarks
<b>Deposits from banks and other financial institutions (principal)</b>				
China National Machinery Industry Corporation	200,000,000.00	2022-10-27	2023-10-27	Entrusted borrowings
Sinomach Finance Co., Ltd.	20,680,000.00	2022-09-29	2027-09-29	Long-term borrowings
Sinomach Finance Co., Ltd.	19,900,000.00	2022-12-10	2025-05-23	Long-term borrowings
Sinomach Finance Co., Ltd.	9,000,000.00	2022-12-10	2025-04-05	Long-term borrowings
<b>Subtotal</b>	<b>249,580,000.00</b>	-	-	-
<b>Deposits from banks and other financial institutions (interest payable)</b>				
China National Machinery Industry Corporation	223,055.56	-	-	Interest on entrusted borrowings
Sinomach Finance Co., Ltd.	34,718.33	-	-	Interest on long-term borrowings
<b>Subtotal</b>	<b>257,773.89</b>	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 4. Loans between related parties (Continued)

Name of related party	Amount of inter-bank lending	Starting date	Expiry date	Remarks
<b>Lendings to banks and other financial institutions</b>				
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	25,000,000.00	2019-08-14	2020-08-13	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	20,000,000.00	2018-10-23	2019-10-23	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	20,000,000.00	2018-10-26	2019-10-26	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	19,000,000.00	2019-07-30	2020-07-29	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	14,000,000.00	2018-08-29	2019-08-29	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	13,000,000.00	2019-05-17	2020-05-16	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	11,000,000.00	2019-03-29	2020-03-28	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	9,000,000.00	2019-08-05	2020-08-04	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2018-11-09	2019-11-09	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2018-11-29	2019-11-29	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2019-01-29	2020-01-28	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2019-02-02	2020-02-01	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	6,000,000.00	2019-02-11	2020-02-10	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	6,000,000.00	2019-02-15	2020-02-14	Entrusted loan
<b>Subtotal</b>	<b>171,000,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 5. Related party leases

###### (1) Lease

Name of lessee	Type of asset leased	Leasing income recognized in the current year	Leasing income recognized in the previous year
ZF YTO (Luoyang) Axle Co., Ltd.	Land and buildings	6,588,624.54	6,588,624.54
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Machinery Equipment	1,559,329.23	1,558,403.59
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Land and buildings	1,438,070.03	1,438,070.04
YTO Group Corporation	Land and buildings	1,344,897.00	1,315,160.00
YTO (Luoyang) Materials and Equipment Co., Ltd.	Land and buildings	991,458.61	0.00
ZF YTO (Luoyang) Axle Co., Ltd.	Machinery Equipment	38,907.78	38,907.77
YTO Group Corporation	Machinery Equipment	16,394.57	16,394.57
Luoyang I&C Technology Consulting Co., Ltd.	Land and buildings	13,211.01	13,211.01
YTO (Luoyang) Logistics Co., Ltd.	Machinery Equipment	1,604.58	93,670.57
YTO (Luoyang) Logistics Co., Ltd.	Land and buildings	0.00	15,260.40
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	Machinery Equipment	0.00	4,476.52
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	Land and buildings	0.00	18,337.64
<b>Total</b>	—	<b>11,992,497.35</b>	<b>11,100,516.65</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 5. Related party leases (Continued)

###### (2) Information of accepting lease

Name of lessor	Type of asset leased	Rental expenses for simplified short-term leases and low-value asset leases	Variable lease payments not included in the measurement of lease liabilities	Rents paid	Increased right-of-use assets
<b>YTO Group Corporation and its subsidiaries</b>					
YTO Group Corporation	Land and buildings	0.00	0.00	18,121,396.30	28,082,826.57
YTO Group Corporation	Machinery				
	Equipment	0.00	0.00	1,369,949.17	2,119,985.53
YTO (Luoyang) Logistics Co., Ltd.	Land and buildings	0.00	0.00	13,500.00	0.00
YTO (Luoyang) Logistics Co., Ltd.	Machinery				
	Equipment	0.00	0.00	5,692.28	0.00
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Land and buildings	0.00	0.00	175,680.00	0.00
<b>Subtotal</b>				<b>19,686,217.75</b>	<b>30,202,812.10</b>
<b>Joint ventures and associated enterprises</b>					
ZF YTO (Luoyang) Axle Co., Ltd.	Land and buildings	0.00	0.00	792,665.08	1,194,163.76
ZF YTO (Luoyang) Axle Co., Ltd.	Machinery				
	Equipment	0.00	0.00	106,745.20	32,036.75
Luoyang Tractor Research Institute Co., Ltd.	Machinery				
	Equipment	0.00	0.00	277,540.00	0.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	Land and buildings	0.00	0.00	236,303.46	0.00
<b>Subtotal</b>	-	<b>0.00</b>	<b>0.00</b>	<b>1,413,253.74</b>	<b>1,226,200.51</b>
<b>Total</b>	-	<b>0.00</b>	<b>0.00</b>	<b>21,099,471.49</b>	<b>31,429,012.61</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Asset transfer of related parties

Name of related party	Content of connected transaction	Amount in the current year	Amount in the previous year
Sinomach Finance Co., Ltd.	Transfer of assets related to credit business	340,719,563.09	0.00

*Note:* On 29 March 2022, YTO Group Finance CO., LTD. (hereinafter referred to as YTO Finance), a subsidiary of the Company, signed the Agreement on Sale of Assets of YTO Group Finance CO., LTD. (hereinafter referred to as the Agreement on Sale of Assets) with Sinomach Finance Co., Ltd. (hereinafter referred to as Sinomach Finance). The Agreement on Sale of Assets stipulates that YTO Finance intends to cease new business on 30 June 2022, and sell the loans, non-current assets due within one year, long-term receivables, and business-related fixed assets and intangible assets (hereinafter referred to as the underlying assets) held by YTO Finance and with maturity dates after 30 September 2022, which are confirmed after evaluation, to Sinomach Finance. On 10 December 2022, the two parties completed the delivery of the underlying assets. The final consideration of the underlying assets was RMB340,719,563.09, and the ownership of the assets under the Agreement on Sale of Assets was changed to Sinomach Finance.

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB)

(1) The detailed compensation of directors and supervisors are shown as follows:

Project name	Amount in the current year	Amount in the previous year
Emoluments	27.71	31.79
Salaries and other benefits	1,390.39	871.92
Contribution to retirement fund plan	62.75	47.84
<b>Total compensation</b>	<b>1,480.85</b>	<b>951.55</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB) (Continued)

(1) The detailed compensation of directors and supervisors are shown as follows:  
(Continued)

The compensations of key management personnel are as follows:

Personnel and position	Emoluments	Amount in the current year Salaries and other benefits	Contribution to retirement fund plan	Total
<b>Executive Directors</b>				
Liu Jiguo		170.28	4.80	175.08
<b>Non-executive Director</b>				
Zhang Zhiyu	1.55			1.55
Fang Xianfa				
Zhang Bin				
<b>Independent Non- executive Directors</b>				
Xue Lipin	11.24			11.24
Wang Shumao	7.44			7.44
Xu Liyou				
<b>Supervisor</b>				
Yang Yu				
Gu Aiqin				
Xiao Bin		29.11	4.80	33.91
Li Peng		129.69	4.80	134.49
Yang Kun		121.70	4.80	126.50

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB) (Continued)

(1) The detailed compensation of directors and supervisors are shown as follows:

(Continued)

Personnel and position	Emoluments	Amount in the current year		Total
		Salaries and other benefits	Contribution to retirement fund plan	
Senior Management				
Su Wensheng (Deputy General Manager)		133.71	4.80	138.51
Yu Lina (Deputy General Manager and concurrent Secretary of the Board of Directors)		135.92	4.80	140.72
Xue Wenpu (Deputy General Manager)		132.30	4.80	137.10
Wei Tao (Deputy General Manager)		79.96	4.80	84.76
Yang Guangjun (Deputy General Manager)		88.60	4.80	93.40
Kang Zhifeng (CFO)		3.25	4.80	8.05

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB) (Continued)

(1) The detailed compensation of directors and supervisors are shown as follows:  
(Continued)

Personnel and position	Emoluments	Amount in the current year Salaries and other benefits	Contribution to retirement fund plan	Total
<b>Other personnel</b>				
Li Xiaoyu (former Executive Director, former Chairman of the Board of Executive Directors)				
Li Hepeng (former Non- executive Director)	0.36			0.36
Xie Donggang (former Non-executive Director)	0.36			0.36
Zhou Honghai (former Non-executive Director)				
Ma Zhihui (former Non- executive Director)				
Yang Minli (former Independent Non- Executive Director)	3.38			3.38
Wang Yuru (former Independent Non- Executive Director)	3.38			3.38
Tian Peng (former Supervisors)				
Wang Hongbin (former Employee Supervisor)		119.39	4.80	124.19
Wang Kejun (former Deputy General Manager)		134.09	4.80	138.89
Su Ye (former CFO)		112.39	5.15	117.54
<b>Total</b>	<b>27.71</b>	<b>1,390.39</b>	<b>62.75</b>	<b>1,480.85</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB) (Continued)

(1) The detailed compensation of directors and supervisors are shown as follows:

(Continued)

Personnel and position	Emoluments	Amount in the previous year		Total
		Salaries and other benefits	Contribution to retirement fund plan	
<b>Executive Directors</b>				
Li Xiaoyu				
Cai Jibo				
Liu Jiguo		130.87	4.51	135.38
<b>Non-executive Director</b>				
Zhou Honghai				
Li Hepeng	1.16			1.16
Xie Donggang	0.69			0.69
<b>Independent Non- executive Directors</b>				
Xue Lipin	10.16			10.16
Yang Minli	9.89			9.89
Wang Yuru	9.89			9.89
<b>Supervisor</b>				
Tian Peng			4.46	4.46
Zhang Bin				0.00
Wang Hongbin		133.28	4.52	137.80
Yang Kun		110.80	4.44	115.24
<b>Senior Management</b>				
Wang Kejun <i>(Deputy General Manager)</i>		105.11	4.50	109.61
Su Wensheng <i>(Deputy General Manager)</i>		110.61	4.50	115.11
Xue Wenpu <i>(Deputy General Manager)</i>		104.33	4.54	108.87
Yu Lina <i>(Deputy General Manager and concurrent Secretary of the Board of Directors)</i>		106.33	4.50	110.83
Su Ye <i>(former CFO)</i>		70.59	11.87	82.46

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB) (Continued)

(1) The detailed compensation of directors and supervisors are shown as follows:

(Continued)

Personnel and position	Emoluments	Amount in the previous year		Total
		Salaries and other benefits	Contribution to retirement fund plan	
Other personnel				
Yu Zengbiao (former Independent Non- executive Director)				
Zhang Hongsheng (former Chairman of the Board of Supervisors)				
Su Ye (former CFO)				
Total	31.79	871.92	47.84	951.55

(2) Individuals with top five compensations

Of individuals (one individual for the previous period) with top five compensations for the current period, one individual is the director, and the compensation is recorded in the Note "XII(II)7".

The compensations of the rest of the five individuals with top five compensations are presented as follows:

Item	Amount in the current year	Amount in the previous year
Emoluments	0.00	0.00
Salaries and other benefits	536.02	461.02
Contribution to retirement fund plan	19.20	17.96
<b>Total</b>	<b>555.22</b>	<b>478.98</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Remuneration of key management personnel (unit: 10 thousand RMB) (Continued)

###### (2) Individuals with top five compensations (Continued)

Scope of compensation:

Item	Number of persons in the current year	Number of persons in the previous year
Within HKD 1,000,000	0	0
HKD 1,000,001 to HKD 1,500,000	0	3
HKD 1,500,001 to HKD 2,000,000	4	1
HKD 2,000,001 to HKD 2,500,000	0	0

At the track record period, there has been no director who gives up or agrees to give up any compensation. At the track record period, the Company has not paid any compensation to any director, supervisor or five persons with the highest compensation as the reward for attracting them to join in the Company or reward for them when joining in or as the separation allowance.

##### 8. Other connected transactions

Name of related party	Content of related party transaction	Amount in the current year	Amount in previous year
Sinomach Finance Co., Ltd.	Equity investments	554,776,100.00	0.00

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions

##### 1. Bank deposits

###### (1) Bank deposits

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>		
Sinomach Finance Co., Ltd.	1,968,212,255.21	0.00

*Note:* The amount deposited by the Group in Sinomach Finance Co., Ltd. at the end of the year was RMB1,968,212,255.21, including RMB1,150,677,186.13 of flexible accounts, RMB817,535,069.08 of bank acceptance bill deposits and RMB16,703,175.83 of settled interest.

##### 2. Receivables

###### (1) Notes receivable and receivables financing

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>		
SUMEC Machinery & Electric Co., Ltd.	3,292,230.00	1,587,320.00
Sinomach Heavy Industry Changlin Co., Ltd.	1,200,000.00	0.00
China National Heavy Machinery Research Institute Co., Ltd.	398,460.00	0.00
Guangzhou Qingtian Industrial Co., Ltd.	87,300.00	0.00
Menoble Technology Co., Ltd.	50,000.00	0.00
New Dayang Shipbuilding Co., Ltd.	12,000.00	0.00
<b>Subtotal</b>	5,039,990.00	1,587,320.00
<b>Controlling shareholder</b>		
YTO Group Corporation	21,199,553.68	2,506,000.00
<b>Subtotal</b>	21,199,553.68	2,506,000.00
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Luoyang) Logistics Co., Ltd.	142,239.00	385,646.89
<b>Subtotal</b>	142,239.00	385,646.89
<b>Total</b>	26,381,782.68	4,478,966.89



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

##### (2) Accounts receivable

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>				
Sinomach Heavy Industry (Luoyang) Co., Ltd.	989,595.58	989,595.58	989,595.58	989,595.58
SUMEC Machinery & Electric Technology Co., Ltd.	844,894.90	8,448.95	919,573.80	9,195.74
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	682,159.05	682,159.05	682,159.05	682,159.05
Beijing Materials Handling Research Institute Co., Ltd.	627,082.00	11,011.64	0.00	0.00
SUMEC Hardware & Tools Co., Ltd.	180,000.00	90,000.00	180,000.00	1,800.00
Zhengzhou Research Institute for Abrasives & Grinding Co., Ltd.	0.00	0.00	443,800.00	4,438.00
China Hi-Tech Off-road Vehicle Co., Ltd.	0.00	0.00	898,921.97	707,105.49
CHTC Jove Heavy Industry Co., Ltd.	0.00	0.00	14,900.00	298.00
<b>Subtotal</b>	<b>3,323,731.53</b>	<b>1,781,215.22</b>	<b>4,128,950.40</b>	<b>2,394,591.86</b>
<b>Controlling shareholder</b>				
YTO Group Corporation	26,452,838.19	328,904.83	12,693,690.39	1,310,062.90
<b>Subtotal</b>	<b>26,452,838.19</b>	<b>328,904.83</b>	<b>12,693,690.39</b>	<b>1,310,062.90</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. *Receivables (Continued)*

##### (2) *Accounts receivable (Continued)*

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of YTO Group Corporation</b>				
YTO (Luoyang) Materials and Equipment Co., Ltd.	11,288,878.30	112,888.78	13,502,648.98	135,026.48
YTO (Luoyang) Logistics Co., Ltd.	7,322,137.16	73,221.37	6,592,140.69	65,921.41
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	532,500.00	5,325.00	121,900.00	1,219.00
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	294,516.95	2,945.17	5,942,626.56	59,426.27
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	124,728.90	124,728.90	4,136,691.67	4,136,691.67
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	80,000.00	800.00	0.00	0.00
YTO (Luoyang) Special Vehicle Co., Ltd.	0.00	0.00	860,527.26	713,607.26
Luoyang Zhongshou Machinery Equipment Co.,Ltd.	0.00	0.00	83,839.70	12,575.96
<b>Subtotal</b>	<b>19,642,761.31</b>	<b>319,909.22</b>	<b>31,240,374.86</b>	<b>5,124,468.05</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

##### (2) Accounts receivable (Continued)

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Joint ventures and associated enterprises</b>				
ZF YTO (Luoyang) Axle Co., Ltd.	1,623,594.12	16,235.93	3,847,234.21	38,472.35
<b>Subtotal</b>	<b>1,623,594.12</b>	<b>16,235.93</b>	<b>3,847,234.21</b>	<b>38,472.35</b>
<b>Original subsidiaries not included in consolidation</b>				
YTO (Luoyang) Harvesters Co., Ltd.	63,100,203.73	63,100,203.73	74,091,864.82	74,091,864.82
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	27,533,497.99	27,533,497.99	27,533,497.99	27,533,497.99
<b>Subtotal</b>	<b>90,633,701.72</b>	<b>90,633,701.72</b>	<b>101,625,362.81</b>	<b>101,625,362.81</b>
<b>Total</b>	<b>141,676,626.87</b>	<b>93,079,966.92</b>	<b>153,535,612.67</b>	<b>110,492,957.97</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

##### (3) Prepayments

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>				
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	276,661.00	0.00	72,882.60	0.00
China National Machine Tool Sales and Technical Service Corporation	0.00	0.00	99,492.94	0.00
<b>Subtotal</b>	<b>276,661.00</b>	<b>0.00</b>	<b>172,375.54</b>	<b>0.00</b>
<b>Controlling shareholder</b>				
YTO Group Corporation	0.00	0.00	34,780,433.99	0.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>34,780,433.99</b>	<b>0.00</b>
<b>Subsidiaries of YTO Group Corporation</b>				
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	1,900,000.00	0.00	0.00	0.00
Luoyang Fossett Environmental Protection Technology Co., Ltd.	41,400.00	0.00	80,220.00	0.00
<b>Subtotal</b>	<b>1,941,400.00</b>	<b>0.00</b>	<b>80,220.00</b>	<b>0.00</b>
<b>Total</b>	<b>2,218,061.00</b>	<b>0.00</b>	<b>35,033,029.53</b>	<b>0.00</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

##### (4) Other current assets

Related Party	Ending balance	Beginning balance
Original subsidiaries not included in consolidation		
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	171,000,000.00	171,000,000.00

##### (5) Other receivables

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>				
YTO (Luoyang) Construction Machinery Co., Ltd.	96,314.00	96,314.00	96,314.00	96,314.00
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	83,893.00	83,893.00	83,893.00	83,893.00
SIPPR Engineering Group Co., Ltd.	0.00	0.00	0.06	0.03
<b>Subtotal</b>	<b>180,207.00</b>	<b>180,207.00</b>	<b>180,207.06</b>	<b>180,207.03</b>
<b>Controlling shareholder</b>				
YTO Group Corporation	129,000.00	1,290.00	318,102.82	25,623.42
<b>Subtotal</b>	<b>129,000.00</b>	<b>1,290.00</b>	<b>318,102.82</b>	<b>25,623.42</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

##### (5) Other receivables (Continued)

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of YTO Group Corporation</b>				
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	134.42	134.42	134.42	134.42
<b>Subtotal</b>	<b>134.42</b>	<b>134.42</b>	<b>134.42</b>	<b>134.42</b>
<b>Joint ventures and associated enterprises</b>				
ZF YTO (Luoyang) Axle Co., Ltd.	834,109.23	8,341.09	727,607.83	7,276.08
<b>Subtotal</b>	<b>834,109.23</b>	<b>8,341.09</b>	<b>727,607.83</b>	<b>7,276.08</b>
<b>Accounts receivable of former subsidiaries not included in the scope of consolidation</b>				
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	82,240,000.00	82,240,000.00	82,240,000.00	82,240,000.00
<b>Subtotal</b>	<b>82,240,000.00</b>	<b>82,240,000.00</b>	<b>82,240,000.00</b>	<b>82,240,000.00</b>
<b>Total</b>	<b>83,383,450.65</b>	<b>82,429,972.51</b>	<b>83,466,052.13</b>	<b>82,453,240.95</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

###### (6) Long-term receivables

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of YTO Group Corporation</b>				
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	0.00	1,221,941.13	36,658.23

###### (7) Right-of-use assets

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	30,202,812.10	21,865,538.07
<b>Subtotal</b>	30,202,812.10	21,865,538.07
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	0.00	83,200.00
YTO (Luoyang) Logistics Co., Ltd.	0.00	296,000.00
<b>Subtotal</b>	0.00	379,200.00
<b>Associates and joint ventures</b>		
ZF YTO (Luoyang) Axle Co., Ltd.	1,226,200.51	642,461.20
<b>Subtotal</b>	1,226,200.51	642,461.20
<b>Total</b>	31,429,012.61	22,887,199.27

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 2. Receivables (Continued)

##### (8) Disbursement of loans to customers

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>YTO Group Corporation and its subsidiaries</b>				
<b>Discounted assets</b>				
YTO (Luoyang) Logistics Co., Ltd.	0.00	0.00	34,154,990.06	858,509.33
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	0.00	2,190,660.37	55,000.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>36,345,650.43</b>	<b>913,509.33</b>
<b>Loan:</b>				
YTO Group Corporation	0.00	0.00	790,000,000.00	19,750,000.00
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	0.00	5,700,000.00	142,500.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>795,700,000.00</b>	<b>19,892,500.00</b>
<b>Interests receivable</b>				
YTO Group Corporation	0.00	0.00	795,899.99	0.00
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	0.00	8,953.75	0.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>804,853.74</b>	<b>0.00</b>
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>832,850,504.17</b>	<b>20,806,009.33</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables

##### (1) Deposits from banks and other financial institutions (principal)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>		
Sinomach Finance Co., Ltd.	0.00	200,000,000.00
<b>Total</b>	<b>0.00</b>	<b>200,000,000.00</b>

##### (2) Deposits from banks and other financial institutions (interest payable)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>		
Sinomach Finance Co., Ltd.	0.00	50,000.00
<b>Total</b>	<b>0.00</b>	<b>50,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

(3) Customer bank deposits and interbank deposits (principal)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>		
Sinomach Heavy Industry (Luoyang) Co., Ltd.	0.00	4.15
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	0.00	0.02
YTO (Luoyang) Construction Machinery Co., Ltd.	0.00	3.64
<b>Subtotal</b>	<b>0.00</b>	<b>7.81</b>
<b>Controlling shareholder</b>		
YTO Group Corporation	3,000,000.01	332,646,128.50
<b>Subtotal</b>	<b>3,000,000.01</b>	<b>332,646,128.50</b>
<b>YTO Group Corporation and its subsidiaries</b>		
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	12,000,000.00	4,504,955.65
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	10,000,000.00	22,924,768.49
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	0.72	5,466,177.72
Luoyang Fossett Environmental Protection Technology Co., Ltd.	0.00	32,919,666.26
YTO (Luoyang) Logistics Co., Ltd.	0.00	28,729,458.41
YTO (Luoyang) Materials and Equipment Co., Ltd.	0.00	23,856,463.45
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	0.00	9,795,589.12
Luoyang Tianhui Energy Engineering Co., Ltd.	0.00	2,668,767.70
YTO (Luoyang) Special Vehicle Co., Ltd.	0.00	1,344,076.33
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	0.00	275,546.44
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	3,655,647.85

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

##### (3) Customer bank deposits and interbank deposits (principal) (Continued)

Related Party	Book value at the end of the year	Book value at the beginning of the year
Luoyang Zhongshou Machinery Equipment Co., Ltd.	0.00	37,715.07
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	0.00	32,813,463.86
Shenzhen Dongfang Pengxing Trading Co., Ltd.	0.00	234,461.55
<b>Subtotal</b>	<b>22,000,000.72</b>	<b>169,226,757.90</b>
<b>Joint ventures and associated enterprises</b>		
Luoyang Tractor Research Institute Co., Ltd.	30,000,000.00	287,457,866.34
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	3,114.66	3,101.43
YTO (Luoyang) Like Automobile Co., Ltd.	18.66	735.93
Luoyang Dongfang Printing Co., Ltd.	0.03	699,365.26
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	0.00	43,901,097.22
<b>Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)</b>		
YTO (Luoyang) Standard Parts Co., Ltd.	0.00	3,164.23
YTO (Luoyang) Xindongfang Automobile Co., Ltd.	0.00	275.76
<b>Subtotal</b>	<b>30,003,133.35</b>	<b>332,065,606.17</b>
<b>Total</b>	<b>55,003,134.08</b>	<b>833,938,500.38</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

##### (4) Customer bank deposits and interbank deposits (interest payable)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	63,025.69	538,065.01
<b>Subtotal</b>	63,025.69	538,065.01
<b>YTO Group Corporation and its subsidiaries</b>		
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	346,375.00	19,820.18
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	198,437.50	286,945.25
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	1.61	139,543.02
YTO (Luoyang) Logistics Co., Ltd.	0.38	83,261.98
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	0.00	126,666.96
Luoyang Fossett Environmental Protection Technology Co., Ltd.	0.00	10,930.45
YTO (Luoyang) Materials and Equipment Co., Ltd.	0.00	9,794.27
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	3,389.77
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	0.00	2,084.61
Luoyang Tianhui Energy Engineering Co., Ltd.	0.00	1,171.44
YTO (Luoyang) Special Vehicle Co., Ltd.	0.00	59.74
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	0.00	33.78
Shenzhen Dongfang Pengxing Trading Co., Ltd.	0.00	28.43
Luoyang Zhongshou Machinery Equipment Co.,Ltd.	0.00	0.91
<b>Subtotal</b>	544,814.49	683,730.79



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

##### (4) Customer bank deposits and interbank deposits (interest payable) (Continued)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Joint ventures and associated enterprises</b>		
Luoyang Dongfang Printing Co., Ltd.	0.00	82.19
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.36	0.36
YTO (Luoyang) Standard Parts Co., Ltd.	0.00	0.37
YTO (Luoyang) Like Automobile Co., Ltd.	0.00	0.04
YTO (Luoyang) Xindongfang Automobile Co., Ltd.	0.00	0.03
<b>Subtotal</b>	<b>0.36</b>	<b>82.99</b>
<b>Total</b>	<b>607,840.54</b>	<b>1,221,878.79</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

###### (5) Accounts payable

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)</b>		
Automotive Engineering Corporation	2,378,675.13	10,520,586.03
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	1,254,800.12	1,204,316.87
Kinte Materials Science and Technology Co., Ltd.	621,309.93	531,591.33
China National Electric Apparatus Research Institute Co., Ltd.	579,000.00	777,000.00
SCVIC Engineering Corporation	360,630.00	1,672,512.85
Erzhong Deyang Energy Storage Technology Co., Ltd.	189,000.00	756,000.00
Fifth Design and Research Institute of The Ministry of Machinery Industry	161,600.04	161,600.04
Deyang Wanlu Transportation Service Co., Ltd. of China National Erzhong Group Co., Ltd.	124,633.82	1,372,401.45
China General Machinery Import and Export Co.,Ltd	120,230.00	0.00
Guangzhou Sinomach Lubrication Technology Co., Ltd.	103,345.51	26,166.97
China National Machine Tool Sales and Technical Service Corporation	99,492.94	0.00
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	60,660.60	0.00
Changsha Qidian Automotive Parts Co., Ltd.	29,642.77	55,996.67
Safety Sliding Contact Line Factory of SCVIC Engineering Corporation	13,383.50	13,383.50
Erzhong (Deyang) Heavy Equipment Co., Ltd.	12,000.00	12,000.00
Zhongqi Shengjia (Tianjin) Property Management Co., Ltd.	10,148.84	10,148.84
Xi'an Heavy Machinery Research Institute Co., Ltd.	0.75	0.75
Sinomach Foundry and Metal Forming Co., Ltd.	0.00	896,216.53
SIPPR Engineering Group Co., Ltd.	0.00	8,000.00
<b>Subtotal</b>	<b>6,118,553.95</b>	<b>18,017,921.83</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

##### (5) Accounts payable (Continued)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	40,061,164.14	18,654,777.84
<b>Subtotal</b>	40,061,164.14	18,654,777.84
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Luoyang) Logistics Co., Ltd.	29,734,783.59	35,488,698.01
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	7,829,037.00	3,601,319.92
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	5,114,526.00	2,671,900.00
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	3,717,143.07	3,723,143.07
Luoyang Tianhui Energy Engineering Co., Ltd.	2,359,805.41	3,646,891.63
YTO (Luoyang) Materials and Equipment Co., Ltd.	830,905.82	1,321,195.79
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	105,694.00	1,790.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	55,956.58	38,071.26
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	22,261.47	0.00
Luoyang Fossett Environmental Protection Technology Co., Ltd. (Headquarters)	18,960.00	36,650.00
<b>Subtotal</b>	49,789,072.94	50,529,659.68
<b>Joint ventures and associated enterprises</b>		
ZF YTO (Luoyang) Axle Co., Ltd.	11,518,607.40	20,550,659.73
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	1,797,680.14	953,108.88
Luoyang Dongfang Printing Co., Ltd.	627,795.17	620,507.45
YTO (Luoyang) Standard Parts Co., Ltd.	4,263.96	4,812.90
YTO (Luoyang) Like Automobile Co., Ltd.	0.00	44,364.39
<b>Subtotal</b>	13,948,346.67	22,173,453.35
<b>Total</b>	109,917,137.70	109,375,812.70

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

###### (6) Contract liabilities

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)</b>		
Sinomach Heavy Industry (Luoyang) Co., Ltd.	86.80	86.80
Nanchang Kaima Co., Ltd.	0.00	282.92
Erzhong Deyang Energy Storage Technology Co., Ltd.	0.00	70,796.46
<b>Subtotal</b>	<b>86.80</b>	<b>71,166.18</b>
<b>Subsidiaries of YTO Group Corporation</b>		
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	6.84	46,548.67
<b>Subtotal</b>	<b>6.84</b>	<b>46,548.67</b>
<b>Joint ventures and associated enterprises</b>		
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	143,362.83	0.00
Luoyang YTO Light Vehicle Co., Ltd.	12,831.86	12,831.86
YTO (Luoyang) Standard Parts Co., Ltd.	0.00	0.09
<b>Subtotal</b>	<b>156,194.69</b>	<b>12,831.95</b>
<b>Total</b>	<b>156,288.33</b>	<b>130,546.80</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

##### (7) Other payables

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)</b>		
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	255,750.00	255,750.00
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	200,000.00	0.00
Kinte Materials Science and Technology Co., Ltd.	150,000.00	150,000.00
Guangzhou Sinomach Lubrication Technology Co., Ltd.	100,000.00	100,000.00
CAMCE Logistics Co., Ltd.	100,000.00	100,000.00
CMEC General Machinery Import & Export Co., Ltd.	11,832.00	0.00
Fuyang Bearing Co., Ltd.	0.00	140,945.20
<b>Subtotal</b>	<b>817,582.00</b>	<b>746,695.20</b>
<b>Controlling shareholder</b>		
YTO Group Corporation	150,555,844.79	50,891,612.33
<b>Subtotal</b>	<b>150,555,844.79</b>	<b>50,891,612.33</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

##### (7) Other payables (Continued)

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Luoyang) Logistics Co., Ltd.	612,000.00	610,000.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	140,796.00	283,792.01
YTO (Luoyang) Special Vehicle Co., Ltd.	63,803.68	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	56,227.72	56,227.72
Luoyang Tianhui Energy Engineering Co., Ltd.	29,500.00	22,000.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	10,000.00	7,000.00
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	12,000.00
<b>Subtotal</b>	<b>912,327.40</b>	<b>991,019.73</b>
<b>Joint ventures and associated enterprises</b>		
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	203,000.00	200,000.00
ZF YTO (Luoyang) Axle Co., Ltd.	30,826.82	0.00
Luoyang Dongfang Printing Co., Ltd.	10,000.00	10,000.00
Luoyang I&C Technology Consulting Co., Ltd.	9,625.00	9,625.00
<b>Subtotal</b>	<b>253,451.82</b>	<b>219,625.00</b>
<b>Total</b>	<b>152,539,206.01</b>	<b>52,848,952.26</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

(8) Non-current liabilities due within one year

Related Party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	15,146,369.65	11,648,134.93
<b>Subtotal</b>	<b>15,146,369.65</b>	<b>11,648,134.93</b>
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	0.00	83,200.00
YTO (Luoyang) Logistics Co., Ltd.	0.00	296,000.00
<b>Subtotal</b>	<b>0.00</b>	<b>379,200.00</b>
<b>Associate and joint venture</b>		
ZF YTO (Luoyang) Axle Co., Ltd.	1,226,200.51	642,461.20
<b>Subtotal</b>	<b>1,226,200.51</b>	<b>642,461.20</b>
<b>Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)</b>		
Sinomach Finance Co., Ltd.	234,718.33	0.00
<b>Subtotal</b>	<b>234,718.33</b>	<b>0.00</b>
<b>Total</b>	<b>16,607,288.49</b>	<b>12,669,796.13</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Balance of connected transactions (Continued)

##### 3. Payables (Continued)

(9) Lease liabilities

Related Party	Book value at the end of the year	Book value at the beginning of the year
Controlling shareholder YTO Group Corporation	15,056,442.45	0.00
Total	15,056,442.45	0.00

#### (IV) Commitments by related parties

None.

### XIII. SHARE PAYMENT

The Groups does not pay shares.



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XIII. COMMITMENT AND CONTINGENCIES

#### (I) Important commitments

1. Foreign investment contracts entered into that have not been performed or fully performed and related financial expenditures

None.

2. Signed large contracting contracts being performed or to be performed and financial influence

None.

3. Signed leasing contracts being performed or to be performed and financial influence

- (1) The minimum lease receipts in the future of the Group as the lessor of finance leases for finance leases of agricultural machinery products are as follows:

Period	Amount in the current year	Amount in the previous year
Within 1 year	151,060.48	103,447,774.92
1-2 years	0.00	124,741,891.13
2 to 3 years	0.00	703,800.00
Over 3 years	0.00	11,368,500.00
<b>Total</b>	<b>151,060.48</b>	<b>240,261,966.05</b>

- (2) As of 31 December 2022, the minimum rent payable in the future by the Group as the lessee for the irrevocable operating lease of plant & buildings and machinery equipment in the following periods is as follows:

Period	Amount in the current year	Amount in the previous year
Within 1 year	17,515,361.76	13,217,047.39
1-2 years	15,855,187.47	695,240.00
2 to 3 years	695,240.00	695,240.00
Over 3 years	0.00	695,240.00
<b>Total</b>	<b>34,065,789.23</b>	<b>15,302,767.39</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XIV. COMMITMENTS

#### (I) Important commitments (Continued)

3. Signed leasing contracts being performed or to be performed and financial influence (Continued)

(3) As of 31 December 2022, the minimum rent receivable in the future by the Group as the lessor for the irrevocable operating lease of plant & buildings and machinery equipment is as follows:

Period	Amount in the current year	Amount in the previous year
Within 1 year	14,210,146.06	15,151,152.73
1-2 years	5,220,118.44	11,203,115.28
2 to 3 years	2,579,997.44	4,152,380.99
Over 3 years	6,897,506.00	7,795,869.62
<b>Total</b>	<b>28,907,767.94</b>	<b>38,302,518.62</b>

As of December 31, 2022, the Group has no other significant commitment events that shall be disclosed but not yet disclosed except for the above-mentioned ones.

#### (II) Important contingencies existing at the balance sheet date

- Contingencies arising from pending actions or attributions and the financial impact thereof None.
- Contingencies arising from external debt guarantees and the financial impact thereof None.
- Issuance of letter of guarantee and letter of credit

Bank of deposit	Beneficiary	Amount	Starting date	Ending date
Bank of China Luoyang Chang'an Road Sub-branch	Department of Commerce of Henan Province	200,000.00	2009/11/20	Depending on the business
China Everbright Bank Co., Ltd. Beijing Branch	Sinolight International Holdings Corporation	130,050.00	2022/7/27	2023/7/31
<b>Total</b>	—	<b>330,050.00</b>	—	—

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XV. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Profit distribution

The profit or dividend to be distributed	25,360.67
Profits or dividends declared after deliberation and approval	25,360.67

Profit distribution plan in 2022: Based on the Company's total share capital of 1,123,645,275 shares, a total of RMB253,606,700 of cash dividends of RMB0.2257 per share (tax inclusive) were distributed to all shareholders. The above profit distribution plan was reviewed and approved at the 10th Session of the Ninth Board Meeting of the Company, and shall be implemented after being reviewed and approved at the General Meeting of Shareholders of the Company. Except for the above matters, the Group does not have any other significant post-balance-sheet-date events that shall be disclosed but not yet disclosed.

There are no other significant events after the balance sheet date for the Group to disclose, except for the events after the balance sheet date above.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. OTHER IMPORTANT MATTERS

#### 1. Correction of early accounting errors

##### (1) *Retrospective restatement*

No early accounting errors in the use of retrospective restatement are found in this reporting period.

##### (2) *Prospective approach*

No early accounting errors in the use of future applicable law are found in this reporting period.

#### 2. Debt restructuring

N/A

#### 3. Asset swap

N/A

#### 4. Annuity plan

N/A

#### 5. Discontinued operations

Item	Revenue	Costs	Total profits	Income tax expenses	Net profit	Profit from termination of operation attributable to owners of the parent company
YTO Group Finance CO., LTD.	108,315,230.30	2,378,000.49	105,937,229.81	22,406,407.61	83,530,822.20	82,519,848.66



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. OTHER IMPORTANT MATTERS (CONTINUED)

#### 5. Discontinued operations (Continued)

*Note:* In order to implement the financial regulatory requirements of the “Measures for the Implementation of Administrative License Matters for Non-Banking Financial Institutions of the China Banking Regulatory Commission” (Banking Regulatory Commission Order No. 6 of 2020), which stipulates that “an enterprise group can only set up one finance company”, the Company, with the approval of the general meeting of the Company, implemented the cancellation and liquidation of YTO Group Finance CO., LTD. and submitted an application for dissolution to the China Banking and Insurance On 7 November 2022, the Company submitted an application for dissolution to the Henan Supervision and Administration Commission.

On 7 November 2022, YTO Group Finance CO., LTD. received the “Approval of China Banking and Insurance Regulatory Commission on the Dissolution of YTO Group Finance CO., LTD.” (CBIRC [2022] No. 787), which agreed that YTO Group Finance CO., LTD. should cease all business activities and be dissolved, and go through liquidation and cancellation procedures in accordance with relevant laws and regulations.

On 14 November 2022, YTO Group Finance CO., LTD. established a liquidation team to carry out liquidation, and as at the date of approval of this financial report, the cancellation procedures were in progress.

#### 6. Segment information

The Group determines the operating segments on the basis of the internal organizational structure, management requirements and internal reporting system. The operating segment of the Group refers to the component that meets all of the following conditions:

- (1) The component can generate incomes and incur expenses in daily activities;
- (2) The Management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;
- (3) Accounting information about the component such as financial situation, operating results and cash flow can be obtained.

##### (1) *Basis for determining reportable segments and accounting policies*

- 1) The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments;
- 2) The absolute amount of the segment profit (loss) of the segment accounts for 10% or more of the greater of the total profit of all profit segments or the total loss of all loss segments.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. OTHER IMPORTANT MATTERS (CONTINUED)

#### 6. Segment information (Continued)

##### (1) *Basis for determining reportable segments and accounting policies (Continued)*

If the total revenue from external transactions of the operating segments of the reportable segments determined according to the above accounting policies accounts for less than 75% of the consolidated total revenue, the number of reportable segments shall be increased, and other operating segments that are not included as reportable segments shall be included in the scope of the reportable segments according to the following provisions until the proportion reaches 75%:

- 1) The operating segment that the management believes is useful for users of accounting information to disclose the information of the operating segment is determined as a reportable segment;
- 2) The operating segment is consolidated with one or more other operating segments that have similar economic characteristics and meet the conditions for consolidation of operating segments as a reportable segment.

The inter-segment transfer price is determined with reference to the market price, and the assets used jointly with each segment and related expenses are distributed among different segments based on the revenue proportion.

Factors considered by the Group in determining reportable segments and types of products and services of reportable segments

The reportable segments of the Group are business units that provide different products and services. Since various businesses require different technologies and market strategies, the Group independently manages the production and operation activities of reportable segments and evaluates their operating results separately to decide to allocate resources to them and evaluate their performance.

The Group has three reportable segments: agricultural machinery segment, power machinery segment, and finance segment. The agricultural machinery segment is responsible for the production and sales of agricultural tractors and harvesters. The power machinery segment is mainly responsible for the production and sales of diesel engines. The finance segment is YTO Group Finance CO., LTD., a subsidiary of the Company and its main business is to handle entrusted loans and entrusted investment among member units, internal transfer settlement, and absorption of deposits from member units and other businesses.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. OTHER IMPORTANT MATTERS (CONTINUED)

#### 6. Segment information (Continued)

##### (2) Financial information of reportable segments for the year

Item	Agricultural machinery	Power machinery	Financial services	Offset	Total
<b>I. Operating revenues</b>	11,647,531,951.06	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
Intra-segment transaction revenue	421,130,024.73	1,346,406,244.32	11,314,944.36	-1,778,851,213.41	0.00
Asset impairment loss	-38,354,748.51	-5,129,595.94	0.00	-142,841.61	-43,627,186.06
Credit impairment losses	-150,989,548.69	122,820.12	49,829,250.22	12,822,363.57	-88,215,114.78
Depreciation and amortization expenses	292,651,505.87	55,373,653.33	1,750,231.70	0.00	349,775,390.90
<b>II. Total profit (loss)</b>	937,277,193.45	-228,889,929.61	101,193,378.06	-197,682,779.83	611,897,862.07
<b>III. Income tax expenses</b>	-21,159,009.53	-31,329,096.36	22,406,407.61	21,426.25	-30,060,272.03
<b>IV. Net profit (loss)</b>	958,436,202.98	-197,560,833.25	78,786,970.45	-197,704,206.08	641,958,134.10
<b>V. Total assets</b>	9,946,205,692.81	2,608,312,598.80	778,555,342.13	-346,931,310.51	12,986,142,323.23
<b>VI. Total liabilities</b>	5,454,969,192.54	1,298,997,384.19	74,350,443.36	-339,345,572.79	6,488,971,447.30
<b>VII. Other important non-cash items</b>	201,677,981.73	181,669,545.85	783,533.26	0.00	384,131,060.84
1. Other non-cash expenses excluding depreciation and amortization expenses	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

##### (3) Other instructions

None.

#### 7. Other significant transactions and events affecting investors' decisions

None.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 1. Accounts receivable

##### (1) Accounts receivable listed by bad debt accrual method

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	757,270,726.57	100.00	175,882,874.86	—	581,387,851.71
Including: Ageing portfolio	756,281,130.99	99.87	174,893,279.28	23.13	581,387,851.71
Collateral and other risk exposure portfolios	989,595.58	0.13	989,595.58	100.00	0.00
<b>Total</b>	<b>757,270,726.57</b>	<b>100.00</b>	<b>175,882,874.86</b>	<b>—</b>	<b>581,387,851.71</b>

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	438,579,312.84	100.00	169,794,794.16	—	268,784,518.68
Including: Ageing portfolio	434,068,978.03	98.97	165,284,459.35	38.08	268,784,518.68
Collateral and other risk exposure portfolios	4,510,334.81	1.03	4,510,334.81	100.00	0.00
<b>Total</b>	<b>438,579,312.84</b>	<b>100.00</b>	<b>169,794,794.16</b>	<b>—</b>	<b>268,784,518.68</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 1. Accounts receivable (Continued)

##### (1) Accounts receivable listed by bad debt accrual method (Continued)

1) Provision for bad debts of accounts receivable accrued as per portfolio – ageing portfolio

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	610,911,170.12	29,767,757.76	4.87
1-2 years	488,878.71	244,439.36	50.00
2-3 years	121,470.68	121,470.68	100.00
Over 3 years	144,759,611.48	144,759,611.48	100.00
<b>Total</b>	<b>756,281,130.99</b>	<b>174,893,279.28</b>	<b>—</b>

2) Provision for bad debts of accounts receivable accrued as per portfolio – collateral and other risk exposure portfolios

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	989,595.58	989,595.58	100.00

##### (2) Accounts receivable are listed by age

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	610,911,170.12	266,799,840.85
1-2 years	488,878.71	11,424,591.36
2-3 years	1,111,066.26	7,248,611.65
Over 3 years	144,759,611.48	153,106,268.98
Subtotal	757,270,726.57	438,579,312.84
Less: provision for impairment	175,882,874.86	169,794,794.16
<b>Total</b>	<b>581,387,851.71</b>	<b>268,784,518.68</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 1. Accounts receivable (Continued)

##### (3) Provision for bad debts for current year accounts receivable

Category	Beginning balance	Provision	Amount changed in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others (Note)	
Ageing portfolio	165,284,459.35	23,048,988.21	0.00	537,962.55	-12,902,205.73	174,893,279.28
Collateral and other risk exposure portfolios	4,510,334.81	0.00	0.00	3,520,739.23	0.00	989,595.58
<b>Total</b>	<b>169,794,794.16</b>	<b>23,048,988.21</b>	<b>0.00</b>	<b>4,058,701.78</b>	<b>-12,902,205.73</b>	<b>175,882,874.86</b>

*Note 1:* In this year, the Company merged its subsidiary YTO Shunxing (Luoyang) Spare Parts Co., Ltd. to bring in the provision for bad debts of RMB284,219.52.

*Note 2:* In this year, Flag transferred 100% equity of Sanzhen Company and the creditor's rights of Flag and the Company to Sanzhen Company. The original value of the creditor's rights of the Company to Sanzhen Company is RMB17,953,001.65. The provision for bad debts of RMB13,186,425.25 has been accrued, the net value is RMB4,766,576.40, and the difference between the transfer price of RMB16,595,651.44 and the net value of RMB4,766,576.40 is RMB11,829,075.04 and is included in the investment income. The provision for bad debts accrued of RMB13,186,425.25 has been included in other items of change in the provision for bad debts.

##### (4) Current accounts receivables actually written off

Item	Amount written off
Accounts receivable actually written off	4,058,701.78

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 1. Accounts receivable (Continued)

(5) Accounts receivable with top five ending balance collected as per the borrowers

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
YTO International Economic and Trade Co., Ltd.	425,922,077.86	Within 1 year	56.25	27,064,777.48
YTO (Luoyang) Harvesters Co., Ltd.	63,100,203.73	Over 3 years	8.33	63,100,203.73
YTO (Luoyang) Diesel Engine Co., Ltd.	71,881,867.75	Within 1 year	9.49	734,898.09
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	38,132,408.91	Over 3 years	5.04	38,132,408.91
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	26,816,361.08	Over 3 years	3.54	26,816,361.08
<b>Total</b>	<b>625,852,919.33</b>	—	82.65	155,848,649.29

#### 2. Other receivables

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	76,808,376.96	138,679,096.96
Other receivables	125,116,240.95	24,537,383.19
<b>Total</b>	<b>201,924,617.91</b>	163,216,480.15

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables

##### *Interest receivable*

##### *(1) Interests receivable*

Item	Ending balance	Beginning balance
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	5,639,356.07	3,634,513.10
Less: provision for impairment	5,639,356.07	3,634,513.10
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

##### *(2) Important overdue interest*

Entity	Ending balance	Overdue time	Overdue reason	Whether Impairment Occurs and Its Judgment Basis
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	5,639,356.07	Over 3 years	Unable to repay	Yes



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Interest receivable (Continued)*

(3) *Provision for bad debts of interest receivable*

Provision for bad debts	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2022	0.00	3,634,513.10	0.00	3,634,513.10
Book value of interest receivable as at January 1, 2022 in the current year				
– Be transferred to Stage II	0.00	0.00	0.00	0.00
– Be transferred to Stage III	0.00	0.00	0.00	0.00
– Be transferred back to Stage II	0.00	0.00	0.00	0.00
– Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current year	0.00	2,004,842.97	0.00	2,004,842.97
Reversal in the current year	0.00	0.00	0.00	0.00
Write-off in the current year	0.00	0.00	0.00	0.00
Amount written off in the current year	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as at December 31, 2022	0.00	5,639,356.07	0.00	5,639,356.07

##### *Dividends receivable*

(4) *Category of dividends receivable*

Project (or Investee)	Ending balance	Beginning balance
Brilliance China Machinery Holdings Ltd.	76,808,376.96	76,808,376.96
YTO (Luoyang) Diesel Engine Co., Ltd.	0.00	10,870,720.00
Luoyang Tractor Research Institute Co., Ltd.	0.00	51,000,000.00
Total	76,808,376.96	138,679,096.96

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Interest receivable (Continued)*

(5) *Significant dividends receivable with ageing over 1 year*

Investees	Ending balance	Ageing	Reason for non-recovery	Whether Impairment Occurs and Its Judgment Basis
Brilliance China Machinery Holdings Ltd.	76,808,376.96	Over 1 year	Payment procedures in progress	No

##### *Other receivables*

(1) *Other receivables classified as per nature*

Nature	Book value at the end of the year	Book value at the beginning of the year
Unitary transactions	134,672,695.27	25,052,094.56
Deposits and reserve etc.	395,774.60	988,040.04
Others	10,994,542.40	7,074,025.53
<b>Total</b>	<b>146,063,012.27</b>	<b>33,114,160.13</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(2) *Provision for bad debts of other receivables*

Provision for bad debts	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2022	8,576,776.94	0.00	0.00	8,576,776.94
Book value of other receivables on January 1, 2022 in the current year				
– Be transferred to Stage II	0.00	0.00	0.00	0.00
– Be transferred to Stage III	0.00	0.00	0.00	0.00
– Be transferred back to Stage II	0.00	0.00	0.00	0.00
– Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current year	12,369,994.384	0.00	0.00	12,369,994.38
Reversal in the current year	0.00	0.00	0.00	0.00
Write-off in the current year	0.00	0.00	0.00	0.00
Amount written off in the current year	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as at December 31, 2022	20,946,771.32	0.00	0.00	20,946,771.32

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(3) *Other receivables listed as per ageing*

Ageing	Ending balance
Within 1 year (including 1 year)	114,990,320.64
1-2 years	22,647,234.53
2-3 years	644,115.54
Over 3 years	7,781,341.56
<b>Subtotal</b>	<b>146,063,012.27</b>
Less: provision for impairment	20,946,771.32
<b>Total</b>	<b>125,116,240.95</b>

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts*

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	146,063,012.27	100.00	20,946,771.32		125,116,240.95
Including: Ageing portfolio	146,030,212.27	99.98	20,946,443.32	14.34	125,083,768.95
Low risk portfolio	32,800.00	0.02	328.00	1.00	32,472.00
<b>Total</b>	<b>146,063,012.27</b>	<b>100.00</b>	<b>20,946,771.32</b>		<b>125,116,240.95</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)*

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	33,114,160.13	100.00	8,576,776.94		24,537,383.19
Including: Ageing portfolio	33,063,600.70	99.85	8,576,271.35	25.94	24,487,329.35
Low risk portfolio	50,559.43	0.15	505.59	1.00	50,053.84
<b>Total</b>	<b>33,114,160.13</b>	<b>100.00</b>	<b>8,576,776.94</b>		<b>24,537,383.19</b>

1) *Provision for bad debts of other receivables accrued as per portfolio – Ageing portfolio*

Ageing	Book value	Ending balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	114,959,920.64	1,199,768.95	1.04
1-2 years	22,647,234.53	11,323,617.27	50.00
2-3 years	641,715.54	641,715.54	100.00
Over 3 years	7,781,341.56	7,781,341.56	100.00
<b>Total</b>	<b>146,030,212.27</b>	<b>20,946,443.32</b>	

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)*

2) *Provision for bad debts of other receivables accrued as per portfolio – Low-risk portfolio*

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	32,800.00	328.00	1.00

(5) *Bad debt provision of other receivables*

Category	Beginning balance	Provision	Amount changed in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Ageing portfolio	8,576,271.35	12,370,171.97	0.00	0.00	0.00	20,946,443.32
Low risk portfolio	505.59	-177.59	0.00	0.00	0.00	328.00
<b>Total</b>	<b>8,576,776.94</b>	<b>12,369,994.38</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>20,946,771.32</b>

(6) *Others receivables actually written off during the current period.*

None.

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(7) *Other receivables from top five ending balances collected as per the borrowers*

Company name	Nature of payment	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
YTO (Luoyang) Diesel Engine Co., Ltd.	Prepayment receivable	133,420,000.00	Within 1 year, 1-2 years	91.34	12,011,300.00
Jiangsu Qingjiang Tractor Co., Ltd.	Prepayment receivable	3,315,484.00	Over 3 years	2.27	3,315,484.00
Luoyang Yuchuan Thermal Equipment Co., Ltd.	Prepayment receivable	2,055,659.92	Within 1 year, 1-2 years, 2-3 years	1.41	963,848.21
Luoyang Jiangyang Metal Components Co., Ltd.	Prepayment receivable	1,060,000.00	Over 3 years	0.73	1,060,000.00
ZF YTO (Luoyang) Axle Co., Ltd.	Prepayment receivable	834,109.23	Within 1 year	0.57	8,341.09
<b>Total</b>		<b>140,685,253.15</b>		<b>96.32</b>	<b>17,358,973.30</b>

(8) *No other receivable involving government subsidies.*

(9) *No other receivable that have not been terminated for the transfer of financial assets.*

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

#### 3. Long-term equity investment

##### *(1) Classification of long-term equity investments*

Item	Book value	Ending balance Provision for Impairment	Carrying amount	Book value	Beginning balance Provision for Impairment	Carrying amount
Investment in subsidiaries	2,072,442,028.59	97,250,000.00	1,975,192,028.59	2,106,112,790.91	97,250,000.00	2,008,862,790.91
Investment in associates and joint ventures	634,479,686.98	0.00	634,479,686.98	124,804,654.32	0.00	124,804,654.32
<b>Total</b>	<b>2,706,921,715.57</b>	<b>97,250,000.00</b>	<b>2,609,671,715.57</b>	<b>2,230,917,445.23</b>	<b>97,250,000.00</b>	<b>2,133,667,445.23</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 3. Long-term equity investment (Continued)

##### (2) Breakdown of long-term equity investments (Continued)

###### 1) Breakdown of subsidiaries

Investees	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance	Provision for impairment in the current year	Ending balance of impairment provision
Luoyang Changxing Agricultural Machinery Co., Ltd.	3,000,000.00	0.00	0.00	3,000,000.00	0.00	3,000,000.00
Yangdong Co., Ltd.	76,000,000.00	0.00	0.00	76,000,000.00	0.00	0.00
YTO (Luoyang) Diesel Engine Co., Ltd.	392,257,881.14	0.00	0.00	392,257,881.14	0.00	0.00
YTO (Luoyang) Flagauto-Body Co., Ltd.	77,192,767.62	0.00	0.00	77,192,767.62	0.00	0.00
YTO (Luoyang) Casting and Forging Co., Ltd.	300,391,996.60	0.00	0.00	300,391,996.60	0.00	0.00
YTO International Economic and Trade Co., Ltd.	75,668,335.13	0.00	0.00	75,668,335.13	0.00	0.00
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36	0.00	0.00	281,414,966.36	0.00	0.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	152,989,481.32	0.00	0.00	152,989,481.32	0.00	0.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	94,250,000.00	0.00	0.00	94,250,000.00	0.00	94,250,000.00
China-Africa Heavy Industry Investment Co., Ltd.	55,022,000.00	0.00	0.00	55,022,000.00	0.00	0.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd.	33,670,762.32	0.00	33,670,762.32	0.00	0.00	0.00
YTO Group Finance CO., LTD.	485,040,302.00	0.00	0.00	485,040,302.00	0.00	0.00
Brilliance China Machinery Holdings Ltd.	27,838,370.11	0.00	0.00	27,838,370.11	0.00	0.00
YTO Belarus Technology Co., Ltd.	51,375,928.31	0.00	0.00	51,375,928.31	0.00	0.00
<b>Total</b>	<b>2,106,112,790.91</b>	<b>0.00</b>	<b>33,670,762.32</b>	<b>2,072,442,028.59</b>	<b>0.00</b>	<b>97,250,000.00</b>



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 3. Long-term equity investment (Continued)

##### (2) Breakdown of long-term equity investments (Continued)

##### 2) Breakdown of associates

Investees	Beginning balance	Increase in investment	Increase and decrease for the current year			
			Negative investment	Profit or loss on investments recognized under the equity method	Other comprehensive income adjustments	Other changes in equity
I. Associates						
ZF YTO (Luoyang) Axle Co., Ltd.	122,993,114.78	0.00	0.00	-46,456,006.10	0.00	0.00
Sinomach Finance Co., Ltd.	0.00	554,776,100.00	0.00	14,336,186.67	-69,708.37	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	586,555.47	0.00	1,200,000.00	0.00	0.00	0.00
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	1,224,984.07	0.00	0.00	-1,224,984.07	0.00	0.00
Total	124,804,654.32	554,776,100.00	1,200,000.00	-33,344,803.50	-69,708.37	0.00

Investees	Increase and decrease for the current year			Ending balance	Ending balance of impairment provision
	Cash dividends or profits declared to pay	Accrual of provision for impairment	Others		
I. Associates					
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	0.00	76,537,108.68	0.00
Sinomach Finance Co., Ltd.	11,100,000.00	0.00	0.00	557,942,578.30	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	0.00	0.00	613,444.53	0.00	0.00
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	0.00	0.00	0.00	0.00	0.00
Total	11,100,000.00	0.00	613,444.53	634,479,686.98	0.00

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVII. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 4. Operating revenues and operating costs

Item	Amount in the current year		Amount in the previous year	
	Revenue	Costs	Revenue	Costs
Main business	9,510,252,917.26	8,187,742,892.97	7,353,006,315.72	6,364,408,859.26
Other business	109,933,453.55	18,759,786.10	76,881,321.55	16,136,198.86
<b>Total</b>	<b>9,620,186,370.81</b>	<b>8,206,502,679.07</b>	<b>7,429,887,637.27</b>	<b>6,380,545,058.12</b>

#### 5. Investment income

Item	Amount in the current year	Amount in the previous year
Long-term equity investment income calculated with the cost method	236,469,205.87	72,755,120.00
Long-term equity investment incomes calculated at equity method	-33,344,803.50	1,842,297.95
Investment income from disposal of long-term equity investments	613,537.86	-1,798.52
Investment income from disposal of financial assets held for trading	16,294,808.18	15,515,410.10
Revenue from derecognition of financial assets at amortized cost	11,829,075.04	0.00
Investment income from holding debt instruments at amortized cost	396,160.95	0.00
<b>Total</b>	<b>232,257,984.40</b>	<b>90,111,029.53</b>

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

#### 1. Schedule of gain or loss from extraordinary items in this period

Item	Amount in the current year	Notes
Gain or loss on disposal of non-current assets	1,634,977.44	
Government subsidies booked into the current profit and loss (closely related to the business of the enterprise, except the government subsidies enjoyed in accordance with the national unified standards of quota or quantitative)	41,491,816.27	
In addition to the effective hedging business related to the normal operation of the company, the profit and loss of fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and the investment income obtained from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's rights	-232,800,754.20	
Other non-operating income and expenses other than those mentioned above	23,590,962.22	
Other income and loss items that meet the definition of non-recurring income and loss	23,971,757.10	The main effect is the disposal of subsidiaries
Less: Income tax	-25,446,135.82	
Minority shareholders' equity impact	-26,293,636.99	
<b>Total</b>	<b>-90,371,468.36</b>	

## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

*January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 1. Schedule of gain or loss from extraordinary items in this period (Continued)

Reasons shall be given for the non-recurring profit or loss items defined by the Company according to the Explanatory Announcement NO.1 on Information Disclosure of Companies Publicly Issuing Securities, and for the non-recurring profit or loss items listed in the Explanatory Announcement No.1 on information Disclosure of Companies publicly issuing securities, which is defined as regular profit or loss.

	Amount involved	Reason
		Daily fund management behaviour of the company
Yield an certificates of deposit and structural deposits	17,344,719.13	

#### 2. Return on equity and earnings per share

Profit during the Reporting Period	Weighted average return on equity (%)	Earnings per share (RMB/share)	
		Primary earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the parent company	11.9902	0.6061	0.6061
Net profit attributable to common shareholders of the parent company after deduction of non-recurring profit or loss	13.5812	0.6865	0.6865



## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2022 to December 31, 2022 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. Discrepancy of Accounting Data under the Different Accounting Standards

There is no difference between net profits and net assets in the financial report disclosed by the Group simultaneously according to Hong Kong accounting standards and Chinese accounting standards.

#### 4. Others

None.

Chairman of Board: Liu Jiguo

Date of Approval from the Board: 29 March 2023