



**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 2023



\* 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. Director(s) absent from attending the nineteenth meeting of the ninth session of the Board of Company on 27 March 2024

Position of absent Director	Name of absent Director	Reasons for absence	Name of proxy
Director	Fang Xianfa	Business affairs	Zhang Zhiyu

- III. ShineWing Certified Public Accountants LLP 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 nineteenth meeting of the ninth session of the Board of the Company, the profit distribution proposal for 2023 of the Company was considered and approved: a cash dividend of RMB3.194 (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 2023, totaling approximately RMB358.8923 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 an analysis and description of risks that may occur in the 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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## SECTION 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 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 LLP, appointed by the Company as the Company's auditor for the year 2023
BOL Leasing	BOL Financial Leasing Co., Ltd.
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	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 a crawler as a 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) deregistered
Group	the Company and its controlled subsidiaries

## SECTION 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
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Shanghai Stock Exchange	The Rules Governing the Listing of Stocks on 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 acquired by and merged with Zhongyuan Bank)
material asset disposal	Transfer by YTO Diesel, the Company's controlled subsidiary, of its 0.8827% interest in Zhongyuan Bank by way of public listing on the Beijing Stock Exchange
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, 2020 Non-public Issuance	the non-public issuance of A Shares by First Tractor Company Limited in 2020
power machinery	products including diesel engines 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

## SECTION I DEFINITIONS (CONTINUED)

Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究有限公司), a controlled subsidiary of the Company
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel	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 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 Trad	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) (deregistered)
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (採埃孚一拖(洛陽)車橋有限公司), a joint-stock company of the Company
Zhongyuan Bank	Zhongyuan Bank Co., Ltd.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSONS AND METHODS

	<b>Secretary to the Board</b>	<b>Representative of Securities Affairs</b>
Name	Yu Lina	Zhang Shuang
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) 64967038
Facsimile	(86 379) 64967438	(86 379) 64967438
E-mail	yulina@ytogroup.com	kicyzhang@126.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	mssc0038@ytogroup.com

## SECTION 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 at Room 1502, Worldwide House, 19 Des Voeux Road Central, Hong Kong
Inquiry index for changes during the Reporting Period	For details of the change of principal place of business in Hong Kong, please refer to the "Announcement on Change of principal place of Business in Hong Kong" published by the Company on the website of the Stock Exchange (www.hkex.com.hk) on 12 May 2023.

### V. BASIC INFORMATION OF SHARES

#### Basic Information of Shares

Class	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 LLP
	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



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

### (II) Key Financial Indicators

Key Financial Indicators	2023	2022 After adjustment	Before adjustment	Increase/ decrease during the Reporting Period as compared with the corresponding period last year (%)	2021
Basic earnings per share (RMB/share)	0.8873	0.6061	0.6061	46.39	0.3940
Diluted earnings per share (RMB/share)	0.8873	0.6061	0.6061	46.39	0.3940
Basic earnings per share after deduction of non-recurring profit and loss (RMB/share)	0.8240	0.6865	0.6865	20.03	0.3014
Weighted average return on net assets (%)	15.76	11.99	11.99	increased by 3.77 percentage points	8.49
Weighted average return on net assets after deduction of non-recurring profit and loss (%)	14.64	13.58	13.58	increased by 1.06 percentage points	6.50

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

In 2023, facing an overall downturn in the agricultural machinery market due to the switch and upgrade to National IV products, First Tractor remained committed to advancing steadily, facing challenges head-on. It fully devoted itself to the promotion and sales of National IV products, using their launch as an opportunity to persistently boost the competitive edge in the mid-powered and hi-powered wheeled market. Meanwhile, the Company continued to strengthen the cost effectiveness control across its value chain and strengthened the risk management practices, which resulted in a sustained improvement in the Company's profitability.

### VIII. KEY QUARTERLY FINANCIAL INFORMATION IN 2023

*Unit: Yuan Currency: RMB*

	Q1 (January – March)	Q2 (April – June)	Q3 (July – September)	Q4 (October – December)
Operating revenue	4,190,332,138.08	3,052,586,404.53	3,003,261,726.48	1,281,980,486.77
Net profit attributable to shareholders of the Company	485,733,620.69	268,411,317.99	331,049,971.24	-88,172,209.93
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	479,388,454.25	246,664,302.60	319,876,246.06	-120,043,813.75
Net cash flows from operating activities	154,563,446.95	799,780,692.58	546,304,971.17	-444,387,509.92

## SECTION 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 2023	Note (as applicable)	Amounts in 2022	Amounts in 2021
Profit or loss from disposal of non-current assets (including the write-off of provisions for asset impairment)	1,561,504.48		1,634,977.44	62,931.82
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, received pursuant to established standards and continuously affects the Company's profit or loss)	51,539,298.08		41,491,816.27	51,981,774.14
Profit or loss from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss from disposal of financial assets and financial liabilities, other than effective hedging activities associated with normal business operations of the Company	33,434,900.00		-232,800,754.20	54,201,460.53
Other non-operating income and expenses other than those stated above	6,531,723.26		23,590,962.22	24,749,907.87
Other profit or loss items that meet the definition of non-recurring profit or loss	-7,286,619.32	Mainly the impact of disposal of subsidiaries	23,971,757.10	-11,268,600.28
Less: effect on income tax	16,188,415.17		-25,446,135.82	7,812,372.89
Impact on minority shareholders equity interests (after tax)	-1,545,119.50		-26,293,636.99	8,871,474.84
Total	<u>71,137,510.83</u>		<u>-90,371,468.36</u>	<u>103,043,626.35</u>

Reasons should be given if the company identifies items not listed in the Explanatory Announcement No.1 for Information Disclosure by Companies Issuing Public Securities – Non-recurring Profit or Loss as non-recurring profit or loss items with significant amounts, and for the non-recurring profit or loss items listed in the Explanatory Announcement No.1 for Information Disclosure by Companies Issuing Public Securities – Non-recurring Profit or Loss being defined as recurring profit and loss items.

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

*Unit: Yuan Currency: RMB*

Item	Amount Involved	Reason
Structured deposit income	18,276,579.32	The Company's daily fund management

The impact of the Company's implementation of the Explanatory Announcement No. 1 for Information Disclosure of Companies Issuing Public Securities – Non-recurring Profit or Loss (Revised 2023) on non-recurring profits or losses in comparable accounting periods:

*Unit: Yuan Currency: RMB*

Affected items	Amounts before adjustment	Adjustment amounts	Adjusted amounts	Reasons
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, received pursuant to established standards and continuously affects the Company's profit or loss	41,491,816.27	-19,423,810.23	22,068,006.04	Sustained impact on the Company's profits
Other profit or loss items that meet the definition of non-recurring profit or loss	23,971,757.10	-261,430.59	23,710,326.51	Sustained impact on the Company's profits

## 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
Financial assets held for trading	1,249,646,900.00	862,909,300.00	-386,737,600.00	51,711,479.32
Investments in other equity instruments	3,513,464.70	4,188,008.77	674,544.07	0.00
Receivables financing	246,084,731.86	261,430,180.63	15,345,448.77	-492,583.31
Total	<u>1,499,245,096.56</u>	<u>1,128,527,489.40</u>	<u>-370,717,607.16</u>	<u>51,218,896.01</u>

## SECTION 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	2023	2022	2021	2020	2019
Total operating revenue	<b>11,533,786,779.44</b>	12,563,780,344.92	9,333,808,881.54	7,582,476,787.76	5,830,175,119.64
Total profit	<b>1,003,085,973.63</b>	611,897,862.07	460,291,922.51	307,334,435.87	182,623,838.91
Income tax expense	<b>14,058,675.83</b>	-30,060,272.03	26,948,716.18	26,372,185.09	56,110,713.49
Net profit	<b>989,027,297.80</b>	641,958,134.10	433,343,206.33	280,962,250.78	126,513,125.42
Net profit attributable to shareholders of parent company	<b>997,022,699.99</b>	681,050,957.24	438,209,215.31	280,150,740.30	61,475,427.17
Profit or loss attributable to minority shareholders	<b>-7,995,402.19</b>	-39,092,823.14	-4,866,008.98	811,510.48	65,037,698.25

#### (II) Assets, Liabilities and Shareholders' Equity Interests for the Latest Five Years of the Company

Unit: Yuan Currency: RMB

Items	2023	2022	2021	2020	2019
Total assets	<b>13,817,261,971.79</b>	12,986,142,323.23	12,339,594,556.58	12,342,608,882.99	11,629,022,385.51
Total liabilities	<b>6,597,932,308.41</b>	6,488,971,447.30	6,357,371,409.91	7,367,087,045.88	6,845,156,596.06
Total shareholders' equity interests	<b>7,219,329,663.38</b>	6,497,170,875.93	5,982,223,146.67	4,975,521,837.11	4,783,865,789.45
Total amount attributable to shareholders' equity interests of the parent company	<b>6,691,690,666.55</b>	5,958,084,951.83	5,402,078,873.33	4,338,179,097.26	4,070,005,449.08
Minority shareholders equity interests	<b>527,638,996.83</b>	539,085,924.10	580,144,273.34	637,342,739.85	713,860,340.37

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2023, the domestic agricultural machinery industry faced a downturn in overall demand, influenced by a combination of factors including a demand shift due to the upgrade to National IV emission standards and the rise in machinery purchase costs. Meanwhile, the stricter emission standards hastened the industry's shift towards green, smart and high-end operations. Leading companies in the tractor industry capitalized on their first-mover advantage with National IV products, harnessing their strengths in technology, product offerings, large-scale production, service and distribution to capture market share, thereby increasing the industry's concentration.

In response to shifts in market and industry dynamics, the Company leveraged its all-around competitive edge to effectively manage the production, launch and service assurances of its National IV products within the domestic market. We intensified our efforts to penetrate international markets, seeking breakthroughs by prioritizing innovation, embracing reforms and enhancing management, thereby reinforcing the foundation for our high-quality growth. Even with a decline in sales of our main products, the Company continued to exhibit a strong economic performance. During the Reported Period, the Company recorded a total operating revenue of RMB11,528 million, a year-on-year decrease of 7.44%, while the net profit attributable to shareholders of the Company amounted to RMB997 million, a year-on-year increase of 46.39%.

#### 1. Ramping up Innovation in Technological R&D for Continuous Enhancement of Technological R&D and Core Manufacturing Strengths

Committed to “pioneering the advancement of agricultural machinery and ensuring national food security”, the Company focuses on the critical needs of agricultural production for high-powered machinery and compact machinery tailored for hilly and mountainous areas, while addressing gaps in the field of intelligence through ongoing efforts of technological innovation. During the Reporting Period, the Company's power shift models LF2204-E and LZ2604 moved into batch sales; its high-horsepower CVT tractor LW3204 passed comprehensive testing and commenced small batch sales, breaking new ground in several domestic technology areas. The Company's in-house developed 50-80 hp tractors for hilly and mountainous areas completed trial production and moved into market performance validation. Meanwhile, the development and deployment of the Company's new YTN platform series diesel engines progressed smoothly, with the YTN3 models receiving positive market feedback. While developing new products, the Company maintains a steadfast commitment to innovation, guided by consumer needs and backed by a comprehensive technical development and quality control system, ensuring that product performance is constantly refined and their technological edge becomes even more pronounced.

During the Reporting Period, the Company has focused on strengthening our core manufacturing capabilities with a proactive push towards smart, adaptable and green operations. The Company launched its new intelligent production line for YTN3 diesel engines and kicked off smart manufacturing initiatives, including projects to boost our intelligent multi-purpose tractors' performance. These advancements serve as a robust foundation for our commitment to high quality, heightened efficiency and cost reduction.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. Capitalizing on the Shift to National IV Standards, with Growing Market Competitiveness in our Main Products

In the face of the challenges brought by the the transition to the National IV standards, the Company took a proactive stance, capitalizing on the “Dongfanghong” tractor being among the first to achieve a comprehensive shift to National IV standards and batch market launch. The Company has made every effort to enhance its competitiveness in the market through a series of measures, such as strengthening quality control, accelerating the speed of product launch, consolidating the foundation of National IV service guarantee, and continuing to develop the international market. In 2023, the Company sold 72,300 units of large and medium-horsepower tractor products, and its market share continued to maintain a leading position in the industry. In terms of international market development, the Company continued to cultivate the Russian-speaking region, South America and other key export regions, making solid progress around the improvement of adaptation of new products, improvement of product certification, optimization of the product mix, and strengthening the service guarantee and other aspects. The overseas market distribution continued to expand, and the annual tractor products export sales volume increased by 43% year-on-year.

Regarding the business of power machinery, the Company’s National IV diesel engine products were recognised by the market for their good operating performance and stable performance, with annual sales of 151,100 diesel engines, including 82,500 units exported, representing a year-on-year growth of 7.69%.

### 3. Building a Solid Foundation for quality and efficiency enhancement, with Sustained Improvement in Economic Performance

During the Reporting Period, the Company has continued to enhance its awareness of sophisticated management, and its ability and level of competence in strengthening management and promoting efficiency. Firstly, the Company has strengthened the construction of the supply chain system, intensified the promotion of internal and external supply chain production coordination, and scientifically and reasonably reduced the procurement costs. Secondly, the Company took the optimisation of the National IV project as a breakthrough, and continued to do a good job in controlling costs and expenses in the whole process and in all elements, so as to solidly promote quality enhancement and quality improvement, maintaining a stable gross profit margin despite the decline in revenue. Thirdly, we have deepened our internal control management and strengthened risk control in key areas, laying a good foundation for enhancing the quality of our operations.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. Boosting New Drivers of Business Growth, Paving New Way for High-Quality Development

During the Reporting Period, the Company implemented in-depth reforms and enhancement initiatives to strengthen the Company's endogenous growth momentum. Firstly, building upon the successes of our three-year state-owned enterprise reform plan, the Company has organized a special action of creating a world-class professional leading demonstration enterprise, focusing on the main business of agricultural equipment, building and enhancing the comprehensive competitiveness, and building unique advantages in the field of tractors and diesel engines. Secondly, we have strengthened positive incentives, fully implemented the tenure system and contractual management for our managers, enhanced the performance appraisal of all staff, and continued to promote the performance-oriented income distribution mechanism to enhance our operational vitality. Thirdly, we have promoted in-depth optimisation of our asset structure, continued to dispose of assets with a relatively low degree of relevance to our main business, and focused on the development of our main business by concentrating our advantageous resources on our main responsibilities and enhancing the efficiency of resource allocation. In addition to value creation, the Company has been actively engaged in value transmission, with high-quality and compliant information disclosure and various forms of investor communication and exchange, the Company's investment value has been recognised by the capital market. In 2023, the Company's share price performed well, with the year-end total market capitalisation increasing by 30% compared with that of the beginning of the year.

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

For details of the industry circumstance during the Reporting Period, please refer to part I headed "Discussion and Analysis on the Operations" of this section.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

- The Company is a leading domestic agricultural machinery equipment manufacturing service provider, committed to providing cutting-edge technology and quality-reliable agricultural machinery for the mechanization of the PRC agricultural industry. The Company's principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and related components. The main products are as follows:

Product Name	Image	Product Description
<b>Wheeled tractor</b>		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. The Company has a full range of wheeled tractor products, suitable for different operating environments such as dry fields, paddy fields, orchards and sheds.
<b>Crawler tractor</b>		The walking device is a crawler type, mainly used for pulling and driving various supporting equipment, agricultural machinery for completing agricultural operations, various earthwork operations, transportation operations and fixing operations. The Company has a full range of crawler tractor products with better soil adhesion, suitable for wet soil and soft ground.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Product Name	Image	Product Description
<b>Off-road diesel engine</b>		<p>Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy. The Company's off-road diesel engine products include displacement from 2L to 12L, and power output from 10KW to 450KW high, medium and low horsepower range. The products mainly match agricultural machinery, such as tractors and harvesters, accessories of construction machinery, vessels and power generators.</p>
<b>Components</b>		<p>The component products of 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. The clients of our component products include internal and external companies.</p>

- In adherence to 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 has completed the merger with SINOMACH Finance during the Reporting Period. YTO Finance has completed its liquidation and deregistration. (For details, please refer to the “Announcement on Completion of Dissolution of China YTO Group Finance Company Limited” disclosed by the Company on the website of the Stock Exchange on 6 June 2023.)

## SECTION 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 R&D:** The Company adopts a standardized R&D process to carry out its R&D activities, and its R&D projects are divided into strategic planning type and market demand type. The R&D center of the Company focuses on the R&D of strategic planning type products and technologies, and the subsidiaries and manufactories focus on the R&D 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 differentiated needs of different market segments. Meanwhile, through the joint establishment of project teams, the Company improves the R&D quality of strategic planning projects of the R&D center of the headquarters, the R&D capability of market-oriented projects of subsidiaries and manufactories and the efficiency of solving field problems.

**Procurement Mode:** The Company mainly 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 Company adopts the strategy of “production based on sales”. The agricultural machinery products of the Company reasonably arrange its production plans and organize 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 are mainly supplied through the 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 the domestic market and adopted the sales policy such as cash on delivery and general credit sales. For dealers who have long cooperative relationships with the Company and good credit, the Company will give a certain credit limit and make annual evaluations and adjustments 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, South America, Africa, 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.

The power machinery and component products of the Company are mainly supplied to be accessories for main unit manufacturers, mostly by direct sale.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Over the years, the Company has dedicated itself to the agricultural machinery manufacturing industry, establishing a robust foundation within the industry. We have earned user trust and recognition and a significant competitive advantage in the industry through leading domestic product R&D, self-developed core technologies, a comprehensive manufacturing system and extensive marketing and after-sales service networks.

#### 1. Continuously Boosting our Strength in Technological R&D and Innovation

The Company has been deeply cultivating the agricultural machinery industry for a long time, and has a group of experienced R&D personnel of tractors and other agricultural machinery. Through years of continuous investment in scientific and technological R&D, the Company has its own intellectual property rights in tractor power shift and CVT technology, intelligent driving technology, and electronic control technology for the whole machine and components. During the Reporting Period, the Company continued to make new breakthroughs in the R&D of high-end intelligent agricultural machinery and equipment and in the area of agricultural machinery and equipment to make up for shortcomings, so as to assist the construction of a strong agricultural machinery country and a world-class enterprise with high-quality agricultural machinery.

#### 2. Comprehensive Manufacturing System with Advanced Capabilities in Smart Manufacturing

The Company developed the most comprehensive manufacturing system in the national tractor industry, spanning from whole machines to core components. We have the in-house manufacturing capacity for core tractor parts such as body, casting and forging parts, engine and gear, which can effectively improve the matching between parts and machine, ensure product quality and reliability, and provide strong support for product upgrading. In 2023, the Company deeply promoted intelligent manufacturing and green manufacturing, increased investment in the core manufacturing capacity of high-end intelligent tractors and power machinery products, and further enhanced its product quality assurance capacity and production efficiency.

#### 3. Excellent Product Quality and Robust After-Sales Support as the Cornerstones of our Brand Influence

The Company has always adhered to the business management concept of “quality first”, and has been promoting comprehensive quality management by improving quality system construction, standardising system operation and building a quality culture. The Company has set its sights on the world’s best, continuously optimised its quality management model, and solidly promoted its quality improvement projects, steadily improving the reliability of its leading products, and playing an exemplary role as a leader in the industry in the construction of a strong quality country and a world-class enterprise, and has been awarded the title of “National Quality Benchmark for the year of 2023”. With a nationwide network of sales channels and after-sales services, the Company is able to respond quickly to market demand. After years of development, “Dongfanghong” has become a well-known national brand in the market, with a broad public base and a large number of loyal users, and has been awarded the “Most Influential Brand Award” and “Innovative Product Brand” by the industry for many years in a row. In 2023, the Company’s marketing service cloud platform has been launched and its service protection capability has been further strengthened.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. Constantly Embracing Reform and Innovation to Push the Boundaries of our Operational Management Capabilities for Growth

After nearly 70 years of development, the Company has accumulated profound experience in technology, management, manufacturing capacity, etc. Throughout the golden era of industry growth and the downturns of market adjustments, the Company has consistently adapted to the evolving external environment and industry shifts. Our commitment to advancing China's agricultural mechanization and modernization remains our original intention and mission. This dedication has crystallized into our YTO spirit, characterized by "steadfastness to our founding purpose, loyalty to our mission, unity in progress and the courage to lead". Unwavering in the face of intense market competition, the Company takes practical actions to fulfill our role in the historical task of propelling our nation's agricultural machinery towards modernization.

## V. MAIN OPERATING STATUS DURING THE REPORTING PERIOD

Please refer to Part I headed "Discussion and Analysis on the Operations" of this section.

### (I) Analysis of Principal Businesses

#### 1. Analysis of 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	11,528,160,755.86	12,455,465,114.62	-7.44
Operating costs	9,696,630,033.53	10,497,058,564.32	-7.63
Interest income	5,626,023.58	103,241,584.91	-94.55
Fees and commission income	0.00	5,073,645.39	-100.00
Interest expenses	99,838.97	12,119,803.80	-99.18
Fees and commission expense	60,491.28	505,541.79	-88.03
Selling expenses	240,891,055.45	222,210,134.64	8.41
Administrative expenses	360,636,115.92	395,202,295.32	-8.75
Financial expenses	-45,511,913.00	-41,766,591.82	N/A
R&D expenses	461,344,381.32	528,782,269.55	-12.75
Other gains	72,465,499.82	42,737,331.02	69.56
Investment income (Losses listed as "-")	122,157,792.20	7,287,769.45	1,576.20
Gain arising from changes in fair value (Losses listed as "-")	47,757,032.42	-232,279,776.57	N/A
Loss on impairment on credit (Losses listed as "-")	-2,350,331.02	-88,215,114.78	N/A
Loss on impairment of assets (Losses listed as "-")	-15,895,859.60	-43,627,186.06	N/A
Non-operating income	8,134,394.76	26,426,150.40	-69.22
Income tax expenses	14,058,675.83	-30,060,272.03	N/A
Net cash flows from operating activities	1,056,261,600.78	3,602,007,317.35	-70.68
Net cash flow from investment activities	-2,009,731,546.47	-2,096,009,934.95	N/A
Net cash flows from financing activities	-346,343,393.83	-140,526,633.94	N/A

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Reasons for changes in operating revenue and operating costs:** mainly due to the year-on-year decrease in sales volume of the Company's tractors, and the year-on-year decrease in operating revenue and operating costs during the Reporting Period.

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

**Reasons for changes in selling expenses:** due to an increase of RMB18.68 million over the same period of the previous year, which was mainly due to the official launch of National IV products in the market during the Reporting Period, the Company increased product promotion and service protection, product promotion expenses and sales staff remuneration increased year-on-year, while the increase in the sales volume of diesel engines also brought about an increase in sales and service fee.

**Reasons for changes in administrative expenses:** due to a decrease of RMB34.57 million over the same period of the previous year, which was mainly due to the year-on-year decrease in maintenance expenses, amortization and other expenses during the Reporting Period.

**Reasons for changes in financial expenses:** due to a decrease of RMB3.75 million over the same period of the previous year, which on one hand, was due to the increase in the scale of deposits during the Reporting Period as compared with the same period resulted in an increase in interest income, and on the other hand, due to the impact of changes in foreign exchange rates, the exchange gain for the period decreased as compared with the same period.

**Reasons for changes in R&D expenses:** due to a decrease of RMB67.44 million over the same period of the previous year, which was mainly due to the relatively large investment in National IV standard switching, R&D of National IV model and certification expenses by the Company in the same period last year.

**Reasons for changes in other gains:** due to an increase of RMB29.73 million over the same period of the previous year, which was mainly due to the increase in government subsidies received during the Reporting Period.

**Reasons for changes in investment income:** due to an increase of RMB114.87 million over the same period of last year, which is mainly due to the increase in the scale of large amount deposit purchase and recognition of investment income during the Reporting Period, and the increase in investment income recognised from equity investments in associates based on the improved operations of the associates.

**Reasons for changes in gain arising from changes in fair value:** due to an increase of RMB280.04 million over the same period of last year, which is mainly due to the changes in fair value of the trading financial assets held by the Company during the Reporting Period.

**Reasons for changes in loss on impairment of credit:** due to a decrease of RMB85.86 million over the same period of last year, which is mainly due to the provision for credit impairment on part of the foreign operations was made in the same period of last year.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Reasons for loss on impairment of assets:** due to a decrease of RMB27.73 million compared with the same period of the previous year, which was mainly due to the decrease in the Company's impairment provision for long-term assets with signs of impairment as compared with the same period last year.

**Reasons for changes in non-operating income:** due to a decrease of RMB18.29 million over the same period of last year, which is mainly due to the effect of the recovery of litigation damages in the same period of the previous year.

**Reasons for changes in income tax expenses:** due to an increase of RMB44.12 million over the same period of last year, which was mainly due to the increase in deferred income tax expenses recognized during the Reporting Period.

### 2. Income and Cost Analysis

(1). Explanation of Principal Businesses By Industry, Product, Region and Sales Model

Unit: 0'000 Currency: RMB

#### Principal Business by Industry

By industry	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Equipment manufacturing industry	1,152,816	969,663	15.89	-7.44	-7.63	Increased by 0.17 percentage point

#### Principal Businesses by Product

By product	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	1,056,253	903,141	14.50	-9.32	-9.79	Increased by 0.45 percentage point
Power machinery	297,851	262,213	11.97	15.65	16.37	Decreased by 0.54 percentage point
Inter-segment elimination	-201,288	-195,691	-	-	-	-
Total	1,152,816	969,663	15.89	-7.44	-7.63	Increased by 0.17 percentage point

## SECTION 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	1,054,356	883,392	16.21	-10.18	-10.40	Increased by 0.21 percentage point
Outside the PRC	98,460	86,271	12.38	37.29	35.35	Increased by 1.26 percentage point

### 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	863,246	706,707	18.13	-15.10	-16.20	Increased by 1.07 percentage point
Direct selling	289,570	262,956	9.19	26.60	27.43	Decreased by 0.6 percentage point

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 15.89%, representing an increase of 0.17 percentage point as compared with the corresponding period of last year, which was mainly due to the fact that the Company carried out all-inclusive, all-process and all-factor cost control around cost reduction in all aspects from R&D, procurement, production to sales during the Reporting Period, which resulted in more significant results in cost reduction, and at the same time strengthened the control of expenses, strictly controlled the expenses.

The gross profit margin of the Company's agricultural machinery business was 14.50%, representing a year-on-year increase of 0.45 percentage point.

The gross profit margin of the Company's power machinery business was 11.97%, representing a year-on-year decrease of 0.54 percentage point.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (2). Analysis of Production and Sales Volume

Main product	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 product	Set	74,936	72,363	5,538	-7.63	-18.22	86.78
Diesel engine product	Set	154,966	151,052	13,881	9.88	-0.16	39.27

### (3). Cost Analysis

Unit: 0'000 Currency: RMB

#### By Industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Equipment manufacturing industry	Labour	40,959	3.51	40,640	3.31	0.79
Equipment manufacturing industry	Production costs	66,271	5.69	63,523	5.18	4.33

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### By Product

By product	Cost items	Amount for the Reporting Period as a percentage of total costs (%)	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 total costs (%)	Year-on-year change (%)
Agricultural machinery	Material	818,405	90.62	917,257	91.62	-10.78
Agricultural machinery	Labour	32,281	3.57	32,448	3.24	-0.51
Agricultural machinery	Production costs	52,455	5.81	51,430	5.14	1.99
Power machinery	Material	239,719	91.42	205,039	91.00	16.91
Power machinery	Labour	8,678	3.31	8,192	3.64	5.94
Power machinery	Production costs	13,816	5.27	12,093	5.36	14.25

*Note:* This table shows data before inter-segment eliminations.

#### Explanation of other situations on cost analysis

During the Reporting Period, the proportion of labor increased compared with the same period last year, mainly due to the Company launched an annuity plan in the Reporting Period based on operating performance, and labor costs increased year-on-year.

The proportion of manufacturing expenses increased as compared to the same period last year. On the one hand, the increase in depreciation due to the addition of new fixed assets for production and the year-on-year increase in labor costs led to an increase in manufacturing expenses as compared to the same period of last year; on the other hand, the year-on-year decrease in revenues and costs led to an increase in the proportion of manufacturing expenses to total costs.

The proportion of labor and manufacturing expenses increased compared with the same period, resulting in a decrease in the proportion of materials compared with the same period.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (4). Information on Major Customers and Major Suppliers

#### A. Information on Major Customers of the Company

The sales volume to the top five customers amounted to RMB801.21 million, accounting for 6.95% of the total sales volume for the year, among which, the sales volume to related parties of the top five customers amounted to RMB182.77 million, accounting for 1.59% of the total sales volume for the year.

During the Reporting Period, we observed scenarios where sales to an individual customer exceeded 50% of our total amount, together with new customers within our top five customers or an intense reliance on a few customers.

*Unit: 0'000 Currency: RMB*

No.	Name of customer	Sales amount	Proportion to total sales amount for the year (%)
1	Customer One	14,505.21	1.26
2	Customer Two	14,029.57	1.22

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

#### B. Information on Major Suppliers of the Company

The procurement from the top five suppliers amounted to RMB1,722.52 million, accounting for 19.88% of the total procurement amount for the year, among which, the procurement amount from related parties of the top five suppliers amounted to RMB1,085.04 million, accounting for 12.52% of the total procurement amount for the year.

During the Reporting Period, we observed scenarios where procurement from an individual supplier exceeded 50% of our total amount, together with new suppliers within our top five suppliers or an intense reliance on a few suppliers.

*Unit: 0'000 Currency: RMB*

No.	Name of supplier	Procurement amount	Proportion to total procurement amount for the year (%)
1	Supplier One	12,791.05	1.48

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Expenses

*Unit: Yuan Currency: RMB*

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Selling expenses	240,891,055.45	222,210,134.64	18,680,920.81	8.41
Administrative expenses	360,636,115.92	395,202,295.32	-34,566,179.40	-8.75
R&D expenses	461,344,381.32	528,782,269.55	-67,437,888.23	-12.75
Financial expenses	-45,511,913.00	-41,766,591.82	-3,745,321.18	N/A
Total	<u>1,017,359,639.69</u>	<u>1,104,428,107.69</u>	<u>-87,068,468.00</u>	<u>-7.88</u>

### 4. R&D investment

*Unit: Yuan Currency: RMB*

R&D investment expensed for the Reporting Period	461,344,381.32
R&D investment capitalized for the Reporting Period	0.00
Total R&D investment	461,344,381.32
Total R&D investment as a percentage of operating revenue (%)	4.00
Ratio of R&D investment capitalized (%)	0.00

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (2). Analysis of R&D Personnel

Number of R&D personnel of the Company	1,093
Number of R&D personnel as a percentage of total staff of the Company (%)	15.94

#### Education Level Profile of R&D Personnel

Type of education level	Headcount by level of education
Doctoral degree	1
Master's degree	173
Bachelor's degree	819
Technical school	97
High school graduates and below	3

#### Age Profile of R&D Personnel

Type of age profile	Headcount by age profile
Age below 30 (excluding 30)	260
Ages 30 to 40 (including 30, excluding 40)	432
Ages 40 to 50 (including 40, excluding 50)	194
Ages 50 to 60 (including 50, excluding 60)	207
Ages 60 and above	0

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 5. Cash Flow

*Unit: Yuan Currency: RMB*

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Net cash flow from operating activities	1,056,261,600.78	3,602,007,317.35	-2,545,745,716.57	-70.68
Net cash flow from investing activities	-2,009,731,546.47	-2,096,009,934.95	86,278,388.48	N/A
Net cash flow from financing activities	-346,343,393.83	-140,526,633.94	-205,816,759.89	N/A

**Net cash flow generated from operating activities:** due to the reduction in inflow of RMB2,545.75 million over the same period of last year, which is due to the reorganization of YTO Finance, the financial business gradually came to a halt and large amount of loan funds were recovered.

**Net cash flow generated from investing activities:** due to the reduction in outflow of RMB86.28 million over the same period of last year, which was mainly due to the payment of capital increase to SINOMACH Finance in the same period last year, and an increase in the purchase of structured deposits and large-size certificates of deposit by the Company with its idle funds during the Reporting Period as compared to the same period last year.

**Net cash flow from financing activities:** the outflow increased by RMB205.82 million as compared with the corresponding period of last year. Firstly, the year-on-year decrease in net inflow of RMB138.05 million from the recovery of loan deposits during the Reporting Period, and secondly, the increase in outflow of RMB76.31 million from the distribution of dividends during the Reporting Period.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) Analysis of Assets and Liabilities

#### 1. Assets and Liabilities

Unit: Yuan Currency: RMB

Items	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	2,769,578,885.96	20.04	4,364,510,619.25	33.59	-36.54	Effect of new large amount deposit purchase from banks during the period and accounting for them under the heading of investments in debentures
Trading financial assets	862,909,300.00	6.25	1,249,646,900.00	9.62	-30.95	Structured deposits recovered on maturity
Other current assets	423,894,751.27	3.07	134,688,805.79	1.04	214.72	Additional time deposits at the end of the period are accounted for under other current assets
Debt investment	3,337,100,098.30	24.15	1,086,568,216.50	8.36	207.12	Increase in scale of large amount deposit purchase during the Reporting Period
Right-to-use assets	21,834,383.06	0.16	34,164,906.27	0.26	-36.09	Decrease in net value due to depreciation of right-of-use assets
Short-term loans	0.00	0.00	270,223,055.56	2.08	-100.00	Due to loan repayment during the period
Advance from customers	0.00	0.00	190,366.98	0.00	-100.00	Decrease in prepaid rental fees
Contract liabilities	500,336,653.14	3.62	846,464,703.95	6.52	-40.89	Fulfillment of some performance obligations in the contract
Absorption of deposits and interbank deposit	0.00	0.00	34,112,630.48	0.26	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Other payables	469,509,147.78	3.40	338,162,726.80	2.60	38.84	Increase in loans from non-related parties over the beginning of the period
Long-term loans	200,000,000.00	1.45	49,380,000.00	0.38	305.02	New long-term loans during the period
Lease liabilities	2,098,999.39	0.02	16,459,875.98	0.13	-87.25	Due to reclassification of rent payable within one year to non-current liabilities due within one year
Deferred income	181,945,272.97	1.32	121,762,517.70	0.94	49.43	Increase in government grants received year-on-year
Other comprehensive income	-13,923,730.01	-0.10	-5,853,544.29	-0.05	137.87	Impact of translation differences in foreign currency statements
Special reserves	7,494,294.70	0.05	5,497,405.05	0.04	36.32	Increase in the provision for production safety during the Reporting Period
General risk reserves	0.00	0.00	43,263,387.54	0.33	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Retained earnings	2,218,749,266.26	16.06	1,540,248,936.64	11.86	44.05	Profits in the Reporting Period

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. *Foreign Assets*

#### (1) *Assets Scale*

During the Reporting Period, the Company's total assets amounted to RMB13,817.262 million. Included in these figures are foreign assets of 7,789.50 (unit: 0'000, currency: RMB), accounting for 0.56% 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 RMB546.3682 million, including bank's acceptance bill deposits of RMB544.7715 million, and other restricted funds of RMB1.5967 million.

As at the end of the Reporting Period, the Company's accounts receivable financing of restricted ownership amounted to RMB41.2736 million, which were notes receivable pledged with the bank during the period.

During the Reporting Period, the book value of the Company's fixed assets and intangible assets of restricted ownership amounted to RMB53.1645 million, which were buildings and land of the Company's subsidiaries that were restricted during the Reporting Period due to mortgage of borrowings, etc.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. Other Explanations

#### (1) Key Financial Ratios

Items	As at the end of the Reporting Period	As at the beginning of the Year	Year-on-year change
Gearing ratio (%)	47.75	49.99	Decreased by 2.24 percentage points
Current ratio	1.07	1.29	Decreased by 0.22
Quick ratio	0.82	1.09	Decreased by 0.27

#### (2) Loans

Loans of the Group are mainly denominated in RMB. As of the end of the Reporting Period, loans (principal) of the Company due over one year amounted to RMB200 million.

#### (3) Foreign Exchange Risk

The business of the Company is mainly situated in the PRC and most of the transactions are settled in RMB. However, the export transactions of the Company are settled in foreign currencies and RMB. The main currencies involved in foreign currency settlements are USD, Euro, JPY, XOF and ZAR, exchange rate fluctuations may affect the operating results of the Company to a certain extent.

#### (4) Principal Sources and Use of Funds

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) Analysis of Investments

#### 1. Financial Assets Measured at Fair Value

The Company's financial assets measured at fair value for the current period include trading financial assets, financing receivables and other investments in equity instruments. For details, please refer to this report.

### (IV) Material Assets and Equity Disposals

YTO Diesel, a controlling subsidiary of the Company, sold its holdings of 322,622,716 shares in Zhongyuan Bank, corresponding to a 0.8827% shareholding ratio, through a public listing on the Beijing Equity Exchange. The purchaser of this substantial asset sale will be determined based on the results of the public listing, with the payment to be made in cash by the counterparty. As per the regulations set forth in the "Measures for the Supervision and Administration of State-owned Equities of Listed Companies" and the "Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises", the listing price of the 0.8827% equity interest in Zhongyuan Bank held by YTO Diesel was determined to be RMB667.83 million.

On 26 December 2023, the Company convened the seventeenth meeting of the ninth session of the Board of Directors and the tenth meeting of the ninth session of the Supervisory Board to review and approve the related resolutions. For specific details, please refer to the "Preliminary Proposal for Material Asset Disposal of First Tractor Company Limited" and other related announcements disclosed on the Shanghai Stock Exchange website on 27 December 2023.

### (V) Analysis of Key Equity Holding and Participating Companies

#### (1) Information on Key Subsidiaries

*Unit: 0'000 Currency: RMB*

Name of company	Registered Capital	Principal business	As of 31 December 2023		Realized during the Reporting Period	
			Total assets	Net assets	Operating revenue	Net profit
YTO International Trade	6,600	International sale of agricultural machinery	32,610	-28,744	93,933	6,724
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	309,565	135,726	297,851	4,905
Tractors Research Company	44,500	R&D of tractor products	63,345	56,235	20,004	1,159

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **(2) *Acquisitions and Disposals of Subsidiaries during the Reporting Period***

On 7 November 2022, YTO Finance received the “Approval of the CBIRC on the Dissolution of China YTO Group Finance Company Limited” (CBIRC Approval [2022] No.787), agreeing that YTO Finance should cease all operating activities and be dissolved, and handle the liquidation and deregistration formalities in accordance with the relevant laws and regulations. On 1 June 2023, YTO Finance completed the industrial and commercial deregistration formalities. Since then, YTO Finance was no longer included in the scope of consolidated statements of First Tractor.

During the Reporting Period, the High Court of South Africa ruled that the China Africa Heavy Machinery South Africa Assembly Plant, a wholly-owned subsidiary of the Company’s subsidiary, CAMACO, was in bankruptcy and liquidation, and appointed an administrator. The Company no longer include the Central Africa Heavy Machinery South Africa Assembly Plant in its scope of consolidation.

### **(3) *Explanation on Material Subsidiaries with over 30% Change in their Operating Business***

YTO International Trade: net profit increased by RMB124.92 million period-on-period, due to firstly the increase in sales volume of export business for the Reporting Period, which resulted in net profit increase period-on-period; secondly, the provision for credit impairment for part of the receivables of the overseas business in the same period of last year, which the impairment losses had been fully accrued at the end of the previous year, and no additional provision was made in the Reporting Period.

YTO Diesel Engine: net profit increased by RMB246.61 million period-on-period, due to firstly the period-on-period decrease in the loss on fair value changes of the equity interest in Zhongyuan Bank held by the Company recognized during the Reporting Period; secondly, the period-on-period decrease in income tax expenses and the period-on-period increase in net profit during the Reporting Period.

Tractors Research Company: net profit increased by RMB5.96 million period-on-period, mainly due to the effective realization of cost reduction and efficiency enhancement, and the period-on-period increase in net profit during the Reporting Period.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

#### (I) Industry Landscape and Trends

The PRC government has been ramping up its support for agriculture and policy support for mechanization of agriculture in recent years. It has been promoting an upgrade toward full-process, comprehensive, high-quality and efficient agricultural mechanization, effectively supporting food security and boosting farmer incomes. Taking the opportunity of building a strong agricultural country, the agricultural machinery and equipment industry is accelerating towards “intelligent, environmentally friendly, high-quality and efficient”, and scientific and technological innovation will become the key driving force for the industry's high-quality development. In 2024, the State Council's “No. 1 Document” remains focused on Three Rural Issues, with an emphasis on maintaining grain planting areas, promoting the increase in grain yield per unit area on a large scale and increasing the investment standard for high-standard farmland construction. These efforts are expected to positively impact the agricultural machinery market. Meanwhile, the overdraft effect on demand caused by the National IV switch are likely to diminish over the year. With stable prices for grain and economic crops and secured profitability for farmers, it is conducive to the normalization of market demands.

After years of development, the inventory of agricultural machinery products such as tractors is relatively high. At this stage, the domestic market is mainly based on inventory renewal. With the transfer of land, the development of agricultural social service organisations, the construction of high-standard farmland, changes in the mode of agricultural operations, large-scale, high-efficiency, intelligent trend is obvious. At the same time, China's vast territory, different levels of development and agricultural operating conditions in different regions also bring differences in demand and purchasing power, the tractor industry forms a parallel competitive situation in which the industry's leading enterprises compete on a large scale by virtue of their product technology and manufacturing advantages, and small and medium-sized enterprises compete on a homogeneous basis. Under the influence of user demand upgrading and industry structural adjustment, the market share of agricultural machinery enterprises with product advantages is expected to continue to increase, and small-scale, single product, technologically backward small agricultural machinery manufacturing enterprises will face the risk of being eliminated.

#### (II) Development Strategy of the Company

2024 marks a pivotal year for our “14th Five-Year Plan”, with a focus on reinforcing a positive development trajectory and pursuing high-quality growth. The Company will continue to focus on advanced agricultural machinery and equipment, take “pioneering the advancement of agricultural machinery and ensuring national food security” as its mission, adhere to the YTO spirit of “steadfastness to our founding purpose, loyalty to our mission, unity in progress and the courage to lead”. The Company will accelerate the cultivation of the leading capability of scientific and technological innovation in the field of agricultural machinery and equipment, give full play to its role as the main force in the control of the agricultural machinery and equipment industry, build a supporting force for escorting the national food safety, and strive to become a world-class enterprise with excellent products, outstanding brand, leading innovation and modern governance.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) Operation Plan

Looking forward to 2024, the Company intends to seize the opportunities presented by the evolving development landscape. We will be doubling down on our commitment to technological innovation as a driving force, striving to amplify the core competitiveness and profitability of our primary operations. We will reinforce our manufacturing, technology and market advantages to ensure the Company's steady development.

#### **1. *Committing to Technical Advancements to Create New Technological Advantages for Our Products***

In 2024, the Company will continue to adhere to the innovation drive, aiming at the development direction of large-scale, intelligent and energy-saving agricultural machinery, and continue to insist on the "bottle-neck" technology of core products, and accelerate the independent R&D of domestic high-end smart tractors, hilly mountain tractors and rubber track tractors, as well as the transformation of the results. We will continue to enhance our independent innovation capability, maintain our leading position in the industry in terms of core technology, and shape a new advantage in the development of the Company through scientific and technological innovation. The Company will promote the R&D of high-end, smart agricultural machinery and equipment and the integration of intelligent agricultural technology, cultivate strategic emerging industries, accelerate the formation of major agricultural machinery and equipment, key core technology independent and controllable ability, improve the efficiency of agricultural operation and precision operation level.

#### **2. *Accelerating the Enhancement of Marketing Capabilities to Secure our Leading Position in the Industry***

We aim to prioritize the competitive edge of our mid-to-large tractor market, swiftly and precisely aligning with national and industry policies to enhance the timeliness and precision of market forecasting and dynamically tailor sales strategies. Moreover, we are committed to refining our operational channel management and our service network to fortify our marketing capabilities. We set on intensifying our international market outreach, consolidating our presence in the Russian-speaking areas while advancing into key areas like South America and Southeast Asia, to foster consistent steady scale growth in our export business and optimization of market structure.

#### **3. *Leveraging Management to Gain Benefits for Quality and Efficiency Improvement of the Company***

By focusing on R&D, procurement, production and sales, we will continue to deepen the cost management of the whole value chain, further increase cost control and effectively realise cost reduction and efficiency enhancement. We will strive to promote the supervision and management of the quality process, optimise the real product quality control measures, and continue to strengthen the quality control system construction, so as to improve the quality of the whole machine and parts to better meet the needs of users. We will strengthen our core manufacturing capabilities and the implementation of key projects for intelligent transformation, so as to consolidate our core manufacturing capabilities and enhance the level of intelligent manufacturing.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. *Intensifying our Efforts in Reform and Innovation to Reinforce the Bedrock of our Growth*

In 2024, the Company will continue to focus on cultivating and building core competitive advantages. By focusing on the construction of our tractor industry chain, and exploring various forms of cooperation to making up for the industry shortcomings with agricultural machinery, domestic substitution of key components, as well as promoting efficient intelligent agricultural machinery and green development, we will leverage on various advanced technologies and resources in society and will continue to provide customers with innovative technologies and new products. At the same time, we will further enhance the internal performance and incentive mechanism, fully mobilize the enthusiasm of our employees, and promote healthy and sustainable development, so as to improve the management of the Company's market value.

## (IV) Potential Risks

### 1. *Risk of Escalating Market Competition*

At present, China's agricultural machinery market demand is still based on product renewal and upgrade. The traditional product homogenisation is severe, and various agricultural machinery enterprises have followed up with the introduction of National IV products, resulting in increased competitive pressure for a certain period. At the same time, with the in-depth implementation of the national food security strategy and support for agricultural development, the good prospects for the development of agricultural machinery industry has also attracted other cross-border enterprises to intervene, which may also aggravate the competition in the industry.

In recent years, the Company has continued to increase investment in R&D and manufacturing resources for product upgrading, forming a relatively rich product and technology reserves and a perfect product layout. The Company will strengthen the forward-looking study of market changes, and continue to develop its strength in marketing, product innovation, etc. At the same time, we will actively open up overseas markets, optimise the structure of the products and the market, and improve the product allocation portfolio, so as to consolidate the Company's leading position in the agricultural machinery industry.

### 2. *Risk of Changes in Subsidy Policies*

Every three years, a new subsidy policy cycle begins, as stipulated by the principles set by the Ministry of Agriculture and Rural Affairs and the Ministry of Finance in the "Guiding Opinions on the Implementation of Agricultural Machinery Purchase Subsidies". With 2024 marking the first year of a new round of the subsidy policy for agricultural machinery purchases, a new round of subsidy policies are being introduced in various provinces and regions, and the subsidy for traditional tractor products may be reduced, which will affect the purchasing power of users and may adversely affect the industry and the sales of the Company's products.

The Company will closely monitor and evaluate the changes of national policies. We will actively adapt to market changes by continuously adjusting marketing strategies and methods and formulating targeted promotion and product improvement plans, and strive to reduce the negative impact of policies.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. *Risk of Expanding Overseas Markets*

In recent years, the Company has been actively exploring international markets and has achieved good results. However, the operating environment of the international market is complex and volatile, with more uncertain and unstable factors such as geopolitics, trade policies, tax regime, exchange rate fluctuations, etc., which may result in the development of the Company's export business falling short of expectations.

The Company will continue to improve its business structure in overseas markets, strengthen risk management and control, drive the peripheral markets through the development of key markets, and improve the product mix by relying on product R&D as well as adaptive improvement to ensure the stability of its overseas business.

## SECTION IV CORPORATE GOVERNANCE

### I. EXPLANATION ON CORPORATE GOVERNANCE RELATED SITUATION

During the Reporting Period, the Company continuously improved its corporate governance structure to enhance its corporate governance level persistently in strict compliance with the Company Law, “Securities Law”, and the relevant requirements on corporate governance of the China Securities Regulatory Commission and relevant Stock Exchanges through the performance of the information disclosure obligations in accordance with laws and regulations, and strengthening investor relations management to promote sustained and steady development of the Company.

The Company’s General Meeting, the Board of Directors, Supervisory Committee and the management each had defined terms of reference and responsibilities, executed effective checks and balance, and conducted rational decision-making, thus forming a corporate governance structure with high efficiency. They operate strictly in accordance with decision-making authority and procedures to effectively protect the interests of the Company and all shareholders. In 2023, the Company held a total of 3 general meetings, 10 Board meetings, and 6 Supervisory Committee meetings. The convening, holding, voting, and disclosure procedures of all meetings were in compliance with laws and regulations, and the requirements of the Company’s management system. All matters that need to be submitted to the General Meeting for consideration shall be submitted to the General Meeting for consideration in accordance with the relevant procedures.

The Company attaches great importance to the construction of institutional systems, and continuously revises and improves the corporate governance system in accordance with new regulatory requirements and the actual conditions of the Company. During the Reporting Period, the Company completed the amendments to the “Working Rules for Independent Directors”, “Articles of Association” and “Rules of Procedures for Board of Directors”. By specifying the position of independent Directors, optimizing the way they perform their duties, strengthening employment management and improving the selection and appointment system, the independent Directors are able to better play their role in participating decision-making, supervision and balancing and providing professional consultation in the Board to protect the interests of small and medium-sized investors.

The Company takes high-quality information disclosure as the basis for delivering our value to the market, actively performs the information disclosure obligations, improves transparency of the Company, and strives to have a more comprehensive and objective understanding of the Company’s situation from the investors. On the basis of information disclosure, the Company did not detect insider trading after preparing regular reports, and the registration and reporting of insiders involved in major matters in accordance with the “Registration and Management System of Inside Information”.

The Company attaches great importance to investor relations, always maintains an open attitude, and actively communicates with different types of investors through various forms. Aside from taking care of daily investor relations management, the Company regularly held results performance presentations, actively organised roadshows, reverse roadshows, and participated in collective investor exchange activities to guide the capital market and investors to better understand the Company’s development strategies and business so as to recognise our value during the Reporting Period.

In 2023, the Company won a number of awards for its outstanding performance such as the “Corporate Governance Special Contribution Award” of the 18th Chinese Listed Company Board of Directors “Golden Roundtable”, the first Guoxin Cup “ESG Golden Bull Award – Top 50 Central State-owned Enterprises” (ESG 央企50金牛獎), the “Top 100 Chinese Listed Companies Growth Award” from the Securities Times and the “Best IR Hong Kong Stock Company (A+H Shares)” by New Fortune.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### 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

During the Reporting Period, the Company and its controlling shareholders were able to maintain independence in terms of business, personnel, assets, organisations and finance, etc. The Company was self-financing and also bore its own risks, and there was no situation that affected the Company's independent operations.

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. **Organisation:** The Company had a complete organisation and an independent organisational structure; the Board, the Board of Supervisors and other internal organisations 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.

## SECTION 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
2023 First Extraordinary General Meeting	24 March 2023	Announcement of First Tractor Company Limited on the Notice OF 2023 First Extraordinary General Meeting published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	25 March 2023	To approve the resolution on the purchase of financial products with the Company's Self-owned Idle Funds for 2023
2022 Annual General Meeting	6 June 2023	Announcement of First Tractor Company Limited on the Notice of Resolutions of 2022 Annual General Meeting published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	7 June 2023	<ol style="list-style-type: none"> <li>To approve the report of the Board of Directors of the Company for the year 2022;</li> <li>To approve the work report of the Board of Supervisors of the Company for the year 2022;</li> <li>To approve the audited financial report of the Company for the year 2022;</li> <li>To approve the profit distribution proposal of the Company for the year 2022;</li> <li>To approve the reappointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's financial auditor and the internal control auditor for the year 2023, and to authorize the Board of the Company to decide its audit fees.</li> </ol>
2023 Second Extraordinary General Meeting	8 December 2023	Announcement of First Tractor Company Limited on the Resolutions of the 2023 Second Extraordinary General Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	9 December 2023	<ol style="list-style-type: none"> <li>To approve the resolution on the increase in the cap amount of the 2023 ordinary related transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited;</li> <li>To approve the resolution on the election of Director of the Company;</li> <li>Resolution on the amendments to the Company's Working Rules for Independent Directors;</li> <li>Resolution on amendments to the Company's related transaction management system;</li> <li>Resolution on amendments to the Articles of Association of the Company;</li> <li>Resolution on amendments to the Rules of Procedures for Board of Directors of the Company.</li> </ol>

#### Explanation on General Meetings

During the Reporting Period, resolutions presented at the 2023 First Extraordinary General Meeting, 2022 Annual General Meeting, 2023 Second Extraordinary General Meeting of the Company were all approved.

## SECTION 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

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'000)		Whether he/she received remuneration from related parties of the Company during his/her tenure
										Remuneration received from the Company during the Reporting Period	Realised performance of previous years	
Liu Jiguo	Executive Director, Chairman	Male	59	2022.4.13	2025.4.12	0	0	0	/	80.36	186.61	No
Wei Tao	Executive Director General Manager	Male	43	2023.12.8 2023.10.23	2025.4.12	0	0	0	/	60.53	114.94	No
Zhang Zhiyu	Non-executive Director	Male	67	2022.4.13	2025.4.12	0	0	0	/	2.50	0	Yes (Note)
Fang Xianfa	Non-executive Director	Male	61	2022.4.13	2025.4.12	0	0	0	/	0	0	Yes (Note)
Zhang Bin	Non-executive Director	Male	41	2022.11.28	2025.4.12	0	0	0	/	0	0	No
Xue Lipin	Independent non-executive Director	Male	60	2022.4.13	2025.4.12	0	0	0	/	10.90	0	No
Wang Shumao	Independent non-executive Director	Male	64	2022.4.13	2025.4.12	0	0	0	/	10.50	0	No
Xu Liyou	Independent non-executive Director	Male	49	2022.4.13	2025.4.12	0	0	0	/	0	0	No
Yang Yu	Chairman of the Board of Supervisors	Male	49	2022.4.13	2025.4.12	0	0	0	/	0	0	Yes (Note)
Gu Aiqin	Supervisor	Female	45	2022.4.13	2025.4.12	0	0	0	/	0	0	Yes (Note)
Xiao Bin	Supervisor	Male	55	2022.4.13	2025.4.12	0	0	0	/	23.98	14.30	No
Li Peng	Staff Supervisor	Male	50	2022.4.13	2025.4.12	0	0	0	/	17.22	100.10	No
Yang Kun	Staff Supervisor	Male	55	2022.4.13	2025.4.12	0	0	0	/	17.23	87.43	No
Su Wensheng	Deputy General Manager	Male	55	2022.4.13	2025.4.12	0	0	0	/	61.68	150.79	No
Yu Lina	Deputy General Manager and Secretary to the Board	Female	53	2022.4.13	2025.4.12	0	0	0	/	58.11	153.79	No
Xue Wenpu	Deputy General Manager	Male	51	2022.4.13	2025.4.12	0	0	0	/	58.11	150.79	No
Zhao Qingliang	Deputy General Manager	Male	41	2024.1.31	2025.4.12	0	0	0	/	0	0	Yes (Note)
Yang Guangjun	Deputy General Manager	Male	41	2022.4.13	2025.4.12	0	0	0	/	52.61	114.94	No
Kang Zhifeng	Financial Controller	Male	41	2022.12.20	2025.4.12	0	0	0	/	46.42	9.27	No
Total	/	/	/	/	/	0	0	0	/	500.15	1,082.96	/

Note: During the Reporting Period, such Directors, Supervisors and senior management were employed by other related parties of the Company and received remuneration.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Liu Jiguo	Born in December 1964, professor level senior engineer and Deputy to the 14th National People's Congress and currently serves as Chairman of the Company, Chairman of the Strategy, Investment and Sustainable Development Committee of the Board of Directors, member of the Nomination Committee of the Board of the Company, Secretary of the Party Committee and Chairman of YTO. Mr. Liu joined YTO in 1987, and served as the General Manager Assistant, Deputy General Manager and Deputy Secretary of the Party Committee, 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.
Wei Tao	Born in October 1980, professor level senior engineer and currently serves as the Executive Director and General Manager of the Company and Deputy Secretary of the Party Committee of YTO. Mr. Wei joined YTO in 2003, successively served as the Deputy Director of the Third Assembly Plant, the Deputy head of Quality Engineering Center, the Deputy head of the Technology Development Department of the Company, the Head of the Quality Department, HR manager and the General Manager Assistant and Deputy General Manager of the Company. Mr. Wei graduated from Northeast Agricultural University with a Bachelor degree in engineering and has extensive experience in production and manufacturing, technical quality management, cadre and human resources management, etc.
Zhang Zhiyu	Born in April 1956, 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 a 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), the 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 and has extensive experience in machinery manufacturing, international trade and corporate management.
Fang Xianfa	Born in February 1963, 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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Zhang Bin	<p>Born in June 1982, postgraduate and currently serves as a Non-executive Director, member of the Remuneration Committee of the Board of Directors, General Party Branch Secretary 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). He 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 and the Executive Director and General Manager of Luoyang Talent Group Co., Ltd. (洛陽市人才集團有限公司). 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 and has extensive experience in corporate management and human resources management.</p>
Edmund Sit	<p>Born in November 1963, 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), Head of the Audit Committee, member of the Remuneration Committee, Director of Alpcorp 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 SGXUQ7).</p>

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Wang Shumao	<p>Born in July 1959, 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, Director of the Network and Virtual Instrument Branch of the Chinese Instrument and Control Society, Managing Director of the Equipment and Maintenance Branch of China Mechanical Engineering Society, an Honorary Director of the Chinese Society for Agricultural Machinery Basic Technology Branch, a member of the Agricultural Machinery Appraisal and Testing Branch of Chinese Society for Agricultural Machinery, a Director of the Beijing Agricultural Engineering Association, Consultant to the Shunyi District Government of Beijing, an expert of the Advisory Expert Group on Agricultural Mechanization Technology Innovation Strategy of the Ministry of Agriculture, an expert of the “Science and Technology Innovation China” National Agricultural Machinery Equipment Technology Service Team, a 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, currently the dean and professor and a doctoral tutor of the School of Vehicle and Traffic Engineering of Henan University of Science and Technology, the Deputy Director of the National Key Laboratory of Intelligent Agricultural Power Equipment 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 technology and innovative leader in central China, a high-level talent in Henan Province, an outstanding expert in Luoyang County, and an academic and technical leader of the Education Department of Henan Province.</p>

## SECTION 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 senior 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.
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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
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 and Jiangsu University 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, senior 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, human resource management and asset 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, management and marketing.
Zhao Qingliang	Born in September 1982, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Party Committee of China YTO. Mr. Zhao studied at China Agricultural University and the Chinese Academy of Agricultural Mechanization Sciences with a master's degree in engineering, and was the Secretary of the Youth League Committee, the Deputy General Manager and a member of the Party Committee of the Chinese Academy of Agricultural Mechanization Sciences Group Co., Ltd. Mr. Zhao has extensive experience in business management, quality test, marketing, etc.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Yang Guangjun	Born in February 1983, 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. Yang joined YTO in 2005, 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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (II) 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 the Performance Assessment Measures for the Person-in-charge of the Company, and submitted both 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 above measures.
Whether a director recuses himself from the Board's discussion of his remuneration	Yes
Details of issuing advice on remuneration of Directors, Supervisors, and senior management at special meetings of the Remuneration and Appraisal Committee or independent Directors	The Company held the first meeting of the ninth session of the Board of Directors' Remuneration Committee in 2023 to review and approve the 2022 salary and performance assessment of the Company's corporate leaders.
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 RMB15.8311 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	RMB15.8311 million

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

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

Name	Position	Change	Reason for change
Wei Tao	General manager Executive director	Appointment Election	Work needs

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

Session	Date	Resolution
The eighth meeting of the ninth session of the Board	14 February 2023	<ol style="list-style-type: none"> <li>The resolution on the quality improvement and intelligent renovation project of medium-horsepower tractors was considered and passed</li> <li>The resolution on the intelligent manufacturing and construction project of high-efficiency and low-emission YTN3 diesel engine was considered and passed</li> <li>The resolution on the intelligent renovation project of the coating line of the Plant No. 2 of YTO (Luoyang) Diesel Engine Co., Ltd. was considered and passed</li> <li>The resolution on the management measures of total salary amount and financial budget for total salary amount for 2023 was considered and passed</li> <li>The resolution on the Company's financing scale for 2023 was considered and passed</li> <li>The resolution on the Company's purchase of financial products with self-owned idle funds in 2023 was considered and passed</li> <li>The resolution on request for convening of the Company's first extraordinary general meeting in 2023 was considered and passed</li> </ol>
The ninth meeting of the ninth session of the Board	20 March 2023	<ol style="list-style-type: none"> <li>The resolution on the correction of accounting errors was considered and passed</li> </ol>

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The tenth meeting of the ninth session of the Board	29 March 2023	<ol style="list-style-type: none"> <li>1. The Report of the Board of Directors of the Company for 2022 was considered and passed</li> <li>2. The resolution on the provisions for impairment on assets of the Company for 2022 was considered and passed</li> <li>3. The Audited Financial Report of the Company for 2022 was considered and passed</li> <li>4. The Proposed Plan of the Company for Profit Distribution for 2022 was considered and passed</li> <li>5. The Annual Report and Summary of the Company for 2022, the Annual Results Announcement of the Company for 2022 were considered and passed</li> <li>6. The Environmental, Social and Governance Report of the Company for 2022 were considered and passed</li> <li>7. The Internal Control Assessment Report of the Company for 2022 was considered and passed</li> <li>8. The resolution on the confirmation of remuneration of auditor of the Company for 2022 and reappointment of financial and internal control auditors of the Company for 2023 was considered and passed</li> <li>9. The resolution on the special report on the depositing and actual utilization of the funds raised of the Company for 2022 was considered and passed</li> <li>10. The resolution on request for convening of 2022 annual general meeting of the Company was considered and passed</li> </ol>
The eleventh meeting of the ninth session of the Board	27 April 2023	<ol style="list-style-type: none"> <li>1. The 2023 First Quarterly Report of the Company was considered and passed</li> <li>2. The resolution on 2023 financial budget of the Company was considered and passed</li> <li>3. The resolution on the write-off of the Company's assets was considered and passed</li> </ol>
The twelfth meeting of the ninth session of the Board	28 August 2023	<ol style="list-style-type: none"> <li>1. The 2023 Interim Report and Summary and the 2023 Interim Results Announcement of the Company were considered and passed</li> <li>2. The resolution on the amendments to the administration measures for the write-off of provisions for asset impairment of the Company was considered and passed</li> <li>3. The resolution on the assets write-off was considered and passed</li> </ol>
The thirteenth meeting of the ninth session of the Board	28 September 2023	<ol style="list-style-type: none"> <li>1. The resolution on the adoption of enterprise annuity by the Company was considered and passed</li> <li>2. The resolution on the increase in the cap amount of the 2023 ordinary related transactions was considered and passed</li> <li>3. The resolution on request for convening of the 2023 second extraordinary general meeting was considered and passed</li> </ol>

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The fourteenth meeting of the ninth session of the Board	23 October 2023	1. The resolution on the appointment of the general manager of the Company and nomination of director candidates was considered and passed
The fifteenth meeting of the ninth session of the Board	27 October 2023	<ol style="list-style-type: none"> <li>1. The Third Quarterly Report of 2023 of the Company was considered and passed</li> <li>2. The resolution on intelligent multi-purpose tractor capacity improvement project was considered and passed</li> <li>3. The resolution on the transfer of the Company's equity in BOL Financial Leasing Co., Ltd. was considered and passed</li> <li>4. The resolution on Directors' liability insurance for Directors, Supervisors and senior management of the Company was considered and passed</li> <li>5. The resolution on the amendments to the Working Rules for Independent Directors was considered and passed</li> <li>6. The resolution on the amendments to the Company's connected transaction management system was considered and passed</li> <li>7. The resolution on the appointment of the representative of securities affairs of the Company was considered and passed</li> </ol>
The sixteenth meeting of the ninth session of the Board	14 November 2023	<ol style="list-style-type: none"> <li>1. The resolution on the amendments to the Articles of Association was considered and passed</li> <li>2. The resolution on the amendments to the Rules of Procedure of the Board was considered and passed</li> </ol>

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The seventeenth meeting of the ninth session of the Board	26 December 2023	<ol style="list-style-type: none"> <li>1. The resolution on the Company's material asset sale plan was considered and passed</li> <li>2. The resolution on the transaction constructing a material asset restructuring but not the reorganization and listing as stipulated in Article 13 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies was considered and passed</li> <li>3. The resolution on the Company's material asset disposal in compliance with relevant laws and regulations was considered and passed</li> <li>4. The resolution on proposal of disposal of material assets of First Tractor Company Limited and its summary was considered and passed</li> <li>5. The resolution on the uncertainty of whether the Company's material asset disposal constitutes a connected transaction was considered and passed</li> <li>6. The resolution on the transaction in compliance with Article 11 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies was considered and passed</li> <li>7. The resolution on the compliance of the transaction with Article 4 of Guidelines for the Supervision of Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Material Asset Reorganizations of the PRC was considered and passed</li> <li>8. The resolution on the non-existence of the relevant circumstances prohibiting participation in material asset restructuring of listed companies as stated under Article 12 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Material Asset Restructuring of Listed Companies of the PRC in respect of the relevant entities under the transaction was considered and passed</li> <li>9. The resolution on signing a property rights transaction contract with effective conditions with the transferee was considered and passed</li> <li>10. The resolution on the basis of the pricing of the transaction and its fairness and reasonableness was considered and passed</li> </ol>

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
		11. The resolution on the completeness and compliance of the performance of legal procedures and the effectiveness of the submission of legal documents for the transaction was considered and passed
		12. The resolution on the independence of the appraisal agency, the reasonableness of the assumptions of the appraisal, the relevance of the appraisal method to the purpose of the appraisal, and the fairness of the appraised price was considered and passed
		13. The resolution on the asset appraisal report related to the material asset disposal was considered and passed
		14. The resolution on the purchase and disposal of assets within 12 months prior to the transaction was considered and passed
		15. The resolution on the Company's stock price fluctuations not reaching the relevant standards was considered and passed
		16. The resolution on requesting the general meeting to authorize the Board of Directors to handle matters related to the disposal of material assets was considered and passed
		17. The resolution on not convening a general meeting for the time being was considered and passed
		18. The resolution on the Company's ordinary connected transactions in 2024 was considered and passed
		19. The resolution on the development of Measures for the Implementation of the Three Important and One Major Decision-making System was considered and passed
		20. The resolution on the development of Administrative Measures for Comprehensive Risk and Internal Control was considered and passed
		21. The resolution on the write-off of the provisions for the Company's asset impairment was considered and passed

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### VI. PERFORMANCE OF DUTIES BY DIRECTORS

#### (I) Attendance of Board Meetings and General Meetings by Directors

Name of Directors	Independent director or not	Required attendance for the year	Attendance by physical presence	Attendance at Board meetings		Absence	Absence from two consecutive meetings	Attendance at general meetings
				Attendance by telecommunication	Attendance by proxy			
Liu Jiguo	No	10	10	4	0	0	No	3
Wei Tao	No	1	1	1	0	0	No	0
Zhang Zhiyu	No	10	9	4	1	0	No	3
Fang Xianfa	No	10	9	4	1	0	No	3
Zhang Bin	No	10	10	4	0	0	No	1
Edmund Sit	Yes	10	10	4	0	0	No	3
Wang Shumao	Yes	10	10	4	0	0	No	3
Xu Liyou	Yes	10	10	4	0	0	No	3

Number of Board meetings convened during the year	10
Among which: Number of physical meetings	3
Number of meetings held by means of telecommunication	4
Number of meetings convened on site and by means of telecommunication	3

### VII. SPECIAL COMMITTEE UNDER THE BOARD

#### (I) Member of the Special Committee under the Board

Classification of special committee	Name of members
Audit Committee	Edmund Sit (Independent non-executive Director and Chairman of the Audit Committee), Zhang Zhiyu (Non-executive Director), Xu Liyou (Independent non-executive Director)
Nomination Committee	Wang Shumao (Independent non-executive Director and Chairman of the Nomination Committee), Liu Jiguo (Executive Director), Edmund Sit (Independent non-executive Director)
Remuneration Committee	Edmund Sit (Independent non-executive Director and Chairman of the Remuneration Committee), Zhang Bin (Non-executive Director), Wang Shumao (Independent non-executive Director)
Strategy, Investment and Sustainable Development Committee	Liu Jiguo (Executive Director and Chairman of Strategy, Investment and Sustainable Development Committee), Fang Xianfa (Non-executive Director), Xu Liyou (Independent non-executive Director)

#### Explanation:

Each of the special committees 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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (II) Operation of each of special committees of the Board

#### *Audit Committee*

The specific duties of the Audit Committee include, but not limited to, the following:

- (1) To be responsible for making recommendations to the Board of the Directors on the appointment, reappointment and removal of external auditor (i.e. external audit institution), approving remuneration and terms of engagement of the external auditors, and dealing with any issues relating to its resignation by and dismissal.
- (2) To review and monitor the independence, effort, commitment, and objectivity of the auditors and the effectiveness of audit process in accordance with applicable standards; to discuss the nature, scope, plan and methodology of the audit and relevant reporting obligation.
- (3) To develop and implement policies on engaging an external auditor to supply non-audit services. The Audit Committee shall report to the Board of Directors, identifying and making recommendations on any matters where action or improvement is needed.
- (4) To review the management proposal provided by external auditor to the Company's management team, any material queries raised to the management team by the auditors about accounting records, financial accounts or systems of control and the management's response; to ensure that the Board of Directors makes timely response to the issues raised in the management proposal provided by external auditor to the Company's management team.
- (5) To monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly report, through the external auditor's reports; to review the significant accounting and auditing issues contained in them, to find the progress of handling and make recommendations or reports to the Board of Directors. The Audit Committee shall review the Company's statements, reports and accounts before submission to the Board, focusing particularly on:
  1. any changes in accounting policies and practices;
  2. material judgmental areas;
  3. significant adjustments resulting from audit;
  4. the ongoing concern assumptions and any qualifications;
  5. compliance with accounting standards; and
  6. compliance with the requirements of the Listing Rules and other legal requirements relating to financial reporting.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

- (6) For the purpose of item (5) above: (a) Members of the Audit Committee should contact liaise with the Board of Directors and senior management of the Company; (b) The Audit Committee should consider any significant or unusual issues that are, or may need to be, reflected in such reports and accounts, and it should give due consideration to any matter that have been raised by any accounting and financial reporting staff members of the Company, compliance officer or the auditors.
- (7) To hear the internal audit department's work report and review the Company's financial and accounting policies and practices; To supervise the Company's internal audit system and its implementation; to review the the Company's financial controls, risks management and internal control system.
- (8) To discuss with management on the internal control system to ensure that the management has performed its duty to establish an effective system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.
- (9) To review the Company's internal control self-evaluation report and the internal control audit report issued by the external auditor, assess the results of the internal control evaluation and audit, and supervise the rectification of internal control deficiencies.
- (10) To consider major investigations findings on risks management and internal control matters as delegated by the board or on its own initiative and the management's response to the findings.
- (11) To pay attention to the communication on relevant matters among the Company's financial accounting department, internal audit department and external auditors; to ensure coordination between the work of internal and external auditors; to ensure the availability of adequate resources within the Company and considerable authority to the internal audit function; and to review and monitor their effectiveness.
- (12) To review the Group's financial and accounting policies and practices.
- (13) To report issues contained in these Implementation Rules to the Board and handle other matters authorized by the Board.
- (14) To study other topics defined by the Board.
- (15) To review the following arrangements made by the Company: employees may raise concerns in confidence on possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigations of these matters and for appropriate follow-up actions.

The Audit Committee may develop a whistleblowing policy and systems (if necessary), for the employees and other persons (such as customers and suppliers) who deal with the Company to raise their concerns in confidence on any possible improprieties in any matter related to the Company.

- (16) To serve as the key representative body for overseeing the Company's relations with the external auditor.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

During the Reporting Period, the Audit Committee convened nine 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
2023.1.9	1. to consider plan for preparation of annual report of the Company in 2022 and plan for preparation of auditing of annual financial report of the Company in 2022	/	/
2023.1.18	1. to consider proposed 2022 estimated annual results	/	/
2023.3.17	1. to consider the resolution on the correction of accounting errors 2. to consider preliminary financial data for the year 2022	Recommend intensified relevant training for financial staff and Directors	/
2023.3.26	1. to consider the resolution on the Company's provisions for asset impairment for the year 2022 2. to consider the audited financial report of the Company in 2022 3. to consider the annual report of the Company for the year 2022 4. to consider the resolution on the internal control evaluation report of the Company for the year 2022 5. to consider the opinions on the execution of continuing connected transactions of the Company for the year 2022 6. to consider the resolution on determination of auditor's remuneration for the year 2022 and the appointment of the financial advisor and internal control auditor of the Company for the year 2023 7. to consider the performance report of the Audit Committee under the Board for the year 2022	/	/

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Date	Contents	Important advice and recommendations	Performance of other duties
2023.4.21	1. to consider the first quarterly report of the Company for the year 2023	/	/
2023.8.23	1. to consider the resolution on changes to the Company's accounting policy 2. to consider the half-yearly report of the Company for the year 2023	/	/
2023.9.26	1. to consider the resolution on the increase in the cap amount of the 2023 ordinary connected transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited	/	/
2023.10.23	1. to consider the third quarterly report of the Company for the year 2023 2. to consider the internal control evaluation work plan of the Company for the year 2023	/	/
2023.12.25	1. to consider the resolution on the development of the Company's internal control and risk management measures	/	/

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### *Nomination Committee*

The duties and powers of the Nomination Committee shall include, but not limited to, the following:

- (1) To annually review the structure, size and composition (in respect of skills, knowledge and experience) of the Board of Directors based on the status of business operation, scale of assets and equity structure of the Company, and make recommendations to the Board of Directors on the intended changes of composition of the Board of Directors to match with the Company's strategies.
- (2) To study the standards and procedures of selection of Directors and managers, and make recommendations to the Board of Directors with respect thereto.
- (3) To identify individuals with suitable qualification to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directors.
- (4) To evaluate and assess the independence of the independent Directors.
- (5) To make recommendations to the Board of Directors on appointment or re-appointment of Directors and the succession planning of Directors (particularly the Chairman and the general manager).
- (6) Other matters as authorized by the Board.

During the Reporting Period, the Nomination Committee convened one meeting

Date	Contents	Important advice and recommendations	Performance of other duties
2023.10.20	<ol style="list-style-type: none"> <li>1. to consider the resolution on waiving the notice period for this meeting of the Nominating Committee</li> <li>2. to consider the proposal for candidates for the Company's General Manager and Director</li> </ol>	/	/

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### *Remuneration Committee*

The duties and powers of the Remuneration Committee shall include, but not limited to, the following:

- (1) To make recommendations to the Board of Directors on the remuneration policies and structure for Directors, supervisors and senior officers, as well as the establishment of a formal and transparent procedure for developing remuneration policies.
- (2) To review and approve the management's remuneration proposal and the contents and indicators of the annual and term business performance appraisal of the general manager, deputy general manager and chief financial officer with reference to the Company's corporate goals and objectives set by the Board of Directors.
- (3) To determine with delegated responsibility the remuneration packages of individual executive Directors and senior officers under the authorization of the Board of Directors; or to make recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior officers. Benefits in kind, pension rights and compensation payments (including compensations payable for loss or termination of office or appointment) shall be included.
- (4) To make recommendations to the Board of Directors on the remuneration packages of non-executive Directors.
- (5) To consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group.
- (6) To review and approve compensations payable to the executive Directors and senior officers for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.
- (7) To review and approve the compensation relating to dismissal or removal of directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate.
- (8) To monitor the implementation of the Company's remuneration policies to ensure that any Director or any of his associates is involved in deciding his own remuneration.
- (9) To review and approve the results of the annual and term business performance appraisals of the Company's general manager, deputy general manager and chief financial officer.
- (10) To consult with the Chairman of the Board of Directors and/or the general manager on the remuneration packages proposed by other executive Directors. If necessary, the Remuneration Committee should seek independent professional advice.
- (11) Other matters as authorized by the Board.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

During the Reporting Period, the Remuneration Committee convened one meeting

Date	Contents	Important advice and recommendations	Performance of other duties
2023.9.20	1. to consider the resolution on remuneration and performance assessment of Person-in-charge of the Company for the year 2022	Recommend developing diversified incentives in accordance with the state-owned enterprise reform policies to further arouse employees' initiative.	/

### ***Strategy, Investment and Sustainable Development Committee***

The duties and powers of the Strategy, Investment and Sustainable Development Committee shall include, but not limited to, the following:

- (1) Research and make suggestions on the Company's mid- and long-term development strategic plans.
- (2) Research and make recommendations on major investment and financing plans that are subject to approval by the Board as stipulated in the Articles of Association and relevant systems of the Company.
- (3) Research and make recommendations on major capital operations that are subject to approval by the Board as stipulated in the Articles of Association and relevant systems of the Company.
- (4) Research and make suggestions on other major matters affecting the Company's development.
- (5) Comply with the relevant provisions of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, be responsible for formulating the Company's values, codes of conduct and commitments to stakeholders in terms of environmental, social responsibility and governance (ESG), review the Company's actual actions and performance in fulfilling environmental, social responsibility and governance (ESG), supervise the disclosure of regular (fiscal year) reports on the Company's environmental, social responsibility and governance (ESG) management, and report to the Board or provide decision-making suggestions on other matters related to the Company's environmental, social responsibility and governance (ESG) work.
- (6) Inspect the implementation of the above matters.
- (7) Other matters authorized by the Board.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

During the Reporting Period, the Strategy, Investment and Sustainable Development Committee convened two meetings

Date	Contents	Important advice and recommendations	Performance of other duties
2023.3.27	1. to consider the Environmental, Social and Governance Report for 2022	/	/
2023.12.15	1. to consider the resolution on the transfer of the equity held by YTO (Luoyang) Diesel Engine Co., Ltd. in Zhongyuan Bank Co., Ltd. 2. to consider the proposal for restructuring the Company's material assets 3. to consider the resolution on the Company's work plan for the preparation of the Environmental, Social and Governance Report for 2023	/	/

### VIII. RISKS DISCOVERED BY THE SUPERVISORY COMMITTEE

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

## SECTION 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	4,479
Number of existing employees of major subsidiaries	2,412
Total existing employees	6,891
Number of retired employees who are pensioned by the parent company and major subsidiaries	15,365

#### Staff composition

Category	Number of persons
Production staff	4,008
Sales staff	632
Technical staff	1,141
Management staff	1,041
Service staff	69
Total	6,891

#### Educational background

Education level	Number of persons (person)
Postgraduate and above	279
Undergraduate	1,970
Diploma	1,432
Below diploma	3,210
Total	6,891

#### (II) Remuneration Policy

The Company adheres to the principle of determining salary according to post and paying salary according to performance contribution and ability, and has established a positive linkage mechanism between total salary and economic benefits internally, and increased the tilt of total wages to units with strong profitability, large value contribution, high labor efficiency and fast growth rate. In terms of internal distribution, an income distribution system has been established based on annual salary, post performance salary, project salary and piecework wage, and incentive methods such as bonus pools, incentive funds and above-target rewards have been adopted to tilt the salary distribution to key positions, core backbones, front-line production positions, and high-level and high-skilled talents that are urgently needed.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (III) Training Plan

During the Reporting Period, the Company continued to carry out training for employees of all categories and levels. For middle and senior management talents, we have carried out training for newly appointed middle and senior management and young backbone management personnel; for engineering and technical talents, we have carried out training in “postdoctoral lecture hall”, electronic control technology, national IV products, agricultural machinery promotion and appraisal, etc., and for marketing talents, we have carried out training on international trade, national IV product service skills, and agricultural machinery purchase subsidy policies; for functional management talents, we have carried out training in target cost management, financial budget control, and personnel efficiency improvement; for operational skill talents, we have carried out training in new apprenticeship, skill level identification, and technical competition, and for the growth of young talents, we have carried out training for new recruited graduates and young backbone talents, and for all employees, we have carried out training in operation management concepts, production safety, and occupational health. The company continues to strengthen the construction of training resources and competence system. In terms of training teachers and curriculum construction, we have carried out a selection competition for internal trainers of general vocational skills to select a group of outstanding internal trainers, and developed a number of high-quality courses; in terms of training informatization construction, we have opened a special column of the training center on Oriental Red Cloud to upload courseware and e-books, etc., and enriched online training resources. We also built an online examination platform for vocational skill level recognition to make possible online theoretical examinations.

## 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	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether the standard and proportion of dividends are explicit and clear	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether relevant decision making procedures and mechanisms are adequate	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether the independent Directors have performed their duties and played their due roles	<input checked="" type="checkbox"/> 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	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (II) Final Dividend for 2023

In accordance with the profit distribution policy of the Articles of Association of the Company, the Board recommends the following profit distribution proposal for 2023: a cash dividend of RMB3.194 (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 2023, totaling approximately RMB358.8923 million. There will be no capitalization from capital reserves for the year. The proposal is still subject to the approval of the shareholders at the 2023 annual general meeting of the Company. Subject as aforesaid, the Company expects to pay the dividend on or before 31 July 2024.

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

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

### (I) Establishment and Implementation of an Assessment System and Incentive System for the Senior Management during the Reporting Period

The Company continues to improve the incentive and restraint mechanism for the management. The Company evaluates the performance and manages the remuneration of the management based on 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” as approved by the Board.

Based on the aforementioned measures, the Remuneration Committee of the Board of Directors evaluates and determines the annual remuneration and term incentive realization results of the management according to the Company’s main business indicators, the KPI indicators of the responsible and functional departments and the performance of the operational indicators of the collaborative units. The assessment mechanism for the Company’s management ensures that the executives have sufficient motivation to fulfill their responsibilities effectively, binding the core management’s responsibility to the company’s long-term growth value.

Save as disclosed, the Company and its subsidiaries have no share incentive scheme or employee share scheme.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

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

During the Reporting Period, the Company adhered stringently to the Basic Standard for Enterprise Internal Control and the Guidelines for the Application of Enterprise Internal Control and the relevant regulations on internal controls for listed companies issued by the Securities Regulatory Commission. Following the Company's internal control system work manual and aiming at "strengthening internal controls, preventing risks and ensuring compliance", the Company continuously enhanced the internal control system construction and supervision regime. In total, 123 systems, such as the "Audit Incentives and Disciplinary Measures", "Implementation Rules for Rectifying Issues Identified in Audits" and "Management Procedures for Audits of Engineering Projects" were formulated or revised, covering audit management, financial management, asset management, investment management, information management and other business areas. In 2023, the Company conducted internal control activities in strict accordance with regulations and proactively engaged in identifying, assessing and addressing risks. By combining regular and special inspections and governance, various risks were effectively prevented and resolved, promoting the Company's lawful governance and standardized operations.

### XIII. MANAGEMENT AND CONTROL OF 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 OF INTERNAL CONTROL AUDIT REPORT RELATED MATTERS

For details, please refer to the "2023 Annual Internal Control Evaluation Report of First Tractor Company Limited" issued by the Company on 27 March 2024.

Whether the internal control audit report is disclosed: Yes

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

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### XV. CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strictly complied with the principles and the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix C1 of the Listing Rules of the Stock Exchange, except for the deviation from the provision of code provision C.2.1 of Part 2 of the Code which states that “the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual” in that Mr. Liu Jiguo served as both the Company’s Chairman and General Manager. The said code provision was complied when Mr. Wei Tao was appointed as the General Manager by the Board of the Company on 23 October 2023.

The Board of the Company is composed of highly experienced and talented members and meetings are 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 during the period when Mr. Liu Jiguo’s acting as both Chairman and General Manager, such structure had not affected the balance of power and duties between the Board and the management nor the business development of the Company.

#### (I) Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules of the Stock Exchange as its own code of conduct regarding securities transactions by the Directors. After making inquiries 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 C3 to the Listing Rules of the Stock Exchange.

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

##### 1. *Directors*

On 8 December 2023, upon approval at the second extraordinary general meeting of the Company for 2023, Mr. Wei Tao was elected as executive Director of the Company. As of the date of this Report, the ninth session of the Board consisted of 8 Directors. The composition and biographical details of Directors are set out in this section headed “Directors, Supervisors and Senior Management”.

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. 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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

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 its Directors, Supervisors and senior management with its latest operation updates and public information as a basis to form better judgment and decisions on the matters of the Company. The Directors, Supervisors and 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 relevant Stock Exchanges, to further improve the compliance awareness in the performance of Directors, Supervisors, senior management of the Company.

### **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 Rules of Procedures for Board of Directors of the Company as considered and approved at the general meeting have stipulated the terms of reference of the Board.

The ninth session of the Board has diversified features, its members' age range is between 41 and 67, 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 10 meetings (including Board meetings held by way of telecommunication), including four regular meetings. Attendance of Directors in Board meetings is set out in this section "Performance of Duties by Directors."

### **3. Board Independence Evaluation Mechanism**

The Board has adopted the board independence evaluation mechanism (the "Mechanism") which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board. Continuing improvement and development of the Board of the Company and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director. The Mechanism is designed to ensure a strong independent element on the Board of the Company, which allows the Board to effectively exercise independent judgment to better safeguard shareholders' interests.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (III) Diversity Policy of the Board

The Board has adopted a new Board Diversity Policy (“Board Diversity Policy”) as required under paragraph J as set out in Part 1 of the Code.

The Board Diversity Policy aims to formulate the means for the Company to arrive at 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 the 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 perspective 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 before 31 December 2024.

### (IV) The Chairman and the management

Prior to 23 October 2023, Mr. Liu Jiquo served as both the Company’s Chairman and General Manager. Mr. Wei Tao was appointed as General Manager of the Company on 23 October 2023, and since then, Liu Jiquo acted as the Chairman of the Company and Wei Tao acted as the General Manager of the Company, and the positions of Chairman and General Manager were held concurrently by different persons, which is in compliance with the code provision C.2.1 of Part 2 of the Code.

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 with information about the Company’s business activities. The “Articles of Association” and “Working Rules 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 Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin as the non-executive Directors, and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as the independent non-executive Directors will all expire on 12 April 2025.

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

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (VI) Board Committees

Details of the Remuneration Committee, Nomination Committee, Audit Committee and Strategy, Investment and Sustainable Development Committee as required to be disclosed under Paragraph E of Part 1 of the Code are set out in paragraph headed “VII. Special Committees under the Board” of this section.

### (VII) Auditors and Auditors’ Remuneration

The Company appointed ShineWing Certified Public Accountants (Special General Partnership) as auditor for 2022 in November 2022. In June 2023, the Company agreed to renew its appointment as auditor for 2023. Prior to November 2022, the auditor of the Company was Da Hua Certified Public Accountants (SPECIAL GENERAL PARTNERSHIP).

For details of Auditors’ remuneration, please refer to part IV headed “Appointment or Dismissal of Accounting Firm” of section VI of this Report.

### (VIII) Internal Key Contact Persons of the Company

For details, please refer to part II headed “Contact Persons and Methods” of section II of this Report.

### (IX) Shareholders’ Rights

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 it to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplementary notice of the general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals.
3. If shareholders of the Company have an inquiry about relevant information of the Company or request for information, they shall provide documentary evidence that they are holding certain types 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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (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 2022 annual report, the 2023 semi-annual and the third quarterly reports, the Company organized a timely results presentation on the platform of the Shanghai Stock Exchange (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 meetings 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 a large number of medium and minority shareholders.

### (XI) Risk Management and Internal Control

The Board has full responsibility for maintaining an integrated and effective risk management and internal control systems of the Group, which includes the establishment of a defined management structure with specified limits of authority. The internal control system is designed to assist in the achievement of business objectives of the Group, safeguarding assets against unauthorized use or disposition, ensuring the proper maintenance of accounting records for the provision of reliable financial information for internal use or for publication and ensuring compliance with relevant legislation and regulation. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year ended 31 December 2023, the Company conducted an internal control evaluation report on the effectiveness of the risk management and internal control systems over financial, operational and compliance issues, risk management process, scope and quality of the management's monitoring of risks and effectiveness of financial reporting. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board has reached the conclusion that the Group's risk management and internal control systems were adequate and effective.

For details, please refer to the 2023 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.

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

### (XII) Amendments of Articles of Association

During the Reporting Period, following the release of the Administrative Measures for Independent Directors of Listed Companies by the Securities Regulatory Commission, the Company completed the revision of the Articles of Association and the Working System for Independent Directors. By clarifying the positioning of independent Directors, optimizing the way they perform their duties, strengthening their appointment management, and improving the selection system, we have enhanced and facilitated the role of independent Directors. This allows independent Directors to better play their role on the Board in “participating in decision-making, supervising checks and balances, and providing professional consultation,” and to better protect the interests of small and medium investors.

### (XIII) Dividend Policy

According to Article 217 of the Articles of Association of the Company, the Company’s profit distribution policy is as follows:

- (1) The Company adopts consistent and stable profit distribution policy, which should emphasize on investors’ reasonable investment return while ensuring the Company’s continuous development;
- (2) The Company may distribute dividends by way of cash, bonus shares or a combination of both, and cash dividends are preferred by the Company in profit distribution;
- (3) When the condition allows, subject to the authorization at the general meeting, the Board may distribute interim dividends or bonus;
- (4) The annual profits distributed by the Company by way of cash shall not be less than 25% of the profit available for distribution for the year, provided that the capital needs for the Company’s normal production and operation are satisfied and there are no such events as material investment plan or material cash expense;
- (5) If the net profit of the Company for the year increases by 20% from last year, the Board of the Company may propose the profit distribution plan for distributing bonus shares;
- (6) The Board shall, taking into consideration factors such as industry characteristics, the Company’s development stage, business operation model, profitability level and whether there are significant capital expenditure arrangements, develop differentiated cash dividend policies to be applicable in the following different situations in accordance with the Articles of Association:
  - (i) Where the Company is at a sophisticated stage of development and has no significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall reach a minimum of 80%;
  - (ii) Where the Company is at a sophisticated stage of development and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 40%;

## SECTION IV CORPORATE GOVERNANCE (CONTINUED)

- (iii) Where the Company is at a growth stage of development and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 20%;

Where the Company's development stage is difficult to be defined but the Company has any significant capital expenditure arrangement, the preceding provisions may still be followed.

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

## XVI. CORPORATE GOVERNANCE FUNCTIONS

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

- (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 Financial Year, 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.

## **SECTION IV CORPORATE GOVERNANCE (CONTINUED)**

### **XVII. TRAININGS FOR DIRECTORS, SUPERVISORS AND OFFICERS**

During the Reporting Period, all Directors participated in appropriate continuous professional development and provided the Company with the 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.

### **XIX. REVIEW OF 2023 ANNUAL RESULTS**

The Audit Committee under the ninth session of the Board of the Company has reviewed the financial report of the Company in 2023 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2023 in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

## SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY

### I. ENVIRONMENTAL INFORMATION

Are there any mechanisms in place for environmental protection Yes

Funds invested in environmental protection during the Reporting Period (unit: RMB '0,000) 7,875.25

#### (I) Environmental Performance of Companies and its Main Subsidiaries Designated as Key Pollutant Discharge Units by the Environmental Protection Department

##### 1. Pollution Discharge Details

Unit	Name of major pollutants and characteristic pollutants	Emission method	Number of emission outlets	Distribution	Compliance standard (mg/m <sup>3</sup> )	Monthly average emission concentration (mg/m <sup>3</sup> )	Total emissions (t)	Emission compliance
	Particulate matter	Controllable	5	No. 2 Plant, structural component plant and cab assembly workshop	10	7.1	4.87	Satisfied
	Particulate matter	Controllable	2	Shot blasting machine in cab assembly workshop and shot blasting machine in structural component workshop	120	8.5	0.02	Satisfied
	Particulate matter	Controllable	14	Cab coating line, cover parts coating line and powder coating line	120	7.3	2.25	Satisfied
	Particulate matter	Controllable	8	Cab coating line and powder coating line	30	6.7	0.08	Satisfied
	Ringelman emittance	Controllable	8	Cab coating line and powder coating line	1	<1	/	Satisfied
	Nitrogen oxide	Controllable	2	Cab coating line and cover parts coating line	240	25.5	1.68	Satisfied
	Nitrogen oxide	Controllable	8	Cab coating line, cover parts coating line and powder coating line	300	18.4	0.37	Satisfied
	Sulfur dioxide	Controllable	2	Cab coating line and cover parts coating line	550	/	/	Satisfied
YTO Flag	Sulfur dioxide	Controllable	8	Cab coating line, cover parts coating line and powder coating line	200	4	0.01	Satisfied
	Non-methane hydrocarbons	Controllable	8	Cab coating line, cover parts coating line and powder coating line	50	7.65	11.06	Satisfied
	Xylene	Controllable	1	Cover parts coating line	20	0.406	0.16	Satisfied
	Noise from the plant	/	4	Surrounding areas around the plant	Daytime: 65 Nighttime: 55	53 44	/	Satisfied Satisfied
	Non-methane hydrocarbons	Uncontrollable	3	Area outside the cab coating line, cover parts coating line and area outside the powder coating line workshop	1-hour average concentration value:6 Concentration value for any single measurement: 20	1.08 1.22	/	Satisfied Satisfied

## SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

### 2. *Construction and Operation of Pollution Control Facilities*

During the Reporting Period, YTO Flag's pollution treatment facilities were fully operational and stable, with pollutants discharged in compliance with standards. Pollution treatment equipment for wastewater and exhaust gas emissions is well-documented in environmental equipment records and has undergone regular maintenance to ensure continued efficacy. In compliance with the requirements of the local government in Luoyang, online monitoring equipment was installed on two coating lines, namely the cab coating line and the cover parts coating line. These devices are connected to local authorities and national platforms, facilitating real-time transmission of pollutant emission data and allowing for continuous oversight by relevant agencies.

YTO Flag developed its own monitoring plan and engaged qualified monitoring agencies to conduct annual assessments of wastewater, exhaust gas and noise levels, thereby guaranteeing that pollutant emissions remained within permissible limits. Moreover, YTO Flag implemented various measures such as installing centralized welding fume purification systems, technological enhancements to the powder coating line and improved enclosure of the coating workshop to effectively control the release of pollutants.

### 3. *Environmental Impact Assessment of Construction Projects and Other Environmental Protection Administrative Permits*

YTO Flag strictly adheres to the requirements of relevant laws and regulations, including the "Law of the People's Republic of China on Environmental Impact Assessment". It conducted environmental impact assessments for its projects, with related approvals obtained. YTO Flag strictly follows the requirements outlined in the project's environmental impact assessment during the construction and production phases, and the construction project has successfully undergone independent acceptance, which is in compliance with environmental protection standards.

YTO Flag complies with the regulations stated in the "Regulation on the Administration of Permitting of Pollutant Discharges" of the PRC by applying for and obtaining the required pollution discharge permits, with regular implementation reports being prepared for submission.

### 4. *Emergency Response Plan for Unexpected Environmental Incidents*

YTO Flag has taken steps to identify and assess environmental risks. It prepared an environmental risk assessment report and conducted an investigation of its emergency resources, the findings of which are documented in the form of a report. Additionally, it has standardized its emergency response protocols by establishing a dedicated team for emergencies. The "Emergency Plan for Unexpected Environmental Incidents of YTO (Luoyang) Flagauto-Body Co., Ltd." (《一拖(洛陽)福萊格車身有限公司突發環境事件應急預案》) was compiled in line with the "Guidelines for the Preparation of Environmental Emergency Response Plans for Enterprises with Environmental Risk Sources in Henan Province" (《河南省環境風險源企業環境應急預案編製指南》) and was filed with the Jianxi Branch of the Ecological and Environmental Protection Bureau of Luoyang.

## SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

### 5. *Environmental Self-Monitoring Plan*

YTO Flag implemented a blend of automated and manual monitoring processes. At the beginning of each year, according to the requirements of the “Self-Monitoring Technology Guidelines for Pollution Sources” of the PRC, a self-monitoring plan is formulated. The plan focuses on real-time data capture for emissions at key discharge areas, particularly for volatile organic substances, while comprehensive monitoring is handled by certified partners for general discharge areas in accordance with the requirements of the self-monitoring plan.

During the Reporting Period, YTO Flag was in full compliance with emission standards.

## (II) Environmental Performance of Companies other than Key Pollutant Discharge Units

### 1. *Reference to the Disclosure of Other Environmental Information by Key Pollutant Discharge Units*

- (1) During the Reporting Period, in accordance with the national self-monitoring requirements for pollution sources, a self-monitoring plan was compiled, which specified the main pollution sources and key monitoring indicators, monitoring frequency and quality control requirements. After emission testing, the pollution control facilities in use were operating stably, and the emissions of pollutants were all in compliance with national or local emission standards, achieving a 100% compliance record.
- (2) The exhaust gas treatment facilities in the coating line of the high-powered tractors company and YTO Diesel were upgraded to meet standards. These improvements ensure that the exhaust collection and treatment throughout the coating process are well within the standards, reducing pollutant output.
- (3) Following the requirements of the Environmental Impact Assessment Law of the PRC, an environmental impact assessment report for new investment projects was completed, and approval comments were obtained.
- (4) Emergency drills were conducted focusing on hazardous waste leaks and sudden failures of environmental protection equipment. These drills, assessments and conclusions have not only refined its capabilities of handling environmental emergencies but also further strengthened its employees' environmental awareness.
- (5) The management of hazardous waste was intensified, ensuring that the practices in storage, transfer and disposal are further regulated.

## (III) Information on Efforts Conductive to Ecological Protection, Pollution Prevention and Control and Environmental Responsibility Performance

For details of the Company's efforts conducive to ecological protection, pollution prevention and control and environmental responsibility performance, please refer to the Company's “2023 Environmental, Social and Governance Report” published on the website of the Shanghai Stock Exchange and the Stock Exchange.

## SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

### (IV) Measures Taken to Reduce Carbon Emissions during the Reporting Period and Their Effects

Whether carbon emission reduction measures are adopted	Yes
Reduction of carbon dioxide equivalent emissions (unit: tons)	13,320
Types of carbon reduction measures (such as using clean energy for power generation, employing carbon reduction technologies in the production process, developing new products that contribute to carbon reduction, etc.)	For details, please refer to the “2023 Environmental, Social and Governance Report” issued by the Company on the Shanghai Stock Exchange and the Stock Exchange.

## II. SOCIAL RESPONSIBILITY EFFORTS

### (I) Whether to Disclose a Separate Social Responsibility Report, Sustainability Report or ESG Report

The Company has completed the “2023 Environmental, Social and Governance Report” which contains the Company’s ESG information in 2023 and the requirements under the ESG Reporting Guide of the Listing Rules of the Stock Exchange.

For details of the social responsibility of the Company, please refer to the Company’s “2023 Environmental, Social and Governance Report” published on the website of the Shanghai Stock Exchange and the Stock Exchange.

### (II) Specifics of Social Responsibility Initiatives

#### *Explanations*

For details of the fulfillment of the Company’s social responsibilities, please refer to the Company’s Environmental, Social and Governance Report 2023 published on the websites of the Shanghai Stock Exchange and the Stock Exchange

## SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

### 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)	26.4	/
Of which: funds (RMB '0,000)	25	Investment in poverty alleviation projects
Discount on materials (RMB '0,000)	1.4	Book donation and household visits for consolation
Number of beneficiaries (person)	2,130	The total number of beneficiaries in the implementation of the five major revitalizations
Form of assistance (e.g. industrial poverty alleviation, employment poverty alleviation, education poverty alleviation, etc.)	Employment shift, skills training, cultural exchange, ecological improvement, infrastructure construction and public service enhancement	Industrial revitalization, talent revitalization, cultural revitalization, ecological revitalization and organizational revitalization

#### Explanations

For details, please refer to the "2023 Environmental, Social and Governance Report" issued by the Company on the Shanghai Stock Exchange and the Stock Exchange.

## SECTION VI SIGNIFICANT EVENTS

### I. FULFILLMENT OF UNDERTAKINGS

#### (I) Undertakings made by the Company's De Facto Controllers, Shareholders, Related Parties, Purchasers and the Company or Other Relevant Parties During or Subsisting to the Reporting Period

Background of undertaking	Type of undertaking	Party making undertaking	Description of undertaking	Term and deadline of the undertaking	Is there a performance deadline	Is the undertaking being fulfilled promptly and rigorously
Undertakings related to material assets restructuring	Others	Directors, Supervisors and senior management of the Company	<p>1. From the date of the initial disclosure of this restructuring to the completion of its implementation, I will not reduce my holdings in the listed company's shares by any means (if any), nor is there a plan for share reduction;</p> <p>2. Should I decide to implement a reduction of shares in the future, I will strictly follow the "Several Provisions on the Shareholding Reduction by the Principal Shareholders, Directors, Supervisors, and Senior Executives of Listed Companies", as well as the information disclosure requirements of the Shanghai Stock Exchange, to timely fulfill my information disclosure obligations;</p> <p>3. If I violate the above undertakings and cause losses to the listed company or other investors, I promise to legally bear the liability to compensate the listed company or other investors.</p>	From the date of the initial disclosure of the restructuring to the period until its completion	Yes	Yes

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Description of undertaking	Term and deadline of the undertaking	Is there a performance deadline	Is the undertaking being fulfilled promptly and rigorously
	Others	YTO and SINOMACH	<p>1. Except for the proposed capital reduction and repurchase of all shares held by Luoyang State Capital in YTO, and the agreement to transfer the listed company's A-shares to Luoyang State Capital as consideration for the targeted repurchase of all shares held by it in YTO, YTO will not reduce its holdings in the listed company shares in any manner from the date of the initial disclosure of this restructuring until its completion, nor is there any other share reduction plan.</p> <p>2. Should YTO decide to reduce its shareholdings in the future, it will strictly comply with the "Several Provisions on the Shareholding Reduction by the Shareholders, Directors, Supervisors, and Senior Executives of Listed Companies" and the information disclosure requirements of the Shanghai Stock Exchange, and will timely fulfill the obligation of information disclosure.</p>	From the date of the initial disclosure of the restructuring to the period until its completion	Yes	Yes
Undertaking related to the initial public offering	Solutions to horizontal competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Machinery Equipment Company Limited is 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 for the supporting sale and relevant procurement.	Long-term	No	Yes

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Description of undertaking	Term and deadline of the undertaking	Is there a performance deadline	Is the undertaking being fulfilled promptly and rigorously
	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 resource allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes
	Solutions to horizontal competition	SINOMACH	SINOMACH will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operation. In addition, where SINOMACH or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resource allocation, SINOMACH will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Description of undertaking	Term and deadline of the undertaking	Is there a performance deadline	Is the undertaking being fulfilled promptly and rigorously
Undertakings related to refinancing	Others	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 undertakings 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
	Others	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 undertakings 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
	Others	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 utilize the assets of the Company for any investment or consumption irrelevant to the performance of my duties;</p>	Long-term	No	Yes

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Description of undertaking	Term and deadline of the undertaking	Is there a performance deadline	Is the undertaking being fulfilled promptly and rigorously
			<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 the 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>			
	Share lock-up	YTO	<p>YTO's shares subscribed for in the Company's 2020 non-public issuance shall not be transferred within 36 months from the end of the issuance. If laws and regulations stipulate otherwise for the lock-up period, such provisions shall apply. The shares obtained by YTO from the Company's 2020 non-public issuance due to share dividends distributed by the listed company, capital reserve funds converted into share capital, and other methods shall also adhere to the aforementioned stock lock-up arrangement.</p>	36 months starting from the date the share issuance	Yes	Yes

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Name of shareholders or related parties	Connected relationship	Duration	Reason	Opening balance	Amount newly used during the Reporting Period	Total amount repaid during the Reporting Period	Closing balance	Balance as at the disclosure date of the annual report	Expected repayment method	Expected repayment amount	Expected repayment time
YTO Shentong	Other connected party	January 2020 to date	Entrusted loan	17,100	0	427	0	0	/	/	/
Total	/	/	/	17,100	0	427	0	0	/	/	/

Proportion of total amount by the end of the period to the latest audited net assets

/

Procedure for decision on misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes

Approved 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 Reporting 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 1: YTO Shentong was originally a wholly-owned subsidiary of the Company, which entered into 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 YTO Shentong as an other connected party, and the time of occupancy of this amount was calculated from the date of its classification as an other connected party. In June 2023, based on the results of the final liquidation of YTO Shentong, the Company recovered the creditor's rights of RMB4.27 million, and the Company wrote off the remaining unrecovery of RMB166.73 million during the Reporting Period, and the asset was fully provided for credit impairment in prior periods.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### III. THE COMPANY'S ANALYSIS OF THE REASONS FOR CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS AND THEIR IMPACT

#### (I) The Company's Analysis of the Reasons for Changes in Accounting Policies and Accounting Estimates and their Impact

The Ministry of Finance issued the "Interpretation No. 16 of the Accounting Standards for Business Enterprises" (hereinafter referred to as "Interpretation No. 16") on 30 November 2022. Pursuant to the relevant content of "accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction not subject to the exemption from initial recognition" in Interpretation No. 16, the Company has made changes to its accounting policies effective 1 January 2023. The adoption of Interpretation No. 16 has no material impact on the Company's profit, and the retrospective adjustments to the related items in the balance sheet as of 31 December 2022 are as follows:

*Unit: 0'000*

Affected items	Consolidated financial statement			Parent company's financial statement		
	Before adjustment	Amount of adjustment	After adjustment	Before adjustment	Amount of adjustment	After adjustment
Deferred income tax assets	13,271	542	13,813	4,911	387	5,298
Deferred income tax liabilities	11,486	542	12,028	2,481	387	2,868

For details, please refer to the Announcement on Change in Accounting Policy of First Tractor Company Limited issued by the Company on the Shanghai Stock Exchange on 29 August 2023.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### IV. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

*Unit: 0'000 Currency: RMB*

	<b>Current appointment</b>
Name of domestic accounting firm	ShineWing Certified Public Accountants LLP
Remuneration of domestic accounting firm	250
Audit tenure of domestic accounting firm	2
Names of registered accountants at the domestic accounting firm	Ma Chuanjun and Ma Jing
Cumulative years of audit service by the registered accountants at the domestic accounting firm	Ma Chuanjun (5 years) and Ma Jing (2 years)

  

	<b>Name</b>	<b>Remuneration</b>
Accounting firm for internal control	ShineWing Certified Public Accountants LLP	35

### V. MATERIAL LITIGATION OR ARBITRATION

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

### VI. LISTED COMPANIES AND THEIR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS SUSPECTED OF ILLEGAL AND REGULATORY VIOLATIONS, PENALTIES AND RECTIFICATION

In July 2023, the Company made retrospective adjustments to certain financial data in the third quarterly report of 2022 due to the correction of accounting errors resulting in inaccurate disclosure of information in the third quarterly report of 2022 of the Company. The Shanghai Stock Exchange and the Henan Securities Regulatory Bureau took the regulatory measure of issuing a warning letter to the Company and the relevant personnel. The Company and the relevant personnel have attached great importance to the above issues and have actively implemented rectification measures, strengthened the learning and training of corporate accounting standards and securities laws and regulations, further enhanced the rigor of the Company's accounting, and facilitated the improvement of the Company's standardized operation and the quality of financial information disclosure.

For further details, please refer to the Company's announcement in receipt of warning letter from Henan Bureau of the CSRC published by the Company on the Stock Exchange on 7 August 2023.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

During the Reporting Period, the Company, its controlling shareholder, YTO, and its de facto controller, SINOMACH, operated lawfully in good faith, and there were no instances of failing to fulfill legally effective court judgments or failing to repay significant debts upon maturity, and other adverse credibility circumstances.

### VIII. 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*

##### (1) *Continuing Connected Transactions of the Company*

**Continuing 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	Details of the transaction	Pricing principle of the transaction	Estimated transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar transactions (%)
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company	(1) The market price of the independent third party; (2) In the absence of a market price determined by the independent third party, the price refers to the transaction price between YTO and its associates, SINOMACH and its subsidiaries with the independent third party; and (3) If none of the above is applicable, price (tax-inclusive) is determined according to the cost-plus method (i.e. price (tax-inclusive) = cost x (1+ markup percentage)), where the markup percentage is not more than 30%.	71,000	54,279	5.13

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Details of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar 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 the independent third party; (2) In the absence of a market price determined by the independent third party, the price refers to the transaction price between the Group and the independent third party; and (3) If none of the above is applicable, price (tax-inclusive) is determined according to the cost-plus method (i.e. price (tax-inclusive) = cost x (1+ markup percentage)), where the markup percentage is not more than 30%.	24,500	20,979	1.84
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 the independent third party; (2) In the absence of a market price determined by the independent third party, the price refers to the transaction price between YTO, its controlled companies and their associates with the independent third party; and (3) If none of the above is applicable, price (tax-inclusive) is determined according to the cost-plus method (i.e. price (tax-inclusive) = cost x (1+ markup percentage)), where the markup percentage is not more than 10%.	25,000	23,026	88.56
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) In the absence of a market price, the price refers to the transaction price between YTO and the independent third party; and (3) If none of the above is applicable, price (tax-inclusive) is determined according to markup percentage (i.e. price = cost x (1+ markup percentage)), where the markup percentage is not more than 16%.	24,000	19,963	98.38

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Details of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar transactions (%)
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	<p>(1) The transaction price between the lessor and the independent third party; and</p> <p>(2) If the above is not applicable, the price is determined after an arm's length negotiation between the parties with reference to the market rent of a similar property in a similar area.</p>	800	780	91.63
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	<p>(1) The transaction price between the lessor and the independent third party; and</p> <p>(2) If the above is not applicable, the price is determined after an arm's length negotiation between the parties with reference to the market rent of similar land use rights.</p>	1,400	1,126	93.28
7	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	199,962	53.57

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Details of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar 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	219,327	92.79
				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; and (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 types 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	168	54.79
8	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 party; and (2) If none of the above is available or applicable, the price is determined after an arm's length negotiation between the parties with reference to the market rent of similar property.	650	436	32.2

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Details of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar transactions (%)
9	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO from the Company and its subsidiaries	<p>(1) The price of the non-connected transactions between the lessor and the independent third party; and</p> <p>(2) If none of the above is available or applicable, the price is determined after an arm's length negotiation between the parties with reference to the market rent of similar land and land use rights.</p>	65	37	4.93
10	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	<p>(1) The transaction prices between YTO and the independent third party; and</p> <p>(2) Cost-plus method, with a markup percentage of no more than 10%.</p>	710	659	100.00
11	Research and Development Services Agreement	YTO	Controlling shareholder	Provision of services including product R&D, process technology development, material testing, and calibration of measuring instruments to YTO and its subsidiaries by the Company	<p>(1) The price of the non-connected transactions for the same services between the Company and the independent third party;</p> <p>(2) The price of the reasonable cost of the service provided by the Company with the addition of the gross margin of the comparable non-connected transactions; and</p> <p>(3) If none of the above is available or applicable, the price is determined under arm's length negotiations between the two parties.</p>	1,100	611	21.83
12	Product Inspection and Testing and Technological Services Agreement	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	A wholly-owned subsidiary of the controlling shareholder	Provision of products related technological testing services, patent services, standardized technological support services, and research and development services on non-standard equipment such as inspection and testing equipment for products of the Company and its subsidiaries	<p>(1) The price of the non-connected transactions between Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd and the independent third parties;</p> <p>(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 the gross margin of the comparable non-connected transactions; and</p> <p>(3) If none of the above is available or applicable, the price is determined under arm's length negotiations between the two parties.</p>	3,200	2,319	100.00

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

1. For details of the above No.1-6 connected transactions, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Thirtieth Meeting of the Eighth Session of the Board”, “Announcement of First Tractor on Continuing Connected Transactions for 2022-2024”, “Announcement of First Tractor on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting”, “Announcement of First Tractor on the Resolutions Passed at the Thirty-fifth Meeting of the Eighth Session of the Board”, “Announcement of First Tractor Corporation on the Increase of the Maximum Amount of Daily Connected Transactions for the Energy Procurement from 2022 to 2024”, “Announcement of First Tractor on Resolutions of 2022 First Extraordinary General Meeting”, “Announcement of First Tractor on Increasing the Estimated Cap Amount of Some Daily Connected Transactions for 2023”, published by the Company on the website of the Shanghai Stock Exchange on 26 August 2021, 3 November 2021, 4 March 2022, 14 April 2022 and 10 October 2023, and the announcements on “Continuing Connected Transactions and Disclosable Transactions”, “Poll Results of the Extraordinary General Meeting and the Class Meeting Held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors”, “Continuing Connected Transactions – Adjustment to the Annual Cap Amount of the Energy Procurement Agreement”, “Poll Voting Results of the Extraordinary General Meeting held on 13 April 2022”, “Continuing Connected Transactions – Adjustment to the Annual Cap Amount for Product Inspection, Testing and Technical Service Agreements and Integrated Service Agreements for 2023” and related overseas regulatory announcements published on the website of the Stock Exchange on 25 August 2021, 2 November 2021, 3 March 2022, 13 April 2022 and 9 October 2023;
2. For details of the above No.7 connected transaction, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Thirty-six Meeting of the Eighth Session of the Board”, “Announcement on the Signing of Financial Services Agreement and Ordinary Connected Transaction between YTO and SINOMACH Finance Co., Ltd.”, “Announcement of First Tractor on the Resolutions Passed at 2022 Second Extraordinary General Meeting” published by the Company on the website of the Shanghai Stock Exchange on 30 March 2022 and 17 June 2022, and the announcements on “(1) Disclosable and Connected Transactions in relation to the Sale of Subject Assets; (2) Major and Connected Transactions in relation to the Capital Increase to SINOMACH Finance; and (3) Disclosable Transactions and Continuing Connected Transactions in relation to the Deposit Transaction”, “Poll Voting Results of the Extraordinary General Meeting held on 16 June 2022” and related overseas regulatory announcements published on the website of the Stock Exchange on 29 March 2022 and 16 June 2022;
3. For details of the above No.8–12 connected transactions, please refer to the “Announcement of First Tractor on the Resolutions Passed at the Seven Meeting of the Ninth Session of the Board”, “Announcement of First Tractor on Daily Connected Transactions in 2023”, “Announcement of First Tractor on Increasing the Estimated Cap Amount of Some Daily Connected Transactions for 2023” published by the Company on the website of the Shanghai Stock Exchange on 21 December 2022 and 10 October 2023 and the Announcement of “Continuing Connected Transactions in 2023”, and “Continuing Connected Transactions – Adjustment to the Annual Cap Amount for Product Inspection, Testing and Technical Service Agreements and Integrated Service Agreements for 2023” and related overseas regulatory announcement published by the Company on the website of the Stock Exchange on 20 December 2022 and 9 October 2023.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

4. During the Reporting Period, before the completion of the deregistration and liquidation of YTO Finance, the highest balance of the financial service agreements signed between YTO Finance and YTO, namely the Deposit Service Agreement, Loan Service Agreement, Bills Acceptance Service Agreement and Bills Discounting Service Agreement at any one point in time was RMB55,003,100, RMB0, RMB87,600 and RMB0 respectively, and the highest balance of the Interbank Business Services Agreement with SINOMACH Finance at any one point in time was RMB0, and the transaction amounts were all formed by carrying forward the balances at the end of 2022 and did not exceed the maximum amount of approved connected transactions. As of the end of June 2023, YTO Finance had completed liquidation, the debts and liabilities involved in the aforesaid connected transactions had been fully settled and all the agreements had been terminated.

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Details of the transaction	Pricing principle of the transaction	Estimated transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar transactions (%)
13	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 transaction price between Tractors Research Company and the independent third party for the same business; (2) The price is determined at a reasonable cost for the services provided by Tractors Research Company, plus gross profit from comparable non-connected transactions; (3) If none of the above is available or applicable, the price is determined under arm's length negotiations between the two parties.	20,000	14,606	100.00

For details of the No.13 connected transaction, please refer to the "Announcement of First Tractor on the Resolutions Passed at the Seven Meeting of the Ninth Session of the Board", "Announcement on the Daily Related Transactions for 2023 of First Tractor" published by the Company on the website of the Shanghai Stock Exchange on 21 December 2022 and the announcement of "Continuing Connected Transactions in 2023" and related overseas regulatory announcement published by the Company on the website of the Stock Exchange on 20 December 2022.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### Continuing Connected Transactions under the Listing Rules of the Shanghai Stock Exchange:

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Details of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in 2023	Percentage of the transaction amount relative to similar transactions (%)
14	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The parties agreed on the annual lease payments at RMB6.63 million in line with the market principle.	663	663	31.59
15	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 the Company a technology licensing fee of 0.3% of the sales revenue generated from products manufactured using licensed technology.	95	75	100.00
16	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	The price of components is 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.	5,800	4,943	0.43
17	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of products by ZF YTO Drive Axle to the Company and its branches	(1) The price of drive axle products is determined under negotiations between both parties based on factors such as prices of past years, the then prevailing market price and raw material price fluctuations;  (2) The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Drivotech (Hangzhou) Co. Ltd.* (採埃孚傳動技術(杭州)有限公司).	24,500	20,437	1.93

For details of the No.14–17 connected transactions, please refer to the “Announcement of First Tractor on Daily Connected Transactions for 2023 with ZF YTO (Luoyang) Drive Axle Company Limited”, “Announcement of First Tractor on Increasing the Estimated Cap Amount of Some Daily Connected Transactions for 2023” and “Announcement of First Tractor on the Resolutions Passed at 2023 Second Extraordinary General Meeting” published by the Company on the website of the Shanghai Stock Exchange on 21 December 2022, 10 October 2023 and 9 December 2023, the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 20 December 2022 and 9 October 2023 and “Poll Voting Results of the 2023 Second Extraordinary General Meeting held on 8 December 2023” published by the Company on the website of the Stock Exchange on 8 December 2023.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

On 12 July 2023, Changxing Agricultural Machinery, a subsidiary of the Company, won the tender for all the sections of the procurement project of the dry field/water field full-scale mechanical verification platform of Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. (洛陽智能農業裝備研究院有限公司) by way of open tender and entered into the Equipment Procurement Contract, with a total contract amount of RMB87.19 million. In 2023, the actual transaction amount of the Equipment Procurement Contract between the Company and Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. was RMB87.19 million. For details, please refer to the "Announcement on the Signing of the Agreement on the Won Project by a Wholly-owned Subsidiary" published on the website of the Shanghai Stock Exchange on 13 July 2023 and the announcement on "Connected Transactions" published on the website of the Stock Exchange on 12 July.

### 2. Matters not Disclosed in the Provisional Announcements

Unit: 0'000 Currency: RMB

Connected counterparty	Connected relationship	Type of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Connected transaction price	Connected transaction amount	Percentage of the transaction amount relative to similar 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) Fees are collected at a rate of 2% to 5% of the external sales revenue generated by products bearing the trademark;  (2) Fees based on the external sales revenue of entities using different font sizes are calculated on this basis, with the maximum charge not exceeding 5%.	35	11	36.37
Total				/	/	11	36.37
Details on return of large-sum sales					Nil		
Description of connected transactions					The Company's trademark and font size licensing use with the controlling shareholder constitutes a related 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 involved falls below the threshold for disclosure;		

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### (II) The Company's Financial Business with Related Financial Companies, the Company's Holding Financial Companies and Related Parties

#### 1. Deposit Business

Unit: 0'000 Currency: RMB

Related party	Connected relationship	Daily maximum deposit limit	Range of deposit interest rates	Opening balance	Amount incurred during the Reporting Period		Closing balance
					Total deposit amount during the Reporting Period	Total withdrawal amount during the Reporting Period	
SINOMACH Finance	Companies controlled by de facto controllers	200,000	1.80%-1.85%	196,821.23	6,936,716.06	6,947,120.54	186,416.74
Total	/	/	/	196,821.23	6,936,716.06	6,947,120.54	186,416.74

#### 2. Loan Business

Unit: 0'000 Currency: RMB

Related party	Connected relationship	Range of deposit interest rates	Opening balance	Amount incurred during the Reporting Period		Closing balance
				Total deposit amount during the Reporting Period	Total deposit amount during the Reporting Period	
SINOMACH Finance	Companies controlled by de facto controllers	3.40%-3.70%	4,958.00	0.00	4,958.00	0.00
Total	/	/	4,958.00	0.00	4,958.00	0.00

#### 3. Credit Services or Other Financial Services

Unit: 0'000 Currency: RMB

Related party	Connected relationship	Type of business	Actual amount incurred	Closing balance
SINOMACH Finance	Companies controlled by defacto controllers	Bills acceptance	356,844.91	190,178.43

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### 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.

## IX. RELATED PARTY TRANSACTION

Details of the significant related party transactions entered into by the Group during the Financial Year are set out in Note XII headed “Related Parties and Related Parties Transactions” to the consolidated financial statements. None of these related party transactions constituted a disclosable connected transaction (as defined in the Listing Rules of the Stock Exchange), except for the transactions described in section VIII headed “MATERIAL CONNECTED TRANSACTIONS” above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules of the Stock Exchange have been complied.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### X. 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 of 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 favor of SINOMACH.

#### (II) 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	Outstanding balance	Amount overdue and not yet collected
Entrusted loan	Owned funds	-17,100	0.00	2,100

##### Other Circumstances

In June 2023, based on the final liquidation of YTO Shentong, the Company recovered RMB4.27 million of loans. During the Reporting Period, the Company wrote off the remaining unrecovered amount of RMB166.73 million, which had been fully provided for credit impairment in prior periods.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### X. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF (CONTINUED)

#### (II) Cash Assets Management by Others under Entrustment(Continued)

##### 1. Entrusted loans (Continued)

##### (2) Individual Entrusted Loans

Unit: 0'000 Currency: RMB

Trustee	Category of entrusted loan	Amount of entrusted loan	Commencement date of the entrusted loan	End date of entrusted loan	Source of fund	Use of fund	Method of determining remuneration	Annualized rate of return	Expected income (if any)	Actual gain or loss	Actual recovery	Has it gone through the legal process	Are there any future plans for entrusted loans	Amount provided for impairment (if any)
Changtuo Company	Entrusted loan	540	2019-6-27	2020-6-26	Owned funds	Production operation		6.175%			Unrecovered	Yes	No	540
Changtuo Company	Entrusted loan	130	2019-7-1	2020-6-30	Owned funds	Production operation		5.655%			Unrecovered	Yes	No	130
Changtuo Company	Entrusted loan	130	2019-7-3	2020-7-2	Owned funds	Production operation		5.655%			Unrecovered	Yes	No	130
Changtuo Company	Entrusted loan	100	2019-9-12	2020-9-11	Owned funds	Production operation		5.655%			Unrecovered	Yes	No	100
Changtuo Company	Entrusted loan	1,200	2019-11-28	2020-11-21	Owned funds	Production operation		5.655%			Unrecovered	Yes	No	1,200

##### (3) Provision for Impairment of Entrusted Loans

During the Reporting Period, no provision was made for the impairment on entrusted loans, however, a provision of RMB21 million was made for the impairment on entrusted loans.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### XI. 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 that competes or may compete, directly or indirectly, with the business of the Group.

### XII. 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.

### XIII. 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.

### XIV. 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 are now in force and in force throughout the year under review.

### XV. 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.

### XVI. 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.

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### XVII. 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 XII of the consolidated financial statements respectively.

### XVIII. MAJOR CUSTOMERS AND SUPPLIERS

For the 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 6.95% and that the largest customer contributed approximately 1.85%; the percentage share of the Group's purchases attributable to the Group's five largest suppliers in aggregate was approximately 19.88% and that the largest supplier contributed approximately 10.16%.

Save for YTO, 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.

### XIX. 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 V. 74 to the consolidated financial statements on pages 141 to 142 of the Annual Report.

### XX. DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves were approximately RMB2,219 million (2022: approximately RMB1,540 million).

### XXI. 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.

### XXII. PUBLIC FLOAT

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

### XXIII. TAX CONCESSIONS

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

## SECTION VI SIGNIFICANT EVENTS (CONTINUED)

### XXIV. 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.

### XXV. 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 for the year ended 31 December 2023.

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in Shares

##### 1. Changes in Shares

During the Reporting Period, 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 share restriction	Date of release of the restricted shares
YTO	137,795,275	0	0	137,795,275	YTO has committed not to transfer the shares subscribed through the Company's non-public issuance for a period of 36 months from the completion of the issuance	23 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)	24,420 Including 24,109 holders of A Shares and 311 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)	20,847 Including 20,538 holders of A Shares and 309 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)	/

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

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

Unit: Share

Name of shareholder (full name)	Shareholdings of the top ten shareholders (excluding shares lent through refinancing)				Pledged, charged or frozen		Nature of shareholder
	Increase/decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	
YTO Group Corporation	0	548,485,853	48.81	137,795,275	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	102,000	388,285,309	34.56	0	Unknown	/	Overseas legal person
Hong Kong Securities Clearing Company Limited (Note 2)	-17,399,662	8,117,112	0.72	0	Unknown	/	Overseas legal person
China Construction Bank Corporation – Huatai Borui Full Flexible Allocation Hybrid Securities Investment Fund (華泰柏瑞富利靈活配置混合型證券投資基金)	5,906,701	5,906,701	0.53	0	Unknown	/	Others
Fuguo Fund – China Life Insurance Company Limited – Traditional Insurance – Fuguo Fund China Life Share Growth Stock Traditional Available-for-Sale Single Asset Management Plan (富國基金國壽股份成長股票傳統可供出售單一資產管理計劃)	5,650,600	5,650,600	0.50	0	Unknown	/	Others
Fuguo Fund – China Life Insurance Company Limited – Dividend Insurance – Fuguo Fund China Life Share Growth Stock Portfolio Single Asset Management Plan (富國基金國壽股份成長股票型組合單一資產管理計劃)	5,150,500	5,150,500	0.46	0	Unknown	/	Others
Basic Pension Insurance Fund 2103 Portfolio (基本養老保險基金二零三組合)	3,898,699	3,898,699	0.35	0	Unknown	/	Others
Huatai Borui Multi-Strategy Flexible Allocation Hybrid Securities Investment Fund (華泰柏瑞多策略靈活配置混合型證券投資基金)	2,992,525	2,992,525	0.27	0	Unknown	/	Others
South Alpha Hybrid Securities Investment Fund (南方阿爾法混合型證券投資基金)	2,568,146	2,568,146	0.23	0	Unknown	/	Others
China Construction Bank Corporation – Xiniao New Energy Industry Equity Securities Investment Fund	2,385,900	2,385,900	0.21	0	Unknown	/	Others

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

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

Name of shareholder	Number of shares that can be traded without selling restrictions	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)	388,285,309	Overseas listed foreign shares	388,285,309
Hong Kong Securities Clearing Company Limited (Note 2)	8,117,112	Ordinary shares denominated in RMB	8,117,112
China Construction Bank Corporation – Huatai Borui Fuli Flexible Allocation Hybrid Securities Investment Fund (華泰柏瑞富利靈活配置混合型證券投資基金)	5,906,701	Ordinary shares denominated in RMB	5,906,701
Fuguo Fund – China Life Insurance Company Limited – Traditional Insurance – Fuguo Fund China Life Share Growth Stock Traditional Available-for-Sale Single Asset Management Plan (富國基金國壽股份成長股票傳統可供出售單一資產管理計劃)	5,650,600	Ordinary shares denominated in RMB	5,650,600
Fuguo Fund – China Life Insurance Company Limited – Dividend Insurance – Fuguo Fund China Life Share Growth Stock Portfolio Single Asset Management Plan (富國基金國壽股份成長股票型組合單一資產管理計劃)	5,150,500	Ordinary shares denominated in RMB	5,150,500
Basic Pension Insurance Fund 2103 Portfolio (基本養老保險基金二二零三組合)	3,898,699	Ordinary shares denominated in RMB	3,898,699
China Construction Bank Corporation – Huatai Borui Multi-Strategy Flexible Allocation Hybrid Securities Investment Fund (華泰柏瑞多策略靈活配置混合型證券投資基金)	2,992,525	Ordinary shares denominated in RMB	2,992,525
China Merchants Bank Co., Ltd. – South Alpha Hybrid Securities Investment Fund (南方阿爾法混合型證券投資基金)	2,568,146	Ordinary shares denominated in RMB	2,568,146
China Construction Bank Corporation – Xinao New Energy Industry Equity Securities Investment Fund	2,385,900	Ordinary shares denominated in RMB	2,385,900

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

Explanation of special repurchase accounts of top ten shareholders	N/A
Explanation of 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, does not have entrusted voting rights or trustee voting rights, nor has it waived its voting rights. The Company is unaware of whether other shareholders have entrusted voting rights, trustee voting rights, or have waived their voting rights.
Explanation of 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 of the redeemable preferred shareholders with restored voting rights and their shareholding numbers	N/A

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

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

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

### Changes of top ten shareholders compared to the previous period

*Unit: share*

Name of shareholders (full name)	Additions/ withdrawals during the Reporting Period	Number of shares lent under refinancing facilities at the end of the period and not yet repaid		Number of shares held in shareholders' general account, credit account and outstanding shares lent under refinancing facilities at the end of the period	
		Total amount	Percentage (%)	Total amount	Percentage (%)
China Construction Bank Corporation – Huatai Borui Fuli Flexible Allocation Hybrid Securities Investment Fund (中國建設銀行股份有限公司—華泰柏瑞富利 靈活配置混合型證券投資基金)	Addition	0	0	5,906,701	0.53
Fullgoal Fund - China Life Insurance Company Limited - Traditional Insurance - Fullgoal Fund China Life Growth Equity Traditional Available-for-Sale Single Asset Management Plan (富國基金—中國人壽保險 股份有限公司—傳統險—富國基金國壽股份成長股 票傳統可供出售單一資產管理計劃)	Addition	0	0	5,650,600	0.50
Fullgoal Fund - China Life Insurance Company Limited - With-profits Insurance - Fullgoal Fund China Life Equity Growth Portfolio Single Asset Management Plan (富國基金—中國人壽保險股份有限公司—分 紅險—富國基金國壽股份成長股票型組合單一資產 管理計劃)	Addition	0	0	5,150,500	0.46
Basic Pension Insurance Fund 2103 Portfolio (基本養老保險基金二二零三組合)	Addition	0	0	3,898,699	0.35
China Construction Bank Corporation – Huatai Borui Multi-Strategy Flexible Allocation Hybrid Securities Investment Fund (中國建設銀行股份有限公司—華 泰柏瑞多策略靈活配置混合型證券投資基金)	Addition	0	0	2,992,525	0.27
China Merchants Bank Co., Ltd. – South Alpha Hybrid Securities Investment Fund (南方阿爾法混合型證 券投資基金)	Addition	0	0	2,568,146	0.23
China Construction Bank Corporation - Xinao New Energy Industry Equity Securities Investment Fund (中國建設銀行股份有限公司—信澳新能源產業股 票型證券投資基金)	Addition	0	0	2,385,900	0.21
Taikang Life Insurance Co., Ltd. – Investment Link – Innovation Power	Withdrawal	0	0	649,200	0.06
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)	Withdrawal	0	0	0	0
CITIC Securities Company Limited	Withdrawal	0	0	924,282	0.08

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

Name of shareholders (full name)	Additions/ withdrawals during the Reporting Period	Number of shares lent under refinancing facilities at the end of the period and not yet repaid		Number of shares held in shareholders' general account, credit account and outstanding shares lent under refinancing facilities at the end of the period	
		Total amount	Percentage (%)	Total amount	Percentage (%)
Han Yan	Withdrawal	0	0	0	0
Xu Dongmei	Withdrawal	0	0	0	0
Agricultural Bank of China Limited Enterprise Annuity Plan—Bank of China Limited	Withdrawal	0	0	0	0
Bank of China Limited – China Merchants Quantitative Selected Stock Type Launched Securities Investment Fund	Withdrawal	0	0	0	0

### 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	Restricted shares being tradable on the stock market		Restriction condition
			Date when trading is permissible	Number of new shares tradable on the market	
1	YTO Group Corporation	137,795,275	23 February 2024	137,795,275	No transfer shall be made within 36 months from the date of completion of the Company's non-public issuance
	Explanation of connected relationship or acting in concert among the aforesaid shareholders	N/A			

## SECTION 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")

As at 31 December 2023, the shareholders of the Company (other than the Directors, Supervisors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register are required to be kept under Section 336 of the SFO are set out below:

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 share capital in respect of relevant issued class share <sup>1</sup> (%)	Percentage of total issued share capital <sup>1</sup> (%)	Class 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 stated above, as at 31 December 2023, in the register required to be kept under Section 336 of SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

### (IV) DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES

As at 31 December 2023, none of the Directors, Chief Executive Officer or Supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the definition of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive officer or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix C3 to the Listing Rules of the Stock Exchange.

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

### III. 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 business
Shareholdings in other domestic and overseas listed companies controlled and held during the Reporting Period	Nil
Other explanation	Nil

##### 2 *Diagram Showing the Equity Interest and Controlling Relationship Between the Company and the Controlling Shareholder*



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

### (II) Ultimate Controller

#### 1 Corporation

<p><b>Name</b></p> <p>Person in charge or legal representative</p> <p>Date of establishment</p> <p>Principal business</p>	<p><b>China National Machinery Industry Corporation Ltd</b></p> <p>Zhang Xiaolun</p> <p>21 May 1988</p> <p>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 the relevant authorities. No business activities that are prohibited and restricted by the industrial policies of the municipality shall be carried out.)</p>
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## SECTION 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), 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) and Modern Agricultural Equipment Co., Ltd. (NQ430010)

Other explanations

Nil

### 2 Diagram Showing the Equity Interest and Controlling Relationship Between the Company and the De Facto Controller



## **SECTION VIII RELEVANT INFORMATION ON PREFERENCE SHARES**

The Company had no preference shares during the Reporting Period.

## SECTION 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.

## SECTION X AUDIT REPORT

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 of December 31, 2023, 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 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, 2023, and its consolidated and parent company's operating results and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

### II. BASIS FOR AUDITOR'S 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 fulfill 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 significant 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 provide a separate opinion on these matters.

## SECTION 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 III. 26” and “Note V. Main items in Consolidated Financial Statements No. 47” to the Financial Statements, the sales revenue of the Company mainly comes from the manufacturing and sales of agricultural machinery, diesel engines and fuel injection machines, and other machinery. The amount of revenues from main operations in 2023 is RMB11,432,586,300, accounting for 99.12% of the Company’s total operating revenue. 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/receipts, or bills of lading, 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 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;</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>

## SECTION X    AUDIT REPORT (CONTINUED)

### III. KEY AUDIT MATTERS (CONTINUED)

#### 2. Provision for bad debts for accounts receivable

Key Audit Matters	Countermeasures in the Audit
<p>As mentioned in the accounting policies of “Note III. 11” and “Note V. Main items in Consolidated Financial Statements No. 4” to the Financial Statements, the book value of accounts receivable of the Company is RMB601,174,400, with provision for bad debts of RMB269,968,400 and carrying amount of RMB331,206,000. As the provision for bad debts for 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 provision for bad debts for 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 operation effectiveness of key internal controls related to sales receipts;</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 debts 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;</li> <li>5. Analyze whether there is any sign of provision for bad debts for accounts receivable with a long age and whether the accrual for provision for impairment is sufficient.</li> </ol>

## SECTION X AUDIT REPORT (CONTINUED)

### III. KEY AUDIT MATTERS (CONTINUED)

#### 3. Accrual for provision for inventory impairment

Key Audit Matters	Countermeasures in the Audit
<p>As mentioned in the accounting policies of “Note III. 12” and “Note V. Main items in Consolidated Financial Statements No. 8” to the Financial Statements, the inventories of the Company are mainly raw materials, products in process, finished goods, and goods shipped, with an original value of RMB1,618,732,900 at the end of the year and a provision for inventory impairment of RMB104,542,500, and a carrying amount of RMB1,514,190,400. As the book value of the inventories of the Company is large, and the provision for bad debts of inventory involves significant judgment and estimates of the Management, and 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 accrual for provision for inventory impairment;</li> <li>2. Implement the inventory monitoring work, and check the quantity and condition of inventory;</li> <li>3. Select samples of finished goods, compare the product cost with the selling price of similar goods, and evaluate whether there is provision for bad debts;</li> <li>4. Obtain the list of inventory ageing at the end of the year, and analyze the rationality of the accrual for provision for long-aged inventory impairment in combination with the inventory status;</li> <li>5. Obtain and review the data on which the Management evaluates whether there is a sign of provision for bad debts of inventories, and evaluate their appropriateness and rationality;</li> <li>6. 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 in combination with the contract price and advances from customers.</li> </ol>

## SECTION 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 2023 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 of 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 if we determine the material misstatement of other information. In this regard, we have nothing to report.

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

The Management is responsible for preparing 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 either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Company is responsible for supervising the financial report process of the Company.

## SECTION 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 skepticism in carrying out our audit in accordance with the Auditing Standards. At the same time, we also:

- (1) Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

## SECTION X AUDIT REPORT (CONTINUED)

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

We communicate with those Charged with 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 also provide those Charged with Governance with a statement regarding compliance with ethical requirements related to independence and communicate with those Charged with Governance about all relationships and other matters that could reasonably be considered to affect our independence, as well as related precautions (if applicable).

From the matters communicated with those Charged with 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 unless law or regulation preclude public disclosure about the matter, or in those rare circumstances where we determine not to communicate with those Charged with 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

CPA of China: Ma Chuanjun (*Engagement Partner*)  
CPA of China: Ma Jing

Beijing, China

March 27, 2024

# CONSOLIDATED BALANCE SHEET

December 31, 2023

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2023	December 31, 2022
<b>Current assets:</b>			
Monetary fund	V. 1	2,769,578,885.96	4,363,742,346.01
Lendings to banks and other financial institutions			
Financial assets held for trading	V. 2	862,909,300.00	1,249,646,900.00
Derivative financial assets			
Notes receivable	V. 3	62,322,233.91	76,769,291.70
Accounts receivable	V. 4	331,205,994.88	351,792,105.00
Receivables financing	V. 5	261,430,180.63	246,084,731.86
Advances to suppliers	V. 6	210,734,453.99	214,603,079.62
Other receivables	V. 7	24,672,309.74	26,664,987.91
Including: interest receivables			
dividends receivable			
Financial assets purchased under			
agreements to resell			
Inventories	V. 8	1,514,190,377.68	1,191,302,696.00
Contract assets			
Assets held for sale			
Non-current assets due within one year	V. 9	26,733,364.62	26,138,882.38
Other current assets	V. 10	423,894,751.27	135,457,079.03
<b>Total current assets</b>		<b>6,487,671,852.68</b>	<b>7,882,202,099.51</b>
<b>Non-current assets:</b>			
Loans and advances			
Debt instruments at amortized cost	V. 11	3,337,100,098.30	1,086,568,216.50
Debt instruments at fair value through other			
comprehensive income			
Long-term receivables	V. 12		
Long-term equity investment	V. 13	664,257,573.38	635,976,086.00
Equity instruments at fair value through other			
comprehensive income	V. 14	4,188,008.77	3,513,464.70
Other non-current financial assets			
Investment properties			
Fixed assets	V. 15	2,268,814,612.75	2,311,846,878.77
Construction in progress	V. 16	140,038,654.10	126,466,820.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V. 17	21,834,383.06	34,164,906.27
Intangible assets	V. 18	697,337,769.49	713,225,331.16
Development expenditures			
Goodwill	V. 19		
Long-term deferred expenses	V. 20	47,746,656.30	59,464,923.38
Deferred tax assets	V. 21	148,272,362.96	138,136,755.38
Other non-current assets			
<b>Total non-current assets</b>		<b>7,329,590,119.11</b>	<b>5,109,363,382.17</b>
<b>Total assets</b>		<b>13,817,261,971.79</b>	<b>12,991,565,481.68</b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31, 2023

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2023	December 31, 2022
<b>Current liabilities:</b>			
Short-term borrowings	V. 23		270,223,055.56
Borrowings from central bank			
Deposits from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	V. 24	<b>2,163,570,194.22</b>	1,829,411,578.37
Accounts payable	V. 25	<b>2,315,345,789.04</b>	2,286,961,766.98
Advances from customers	V. 26		190,366.98
Contract liabilities	V. 27	<b>500,336,653.14</b>	846,464,703.95
Financial assets sold under agreements to repurchase			
Customer bank deposits and interbank deposits	V. 28		34,112,630.48
Employee compensation payable	V. 29	<b>116,991,275.94</b>	108,545,159.39
Taxes payable	V. 30	<b>21,912,103.66</b>	21,049,384.80
Other payables	V. 31	<b>469,509,147.78</b>	338,162,726.80
Including: interest payable		<b>39,524,418.05</b>	24,785,843.99
dividends payable		<b>8,439,607.85</b>	8,439,607.83
Liabilities held for sale			
Non-current liabilities due within one year	V. 32	<b>20,969,818.62</b>	17,750,080.09
Other current liabilities	V. 33	<b>435,969,305.17</b>	374,987,097.17
<b>Total current liabilities</b>		<b>6,044,604,287.57</b>	6,127,858,550.57
<b>Non-current liabilities:</b>			
Provision for insurance contract			
Long-term borrowings	V. 34	<b>200,000,000.00</b>	49,380,000.00
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities	V. 35	<b>2,098,999.39</b>	16,459,875.98
Long-term payables	V. 36	<b>8,281,441.87</b>	8,476,357.76
Long-term employee compensation payable	V. 37	<b>38,103,687.73</b>	48,210,828.04
Provision	V. 38	<b>1,962,613.99</b>	1,962,613.99
Deferred income	V. 39	<b>181,945,272.97</b>	121,762,517.70
Deferred tax liabilities	V. 21	<b>120,936,004.89</b>	120,283,861.71
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>553,328,020.84</b>	366,536,055.18
<b>Total liabilities</b>		<b>6,597,932,308.41</b>	6,494,394,605.75

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

December 31, 2023

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2023	December 31, 2022
<b>Shareholders' equity:</b>			
Share capital	V. 40	<b>1,123,645,275.00</b>	1,123,645,275.00
Other equity instruments Including: preferred stock perpetual bonds			
Capital reserve	V. 41	<b>2,655,849,996.00</b>	2,655,849,996.00
Less: treasury shares			
Other comprehensive income	V. 42	<b>-13,923,730.01</b>	-5,853,544.29
Special reserves	V. 43	<b>7,494,294.70</b>	5,497,405.05
Surplus reserves	V. 44	<b>699,875,564.60</b>	595,433,495.89
General risk provision	V. 45		43,263,387.54
Retained earnings	V. 46	<b>2,218,749,266.26</b>	1,540,248,936.64
<b>Total equity attributable to the shareholder of company</b>		<b><u>6,691,690,666.55</u></b>	<u>5,958,084,951.83</u>
<b>Non-controlling interests</b>		<b><u>527,638,996.83</u></b>	<u>539,085,924.10</u>
<b>Total shareholders' equity</b>		<b><u>7,219,329,663.38</u></b>	<u>6,497,170,875.93</u>
<b>Total liabilities and shareholders' equity</b>		<b><u>13,817,261,971.79</u></b>	<u>12,991,565,481.68</u>

Legal representative:  
**Liu Jiguo**

Chief Financial Officer:  
**Kang Zhifeng**

Director of Accounting Department:  
**Jiang Jingyuan**

# BALANCE SHEET OF THE PARENT COMPANY

December 31, 2023

Prepared by First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2023	December 31, 2022
<b>Current assets:</b>			
Monetary fund		905,404,771.76	1,722,897,157.23
Financial assets held for trading		319,909,300.00	675,482,733.33
Derivative financial assets			
Notes receivable		11,068,995.02	1,625,000.00
Accounts receivable	XVI.1	565,020,329.07	581,387,851.71
Receivables financing		120,710,664.18	221,126,278.14
Advances to suppliers		205,865,768.79	215,931,829.44
Other receivables	XVI.2	135,293,847.86	201,924,617.91
Including: interest receivables			
dividends receivable		76,808,376.96	76,808,376.96
Inventories		815,689,252.46	665,370,559.45
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		350,125,914.62	83,603,174.36
<b>Total current assets</b>		<b>3,429,088,843.76</b>	<b>4,369,349,201.57</b>
<b>Non-current assets:</b>			
Debt instruments at amortized cost		3,337,100,098.30	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	XVI.3	2,152,723,764.67	2,609,671,715.57
Equity instruments at fair value through other comprehensive income			
Other non-current financial assets			
Investment properties			
Fixed assets		1,295,996,508.07	1,368,715,459.93
Construction in progress		51,122,717.21	41,927,945.62
Productive biological assets			
Oil and gas assets			
Right-of-use assets		16,706,181.83	25,832,986.85
Intangible assets		481,333,709.05	490,628,424.39
Development expenditures			
Goodwill			
Long-term deferred expenses		26,562,721.87	35,249,504.90
Deferred tax assets		58,647,210.41	52,982,699.74
Other non-current assets			
<b>Total non-current assets</b>		<b>7,420,192,911.41</b>	<b>5,711,576,953.50</b>
<b>Total assets</b>		<b>10,849,281,755.17</b>	<b>10,080,926,155.07</b>

## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31, 2023

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2023	December 31, 2022
<b>Current liabilities:</b>			
Short-term borrowings			200,223,055.56
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		<b>1,150,091,826.39</b>	1,022,266,618.92
Accounts payable		<b>1,436,650,341.10</b>	1,434,693,508.64
Advances from customers			190,366.98
Contract liabilities		<b>594,829,479.32</b>	831,726,460.38
Employee compensation payable		<b>84,066,432.55</b>	81,901,948.04
Taxes payable		<b>6,120,631.48</b>	6,011,774.44
Other payables		<b>383,041,759.57</b>	339,791,958.50
Including: interest payable			
dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		<b>15,749,354.05</b>	13,519,395.20
Other current liabilities		<b>95,304,122.30</b>	106,292,965.99
<b>Total current liabilities</b>		<b><u>3,765,853,946.76</u></b>	<b><u>4,036,618,052.65</u></b>
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>200,000,000.00</b>	
Bonds payable			
Including: preferred stock			
perpetual bonds			
Lease liabilities		<b>1,377,500.48</b>	12,313,591.65
Long-term payables			
Long-term employee compensation payable		<b>26,794,592.76</b>	31,670,478.87
Provision		<b>1,962,613.99</b>	1,962,613.99
Deferred income		<b>150,924,550.63</b>	88,032,488.71
Deferred tax liabilities		<b>33,872,322.27</b>	28,681,108.03
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u>414,931,580.13</u></b>	<b><u>162,660,281.25</u></b>
<b>Total liabilities</b>		<b><u>4,180,785,526.89</u></b>	<b><u>4,199,278,333.90</u></b>

## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

*December 31, 2023*

*Unit: Yuan Currency: RMB*

Item	<i>Notes</i>	December 31, 2023	December 31, 2022
<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 reserve		2,561,176,415.62	2,561,176,415.62
Less: treasury shares			
Other comprehensive income		-298,299.16	-69,708.37
Special reserves			
Surplus reserves		625,382,280.77	520,940,212.06
Retained earnings		2,358,590,556.05	1,675,955,626.86
<b>Total shareholders' equity</b>		<b>6,668,496,228.28</b>	<b>5,881,647,821.17</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,849,281,755.17</b>	<b>10,080,926,155.07</b>

*Legal representative:*  
**Liu Jiguo**

*Chief Financial Officer:*  
**Kang Zhifeng**

*Director of Accounting Department:*  
**Jiang Jingyuan**

# CONSOLIDATED INCOME STATEMENT

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>I. Total operating revenue</b>		<b>11,533,786,779.44</b>	12,563,780,344.92
Including: operating revenue	V. 47	<b>11,528,160,755.86</b>	12,455,465,114.62
interest income	V. 48	<b>5,626,023.58</b>	103,241,584.91
premium earned			
fee and commission income	V. 49		5,073,645.39
<b>II. Total operating cost</b>		<b>10,763,216,167.37</b>	11,663,299,445.57
Including: operating cost	V. 47	<b>9,696,630,033.53</b>	10,497,058,564.32
interest expenses	V. 48	<b>99,838.97</b>	12,119,803.80
fee and commission expenses	V. 49	<b>60,491.28</b>	505,541.79
taxes and surcharges	V. 50	<b>49,066,163.90</b>	49,187,427.97
selling expenses	V. 51	<b>240,891,055.45</b>	222,210,134.64
administrative expenses	V. 52	<b>360,636,115.92</b>	395,202,295.32
R&D expenses	V. 53	<b>461,344,381.32</b>	528,782,269.55
financial expenses	V. 54	<b>-45,511,913.00</b>	-41,766,591.82
Including: interest expenses		<b>27,084,632.89</b>	21,199,843.59
interest income		<b>64,235,457.08</b>	27,386,455.05
Add: other income	V. 55	<b>72,465,499.82</b>	42,737,331.02
Investment income (loss to be listed with "-")	V. 56	<b>122,157,792.20</b>	7,287,769.45
Including: Income from investment in associates and joint ventures		<b>43,338,166.13</b>	-33,233,515.23
Revenue from the derecognition of financial assets at amortized cost			-3,646,257.54
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 "-")	V. 57	<b>47,757,032.42</b>	-232,279,776.57
Credit impairment loss (loss to be listed with "-")	V. 58	<b>-2,350,331.02</b>	-88,215,114.78
Asset impairment loss (loss to be listed with "-")	V. 59	<b>-15,895,859.60</b>	-43,627,186.06
Income of assets disposal (loss to be listed with "-")	V. 60	<b>1,561,504.48</b>	1,634,977.44

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

FY 2023

Unit: Yuan    Currency: RMB

Item	Notes	FY 2023	FY2022
<b>III. Operating profit (loss to be listed with “-”)</b>		<b><u>996,266,250.37</u></b>	<u>588,018,899.85</u>
Add: non-operating revenue	V. 61	<b>8,134,394.76</b>	26,426,150.40
Less: non-operating expenses	V. 62	<b>1,314,671.50</b>	2,547,188.18
<b>IV. Total profit (total loss to be listed with “-”)</b>		<b><u>1,003,085,973.63</u></b>	<u>611,897,862.07</u>
Less: income tax expenses	V. 63	<b>14,058,675.83</b>	-30,060,272.03
<b>V. Net profit (net loss to be listed with “-”)</b>		<b><u>989,027,297.80</u></b>	<u>641,958,134.10</u>
(I) Classified by continuity of operation			
1. Net profit from going concern (net loss to be listed with “-”)		<b>971,616,583.50</b>	558,427,311.90
2. Net profit from discontinued operations (net loss to be listed with “-”)		<b>17,410,714.30</b>	83,530,822.20
(II) Classification by ownership			
1. Net profit attributable to the shareholder of company (net loss to be listed with “-”)		<b>997,022,699.99</b>	681,050,957.24
2. Non-controlling interests (net loss to be listed with “-”)		<b>-7,995,402.19</b>	-39,092,823.14

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>VI. Net after-tax amount of other comprehensive income</b>		<b>-4,032,831.14</b>	<b>5,477,415.54</b>
(I) Net after-tax amount of other comprehensive income attributable to the owners of the parent company		<b>-8,070,185.72</b>	<b>5,856,877.15</b>
1. Other comprehensive income that cannot be reclassified into profit or loss		<b>115,426.69</b>	<b>-745,755.85</b>
(1) Changes arising from re-measurement of the defined benefit plan			
(2) Other comprehensive income that cannot be reclassified into profit or loss under the equity method		<b>-228,590.79</b>	<b>-69,708.37</b>
(3) Changes in fair value of equity instruments at FVTOCI		<b>344,017.48</b>	<b>-676,047.48</b>
(4) Changes in fair value of the Company's credit risk			
2. Other comprehensive income to be reclassified into profits or losses		<b>-8,185,612.41</b>	<b>6,602,633.00</b>
(1) Other comprehensive income to be transferred 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 income			
(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) Differences arising from translation of foreign currency financial statements		<b>-8,185,612.41</b>	<b>6,602,633.00</b>
(7) Others			
(II) Net after-tax amount of other comprehensive income attributable to non-controlling shareholders		<b>4,037,354.58</b>	<b>-379,461.61</b>

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

FY 2023

Unit: Yuan    Currency: RMB

Item	<i>Notes</i>	FY 2023	FY2022
<b>VII. Total comprehensive income</b>		<b><u>984,994,466.66</u></b>	<u>647,435,549.64</u>
(I) Total comprehensive income attributable to the shareholder of company		<b>988,952,514.27</b>	686,907,834.39
(II) Total consolidated income attributable to non-controlling shareholders		<b>-3,958,047.61</b>	-39,472,284.75
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		<b>0.8873</b>	0.6061
(II) Diluted earnings per share (RMB/share)		<b>0.8873</b>	0.6061

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

*Legal representative:*  
**Liu Jiguo**

*Chief Financial Officer:*  
**Kang Zhifeng**

*Director of Accounting Department:*  
**Jiang Jingyuan**

# INCOME STATEMENT OF THE PARENT COMPANY

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>I. Operating revenues</b>	XVI.4	<b>9,245,928,057.80</b>	9,620,186,370.81
Less: operating costs	XVI.4	<b>7,967,220,366.58</b>	8,206,502,679.07
taxes and surcharges		<b>22,430,602.22</b>	21,641,122.55
selling expenses		<b>28,684,067.87</b>	28,677,107.56
administrative expenses		<b>217,690,496.67</b>	248,954,371.82
R&D expenses		<b>366,026,787.22</b>	437,525,760.09
financial expenses		<b>-10,767,261.75</b>	-27,116,301.64
Including: interest expenses		<b>40,153,135.73</b>	24,098,719.37
interest income		<b>51,864,647.17</b>	51,125,536.56
Add: other income		<b>58,391,169.30</b>	27,386,100.37
Investment income (loss to be listed with "-")	XVI.5	<b>341,093,076.25</b>	232,257,984.40
Including: Income from investment in associates and joint ventures		<b>43,306,941.89</b>	-33,344,803.50
Revenue from the derecognition of financial assets at amortized cost			11,829,075.04
Net exposure hedging revenue (loss to be listed with "-")			
Income from fair value changes (loss to be listed with "-")		<b>58,857,032.42</b>	32,250,533.33
Credit impairment loss (loss to be listed with "-")		<b>-56,226,321.11</b>	-37,423,825.56
Asset impairment loss (loss to be listed with "-")		<b>-4,857,049.43</b>	-19,573,662.40
Income of assets disposal (loss to be listed with "-")		<b>734,252.39</b>	1,846,339.96
<b>II. Operating profit (loss to be listed with "-")</b>		<b>1,052,635,158.81</b>	940,745,101.46
Add: non-operating revenue		<b>1,376,788.62</b>	3,023,145.67
Less: non-operating expenses		<b>203,581.00</b>	471,196.62
<b>III. Total profit (total loss to be listed with "-")</b>		<b>1,053,808,366.43</b>	943,297,050.51
Less: income tax expenses		<b>9,387,679.33</b>	3,919,927.47
<b>IV. Net profit (net loss to be listed with "-")</b>		<b>1,044,420,687.10</b>	939,377,123.04
(I) Net profit from continuing operations (net loss to be listed with "-")		<b>1,044,420,687.10</b>	939,377,123.04
(II) Net profit from discontinued operations (net loss to be listed with "-")			

## INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>V. Net amount of other comprehensive income after tax</b>		<u>-228,590.79</u>	<u>-69,708.37</u>
(I) Other comprehensive income that cannot be reclassified into profit or loss		<u>-228,590.79</u>	<u>-69,708.37</u>
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		-228,590.79	-69,708.37
3. Changes in fair value of equity instruments at FVTOCI			
4. Changes in fair value of the Company's credit risk			
(II) Other comprehensive income to be reclassified into profits or losses			
1. Other comprehensive income to be transferred 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 income			
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. Differences arising from translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<u><u>1,044,192,096.31</u></u>	<u><u>939,307,414.67</u></u>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan

# CONSOLIDATED CASH FLOW STATEMENT

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and provision of services		9,660,134,420.37	11,124,620,253.17
Net increase in customer deposit and interbank deposit		-33,469,641.36	-704,351,604.48
Cash received from interests, fees and commissions		6,394,495.07	125,551,707.44
Net increase in deposits from banks and other financial institutions			-199,984,382.28
Net increase from repurchasing business funds			360,000,000.00
Refund of taxes and surcharge		263,741,466.07	289,003,521.77
Other cash received relating to operating activities	V. 65	325,324,559.49	129,139,816.33
Subtotal of cash inflows from operating activities		10,222,125,299.64	11,123,979,311.95
Cash paid for goods and services		7,482,689,226.59	7,314,107,202.61
Net increase in loans and advances to customers		-95,035.30	-1,139,923,646.57
Net increase in deposits in the central bank and other financial institutions		-9,176,871.31	-928,592,890.92
Cash paid for interests, fees and commissions		844,433.24	15,909,417.59
Cash paid to and on behalf of employees		1,096,431,552.84	1,084,174,701.45
Payments of taxes and surcharges		242,503,711.61	189,281,299.72
Cash paid for other operating activities	V. 65	352,666,681.19	987,015,910.72
Subtotal of cash outflows from operating activities		9,165,863,698.86	7,521,971,994.60
<b>Net cash flows from operating activities</b>		<b>1,056,261,600.78</b>	<b>3,602,007,317.35</b>

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>II. Cash flows from investing activities:</b>			
Cash received from the return of investment		424,266,450.00	1,201,000.00
Cash received from acquirement of investment income		33,451,579.32	27,880,170.83
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		4,642,376.82	7,114,701.99
Net cash received from disposal of subsidiaries and other business units			21,762,511.09
Other cash received relating to investing activities	V. 65		
		<b>462,360,406.14</b>	<b>57,958,383.91</b>
Subtotal of cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		89,101,317.79	94,191,218.86
Cash paid to acquire investments		2,382,527,019.25	2,059,777,100.00
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities	V. 65	463,615.57	
		<b>2,472,091,952.61</b>	<b>2,153,968,318.86</b>
Subtotal of cash outflows from investing activities			
<b>Net cash flow from investing activities</b>		<b>-2,009,731,546.47</b>	<b>-2,096,009,934.95</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment Including: cash received by subsidiaries from non-controlling shareholders' investments		300,000,000.00	709,880,000.00
Cash received from borrowings			138,052,188.68
Other cash received relating to financing activities	V. 65		
		<b>300,000,000.00</b>	<b>847,932,188.68</b>
Subtotal of cash inflows from financing activities			
Cash paid for repayment of debts		349,580,000.00	770,300,000.00
Cash paid for distribution of dividends, profits or interest repayment		273,225,650.39	198,574,645.94
Including: dividends and profits paid by subsidiaries to non-controlling shareholders		4,662,532.29	52,762,144.65
Other cash paid relating to financing activities	V. 65	23,537,743.44	19,584,176.68
		<b>646,343,393.83</b>	<b>988,458,822.62</b>
Subtotal of cash outflows from financing activities			
<b>Net cash flows from financing activities</b>		<b>-346,343,393.83</b>	<b>-140,526,633.94</b>

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
IV. Effects from the change of exchange rate on cash and cash equivalents		<u>3,446,393.68</u>	<u>7,339,107.80</u>
V. Net increase in cash and cash equivalents		<u>-1,296,366,945.84</u>	<u>1,372,809,856.26</u>
Add: Beginning balance of cash and cash equivalents		<u>3,519,577,581.87</u>	<u>2,146,767,725.61</u>
VI. Ending balance of cash and cash equivalents		<u><u>2,223,210,636.03</u></u>	<u><u>3,519,577,581.87</u></u>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan

# CASH FLOW STATEMENT OF THE PARENT COMPANY

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and provision of services		7,195,823,741.65	7,591,469,369.27
Refund of taxes and surcharge		163,669,145.12	231,963,626.55
Other cash received relating to operating activities		350,596,547.58	348,250,920.01
		<u>7,710,089,434.35</u>	<u>8,171,683,915.83</u>
Subtotal of cash inflows from operating activities			
Cash paid for goods and services		5,892,196,609.76	4,757,789,797.18
Cash paid to and on behalf of employees		668,289,972.62	654,327,401.62
Payments of taxes and surcharges		143,137,855.18	55,246,220.34
Cash paid for other operating activities		279,605,438.39	435,260,385.15
		<u>6,983,229,875.95</u>	<u>5,902,623,804.29</u>
Subtotal of cash outflows from operating activities			
<b>Net cash flows from operating activities</b>		<u><b>726,859,558.40</b></u>	<u><b>2,269,060,111.54</b></u>
<b>II. Cash flows from investing activities:</b>			
Cash received from the return of investment		1,084,863,228.35	421,200,000.00
Cash received from acquirement of investment income		37,236,751.79	335,326,093.90
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		2,914,577.63	11,618,186.68
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
		<u>1,125,014,557.77</u>	<u>768,144,280.58</u>
Subtotal of cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,688,928.15	55,397,675.56
Cash paid to acquire investments		2,367,887,500.00	2,039,776,100.00
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities			
		<u>2,393,576,428.15</u>	<u>2,095,173,775.56</u>
Subtotal of cash outflows from investing activities			
<b>Net cash flow from investing activities</b>		<u><b>-1,268,561,870.38</b></u>	<u><b>-1,327,029,494.98</b></u>

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

FY 2023

Unit: Yuan Currency: RMB

Item	Notes	FY 2023	FY2022
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Cash received from borrowings		300,000,000.00	1,180,000,000.00
Other cash received relating to financing activities			138,052,188.68
		<u>300,000,000.00</u>	<u>1,318,052,188.68</u>
Subtotal of cash inflows from financing activities		<u>300,000,000.00</u>	<u>1,318,052,188.68</u>
Cash paid for repayment of debts		300,000,000.00	2,180,000,000.00
Cash paid for distribution of dividends, profits or interest repayment		269,803,161.43	157,874,352.09
Other cash paid relating to financing activities		16,496,071.46	15,266,449.36
		<u>586,299,232.89</u>	<u>2,353,140,801.45</u>
Subtotal of cash outflows from financing activities		<u>586,299,232.89</u>	<u>2,353,140,801.45</u>
<b>Net cash flows from financing activities</b>		<u><b>-286,299,232.89</b></u>	<u><b>-1,035,088,612.77</b></u>
<b>IV. Effects from the change of exchange rate on cash and cash equivalents</b>			
		<u>-11,270.18</u>	<u>-78,946.64</u>
<b>V. Net increase in cash and cash equivalents</b>			
		<u>-828,012,815.05</u>	<u>-93,136,942.85</u>
Add: Beginning balance of cash and cash equivalents		<u>1,507,739,713.00</u>	<u>1,600,876,655.85</u>
<b>VI. Ending balance of cash and cash equivalents</b>		<u><b>679,726,897.95</b></u>	<u><b>1,507,739,713.00</b></u>

Legal representative:  
Liu Jiguo

Chief Financial Officer:  
Kang Zhifeng

Director of Accounting Department:  
Jiang Jingyuan

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FY 2023

Unit: Yuan Currency: RMB

Item	Amount in the current year														Total shareholders' equity
	Equity attributable to the shareholder of company														
	Share capital	Preferred stock	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings	Others	Subtotal	Non-controlling interests	
I. Ending balance of the previous 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	539,085,924.10	6,497,170,875.93
Add: changes in accounting policies															
Correction of prior period errors															
Others															
II. Beginning 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	539,085,924.10	6,497,170,875.93
III. Movements in the Current Year (decrease to be listed with "-")							-8,070,185.72	1,996,889.65	104,442,068.71	-43,263,387.54	678,500,329.62		733,605,714.72	-11,446,927.27	722,156,787.45
(I) Total comprehensive income							-8,070,185.72				997,022,699.99		988,952,514.27	-3,958,047.61	984,994,466.66
(II) Capital invested and decreased by shareholders														-3,000,000.00	-3,000,000.00
1. Common shares invested by shareholders															
2. Capital contributed by holders of other equity instruments															
3. Share-based payment included in shareholder's equity															
4. Others														-3,000,000.00	-3,000,000.00
(III) Profit distribution									104,442,068.71		-361,785,757.91		-257,343,689.20	-4,662,532.29	-262,006,221.49
1. Appropriation to surplus reserves									104,442,068.71		-104,442,068.71				
2. Appropriation to general risk reserve															
3. Distribution to shareholders															
4. Others															
(IV) Internal carry-over in shareholder's equity										-43,263,387.54	43,263,387.54				
1. Capital surplus transferred to share capital															
2. Surplus reserves transferred to share capital															
3. Surplus reserves to recover loss															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Appropriation and use of special reserves								1,996,889.65					1,996,889.65	173,652.63	2,170,542.28
1. Appropriation in current year								21,456,415.06					21,456,415.06	1,615,979.92	23,072,394.98
2. Use in current year								-19,459,525.41					-19,459,525.41	-1,442,327.29	-20,901,852.70
(VI) Others															
IV. Ending balance of the current year	1,123,645,275.00				2,655,849,996.00		-13,923,730.01	7,494,294.70	699,875,564.60		2,218,749,266.26		6,691,690,666.55	527,638,996.83	7,219,329,663.38

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

FY 2023

Unit: Yuan Currency: RMB

Item	Amount in the previous year													Total shareholders' equity	
	Equity attributable to the parent company												Non-controlling interests		
	Share capital	Other equity instruments		Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings	Others			Subtotal
<b>I. Ending balance of the previous year</b>	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
Add: changes in accounting policies															
Correction of prior period errors															
Others															
<b>II. Beginning balance of the current year</b>	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
<b>III. Movements in the Current Year (decrease to be listed with "-")</b>							5,656,877.15	2,031,637.93	93,937,712.30		454,179,851.12		556,006,078.50	-41,058,349.24	514,947,729.26
(I) Total comprehensive income							5,656,877.15				681,050,857.24		686,907,834.39	-39,472,284.75	647,435,549.64
(II) Capital invested and decreased by shareholders															
1. Common shares invested by shareholders															
2. Capital contributed by holders of other equity instruments															
3. 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	-1,745,296.65	-134,678,690.47
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	-1,745,296.65	-134,678,690.47
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 loss															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserves								2,031,637.93					2,031,637.93	159,232.16	2,190,870.09
1. Appropriation in current year								15,965,602.60					15,965,602.60	1,255,684.15	17,241,286.75
2. Use in current year								-13,953,964.67					-13,953,964.67	-1,096,451.99	-15,050,416.66
(VI) Others															
<b>IV. Ending balance of the current year</b>	1,123,645,275.00				2,655,849,996.00		-5,653,544.29	5,497,405.05	595,433,495.89	43,263,387.54	1,540,248,936.64		5,958,084,951.83	539,085,924.10	6,497,170,875.93

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

FY 2023

Unit: Yuan Currency: RMB

Item	Amount in the current year										
	Share capital	Preferred stock	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Ending balance of the previous 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
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		-69,708.37		520,940,212.06	1,675,955,626.86	5,881,647,821.17
III. Movements in the Current Year (decrease to be listed with "-")											
(i) Total comprehensive income							-228,590.79		104,442,068.71	682,634,929.19	786,948,407.11
(ii) Capital invested and decreased by shareholders										1,044,420,687.10	1,044,192,096.31
1. Common shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Share-based payment included in shareholder's equity											
4. Others											
(iii) Profit distribution									104,442,068.71	-361,785,757.91	-257,343,689.20
1. Appropriation to surplus reserves									104,442,068.71	-104,442,068.71	
2. Distribution to shareholders										-257,343,689.20	-257,343,689.20
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 loss											
4. Retained earnings carried forward from changes in defined benefit plan											
5. Retained earnings carried forward from other comprehensive income											
6. Others											
(v) Special reserves											
1. Appropriation in current year								12,991,297.08			12,991,297.08
2. Use in current year								-12,991,297.08			-12,991,297.08
(vi) Others											
IV. Ending balance of the current year	1,123,645,275.00				2,561,176,415.62		-298,299.16		625,382,280.77	2,368,590,556.05	6,668,496,228.28

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

FY 2023

Unit: Yuan Currency: RMB

Item	Amount in the previous 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 "-")											
(I) Total comprehensive income							-69,708.37		93,937,712.30	702,452,982.18	796,320,966.11
(II) Capital invested and decreased by shareholders											
1. Common shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. 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 loss											
4. Retained earnings carried forward from changes in defined benefit plan											
5. Retained earnings carried forward from other comprehensive income											
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

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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

## I. 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) 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 RMB1 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 ZJXK [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 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, 2023, 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, power machinery, and others.

The parent company of the Company is China YTO, and the ultimate controlling party is China National Machinery Industry Corporation (hereinafter referred to as Sinomach). Both are registered in the People's Republic of China.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### II. 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, the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and application guidelines, interpretations and other relevant provisions thereof (hereinafter collectively referred to as “ASBE”), *Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 15 – General Provisions on Financial Reports* (revised in 2023) issued by China Securities Regulatory Commission (CSRC) and relevant regulations, and disclosure requirements in *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 III. 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.

### III. 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 ASBE, and truly and completely reflect the relevant information such as the financial position as of December 31, 2023 and the operating results and cash flows for the year then ended of the Company and the Group.

#### 2. Accounting period

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

#### 3. Business cycle

The business operating cycle of the Group is 12 months.

#### 4. Bookkeeping currency

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

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 5. Determination method and selection basis for materiality

The Group follows the principle of materiality in preparing and disclosing financial statements. Disclosures in the notes to the financial statements involving the determination of materiality and the specific determination method and selection basis are as follows:

<b>Disclosures involving the determination of materiality</b>	<b>Determination method and selection basis for materiality</b>
Write-off of significant receivables	Any receivable written off with an amount exceeding RMB2 million
Significant construction in progress	Any individual asset investment with a budget over RMB40 million
Significant accounts payable with aged over 1 year or overdue	Any payable exceeding RMB10 million and accounting for over 0.5% of all payables
Significant contract liabilities aged over 1 year or overdue	Any contract liabilities with an amount exceeding RMB10 million and accounting for over 2% of all contract liabilities
Significant interest payables overdue	Any interest payable overdue with an amount exceeding RMB5 million
Significant other payables aged over 1 year or overdue	Any other payables with an amount exceeding RMB10 million and accounting for over 2% of all other payables
Significant cash flows from investing activities	Any investment cash flow of all equity investments or with an amount accounting for over 3.5% of total assets
Significant non-wholly-owned subsidiaries	Any non-wholly-owned subsidiary with its income, net profit, net assets, or total assets accounting for more than 5% of the corresponding items attributable to shareholder in the consolidated statements of the Group
Significant associates and joint ventures	Any entity in which the group invests at a cost exceeding 1% of its total assets
Significant contingencies/events after the balance sheet date/other significant matters	Amount exceeding RMB2 million

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 6. Accounting treatment method for business combination under common control and not under common control

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 controlling party'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.

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.

#### 7. Determination of control and preparation of consolidated financial statements

The consolidation scope of the Group is determined on a control basis, including the Company and all subsidiaries under its control, which further includes divisible parts in investees, structured entities under their control. The Group's criterion for identifying control is that the Group has the power over the investee, and can enjoy variable returns through participating in related activities of the investee and is able to influence its amount of return with the power over the investee.

In preparing the consolidated financial statements, where the accounting policy or accounting period adopted by subsidiaries is 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 7. Determination of control and preparation of consolidated financial statements (Continued)

All material 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 non-controlling shareholders and total comprehensive income equity attributed to non-controlling 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 controlling party.

Under the circumstance that the equity of the investee is obtained under 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 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 controlling party 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 controlling party, moreover, increased net assets resulting from the combination 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 7. Determination of control and preparation of consolidated financial statements (Continued)

Under the circumstance that the equity of the investee is obtained not under 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 instance, under the circumstance that the business combination is realized not under common 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 income and profit allocation, the relevant other comprehensive income and other change of owners' equity shall be transferred into the current income of the acquisition date, except other comprehensive income arising out from that the investee remeasures change of the net liabilities or net assets of the set benefit plan.

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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 8. 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.

#### 9. Recognition criteria for 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.

#### 10. Foreign currency transactions and translation of foreign currency 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 income 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments

##### (1) *Recognition and derecognition of financial instruments*

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

The financial assets (or any part thereof or any part of a group of similar financial assets) are derecognized, i.e., written off from their accounts and balance sheets when 1) the right to receive the cash flow of the financial assets expired; or 2) the right to receive the cash flow of the financial assets has been transferred, or an obligation to pay the collected cash flow to a third party in full and on time has been undertaken under the “passing agreement,” in each case almost all risks and rewards related to the ownership of financial assets are substantially transferred, or although almost all risks and rewards related to the ownership are neither transferred nor retained in substance, the control over such financial assets is waived.

If the financial liabilities have been fulfilled, canceled, or expired, the financial liabilities will be derecognized. If an existing financial liability is replaced by another liability with substantially different terms by the same creditor, or almost all the terms of the existing liability are substantially modified, the original liability is derecognized while the replacement or modification is recognized, with the difference included in the current profits or losses.

Financial assets that are bought and sold through traditional methods are recognized or derecognized on the date the transaction occurs.

##### (2) *Classification and measurement of financial assets*

At initial recognition, according to the business mode of financial assets management and the contract cash flow characteristics of financial assets, the Group classifies financial assets into financial assets measured at amortized cost, financial assets at FVTOCI, and financial assets at FVTPL. The Group reclassifies all affected financial assets only when changing the business mode of financial assets management.

When judging the business model, the Group considers the way the company evaluates and reports to key executive the performance of financial assets, the risks affecting the performance of these financial assets and their management methods, as well as the way relevant business management personnel are paid. In evaluating whether its objective is to collect contractual cash flows, the Group needs to analyze and judge the reasons, time, frequency, and value of selling financial assets before the maturity date.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 11. Financial instruments (Continued)

##### *(2) Classification and measurement of financial assets (Continued)*

When judging the characteristics of contractual cash flows, the Group needs to judge whether the contractual cash flows are only payments of the principal and the interest of the outstanding principal. (This includes whether there is a significant difference from the base cash flows in cases of correction of the time value of money and whether the fair value of the early repayment characteristics is reasonably small for financial assets with early repayment characteristics.)

At the time of initial recognition, financial assets are measured at fair value. However, if the accounts receivable or notes receivable arising from selling commodities or providing services do not contain a material financing component or do not consider the financing element of more than one year, such financial assets are initially measured at transaction price.

Financial assets at FVTPL are directly included in the current profit and loss; the related transaction expenses of other financial assets are included in their initially recognized amount.

Subsequent measurement of financial assets depends on their classification:

##### *1) Financial assets measured at amortized cost*

Financial assets that meet the following conditions simultaneously are classified 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. These financial assets of the Group mainly include monetary funds, accounts receivable, notes receivable, other receivables, other current assets, and debt instruments at amortized cost.

##### *2) Debt instrument investments measured at FVTOCI;*

Financial assets that meet the following conditions simultaneously are classified 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. The interest income of these financial assets is recognized using the effective interest method. Changes in fair value are included in other comprehensive income, except for interest income, impairment losses, and exchange differences, which are included in current profits and losses. 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. The Group's financial assets classified as such mainly include debt instruments at FVTOCI and receivables financing.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

##### (2) *Classification and measurement of financial assets (Continued)*

##### 3) *Equity instrument investments measured at FVTOCI;*

The Group irrevocably designates some non-trading equity instrument investments as financial assets measured at FVTOCI. The Group only includes relevant dividend income (except for those recovered as part of investment cost) in current profits and losses. Subsequent changes in fair value are included in other comprehensive income, and no provision for bad debts is required. 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 retained earnings. The Group's financial assets under this classification consist of investment in other equity instruments.

##### 4) *Financial assets at FVTPL*

The Group classifies the financial assets other than the above financial assets measured at amortized cost and the financial assets (or designated as) at FVTOCI into the financial assets at FVTPL. These financial assets are subsequently measured at the fair value and the changes in fair value are included in the current profits and losses. These financial assets include Financial assets held for trading and Other non-current financial assets.

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

##### (3) *Classification, recognition and measurement of financial liabilities*

Except for the financial guarantee contracts, loan commitments to lend at a rate lower than market interest rates, and financial liabilities arising from the transfer of financial assets that do not meet the conditions for derecognition or continuous involvement in the transferred financial assets, the financial liabilities of the Group are classified into financial liabilities measured at FVTPL and financial liabilities measured at amortized cost. Financial liabilities at FVTPL are directly included in the current profits and losses while those measured at amortized cost are included in their initially recognized amount.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 11. Financial instruments (Continued)

##### **(3) Classification, recognition and measurement of financial liabilities (Continued)**

Subsequent measurement of financial liabilities depends on their classification:

##### *1) Financial liabilities measured at amortized cost*

The Company adopts the effective interest method for financial liabilities measured at amortized cost and carries out subsequent measurement at amortized cost.

##### *2) Financial liabilities at FVTPL*

Financial liabilities at FVTPL (including derivatives falling under financial liabilities) include financial liabilities held for trading and financial liabilities designated as financial liabilities at FVTPL when initially recognizing. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, and all changes in fair value are included in current profits and losses (, except when they relate to hedge accounting). The Company adopts fair value for subsequent measurement of financial liabilities at FVTPL, with changes in fair value included in the current profits and losses except for changes as a result of the Company's credit risk, which are included in other comprehensive income. If the inclusion of the changes in fair value due to the Company's credit risk in other comprehensive income will cause or enlarge the accounting mismatch in profits and losses, the Company will include all changes in fair value (including the impact of the changes in its credit risk) in the current profits and losses.

##### **(4) Impairment of financial instruments**

Based on the expected credit loss, the Group conducts impairment treatment and recognizes loss provisions for financial assets measured by amortized cost, debt investment measured at FVTOCI, contract assets, and lease receivables.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all expected cash flows receivable, that is, the present value of all cash shortages of the Group. The factors reflected by the Group's method of measuring expected credit losses of financial instruments include 1) unbiased probability-weighted average amount determined by evaluating a series of possible outcomes; 2) currency time value; and 3) reasonable and evidenced information about past events, current conditions, and future economic forecasts obtained on the balance sheet date without paying unnecessary extra costs or efforts.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

##### (4) *Impairment of financial instruments (Continued)*

The Group evaluates the expected credit losses of financial instruments based on individual items and portfolios. When evaluating on a portfolio basis, the Group classifies financial instruments into different groups based on their common credit risk characteristics. The common credit risk characteristics used by the Group include type of financial instruments, credit risk rating, geographical location of the debtor, industry engaged in by the debtor, overdue information, ageing of receivables, and guarantee.

The Group adopts the expected credit loss model to assess the impairment of financial instruments and contract assets, in doing so, material judgment and estimate are required and all reasonable and evidence-based information, including forward-looking information, shall be considered. When making these judgments and estimates, the Group infers the expected changes of debtor's credit risk based on historical repayment data in combination with economic policies, macroeconomic indicators, industry risks, and other factors. Different estimates may affect the provision for bad debts, and the accrued provision for bad debts may not be equal to the actual amount of impairment loss in the future.

##### 1) *Impairment test method of receivables and contract assets*

For the accounts receivable, notes receivable, contract assets and other receivables that do not contain material financing components formed from daily business activities such as selling goods and providing labor services, the Group uses simplified measurement methods to measure the loss provision according to the amount of expected credit losses within the whole duration.

##### ① Portfolio category and determination basis of accounts receivable and contract assets

For accounts receivable and contract assets, except for determining its credit loss separately for the accounts with a material single amount and credit impairment, the Company, based on common credit risk characteristics, prepares a comparison table of ageing of accounts receivable and expected credit loss rate for the whole duration to calculate expected credit losses by considering the elements that should be reflected in the measurement of expected credit loss and referring to the experience in historical credit loss and in combination with the current situation and the forecast of future economic situation.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 11. Financial instruments (Continued)

##### (4) *Impairment of financial instruments (Continued)*

##### 1) *Impairment test method of receivables and contract assets (Continued)*

- ① Portfolio category and determination basis of accounts receivable and contract assets (Continued)

Based on the ageing of accounts receivable and contract assets, guarantee, geographical location of the counterparty, nature of payment, credit risk exposure, historical payment collection, and other information, the Group divides the portfolio according to the similarity and correlation of credit risk characteristics. For accounts receivable and contract assets, the Group judges ageing and counterparty relationship as the main influencing factors of its credit risk. Therefore, the Group evaluates its expected credit losses based on ageing portfolio and counterparty relationship.

The Group starts to calculate the ageing of accounts receivable and contract assets according to the time point of revenue recognition.

The portfolio of accounts receivable and contract assets of the Group is divided as follows:

<b>Portfolio according to credit risk characteristics</b>	<b>Expected loss provision ratio (%)</b>
Ageing portfolio	Accrual according to the estimated loss rate in the whole duration
Including: domestic business customers	Loss rate estimated based on ageing credit risk feature portfolio
International business customers	Loss rate estimated based on ageing credit risk feature portfolio after netting of the amount guaranteed by Sinasure
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

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

##### (4) Impairment of financial instruments (Continued)

##### 1) Impairment test method of receivables and contract assets (Continued)

##### ② Portfolio category and determination basis of notes receivable

Based on the acceptor's credit risk of notes receivable as a common risk characteristic, the Group divides them into bank acceptance bill portfolio and commercial acceptance bill portfolio and accrues provision for losses according to the expected loss rate.

##### 2) Impairment test method of other receivables, receivables financing, other current assets, other non-current assets, accounts receivable containing material financing components, debt instruments at amortized cost, and other debt instruments at FVTOCI.

The Group adopts the general method (three-stage method) to accrue expected credit loss for financial assets other than those measured by the above-mentioned simplified measurement method, such as other receivables, receivables financing, other current assets, other non-current assets, accounts receivable containing material financing components, debt instruments at amortized cost, and other debt instruments at FVTOCI. The Group evaluates whether the credit risks have increased significantly since the initial recognition on each balance sheet date. If not, it is in Stage 1, and the Group shall measure the loss provisions according to the amount equivalent to the expected credit loss in the coming 12 months, and calculate the interest income according to the book value and the actual interest rate; If the credit risks have increased significantly since the initial recognition but no credit impairment has occurred, it is in Stage 2, and the Group shall measure the loss provision according to the expected credit loss in the whole duration, and calculate the interest income according to the book value and the actual interest rate; If credit impairment occurs after initial recognition, it is in Stage 3, and the Group shall measure the loss provisions according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the amortized cost and the actual interest rate. For financial instruments with low credit risk on the balance sheet date, the Group assumes that the credit risk has not increased significantly since the initial recognition.

The expected credit loss during the whole duration refers to the expected credit loss caused by all possible default events of financial instruments during the whole expected duration. The expected credit loss in the next 12 months refers to the expected credit loss caused by the possible default events of financial instruments within 12 months (or, the expected duration, if the expected duration of financial instruments is less than 12 months) after the balance sheet date, which is part of the expected credit loss in the whole duration.

Please refer to Note X. 1 (1) "Credit risk" for the disclosure of the Group's criteria for judging a significant increase in credit risk, the definition of assets with credit impairment.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

(5) *Recognition basis and measurement for transfer of financial assets*

For transactions of transfer of financial assets, if the Group has transferred almost all risks and rewards in the ownership of the financial assets to the transferee, such financial assets shall be derecognized; If almost all risks and rewards in the ownership of financial assets are retained, such financial assets shall not be derecognized; Where all risks and rewards in the ownership of financial assets are neither transferred nor retained and the control over the financial asset is waived, the financial assets shall be derecognized and the assets and liabilities incurred shall be recognized; If the control over the financial asset is not waived, relevant financial assets shall be recognized to the extent of further involvement in the transferred financial assets, and relevant liabilities shall be recognized correspondingly.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the carrying amount of transferred financial assets on the date of derecognition 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 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 and the entire carrying amount of the aforesaid financial assets amortized shall be included in the current profits and losses.

In case of further involvement through providing a financial guarantee for transferred financial assets, the assets formed by further involvement shall be recognized by the carrying amount and financial guarantee amount of financial assets, whichever is lower. The amount of financial guarantee refers to the highest amount required to be repaid among the consideration received.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

**(6) *Difference between financial liability and equity instrument and related treatment method***

The Group distinguishes financial liabilities and equity instruments according to the following principles: (1) if the Group 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 Group's own equity instruments, the Group'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 Group 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 Group's own equity instruments, the contract is classified as financial liabilities.

When classifying a financial instrument in the consolidated financial statements, the Group 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.

**(7) *Derivative financial instrument***

Derivative financial instruments are initially measured at the fair value on the date of signing the derivative transaction contract, and subsequently measured at fair value. Derivative financial instruments with positive fair value are recognized as an asset, and derivative financial instruments with negative fair value are recognized as a debt.

Except for those related to hedge accounting, gains or losses arising from changes in the fair value of derivative financial instruments are directly included in the current profits and losses.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

**(8) Measurement of fair value**

The Group measures derivative financial instruments, financial assets held for trading, and equity instrument investments at fair value on each balance sheet date. Fair value refers to the price to be received for the sale of an asset or to be paid for the transfer of liability by the market participants in the orderly transaction on the measurement date.

If the assets and liabilities are measured or disclosed at fair value in financial statements, the level to which the fair value belongs shall be determined according to the lowest level inputs, which is of significance to the integral measurement of fair value: 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.

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

Financial assets and financial liabilities of the Group 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 Group has a legal right to offset the recognized amount and that such legal rights are currently enforceable; 2) The Group plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

#### 12. 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 by the weighted average method at the end of the period.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 12. Inventories (Continued)

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 impairment 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.

#### 13. Contract assets and contract liabilities

##### (1) *Contract assets*

Contract assets refer to the right of the Group who transferred the commodity to the customer to receive the consideration, and the right depends on other factors excluding the passage of time. If the Group sells two clearly distinguishable commodities to the customer, due to the delivery of one of the commodities, it has the right to receive payment, but the collection of such payment shall also depend on the delivery of the other commodity, and the Group shall have the right to receive such payment as the contract assets.

For details of the determination method and accounting treatment methods for expected credit loss of contract assets, please refer to the relevant contents of the said Note III. 11. (4) Impairment of financial instruments.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 13. Contract assets and contract liabilities (Continued)

(2) *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 Group 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.

#### 14. 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 14. 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 bad debts of assets 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.

#### 15. 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 material influence on the investee. The Group, if holding less than 20% of the voting right of the investee, may have a material 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 significant transactions with the investee, sends management personnel to the investee, or provides critical technical information for the investee.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

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 controlling party'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 controlling party'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.

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 not under common control 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 not 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 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

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.

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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

Where the Group loses the joint control over or the material 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 material 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 material 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 material 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.

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.

#### 16. 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 17. Fixed assets

##### (1) Confirmation conditions

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.

##### (2) Depreciation of fixed assets

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 assets	—	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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 18. 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. Construction in progress are transferred to fixed assets when they are ready for their intended use.

#### 19. 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.

#### 20. Intangible assets

The intangible assets of the Group include land right of use, 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 20. Intangible assets (Continued)

The land right of use 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 useful life	Basis
Land right of use	30-50 years	Years of benefiting
Software	2-10 years	Years of benefiting
Patent rights	5-10 years	Years of benefiting

The collection scope of R&D expenses of the Group includes remuneration of R&D personnel, direct investment expenses, depreciation and unamortized expenses, design expenses, equipment commissioning expenses, entrusted external R&D expenses, and other expenses. All R&D expenses of the Group this year are expensed and included in current R&D expenses.

#### 21. 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 21. Impairment of long-term assets (Continued)

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 asset impairment loss and included in current profits and losses. Simultaneously, the provision for bad debts of assets shall be drawn accordingly. Once confirmed, the asset impairment loss shall not be reversed in future accounting periods.

After the asset impairment loss 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 combination 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 combination. 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.

#### 22. 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.

#### 23. 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 24. Employee compensation

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

**(1) Short-term remuneration**

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.

**(2) Post-employment benefits**

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.

**(3) Dismission welfare**

Dismission welfare arises 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.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 24. Employee compensation (Continued)

*(4) Other long-term employment benefit*

Other long-term employee welfare refers to the employee compensation 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 compensation 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.

#### 25. 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 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.

#### 26. 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

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

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 material 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 material financing component existing in the contract is considered.

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.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

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

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

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.

*(2) Specific principles for revenue recognition*

*1) Time point of revenue recognition*

- ① Domestic sales revenue

Domestic sales revenue mainly refers to the revenue obtained by the Group from selling agricultural machinery and related products. When the relevant evidence of the customer's receipt for confirmation is obtained as agreed in the contract, the Group completes the contract performance obligation and recognizes the revenue.

- ② Sales revenue from export

Sales revenue from export mainly refers to the revenue obtained by the Group from overseas sales of agricultural machinery and related products. After the Group's goods are declared offshore and relevant evidence such as bills of lading is obtained, the Group has completed its contractual performance obligations to recognize revenue.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

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

###### 1) *Time point of revenue recognition (Continued)*

###### 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.

###### ④ Trade revenue

The trade business engaged in by the Group is to transfer control of goods to customers after obtaining it from a third party. During the transaction process, the Group assumes the main responsibility for transferring goods to customers, bears inventory risks, and has the right to decide the price of the traded goods independently. The Group's identity in the transaction is the principal responsible person, and it recognizes trade revenue according to the total consideration that the Group is expected to be entitled to receive as agreed in the contract.

###### ⑤ Revenue from abalienating the right to use assets

When the economic benefits are likely to flow into the Group, and the revenue can be measured reliably, revenue from transferring the use rights of assets is recognized. The Group's revenue from abalienating the right to use assets mainly refers to the revenue from renting sites and houses, which shall be calculated and determined in accordance with the billing period and method specified in relevant contracts or agreements.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

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

##### 2) *Determination of transaction price*

The Group takes the amount of consideration expected to be entitled to receive for the transfer of commodities to customers as the transaction price and determines it according to the terms of the contract and combining past business practices. Some contracts of the Group stipulate that when a customer purchases goods in excess of a certain quantity or the payment method and term are optimized, a certain discount can be enjoyed to directly deduct the amount payable by the customer when purchasing goods in the current or future period. The Group shall make the best estimate of discount based on the most likely amount and include it in the transaction price to the extent that the estimated transaction price after discount does not exceed the amount of accumulative confirmed revenue that will most likely not be materially reversed when the relevant uncertainty is removed. Moreover, the Group shall re-estimate the discount on each balance sheet date.

##### 3) *Measurement quality assurance*

According to the contractual stipulations, legal provisions, etc., the Group provides quality assurance for the goods sold, which belongs to the guarantee quality assurance to assure customers that the goods sold meet the established standards. The Group performs accounting treatment according to 25. Provision of Note III.

#### 27. 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 (RMB1).

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 27. Government subsidy (Continued)

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 income 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 income is concerned, the government subsidies shall offset against the book value of the deferred income, and the excess shall be included in current profits and losses. If there is no deferred income concerned, they shall be directly included in the current profits and losses.

#### 28. 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Lease

##### (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.

##### (2) *As the lessee*

###### 1) *Recognition of leases*

In addition to short-term leases and low-value asset leases, the Group recognizes the right-of-use asset for leases and lease liabilities at the commencement of the lease term.

The right-of-use asset refers to the right of the Group as the lessee to use the leased asset during the lease term and is initially measured at cost. The cost includes: ① initial measurement amount of lease liabilities; ② lease payment made at or before the commencement of the lease term (deducting the amount related to the enjoyed lease incentive); ③ initial direct expenses incurred; 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). 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.

The Group depreciates the right-of-use asset by the straight-line method based on the expected consumption mode of economic benefits related to the right-of-use asset. 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. The depreciation amount for provision is included in the cost of underlying assets or the current profits and losses according to the use of the right-of-use asset.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Lease (Continued)

##### (2) *As the lessee (Continued)*

##### 1) *Recognition of leases (Continued)*

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. The lease payment includes: ① fixed payment and substantial fixed payment, deducting the amount related to lease incentives; ② variable lease payment depending on index or ratio; 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; ⑤ amount expected to be paid according to the guaranteed residual value provided by this Group.

In the calculation of the present value of the lease payment, the Group adopts the incremental borrowing rate as the discount rate. 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.

When the Group recognizes the interest on the lease liabilities after the commencement of the lease term, it will increase the carrying amount of the lease liabilities; When making the lease payment, it will reduce the carrying amount of the lease liabilities. If there is any change in the substantial fixed payment, the expected amount payable of the guaranteed residual value, the index or ratio for determination of the lease payment, the evaluation result of the purchase option, renewal option or termination option, or the actual exercise of the options, the Group will re-measure the lease liabilities according to the present value of the lease payment after the change.

##### 2) *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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Lease (Continued)

##### (3) *As the lessor*

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

##### 1) *Finance lease*

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 Group calculates and recognizes interest income in each lease term at a fixed periodic rate. Variable lease payments obtained by the Group but not included in the measurement of net investment in leases are recognized in the current profits and losses when actually incurred.

##### 2) *Operating lease*

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

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. 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 is actually occurs.

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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 30. Non-current assets or disposal group held for sale

Where the Group recovers its book value mainly through the sales (including the exchange of non-monetary assets of commercial nature, similarly hereinafter) other than the continuous use of a non-current asset or disposal group, the non-current asset or disposal group shall be classified as held-for-sale.

The Group classifies the non-current assets or disposal groups meeting the following conditions as the assets held for sale: (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 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 provision for bad debts of assets held for sale 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 assets held for sale in a short time (usually 3 months) as the assets held for sale on the acquisition date. In the initial measurement, the initial measurement amount assuming they are not classified as the assets held for sale 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.

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 assets held for sale, the investment in subsidiaries will be classified as the assets held for sale 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 assets held for sale in the consolidated financial statements.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 30. Non-current assets or disposal group held for sale (Continued)

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 assets held for sale, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the assets held for sale 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 assets held for sale, 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 assets held for sale 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 assets held for sale or the non-current assets are removed from the disposal groups held for sale due to failure to meet the conditions for the assets held for sale, the measurement shall be conducted based on the lower of the following two: (1) carrying amount before being classified as the assets held for sale 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 assets held for sale; (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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 31. Discontinued operations

Discontinued operations refer to the components of the 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.

In the income statement, the Group added items such as “net profit from continuing operations” and “net profit from discontinued operations” under the item of “Net Profit” to respectively reflect the profits or losses related to continuing operations and discontinued operations with the net amount after tax. Profits and losses related to discontinued operations shall be presented as profits or losses from discontinued operations. The presented profits or losses from discontinued operations shall cover the entire Reporting Period, not only the Reporting Period after the operations are recognized as discontinued operations.

#### 32. 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. Material changes, if any, in the following significant accounting estimates and key assumptions may cause a material 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. Other significant accounting policies and accounting estimates (Continued)

- (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.
- (5) Deferred tax assets and deferred tax 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 bad debts 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 material 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 33. Changes in significant accounting policies and accounting estimates

##### (1) Change in significant accounting policies

On November 30, 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 Company started to implement the content regarding the “accounting treatment of exemption from initial recognition is not applicable to deferred income tax related to assets and liabilities arising from individual transactions” in Interpretation No. 16 from January 1, 2023. Moreover, it is allowed to implement it in advance to 2022. The above changes in accounting policies were approved by the resolution at the 12th Meeting of the 9th Board of Directors of the Company and implemented by the Group from January 1, 2023. The implementation of Interpretation No. 16 has no material impact on the profit of the Group.

- 1) The amount affected by the implementation of Interpretation No. 16 on the relevant items in the Group's consolidated statements and balance sheet as of December 31, 2022 is as follows:

Unit: Yuan Currency: RMB

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

- 2) The amount affected by the implementation of Interpretation No. 16 on the relevant items in the parent company's balance sheet as of December 31, 2022 is as follows:

Unit: Yuan Currency: RMB

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

##### (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 2023 (for the first time).

None.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. 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%, 5%, 3%
Urban maintenance and construction tax	Paid-in VAT	7%
Educational surcharges	Paid-in VAT	3%, 2%
Corporate income tax	Taxable income	25%, 15%
Property 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. TAXES (CONTINUED)

#### 2. Tax preference

##### (1) Value-added tax

As a restructured scientific research institute, Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, is exempted from the import tariffs and the value-added taxes and consumption taxes on import links on 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 for scientific research institutions, technology development institutions, schools and other organizations 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 "14th Five-Year Plan" Period* (CGS [2021] No. 23) and the *Notice of the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on Issuing the List of Supplies for Scientific Research, Scientific and Technological Development and Teaching Imported that Are Exempt from Import Taxes (First Batch) during the "14th Five-Year Plan" Period* (CGS [2021] No. 44).

Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, complies with 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.

According to Article 7 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), Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, allows that the tax payable is credited at an additional rate of 10% for the current deductible input tax for taxpayers in the production and life service sector (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) is extended to December 31, 2022. 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 Clarifying Policies for Value-added Tax Reduction and Exemption for Small-scale VAT Taxpayers* (Announcement No. 1 2023, MOF and STA) is extended to December 31, 2023. Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, continues to use the above tax preferences in the current period.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. TAXES (CONTINUED)

#### 2. Tax preference (Continued)

##### (1) *Value-added tax (Continued)*

Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, is exempted from urban land use tax and property tax on public rental housing and VAT on rental income obtained from the operation of public rental housing 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). 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).

Brilliance China Machinery Holdings Ltd., a subsidiary of the Company, is a small-scale taxpayer. According to Article 5 of the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying Policies for Value-added Tax Reduction and Exemption for Small-scale VAT Taxpayers (Announcement No. 1 2023, MOF and STA), from January 1, 2023 to December 31, 2023, small-scale VAT taxpayers' taxable sales revenue subject to a VAT levy rate of 3% is subject to VAT levy at reduced levy rate of 1%. The implementation period is extended to December 31, 2027, in accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on VAT Reduction and Exemption Policies for Small-scale Value-added Taxpayers (Announcement No. 19 2023, MOF and STA). According to Article 1 of the Announcement of Henan Provincial Department of Finance and Henan Provincial Tax Service, State Taxation Administration on Further Implementing "Six Local Taxes and Two Fees" Reduction and Exemption Policies for Micro and Small Enterprises (Announcement No.1 2022 of Henan Provincial Department of Finance, State Taxation Administration and Henan Provincial Tax Service, State Taxation Administration), from January 1, 2022 to December 31, 2024, small-scale VAT taxpayers, small and low-profit enterprises and individual businesses in our province will be subject to a 50% reduction in resource tax (excluding water resources tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding stock trading stamp tax), tax on the occupancy of cultivated land, education surcharge and local education surcharge.

Luoyang Changxing Agricultural Machinery Co., Ltd., a subsidiary of the Company, 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).

The Group's subsidiaries Yitwo Argo Industrial and YTO Belarus Technology Co., Ltd. are registered abroad and pay VAT at the local applicable tax rate.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. TAXES (CONTINUED)

#### 2. Tax preference (Continued)

(1) *Value-added tax (Continued)*

According to the Announcement on the Addition, Credit, and Deduction Policies for Value-added Tax of Advanced Manufacturing Enterprises (Announcement No. 43 2023 of the Ministry of Finance and State Taxation Administration), from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to offset the VAT payable by a further 5% in addition to the current deductible input tax.

(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.

The Group's subsidiaries 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, among the following disclosed data in the financial statements, “ending” refers to December 31, 2023; “beginning” refers to January 1, 2023; “current period/year” refers to the period from January 1 to December 31, 2023; “previous period/year” refers to the period from January 1 to December 31, 2022; and the monetary unit is RMB.

#### 1. Monetary funds

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Cash on hand	240,002.93	60,612.69
Cash at bank	800,433,509.37	2,378,226,594.11
Other monetary funds	104,737,932.53	17,242,884.00
Deposits in financial companies	<u>1,864,167,441.13</u>	<u>1,968,212,255.21</u>
<b>Total</b>	<b><u>2,769,578,885.96</u></b>	<b><u>4,363,742,346.01</u></b>
Including: total amount deposited overseas	<u>46,561,099.93</u>	<u>49,270,197.48</u>
Including: monetary funds with restricted right of use.		

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Margin for bank acceptance bill	544,771,522.99	834,209,742.51
Statutory reserve deposited in the Central Bank	0.00	9,176,871.31
Others	<u>1,596,726.94</u>	<u>778,150.32</u>
<b>Total</b>	<b><u>546,368,249.93</u></b>	<b><u>844,164,764.14</u></b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2. Financial assets held for trading

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Financial assets at FVTPL	862,909,300.00	420,172,500.00
Including: bond instrument investment	0.00	420,172,500.00
Equity instrument investments	862,909,300.00	0.00
Designated financial assets at FVTPL	0.00	829,474,400.00
Including: equity instrument investments	0.00	829,474,400.00
<b>Total</b>	<b>862,909,300.00</b>	<b>1,249,646,900.00</b>

#### 3. Notes receivable

##### (1). Notes receivable listed according to category

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	59,470,690.81	24,937,093.37
Commercial acceptance bill	2,851,543.10	51,832,198.33
<b>Total</b>	<b>62,322,233.91</b>	<b>76,769,291.70</b>

##### (2). Notes receivable which have been endorsed or discounted but not yet expired on the balance sheet date at the end of the year

Unit: Yuan Currency: RMB

Item	Derecognition amount at the end of the year	Non-derecognition amount at the end of the year
Bank acceptance bill	0.00	45,369,138.02
Commercial acceptance bill	0.00	255,000.00
<b>Total</b>	<b>0.00</b>	<b>45,624,138.02</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable

(1). *Accounts receivable listed according to ageing*

*Unit: Yuan Currency: RMB*

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	343,960,871.88	353,550,459.77
1-2 years	10,236,946.74	4,997,809.04
2-3 years	3,208,250.11	2,503,989.10
Over 3 years	243,768,309.44	340,919,992.89
<b>Subtotal</b>	<b>601,174,378.17</b>	<b>701,972,250.80</b>
Less: provision for bad debts	269,968,383.29	350,180,145.80
<b>Total</b>	<b>331,205,994.88</b>	<b>351,792,105.00</b>

(2). *Accounts receivable listed according to bad debt accrual method*

*Unit: Yuan Currency: RMB*

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	601,174,378.17	100.00	269,968,383.29	—	331,205,994.88
Including:					
Ageing portfolio	529,473,772.44	88.07	224,657,454.31	42.43	304,816,318.13
Collateral and other risk exposure portfolios	71,700,605.73	11.93	45,310,928.98	63.19	26,389,676.75
<b>Total</b>	<b>601,174,378.17</b>	<b>100.00</b>	<b>269,968,383.29</b>	<b>—</b>	<b>331,205,994.88</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable (Continued)

##### (2). Accounts receivable listed according to bad debt accrual method (Continued)

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	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
Including: Ageing portfolio	654,083,485.34	93.18	320,544,054.68	49.01	333,539,430.66
Collateral and other risk exposure portfolios	47,888,765.46	6.82	29,636,091.12	61.89	18,252,674.34
<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>

1) Provision for bad debts of accounts receivable accrued as per portfolio – ageing portfolio

Unit: Yuan Currency: RMB

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	308,929,438.83	6,828,004.96	2.21
1-2 years	2,939,871.80	496,380.49	16.88
2-3 years	1,648,464.95	1,515,705.43	91.95
Over 3 years	215,955,996.86	215,817,363.43	99.94
<b>Total</b>	<b>529,473,772.44</b>	<b>224,657,454.31</b>	<b>—</b>

2) Provision for bad debts of accounts receivable accrued as per portfolio – collateral and other risk exposure portfolios

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	71,700,605.73	45,310,928.98	63.19

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable (Continued)

##### (3). Provision for bad debts of accounts receivable

*Unit: Yuan Currency: RMB*

Category	Beginning balance	Provision accrued	Movements in in the current year		Others (Note 1, Note 2)	Ending balance
			Recovered or transferred back	Charged or written off		
Ageing portfolio	320,544,054.68	-3,936,507.61	0.00	92,592,993.26	642,900.50	224,657,454.31
Collateral and other risk exposure portfolios	29,636,091.12	11,645,929.71	0.00	3,413,126.32	7,442,034.47	45,310,928.98
<b>Total</b>	<b>350,180,145.80</b>	<b>7,709,422.10</b>	<b>0.00</b>	<b>96,006,119.58</b>	<b>8,084,934.97</b>	<b>269,968,383.29</b>

*Note 1:* Other changes in ageing portfolio are due to exchange rate changes;

*Note 2:* Other changes in the risk exposure portfolios such as collaterals are mainly due to the fact that Cadfund Machinery Pty Ltd, a subsidiary, is no longer included in the scope of consolidation.

##### (4). Accounts receivable written off during the current year

*Unit: Yuan Currency: RMB*

Item	Amount
Accounts receivable written off	96,006,119.58

*Significant accounts receivables written off*

*Unit: Yuan Currency: RMB*

Company name	Nature of accounts receivable	Amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Customer 1	Payment for goods	63,100,203.73	Company deregistration	Company internal approval	Yes
Customer 2	Payment for goods	26,843,806.97	Company deregistration	Company internal approval	Yes
Customer 3	Payment for goods	2,487,726.77	Expect unable to recover the amount	Company internal approval	No
<b>Total</b>	—	<b>92,431,737.47</b>	—	—	—

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable (Continued)

(5). *Accounts receivable and contract assets with top five ending balance collected as per the borrowers*

Unit: Yuan Currency: RMB

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	Over 5 years	10.34	62,183,376.45
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	26,157,000.00	Within 1 year	4.35	517,540.00
TECNOIMPORT (Cuba)	25,263,904.56	Over 5 years	4.20	25,263,904.56
Changzhou Dongfeng Agricultural Machinery Group Co., Ltd.	22,879,999.99	Within 1 year	3.81	1,391,954.09
Kashgar Wanxingtong Agricultural Machinery Co., Ltd.	20,789,772.20	Over 5 years	3.46	20,789,772.20
<b>Total</b>	<b>157,274,053.20</b>	—	<b>26.16</b>	<b>110,146,547.30</b>

Note: The Company has no contract assets.

#### 5. Receivables financing

(1). *Classified presentation of receivables financing*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	261,430,180.63	246,084,731.86

(2). *Receivables financing which has been endorsed or discounted at end of the year but not yet expired on the balance sheet date*

Unit: Yuan Currency: RMB

Item	Derecognition amount at the end of the year	Non-derecognition amount at the end of the year
Bank acceptance bill	3,189,518,541.92	0.00

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Receivables financing (Continued)

(3). *Receivables financing which has been pledged at the end of the year*

*Unit: Yuan Currency: RMB*

Item	Pledged amount at the end of the year
Bank acceptance bill	<b><u>41,273,625.60</u></b>

#### 6. Advances to suppliers

(1). *Ageing of advances to suppliers*

*Unit: Yuan Currency: RMB*

Item	Ending balance			Beginning balance		
	Amount	Proportion (%)	Provision for bad debts	Amount	Proportion (%)	Provision for bad debts
Within 1 year	210,422,144.33	96.19	0.00	214,045,042.97	96.08	0.00
1-2 years	244,214.00	0.11	0.00	484,493.59	0.22	50,180.00
2-3 years	55,796.41	0.03	50,180.00	250,823.84	0.11	147,187.14
Over 3 years	8,035,463.48	3.67	7,972,984.23	7,998,214.91	3.59	7,978,128.55
<b>Total</b>	<b><u>218,757,618.22</u></b>	<b><u>100.00</u></b>	<b><u>8,023,164.23</u></b>	<b><u>222,778,575.31</u></b>	<b><u>100.00</u></b>	<b><u>8,175,495.69</u></b>

(2). *Top five of the ending balance of the prepayment collected according to the counterparty*

*Unit: Yuan Currency: RMB*

Company name	Ending balance	Ageing	Proportion in total ending balance of advances to suppliers (%)
Xuzhou Armour Rubber Company Ltd	102,581,439.88	Within 1 year	46.89
Golden Century (Luoyang) Wheel Manufacturing Co., Ltd.	29,949,019.79	Within 1 year	13.69
Guizhou Tyre Co., Ltd	14,365,242.92	Within 1 year	6.57
YTO Group Corporation	10,181,430.78	Within 1 year	4.65
Hebei Longfengshan Casting Industry Co., Ltd.	9,881,786.50	Within 1 year	4.52
<b>Total</b>	<b><u>166,958,919.87</u></b>	—	<b><u>76.32</u></b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables

##### *Presentation of item*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	24,672,309.74	26,664,987.91
<b>Total</b>	<b>24,672,309.74</b>	<b>26,664,987.91</b>

##### *Other receivables*

(1). *Other receivables classified according to nature*

Unit: Yuan Currency: RMB

Nature	Book value at the end of the year	Book value at the beginning of the year
Transaction payments	34,335,763.82	98,800,759.92
Security deposits, pretty cash, margin, etc.	8,252,791.67	4,698,369.17
Export tax refund receivable	6,816,810.15	8,832,737.30
Others	3,775,841.12	10,411,856.95
<b>Total</b>	<b>53,181,206.76</b>	<b>122,743,723.34</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

##### *Other receivables (Continued)*

(2). *Provision for bad debts of other receivables*

*Unit: Yuan Currency: RMB*

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, 2023	93,721,886.43	2,356,849.00	0.00	96,078,735.43
Book value of bad debts of other receivables on January 1, 2023 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
Bad debts accrued in the current year	-1,052,317.28	-12,218.50	0.00	-1,064,535.78
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	85,120,502.88	0.00	0.00	85,120,502.88
Others ( <i>Note</i> )	7,577.84	18,607,622.41	0.00	18,615,200.25
<b>Balance on December 31, 2023</b>	<b>7,556,644.11</b>	<b>20,952,252.91</b>	<b>0.00</b>	<b>28,508,897.02</b>

*Note 1:* Other changes in the first stage are mainly due to exchange rate changes.

*Note 2:* Other changes in the second stage are mainly due to the fact that Cadfund Machinery Pty Ltd, a subsidiary, is no longer included in the scope of consolidation.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

##### *Other receivables (Continued)*

(3). *Other receivables listed as per ageing*

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	16,732,394.99	20,638,200.08
1-2 years	6,074,033.96	2,114,878.20
2-3 years	548,095.45	994,680.46
Over 3 years	29,826,682.36	98,995,964.60
<b>Subtotal</b>	<b>53,181,206.76</b>	<b>122,743,723.34</b>
Less: provision for bad debts	28,508,897.02	96,078,735.43
<b>Total</b>	<b>24,672,309.74</b>	<b>26,664,987.91</b>

(4). *Disclosure by category according to the accrual method of provision for bad debts*

Unit: Yuan Currency: RMB

Category	Book value		Ending balance			Book value		Beginning balance		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	Provision proportion (%)	Carrying amount
Provision for bad debts accrued by portfolio	53,181,206.76	100.00	28,508,897.02	-	24,672,309.74	122,743,723.34	100.00	96,078,735.43	-	26,664,987.91
Including: Ageing portfolio	19,684,542.68	37.01	7,474,116.18	37.97	12,210,426.50	111,198,658.86	90.59	93,672,920.46	84.24	17,525,738.40
Low risk portfolio	8,252,791.67	15.52	82,527.93	1.00	8,170,263.74	4,896,595.98	3.99	48,965.97	1.00	4,847,630.01
Collateral and other risk exposure portfolios	25,243,872.41	47.47	20,952,252.91	83.00	4,291,619.50	6,648,468.50	5.42	2,356,849.00	35.45	4,291,619.50
<b>Total</b>	<b>53,181,206.76</b>	<b>100.00</b>	<b>28,508,897.02</b>	<b>-</b>	<b>24,672,309.74</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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

##### *Other receivables (Continued)*

(4). *Disclosure by category according to the accrual method of provision for bad debts (Continued)*

- 1) Provision for bad debts of other receivables accrued according to portfolio—Ageing portfolio

*Unit: Yuan Currency: RMB*

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	9,432,046.27	116,912.69	1.24
1-2 years	5,790,585.85	2,895,292.93	50.00
2-3 years	175,575.61	175,575.61	100.00
Over 3 years	4,286,334.95	4,286,334.95	100.00
<b>Total</b>	<b>19,684,542.68</b>	<b>7,474,116.18</b>	<b>—</b>

- 2) Provision for bad debts of other receivables accrued according to portfolio—Low-risk portfolio

*Unit: Yuan Currency: RMB*

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	7,300,348.72	73,003.50	1.00
1-2 years	283,448.11	2,834.48	1.00
2-3 years	372,519.84	3,725.20	1.00
Over 3 years	296,475.00	2,964.75	1.00
<b>Total</b>	<b>8,252,791.67</b>	<b>82,527.93</b>	<b>—</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

##### *Other receivables (Continued)*

(4). *Disclosure by category according to the accrual method of provision for bad debts (Continued)*

- 3) Provision for bad debts of other receivables accrued according to portfolio—Collateral and other risk exposure portfolios

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	<u>25,243,872.41</u>	<u>20,952,252.91</u>	<u>83.00</u>

(5). *Bad debt provision of other receivables*

Unit: Yuan Currency: RMB

Category	Beginning balance	Provision	Movements in in the current year			Add: Others	Ending balance
			Recovered or transferred back	Less: Charged or written off			
Ageing portfolio	93,672,920.46	-1,085,879.24	0.00	85,120,502.88	7,577.84	<b>7,474,116.18</b>	
Low risk portfolio	48,965.97	33,561.96	0.00	0.00	0.00	<b>82,527.93</b>	
Collateral and other risk exposure portfolios	<u>2,356,849.00</u>	<u>-12,218.50</u>	<u>0.00</u>	<u>0.00</u>	<u>18,607,622.41</u>	<b><u>20,952,252.91</u></b>	
<b>Total</b>	<u>96,078,735.43</u>	<u>-1,064,535.78</u>	<u>0.00</u>	<u>85,120,502.88</u>	<u>18,615,200.25</u>	<b><u>28,508,897.02</u></b>	

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

##### *Other receivables (Continued)*

(6). *Other receivables written off in this year*

*Unit: Yuan Currency: RMB*

Item	Amount
Other receivables written off	85,120,502.88

Significant other receivables written off:

*Unit: Yuan Currency: RMB*

Company name	Nature of other receivables	Amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Customer 2	Transaction payments	80,188,112.00	Company deregistration	Company internal approval	Yes
Customer 4	Transaction payments	3,315,484.00	Company deregistration	Company internal approval	No
<b>Total</b>	—	<b>83,503,596.00</b>	—	—	—

(7). *Other receivables from top five ending balances collected according to the borrowers*

*Unit: Yuan Currency: RMB*

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
Cadfund Machinery Pty Ltd	Transaction payments	18,607,622.41	Over 5 years	34.99	18,607,622.41
Tax Bureau	Tax refund receivable	6,508,799.40	Within 1 year	12.24	66,928.22
Shanghai Pengpu Machine Building Plant (Group) Co., Ltd.	Transaction payments	6,490,000.00	Over 5 years	12.20	2,292,959.42
Heilongjiang Provincial Department of Agriculture and Rural Affairs	Transaction payments	5,500,000.00	1-2 years	10.34	2,750,000.00
Shaanxi Heavy Duty Automobile Co., Ltd.	Transaction payments	3,553,660.47	Within 1 year	6.68	35,536.61
<b>Total</b>	—	<b>40,660,082.28</b>	—	<b>76.45</b>	<b>23,753,046.66</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Inventories

##### (1). Category of inventories

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book value	Provision for inventory impairment/ provision for bad debts of contract performance cost	Carrying amount	Book value	Provision for inventory impairment/ provision for bad debts of contract performance cost	Carrying amount
Raw materials	639,891,912.00	72,548,690.80	567,343,221.20	599,532,962.43	79,184,887.39	520,348,075.04
Goods in process	85,826,202.45	4,369,872.10	81,456,330.35	140,705,044.95	7,833,196.52	132,871,848.43
Goods in stock	628,510,077.90	14,354,807.67	614,155,270.23	472,333,919.11	16,922,162.81	455,411,756.30
Goods in transit	264,504,699.13	13,269,143.23	251,235,555.90	87,973,619.02	5,302,602.79	82,671,016.23
<b>Total</b>	<b>1,618,732,891.48</b>	<b>104,542,513.80</b>	<b>1,514,190,377.68</b>	<b>1,300,545,545.51</b>	<b>109,242,849.51</b>	<b>1,191,302,696.00</b>

##### (2). Provision for inventory impairment and provision for bad debts of contract performance cost

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current year		Decrease in the current year		Ending balance
		Provision accrued	Others	Reversal or write-off	Others	
Raw materials	79,184,887.39	-646,409.73	0.00	5,989,786.86	0.00	72,548,690.80
Goods in process	7,833,196.52	-3,463,324.42	0.00	0.00	0.00	4,369,872.10
Goods in stock	16,922,162.81	5,652,038.34	35,047.24	3,623,845.14	4,630,595.58	14,354,807.67
Goods in transit	5,302,602.79	8,036,050.29	0.00	69,509.85	0.00	13,269,143.23
<b>Total</b>	<b>109,242,849.51</b>	<b>9,578,354.48</b>	<b>35,047.24</b>	<b>9,683,141.85</b>	<b>4,630,595.58</b>	<b>104,542,513.80</b>

Note 1: Other increases are the result of exchange rate changes, while other decreases are caused by the fact that Cadfund Machinery Pty Ltd, a subsidiary, is no longer included in the scope of consolidation.

Note 2: Inventory sold results in the reversal or write-off of inventory impairment provisions in the current year.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 9. Non-current assets due within one year

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Original value of long-term receivables due within one year	484,591,050.97	469,397,036.77
Original value of financial lease payments due within one year	0.00	151,060.48
Less: unrealized financing income	57,110,840.27	55,135,840.70
Less: provision for impairment	400,746,846.08	388,273,374.17
<b>Total</b>	<b>26,733,364.62</b>	<b>26,138,882.38</b>

#### 10. Other current assets

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	55,908,096.23	8,433,310.27
Entrusted loan	0.00	171,000,000.00
VAT to be certified/credited	142,176,478.01	121,090,525.95
Other prepaid taxes	16,581,678.95	12,164,969.57
Interests receivable	0.00	768,273.24
Time deposits	216,228,498.08	0.00
<b>Subtotal</b>	<b>430,894,751.27</b>	<b>313,457,079.03</b>
Less: provision for impairment	7,000,000.00	178,000,000.00
<b>Total</b>	<b>423,894,751.27</b>	<b>135,457,079.03</b>

*Note:* In June 2023, according to the final liquidation results of Shentong Company, the Company recovered debts of RMB4,266,450.00. During the Reporting Period, the Company wrote off the remaining unrecovered entrusted loans of RMB166,733,550.00 and corresponding impairment reserves.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11. Debt instruments at amortized cost

##### (1). Debt instruments at amortized cost

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Large certificate of deposit	3,337,100,098.30	0.00	3,337,100,098.30	1,086,568,216.50	0.00	1,086,568,216.50

##### (2). Significant debt instruments at amortized cost at the end of the year

Unit: Yuan Currency: RMB

Item	Ending balance				Beginning balance			
	Par value	Coupon rate	Effective interest rate	Expiry date	Par value	Coupon rate	Effective interest rate	Expiry date
Large certificate of deposit	3,250,000,000.00	-	-	-	1,085,000,000.00	-	-	-

Note 1: The Company's debt instruments at amortized cost at the end of the year are mainly large certificates of deposit purchased from banks, with a par value of deposit between RMB10 million to RMB500 million.

#### 12. Long-term receivables

##### (1). Long-term receivables

Unit: Yuan Currency: RMB

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	0.00	0.00	0.00	148,925.98	81,995.98	66,930.00	-
Including: unrealized financing income	0.00	0.00	0.00	2,134.50	0.00	2,134.50	-
Sales payment receivable	427,480,210.70	400,746,846.08	26,733,364.62	415,604,903.28	389,532,950.90	26,071,952.38	-
Including: unrealized financing income	57,110,840.27	0.00	57,110,840.27	55,211,517.42	0.00	55,211,517.42	-
Less: long-term receivables due within one year	427,480,210.70	400,746,846.08	26,733,364.62	414,412,256.55	388,273,374.17	26,138,882.38	-
Total	0.00	0.00	0.00	1,341,572.71	1,341,572.71	0.00	-

Note: Long-term receivables are mainly due from customers in Cuba.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 12. Long-term receivables

##### (2). Provision for bad debt

*Unit: Yuan Currency: RMB*

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, 2023	0.00	81,995.98	389,532,950.90	389,614,946.88
Bad debts of long-term receivables as at January 1, 2023 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
Bad debts accrued in the current year	0.00	-28,105.30	0.00	-28,105.30
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
Others (Note 1)	0.00	-53,890.68	11,213,895.18	11,160,004.50
<b>Balance on December 31, 2023</b>	<b>0.00</b>	<b>0.00</b>	<b>400,746,846.08</b>	<b>400,746,846.08</b>

*Note 1:* Other changes in Stage III are mainly due to the exchange rate change of provision for impairment of receivables from customers in Cuba by YTO International, Ltd.

*Note 2:* The above provision for impairment includes the impairment reclassified to non-current asset due within one year.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 12. Long-term receivables (Continued)

(3). *Bad debt accrued, recovered or reversed for long-term receivables in the current year*

Unit: Yuan Currency: RMB

Category	Beginning balance	Provision accrued	Movements in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Sales payment receivable	389,532,950.90	0.00	0.00	0.00	11,213,895.18	400,746,846.08
Finance lease payments	81,995.98	-28,105.30	0.00	0.00	-53,890.68	0.00
<b>Total</b>	<b>389,614,946.88</b>	<b>-28,105.30</b>	<b>0.00</b>	<b>0.00</b>	<b>11,160,004.50</b>	<b>400,746,846.08</b>

#### 13. Long-term equity investments

Unit: Yuan Currency: RMB

Investees	Beginning balance (carrying amount)	Beginning balance of bad debts	Increase in investment	Decrease in investment	Increase and decrease for the current year					Ending balance (carrying amount)	Ending balance of bad debts	
					Profit or loss on investments recognized under the equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends or profits declared	Accrual of provision for impairment			Others
I. Associates												
ZF-YTO (Luoyang) Axle Co., Ltd.	77,671,186.78	0.00	0.00	0.00	7,522,536.85	0.00	0.00	0.00	0.00	174,412.04	85,368,135.67	0.00
Luoyang I&C Technology Consulting Co., Ltd.	362,320.92	0.00	0.00	0.00	37,114.06	0.00	0.00	16,500.00	0.00	0.00	382,934.98	0.00
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sinomach Finance Co., Ltd.	557,942,578.30	0.00	0.00	0.00	35,778,515.22	-228,590.79	0.00	14,986,000.00	0.00	0.00	578,506,502.73	0.00
<b>Total</b>	<b>635,976,086.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>43,338,166.13</b>	<b>-228,590.79</b>	<b>0.00</b>	<b>15,002,500.00</b>	<b>0.00</b>	<b>174,412.04</b>	<b>664,257,573.38</b>	<b>0.00</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Investment in other equity instruments

##### (1). Investment in other equity instruments

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in investment	Decrease in investment	Increase and decrease for the current year			Ending balance	Dividend income recognized this year	Gains accumulated into other comprehensive income at the end of the year	Losses accumulated into other comprehensive income at the end of the year	Reasons for being designated at FVTOCI
				Gains included in other comprehensive income	Losses included in other comprehensive income	Others					
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	3,513,464.70	0.00	0.00	674,544.07	0.00	0.00	4,188,008.77	0.00	0.00	651,039.23	Non-trading

#### 15. Fixed assets

*Unit: Yuan Currency: RMB*

Item	Carrying amount at the end of the year	Carrying amount at the beginning of the year
Fixed assets	2,268,814,612.75	2,311,846,878.77

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Fixed assets (Continued)

(1). Details of fixed assets

Unit: Yuan Currency: RMB

Item	Houses and buildings	Machinery equipment	Transportation facilities	Office and electronic equipment	Others	Total
<b>I. Book value</b>						
1. Beginning 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
2. Increase in the current year	21,536,549.26	199,307,844.70	2,386,857.32	4,914,925.55	0.00	228,146,176.83
(1) Purchase	1,918,089.53	13,846,634.00	1,066,694.59	1,556,829.40	0.00	18,388,247.52
(2) Transfer from construction in progress	22,770,708.49	185,534,080.63	1,295,321.47	2,365,563.17	0.00	211,965,673.76
(3) Difference of foreign currency translation	-2,666,701.44	1,722.86	24,841.26	-130,647.13	0.00	-2,770,784.45
(4) Reclassification of fixed assets	-1,048,587.32	-74,592.79	0.00	1,123,180.11	0.00	0.00
(5) Others	563,040.00	0.00	0.00	0.00	0.00	563,040.00
3. Decrease in the current year	376,157.56	52,718,232.57	3,358,846.06	4,057,241.80	0.00	60,510,477.99
(1) Disposal or retirement	376,157.56	52,718,232.57	3,029,868.55	4,041,792.38	0.00	60,166,051.06
(2) Changes in consolidation scope	0.00	0.00	328,977.51	15,449.42	0.00	344,426.93
4. Ending balance	2,269,217,619.13	4,397,238,919.06	53,134,315.51	119,902,397.14	377,789.31	6,839,871,040.15
<b>II. Accumulated depreciation</b>						
1. Beginning 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
2. Increase in the current year	63,284,531.28	188,308,503.45	3,420,319.89	6,499,994.23	35,698.04	261,549,046.89
(1) Charge for the year	63,939,601.69	188,307,245.24	3,415,828.49	5,583,640.53	35,698.04	261,282,013.99
(2) Difference of foreign currency translation	169,268.19	1,258.21	4,491.40	-83,934.90	0.00	91,082.90
(3) Reclassification of fixed assets	-1,000,288.60	0.00	0.00	1,000,288.60	0.00	0.00
(4) Others	175,950.00	0.00	0.00	0.00	0.00	175,950.00
3. Decrease in the current year	320,135.31	45,892,069.36	3,051,473.31	3,864,314.92	0.00	53,127,992.90
(1) Disposal or retirement	320,135.31	45,892,069.36	2,766,547.75	3,849,637.95	0.00	52,828,390.37
(2) Changes in consolidation scope	0.00	0.00	284,925.56	14,676.97	0.00	299,602.53
4. Ending balance	1,219,232,467.27	3,114,640,785.39	31,386,641.93	99,882,213.44	352,564.49	4,465,494,672.52
<b>III. Provision for bad debts</b>						
1. Beginning balance	12,920,382.73	89,196,867.65	1,001,884.76	195,708.87	0.00	103,314,844.01
2. Increase in the current year	178,529.54	6,225,291.71	40,382.56	1,587.77	0.00	6,445,791.58
(1) Charge for the year	179,007.60	6,225,291.71	40,382.56	1,109.71	0.00	6,445,791.58
(2) Reclassification of fixed assets	-478.06	0.00	0.00	478.06	0.00	0.00
3. Decrease in the current year	4,213.30	4,079,112.28	77,719.48	37,835.65	0.00	4,198,880.71
(1) Disposal or retirement	4,213.30	4,079,112.28	77,719.48	37,835.65	0.00	4,198,880.71
4. Ending balance	13,094,698.97	91,343,047.08	964,547.84	159,460.99	0.00	105,561,754.88
<b>IV. Carrying amount</b>						
1. Carrying amount at the end of the year	1,036,890,452.89	1,191,255,086.59	20,783,125.74	19,860,722.71	25,224.82	2,268,814,612.75
2. Carrying amount at the beginning 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

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Fixed assets (Continued)

(2). *Fixed assets leased out under operating leases*

*Unit: Yuan Currency: RMB*

Item	Carrying amount at the end of the year
Houses and buildings	95,678,295.91
Machinery equipment and other equipment	18,429,915.74
<b>Total</b>	<b>114,108,211.65</b>

(3). *Fixed assets certificate of titles not settled*

*Unit: Yuan Currency: RMB*

Item	Carrying amount	Reason(s) for the failure to transact the certificate of title
Modern Agricultural Equipment Cab Automation Engineering	76,162,212.71	In progress
Qingnian Jiayuan	67,116,423.12	In progress
Large Machine Workshop I	40,078,301.85	In progress
New Lost Foam Workshop	17,184,529.59	In progress
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Renovation Project	15,326,938.50	In progress
Main Workshop for Reclamation of Used Sand	7,602,011.00	In progress
Heat Treatment Workshop	4,366,833.69	In progress
Staff Canteen in Industrial Park	4,161,195.95	In progress
Auxiliary Room of Large Machine Workshop I	3,578,245.90	In progress
User Training Service Workshop	2,845,498.00	In progress
New Cooling Passage Workshop for kw Line	1,806,500.87	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	1,646,775.64	In progress
<b>Total</b>	<b>241,875,466.82</b>	—

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Fixed assets (Continued)

(4). Impairment test of fixed assets

Unit: Yuan Currency: RMB

Item	Carrying amount	Recoverable amount	Amount of impairment	Determination method of fair value and disposal expenses	Key indicators	Determination basis of key indicators
Machinery equipment	6,857,647.28	844,058.61	6,013,588.67	Market approach	Market value	Price of waste and old materials equivalent Note 1
Machinery equipment	434,630.04	222,927.00	211,703.04	Cost method	Replacement price and newness rate	—
Others	221,957.08	1,457.21	220,499.87	Market approach/ cost approach	—	—
<b>Total</b>	<b>7,514,234.40</b>	<b>1,068,442.82</b>	<b>6,445,791.58</b>	—	—	—

Note 1: The cost approach determines the replacement price based on the current market price of equipment, and the observational approach and service life approach determine the newness rate.

(5). Other notes of fixed assets

The original value of the fixed assets that were fully depreciated but are still in use is RMB2,048,231,070.51. For the details of fixed assets mortgaged at the end of the year, refer to Note V. 22. Assets with ownership or right of use restricted.

#### 16. Construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Construction in progress	<b>140,038,654.10</b>	126,466,820.01

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16. Construction in progress (Continued)

(1). *Construction in progress*

*Unit: Yuan Currency: RMB*

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	46,025,299.92	0.00	46,025,299.92	67,532,825.87	0.00	67,532,825.87
Renovation Project of Painting Line of No.2 Workshop	22,747,321.81	0.00	22,747,321.81	0.00	0.00	0.00
Discharge Bench Construction Project	6,114,826.30	0.00	6,114,826.30	4,376,322.56	0.00	4,376,322.56
Hobbing machine	5,766,371.70	0.00	5,766,371.70	0.00	0.00	0.00
CNC gear grinding machine	4,876,106.15	0.00	4,876,106.15	0.00	0.00	0.00
Information-based Project 2021	4,320,338.81	0.00	4,320,338.81	5,058,565.56	0.00	5,058,565.56
Information-based Project 2022	4,172,676.87	0.00	4,172,676.87	5,638,255.84	0.00	5,638,255.84
CNC gear shaping machine	3,978,761.06	0.00	3,978,761.06	0.00	0.00	0.00
Information-based Project 2023	3,499,719.36	0.00	3,499,719.36	0.00	0.00	0.00
New oil pan line	2,823,982.31	0.00	2,823,982.31	0.00	0.00	0.00
Waste Gas Treatment Project of Painting Line of No.4 Workshop	2,198,945.82	0.00	2,198,945.82	0.00	0.00	0.00
Upgrading and renovation of hydraulic torque converter test bench	1,805,309.73	0.00	1,805,309.73	0.00	0.00	0.00
Second Batch of High-power Diesel Engine (Phase II) Project in Industrial Park	1,675,213.67	1,675,213.67	0.00	1,675,213.67	1,675,213.67	0.00
Linyi Lingong Engine Docking Assembly Line (AGV transfer vehicle) 23423	1,615,380.54	0.00	1,615,380.54	0.00	0.00	0.00
160 HP drive train test bench	1,592,920.36	0.00	1,592,920.36	0.00	0.00	0.00
Project to Improve the Quenching Quality of Axle Shaft Products and Parts	1,252,566.37	0.00	1,252,566.37	0.00	0.00	0.00
CNC gear rubbing machine	1,046,902.66	0.00	1,046,902.66	0.00	0.00	0.00
New quenching and tempering production line for shafts	1,034,645.36	0.00	1,034,645.36	0.00	0.00	0.00
Cleaning Intelligent Renovation of Casting Production Line	506,220.77	0.00	506,220.77	227,271.94	0.00	227,271.94
Quality Improvement and Intelligent Renovation Project of Medium-horsepower Tractor	0.00	0.00	0.00	6,866,253.67	0.00	6,866,253.67
LR Cylinder Line Quality Provision Project	0.00	0.00	0.00	5,896,329.20	0.00	5,896,329.20
Upgrading and Renovation Project of Small and Medium-sized Parts Line	0.00	0.00	0.00	5,413,016.91	0.00	5,413,016.91
Renovation of Automatic Line of Gear Box Shell Truss	0.00	0.00	0.00	4,369,911.53	0.00	4,369,911.53
Intelligent Environmental Protection Improvement Project of Dongfanghong Diesel Engine Hot Trial Line	0.00	0.00	0.00	73,069.30	0.00	73,069.30
Others	42,717,741.72	18,057,383.52	24,660,358.20	39,072,381.15	18,057,383.52	21,014,997.63
<b>Total</b>	<b>159,771,251.29</b>	<b>19,732,597.19</b>	<b>140,038,654.10</b>	<b>146,199,417.20</b>	<b>19,732,597.19</b>	<b>126,466,820.01</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16. Construction in progress (Continued)

(2). Changes of significant construction in progress in the current year

Unit: Yuan Currency: RMB

Project name	Beginning balance	Increase in the current year	Decrease in the current year		Ending balance	Budget amount 0'000	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
			Transferred to fixed assets	Other decreases								
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	67,532,825.87	65,658,475.18	85,377,944.53	1,788,056.60	46,025,299.92	19,490.00	63.00	60.00	733,838.67	289,060.44	3.40	Bank borrowings
Renovation Project of Painting Line of No.2 Workshop	0.00	22,747,321.81	0.00	0.00	22,747,321.81	4,800.00	53.00	60.00	0.00	0.00	0.00	Own funds
Quality Improvement and Intelligent Renovation Project of Medium- horsepower Tractor	6,866,253.67	14,200,900.63	20,272,066.66	795,087.64	0.00	5,500.00	94.78	100.00	0.00	0.00	0.00	Own funds
<b>Total</b>	<b>74,399,079.54</b>	<b>102,606,697.62</b>	<b>105,650,011.19</b>	<b>2,583,144.24</b>	<b>68,772,621.73</b>	<b>29,790.00</b>	<b>-</b>	<b>-</b>	<b>733,838.67</b>	<b>289,060.44</b>	<b>-</b>	<b>-</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 17. Right-of-use assets

*Unit: Yuan Currency: RMB*

Item	Land right of use	Houses and buildings	Machinery equipment	Total
<b>I. Book value</b>				
1. Beginning balance	20,088,223.80	13,484,593.60	2,152,022.28	35,724,839.68
2. Increase in the current year	5,823,049.68	2,466,885.86	0.00	8,289,935.54
(1) Lease in	5,823,049.68	2,438,850.92	0.00	8,261,900.60
(2) Difference of foreign currency translation	0.00	28,034.94	0.00	28,034.94
3. Decrease in the current year	0.00	2,817,012.19	47,318.20	2,864,330.39
(1) Lease expiration	0.00	1,732,994.49	47,318.20	1,780,312.69
(2) Lease cease	0.00	1,084,017.70	0.00	1,084,017.70
4. Ending balance	25,911,273.48	13,134,467.27	2,104,704.08	41,150,444.83
<b>II. Accumulated depreciation</b>				
1. Beginning balance	1,295,937.72	263,995.69	0.00	1,559,933.41
2. Increase in the current year	11,028,903.74	8,130,545.52	1,099,670.25	20,259,119.51
(1) Charge for the year	11,028,903.74	8,123,536.79	1,099,670.25	20,252,110.78
(2) Difference of foreign currency translation	0.00	7,008.73	0.00	7,008.73
3. Decrease in the current year	0.00	2,455,672.95	47,318.20	2,502,991.15
(1) Lease expiration	0.00	1,732,994.49	47,318.20	1,780,312.69
(2) Lease cease	0.00	722,678.46	0.00	722,678.46
4. Ending balance	12,324,841.46	5,938,868.26	1,052,352.05	19,316,061.77
<b>III. Provision for bad debts</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	13,586,432.02	7,195,599.01	1,052,352.03	21,834,383.06
2. Carrying amount at the beginning of the year	18,792,286.08	13,220,597.91	2,152,022.28	34,164,906.27

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 18. Intangible assets

Unit: Yuan Currency: RMB

Item	Land right of use	Patent rights	Software	Trademark right	Total
<b>I. Book value</b>					
1. Beginning balance	871,063,253.63	1,456,412.68	116,186,485.02	60,096,433.55	1,048,802,584.88
2. Increase in the current year	0.00	0.00	18,498,647.93	0.00	18,498,647.93
(1) Purchase	0.00	0.00	2,212,430.64	0.00	2,212,430.64
(2) Transfer from construction in progress	0.00	0.00	16,287,943.07	0.00	16,287,943.07
(3) Difference of foreign currency translation	0.00	0.00	-1,725.78	0.00	-1,725.78
3. Decrease in the current year	563,040.00	0.00	0.00	143,955.00	706,995.00
(1) Changes in consolidation scope	0.00	0.00	0.00	143,955.00	143,955.00
(2) Others	563,040.00	0.00	0.00	0.00	563,040.00
4. Ending balance	870,500,213.63	1,456,412.68	134,685,132.95	59,952,478.55	1,066,594,237.81
<b>II. Accumulated amortization</b>					
1. Beginning balance	251,368,794.22	822,897.35	81,740,425.29	533,699.31	334,465,816.17
2. Increase in the current year	22,719,625.97	0.00	11,270,260.89	9,232.74	33,999,119.60
(1) Charge for the year	22,719,625.97	0.00	11,271,005.32	9,232.74	33,999,864.03
(2) Difference of foreign currency translation	0.00	0.00	-744.43	0.00	-744.43
3. Decrease in the current year	175,950.00	0.00	0.00	143,955.00	319,905.00
(1) Changes in consolidation scope	0.00	0.00	0.00	143,955.00	143,955.00
(2) Others	175,950.00	0.00	0.00	0.00	175,950.00
4. Ending balance	273,912,470.19	822,897.35	93,010,686.18	398,977.05	368,145,030.77
<b>III. Provision for bad debts</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
3. Decrease in the current year	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	596,587,743.44	0.00	41,196,524.55	59,553,501.50	697,337,769.49
2. Carrying amount at the beginning of the year	619,694,459.41	0.00	33,968,137.51	59,562,734.24	713,225,331.16

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 19. Goodwill

(1). *Original value of goodwill*

*Unit: Yuan Currency: RMB*

Name of the investee or matter forming goodwill	Beginning balance	Increase in the current year Formed by business combination		Decrease in the current year		Ending balance
		Others	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 bad debts of goodwill*

*Unit: Yuan Currency: RMB*

Name of the investee or matter 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

#### 20. Long-term deferred expenses

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Amortization in the current year	Other	Ending balance
				decreases in the current year	
Amortized mold	54,268,912.47	12,671,001.40	23,460,480.76	0.00	43,479,433.11
Amortized maintenance expenditure	4,090,034.04	620,291.69	1,059,102.05	-5,351.22	3,656,574.90
Others	1,105,976.87	0.00	495,328.58	0.00	610,648.29
<b>Total</b>	<b>59,464,923.38</b>	<b>13,291,293.09</b>	<b>25,014,911.39</b>	<b>-5,351.22</b>	<b>47,746,656.30</b>

Note 1: Other decreases in the current year are due to exchange rate changes

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(1). *Deferred tax assets not offset*

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	102,352,611.20	16,129,348.10	102,564,028.34	16,070,713.22
Dismissal welfare	58,694,321.71	8,913,091.30	71,917,522.62	10,959,910.41
Wages payable and accrued expenses	461,227,246.96	93,516,004.88	422,919,443.59	88,698,059.47
Deferred income	176,388,014.13	26,458,202.12	113,232,758.86	16,984,913.83
Deductible difference caused by leasing business	21,323,530.50	3,255,716.56	34,209,956.07	5,423,158.45
<b>Total</b>	<b>819,985,724.50</b>	<b>148,272,362.96</b>	<b>744,843,709.48</b>	<b>138,136,755.38</b>

(2). *Deferred tax liabilities not offset*

Unit: Yuan Currency: RMB

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 common control	66,537,909.15	16,634,477.28	75,376,708.87	18,658,944.47
Changes in fair value	673,979,958.59	101,096,993.79	641,345,058.59	96,201,758.79
Temporary difference caused by leasing business	20,989,114.09	3,204,533.82	34,209,956.07	5,423,158.45
<b>Total</b>	<b>761,506,981.83</b>	<b>120,936,004.89</b>	<b>750,931,723.53</b>	<b>120,283,861.71</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 21. Deferred tax assets and deferred tax liabilities (Continued)

(3). *Breakdown of unrecognized deferred tax assets*

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Provision for asset impairment	842,838,619.42	1,167,184,917.53
Deductible losses	<u>747,454,810.75</u>	<u>1,007,359,485.16</u>
<b>Total</b>	<b><u>1,590,293,430.17</u></b>	<b><u>2,174,544,402.69</u></b>

(4). *Deductible loss of unrecognized deferred tax assets due in the following years*

*Unit: Yuan Currency: RMB*

Year	Ending balance	Beginning balance	Remarks
2023	0.00	67,085,275.03	—
2024	12,152,227.99	12,152,227.99	—
2025	18,996,803.39	21,068,321.62	—
2026	1,227,463.13	2,206,955.51	—
2027	50,294,027.22	50,360,709.91	—
2028	295,559,091.79	229,317,505.04	—
2029	71,112,575.68	333,699,685.79	—
2030	13,905,127.48	13,905,127.48	—
2031	92,240,031.30	92,240,031.30	—
2032	185,323,645.49	185,323,645.49	—
2033	<u>6,643,817.28</u>	0.00	—
<b>Total</b>	<b><u>747,454,810.75</u></b>	<b><u>1,007,359,485.16</u></b>	—

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 22. Assets with ownership or right of use restricted

Unit: Yuan Currency: RMB

Item	Book value	Ending		Restrictions	Book value	Beginning		Restrictions
		Carrying amount	Restricted type			Carrying amount	Restricted type	
Monetary fund	546,368,249.93	546,368,249.93	Others	Guarantee deposits of notes, etc.	844,164,764.14	844,164,764.14	Others	Guarantee deposits of notes, etc.
Receivables financing	41,273,625.60	41,273,625.60	Pledge	Note pledges	25,026,889.31	25,026,889.31	Pledge	Note pledges
Fixed assets 1	115,522,172.38	27,654,221.10	Mortgage	Loan mortgage	115,522,172.38	33,156,753.63	Mortgage	Loan mortgage
Fixed assets 2	40,856,738.46	8,745,531.11	Others	Ruled by court	—	—		
Intangible assets 1	21,518,030.00	14,428,746.73	Mortgage	Loan mortgage	21,518,030.00	14,877,039.04	Mortgage	Loan mortgage
Intangible assets 2	3,284,990.00	2,335,993.54	Sealed up	Ruled by court	—	—		
<b>Total</b>	<b>768,823,806.37</b>	<b>640,806,368.01</b>	/	/	<b>1,006,231,855.83</b>	<b>917,225,446.12</b>	/	/

#### 23. Short-term loans

Unit: Yuan Currency: RMB

Category of loans	Ending balance	Beginning balance
Mortgage loans	0.00	70,000,000.00
Credit loans	0.00	200,000,000.00
Interests payable	0.00	223,055.56
<b>Total</b>	<b>0.00</b>	<b>270,223,055.56</b>

#### 24. Notes payable

Unit: Yuan Currency: RMB

Type of bill	Ending balance	Beginning balance
Bank acceptance bill	2,163,570,194.22	1,829,304,506.10
Commercial acceptance bill	0.00	107,072.27
<b>Total</b>	<b>2,163,570,194.22</b>	<b>1,829,411,578.37</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 25. Accounts payable

(1). *Accounts payable listed as per type and nature*

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Procurement payable	2,082,123,987.38	2,081,660,028.31
Engineering equipment purchase payables	51,076,491.12	41,054,870.93
Service payables	181,628,924.28	164,161,767.34
Others	516,386.26	85,100.40
<b>Total</b>	<b>2,315,345,789.04</b>	<b>2,286,961,766.98</b>

(2). *Accounts payable listed as per ageing*

*Unit: Yuan Currency: RMB*

Ageing	Ending balance	Beginning balance
Within 1 year	1,994,438,837.99	1,976,325,706.83
1-2 years	152,098,593.82	142,792,136.62
2-3 years	68,114,001.45	94,323,052.54
Over 3 years	100,694,355.78	73,520,870.99
<b>Total</b>	<b>2,315,345,789.04</b>	<b>2,286,961,766.98</b>

(3). *Significant accounts payable with aged over 1 year or overdue*

*Unit: Yuan Currency: RMB*

Company name	Ending balance	Reasons for not repaying or carrying forward
LLAF INTERNATIONAL CO.,LTD	25,631,359.34	Unsettled

#### 26. Advances from customers

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Rental received in advance	0.00	190,366.98

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 27. Contract liabilities

##### (1). Contract liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Sales payment	500,336,653.14	846,464,703.95

##### (2). Contract liabilities presented according to ageing

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	469,590,763.80	817,628,370.07
Over one year	30,745,889.34	28,836,333.88
<b>Total</b>	<b>500,336,653.14</b>	<b>846,464,703.95</b>

##### (3). Significant contract liabilities aged over 1 year or overdue

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not transfer
Management Committee of Henan Luoyang Industrial Park	11,926,605.50	Unsettled

#### 28. Customer deposits and interbank deposits

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current deposits	0.00	7,969,641.36
Including: the Company	0.00	7,969,641.36
Time deposits (including notice deposits)	0.00	25,500,000.00
Including: the Company	0.00	25,500,000.00
Interests payable	0.00	642,989.12
<b>Total</b>	<b>0.00</b>	<b>34,112,630.48</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 29. Employee compensation payable

(1). *Classification of employee compensation payable*

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Short-term remuneration	74,930,309.15	975,399,744.79	977,257,894.49	<b>73,072,159.45</b>
Post-employment benefits – defined contribution plan	1,256,263.25	115,528,396.77	98,389,241.27	<b>18,395,418.75</b>
Dismissal welfare	32,358,586.99	26,249,116.58	33,084,005.83	<b>25,523,697.74</b>
<b>Total</b>	<b>108,545,159.39</b>	<b>1,117,177,258.14</b>	<b>1,108,731,141.59</b>	<b>116,991,275.94</b>

(2). *Short-term remuneration*

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Salary, bonus, allowance and subsidy	40,271,283.23	706,887,915.13	711,431,847.76	<b>35,727,350.60</b>
Employee benefits	0.00	46,126,842.96	46,126,842.96	<b>0.00</b>
Social insurance premium	573,053.88	45,382,231.91	43,758,347.41	<b>2,196,938.38</b>
Including: medical				
insurance premiums	491,726.90	40,868,181.60	39,301,390.66	<b>2,058,517.84</b>
Industrial injury insurance premium	81,326.98	4,514,050.31	4,456,956.75	<b>138,420.54</b>
Housing provident fund	897,467.00	59,798,246.70	59,204,382.70	<b>1,491,331.00</b>
Labor union funds and employee education funds	33,188,505.04	25,459,280.11	24,991,245.68	<b>33,656,539.47</b>
Others	0.00	91,745,227.98	91,745,227.98	<b>0.00</b>
<b>Total</b>	<b>74,930,309.15</b>	<b>975,399,744.79</b>	<b>977,257,894.49</b>	<b>73,072,159.45</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 29. Employee compensation payable (Continued)

##### (3). Defined contribution plan

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Basic endowment insurance premium	1,203,200.56	97,173,482.38	94,283,557.74	4,093,125.20
Enterprise annuity	0.00	14,191,493.05	68,697.50	14,122,795.55
Unemployment insurance premium	53,062.69	4,163,421.34	4,036,986.03	179,498.00
<b>Total</b>	<b>1,256,263.25</b>	<b>115,528,396.77</b>	<b>98,389,241.27</b>	<b>18,395,418.75</b>

Description of defined contribution plan: The Group participates in the enterprise annuity plan and the social insurance plan established by government agencies according to regulations. As per the plan, the Group will contribute to the plan in accordance with the enterprise annuity plan and relevant regulations of the local government. Besides the contribution above, the Group will not assume any obligations for payment. Corresponding expenditures shall be incurred in current profit and loss or relevant asset costs.

The Group shall pay RMB115,528,396.77 (whose amount of 2022 is RMB96,009,939.86) into the defined contribution plan for the year in which it participates. As at December 31, 2023, there was a payable contribution of RMB18,395,418.75 (with RMB1,256,263.25 as at December 31, 2022) for paying the relevant payable contributions at the end of the Reporting Period, which will be paid after balance sheet date.

#### 30. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Property tax	8,254,386.71	6,841,823.68
Land use tax	3,896,332.11	2,920,036.11
Corporate income tax	3,479,877.52	2,625,844.52
Value-added tax (VAT)	1,688,243.15	4,110,146.45
Individual income tax	1,633,649.59	1,873,618.50
Urban maintenance and construction tax	61,108.22	253,716.84
Educational surcharges	43,648.78	180,997.69
Other taxes	2,854,857.58	2,243,201.01
<b>Total</b>	<b>21,912,103.66</b>	<b>21,049,384.80</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 31. Other payables

(1). *Presentation of items*

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Interests payable	39,524,418.05	24,785,843.99
Dividends payable	8,439,607.85	8,439,607.83
Other payables	421,545,121.88	304,937,274.98
<b>Total</b>	<b>469,509,147.78</b>	<b>338,162,726.80</b>

(2). *Interests payable*

*Classification*

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Interests payable	39,524,418.05	24,785,843.99
<b>Total</b>	<b>39,524,418.05</b>	<b>24,785,843.99</b>

Significant interest payables overdue:

*Unit: Yuan Currency: RMB*

Entity	Overdue amount	Overdue reason
Customer 5	39,524,418.05	Insufficient working capital
<b>Total</b>	<b>39,524,418.05</b>	/

(3). *Dividends payable*

*Classification*

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Ordinary share dividends	8,439,607.85	8,439,607.83

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 31. Other payables (Continued)

##### (4). Other payables

Classification of other payables according to nature

Unit: Yuan Currency: RMB

Nature	Ending balance	Beginning balance
Transaction payments	201,584,138.29	161,706,679.18
Borrowings from non-connected parties	70,000,000.00	0.00
Guarantee deposit and security deposit	66,731,919.36	70,380,574.69
Collection and payment on behalf of others	34,906,183.09	40,140,737.24
Expenses payable	17,366,995.37	13,520,468.85
Others	30,955,885.77	19,188,815.02
<b>Total</b>	<b>421,545,121.88</b>	<b>304,937,274.98</b>

Significant other payables with aged over 1 year or overdue

Unit: Yuan Currency: RMB

Company name	Ending balance	Reasons for not repaying or carrying forward
YTO Group Corporation	149,466,414.14	Unsettled

#### 32. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Lease liabilities due within one year	20,083,151.95	17,515,361.76
Long-term payables due within one year	720,000.00	0.00
Interest on long-term loans	166,666.67	34,718.33
Long-term loans due within one year	0.00	200,000.00
<b>Total</b>	<b>20,969,818.62</b>	<b>17,750,080.09</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 33. Other current liabilities

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Discounts	264,149,629.67	246,923,863.47
Sales and Warranty Service Fees for Repair, Replacement, and Refund	112,652,586.56	104,886,888.97
The Endorsement of Notes without Derecognition	45,624,138.02	11,375,744.49
Output VAT to be carried forward	7,457,701.74	8,461,910.42
Intermediary service cost	2,690,036.00	2,660,000.00
Others	3,395,213.18	678,689.82
<b>Total</b>	<b>435,969,305.17</b>	<b>374,987,097.17</b>

#### 34. Long-term loan

##### (1). Classification of long-term loans

*Unit: Yuan Currency: RMB*

Category of loans	Ending balance	Beginning balance
Principal of credit loan	200,000,000.00	49,580,000.00
Interests payable	166,666.67	34,718.33
Subtotal	200,166,666.67	49,614,718.33
Less: long-term loans due within one year	0.00	200,000.00
Less: interest on long-term loans	166,666.67	34,718.33
<b>Total</b>	<b>200,000,000.00</b>	<b>49,380,000.00</b>

##### (2). Breakdown on maturity dates of long-term loans

*Unit: Yuan Currency: RMB*

Expiry date	Ending balance	Beginning balance
1-2 years	200,000,000.00	4,200,000.00
2-5 years	0.00	45,180,000.00
<b>Total</b>	<b>200,000,000.00</b>	<b>49,380,000.00</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 35. Lease liabilities

(1). *Presentation of lease liabilities*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Present value of lease liabilities	22,182,151.34	33,975,237.74
Less: re-classified to non-current liabilities due within one year	<u>20,083,151.95</u>	<u>17,515,361.76</u>
<b>Net amount of lease liabilities</b>	<b><u>2,098,999.39</u></b>	<b><u>16,459,875.98</u></b>

(2). *Breakdown of maturity date of lease liabilities*

Unit: Yuan Currency: RMB

The carrying amount of the above lease liabilities shall be repaid in the following periods	Amount
Within 1 year	20,083,151.95
1-2 years	2,098,999.39
2-5 years	0.00
Over 5 years	<u>0.00</u>
<b>Total</b>	<b><u>22,182,151.34</u></b>
Less: lease liabilities due within one year	20,083,151.95
Lease liabilities disclosed under non-current liabilities	2,098,999.39

#### 36. Long-term payables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term non-financial institution loans	<u>8,281,441.87</u>	<u>8,476,357.76</u>

Note: Yitwo Argo Industrial, an overseas subsidiary of the Group, signed a supplementary agreement with the Ivory Coast Government, which stipulated that there was still XOF 750,120,156.00 (equivalent to RMB9,001,441.87 at the end of the year) unpaid on the sub-loan obtained by Yitwo Argo Industrial from the government in 1997. The payment can be postponed until 2024, XOF 60,000,000.00 (equivalent to RMB720,000.00) due within one year.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 37. Long-term employee compensation payable

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Long-term dismissal welfare	63,599,647.47	80,193,727.03
Others	27,738.00	375,688.00
Less: undiscounted long-term employee compensation payable due within one year	<u>25,523,697.74</u>	<u>32,358,586.99</u>
<b>Total</b>	<b><u>38,103,687.73</u></b>	<b><u>48,210,828.04</u></b>

#### 38. Provision

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance	Cause of formation
Others	<u>1,962,613.99</u>	<u>1,962,613.99</u>	Note 1

*Note 1:* It was formed by selling YTO (Luoyang) Forklift Co., Ltd. and the balance has not been paid.

#### 39. Deferred income

##### (1) Classification of deferred income

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance	Cause of formation
Asset-related government subsidies	119,267,582.40	63,246,200.00	21,056,686.12	<u>161,457,096.28</u>	—
Income-related government subsidies	2,494,935.30	29,361,700.00	11,368,458.61	<u>20,488,176.69</u>	—
<b>Total</b>	<u>121,762,517.70</u>	<u>92,607,900.00</u>	<u>32,425,144.73</u>	<b><u>181,945,272.97</u></b>	—

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 39. Deferred income (Continued)

##### (2) Projects using government subsidies

Unit: Yuan Currency: RMB

Projects using government subsidies	Beginning balance	Amount of new subsidies received 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	Others	Ending balance	Asset-related/income-related
Intelligent Multi-purpose Tractor Capacity Improvement Project	0.00	59,900,000.00	0.00	0.00	0.00	0.00	59,900,000.00	Asset-related
High-power Non-road Diesel Engine Core Capacity Improvement of New Wheeled Tractors	24,500,000.00	0.00	0.00	4,900,000.00	0.00	0.00	19,600,000.00	Asset-related
Intelligent Workshop and Factory Industrial Internet Platform	21,763,636.34	0.00	0.00	4,836,363.64	0.00	0.00	16,927,272.70	Asset-related
Modern Agricultural Equipment Intelligent Cockpit Digital Factory	10,000,000.00	0.00	0.00	483,578.07	0.00	0.00	9,516,421.93	Asset-related
Special Funds for Industrial Foundation Reconstruction and High-quality Development of the Manufacturing Industry	10,867,063.56	0.00	0.00	1,440,476.16	0.00	0.00	9,426,587.40	Asset-related
Special Funds for the Urban Affordable Housing Project	0.00	7,402,900.00	0.00	0.00	0.00	0.00	7,402,900.00	Asset/income-related
To Improve Independent R&D Capability	7,200,000.00	0.00	288,000.00	0.00	0.00	0.00	6,912,000.00	Asset-related
Application Project of New Wheeled Tractor Intelligent Manufacturing Model	7,955,534.38	0.00	0.00	1,342,030.68	0.00	0.00	6,613,503.70	Asset-related
R&D and manufacturing of high-horsepower intelligent tractors	7,572,727.22	0.00	0.00	1,081,818.20	0.00	0.00	6,490,909.02	Asset-related
Key Product Test and Inspection Platform	0.00	7,200,000.00	0.00	1,328,589.67	0.00	0.00	5,871,410.33	Income-related
Quality improvement and the intelligent transformation of medium-horsepower tractors	6,944,735.77	0.00	0.00	1,388,947.20	0.00	0.00	5,555,788.57	Asset-related
Scientific research funds for tractors in hilly and mountainous areas	5,110,000.00	0.00	0.00	726,596.49	0.00	0.00	4,383,403.51	Asset-related
National IV Provincial Renovation (Phase I) Project of Diesel Engine	0.00	7,520,000.00	0.00	3,573,934.02	0.00	0.00	3,946,065.98	Income-related
2020 National New Material Production and Application Demonstration Platform Construction Project-agricultural Machinery Equipment Material Production and Application Demonstration Platform	3,825,000.00	0.00	0.00	510,000.00	0.00	0.00	3,315,000.00	Asset-related
8-12Kg/s Multifunctional Combine Harvester Project	1,156,770.86	1,590,000.00	0.00	0.00	0.00	0.00	2,746,770.86	Income-related
Complete Tractor Test Environment Chamber and Supporting Comprehensive Verification Platform	2,493,750.00	0.00	0.00	262,500.00	0.00	0.00	2,231,250.00	Asset-related
	2,500,000.00	0.00	0.00	300,000.00	0.00	0.00	2,200,000.00	Asset-related

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 39. Deferred income (Continued)

##### (2) *Projects using government subsidies (Continued)*

Projects using government subsidies	Beginning balance	Amount of new subsidies received 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	Others	Ending balance	Asset-related/income-related
Renovation Project of Small and Medium-sized Parts Modelling Line of Foundry	2,377,732.72	0.00	0.00	256,375.68	0.00	0.00	2,121,357.04	Asset-related
Annual Output of 1,000 High-horsepower Shifting Heavy-duty Wheeled Tractors	2,250,000.00	0.00	0.00	500,000.00	0.00	0.00	1,750,000.00	Asset-related
Scientific research funds for multi-functional power platform	0.00	4,200,000.00	0.00	3,047,417.00	0.00	0.00	1,152,583.00	Income-related
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Project	1,575,000.00	0.00	0.00	540,000.00	0.00	0.00	1,035,000.00	Asset-related
Research on Unmanned Operation Technology and Equipment Development of Tractor	0.00	950,000.00	0.00	378,835.78	0.00	0.00	571,164.22	Income-related
R&D and Application Demonstration of Unmanned Operation Equipment for Wheat Plowing	0.00	840,000.00	0.00	392,414.71	0.00	0.00	447,585.29	Income-related
R&D of Key Technologies and Assembly Creation for Power System and Intelligent Control Unit of Hybrid/Electric Agricultural Machinery	0.00	585,000.00	0.00	209,091.04	0.00	0.00	375,908.96	Income-related
Integration and Application Demonstration of New Power Tractor/Self-propelled Plant Protection Machine	0.00	690,000.00	0.00	371,195.16	0.00	0.00	318,804.84	Income-related
Scientific research funds for lightweight diesel engines	600,000.00	700,000.00	0.00	1,224,528.77	0.00	0.00	75,471.23	Income-related
Development and Application Demonstration of Supply Chain Network Collaborative Technology for Agricultural Equipment Enterprises	348,241.44	0.00	0.00	299,511.31	0.00	0.00	48,730.13	Income-related
Green Technology Upgrading and Renovation Project of the Casting System	2,200,000.00	0.00	0.00	2,200,000.00	0.00	0.00	0.00	Asset-related
Other items	522,325.41	1,030,000.00	0.00	542,941.15	0.00	0.00	1,009,384.26	—
<b>Total</b>	<b>121,762,517.70</b>	<b>92,607,900.00</b>	<b>288,000.00</b>	<b>32,137,144.73</b>	<b>0.00</b>	<b>0.00</b>	<b>181,945,272.97</b>	<b>—</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 40. Share capital

Unit: Yuan Currency: RMB

	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

#### 41. Capital reserve

Unit: Yuan Currency: RMB

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>

#### 42. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred before income tax in the current year	Amount in the current year				After-tax amount attributable to non-controlling 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 earnings in the current period	Less: income tax expenses	After-tax amount attributable to shareholder		
I. Other comprehensive income not to be reclassified into profit and loss	-745,755.85	445,953.28	0.00	0.00	0.00	115,426.69	330,526.59	-630,329.16
Other comprehensive income that cannot be transferred to profit or loss under the equity method	-69,708.37	-228,590.79	0.00	0.00	0.00	-228,590.79	0.00	-298,299.16
Changes in fair value of equity instruments at FVTOCI	-676,047.48	674,544.07	0.00	0.00	0.00	344,017.48	330,526.59	-332,030.00
II. Other comprehensive income that will be reclassified into profit and loss	-5,107,788.44	-4,478,784.42	0.00	0.00	0.00	-8,185,612.41	3,706,827.99	-13,293,400.85
Differences arising from translation of foreign currency financial statements	-5,107,788.44	-4,478,784.42	0.00	0.00	0.00	-8,185,612.41	3,706,827.99	-13,293,400.85
<b>Total other comprehensive income</b>	<b>-5,853,544.29</b>	<b>-4,032,831.14</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-8,070,185.72</b>	<b>4,037,354.58</b>	<b>-13,923,730.01</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 43. Special reserves

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Work safety expenses	5,497,405.05	21,456,415.06	19,459,525.41	7,494,294.70

#### 44. Surplus reserves

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Statutory surplus reserves	594,662,064.89	104,442,068.71	0.00	699,104,133.60
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
<b>Total</b>	<b>595,433,495.89</b>	<b>104,442,068.71</b>	<b>0.00</b>	<b>699,875,564.60</b>

#### 45. Provision for general risk

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
General risk provision	43,263,387.54	0.00	43,263,387.54	0.00

#### 46. Retained earnings

*Unit: Yuan Currency: RMB*

Item	Current year	Previous year
Ending balance of the previous year	1,540,248,936.64	1,086,069,085.52
Add: adjusted amount of beginning retained earnings	0.00	0.00
Beginning balance of the current year	1,540,248,936.64	1,086,069,085.52
Add: net profit attributable to the shareholder of company in current period	997,022,699.99	681,050,957.24
Others (Note 1)	43,263,387.54	0.00
Less: appropriation to statutory surplus reserves	104,442,068.71	93,937,712.30
Dividends of ordinary shares payable	257,343,689.20	132,933,393.82
<b>Ending balance of the current year</b>	<b>2,218,749,266.26</b>	<b>1,540,248,936.64</b>

Note 1: YTO Finance was liquidated and ceased this year, and the original general risk reserve was transferred to retained earnings.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 47. Operating revenue and operating costs

(1). *Operating revenue and operating costs*

Unit: Yuan Currency: RMB

Item	Amount in the current year		Amount in the previous year	
	Revenue	Cost	Revenue	Cost
Main business	11,432,586,280.19	9,624,262,170.42	12,349,260,208.54	10,436,237,450.67
Other business	95,574,475.67	72,367,863.11	106,204,906.08	60,821,113.65
<b>Total</b>	<b>11,528,160,755.86</b>	<b>9,696,630,033.53</b>	<b>12,455,465,114.62</b>	<b>10,497,058,564.32</b>

(2). *Breakdown of operating revenue and cost*

Unit: 0'000 Currency: RMB

Contract Classification	Total	
	Operating revenue	Operating cost
By business type		
Including: agricultural machinery	1,013,602.49	845,498.04
Power machinery	139,213.59	124,164.96
By region of operation		
Including: domestic sales	1,054,356.18	883,392.44
Overseas sales	98,459.90	86,270.56
By sales channel		
Including: Sales through distributors	863,246.26	706,706.63
Direct sales	289,569.82	262,956.37
<b>Total</b>	<b>1,152,816.08</b>	<b>969,663.00</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 48. Net interest income

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
<b>I. Interest Income</b>	<b>5,626,023.58</b>	103,241,584.91
1. Inter-bank deposits	5,604,580.48	57,257,215.58
2. Deposits at central bank	17,576.03	2,958,852.62
3. Lendings to banks and other financial institutions	0.00	0.00
4. Loans and advances	3,867.07	39,442,545.30
Including: personal loans and advances	3,867.07	18,553,363.97
Corporate loans and advances	0.00	19,715,207.69
Bills discounting	0.00	1,173,973.64
5. Financial assets purchased under agreements to resell	0.00	3,582,971.41
Including: interest income from impaired financial assets	0.00	0.00
<b>II. Interest Expenses</b>	<b>99,838.97</b>	12,119,803.80
1. Deposits from banks and other financial institutions	0.00	66,666.67
2. Customer deposits	99,838.97	11,967,147.13
3. Others	0.00	85,990.00
<b>III. Net Interest Income</b>	<b>5,526,184.61</b>	91,121,781.11

#### 49. Net income from fees and commissions

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
<b>I. Income from fees and commissions</b>	<b>0.00</b>	5,073,645.39
1. Settlement and liquidation fees	0.00	21,363.03
2. Agency fees	0.00	0.00
3. Guarantee fees and commissions	0.00	55,681.68
4. Others	0.00	4,996,600.68
<b>II. Fee and commission expenses</b>	<b>60,491.28</b>	505,541.79
1. Expenses of procedure fees	60,491.28	505,541.79
2. Expenses of commissions	0.00	0.00
<b>III. Net income from fees and commissions</b>	<b>-60,491.28</b>	4,568,103.60

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 50. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Property tax	21,625,036.71	21,606,692.46
Stamp duty	12,899,672.23	10,965,527.41
Land use tax	7,909,086.16	8,006,826.55
Urban maintenance and construction tax	3,443,087.55	4,778,178.39
Educational surcharges	2,459,348.32	3,412,984.62
Vehicle and vessel use tax	82,615.49	79,500.73
Others	647,317.44	337,717.81
<b>Total</b>	<b>49,066,163.90</b>	<b>49,187,427.97</b>

#### 51. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Fees for Warranty Service for Repair, Replacement, and Refund and Sales	104,015,199.56	99,062,166.24
Employee compensation	93,097,162.41	86,172,175.72
Business travel expenses	19,743,121.73	14,080,157.01
Advertising expenses	13,665,473.42	13,871,509.97
Insurance premium	2,013,411.88	1,649,510.46
Depreciation expenses	825,783.37	1,103,514.40
Others	7,530,903.08	6,271,100.84
<b>Total</b>	<b>240,891,055.45</b>	<b>222,210,134.64</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 52. Administrative expenses

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Employee compensation	185,363,082.54	204,731,850.78
Depreciation expenses	46,337,434.35	53,614,724.84
Amortization of intangible assets	30,946,836.94	29,423,969.25
Repair expenses	25,352,750.34	35,754,833.92
Rental expenses	16,244,797.40	15,897,893.76
Working funds for Party building	5,004,109.07	5,294,222.95
Business travel expenses	4,814,154.29	2,352,938.82
Intermediary agency fees	4,552,463.39	5,996,890.64
Business entertainment expenses	3,554,768.97	2,654,244.84
Office expenses	3,137,103.30	3,259,030.12
Conference expenses	1,760,187.35	47,880.26
Consulting expenses	1,372,226.05	617,563.03
Insurance premium	1,259,964.52	980,774.40
Others	30,936,237.41	34,575,477.71
<b>Total</b>	<b>360,636,115.92</b>	<b>395,202,295.32</b>

#### 53. R&D expenses

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Employee compensation	202,921,253.14	193,142,768.44
Material expenses	191,468,722.67	254,708,677.76
Depreciation expenses	38,585,316.73	44,076,788.66
Design expenses	3,919,847.34	10,954,513.21
Test and inspection expenses	1,072,302.87	1,204,850.61
Others	23,376,938.57	24,694,670.87
<b>Total</b>	<b>461,344,381.32</b>	<b>528,782,269.55</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 54. Financial expenses

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Interest expenses	27,084,632.89	21,199,843.59
Less: interest income	64,235,457.08	27,386,455.05
Add: Net exchange gains or losses	-11,044,795.98	-36,683,918.41
Bank service charges	3,074,448.44	1,551,837.28
Others	-390,741.27	-447,899.23
<b>Total</b>	<b>-45,511,913.00</b>	<b>-41,766,591.82</b>

#### 55. Other income

##### (1). Breakdown of other income

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Government subsidies	72,019,984.20	41,203,816.27
Return of service charges of individual income tax	319,494.67	261,430.59
VAT additional deduction	126,020.95	1,272,084.16
<b>Total</b>	<b>72,465,499.82</b>	<b>42,737,331.02</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 55. Other income (Continued)

##### (2). Breakdown of government subsidies

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year	Asset-related/ income-related
R&D and manufacturing of high-horsepower intelligent tractors	25,328,589.67	11,000,000.00	Income-related
Development of new platform for medium-sized non-road diesel engine	6,620,000.00	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
Scientific research funds for tractors in hilly and mountainous areas	3,573,934.02	0.00	Income-related
Scientific research funds for lightweight diesel engines	3,554,528.77	1,750,000.00	Income-related
Scientific research funds for multi-functional power platform	3,047,417.00	0.00	Income-related
Green Technology Upgrading and Renovation Project of the Casting System	2,200,000.00	2,200,000.00	Asset-related
Subsidy for stabilizing employment	1,982,686.47	24,598.75	Income-related
Subsidy funds for projects of small and medium-sized enterprises to develop international market	1,968,400.00	0.00	Income-related
Modern Agricultural Equipment Intelligent Cockpit Digital Factory	1,440,476.16	1,440,476.16	Asset-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
Application Project of New Wheeled Tractor Intelligent Manufacturing Model	1,081,818.20	1,081,818.20	Asset-related
2020 National New Material Production and Application Demonstration Platform Construction Project-agricultural Machinery Equipment Material Production and Application Demonstration Platform	1,000,000.00	1,669,975.13	Income-related
Quality improvement and the intelligent transformation of medium-horsepower tractors	726,596.49	0.00	Asset-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	Asset-related
Annual Output of 1,000 High-horsepower Shifting Heavy-duty Wheeled Tractors	500,000.00	0.00	Asset-related
Development and Industrialization of Non-road China IV Diesel Engines	0.00	2,000,000.00	Income-related
Unemployment subsidy	0.00	1,000,000.00	Income-related
Funds for Organic Waste Gas Treatment	0.00	1,150,000.00	Income-related
Others	5,478,195.90	4,369,606.51	—
<b>Total</b>	<b>72,019,984.20</b>	<b>41,203,816.27</b>	<b>—</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 56. Investment income

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Interest income from debt instruments at amortized cost during the holding period	82,644,381.80	396,160.95
Long-term equity investment income calculated at equity method	43,338,166.13	-33,233,515.23
Investment income from disposal of financial assets held for trading	3,954,446.90	16,427,580.55
Revenue from the derecognition of financial assets at amortized cost	0.00	-3,646,257.54
Investment income from disposal of long-term equity investments	-7,286,619.32	27,356,584.05
Others	-492,583.31	-12,783.33
<b>Total</b>	<b>122,157,792.20</b>	<b>7,287,769.45</b>

#### 57. Income from changes in fair value

Unit: Yuan Currency: RMB

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	47,757,032.42	-232,269,187.83
Derivative financial instrument	0.00	-10,588.74
<b>Total</b>	<b>47,757,032.42</b>	<b>-232,279,776.57</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 58. Credit impairment losses

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Impairment loss of entrusted loans	4,266,450.00	0.00
Impairment loss of loan assets	0.00	26,688,938.80
Bad debt loss for receivables	<u>-6,616,781.02</u>	<u>-114,904,053.58</u>
<b>Total</b>	<b><u>-2,350,331.02</u></b>	<b><u>-88,215,114.78</u></b>

#### 59. Asset impairment loss

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Impairment loss of advances to suppliers	128,286.46	-1,731,224.53
Impairment loss of other current assets	0.00	-7,000,000.00
Impairment loss of construction in progress	0.00	-3,574,242.00
Impairment loss of fixed assets	-6,445,791.58	-20,024,370.33
Impairment loss of inventory	<u>-9,578,354.48</u>	<u>-11,297,349.20</u>
<b>Total</b>	<b><u>-15,895,859.60</u></b>	<b><u>-43,627,186.06</u></b>

#### 60. Income of asset disposal

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year	Amount included in non-recurring profits and losses in the current year
Income or loss of disposal of fixed assets	1,561,504.48	2,638,077.77	1,561,504.48
Income or loss of disposal of intangible assets	<u>0.00</u>	<u>-1,003,100.33</u>	<u>0.00</u>
<b>Total</b>	<b><u>1,561,504.48</u></b>	<b><u>1,634,977.44</u></b>	<b><u>1,561,504.48</u></b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 61. Non-operating revenue

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year	Amount included in non-recurring profits and losses in the current year
Payables not to be paid	<b>3,630,365.25</b>	3,397,357.82	3,630,365.25
Recovery of Litigation Compensation	<b>818,910.08</b>	21,400,000.00	818,910.08
Government subsidy of non-operating activities	<b>288,000.00</b>	288,000.00	288,000.00
Others	<b>3,397,119.43</b>	1,340,792.58	3,397,119.43
<b>Total</b>	<b>8,134,394.76</b>	26,426,150.40	8,134,394.76

#### 62. Non-operating expenses

Unit: Yuan Currency: RMB

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	<b>542.40</b>	4,796.71	542.40
External donation	<b>0.00</b>	10,000.00	0.00
Others	<b>1,314,129.10</b>	2,532,391.47	1,314,129.10
<b>Total</b>	<b>1,314,671.50</b>	2,547,188.18	1,314,671.50

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 63. Income tax expenses

(1). *Income tax expenses*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Income tax expense in the current year	23,542,140.23	35,539,446.55
Deferred tax expenses	<u>-9,483,464.40</u>	<u>-65,599,718.58</u>
<b>Total</b>	<b><u>14,058,675.83</u></b>	<b><u>-30,060,272.03</u></b>

(2). *Adjustment process of accounting profits and income tax expenses*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year
Consolidated total profits in the current year	1,003,085,973.63
Income tax expense calculated in accordance with legal/applicable tax rate	150,462,896.04
Effect of different tax rates applicable to subsidiaries	9,948,473.70
Impact of income tax in previous periods before adjustment	489,412.31
Impact of non-taxable income	-6,500,724.92
Impact of non-deductible costs, expenses and losses	5,802,024.28
Effect from deductible temporary balance or deductible losses of deferred tax assets unrecognized	-45,610,943.78
Weighted Deduction of R&D Expenses and Other Expenses	-55,908,378.80
Effect of using the deductible losses of unrecognized deferred tax assets	<u>-44,624,083.00</u>
Income tax expenses	<b><u>14,058,675.83</u></b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 64. Other comprehensive income

Refer to Note "V. 42 Other comprehensive income" for details.

#### 65. Items of cash flow statements

##### (1). Cash flows related to operating activities

###### 1) Other cash received relating to operating activities

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Interest on Deposits Received	64,235,457.08	27,386,455.05
Government Subsidies Received	132,490,739.47	25,208,622.42
Cash Received Related to Other Transactions	128,598,362.94	76,544,738.86
<b>Total</b>	<b>325,324,559.49</b>	<b>129,139,816.33</b>

###### 2) Other cash paid relating to operating activities

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Cash Paid for Selling, Administrative and R&D Expenses	101,150,341.06	108,495,633.81
Cash Paid Related to Transactions	24,275,170.77	43,780,484.40
Cash Paid for Other Operating Activities	227,241,169.36	834,739,792.51
<b>Total</b>	<b>352,666,681.19</b>	<b>987,015,910.72</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 65. Items of cash flow statements (Continued)

(2). *Cash flows related to investing activities*

1) *Significant cash paid relating to investing activities*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Purchase of large certificates of deposit	<u>2,167,887,500.00</u>	<u>1,085,000,000.00</u>
<b>Total</b>	<b><u>2,167,887,500.00</u></b>	<b><u>1,085,000,000.00</u></b>

2) *Other cash paid relating to investing activities*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Net cash received from disposal of subsidiaries and other business units	<u>463,615.57</u>	<u>0.00</u>
<b>Total</b>	<b><u>463,615.57</u></b>	<b><u>0.00</u></b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 65. Items of cash flow statements (Continued)

##### (3). Cash related to financing activities

##### 1) Other cash received relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Funds restricted by policy	0.00	138,052,188.68
<b>Total</b>	<b>0.00</b>	<b>138,052,188.68</b>

##### 2) Other cash paid relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Refund non-controlling shareholders' investment of subsidiaries	3,000,000.00	0.00
Payment for rental	20,537,743.44	19,584,176.68
<b>Total</b>	<b>23,537,743.44</b>	<b>19,584,176.68</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 65. Items of cash flow statements (Continued)

##### (3). Cash related to financing activities (Continued)

##### 3) Movements in liabilities arising from financing activities

*Unit: Yuan Currency: RMB*

Item	Beginning balance	Increase in the current year		Decrease in the current year		Ending balance
		Movements in cash	Non-cash movements	Movements in cash	Non-cash movements	
Short-term borrowings	270,223,055.56	300,000,000.00	10,726,111.12	310,949,166.68	270,000,000.00	0.00
Interests payable	24,785,843.99	0.00	14,738,574.06	0.00	0.00	39,524,418.05
Dividends payable	8,439,607.83	0.00	262,006,221.51	262,006,221.49	0.00	8,439,607.85
Other payables	0.00	0.00	70,000,000.00	0.00	0.00	70,000,000.00
Long-term borrowings	49,614,718.33	0.00	200,402,210.56	49,850,262.22	0.00	200,166,666.67
Lease liabilities	33,975,237.74	0.00	8,744,657.04	20,537,743.44	0.00	22,182,151.34
Long-term payables	8,476,357.76	0.00	525,084.11	0.00	0.00	9,001,441.87
<b>Total</b>	<b>395,514,821.21</b>	<b>300,000,000.00</b>	<b>567,142,858.40</b>	<b>643,343,393.83</b>	<b>270,000,000.00</b>	<b>349,314,285.78</b>

Note 1: Long-term borrowings, lease liabilities and long-term payables all include the portion due within one year.

##### (4). Notes for presentation of cash flows on a net basis

*Unit: Yuan Currency: RMB*

Item	Relevant facts	Basis of net position presentation	Financial impact
Cash received from the return of investment	Purchase and redemption of structured deposits are presented on a net basis	Cash inflows and outflows for fast-turnover, high-value and short-duration projects	-2,530,000,000.00
Cash paid to acquire investments			-2,530,000,000.00

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 66. Supplementary information to the Cash Flow Statement

(1). *Supplementary information to Consolidated Cash Flow Statement*

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
<b>1 Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	989,027,297.80	641,958,134.10
Add: provision for bad debts of assets	15,895,859.60	43,627,186.06
Credit impairment losses	2,350,331.02	88,215,114.78
Depreciation of fixed assets	261,282,013.99	275,564,874.10
Depreciation of right-of-use assets	20,252,110.78	17,305,372.69
Amortization of intangible assets	33,999,864.03	32,647,428.19
Amortization of long-term deferred expenses	25,014,911.39	24,257,715.92
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-1,561,504.48	-1,634,977.44
Losses from retirement of fixed assets (profits marked with "-")	542.40	4,796.71
Losses from changes in fair value (profits marked with "-")	-47,757,032.42	232,279,776.57
Financial expenses (profits marked with "-")	27,084,632.89	21,199,843.59
Investment losses (profits marked with "-")	-122,157,792.20	-7,287,769.45
Decrease on deferred tax assets (increase to be listed with "-")	-10,135,607.58	-32,151,507.54
Increase in deferred tax liabilities (decrease to be listed with "-")	652,143.18	-33,448,211.04
Decrease in inventory (increase marked with "-")	-333,257,744.16	468,504,171.10
Decrease in operating receivables (increase marked with "-")	39,998,857.25	1,680,443,898.45
Increase in operating payables (decrease marked with "-")	155,572,717.29	150,521,470.56
Others	0.00	0.00
Net cash flows from operating activities	1,056,261,600.78	3,602,007,317.35

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 66. Supplementary information to the Cash Flow Statement (Continued)

(1). *Supplementary information to Consolidated Cash Flow Statement (Continued)*

Item	Amount in the current year	Amount in the previous year
<b>2 Material 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 Movements in net cash and cash equivalents:</b>		
Ending balance of cash	2,223,210,636.03	3,519,577,581.87
Less: beginning balance of cash	3,519,577,581.87	2,146,767,725.61
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>-1,296,366,945.84</u>	<u>1,372,809,856.26</u>

(2). *Net cash received from disposal of subsidiaries in the current year*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year
Cash and cash equivalents received in the current year from disposal of subsidiaries in the current year	0.00
Including: Cadfund Machinery Pty Ltd	0.00
Less: cash and cash equivalents held by subsidiaries on the loss-control date	463,615.57
Including: Cadfund Machinery Pty Ltd	463,615.57
Net cash received from disposal of subsidiaries	<u>-463,615.57</u>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 66. Supplementary information to the Cash Flow Statement (Continued)

(3). *Cash and cash equivalents*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
I. Cash	<b>2,223,210,636.03</b>	3,519,577,581.87
Including: cash on hand	<b>240,002.93</b>	60,612.69
Cash at bank available for payments at any time	<b>2,222,970,571.98</b>	3,519,516,908.93
Other monetary funds available for payment at any time	<b>61.12</b>	60.25
II. Cash equivalents	<b>0.00</b>	0.00
III. Ending balance of cash and cash equivalents	<b>2,223,210,636.03</b>	3,519,577,581.87
Including: the parent company or subsidiaries within the group use restricted cash and cash equivalents	<b>0.00</b>	0.00

(4). *Monetary funds not belonging to cash and cash equivalents*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Reasons for not belonging to non-cash and cash equivalents
Margin for bank acceptance bill	<b>544,771,522.99</b>	834,209,742.51	Limited monetary funds
Statutory reserve deposited in the Central Bank	<b>0.00</b>	9,176,871.31	Limited monetary funds
Others	<b>1,596,726.94</b>	778,150.32	Limited monetary funds
<b>Total</b>	<b>546,368,249.93</b>	844,164,764.14	—

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 67. Leases

(1) *As the lessee*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Interest expenses on lease liabilities	1,094,872.51	62,049.96
Short-term lease expenses included in current profits and losses with simplified treatment	342,010.44	708,715.74
Lease expenses of low-value assets (except short-term leases) included in current profits and losses with simplified treatment	0.00	0.00
Variable lease payments not included in the measurement of lease liabilities	0.00	0.00
Total cash outflows related to leases	<u>20,879,753.88</u>	<u>20,292,892.42</u>

(2) *As the lessor*

*Operating leases*

*Unit: Yuan Currency: RMB*

Item	Lease income	Including: income related to variable lease payments that is not included in the lease receipts
Operating rental income	<u>20,408,261.97</u>	<u>0.00</u>

#### 68. Net current assets

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Current assets	6,487,671,852.68	7,882,202,099.51
Less: current Liabilities	6,044,604,287.57	6,127,858,550.57
Net current assets	<u>443,067,565.11</u>	<u>1,754,343,548.94</u>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 69. Total assets minus current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Total assets	13,817,261,971.79	12,991,565,481.68
Less: current Liabilities	6,044,604,287.57	6,127,858,550.57
Total assets minus current liabilities	7,772,657,684.22	6,863,706,931.11

#### 70. Borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Principal of short-term bank loans	0.00	270,000,000.00
Principal of long-term loans	200,000,000.00	49,580,000.00
Total	200,000,000.00	319,580,000.00

##### (1). Loan Analysis

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank borrowings	—	—
Repayment within one year	0.00	270,200,000.00
Repayment after one year	200,000,000.00	49,380,000.00
Total	200,000,000.00	319,580,000.00

##### (2). Breakdown of maturity date of loans

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank borrowings	—	—
Within 1 year	0.00	270,200,000.00
1-2 years	200,000,000.00	4,200,000.00
2-5 years	0.00	45,180,000.00
Total	200,000,000.00	319,580,000.00

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 71. Monetary items in foreign currency

(1). *Monetary items in foreign currency*

*Unit: Yuan*

Item	Ending balance in foreign currency	Exchange rate	Ending balance in RMB (equivalent)
<b>Monetary fund</b>	—	—	106,243,901.15
Including: USD	12,704,208.40	7.0827	89,980,096.83
EUR	584,102.87	7.8592	4,590,581.28
HKD	77,595.30	0.9062	70,316.86
XOF	965,369,051.00	0.0120	11,584,428.61
BYN	8,613.45	2.1452	18,477.57
<b>Accounts receivable</b>	—	—	87,537,661.44
Including: USD	8,241,727.15	7.0827	58,373,680.89
EUR	86,106.29	7.8592	676,726.55
AUD	416,357.79	4.8484	2,018,669.11
XOF	941,123,960.00	0.0120	11,293,487.52
BYN	32,649.93	2.1452	70,040.63
ZAR	39,552,387.38	0.3819	15,105,056.74
<b>Other receivables</b>	—	—	791,333.84
Including: XOF	59,383,960.50	0.0120	712,607.53
BYN	36,698.82	2.1452	78,726.31
<b>Non-current assets due within one year</b>	—	—	484,591,050.97
Including: USD	47,719,241.77	7.0827	337,981,073.68
EUR	18,654,567.55	7.8592	146,609,977.29
<b>Other current assets</b>	—	—	14,750,251.73
Including: USD	2,077,500.00	7.0827	14,714,309.25
BYN	16,754.84	2.1452	35,942.48
<b>Accounts payable</b>	—	—	34,126,973.42
Including: USD	3,977,983.89	7.0827	28,174,866.50
EUR	706,460.12	7.8592	5,552,211.38
AUD	11,794.96	4.8484	57,186.68
XOF	12,916,000.00	0.012	154,992.00
BYN	87,505.53	2.1452	187,716.86

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 71. 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>	—	—	276,916.74
Including: XOF	23,076,395.00	0.0120	276,916.74
<b>Employee compensation payable</b>	—	—	91,553.60
Including: BYN	42,678.35	2.1452	91,553.60
<b>Non-current liabilities due within one year</b>	—	—	720,000.00
Including: XOF	60,000,000.00	0.0120	720,000.00
<b>Long-term payables</b>	—	—	8,281,441.87
Including: XOF	690,120,156.00	0.0120	8,281,441.87

Note 1: The amount is listed by original value.

#### 72. Overseas business entity

Unit: Yuan Currency: RMB

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	Ivory coast	XOF	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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 73. Depreciation and amortization

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Depreciation of fixed assets	261,282,013.99	275,564,874.10
Amortization of intangible assets	33,999,864.03	32,647,428.19
<b>Total</b>	<b>295,281,878.02</b>	<b>308,212,302.29</b>

#### 74. Reserves

According to the applicable laws of the People's Republic of China, the Group's available-for-distribution reserve on December 31, 2023, is RMB2,218,749,266.26, and the share premium of the capital reserve is RMB2,408,231,745.23.

### VI. R&D EXPENDITURES

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
R&D of Tractor Products	261,669,913.73	260,356,299.24
R&D of Power Machinery Products	101,034,014.40	133,195,597.94
Process R&D	54,365,001.17	63,039,787.02
Component Optimization and R&D of Other Machinery Products	33,120,474.90	49,492,393.16
Basic Research	11,154,977.12	21,281,291.76
Application Demonstration Research	0.00	1,416,900.43
<b>Total</b>	<b>461,344,381.32</b>	<b>528,782,269.55</b>
Including: Expensed R&D expense	461,344,381.32	528,782,269.55
Capitalized R&D expense	0.00	0.00

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. CHANGES IN CONSOLIDATION SCOPE

#### 1. Business combination not under common control

None.

#### 2. Business combination under common control

None.

#### 3. Reversed takeover

None.

#### 4. Disposal of subsidiaries

None.

#### 5. Changes in consolidation scope for other reasons

To implement the financial regulatory requirements of “only one finance company can be established by an enterprise group” in the *Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions* (YJH Order No. 6 2020), with the approval of the general meeting of shareholders, the Company ceased and liquidated YTO Finance and submitted a dissolution application to Henan Regulatory Bureau of China Banking and Insurance Regulatory Commission.

On November 7, 2022, YTO Finance received the Reply from China Banking and Insurance Regulatory Commission on the Dissolution of YTO Group Finance CO., LTD. (YBJF 2022 No. 787), agreeing that YTO Finance will stop all business activities and dissolve, and handle liquidation and cancellation procedures following relevant laws and regulations. On November 14, 2022, YTO Finance established a liquidation group. In May 2023, all the property of YTO Finance was distributed. On June 1, 2023, YTO Finance completed the industrial and commercial cancellation procedures.

In this year, the High Court of South Africa ruled that Cadfund Machinery Pty Ltd, a subsidiary of the Company, was bankrupt and liquidated, and appointed an administrator. The Company no longer included Cadfund Machinery Pty Ltd in the scope of consolidation.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VIII. EQUITY IN OTHER ENTITIES

#### 1. Equity in subsidiaries

##### (1). Composition of the Enterprise Group

*Unit: Yuan Currency: RMB*

Name of subsidiary	Registered Capital	Principal place of business	Place of registration	Business nature	Shareholding proportion (%)		Way of acquisition
					Direct	Indirect	
China-Africa Heavy Industry Investment Co., Ltd.	100,040,000.00	China	China	Agricultural machinery sales	55.00	0.00	Establishment
Changtuo Agricultural Machinery Equipment Group Co., Ltd. (Note 1)	282,000,000.00	China	China	Tractor manufacturing	33.33	0.00	Business combination not under common control
Luoyang Tractor Research Institute Co., Ltd.	445,000,000.00	China	China	R&D of tractor products	51.00	0.00	Business combination under common control
YTO International Economic and Trade Co., Ltd.	66,000,000.00	China	China	Agricultural machinery sales	100.00	0.00	Business combination under common control
YTO (Luoyang) Flagauto-Body Co., Ltd.	68,000,000.00	China	China	Tractor manufacturing	100.00	0.00	Business combination under common control
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	161,915,000.00	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Ltd.	99,588.00	China	Bermuda Islands	Investment holding	90.10	0.00	Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd.	3,000,000.00	China	China	Agricultural machinery sales	100.00	0.00	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd.	112,948,185.67	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	248,830,000.00	China	China	Tractor manufacturing	100.00	0.00	Business combination under common control
YTO Belarus Technology Co., Ltd.	52,551,587.88	Belarus	Belarus	R&D	100.00	0.00	Business combination under common control

Notes 1: 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 1. Equity in subsidiaries (Continued)

##### (2). Significant non-wholly-owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding proportion of non-controlling shareholders (%)	Profits and losses attributable to non-controlling shareholders in current year	Dividends announced and distributed to non-controlling shareholders in current year	Balance of non-controlling interests at the end of the year
Luoyang Tractor Research Institute Co., Ltd.	49.00	5,679,661.91	2,480,000.00	275,551,514.94
YTO (Luoyang) Diesel Engine Co., Ltd.	14.53	7,002,780.52	0.00	176,497,189.60

##### (3). Main financial information of significant non-wholly-owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Current assets	Non-current assets	Ending balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Luoyang Tractor Research Institute Co., Ltd.	251,445,612.89	382,006,853.27	633,452,466.16	44,126,990.90	26,975,444.76	71,102,435.66
YTO (Luoyang) Diesel Engine Co., Ltd.	2,322,487,511.98	773,160,799.46	3,095,648,311.44	1,644,040,644.47	94,348,270.57	1,738,388,915.04

Unit: Yuan Currency: RMB

Name of subsidiary	Current assets	Non-current assets	Beginning balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Luoyang Tractor Research Institute Co., Ltd.	241,859,587.48	388,440,656.36	630,300,243.84	47,204,538.92	27,951,365.25	75,155,904.17
YTO (Luoyang) Diesel Engine Co., Ltd.	1,890,953,090.71	717,619,995.68	2,608,573,086.39	1,177,671,827.16	121,586,044.62	1,299,257,871.78

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 1. Equity in subsidiaries (Continued)

**(3) Main financial information of significant non-wholly-owned subsidiaries (Continued)**

*Unit: Yuan Currency: RMB*

Name of subsidiary	Operating revenue	Amount in the current year		
		Net profit	Total comprehensive income	Cash flow from operating activities
Luoyang Tractor Research Institute Co., Ltd.	200,035,519.21	11,591,146.76	12,265,690.83	21,509,677.68
YTO (Luoyang) Diesel Engine Co., Ltd.	2,978,511,636.31	49,052,605.86	49,052,605.86	178,961,077.52

*Unit: Yuan Currency: RMB*

Name of subsidiary	Operating revenue	Amount in the previous year		
		Net profit	Total comprehensive income	Cash flow from operating activities
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.	2,534,455,560.23	-197,560,833.25	-197,560,833.25	358,187,229.05

**(4) Material 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 3. Interests in joint ventures or associates

##### (1). Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	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	Finance	14.29	0.00	Equity method

##### (2). Significant financial information for significant associates

Unit: Yuan Currency: RMB

Item	Ending balance/Amount incurred in the current year	
	Sinomach Finance Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
Current assets	39,680,284,450.73	233,027,671.45
Non-current assets	8,361,305,429.44	15,827,388.57
Total assets	48,041,589,880.17	248,855,060.02
Current liabilities	43,235,087,996.15	68,888,062.48
Non-current liabilities	705,121,023.83	0.00
Total liabilities	43,940,209,019.98	68,888,062.48
Non-controlling interests	0.00	0.00
Equity attributable to the shareholder	4,101,380,860.19	179,966,997.54
Shares of net assets calculated as per the shareholding proportion	585,910,965.54	88,183,828.79
Adjustments	-7,404,462.81	-2,815,693.12
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	0.00	-2,815,693.12
– Others	-7,404,462.81	0.00
Carrying amount of equity investments in associates	578,506,502.73	85,368,135.67
Fair value of equity investments in associates with public offer	0.00	0.00
Operating revenue	1,238,945,103.93	258,431,223.02
Financial expenses	0.00	-3,389,329.81
Income tax expenses	65,592,739.93	2,668,587.01
Net profit	252,829,389.81	18,930,164.35
Net profit from discontinued operations	0.00	0.00
Other comprehensive income	-1,434,179.82	0.00
Total comprehensive income	251,395,209.99	18,930,164.35
Dividends received from joint ventures in the current year	14,986,000.00	0.00

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 3. Interests in joint ventures or associates (Continued)

##### (2). Significant financial information for significant associates (Continued)

*Unit: Yuan Currency: RMB*

Item	Beginning balance/Amount incurred in the previous 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
Equity attributable to the shareholder	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 investment with public offer	0.00	0.00
Operating 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 income	-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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 3. Interests in joint ventures or associates (Continued)

(3). *Summary of financial information of insignificant joint ventures and associates*

Unit: Yuan Currency: RMB

Item	Ending balance/ Amount incurred in the current year	Beginning balance/ Amount incurred in the previous year
<b>Associate:</b>		
Total carrying amount of investment	382,934.98	362,320.92
Total amount of the following items at the shareholding percentage		
– Net profits	-407,664.30	-2,496,708.33
– Other comprehensive income	0.00	0.00
– Total comprehensive income	<u>-407,664.30</u>	<u>-2,496,708.33</u>

(4). *Excess losses incurred to joint ventures or associates*

Unit: Yuan Currency: RMB

Name of joint venture or associate	Accumulated unrecognized loss from previous years	Unrecognized losses for the current year	Accumulated unrecognized loss at the end of current year
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	<u>1,290,496.11</u>	<u>444,778.37</u>	<u>1,735,274.48</u>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IX. GOVERNMENT SUBSIDIES

#### 1. Government subsidies receivable at the end of the year

None.

#### 2. Liability related to government subsidies

*Unit: Yuan Currency: RMB*

Items	Beginning balance	Amount of new subsidies received in current year	Amount included in non-operating revenue of the current year	Amount transferred into other gains in the current year	Ending balance	Asset/ income-related
Deferred income	119,267,582.40	63,246,200.00	288,000.00	20,768,686.12	<b>161,457,096.28</b>	Asset-related
Deferred income	2,494,935.30	29,361,700.00	0.00	11,368,458.61	<b>20,488,176.69</b>	Income-related
<b>Total</b>	<b>121,762,517.70</b>	<b>92,607,900.00</b>	<b>288,000.00</b>	<b>32,137,144.73</b>	<b>181,945,272.97</b>	—

#### 3. Government subsidies incurred in profits and losses of the current year

*Unit: Yuan Currency: RMB*

Category	Amount in the current year	Amount in the previous year
Asset-related	<b>21,056,686.12</b>	19,715,261.56
Income-related	<b>51,251,298.08</b>	21,776,554.71
<b>Total</b>	<b>72,307,984.20</b>	41,491,816.27

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS

#### 1. Risk of 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 amortized 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 analyze 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 analyze 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk of 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 fulfill 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, 2023, 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. Accounts receivable and notes receivable are included. 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, the possibility of obtaining security from a third party, credit record, and other factors, such as the current market situation. The Group will monitor the credit record of the customer periodically. For customers with poor credit records, measures such as written collection, shortening the credit period, or canceling the credit period will be adopted by the Group, to ensure the overall credit risk is 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 material credit risks and will not cause any material 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, 2023, the accounts receivable of the Group's top five customers accounted for 26.16% (2022: 29.08%) of the Group's total accounts receivable, so the Group has no material 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk of financial instruments (Continued)

##### 1. Risk management objectives and policies (Continued)

###### (1) Credit risk (Continued)

###### 1) Judgment criteria for significant increase in credit risk

On each balance sheet date, the Group judges whether the credit risk of the financial instrument has increased significantly since the initial recognition by comparing the default probability of this financial instrument determined during the initial recognition in the expected duration with its default probability determined on the balance sheet date in the expected duration. However, if the Group determines that the financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of this financial instrument has not increased significantly since the initial recognition.

The main criteria for the Group to judge a significant increase in credit risk is that one or more of the following indicators have changed significantly: the debtor's business environment, internal and external credit ratings, and material adverse changes in actual or expected operating results.

###### 2) Definition of assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a credit-impaired financial asset. The main criterion for the Group to judge that credit impairment has occurred is that it considers a credit impairment to have occurred if internal or external information indicates that full recovery of the contract amount may not be possible before taking into account any credit enhancements held. Credit impairment of financial assets may be caused by the joint action of multiple events, and may not necessarily be caused by separately identifiable events.

Evidence for credit-impaired financial assets includes the following observable information: The debtor has material financial difficulties; the debtor has violated the terms of the contract, such as default or overdue payment of interest or principal; due to economic or contractual considerations relating to the financial difficulties of the debtor, the Group makes concessions to the debtor which will never be made under any other circumstances; the debtor is likely to suffer bankruptcy or undergo other financial restructuring; the financial difficulties of the debtor cause the disappearance of the active market of the financial asset.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk of financial instruments (Continued)

##### 1. Risk management objectives and policies (Continued)

##### (2) Liquidity risks

*Unit: Yuan Currency: RMB*

Item	Book value	December 31, 2023			
		Within 1 year	1-2 years	2-5 years	Over 5 years
<b>Non-derivative financial liabilities:</b>	—	—	—	—	—
Notes payable	2,163,570,194.22	2,163,570,194.22	0.00	0.00	0.00
Accounts payable	2,315,345,789.04	2,315,345,789.04	0.00	0.00	0.00
Other payables	469,509,147.78	469,509,147.78	0.00	0.00	0.00
Other current liabilities	435,969,305.17	435,969,305.17	0.00	0.00	0.00
Short-term borrowings	0.00	0.00	0.00	0.00	0.00
Long-term borrowings	200,000,000.00	0.00	200,000,000.00	0.00	0.00
Non-current liabilities due within one year	20,969,818.62	20,969,818.62	0.00	0.00	0.00
Customer bank deposits and interbank deposits	0.00	0.00	0.00	0.00	0.00
Long-term payables	8,281,441.87	0.00	720,000.00	2,160,000.00	5,401,441.87
<b>Total of financial liabilities</b>	<b>5,613,645,696.70</b>	<b>5,405,364,254.83</b>	<b>200,720,000.00</b>	<b>2,160,000.00</b>	<b>5,401,441.87</b>

##### (3) Market risk

##### 1) Exchange rate risk

The main business of the Group is conducted in China and settled in RMB. However, foreign currency assets and liabilities confirmed by the Group and future foreign currency transactions (currency of foreign currency assets, liabilities and foreign currency transactions are mainly calculated in USD, EUR, HKD, BYN, AUD, XOF, and ZAR) still have exchange rate risks. The financial department of the Group is responsible for monitoring the Company's foreign currency transactions and foreign currency assets and liabilities scale, in order to minimize the exchange rate risk it faces; therefore, the Group may avoid exchange rate risks by signing forward foreign exchange contracts or currency swap contracts.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk of financial instruments (Continued)

##### 1. Risk management objectives and policies (Continued)

##### (3) Market risk (Continued)

##### 1) Exchange rate risk (Continued)

As of December 31, 2023, amounts of foreign currency financial assets and foreign currency financial liabilities held by the Group that are converted into RMB are listed as follows:

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original currency	Equivalent to RMB	Original currency	Equivalent to RMB
<b>Monetary fund</b>	—	106,243,901.15	—	160,133,842.91
USD	12,704,208.40	89,980,096.83	18,605,805.05	129,581,989.85
EUR	584,102.87	4,590,581.28	3,128,789.14	23,224,688.91
HKD	77,595.30	70,316.86	53,657.29	47,932.06
AUD	0.00	0.00	1,393.25	6,567.50
XOF	965,369,051.00	11,584,428.61	637,499,889.00	7,203,748.75
ZAR	0.00	0.00	136,749.69	56,245.15
BYN	8,613.45	18,477.57	4,592.16	12,670.69
<b>Accounts receivable</b>	—	87,537,661.44	—	93,888,998.65
USD	8,241,727.15	58,373,680.89	10,319,809.98	71,873,348.59
EUR	86,106.29	676,726.55	110,277.29	818,577.30
AUD	416,357.79	2,018,669.11	486,820.81	2,294,775.93
XOF	941,123,960.00	11,293,487.52	874,998,989.00	9,887,488.58
BYN	32,649.93	70,040.63	0.00	0.00
ZAR	39,552,387.38	15,105,056.74	21,917,841.61	9,014,808.25
<b>Other receivables</b>	—	791,333.84	—	10,201,385.75
XOF	59,383,960.50	712,607.53	67,503,960.50	762,794.75
ZAR	0.00	0.00	22,819,632.23	9,385,714.74
BYN	36,698.82	78,726.31	19,163.62	52,876.26
<b>Non-current assets due within one year</b>	—	484,591,050.97	—	414,263,330.58
USD	47,719,241.77	337,981,073.68	43,098,403.23	300,163,139.14
EUR	18,654,567.55	146,609,977.29	15,371,376.61	114,100,191.44

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk of 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	Equivalent to RMB	Original currency	Equivalent to RMB
<b>Other current assets</b>	—	14,750,251.73	—	24,802.34
USD	2,077,500.00	14,714,309.25	0.00	0.00
BYN	16,754.84	35,942.48	8,988.96	24,802.34
<b>Long-term receivables</b>	—	0.00	—	1,341,572.71
EUR	0.00	0.00	180,734.31	1,341,572.71
<b>Accounts payable</b>	—	34,126,973.42	—	34,657,236.97
USD	3,977,983.89	28,174,866.50	4,126,134.66	28,736,877.45
EUR	706,460.12	5,552,211.38	706,460.12	5,243,982.82
AUD	11,794.96	57,186.68	11,794.96	55,599.08
XOF	12,916,000.00	154,992.00	48,696,601.00	550,271.59
BYN	87,505.53	187,716.86	25,553.07	70,506.03
<b>Other payables</b>	—	276,916.74	—	9,691,804.10
XOF	23,076,395.00	276,916.74	23,076,395.00	260,763.26
ZAR	0.00	0.00	22,792,771.61	9,374,666.96
BYN	0.00	0.00	20,431.24	56,373.88
<b>Employee compensation payable</b>	—	91,553.60	—	95,886.23
BYN	42,678.35	91,553.60	34,751.46	95,886.23
<b>Non-current liabilities due within one year</b>	—	720,000.00	—	518,443.45
XOF	60,000,000.00	720,000.00	45,879,951.13	518,443.45
<b>Long-term payables</b>	—	8,281,441.87	—	8,476,357.76
XOF	690,120,156.00	8,281,441.87	750,120,156.00	8,476,357.76

Note: The amount of the above asset accounts is the original value.

##### 2) Interest rate risk

Interest rate risks of the Group 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.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Risk of financial instruments (Continued)

##### 1. Risk management objectives and policies (Continued)

###### (3) Market risk (Continued)

###### 2) Interest rate risk (Continued)

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 materially adverse effect on the Group's financial results. The management will duly make adjustments according to the latest market conditions. 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 analyze 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 a material 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 the exchange rate on current profits and losses and equity is as follows:

As of December 31, 2023, 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 RMB65,041,731.35 (about RMB62,641,420.44 in 2022) The provision for bad debts is not considered in the above calculation.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. Transfer of financial assets

##### (1) Classification of transfer modes

*Unit: Yuan Currency: RMB*

Transfer mode	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition	Judgment basis for derecognition
Bill endorsement/ bill discounting	Notes receivable	45,624,138.02	Not derecognized	Having retained almost all of its risks and rewards, including the related default risk
Bill endorsement/ bill discounting	Receivables financing	3,189,518,541.92	Derecognized	Having transferred almost all of its risks and rewards
<b>Total</b>	—	<u><u>3,235,142,679.94</u></u>	—	—

##### (2) Financial assets derecognized due to transfer

*Unit: Yuan Currency: RMB*

Item	Transfer modes of financial assets	Amount of financial assets derecognized	Income related to derecognition
Receivables financing	Bill endorsement/bill discounting	<u><u>3,189,518,541.92</u></u>	<u><u>-492,583.31</u></u>

As of December 31, 2023, the carrying amount of bank acceptance bills endorsed by the Group to suppliers for settlement or discount is RMB45,624,138.02. The Group believes that it has retained almost all of its risks and rewards, including the related default risk, and therefore continues to recognize them in full and list them in other current liabilities. After endorsement or discounting, the Group no longer reserves the right to use them, including the right to sell, transfer or pledge them to other third parties.

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

January 1, 2023 to December 31, 2023 (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

Unit: Yuan Currency: RMB

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	862,909,300.00	862,909,300.00
1. Financial assets at FVTPL	0.00	0.00	862,909,300.00	862,909,300.00
(1) Debt instrument investments	0.00	0.00	0.00	0.00
(2) Equity instrument investments	0.00	0.00	862,909,300.00	862,909,300.00
(3) Derivative financial assets	0.00	0.00	0.00	0.00
(4) Structured deposits	0.00	0.00	0.00	0.00
2. Designated financial assets at FVTPL	0.00	0.00	0.00	0.00
(1) Debt instrument investments	0.00	0.00	0.00	0.00
(2) Equity instrument investments	0.00	0.00	0.00	0.00
(II) Equity instruments at FVTOCI	0.00	0.00	4,188,008.77	4,188,008.77
(III) Receivables financing	0.00	0.00	261,430,180.63	261,430,180.63
Total assets continuously measured at fair value	0.00	0.00	1,128,527,489.40	1,128,527,489.40

#### 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 significant indicators 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 2 if all material inputs required to calculate its fair value are observable.

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

*January 1, 2023 to December 31, 2023 (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 significant parameters of items subject to continuous and non-continuous level 3 fair value measurement**

If one or more material inputs are not based on observable market data, the financial instrument is classified as Level 3. 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 instrument investment in financial assets held for trading held by the Company, the Company hired an 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 the 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 thereof**

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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

#### (I) Relationship with related parties

##### 1. Controlling shareholder and ultimate controlling party

Unit: 0'000 Currency: RMB

Name of controlling shareholder	Place of registration	Business nature	Registered capital	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.	310,619.38	48.81	48.81

The ultimate controlling party of the Company is China National Machinery Industry Corporation, 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 "VIII. 1. (1) Composition of the Group" in the Notes.

##### 3. Joint ventures and associates

For details of significant joint ventures or associated enterprises of the Company, please refer to contents of "VIII. 3. (1) Significant joint ventures or associated enterprises" in the Notes.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (I) Relationship with related parties (Continued)

##### 3. Joint ventures and associates (Continued)

The information of other joint ventures or associates 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 venture or associate	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.	Associate of the Company	
Sinomach Finance Co., Ltd.	Associate of the Company	The same ultimate controlling party with the Company
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	Associate of the controlling shareholder	
Luoyang Dongfang Printing Co., Ltd.	Associate of the controlling shareholder	
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	Associate of the controlling shareholder	
YTO (Luoyang) Standard Parts Co., Ltd.	Associate of the controlling shareholder	
YTO (Luoyang) Like Automobile Co., Ltd.	Associate of the controlling shareholder	
Luoyang YTO Light Vehicle Co., Ltd.	Associate of the controlling shareholder	
Luoyang I&C Technology Consulting Co., Ltd.	Associate of the subsidiary of the Company	

Note According to the Rules of the Main Board 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY 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 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 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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY 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
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
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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY 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
Jinggong Ruiyi Technology (Henan) Co., Ltd.	Controlled by the same ultimate controlling party
Guangzhou Qingtian Electrical Appliance Industrial Co., Ltd.	Controlled by the same ultimate controlling party
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.	Others
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 Tianhui Energy Engineering Co., Ltd.	Controlled by the same party
Luoyang Fossett Environmental Protection Technology Co., Ltd.	Controlled by the same party
Henan Yuzi Agricultural Service Co., Ltd.	Others
Xinjiang Zhongyang Equipment Machinery Co., Ltd.	Others
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	Controlled by the same party
YTO (Heilongjiang) Dongfanghong Industry Park Co., Ltd.	Controlled by the same party
Cadfund Machinery Pty Ltd	The bankruptcy liquidation of the former subsidiary of the Company is not included in the scope of consolidation
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 (cancelled)
YTO (Luoyang) Harvesters Co., Ltd.	The bankruptcy liquidation of the former subsidiary of the Company is not included in the scope of consolidation (cancelled)
Shenzhen Dongfang Pengxing Trading Co., Ltd.	Others
Sinomach Heavy Industry (Luoyang) Building Machinery Co., Ltd.	Others

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY 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 (cancelled)
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	Others (cancelled)

##### Notes

- (1) Description of other connected parties of the Company: The ultimate controlling party of the Company is China National Machinery Industry Corporation, so the subsidiaries controlled by China National Machinery Industry Corporation are all connected parties of the Company. Only connected parties with business relations with the Company are disclosed here.
- (2) Others refer to the subsidiaries not included in the scope of consolidation due to bankruptcy, liquidation, and sales of the Company's ultimate controlling party and controlling shareholder.
- (3) Henan Yuzi Agricultural Service Co., Ltd. was formerly known as Dongfanghong (Henan) Agricultural Service Technology Co., Ltd. and Xinjiang Zhongyang Equipment Machinery Co., Ltd. was formerly known as YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction

##### 1. Material transactions between the Group and Sinomach and its subsidiaries

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Purchase of raw materials and parts	42,638,494.17	53,468,774.44
Interest income	29,264,056.47	16,703,713.24
Sales of raw materials and parts	15,022,339.12	22,691,990.45
Interest expenses	7,691,271.01	1,665,733.73
Expenses of procedure fees	1,684,446.20	1,033,880.56
<b>Subtotal</b>	<b>96,300,606.97</b>	<b>95,564,092.42</b>

##### 2. Material transactions between the Group and YTO Group Corporation and its subsidiaries

Unit: Yuan Currency: RMB

Item	Amount in the current year	Amount in the previous year
Purchase of raw materials and parts	393,526,521.58	574,128,914.69
Comprehensive service and transportation costs paid and payable	236,625,286.08	251,205,502.42
Power cost paid and payable	199,417,918.93	192,208,133.13
Sales of raw materials and parts	172,595,724.00	210,283,492.31
Payment of R&D expenses	23,186,937.58	31,917,336.98
Land rent paid and payable	11,258,882.13	10,628,039.62
Purchase of plant and equipment	9,071,746.30	11,595,304.73
Plant & buildings rent paid and payable	6,482,985.43	6,176,794.15
R&D revenue	4,779,245.29	12,189,056.61
Rental income from plant & buildings and machinery equipment	4,362,396.25	5,275,717.02
Machinery equipment rent paid and payable	1,092,607.84	1,217,566.68
Provision of technical and testing services	563,572.03	525,222.00
Revenue from land lease	366,829.65	76,037.00
Interest income	178,488.13	16,772,103.01
Revenue from trademark use	104,150.94	119,339.63
Interest expenses	86,787.23	9,506,161.91
Income from service charges	0.00	76,231.32
<b>Total</b>	<b>1,063,700,079.39</b>	<b>1,333,900,953.21</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

3. *Related party transactions between the Group and joint ventures and associates  
(including joint ventures and associates of Sinomach and YTO Group Corporation)*

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Purchase of raw materials and parts	300,486,153.45	298,452,391.87
Payment of R&D expenses	146,056,969.64	177,362,390.18
Sales of raw materials and parts	71,602,275.88	57,685,907.14
Lease income	6,628,381.87	6,640,743.33
Rent paid and payable	1,566,606.47	1,244,734.95
Revenue from technology license fees	745,169.81	786,895.50
R&D revenue	603,761.81	1,647,142.76
Power cost paid and payable	314,928.74	332,387.67
Comprehensive service fees paid and payable	232,641.02	0.00
Provision of technical and testing services	162,720.42	507,498.36
Revenue from trademark use	3,679.25	4,716.98
Interest expenses	0.00	3,081,336.67
Income from service charges	0.00	4,116.67
	528,403,288.36	547,750,262.08
<b>Total</b>	<b>528,403,288.36</b>	<b>547,750,262.08</b>

*Note:* Disclosure of Sinomach Finance Co., Ltd., an associate of the Company, has been made in the material transactions between the Group and Sinomach and its subsidiaries and will not be repeated here.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 4. Related party capital lending

Unit: Yuan Currency: RMB

Name of connected party	Lending amount	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	2025-10-27	Entrusted loan
<b>Subtotal</b>	<b>200,000,000.00</b>	—	—	—
<b>Deposits from banks and other financial institutions (interest payable)</b>				
China National Machinery Industry Corporation	166,666.67	—	—	Interest on entrusted loans
<b>Subtotal</b>	<b>166,666.67</b>	—	—	—

Note: The interest expense of the Group for connected capital lending this year is RMB7,000,000.01 in total.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 5. Related party leases

(1) As lessor

*Unit: Yuan Currency: RMB*

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.	Land and buildings	1,438,070.04	1,438,070.03
YTO Group Corporation	Land and buildings	1,380,683.77	1,344,897.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Machinery equipment	1,028,746.33	1,559,329.23
YTO (Luoyang) Materials and Equipment Co., Ltd.	Land and buildings	818,010.94	991,458.61
ZF YTO (Luoyang) Axle Co., Ltd.	Machinery equipment	39,757.33	38,907.78
YTO Group Corporation	Machinery equipment	33,050.76	16,394.57
YTO (Luoyang) Materials and Equipment Co., Ltd.	Machinery equipment	29,198.56	0.00
YTO (Luoyang) Logistics Co., Ltd.	Machinery equipment	1,465.50	1,604.58
Luoyang I&C Technology Consulting Co., Ltd.	Land and buildings	0.00	13,211.01
<b>Total</b>	—	<b>11,357,607.77</b>	<b>11,992,497.35</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 5. Related party leases (Continued)

(2) As lessee

Unit: Yuan Currency: RMB

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	17,638,482.49	8,261,900.60
YTO Group Corporation	Machinery equipment	0.00	0.00	1,079,033.39	0.00
Xinjiang Zhongyang Equipment Machinery Co., Ltd.	Land and buildings	82,742.86	0.00	82,742.86	0.00
YTO (Luoyang) Logistics Co., Ltd.	Land and buildings	20,642.21	0.00	20,642.21	0.00
YTO (Luoyang) Logistics Co., Ltd.	Machinery equipment	13,574.45	0.00	13,574.45	0.00
<b>Subtotal</b>	—	<u>116,959.52</u>	<u>—</u>	<u>18,834,475.40</u>	<u>8,261,900.60</u>
<b>Joint ventures and associates</b>	—	—	—	—	—
ZF YTO (Luoyang) Axle Co., Ltd.	Land and buildings	0.00	0.00	1,290,058.75	0.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	Land and buildings	225,050.92	0.00	225,050.92	0.00
ZF YTO (Luoyang) Axle Co., Ltd.	Machinery equipment	0.00	0.00	51,496.80	0.00
<b>Subtotal</b>	—	<u>225,050.92</u>	<u>—</u>	<u>1,566,606.47</u>	<u>0.00</u>
<b>Total</b>	—	<u><u>342,010.44</u></u>	<u><u>—</u></u>	<u><u>20,401,081.87</u></u>	<u><u>8,261,900.60</u></u>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Remuneration of key management personnel

(1) *The detailed compensation of directors and supervisors are shown as follows:*

*Unit: 0'000 Currency: RMB*

Name of item	Amount in the current year	Amount in the previous year
Emoluments	23.9	27.71
Salaries and other benefits	1,559.21	1,390.39
Contribution to retirement fund plan	66.29	62.75
<b>Total compensation</b>	<b>1,649.4</b>	<b>1,480.85</b>

Personnel and position	Amount in the current year			Total
	Emoluments	Salaries and other benefits	Contribution to retirement fund plan	
<b>Executive Director</b>				
Liu Jiguo		266.97	5.55	272.52
Wei Tao		175.47	5.55	181.02
<b>Non-executive Directors</b>				
Zhang Zhiyu	2.5			2.5
Fang Xianfa				
Zhang Bin				
<b>Independent Non-executive Directors</b>				
Xue Lipin	10.9			10.9
Wang Shumao	10.5			10.5
Xu Liyou				
<b>Supervisors</b>				
Yang Yu				
Gu Aiqin				
Xiao Bin		38.28	5.55	43.83
Li Peng		117.32	5.55	122.87
Yang Kun		104.66	5.55	110.21

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Remuneration of key management personnel (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>Senior Management</b>				
Su Wensheng (Deputy General Manager)		212.47	5.55	218.02
Yu Lina (Deputy General Manager and concurrent Secretary of the Board of Directors)		211.9	5.55	217.45
Xue Wenpu (Deputy General Manager)		208.9	5.55	214.45
Yang Guangjun (Deputy General Manager)		167.55	5.55	173.1
Kang Zhifeng (CFO)		55.69	16.34	72.03
<b>Total</b>	<b>23.9</b>	<b>1,559.21</b>	<b>66.29</b>	<b>1649.4</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Remuneration of key management personnel (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 Director</b>				
Liu Jiguo		170.28	4.80	175.08
<b>Non-executive Directors</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>Supervisors</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, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Remuneration of key management personnel (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>Senior Management</b>				
Su Wensheng ( <i>Deputy General Manager</i> )		133.71	4.80	138.51
Yu Lina ( <i>Deputy General Manager and concurrent Secretary of the Board of Directors</i> )		135.92	4.80	140.72
Xue Wenpu ( <i>Deputy General Manager</i> )		132.30	4.80	137.10
Wei Tao ( <i>Deputy General Manager</i> )		79.96	4.80	84.76
Yang Guangjun ( <i>Deputy General Manager</i> )		88.60	4.80	93.40
Kang Zhifeng ( <i>CFO</i> )		3.25	4.80	8.05
<b>Other personnel</b>				
Li Xiaoyu ( <i>former Executive Director and Chairman</i> )				
Li Hepeng ( <i>former Non-executive Director</i> )	0.36			0.36
Xie Donggang ( <i>former Non-executive Director</i> )	0.36			0.36
Zhou Honghai ( <i>former Non-executive Director</i> )				

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Remuneration of key management personnel (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	
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 Supervisor)				
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>1390.39</b>	<b>62.75</b>	<b>1480.85</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 6. Remuneration of key management personnel (Continued)

##### (2) Individuals with top five compensations

Of individuals (one individual for the previous period) with top five compensations for the current period, two individuals are the director, and the compensation is recorded in Note "XII. (II) 6. (1)".

The compensations of the rest of the five individuals with top five compensations are presented as follows:

Unit: 0'000 Currency: RMB

Item	Amount in the current year	Amount in the previous year
Emoluments	0.00	0.00
Salaries and other benefits	633.27	536.02
Contribution to retirement fund plan	16.65	19.20
<b>Total</b>	<b>649.92</b>	<b>555.22</b>

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	0
HKD 1,500,001 to HKD 2,000,000	0	4
HKD 2,000,001 to HKD 2,500,000	3	0

During the track record period, there has been no director who gives up or agrees to give up any compensation. During 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.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (II) Related party transaction (Continued)

##### 7. Other connected transactions

*Unit: Yuan Currency: RMB*

Name of connected party	Content of connected transactions	Amount in the current year	Amount in the previous year
Sinomach Finance Co., Ltd.	Equity investment	0.00	554,776,100.00

#### (III) Balance of receivables and payables by related parties

##### 1. Cash at bank

*Unit: Yuan Currency: RMB*

Connected party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group and its subsidiaries)</b>		
Sinomach Finance Co., Ltd.	<b><u>1,864,167,441.13</u></b>	<b><u>1,968,212,255.21</u></b>

*Note:* The amount deposited by the Group in Sinomach Finance Co., Ltd. at the end of the year was RMB1,864,167,441.13, including RMB1,422,537,062.61 of flexible accounts, and RMB441,630,378.52 of bank acceptance bill deposits. The interest income settled this year is RMB29,264,056.47.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables

##### 1. Notes receivable and receivables financing

Unit: Yuan Currency: RMB

Connected party	Book value at the end of the year	Book value at the beginning of the year
<b>Subsidiaries of Sinomach (excluding YTO Group and its subsidiaries)</b>		
China National Heavy Machinery Research Institute Co., Ltd.	927,648.00	398,460.00
SUMEC Machinery & Electric Co., Ltd.	634,540.00	3,292,230.00
Jinggong Ruiyi Technology (Henan) Co., Ltd.	500,000.00	0.00
Guangzhou Qingtian Electrical Appliance Industrial Co., Ltd.	250,485.50	0.00
Guangzhou Qingtian Industrial Co., Ltd.	71,908.71	87,300.00
Sinomach Heavy Industry Changlin Co., Ltd.	0.00	1,200,000.00
Menoble Technology Co., Ltd.	0.00	50,000.00
New Dayang Shipbuilding Co., Ltd.	0.00	12,000.00
<b>Subtotal</b>	<b>2,384,582.21</b>	<b>5,039,990.00</b>
<b>Controlling shareholder</b>		
YTO Group Corporation	11,183,139.82	21,199,553.68
<b>Subtotal</b>	<b>11,183,139.82</b>	<b>21,199,553.68</b>
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Luoyang) Logistics Co., Ltd.	404,497.04	142,239.00
<b>Subtotal</b>	<b>404,497.04</b>	<b>142,239.00</b>
<b>Total</b>	<b>13,972,219.07</b>	<b>26,381,782.68</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables (Continued)

##### 2. Accounts receivable

*Unit: Yuan Currency: RMB*

Connected party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of Sinomach (excluding YTO Group and its subsidiaries)</b>				
Sinomach Heavy Industry (Luoyang) Co., Ltd.	989,595.58	989,595.58	989,595.58	989,595.58
Sinomach Heavy Industry (Luoyang) Building Machinery Co., Ltd.	671,288.80	671,288.80	682,159.05	682,159.05
SUMEC Hardware & Tools Co., Ltd.	180,000.00	180,000.00	180,000.00	90,000.00
SUMEC Machinery & Electric Technology Co., Ltd.	175,446.00	1,754.46	844,894.90	8,448.95
Beijing Materials Handling Research Institute Co., Ltd.	72,828.00	728.28	627,082.00	11,011.64
<b>Subtotal</b>	<b>2,089,158.38</b>	<b>1,843,367.12</b>	<b>3,323,731.53</b>	<b>1,781,215.22</b>
<b>Controlling shareholder</b>				
YTO Group Corporation	14,926,483.97	158,998.57	26,452,838.19	328,904.83
<b>Subtotal</b>	<b>14,926,483.97</b>	<b>158,998.57</b>	<b>26,452,838.19</b>	<b>328,904.83</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables (Continued)

##### 2. Accounts receivable (Continued)

Connected 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) Logistics Co., Ltd.	13,441,377.73	134,413.77	7,322,137.16	73,221.37
YTO (Luoyang) Materials and Equipment Co., Ltd.	9,216,732.40	92,167.33	11,288,878.30	112,888.78
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	228,820.96	2,288.21	294,516.95	2,945.17
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	80,000.00	80,000.00	80,000.00	800.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	17,700.00	177.00	532,500.00	5,325.00
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.			124,728.90	124,728.90
<b>Subtotal</b>	<b>22,984,631.09</b>	<b>309,046.31</b>	<b>19,642,761.31</b>	<b>319,909.22</b>
<b>Joint ventures and associates</b>				
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	26,157,000.00	517,540.00	0.00	0.00
ZF YTO (Luoyang) Axle Co., Ltd.	6,486,265.59	64,862.66	1,623,594.12	16,235.93
<b>Subtotal</b>	<b>32,643,265.59</b>	<b>582,402.66</b>	<b>1,623,594.12</b>	<b>16,235.93</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables (Continued)

##### 2. Accounts receivable (Continued)

Connected party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Original subsidiaries not included in the scope of consolidation</b>				
Cadfund Machinery Pty Ltd	15,105,056.74	15,105,056.74		
YTO (Luoyang) Harvesters Co., Ltd.			63,100,203.73	63,100,203.73
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.			27,533,497.99	27,533,497.99
<b>Subtotal</b>	<b>15,105,056.74</b>	<b>15,105,056.74</b>	<b>90,633,701.72</b>	<b>90,633,701.72</b>
<b>Total</b>	<b>87,748,595.77</b>	<b>17,998,871.40</b>	<b>141,676,626.87</b>	<b>93,079,966.92</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables (Continued)

##### 3. Prepayments

Unit: Yuan Currency: RMB

Connected party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Subsidiaries of Sinomach (excluding YTO Group and its subsidiaries)</b>				
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	0.00	0.00	276,661.00	0.00
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>276,661.00</b>	<b>0.00</b>
<b>Controlling shareholder</b>				
YTO Group Corporation	10,181,430.78	0.00	0.00	0.00
<b>Subtotal</b>	<b>10,181,430.78</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Subsidiaries of YTO Group Corporation</b>				
Luoyang Fossett Environmental Protection Technology Co., Ltd.	41,400.00	0.00	41,400.00	0.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	0.00	0.00	1,900,000.00	0.00
<b>Subtotal</b>	<b>41,400.00</b>	<b>0.00</b>	<b>1,941,400.00</b>	<b>0.00</b>
<b>Total</b>	<b>10,222,830.78</b>	<b>0.00</b>	<b>2,218,061.00</b>	<b>0.00</b>



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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables (Continued)

##### 5. Other receivables (Continued)

Connected 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
<b>Subtotal</b>	<b>0.00</b>	<b>0.00</b>	<b>134.42</b>	<b>134.42</b>
<b>Joint ventures and associates</b>				
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	1,950,000.00	19,500.00	0.00	0.00
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	834,109.23	8,341.09
<b>Subtotal</b>	<b>1,950,000.00</b>	<b>19,500.00</b>	<b>834,109.23</b>	<b>8,341.09</b>
<b>Former subsidiaries not included in the scope of consolidation</b>				
Cadfund Machinery Pty Ltd	18,607,622.41	18,607,622.41		
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	0.00	0.00	82,240,000.00	82,240,000.00
<b>Subtotal</b>	<b>18,607,622.41</b>	<b>18,607,622.41</b>	<b>82,240,000.00</b>	<b>82,240,000.00</b>
<b>Total</b>	<b>20,861,229.41</b>	<b>18,808,563.41</b>	<b>83,383,450.65</b>	<b>82,429,972.51</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 2. Receivables (Continued)

##### 6. Right-of-use assets

*Unit: Yuan Currency: RMB*

Connected party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	<u>20,538,445.37</u>	<u>30,202,812.10</u>
<b>Subtotal</b>	<u>20,538,445.37</u>	<u>30,202,812.10</u>
<b>Associate and joint venture</b>		
ZF YTO (Luoyang) Axle Co., Ltd.	<u>0.00</u>	<u>1,226,200.51</u>
<b>Subtotal</b>	<u>0.00</u>	<u>1,226,200.51</u>
<b>Total</b>	<u><u>20,538,445.37</u></u>	<u><u>31,429,012.61</u></u>

##### 3. Payables

##### 1. Deposits from banks and other financial institutions (principal)

*Unit: Yuan Currency: RMB*

Connected 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>		
China National Machinery Industry Corporation	<u>200,000,000.00</u>	<u>200,000,000.00</u>
<b>Total</b>	<u><u>200,000,000.00</u></u>	<u><u>200,000,000.00</u></u>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 2. Deposits from banks and other financial institutions (interest payable)

Unit: Yuan Currency: RMB

Connected 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>		
China National Machinery Industry Corporation	<u>166,666.67</u>	<u>223,055.56</u>
<b>Total</b>	<b><u>166,666.67</u></b>	<b><u>223,055.56</u></b>

##### 3. Customer deposits and interbank deposits (principal)

Unit: Yuan Currency: RMB

Connected party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	<u>0.00</u>	<u>3,000,000.01</u>
<b>Subtotal</b>	<b><u>0.00</u></b>	<b><u>3,000,000.01</u></b>
<b>Subsidiaries of YTO Group Corporation</b>		
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	<u>0.00</u>	<u>12,000,000.00</u>
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	<u>0.00</u>	<u>10,000,000.00</u>
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	<u>0.00</u>	<u>0.72</u>
<b>Subtotal</b>	<b><u>0.00</u></b>	<b><u>22,000,000.72</u></b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 3. Customer deposits and interbank deposits (principal) (Continued)

Connected party	Book value at the end of the year	Book value at the beginning of the year
<b>Joint ventures and associates</b>		
Luoyang Tractor Research Institute Co., Ltd.	0.00	30,000,000.00
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.00	3,114.66
YTO (Luoyang) Like Automobile Co., Ltd.	0.00	18.66
Luoyang Dongfang Printing Co., Ltd.	0.00	0.03
<b>Subtotal</b>	<b>0.00</b>	<b>30,003,133.35</b>
<b>Total</b>	<b>0.00</b>	<b>55,003,134.08</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 4. Customer deposits and interbank deposits (interest payable)

Unit: Yuan Currency: RMB

Connected party	Book value at the end of the year	Book value at the beginning of the year
<b>Controlling shareholder</b>		
YTO Group Corporation	0.00	63,025.69
<b>Subtotal</b>	<b>0.00</b>	<b>63,025.69</b>
<b>Subsidiaries of YTO Group Corporation</b>		
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	0.00	346,375.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	0.00	198,437.50
Xinjiang Zhongyang Equipment Machinery Co., Ltd.		1.61
YTO (Luoyang) Logistics Co., Ltd.	0.00	0.38
<b>Subtotal</b>	<b>0.00</b>	<b>544,814.49</b>
<b>Joint ventures and associates</b>		
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.00	0.36
<b>Subtotal</b>	<b>0.00</b>	<b>0.36</b>
<b>Total</b>	<b>0.00</b>	<b>607,840.54</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 5. Accounts payable

*Unit: Yuan Currency: RMB*

Connected 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>		
Kinte Materials Science and Technology Co., Ltd.	813,889.95	621,309.93
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	480,028.63	60,660.60
SCIVIC Engineering Corporation	350,630.00	360,630.00
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.	102,240.67	124,633.82
China National Machine Tool Sales and Technical Service Corporation	99,492.94	99,492.94
Safety Sliding Contact Line Factory of SCIVIC Engineering Corporation	13,383.50	13,383.50
Zhongqi Shengjia (Tianjin) Property Management Co., Ltd.	10,148.84	10,148.84
Changsha Qidian Automotive Parts Co., Ltd.	5,245.54	29,642.77
Guangzhou Sinomach Lubrication Technology Co., Ltd.	773.51	103,345.51
Automotive Engineering Corporation	170.00	2,378,675.13
Xi'an Heavy Machinery Research Institute Co., Ltd.	0.75	0.75
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	0.00	1,254,800.12
China National Electric Apparatus Research Institute Co., Ltd.	0.00	579,000.00
Erzhong Deyang Energy Storage Technology Co., Ltd.	0.00	189,000.00

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 5. Accounts payable (Continued)

Connected party	Book value at the end of the year	Book value at the beginning of the year
CMEC General Machinery Import & Export Co., Ltd.	0.00	120,230.00
Erzhong (Deyang) Heavy Equipment Co., Ltd.	0.00	12,000.00
<b>Subtotal</b>	<b>2,037,604.37</b>	<b>6,118,553.95</b>
<b>Controlling shareholder</b>		
YTO Group Corporation	6,260,418.21	40,061,164.14
<b>Subtotal</b>	<b>6,260,418.21</b>	<b>40,061,164.14</b>
<b>Subsidiaries of YTO Group Corporation</b>		
YTO (Luoyang) Logistics Co., Ltd.	27,917,653.55	29,734,783.59
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	4,466,534.56	7,829,037.00
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	3,717,008.65	3,717,143.07
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	2,824,020.00	5,114,526.00
Luoyang Tianhui Energy Engineering Co., Ltd.	2,349,537.01	2,359,805.41
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	270,411.20	105,694.00
YTO (Luoyang) Materials and Equipment Co., Ltd.	269,221.73	830,905.82
Luoyang Fossett Environmental Protection Technology Co., Ltd.	60,430.00	18,960.00

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 5. Accounts payable (Continued)

Connected party	Book value at the end of the year	Book value at the beginning of the year
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	2,108.01	22,261.47
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	0.00	55,956.58
<b>Subtotal</b>	<b>41,876,924.71</b>	49,789,072.94
<b>Joint ventures and associates</b>		
ZF YTO (Luoyang) Axle Co., Ltd.	11,386,772.06	11,518,607.40
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	3,799,342.05	1,797,680.14
Luoyang Dongfang Printing Co., Ltd.	251,887.86	627,795.17
YTO (Luoyang) Standard Parts Co., Ltd.	4,263.96	4,263.96
<b>Subtotal</b>	<b>15,442,265.93</b>	13,948,346.67
<b>Total</b>	<b>65,617,213.22</b>	109,917,137.70

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 6. Contract liabilities

Unit: Yuan Currency: RMB

Connected 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>		
China National Machinery Industry Corporation	4,150,943.40	0.00
SUMEC Machinery & Electric Technology Co., Ltd.	0.02	0.00
Sinomach Heavy Industry (Luoyang) Co., Ltd.	0.00	86.80
<b>Subtotal</b>	<b>4,150,943.42</b>	<b>86.80</b>
<b>Subsidiaries of YTO Group Corporation</b>		
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	7.73	6.84
<b>Subtotal</b>	<b>7.73</b>	<b>6.84</b>
<b>Joint ventures and associates</b>		
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	408,289.34	143,362.83
Luoyang YTO Light Vehicle Co., Ltd.	0.00	12,831.86
<b>Subtotal</b>	<b>408,289.34</b>	<b>156,194.69</b>
<b>Total</b>	<b>4,559,240.49</b>	<b>156,288.33</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 7. Other payables

*Unit: Yuan Currency: RMB*

Connected 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>		
Kinte Materials Science and Technology Co., Ltd.	150,000.00	150,000.00
CAMCE Logistics Co., Ltd.	100,000.00	100,000.00
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	50,000.00	0.00
Guangzhou Sinomach Lubrication Technology Co., Ltd.	30,000.00	100,000.00
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	0.00	200,000.00
CMEC General Machinery Import & Export Co., Ltd.	0.00	11,832.00
<b>Subtotal</b>	<b>330,000.00</b>	<b>561,832.00</b>
<b>Controlling shareholder</b>		
YTO Group Corporation	191,534,707.59	150,555,844.79
<b>Subtotal</b>	<b>191,534,707.59</b>	<b>150,555,844.79</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 7. Other payables

Connected 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.	619,044.41	612,000.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	0.00	140,796.00
YTO (Luoyang) Special Vehicle Co., Ltd.	0.00	63,803.68
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	0.00	56,227.72
Luoyang Tianhui Energy Engineering Co., Ltd.	0.00	29,500.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	0.00	10,000.00
<b>Subtotal</b>	<b>619,044.41</b>	<b>912,327.40</b>
<b>Joint ventures and associates</b>		
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	308,000.00	203,000.00
Luoyang I&C Technology Consulting Co., Ltd.	60,000.00	9,625.00
Luoyang Dongfang Printing Co., Ltd.	5,000.00	10,000.00
ZF YTO (Luoyang) Axle Co., Ltd.	200.00	30,826.82
<b>Subtotal</b>	<b>373,200.00</b>	<b>253,451.82</b>
<b>Total</b>	<b>192,856,952.00</b>	<b>152,283,456.01</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 8. Non-current liabilities due within one year

*Unit: Yuan Currency: RMB*

Connected 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>		
China National Machinery Industry Corporation	166,666.67	0.00
Sinomach Finance Co., Ltd.	0.00	234,718.33
<b>Subtotal</b>	<b>166,666.67</b>	<b>234,718.33</b>
<b>Controlling shareholder</b>		
YTO Group Corporation	19,436,015.09	15,146,369.65
<b>Subtotal</b>	<b>19,436,015.09</b>	<b>15,146,369.65</b>
<b>Associate and joint venture</b>		
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	1,226,200.51
<b>Subtotal</b>	<b>0.00</b>	<b>1,226,200.51</b>
<b>Total</b>	<b>19,602,681.76</b>	<b>16,607,288.49</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### (III) Balance of receivables and payables by related parties (Continued)

##### 3. Payables (Continued)

##### 9. Lease liabilities

Unit: Yuan Currency: RMB

Connected party	Book value at the end of the year	Book value at the beginning of the year
Controlling shareholder YTO Group Corporation	<u>1,428,242.03</u>	<u>15,056,442.45</u>
<b>Total</b>	<b><u>1,428,242.03</u></b>	<b><u>15,056,442.45</u></b>

#### (IV) Commitments by related parties

None.

#### (V) Borrowings receivable from directors/director related enterprises

- The Group does not have any director/director connected enterprise borrowings receivable.
- The Group does not have any director/director connected enterprise borrowings for providing guarantee.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XIII. COMMITMENTS AND CONTINGENCIES

#### 1. Significant 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:

*Unit: Yuan Currency: RMB*

Period	Amount in the current year	Amount in the previous year
Within 1 year	0.00	151,060.48
1-2 years	0.00	0.00
2-3 years	0.00	0.00
Over 3 years	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>151,060.48</b>

- (2) As of December 31, 2023, 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:

*Unit: Yuan Currency: RMB*

Period	Amount in the current year	Amount in the previous year
Within 1 year	20,461,603.23	17,515,361.76
1-2 years	2,144,520.78	15,855,187.47
2-3 years	0.00	695,240.00
<b>Total</b>	<b>22,606,124.01</b>	<b>34,065,789.23</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### 1. Significant commitments (Continued)

##### 3. Signed leasing contracts being performed or to be performed and financial influence (Continued)

- (3) As of December 31, 2023, 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:

Unit: Yuan Currency: RMB

Period	Amount in the current year	Amount in the previous year
Within 1 year	6,715,585.20	14,210,146.06
1-2 years	3,467,600.93	5,220,118.44
2-3 years	784,311.93	2,579,997.44
Over 3 years	6,113,194.07	6,897,506.00
<b>Total</b>	<b>17,080,692.13</b>	<b>28,907,767.94</b>

As of December 31, 2023, the Group has no other material commitment events that shall be disclosed but not yet disclosed except for the above-mentioned ones.

#### 2. Contingency

##### (1). Significant 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  
None.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XIV. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Profit distribution

*Unit: 0'000 Currency: RMB*

The profit or dividend to be distributed	35,889.23
Profits or dividends declared after deliberation and approval	35,889.23

Profit distribution plan in 2023: Based on the Company's total share capital of 1,123,645,275 shares, a total of RMB358,892,300 of cash dividends of RMB0.3194 per share (tax inclusive) were distributed to all shareholders. The above profit distribution plan was reviewed and approved at the 19th 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.

### XV. OTHER SIGNIFICANT MATTERS

#### 1. Discontinued operations

*Unit: Yuan Currency: RMB*

Item	Revenue	Costs	Total profits	Income tax expenses	Net profit	Profit from termination of operation attributable to the shareholder of company
YTO Group Finance CO., LTD.	5,626,023.58	-63,286.31	5,689,309.89	-11,721,404.41	17,410,714.30	17,199,992.42

*Note 1:* To implement the financial regulatory requirements of "only one finance company can be established by an enterprise group" in the *Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions* (YJH Order No. 6 [2020]), with the approval of the general meeting of shareholders, the Company ceased and liquidated YTO Finance and submitted a dissolution application to Henan Regulatory Bureau of China Banking and Insurance Regulatory Commission.

On November 7, 2022, YTO Finance received the Reply from China Banking and Insurance Regulatory Commission on the Dissolution of YTO Group Finance CO., LTD. (YBJF 2022 No. 787), agreeing that YTO Finance will stop all business activities and dissolve, and handle liquidation and cancellation procedures following relevant laws and regulations.

On November 14, 2022, YTO Finance established a liquidation group. In May 2023, all the property of YTO Finance was distributed. On June 1, 2023, YTO Finance completed the industrial and commercial cancellation procedures.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 2. Segment information

(1). *Basis for determining reportable segments and accounting policies*

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.

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.

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.

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 2. Segment information (Continued)

##### (1). *Basis for determining reportable segments and accounting policies (Continued)*

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 Finance, 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.

##### (2). *Financial information of reportable segments for the year*

*Unit: Yuan Currency: RMB*

Item	Agricultural machinery	Power machinery	Financial services	Offset	Total
<b>I. Operating revenues</b>	10,562,532,953.81	2,978,511,636.31	5,626,023.58	-2,012,883,834.26	11,533,786,779.44
Including: external transaction revenue	10,136,024,866.40	1,392,135,889.46	5,626,023.58	0.00	11,533,786,779.44
Intra-segment transaction revenue	426,508,087.41	1,586,375,746.85	0.00	-2,012,883,834.26	0.00
Asset impairment loss	-7,006,545.64	-10,218,263.14	0.00	1,328,949.18	-15,895,859.60
Credit impairment losses	-52,519,079.98	-1,069,474.12	384,946.90	50,853,276.18	-2,350,331.02
Depreciation and amortization expenses	274,175,434.15	66,313,836.84	59,629.20	0.00	340,548,900.19
<b>II. Total profit (loss)</b>	1,141,396,405.30	39,122,568.57	15,957,173.06	-193,390,173.30	1,003,085,973.63
<b>III. Income tax expenses</b>	35,694,925.51	-9,930,037.29	-11,721,404.41	15,192.02	14,058,675.83
<b>IV. Net profit (loss)</b>	1,105,701,479.79	49,052,605.86	27,678,577.47	-193,405,365.32	989,027,297.80
<b>V. Total assets</b>	13,996,527,939.79	3,095,648,311.44	0.00	-3,274,914,279.44	13,817,261,971.79
<b>VI. Total liabilities</b>	6,707,192,574.78	1,738,388,915.04	0.00	-1,847,649,181.41	6,597,932,308.41
<b>VII. Other significant non-cash items</b>	287,988,008.45	189,121,406.79	63,081.20	0.00	477,172,496.44
1. Other non-cash expenses excluding depreciation and amortization expenses	149,633,380.99	45,642,030.67	63,081.20	0.00	195,338,492.86
2. Capital expenditure	138,354,627.46	143,479,376.12	0.00	0.00	281,834,003.58

#### 3. Other significant transactions and events affecting investors' decisions

None.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 1. Accounts receivable

(1). *Accounts receivable listed according to bad debt accrual method*

Unit: Yuan Currency: RMB

Category	Ending balance				Beginning balance					
	Book value		Provision for bad debts		Book value		Provision for bad debts		Carrying amount	
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount	Proportion (%)	Amount	Provision proportion (%)		
Provision for bad debts accrued by portfolio	644,871,673.21	100.00	79,851,344.14	—	565,020,329.07	757,270,726.57	100.00	175,882,674.86	—	581,387,851.71
Including: Ageing portfolio	632,179,682.59	98.03	67,159,353.52	10.62	565,020,329.07	756,281,130.99	99.87	174,893,279.28	23.13	581,387,851.71
Collateral and other risk exposure portfolios	12,691,990.62	1.97	12,691,990.62	100.00	0.00	989,595.58	0.13	989,595.58	100.00	0.00
<b>Total</b>	<b>644,871,673.21</b>	<b>100.00</b>	<b>79,851,344.14</b>	<b>—</b>	<b>565,020,329.07</b>	<b>757,270,726.57</b>	<b>100.00</b>	<b>175,882,674.86</b>	<b>—</b>	<b>581,387,851.71</b>

1) *Provision for bad debts of accounts receivable accrued as per portfolio – ageing portfolio*

Unit: Yuan Currency: RMB

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	577,628,913.74	12,762,823.14	2.21
1-2 years	308,476.97	154,238.50	50.00
2-3 years	335,919.62	335,919.62	100.00
Over 3 years	53,906,372.26	53,906,372.26	100.00
<b>Total</b>	<b>632,179,682.59</b>	<b>67,159,353.52</b>	<b>—</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 1. Accounts receivable (Continued)

(1) *Accounts receivable listed according to bad debt accrual method (Continued)*

Provision for bad debts accrued as per portfolio:

- 2) *Provision for bad debts of accounts receivable accrued as per portfolio – collateral and other risk exposure portfolios*

*Unit: Yuan Currency: RMB*

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	<u>12,691,990.62</u>	<u>12,691,990.62</u>	<u>100.00</u>

(2) *Accounts receivable listed according to ageing*

*Unit: Yuan Currency: RMB*

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	585,977,248.74	610,911,170.12
1-2 years	3,662,537.01	488,878.71
2-3 years	335,919.62	1,111,066.26
Over 3 years	54,895,967.84	144,759,611.48
Subtotal	644,871,673.21	757,270,726.57
Less: provision for impairment	<u>79,851,344.14</u>	<u>175,882,874.86</u>
<b>Total</b>	<u><b>565,020,329.07</b></u>	<u><b>581,387,851.71</b></u>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. 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*

Unit: Yuan Currency: RMB

Category	Beginning balance	Provision	Movements in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Ageing portfolio	174,893,279.28	-17,566,877.75	0.00	90,167,048.01	0.00	67,159,353.52
Collateral and other risk exposure portfolios	989,595.58	11,702,395.04	0.00	0.00	0.00	12,691,990.62
<b>Total</b>	<b>175,882,874.86</b>	<b>-5,864,482.71</b>	<b>0.00</b>	<b>90,167,048.01</b>	<b>0.00</b>	<b>79,851,344.14</b>

(4). *Accounts receivable written off during the current year*

Unit: Yuan Currency: RMB

Item	Amount
Accounts receivable written off	90,167,048.01

Significant accounts receivables written off in the current year

Unit: Yuan Currency: RMB

Company name	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Customer 1	Payment for goods	63,100,203.73	Company deregistration	Company internal approval	Yes
Customer 2	Payment for goods	26,147,292.88	Company deregistration	Company internal approval	Yes
<b>Total</b>	<b>—</b>	<b>89,247,496.61</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. 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*

*Unit: Yuan Currency: RMB*

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Provision for bad debts
YTO International Economic and Trade Co., Ltd.	372,957,247.75	Within 1 year	57.83	10,456,921.65
YTO (Luoyang) Diesel Engine Co., Ltd.	72,801,559.05	Within 1 year	11.29	842,393.75
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	38,132,408.91	Over 3 years	5.91	38,132,408.91
Luoyang Changxing Agricultural Machinery Co., Ltd.	13,589,867.39	Within 1 year	2.11	135,898.67
YTO (Luoyang) Logistics Co., Ltd.	13,441,377.73	Within 1 year	2.08	134,413.77
<b>Total</b>	<b>510,922,460.83</b>	—	79.22	49,702,036.75

#### 2. Other receivables

*Presentation of Items*

*Unit: Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	76,808,376.96	76,808,376.96
Other receivables	58,485,470.90	125,116,240.95
<b>Total</b>	<b>135,293,847.86</b>	201,924,617.91

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Interest receivable*

(1). *Classification of interests receivable*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	7,532,766.27	5,639,356.07
Less: provision for impairment	<u>7,532,766.27</u>	<u>5,639,356.07</u>
<b>Total</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>

(2). *Significant interest receivables overdue*

Unit: Yuan Currency: RMB

Entity	Ending balance	Overdue time	Overdue reason	Whether Impairment Occurs and Its Judgment Basis
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	<u>7,532,766.27</u>	<u>Over 3 years</u>	<u>Unable to repay</u>	<u>Yes</u>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. 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 based on ECL model*

*Unit: Yuan Currency: RMB*

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, 2023	0.00	0.00	5,639,356.07	5,639,356.07
Bad debts of interest receivable as at January 1, 2023 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	0.00	1,893,410.20	1,893,410.20
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 on December 31, 2023	<u>0.00</u>	<u>0.00</u>	<u>7,532,766.27</u>	<u>7,532,766.27</u>

(4). *Bad debt provision of interest receivable*

*Unit: Yuan Currency: RMB*

Category	Beginning balance	Provision accrued	Movements in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Provision for bad debts	5,639,356.07	1,893,410.20	0.00	0.00	0.00	<u>7,532,766.27</u>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Dividends receivable*

Unit: Yuan Currency: RMB

Project (or Investee)	Ending balance	Beginning balance
Brilliance China Machinery Holdings Ltd.	<u>76,808,376.96</u>	<u>76,808,376.96</u>

(1). Significant dividends receivable aged over 1 year

Unit: Yuan Currency: RMB

Project (or Investee)	Ending balance	Ageing	Reason for non-recovery	Whether Impairment Occurs and Its Judgment Basis
Brilliance China Machinery Holdings Ltd.	<u>76,808,376.96</u>	<u>Over 3 years</u>	Payment procedures in progress	<u>No</u>

##### *Other receivables*

(1). Other receivables classified as per nature

Unit: Yuan Currency: RMB

Nature	Book value at the end of the year	Book value at the beginning of the year
Transaction payments	<u>133,602,314.00</u>	134,672,695.27
Security deposits, pretty cash, margin, etc.	<u>282,239.60</u>	395,774.60
Others	<u>5,636,048.24</u>	<u>10,994,542.40</u>
<b>Total</b>	<u><u>139,520,601.84</u></u>	<u><u>146,063,012.27</u></u>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. 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*

*Unit: Yuan Currency: RMB*

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, 2023	20,946,771.32	0.00	0.00	20,946,771.32
Bad debts of other receivables on January 1, 2023 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	64,463,843.62	0.00	0.00	64,463,843.62
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	4,375,484.00	0.00	0.00	4,375,484.00
Other changes	0.00	0.00	0.00	0.00
Balance on December 31, 2023	<u>81,035,130.94</u>	<u>0.00</u>	<u>0.00</u>	<u>81,035,130.94</u>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. 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*

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	2,618,168.02	114,990,320.64
1-2 years	111,817,536.97	22,647,234.53
2-3 years	21,905,386.27	644,115.54
Over 3 years	3,179,510.58	7,781,341.56
<b>Subtotal</b>	<b>139,520,601.84</b>	<b>146,063,012.27</b>
Less: provision for impairment	81,035,130.94	20,946,771.32
<b>Total</b>	<b>58,485,470.90</b>	<b>125,116,240.95</b>

(4). *Classified disclosure according to the calculation and accrual method of provision for bad debts*

Unit: Yuan Currency: RMB

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued					
by portfolio	139,520,601.84	100.00	81,035,130.94	—	58,485,470.90
Including: Ageing portfolio	139,481,201.84	99.97	81,034,736.94	58.10	58,446,464.90
Low risk portfolio	39,400.00	0.03	394.00	1.00	39,006.00
<b>Total</b>	<b>139,520,601.84</b>	<b>100.00</b>	<b>81,035,130.94</b>	<b>—</b>	<b>58,485,470.90</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(4). *Classified disclosure according to the calculation and accrual method of provision for bad debts (Continued)*

*Unit: Yuan Currency: RMB*

Category	Book value		Beginning 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>—</b>	<b>125,116,240.95</b>

1) Provision for bad debts of other receivables accrued as per portfolio—Ageing portfolio

*Unit: Yuan Currency: RMB*

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	2,582,768.02	43,071.60	1.67
1-2 years	111,813,536.97	55,906,768.49	50.00
2-3 years	21,905,386.27	21,905,386.27	100.00
Over 3 years	3,179,510.58	3,179,510.58	100.00
<b>Total</b>	<b>139,481,201.84</b>	<b>81,034,736.94</b>	<b>—</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(4). *Classified disclosure 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

Unit: Yuan Currency: RMB

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	39,400.00	394.00	1.00

(5). *Bad debt provision of other receivables*

Unit: Yuan Currency: RMB

Category	Beginning balance	Provision accrued	Movements in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Ageing portfolio	20,946,443.32	64,463,777.62	0.00	4,375,484.00	0.00	81,034,736.94
Low risk portfolio	328.00	66.00	0.00	0.00	0.00	394.00
<b>Total</b>	20,946,771.32	64,463,843.62	0.00	4,375,484.00	0.00	81,035,130.94

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### *Other receivables (Continued)*

(6). *Other receivables written off in this year*

*Unit: Yuan Currency: RMB*

Item	Amount
Other receivables written off	4,375,484.00

Significant other receivables written off:

*Unit: Yuan Currency: RMB*

Company name	Nature of other receivables	Amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Customer 4	Transaction payments	<u>3,315,484.00</u>	Company deregistration	Company internal approval	No
<b>Total</b>	/	<u><u>3,315,484.00</u></u>	/	/	/

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. 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*

*Unit: Yuan Currency: RMB*

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Provision for bad debts Ending balance
YTO (Luoyang) Diesel Engine Co., Ltd.	Transaction payments	133,420,000.00	1-3 years	95.63	77,605,000.00
Yousheng Kindergarten, Xigong District, Luoyang City	Transaction payments	188,417.95	Within 1 year	0.14	2,904.06
YTO Group Corporation	Transaction payments	111,400.00	Within 1 year	0.08	1,114.00
Shijiazhuang Aircraft Industry Co., Ltd. Process Equipment Branch	Transaction payments	99,200.00	Over 3 years	0.07	99,200.00
Sinomach Heavy Industry (Luoyang) Building Machinery Co., Ltd.	Transaction payments	83,893.00	Over 3 years	0.06	83,893.00
<b>Total</b>	—	<b>133,902,910.95</b>	—	<b>95.98</b>	<b>77,792,111.06</b>

#### 3. Long-term equity investments

*Unit: Yuan Currency: RMB*

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investment in subsidiaries	1,587,401,726.59	97,250,000.00	1,490,151,726.59	2,072,442,028.59	97,250,000.00	1,975,192,028.59
Investment in associates and joint ventures	662,572,038.08	0.00	662,572,038.08	634,479,686.98	0.00	634,479,686.98
<b>Total</b>	<b>2,249,973,764.67</b>	<b>97,250,000.00</b>	<b>2,152,723,764.67</b>	<b>2,706,921,715.57</b>	<b>97,250,000.00</b>	<b>2,609,671,715.57</b>

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

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

##### (1). Breakdown of subsidiaries

*Unit: Yuan Currency: RMB*

Investees	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance	Provision for impairment in the current year	Provision for of impairment Ending balance
YTO (Luoyang) Diesel Engine Co., Ltd.	392,257,881.14	0.00	0.00	392,257,881.14	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
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
YTO (Luoyang) Flagauto-Body Co., Ltd.	77,192,767.62	0.00	0.00	77,192,767.62	0.00	0.00
Yangdong Co., Ltd.	76,000,000.00	0.00	0.00	76,000,000.00	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
China-Africa Heavy Industry Investment Co., Ltd.	55,022,000.00	0.00	0.00	55,022,000.00	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
Brilliance China Machinery Holdings Ltd.	27,838,370.11	0.00	0.00	27,838,370.11	0.00	0.00
Luoyang Changxing Agricultural Machinery Co., Ltd.	3,000,000.00	0.00	0.00	3,000,000.00	0.00	3,000,000.00
YTO Group Finance CO., LTD. (Note)	485,040,302.00	0.00	485,040,302.00	0.00	0.00	0.00
<b>Total</b>	<b>2,072,442,028.59</b>	<b>0.00</b>	<b>485,040,302.00</b>	<b>1,587,401,726.59</b>	<b>0.00</b>	<b>97,250,000.00</b>

Note 1: On June 1, 2023, YTO Group Finance CO., LTD. completed the industrial and commercial cancellation procedures.

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

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

##### (2). Breakdown of investments in associates and joint ventures

Unit: Yuan Currency: RMB

Investees	Beginning balance	Increase in investment	Decrease in investment	Increase and decrease for the current year		
				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.	76,537,108.68	0.00	0.00	7,528,426.67	0.00	0.00
Sinomach Finance Co., Ltd.	557,942,578.30	0.00	0.00	35,778,515.22	-228,590.79	0.00
<b>Total</b>	<b>634,479,686.98</b>	<b>0.00</b>	<b>0.00</b>	<b>43,306,941.89</b>	<b>-228,590.79</b>	<b>0.00</b>

Unit: Yuan Currency: RMB

Investees	Increase and decrease for the current year					Ending balance of provision for impairment
	Cash dividends or profits declared to pay	Accrual of provision for impairment	Others	Ending balance		
I. Associates	—	—	—	—	—	
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	0.00	<b>84,065,535.35</b>	0.00	
Sinomach Finance Co., Ltd.	14,986,000.00	0.00	0.00	<b>578,506,502.73</b>	0.00	
<b>Total</b>	<b>14,986,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>662,572,038.08</b>	<b>0.00</b>	

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 4. Operating revenue and operating costs

##### (1). Operating revenue and operating costs

*Unit: Yuan Currency: RMB*

Item	Amount in the current year		Amount in the previous year	
	Revenue	Costs	Revenue	Costs
Main business	9,155,697,566.70	7,931,666,727.60	9,510,252,917.26	8,187,742,892.97
Other business	90,230,491.10	35,553,638.98	109,933,453.55	18,759,786.10
<b>Total</b>	<b>9,245,928,057.80</b>	<b>7,967,220,366.58</b>	<b>9,620,186,370.81</b>	<b>8,206,502,679.07</b>

#### 5. Investment income

*Unit: Yuan Currency: RMB*

Item	Amount in the current year	Amount in the previous year
Long-term equity investment income calculated with the cost method	223,308,440.99	236,469,205.87
Long-term equity investment income calculated at equity method	43,306,941.89	-33,344,803.50
Investment income from disposal of long-term equity investments	-12,040,302.00	613,537.86
Investment income from disposal of financial assets held for trading	3,873,613.57	16,294,808.18
Revenue from the derecognition of financial assets at amortized cost	0.00	11,829,075.04
Investment income from holding debt instruments at amortized cost	82,644,381.80	396,160.95
<b>Total</b>	<b>341,093,076.25</b>	<b>232,257,984.40</b>

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. APPROVAL ON FINANCIAL STATEMENTS

The financial report is released after being approved by the Board of Directors of the Company on March 27, 2024.

### XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

#### 1. Breakdown of non-recurring profits and losses in current year

Unit: Yuan Currency: RMB

Item	Amount	Notes
Gain or loss from disposal of non-current assets	1,561,504.48	
Government subsidies incurred in profits and losses of the current year (excluding those which are closely related to the Company's normal business operations, in line with national policies and regulations, and granted in accordance with defined criteria, and have a continuous influence on the Company's profits and losses)	51,539,298.08	
Profits and losses from changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and profits and losses from disposal of financial assets and financial liabilities except for effective hedging related to normal operations of the Company	33,434,900.00	
Other non-operating income and expenses other than the above	6,531,723.26	
Other losses and profits conforming to the definition of non-recurring gain or loss	-7,286,619.32	It is mainly the impact of disposing of subsidiaries
Subtotal	85,780,806.50	
Less: Effect of income tax	16,188,415.17	
Effect on non-controlling interests (after-tax)	-1,545,119.50	
<b>Total</b>	<b>71,137,510.83</b>	

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

*January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS (CONTINUED)

#### 1. Breakdown of non-recurring profits and losses in current year (Continued)

- (1) If the Company identifies an item not listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public – Non-Recurring Profit or Loss* (revised in 2023) as a non-recurring profit or loss with a material amount, and defines the listed non-recurring profit or loss as a recurring one

*Unit: Yuan Currency: RMB*

Item	Amount	Reason
Structured deposit yield	18,276,579.32	Daily fund management behaviors of the Company

- (2) Effect of the Company's implementation of the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public – Non-Recurring Profit or Loss* (revised in 2023) on non-recurring profits and losses during comparable accounting periods

*Unit: Yuan Currency: RMB*

Affected items	Amount before adjustment	Affected items	Amount after adjustment	Reason
Government subsidies incurred in profits and losses of the current year (excluding those which are closely related to the Company's normal business operations, in line with national policies and regulations, and granted in accordance with defined criteria, and have a continuous influence on the Company's profits and losses)	41,491,816.27	-19,423,810.23	22,068,006.04	Continuous influence on the Company's profits
Other losses and profits conforming to the definition of non-recurring gain or loss	23,971,757.10	-261,430.59	23,710,326.51	Continuous influence on the Company's profits

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

January 1, 2023 to December 31, 2023 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS (CONTINUED)

#### 2. Return on equity and earnings per share

Unit: Yuan Currency: RMB

Profit during the Reporting Period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholder	15.76	0.8873	0.8873
Net profit attributable to common shareholder after deduction of non-recurring profit or loss	14.64	0.8240	0.8240

#### 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.

Chairman of Board: Liu Jiguo

Date of Approval from the Board: March 27, 2024