



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



2019 ANNUAL REPORT

* For identification purposes only

IMPORTANT NOTICE

I. The board of directors (the “**Board**”) and board of supervisors (the “**Board of Supervisors**”) of First Tractor Company Limited (the “**Company**”), and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management confirm 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 therein.

II. All the directors attended the meeting of the Board of the Company.

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

IV. Mr. Li Xiaoyu (the person in charge of the Company), Ms. Zhao Junfen (the person in charge of the accounting function) and Ms. Min Li (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 considered by the Board

Given the Company’s financial condition, the board of directors of the Company has formulated a plan for not distributing annual profits according to the Articles of Association of the Company. For details, please refer to the relevant dividend distributions in Section V “Significant Events” of this Annual Report.

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 pay attention to risks.

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

No.

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

No.

IX. Significant risks warning

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

CONTENTS

Section I	Definitions	5
Section II	Company Profile and Key Financial Indicators	8
Section III	Overview of the Business of the Company	16
Section IV	Management Discussion and Analysis	20
Section V	Significant Events	44
Section VI	Changes in Ordinary Shares and information on Shareholders	75
Section VII	Preference Shares	81
Section VIII	Directors, Supervisors, Senior Management and Employees.	82
Section IX	Corporate Governance	95
Section X	Supplemental Information on Finance Business of the Company.	114
Section XI	Financial Statements.	117
Section XII	Documents Available for Inspection.	360



MAJOR EVENTS OF FIRST TRACTOR IN 2019



March

The “Dongfanghong” brand of the Company topped a number of the lists, including the “brand awareness”, “cost performance”, “after-sales service”, “purchase experience”, “value-added services” and “repurchase choice” lists, in the 11th “National Agricultural Machinery Brands to Customers’ Satisfaction” selection activity jointly held by China Association of Agricultural Machinery Manufacturing Industry, China Association of Agricultural Mechanization and China Agricultural Machinery Distribution Association and undertaken by the Agricultural Machinery press.



Mr. Liu Jiguo was appointed as the General Manager of the Company in the fourth meeting of the eighth Session of the Board the Company.

The Company completed the transfer of all the equity and debts of held in YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司).

April

Dongfanghong LX904, a model of autonomous driving tractor of the Company, were delivered in bulk and put into use in Tongliao agricultural machinery cooperation of Inner Mongolia.



The Company convened the first Extraordinary General Meeting of 2019, in which, Mr. Li Xiaoyu, Mr. Cai Jibo and Mr. Liu Jiguo was elected as directors of the Company.

Mr. Li Xiaoyu and Mr. Cai Jibo were elected as the Chairman and vice Chairman, respectively, at the seventh meeting of the eighth session of board of directors of the Company.



MAJOR EVENTS OF FIRST TRACTOR IN 2019 (CONTINUED)



May

The first Dongfanhong hi-powered wheeled tractor equipped with the Dongfanhong National IV Standard diesel engine was made pilot launch on the market.



June

Ms. Zhao Junfen was appointed as the Chief financial officer of the Company in the ninth meeting of the eighth Session of the Board.

In the TOP50 + selection of annual agricultural machinery products electing event, the Dongfanhong LX904 autonomous driving tractor won the Annual Tractor Award, the Dongfanhong LF1104-C unmanned tractor won the Annual Technology Innovation Award, and YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company, was listed in the top of excellent matching parts suppliers.

Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company, made capital contribution in Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.

August

Mr. Xue Wenpu was appointed as the Deputy General Manager of the Company in the tenth meeting of the eighth Session of the Board.

September

Dongfanhong 54 crawler tractor, the first tractor produced in new China, was exhibited in the "Great Journey and Brilliant Achievements -- 70 Years' Large-scale Achievements Exhibition".



MAJOR EVENTS OF FIRST TRACTOR IN 2019 (CONTINUED)



November The Company's Dongfanghong LR6M series diesel engine won the "2019 gold award for annual product in China agricultural machinery industry" at the 2019 China International Agricultural Machinery Exhibition.



Mr. Zhang Hongsheng was elected as the Supervisor of the Company in the second 2019 EGM of the Company.

Mr. Zhang Hongsheng was elected as the Chairman of the Board of Supervisors of the Company in the sixth meeting of the eighth Session of the Board of Supervisors.

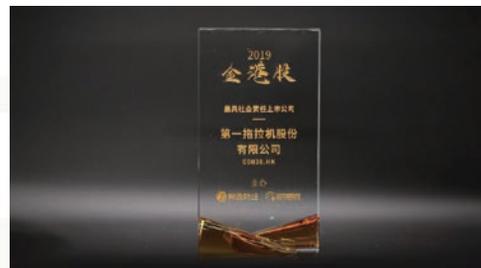
December The Dongfanghong-LF2204 wheeled tractor project won the First Prize of the 2019 Agricultural Machinery Science and Technology Award.

Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company, was recognized as "National Industrial Design Center" by the Ministry of Industry and Information Technology.

The Company completed the transfer of 100% equity held in YTO (Xinjiang) Dongfanghong Equipment Machinery Company Limited (一拖(新疆)東方紅裝備機械有限公司) to YTO Group Corporation (中國一拖集團有限公司).

Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company, completed the transfer of 100% equity held in Luoyang Xiyuan vehicle and Power Inspection Institute Co., Ltd. (洛陽西苑車輛與動力檢驗所有限公司) to YTO Group Corporation (中國一拖集團有限公司).

The Company won the "Most Socially Responsible Listed Company" award in the 2019 Golden HK Stock held by Zhitongcaijing.com.



DEFINITIONS

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

DEFINITION OF COMMONLY USED TERMS

A Share(s)	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
Auditor,accountant	the financial statement auditor, Da Hua Certified Public Accountants (Special General Partnership), appointed by the Company as the Company's auditor for the year of 2019
Bank of Luoyang	Bank of Luoyang Co.,Ltd. (洛陽銀行股份有限公司), an equity participating company of the Company
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 Company	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
Controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel
Group	the Company and its controlled subsidiaries
H Share(s)	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Intelligent Agricultural Equipment Research Institute	Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd., an equity participating company of Tractors Research Company

DEFINITIONS (CONTINUED)

Listing Rules of the Shanghai Stock Exchange	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100
power machinery	products including diesel engine and fuel injection pump
Prospectus	Prospectus for the Initial Public Offerings of A shares of First Tractor Company Limited prepared by the Company according to the relevant laws and regulations
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 ultimate controlling shareholder 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
The Company/Company	First Tractor Company Limited (第一拖拉機股份有限公司)
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
Xinjiang Equipment Company	YTO (Xinjiang) Dongfanghong Equipment Machinery Company Limited (一拖(新疆)東方紅裝備機械有限公司), Originally a wholly-owned subsidiary of the Company, it was sold to YTO during the Reporting Period
Xiyuan Vehicle and Power Inspection Institute	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd., an originally wholly-owned subsidiary of Tractors Research Company, which was sold to YTO during the Reporting Period
Yangdong Company	Yangdong Company Limited (揚動股份有限公司), a controlled subsidiary of the Company
YTO Belarus Technology	YTO Belarus Technology Company Limited (一拖白俄技術有限公司), a wholly-owned subsidiary of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company

DEFINITIONS (CONTINUED)

YTO Flag	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company
YTO Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company
YTO France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company
YTO Fuel Injection Pump	YTO (Luoyang) Fuel Injection Pump Company Limited (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company
YTO Heilongjiang	YTO Heilongjiang Agricultural Equipment Co., Ltd. (一拖黑龍江農業裝備有限公司), a wholly-owned subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司), a wholly-owned subsidiary of the Company
YTO Transportation	YTO (Luoyang) Transportation Machinery Company Limited(一拖(洛陽)搬運機械有限公司) (Originally a controlling subsidiary of the Company, the equity transfer of which was completed by the Company during the Reporting Period)
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (采埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉机股份有限公司
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	Li Xiaoyu

II. CONTACT PERSONS AND METHODS

	Secretary to the Board	Representative of Securities Affairs
Name	Yu Lina	Wei Yajun
Contact address	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Telephone	(86 379) 6496 7038	(86 379) 6497 0213
Facsimile	(86 379) 6496 7438	(86 379) 6496 7438
E-mail	yulina@ytogroup.com	weiyajun027@163.com

III. BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the registered address of the Company	471004
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	http://www.first-tractor.com.cn
E-mail	mssc0038@ytogroup.com

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENTS INSPECTION

Name of newspapers designated by the Company for dissemination of information	“China Securities Journal” and “Shanghai Securities News”
Website for publication of the annual report as designated by the CSRC	www.sse.com.cn
Website for publication of the annual report as designated by the Hong Kong Stock Exchange	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)	Li & Partners, 22/F, World-Wide House, Central, Hong Kong

V. BASIC INFORMATION OF SHARES

Type	Basic Information of Shares			Abbreviation of shares prior to the change
	Stock exchange for listing	Abbreviation of shares	Stock code	
A Share	Shanghai Stock Exchange	一拖股份	601038	/
H Share	Stock Exchange	First Tractor	00038	/

VI. OTHER RELATED INFORMATION

Auditor of the Company (the PRC)	Name	Da Hua Certified Public Accountants (Special General Partnership)
	Office address	Unit 1101, Bldg 7, No.16 Xi Si Huan Zhong Road, Haidian District, Beijing
	Names of the signing accountants	Yu Fanghong, Lin Haiyan

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

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

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key accounting data	2019	2018	Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)	2017
Total operating revenue	5,830,175,119.64	5,681,547,536.68	2.62	7,357,944,190.89
Operating revenue	5,736,943,977.67	5,540,998,393.26	3.54	7,219,310,386.11
Net profit attributable to shareholders of the Company	61,475,427.17	-1,300,108,773.92	N/A	56,514,222.97
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	-251,259,263.87	-1,389,633,309.35	N/A	-123,062,354.20
Net cash flows from operating activities	330,731,669.68	-384,397,747.85	N/A	-556,313,931.89

	As at the end of 2019	As at the end of 2018	Increase/Decrease as at the end of The Reporting Period as compared with the end of the corresponding period last year (%)	As at the end of 2017
Net assets attributable to shareholders of the Company	4,070,005,449.08	4,007,081,663.62	1.57	4,797,305,395.91
Total assets	11,629,022,385.51	13,140,741,755.99	-11.50	14,102,773,527.68

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

(II) Key Financial Indicators

Key Financial Indicators	2019	2018	Increase/ Decrease during the Reporting Period as compared with the Corresponding period last year (%)	2017
Basic earnings per share (RMB/share)	0.0624	-1.3188	N/A	0.0572
Diluted earnings per share (RMB/share)	0.0624	-1.3188	N/A	0.0572
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	-0.2549	-1.4096	N/A	-0.1246
Weighted average return on net assets (%)	1.52	-27.91	N/A	1.17
Weighted average return on net assets after deduction of non- recurring profit or loss (%)	-6.22	-29.84	N/A	-2.56

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

During the Reporting Period, the Company launched cost-effective products to seize the market, leading to a year-on-year increase in sales of dominant products and operating revenue of the Company. At the same time, the Company paid close attention to internal management, achieving marked results of control on costs. Benefiting from optimization of staff structure implemented previously, the fixed expenses of the Company recorded a drop but a significant year-on-year increase in overall gross profit margin. During the Reporting Period, the Company drew further focus on principal business and fast intensified efforts in disposal of inefficient and inefficacious assets, thus achieving asset disposal income of about RMB212 million. The non-recurring profit or loss such as government grants and profit from financial assets held for trading by the Company arising from changes in fair value recorded a significant increase. The above factors resulted in a turnaround from loss to profit in 2019.

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VIII. KEY QUARTERLY FINANCIAL INDICATORS IN 2019

Unit: Yuan Currency: RMB

	Q1 (January- March)	Q2 (April- June)	Q3 (July- September)	Q4 (October- December)
Operating revenue	2,115,080,714.00	1,261,203,528.98	1,748,174,384.09	612,485,350.60
Net profit attributable to shareholders of the Company	44,955,415.92	-25,342,890.22	50,564,301.95	-8,701,400.48
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	7,896,075.22	-73,054,092.30	31,263,391.64	-217,364,638.43
Net cash flows from operating activities	197,909,701.91	240,612,495.01	-316,405,987.49	208,615,460.25

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amounts in 2019	Note (as applicable)	Amounts in 2018	Amounts in 2017
Profit or loss from disposal of non-current assets	797,468.07		196,944.39	2,318,017.87
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received in certain standard amounts and quantities)	118,577,626.45		61,973,166.77	92,652,577.65
Gain or loss on debt restructuring			6,036,908.58	-1,091,366.39
Net gain or loss of subsidiaries from the beginning of the period to the consolidation date arising from the consolidation of enterprises under common control				-1,099,244.09

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

Non-recurring profit or loss Items	Amounts in 2019	Note (as applicable)	Amounts in 2018	Amounts in 2017
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets (except for effective hedging business related to the Company's ordinary business)	/			-1,878,085.90
Investment income arising from gain or loss resulted from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments (except for effective hedging business related to the Company's ordinary business)	96,857,951.06		26,096,432.63	/
Non-operating income and expenses other than those stated above	14,573,325.17		4,899,658.46	11,865,066.15
Other profit and loss items that meet the definition of non-recurring profit or loss		Investment income from the disposal of subsidiaries		94,994,451.25
Impact on minority shareholders equity interests	-72,680,643.05		-4,460,021.31	-8,699,457.27
Effects on income tax	-57,591,875.83		-5,218,554.09	-9,485,382.10
Total	<u>312,734,691.04</u>		<u>89,524,535.43</u>	<u>179,576,577.17</u>

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

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	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Derivative financial assets	578,743.73	0.00	-578,743.73	-578,743.73
Derivative financial liabilities	2,727,592.84	0.00	-2,727,592.84	2,727,592.84
Trading financial assets	897,235,968.16	980,392,948.10	83,156,979.94	113,196,707.06
Total	900,542,304.73	980,392,948.10	79,850,643.37	115,345,556.17

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

(I) Results

Unit: 0'000 Currency: RMB

Items	2019	For the year ended 31 December			
		2018	2017	2016	2015
Total operating revenue	583,018	568,155	735,794	887,115	965,549
Total profit	18,262	-131,475	5,606	28,010	22,168
Income tax expense	5,611	5,022	1,835	5,421	8,262
Net profit	12,651	-136,497	3,771	22,589	13,905
Net profit attributable to shareholders of the parent company	6,148	-130,011	5,651	22,337	13,532
Profit or loss attributable to minority shareholders	6,504	-6,486	-1,880	252	373

COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

(II) Assets, liabilities and shareholders' equity interests

Unit: 0'000 Currency: RMB

Items	2019	For the year ended 31 December			
		2018	2017	2016	2015
Total assets	1,162,902	1,314,074	1,410,277	1,321,051	1,327,245
Total liabilities	684,516	848,467	866,379	770,687	787,387
Total shareholders' equity interests	478,387	465,608	543,898	550,364	539,858
Total amount attributable to shareholders' equity interests of the parent company	407,001	400,708	479,730	482,934	467,388
Minority shareholders equity interests	71,386	64,899	64,168	67,430	72,470

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

XII. DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2019, calculated in accordance with the applicable laws in the PRC, the Company's place of incorporation, amounted to RMB529,451,678.91 and the capital surplus – equity premium was RMB1,851,848,375.56.

OVERVIEW OF THE BUSINESS OF THE COMPANY

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

(I) Principal Businesses

Over the years, in adherence to the business development strategy of focus on principal business and moderate diversification, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization of the PRC agricultural industry. The Company's principal businesses include research and development, manufacturing and sales of agricultural machinery, power machinery and their spare parts. YTO Finance, a controlled subsidiary of the Company, has mainly engaged in the business of fund settlement, fund raising and financing and other financial services among the member companies of the Group, as well as the provision of financial service support for the product sales of the Company. During the Reporting Period, there was no major change to the principal businesses of the Company.

Agricultural Machinery Business: The business includes research and development, manufacturing and sales of the whole series of wheeled and crawler tractors adaptable to different working environments such as dry fields, paddy fields and orchards, and their key components including castings, gears, gear boxes and cover that are used in agricultural production.

Power Machinery Business: The products include off-road diesel engines with displacement of 2L to 12L and power output of 10KW to 405KW and their accessory parts including fuel injection pump and fuel injector. The products are mainly matching agricultural machinery, such as tractors and harvesters, and accessories of construction machinery, low-speed vehicles, vessels and power generators.

Finance Business: YTO Finance, a controlled subsidiary of the Company, is a non-bank financial institution approved by the CBIRC. It provides members of the corporate group with services within the scope approved by the CBIRC, such as fund settlement, deposit and loan, bills, and conducts financial leasing business for the Company's product sales and investment businesses in compliance with the requirements of regulators.

OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

(II) Key Operation Modes

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

Product Research and Development: The Company adopts a two-tier model for research and development to combine the Company's research and development center with subsidiaries and professional factories. The research and development center of the Company is responsible for the strategic development of the Company and the research and development for significant product improvement. When the research products were approved to be mature by the market, the products would be manufactured by subsidiaries and professional factories. On such basis, the subsidiaries and professional factories would improve and perfect the product adaptability according to market needs, in order to fulfill requirements of different market segments.

Procurement Mode: The Company adopts a model combining collective centralized procurement and collective 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, collective centralized procurement would be adopted so as to take full advantage of economies of scale. On the other hand, collective decentralized procurement would be adopted for differentiated raw materials and components required by each operating unit based on its needs.

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

Sales Mode: The agricultural machinery products of the Company are mainly sold by dealers of the Company in domestic market by ways of cash on delivery and general credit sales. For dealers which have long cooperative relationship with the Company and good credit, the Company will give a certain credit limit and make annual evaluation and adjustment according to the credit situation. Our PRC sales network currently covers all 31 provinces, autonomous regions and municipalities in the mainland China PRC. As for the international market, the Company is establishing and improving its sales and service network step by step according to the progress of its business development. Currently, the overseas sales markets mainly include Southeast Asia, 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. Power machinery products are mainly supplied to be accessory for main unit manufacturers, mostly by direct sale.

OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

The buyer's credit business is categorized into loan financing business, i.e. a special loan business granted by YTO Finance to its customers purchasing the Company's products. The finance lease business is a type of lease financing business. At present, the finance lease businesses handled by YTO Finance are sale leasebacks, that is, a customer (lessee) who purchases the Company's products sells the same to YTO Finance (lessor), and then leases them back from YTO Finance (lessor). In this business, YTO Finance is both the lessor and the buyer, and the customer is both the lessee and the seller.

The buyer's credit business and finance lease business can provide capital support to customers who purchase the Company's products and facilitate sales of the Company's products. YTO Finance has set up risk management and control measures throughout the whole process of before, during and after the loan business, and currently, the business risks are controllable.

(III) Industry Development

In 2019, the growth rate of China's agricultural machinery industry further slowed down and showed negative growth, indicating that the industry is still in a period of deep adjustment. In respect of users' demand, the users' purchase intention is low as affected the low yield of grain crops and the weak purchasing power of farmers; the marginal benefit of the subsidy policy for purchasing agricultural machinery and tool gradually declines, which reduces driving effect on user demand and industry development. In respect of industry development, the demand for large-scale operations has gradually accelerated the introduction and application of large-scale, high-efficiency and intelligent agricultural machinery, but the effect of popularization and replacement has not yet formed, and the phenomena in the industry such as product homogeneity and low-price competition have not yet been fundamentally eradicated.

II. EXPLANATION ON MATERIAL CHANGES IN THE MAIN ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, total assets of the Company amounted to RMB11.6290224 billion. Inventories amounted to approximately RMB1,001.7858 million, representing a decrease of RMB428.5640 million as compared with that of the end of 2018, mainly due to sales of inventory machineries and the decrease in finished products as compared with that of the beginning of the year, during the Reporting Period; other current assets amounted to approximately 1,067.1522 million, representing a decrease of RMB950.1145 million as compared with that of the end of 2018, mainly due to the decrease in structured deposits and wealth management products of RMB432 million and RMB544.3577 million respectively as compared with that of the beginning of the year, during the Reporting Period. Assets outside the PRC amounted to RMB180.0485 million, accounting for 1.55% of total assets.

OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company strives for the enhancement of core competitiveness, accelerated upgrading of product technologies, improvement in manufacturing capacity, building of teams with talents and innovation and reform on marketing and service models with an aim to continuously improve its capabilities in research and development and manufacturing of core products and service capabilities over whole life cycle of products.

In respect of products and quality, the Company has a full range of wheeled tractors and crawler tractor products, and a wealth of power machinery products. The Company, through continuous introduction of high-quality projects, enhanced quality awareness of all employees, enabling technology strength of major products to be a leading position in the industry. With outstanding performance, stable product quality and good user feedback, the Company's agricultural machinery, power machinery and other products have won many awards such as the "Gold Award" of the 2019 China's Agricultural Machinery Industry Awards and the first prize of the 2019 Agricultural Machinery Science and Technology Awards.

In respect of production and manufacturing, the Company has the most comprehensive manufacturing systems for core spare parts in China's tractor industry and possesses the capabilities for manufacturing vehicle body, forged parts, castings, gears and other key components of tractors. In 2019, the Company's several projects such as "Application of new model for intelligent manufacturing of new-type wheeled tractors", "Integrated development and application of digital green casting technology" passed the scientific and technological achievements appraisal organized by the Chinese Mechanical Engineering Society, providing strong support to the Company's product transformation and upgrading, quality improvement, and cost reduction.

In terms of technical research and development, the Company is a domestic leader in terms of power-shift and variable transmission technology for tractors, intelligent driving technology as well as electronic control technology for whole machine and parts. In 2019, Tractors Research Company was recognized as a "National Industrial Design Center" by the Ministry of Industry and Information Technology, making a breakthrough from zero in the agricultural machinery industry. The intelligent research institute company in which Tractors Research Company invested has declared the construction plan of the National Agricultural Machinery Equipment Innovation Center and passed the argument from experts, and won 6 awards including the China Machinery Industry Science and Technology Award and 66 patents.

In terms of market services, the Company has always been taking provision of reliable products for the market as its top priority. Based on the characteristics of China's agricultural production, it built an after-sales service platform system for enterprises to serve users under the service concept of "thoughtful, fast, professional, and value-added" "Golden Service". The Company took the lead in making a service promise of "Arriving within 6 hours and repairing within 12 hours" to the society, effectively protecting the rights and interests of users.

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS

In 2019, the total business income of agricultural machinery enterprises above designated size in China was RMB246.467 billion, representing a decrease of 4.43% as compared with that of 2018, and seeing a negative growth. The agricultural machinery market continued to be depressed, the market demand for traditional agricultural machinery products was weak and the industry was still in a period of intensified adjustment.

According to the industry data of China Association of Agricultural Machinery Manufactures (中國農機工業協會), the total sales volume of hi-powered and mid-powered tractors in tractor industry for 2019 was 191.5 thousand units, representing an increase of 7.12% year on year. Despite a modest rebound in tractor sales after five consecutive years of decline, the stock market was still clearly characterized by insufficient momentum for sustained growth. At the same time, due to factors including the homogenization of products, low price competition and high costs of various elements, the profit-making space of enterprises was limited, so it was difficult to realize profit.

During the Reporting Period, in response to the complicated and severe internal and external situations, the whole Company was in a concerted effort to advance in the adverse situation. On one hand, the Company focused on the market, making every effort to increase market share; on the other hand, it focused on management, strictly controlling various costs and expenses; at the same time, it also accelerated the disposal of inefficient assets and reduced loss-making operations in an effective manner, resulting in a significant improvement in the Company's operating results as compared with last year. In 2019, the Company realized total revenue of RMB5,830 million, representing an increase of 2.62% year on year, and net profit attributable to shareholders of the listed company was RMB61.4754 million. After a huge loss in 2018, the operating efficiency of the Company showed recovery growth, representing a turn from loss to profit.

(I) Insisting on the innovation drivers and consolidating the leading position in the industry of tractor business

The Company actively grasped the changes in demand of market and customer, optimized the marketing management model, strengthened the awareness of occupying market of the front-line marketing sector, accelerated response to the market, enhanced the effectiveness of marketing strategies, and strived to increase the product sales volume and increase market shares. The Company effectively developed the advantages in product technology, built up the advantages in quality and cost through the implementation of high-quality projects, enhanced the competitiveness of the product market, and further consolidated the position of industrial advantages of Dongfanhong tractor products. It sold 41.9 thousand units of hi-powered and mid-powered tractors throughout the year, with a growth rate of 10.78%, which was superior to the increase level of the industry, and the market share increased by 0.83 percentage points.

The Company adhered to innovation-driven development, accelerated the research and development of technology along with transformation and application of achievements. During the Reporting Period, the localization of power-shift tractor has been basically completed, and it has been put into trial production; the big data management platform for intelligent tractor was gradually established to promote the commercial application of intelligent control technology. At the same time, the Company actively promoted the special service plan for agriculture, and delivered 185 units of Dongfanhong LX904 self-propelled tractors to Huishuangli Agricultural Machinery Cooperative (匯雙利農機合作社) in Khorchin, Tongliao City, Inner Mongolia, thus realizing the first largescale application of the self-driving tractor in China, which will promote the development of intelligent agricultural machinery, precision agriculture and smart agriculture.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Optimizing the product platform for the power machinery business, and accelerating the improvement of the market supporting structure

The Company focused on promoting the structural adjustment and platform optimization of National III and National IV common-rail diesel engine. Tested in filed operation, National III common-rail diesel engine platform were equipped with a superior performance. The stereotyped supporting structure and the first prototype of the respective typical platforms of National IV diesel engine have been completed, and currently have qualified for the comprehensive swift conditions and main engine supporting capabilities. During the Reporting Period, the Company's "Dongfanghong" hi-powered wheeled tractors equipped with National IV diesel engines were put on the market experimentally, marking that the Company was at the forefront of the industry in the domestic non-road National IV agricultural machinery R & D and application fields.

The Company made more efforts to the market expansion of supporting products of diesel engine. Through the implementation of "sales-technology integration" and the improvement of the quality management and quality control, the recognition of Dongfanghong diesel engine product market has increased significantly, and key customers have realized the shifts among a full range of National III common-rail diesel engines. During the Reporting Period, the Company's diesel engine products sold 90,252 units, of which the supporting sales from the external market increased by 15.87% as compared with the corresponding period of last year.

(III) Financial operation adhering to support for business development, further improving the risk prevention capability

During the Reporting Period, YTO Finance adhered to play its role of financial services to promote the sale of products by utilizing financial instruments, thereby promoting the sales of products, which boosted an increase of product revenue amounting to approximately RMB1,180.244 million with a year-on-year increase of 116.83% while doing well in the centralized management of funds and the settlement centre business within the Group. Meanwhile, YTO Finance continued to strengthen comprehensive risk prevention, and implemented contingency plans to address such risks in a timely manner centered around new and sudden risk emergencies; to perform specific risk screening in investment, guarantee and major operating businesses and other fields, and strictly control the adverse effects of risk events on the Company's operations. All regulatory indicators satisfy the regulatory requirements of China Banking and Insurance Regulatory Commission.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Adhere to exert our best to strengthen management for gradually improving the quality of economic operation

The Company strived to handle the outstanding practical problems that restrict the reverse of loss and the increase of profit. During the Reporting Period, the Company reduced its comprehensive procurement costs by locking prices, establishing reserves and collective centralized procurement; improved the volume of external accessories and the utilization rate of productivity in components and parts and other businesses, so as to reduce the number and amount of business loss; strengthened lean production management and intensified the awareness of cost reduction, thus to achieve significant reductions in various expenditures during the process of production and manufacture; and strictly controlled the trade receivables and the occupation scale of inventory capital, so as to improve the efficiency of capital utilization.

Benefitting from the continuous optimization of the Company's personnel structure and strong implementation of measures such as cost reduction in procurement, product process optimization, quality improvement, and internal management intensification, the Company's profitability of dominant product leveled up significantly, and the comprehensive gross profit margin of the dominant products improved approximately 8.2 percentage points as compared with the corresponding period of last year. At the same time, the period expenses were effectively controlled, and the expenses rate for the Period decreased 11.5 percentage points as compared with the corresponding period of last year.

(V) Thoroughly promoting enterprise reform and creating favorable space for business development

The Company put more efforts in reforming adjustment, and vigorously proceeded with the disposal of low efficient assets and the optimization of equity interest. During the Reporting Period, according to positioning and market changes of business development, in order to advance the sound development of relevant businesses and promote the disposal of resources with spare productivity, the Company completed the transfer and exit of equity of its subsidiaries Transportation Machinery Company (搬運機械公司), YTO (Xinjiang) Machinery and Xiyuan Company, respectively.

The Company promoted in an orderly manner the construction of an international operating system, by formulating the special plan of international operation, focused on providing high adaptability and cost-effective products and services for overseas users, actively dealt with the export products R&D and the improvement of adaptability, thus achieving good results in some regional markets such as southeast Asia, central and eastern Europe.

The Company strengthened the top-level design in deepening the enterprise reform, creating an atmosphere for the enterprise's sound and healthy development. During the Reporting Period, the Company further perfected the performance evaluation system driven by benefit and efficiency, stimulated the initiative of managers of affiliated operating units, motivated the enthusiasm of core technical backbones and marketing teams and achieved active results.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

Please refer to “I. Management Discussion and Analysis”

(I) Analysis on principal business

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

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of last year	Changes (%)
Operating revenue	5,736,943,977.67	5,540,998,393.26	3.54
Operating costs	4,808,281,175.55	5,098,425,607.81	-5.69
Interest revenue	89,290,344.59	138,092,137.95	-35.34
Fee and commission income	3,940,797.38	2,457,005.47	60.39
Interest costs	33,252,713.00	12,455,994.16	166.96
Selling costs	305,526,565.26	461,866,175.50	-33.85
Administrative expenses	382,371,302.74	764,198,051.29	-49.96
Research and development expenses	356,609,547.39	378,394,140.28	-5.76
Finance costs	61,706,462.37	105,047,052.79	-41.26
Other income (Losses listed as “-”)	94,223,622.26	36,623,032.72	157.28
Investment income (Losses listed as “-”)	242,395,344.85	19,158,702.59	1,165.20
Gain arising from changes in fair value (Losses listed as “-”)	85,687,735.18	10,081,083.66	749.99
Loss on impairment of assets (Losses listed as “-”)	-81,901,256.49	-172,393,654.35	N/A
Loss of credit impairment (Losses listed as “-”)	-34,256,859.43	-59,449,904.60	N/A
Asset disposal income (Losses listed as “-”)	797,468.07	196,944.39	304.92
Non-operating expenses	2,570,351.43	4,793,199.24	-46.38
Net cash flow generated from operating activities	330,731,669.68	-384,397,747.85	N/A
Net cash flow generated from investing activities	1,193,116,999.96	-546,269,548.64	N/A
Net cash flow generated from financing activities	-1,686,589,779.50	-734,842,075.84	N/A

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating income and operating costs: increased by 3.54% and decreased by 5.69% as compared with the corresponding period of last year, respectively; recorded comprehensive gross profit margins of 16.19%, representing a year-on-year increase of 8.2 percentage points, primarily attributable to the strict control and management of costs and expenses and the high standards of expenditure by the Company. The effect of cost reduction and efficiency enhancement was remarkable.

Interest income: decreased by 35.34% as compared with the corresponding period of last year, mainly due to the decrease in deposits of inter-bank income by YTO Finance during the Reporting Period as compared with the corresponding period of last year, resulting in the corresponding decrease in interest income received.

Interest expenses: increased by 166.96% as compared with the corresponding period of last year, mainly due to the increase in deposits and inter-bank deposits absorbed by YTO Finance during the Reporting Period, resulting in the corresponding increase in interest paid.

Other income: increased by 157.28% as compared with the corresponding period of last year, mainly due to the increase in government subsidies that were related to the daily operation of enterprises during the Reporting Period as compared with the corresponding period of last year.

Investment income: increased by RMB223.24 million as compared with the corresponding period of last year, mainly due to the investment income of RMB212.2 million resulting from the disposal of equity interests of subsidiaries during the Reporting Period, which did not occur in the same period last year.

Income arising from changes in fair value: increased by 749.99% as compared with the corresponding period of last year, mainly due to the year-on-year increase in profit from financial assets held for trading by the Company arising from changes in fair value.

Impairment loss of assets: decreased by RMB90.49 million as compared with the corresponding period of last year, mainly due to the decrease in provision for inventory revaluation resulting from de-stocking during the Reporting Period as compared with the corresponding period of last year.

Loss of credit impairment: decreased by RMB25.19 million as compared with the corresponding period of last year, mainly due to the reversal of corresponding impairment provision resulting from the recovery of certain long-aged accounts receivable during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Income and cost analysis*

During the Reporting Period, the Company realized an operating revenue of RMB5,736.94 million, representing an increase of 3.54% as compared with the corresponding period of last year, mainly due to the increased sales volume of all kinds of products of the Company.

(1) *Principal businesses by industry, by products and by region*

Unit: 0'000 Currency: RMB

Principal business by industry

By industry	Operating revenue	Operating cost	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	573,694	480,828	16.19	3.54	-5.69	Increased by 8.2 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal businesses by products

By products	Operating revenue	Operating cost	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	525,651	447,767	14.82	3.35	-5.50	Increased by 7.98 percentage points
Power machinery	139,095	124,121	10.77	7.02	2.65	Increased by 3.8 percentage points
Other machinery	377	369	2.27	-66.45	-47.67	Decreased by 35.08 percentage points
Inter-segment elimination	-91,429	-91,429	/	/	/	/
Total	573,694	480,828	16.19	3.54	-5.69	Increased by 8.2 percentage points

Principal businesses by region

By region	Operating revenue	Operating cost	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	544,370	455,927	16.25	11.81	0.41	Increased by 9.51 percentage points
Outside the PRC	29,324	24,901	15.08	-56.38	-55.37	Decreased by 1.91 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Explanation on principal businesses by industry, product and region

The consolidated gross profit margin of the Company's products during the Reporting Period was 16.19%, representing an increase of 8.2 percentage points as compared with the corresponding period of last year, which was mainly affected by the year-on-year increase in sales volume of the Company's principal products and the significant decrease in fixed costs, etc.

The gross profit margin of the Company's agricultural machinery business was 14.82%, representing a year-on-year increase of 7.98 percentage points, which was mainly attributable to the following reasons: First, as the Company launched highly cost-efficient products based on market demand to improve sales volume of products, in particular, the sales of the Company's wheeled tractors with horsepower of 140 to 150 and 200 or above increased. Second, the Company made great efforts on disposal of assets and optimization of staffing structure, resulting in the gradual decline in the Company's fixed costs. Third, as the Company continuously intensified its efforts on reduction of procurement costs, the procurement costs were reduced through concentrated procurement. Forth, the Company advanced lean production on a consistent basis and enhanced quality control in the process of production, thereby lowering further quality losses.

The gross profit margin of the Company's power machinery business increased by 3.8 percentage points year on year, which was mainly attributable to the following reasons: First, the Company strengthened its main engine supporting capacities for diesel engine products. Second, the gross profit margin of the Company's diesel engines improved as affected by such factors as reduction of procurement costs and lean production.

The gross profit margin of the Company's overseas business was 15.08%, representing a year-on-year decrease of 1.91 percentage points, which was mainly due to the fact that during the Reporting Period, the proportion of sales of mid-powered wheeled tractors increased as affected by product structure, resulting in the year-on-year decrease of the gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) Analysis on production and sales volume

Main products	Production volume	Sales volume	Inventories	Increase/ decrease in production volume as compared with last year	Increase/ decrease in sales volume as compared with last year	Increase/ decrease in inventories as compared with last year
				(%)	(%)	(%)
Tractor products	42,785	41,866	2,845	9.70	10.78	47.72
Diesel engine products	85,239	90,252	9,297	3.28	11.99	-35.03
Other mechanical products	0	8	20	N/A	-76.47	-28.57

(3) Cost analysis

Unit: 0'000

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 (%)	Explanation
Equipment manufacturing industry	Material	484,591	84.68	492,677	82.74	1.94	
Equipment manufacturing industry	Labour	32,456	5.67	40,330	6.77	-1.10	
Equipment manufacturing industry	Production costs	55,211	9.65	62,428	10.48	-0.84	

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)	Explanation
Agricultural machinery	Material	379,935	84.85	393,787	83.11	1.74	
Agricultural machinery	Labour	25,316	5.65	31,560	6.66	-1.01	
Agricultural machinery	Production costs	42,515	9.49	48,469	10.23	-0.73	
Power machinery	Material	104,291	84.02	98,205	81.22	2.81	
Power machinery	Labour	7,137	5.75	8,762	7.25	-1.50	
Power machinery	Production costs	12,693	10.23	13,948	11.54	-1.31	
Other machinery	Material	364	98.75	685	97.16	1.59	
Other machinery	Labour	2	0.52	8	1.13	-0.61	
Other machinery	Production costs	3	0.73	12	1.70	-0.97	

Explanation on other situations on cost analysis

Agricultural machinery: during the Reporting Period, in line with the Company's optimization of staff structure and disposal of certain assets, the total remuneration and manufacturing expenses of production personnel showed a downward trend over the same period.

Power machinery: during the Reporting Period, the Company increased its efforts to optimize staff structure and dispose of assets, leading to a downward trend in the proportion of labor and manufacturing expenses.

Other machinery: during the Reporting Period, the Company eliminated other machinery segment without competitiveness, and integrated and disposed the relevant resources, leading to a significant decrease in labour and manufacturing costs.

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

Sales to the top five customers amounted to RMB437.88 million, accounting for 7.63% of the total sales for the year, among which, sales to the top five customers which were sales to related parties amounted to RMB200.64 million, accounting for 3.50% of the total sales for the year.

Procurement from the top five suppliers amounted to RMB547.95 million, accounting for 14.24% of the total procurement amount for the year, among which, procurement from the top five suppliers which was procurement from related parties amounted to RMB212.11 million, accounting for 5.51% of the total procurement amount for the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Expenses

Item	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Selling expenses	305,526,565.26	461,866,175.50	-156,339,610.24	-33.85
Administrative expenses	382,371,302.74	764,198,051.29	-381,826,748.55	-49.96
Research and development expenses	356,609,547.39	378,394,140.28	-21,784,592.89	-5.76
Financial expenses	61,706,462.37	105,047,052.79	-43,340,590.42	-41.26

During the Reporting Period, the Company's total expenses were RMB1,106.21 million, representing a decrease of RMB603.29 million or approximately 35.29% as compared with the corresponding period of last year.

Selling costs: decreased by 33.85% as compared with the corresponding period of last year, mainly due to the Company's enhancement of improvement of technology and thus with continuous improvement of the quality of products, resulting in a year-on-year decrease in selling service fee.

Administrative expenses: decreased by 49.96% as compared with the corresponding period of last year, mainly due to the fact that the Company streamlined staff structure according to business needs and put more effort in staff diversion and reduction, resulting in a year-on-year decrease in the provision for employee compensation and termination expenses during the Reporting Period.

Finance expenses: decreased by 41.26% as compared with the corresponding period of last year, mainly due to the decrease in the size of loans of the Company during the Reporting Period, and the decrease in interest expenses year on year; and the fact that the Company improved the effectiveness of capital utilization during the Reporting Period, resulting in a year-on-year increase in interest income.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Research and development investment

(1) Research and development investment table

Unit: Yuan

Research and development investment expensed for the Reporting Period	356,609,547.39
Research and development investment capitalized for the Reporting Period	0.00
Total research and development investment	356,609,547.39
Total research and development investment as a percentage of operating revenue (%)	6.22
Number of research and development personnel of the Company	1,295
Number of research and development personnel as a percentage of total staff of the Company (%)	17.02
Ratio of research and development investment capitalized (%)	0.00

5. Cash Flow

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Net cash flow from operating activities	330,731,669.68	-384,397,747.85	715,129,417.53	N/A
Net cash flow from investment activities	1,193,116,999.96	-546,269,548.64	1,739,386,548.60	N/A
Net cash flow from financing activities	-1,686,589,779.50	-734,842,075.84	-951,747,703.66	N/A

Net cash flow from operating activities: the outflow decreased by RMB715.13 million as compared with the corresponding period of last year, mainly due to the year-on-year increase in net flow generated from the Company's sales of goods during the Reporting Period.

Net cash flow from investment activities: the inflow increased by RMB1,739.39 million as compared with the corresponding period of last year, mainly due to the year-on-year increase in cash inflow from the Company's disposal of the equity interests of subsidiaries during the Reporting Period.

Net cash flow from financing activities: the outflow increased by RMB951.75 million as compared with the corresponding period of last year, mainly due to the year-on-year decrease in the Company's financing scale during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Explanation of Significant Changes in Profits Caused by Non-principle Business

For details please refer to the explanation in “VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LATEST THREE YEARS”.

(III) Analysis on assets and liabilities

1. Assets and liabilities situation

Unit: Yuan

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	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
Lendings to banks and other financial institutions	70,000,000.00	0.60	200,000,000.00	1.52	-65.00	YTO Finance recovered borrowings to banks and other financial institutions
Derivative financial assets	0.00	0.00	578,743.73	0.00	N/A	Foreign-currency borrowings with exchange-rate locking agreements were due for repayment
Notes receivable	352,201,737.77	3.03	523,719,132.77	3.99	-32.75	Decrease in bills settlement
Advances to suppliers	175,282,225.34	1.51	107,561,199.88	0.82	62.96	Prepayments for purchases increased as compared with the beginning of the year
Other receivables	38,657,541.73	0.33	65,741,038.66	0.50	-41.20	Partial recovery of receivables
Financial assets purchased under resale agreements	671,668,502.78	5.78	150,203,731.40	1.14	347.17	Increase in financial assets purchased by YTO Finance under resale agreements
Non-current assets due within one year	250,465,409.57	2.15	184,159,312.46	1.40	36.00	Increase in long-term receivables due within one year
Other current assets	1,067,152,153.18	9.18	2,017,266,694.07	15.35	-47.10	Decrease in financial products
Investment in other equity instruments	3,871,238.40	0.03	0.00	0.00	N/A	Increase in equity investment
Construction in progress	128,990,466.09	1.11	232,816,443.52	1.77	-44.60	Transfer of construction in progress to fixed assets
Right-of-use assets	18,945,867.20	0.16	0.00	0.00	N/A	Recognition of right-of-use assets by the Company as a lessee
Short-term loans	1,419,528,065.30	12.21	2,777,516,101.13	21.14	-48.89	Partial repayment of short-term borrowings
Derivative financial liabilities	0.00	0.00	2,727,592.84	0.02	N/A	Foreign-currency borrowings with exchange-rate locking agreements were due for repayment
Contract liabilities	177,743,289.89	1.53	369,490,638.57	2.81	-51.90	Fulfillment and delivery of some orders
Employee salary payable	104,615,621.71	0.90	189,486,846.96	1.44	-44.79	Termination benefits paid by the Company
Taxes payable	34,716,241.84	0.30	24,562,534.28	0.19	41.34	Year-on-year increase in income tax payable as a result of increase in profits of subsidiaries

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	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
Non-current liabilities due within one year	649,035,505.95	5.58	76,664,479.21	0.58	746.59	Increase in long-term borrowings due within one year
Long-term loans	139,077,500.00	1.20	868,473,000.00	6.61	-83.99	Decrease in long-term borrowings due after more than one year
Lease liabilities	64,384.18	0.00	0.00	0.00	N/A	Recognition of lease liabilities by the Company as lessee
Estimated liabilities	2,652,542.65	0.02	3,981,625.85	0.03	-33.38	Settlement of certain liabilities
Special reserve	2,230,000.31	0.02	3,274,006.51	0.02	-31.89	Decrease in appropriation to special reserve
General risk reserve	25,104,151.50	0.22	0.00	0.00	N/A	Appropriation to general risk reserve by YTO Finance

Other Explanations

(1) Key financial ratios

Item	As at the end of the Reporting Period	As at the beginning of the Year	Year-on-year change
Gearing ratio (%)	58.86	64.65	Decreased by 5.78 percentage points
Current ratio	1.02	1.05	Decreased by 0.03
Quick ratio	0.86	0.85	Increased by 0.01

Reasons for ratios change:

Mainly due to the decrease in the financing scale of the Company during the Reporting Period, resulting in a decrease in gearing ratio.

(2) Bank loans

Bank loans of the Group are mainly denominated in RMB and Euro. As at the end of the Reporting Period, bank loans (principal) of the Company due within one year amounted to RMB2,040.8972 million, of which loans (principal) in foreign currency amounted to RMB40.8972 million (mainly consisting of loans denominated in Euro); and bank loans (principal) due over one year amounted to RMB139.0775 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Restrictions on main assets as at the end of the Reporting Period

As at the end of the Reporting Period, the Company's cash and cash equivalents of restricted ownership amounted to RMB280.9075 million, including guarantee letter deposits of RMB0.441 million, bank's acceptance bill deposits of RMB34.9133 million, letter of credit deposits of RMB2.4404 million, deposits for forward foreign exchange settlement of RMB1.05 million, the statutory deposit reserve with central bank of RMB210.3121 million, quality guarantee deposits of RMB1.7508 million and deposits frozen by court of RMB30 million.

As at the end of the Reporting Period, the Company's notes receivable of restricted ownership amounted to RMB27.3826 million, which were notes receivable pledged with the bank during the Reporting Period.

As at the end of the Reporting Period, the original value of the Company's fixed assets and intangible assets of restricted ownership amounted to a total of RMB100.0981 million, and the net value amounted to a total of RMB76.2509 million, which were buildings and land mortgaged to banks for short-term loans granted to the Company during the Reporting Period.

3. Other Explanations

(1) Foreign exchange risk

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

(2) Contingent liabilities

For further details, please refer to "VII.40 Estimated Liabilities" under section XI Financial Statement of this Report.

(3) Principal sources and use of funds

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on investments

(1) Financial assets measured at fair value

Unit: Yuan Currency: RMB

Item	Initial cost of investment	Amount acquired during the Reporting Period	Amount sold during the Reporting Period	Changes in fair value	Investment income	Source of funds
Derivative financial assets	0.00	0.00	0.00	-578,743.73	0.00	/
Derivative financial liabilities	0.00	0.00	0.00	2,727,592.84	0.00	/
Trading financial assets	192,479,657.41	0.00	0.00	83,538,886.07	29,657,820.99	Self-funded
Total	192,479,657.41	0.00	0.00	85,687,735.18	29,657,820.99	

(V) Sales of material assets and equity interests

- The Company has completed the equity transfer in respect of disposal of 93.39% of equity interests and debt interests in YTO Transportation by way of listing-for-sale process on the China Beijing Equity Exchange during the Reporting Period, and completed the change in industrial and commercial registration on 18 March 2019. For details, please refer to the "Announcement of First Tractor Company Limited in relation to the Pre-public Bidding the Equity and Debt Interests in Controlled Subsidiary" published by the Company on the website of the Shanghai Stock Exchange on 7 August 2018, the "Progress Announcement of First Tractor Company Limited in relation to the Public Bidding the Equity and Debt Interests in Controlled Subsidiary" published by the Company on the website of the Shanghai Stock Exchange on 14 September 2018, the "Announcement of First Tractor Company Limited in relation to the Adjustment of Public Bidding Price of the Equity and Debt Interests in Controlled Subsidiary" published by the Company on the website of the Shanghai Stock Exchange on 17 November 2018, the "Progress Announcement of First Tractor Company Limited in relation to the Public Bidding the Equity and Debt Interests in Controlled Subsidiary" published by the Company on the website of the Shanghai Stock Exchange on 1 March 2019, the overseas regulatory announcements published by the Company on the website of the Stock Exchange on 6 August, 13 September and 16 November 2018, and the "Connected Transaction Announcement in relation to the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by Way of Listing-For-Sale Process" published by the Company on the website of the Stock Exchange on 28 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. As considered and approved at the 2019 second extraordinary general meeting, the Company would transfer 100% equity interest held by it in Xinjiang Equipment Company to YTO, and Tractors Research Company, a controlling subsidiary of the Company, would transfer 100% equity interest held by it in Xiyuan Company to YTO. The equity transfer and change in industrial and commercial registration have been completed during the Reporting Period. For details, please refer to the “Announcement of First Tractor in relation to the Resolution of the Eleventh Meeting of the Eighth Session of the Board” and the “Announcement of First Tractor in relation to Related Transactions of Equity Transfer” published by the Company on the website of the Shanghai Stock Exchange on 12 October 2019, the “Supplemental Announcement of First Tractor in relation to Related Transactions of Equity Transfer” published by the Company on the website of the Shanghai Stock Exchange on 15 October 2019, “Discloseable and Connected Transactions in relation to the Disposals of 100% Equity Interest of Two Subsidiaries” and “Further Announcement in respect of the Discloseable and Connected Transactions in Relation to the Disposals of 100% Equity Interest of Two Subsidiaries” published by the Company on the website of the Stock Exchange on 11 October and 15 October 2019, respectively, the “Announcement of First Tractor in relation to the Resolution of the 2019 Second Extraordinary General Meeting” published by the Company on the website of the Shanghai Stock Exchange on 30 November 2019, and the “Poll Voting Results of the Extraordinary General Meeting Held on 29 November 2019” published by the Company on the website of the Stock Exchange on 29 November 2019.

(VI) Analysis on key equity holding and participating companies

1. Information on key subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered		As at 31 December 2019		Realized during the Reporting Period	
	Capital (0'000)	Principal business	Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
Tractors Research Company	44,500	Research and development of tractor product	91,107	80,856	21,156	13,856
YTO International Trade	6,600	International sale of agricultural machinery	62,032	3,483	25,026	-1,389
YTO Flag	6,800	Manufacturing and sale of stamping, welding parts and stamping moulds for automobile, agricultural machinery, construction machinery, etc.	14,313	4,428	7,710	-2,050
YTO Fuel Injection Pump	16,192	Manufacturing and sale of products such as fuel injector and fuel injection pump for diesel engines	17,890	14,323	5,408	-314

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of company	Registered Capital (0'000)	Principal business	As at 31 December 2019		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	26,199	-31,420	380,876	4,712
YTO Finance	50,000	Provision of financial services	419,965	82,576	15,079	4,882
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	227,185	141,007	136,183	3,542
YTO Foundry and Forging	24,833	Processing and sale of rough and semi-finished products and finished products of casting and forging products	32,637	25,882	24,321	476
YTO France	EUR10 million	Manufacturing and sales of agricultural machinery components	9,675	-927	6,834	-4,759

2. Acquisitions and disposals of subsidiaries during the Reporting Period

- (1) For the disposal of 93.39% equity interests held and debt interests in YTO Transportation by the Company by way of listing-for-sale process on the China Beijing Equity Exchange, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 18 March 2019, respectively.
- (2) For the transfer of 100% equity interests in Xinjiang Equipment Company held by the Company to YTO by means of agreed transfer, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 16 December 2019, respectively.
- (3) For the transfer of 100% equity interests in Xiyuan Institute Company held by Tractors Research Company to YTO by means of agreed transfer, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 13 December 2019, respectively.
- (4) Upon the consideration and approval at the 14th meeting of the 8th session of the board of directors the Company, YTO Shentong submitted an application for bankruptcy to the Luoyang Intermediate People's Court in December 2019, and received the court ruling for accepting the application and designating the liquidator in January 2020. For details, please refer to the Announcement of the First Tractor Co., Ltd. on the Proposed Application of Insolvent Liquidation by a Wholly-owned Subsidiary published by the Company on the website of the Shanghai Stock Exchange on 17 December 2019 and the overseas regulatory announcement published on the website of the Stock Exchange on 16 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Number	Name of company	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	Changtuo Company	8	-1,958	-1,084
2	Tractors Research Company	21,156	16,224	13,856
3	YTO International Trade	25,026	-1,189	-1,389
4	YTO Flag	7,710	-2,013	-2,050
5	Changxing Company	380,876	4,939	4,712
6	YTO Shentong	346	703	709
7	YTO Finance	15,079	4,256	4,882
8	YTO Diesel Engine	136,183	4,447	3,542
9	YTO France	6,834	-4,123	-4,759

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

YTO Diesel Engine: net profit increased by RMB263.93 million year-on-year, mainly due to the year-on-year increase in the sales volume of diesel engines as a result of active market development in the Reporting Period, and the decrease in expenses during the Reporting Period resulting from continuous enhancement in cost control.

Tractors Research Company: net profit increased year-on-year, mainly due to the recognized income of RMB137 million from the sale of equity interests of Xiyuan Company, a subsidiary of the Company, during the Reporting Period.

YTO Flag: net loss decreased by RMB8.16 million year-on-year, mainly due to the optimized structure of main products, the year-on-year decrease of expenses and the increase in its profitability during the Reporting Period.

Changxing Company: net profit increased by RMB61.61 million year-on-year, mainly due to the year-on-year increase in sales revenue, and decrease in non-operating expenses as a result of strict control on expenses.

YTO Finance: net profit increased by RMB11.69 million year-on-year, mainly due to the impairment provisions written off income tax expenses reduction during the Reporting Period.

YTO Fuel Injection Pump: net loss decreased by RMB47.04 million year-on-year, mainly due to the decrease in labor costs and enhancement in cost control during the Reporting Period.

YTO France: net loss decreased by RMB158.57 million year-on-year, mainly due to higher relevant expenses accrued from its business transformation in 2018 and the decrease in labor costs after the adjustment to staff structure in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

YTO Foundry and Forging: net profit increased by RMB4.32 million year-on-year, mainly due to the staff restructuring in the previous year, the decrease in labor costs and the increase in profitability during the Reporting Period.

YTO International Trade: net profit decreased by RMB19.37 million year-on-year, mainly due to a significant drop in income from international business.

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

(I) Competition dynamics and development trend of the industry

In 2020, the development of China's agricultural machinery industry will continue to maintain the characteristics of reserve market. As the overall saturation of traditional agricultural machinery products such as tractors and harvesters, it is expected that the total market demand for the whole year will not be released. Against this market pattern, and faced with the adverse effects of product homogeneity and low-price competition, market competition among enterprises will be further intensified, and the enhancement of comprehensive competitiveness of enterprises will become the key, thereby accelerating the process of industry adjustment. In addition, China continues to promote the conversion and upgrading of off-road diesel engine emission standards, which will promote industrial upgrading of agricultural machinery manufacturing enterprises and the overall supply chain.

From the perspective of future development, with the in-depth implementation of a series of policies such as the "Rural Revitalization" Strategy, promotion of the supply-side structural reform in the agricultural sector, the supporting role of the agricultural machinery and equipment industry in promoting China's modern agricultural development and food security strategy will become more prominent. Focusing on improving the standard of whole-process and comprehensive agricultural mechanization to enhance the efficiency of agricultural machinery operations and accelerate the development of smart agriculture, the large-scale, high-efficiency, environmentally-friendly and green, intelligent agricultural machinery, distinctive and specialized agricultural machinery will usher in broad development prospects in future.

(II) Development strategy of the Company

2020 will be the year when China completes the building of a moderately prosperous society in all respects, and also be an important year for concluding the "13th Five-Year Plan" and laying a solid foundation for the development of the "14th Five-Year Plan". As the most influential agricultural machinery manufacturing company in China, First Tractor will adhere to the principle of seeking progress while keeping performance stable, focusing on the development idea of "intelligent-driven, collaborative innovation and efficiency increased", taking the improvement of product quality as foundation, the improvement of market competitiveness as the core, the intelligent agricultural equipment as the starting point, and technological collaborative innovation as the means so as to accelerate the technological update of core products, continue to lead the progress in industry technology, strengthen international operating ability and improve the leading advantages in the industry. At the same time, the Company will promote the formation of its development structure of "outstanding core business, moderate diversity, solid foundation, and efficient operation", and strive to become an outstanding global agricultural equipment manufacturing service provider.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Operation plan

In 2020, the Company will deeply implement the series of national policy measures, such as the major deployment of “Rural Revitalization” Strategy, promotion of the supply-side structural reform in the agricultural sector and transformation and development of the industry of agricultural machinery equipment and effectively achieve success in the key work of operation and management, strive to maintain a good momentum of sustained and healthy development of the enterprise, laying a solid foundation for high-quality and sustainable development.

(I) Making market-oriented development and enhancing the market competitiveness of leading products

As for tractor products, while accelerating the pace of technical upgrading of power-shift tractors, CVT variable transmission control tractors, high-quality tractors and other products, and the layout of intelligent products, taking advantage in R&D, core parts manufacture and large-scale purchases of the Company, the Company will continue to optimize product design, strengthen the products’ reliability and enhance the cost performance of products by way of further insight in changes of market needs and win the customers’ trust and increase the market share through the high-quality products as well as the high-efficiency services.

As for diesel engine products, the Company will continuously carry out the various work including products upgrade, technical reserves, quality improvement and market expansion, make overall plan to expand National III common- rail diesel engine market, prepare for the conversion of National IV series products and develop new platforms for the new generation of National V. While doing well in the supporting products of main unit of the Company, the Company will convert the deep understanding of the agricultural machinery industry to the product auxiliary advantage, thereby increasing the external supporting shares; it will get full ready for the conversion of National IV in terms of research and development, manufacturing and marketing, and accelerate the research and development of commercialization of National V diesel engines and maintain the leading advantage on technology.

(II) Implementing special international plan and striving to make breakthroughs in international markets

Firstly, the Company will implement the special international plan, accelerating breakthroughs in key overseas markets, promoting the layout of key overseas markets, and exploring the transformation from simple international trade to “international trade + overseas marketing + overseas manufacturing.” Secondly, the Company will expand key overseas market channels and speed up the adaptation advancement and quality improvement of export products based on further market research in key regions. Thirdly, the Company will strengthen the talent team building for international operations, establish the international training mechanism for professional and technical talents, and improve the remuneration incentive mechanism for international marketing personnel. Fourthly, the Company will also optimize the international market entry mode and actively participate in agricultural development and cooperation projects by means of “going global by resources sharing” and “going global by forming alliances”.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) *Striving to improve quality and efficiency and maintaining stable operation and healthy development*

Firstly, the Company will strengthen cost management and control. Focusing on key sections including control of technology cost, procurement cost, labour cost and production process cost, and financial cost reduction, it will improve the profitability of the product value chain by implementing target cost management system, innovating cost control model and mechanism, and refining the target of cost and expense reduction.

Secondly, the Company will enhance the governance of loss-making enterprises, keeping an eye on the improvement of operations, actively realizing the objective of improving quality and efficiency, and establishing and improving the long-term mechanism of turning losses into profits and increasing efficiency; it will optimize the rational allocation of resources, promote the disposal of inefficient and inefficacious assets and the optimization of business integration, reduce the operating cost and improve the operating efficiency of assets.

Thirdly, the Company will strictly control the volume of accounts receivable and inventory and effectively realize the reduction target of overdue accounts receivables and abnormal inventories.

Fourthly, the Company will improve the joint mechanism between remuneration and benefit, establish the performance evaluation system combining operational benefit and development quality, improve classified performance management, implement differentiated evaluation and assessment, and stimulate the internal vitality of employees.

At the same time, the Company will firmly establish the red line awareness and bottom line thinking improve the corporate risk prevention and control capability, enhance the risk warning mechanism, strengthen the bottom line for major risk prevention, to reduce the impact of various risk events on the operation of the enterprise and realize a stable and orderly development of the Company.

(IV) Potential risks

1. *Market risk*

The ownership volume of agricultural machinery in China will continue to increase. Affected by various factors such as market-oriented reform of grain price, the decreased limit and proportion of machinery purchase subsidy and the upgrade of National IV emission standards for off-road diesel engines, it is expected that the deep adjustment will continue in the domestic tractor market. Although the product power gradually increased and the structure is continuously optimized boosted by the policies, the total domestic demand for products is expected to continue to decline. In the face of the continued sluggish domestic market, the Company actively explores overseas markets. However, due to the adverse impact of Sino-US trade frictions, international operational risks such as foreign exchange for international trade and overseas financing increased.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Currently, the major products of the Company are still tractors, and the product line is relatively simple. The Company will actively respond to the changes in market demand by accelerating the R&D and application of large-scale, intelligent, environmentally-friendly and complex agricultural machinery, enriching the agricultural machinery equipment industry chain and actively promoting the supporting sales of machinery unit to offer high cost-effective products. In addition, the Company will enhance the development of overseas market, especially the markets in the countries covered by the “Belt & Road” Initiative.

2. Risk relating to rising prices of raw materials

As steel, rubber and other materials constitute a major part of the Company’s purchases of raw materials and spare parts, the profitability of the Company’s products will be affected if the prices of raw materials continue to increase or remain at a high level. The Company will mitigate the risk of fluctuating raw material prices by adopting measures such as optimizing procurement process, shortening the intermediate purchase links and centralizing procurement.

3. Risk relating to technology upgrade

In order to win the battle of pollution prevention and control, China continues to promote the conversion and upgrading of off-road diesel engine emission standards. The conversion and upgrading of National IV emission standard of off-road diesel engine will place higher requirements on the product technology, manufacturing technology and overall supply chain upgrade of agricultural machinery manufacturers. The Company will get full ready for the conversion of National IV in terms of R&D, manufacturing and marketing, and accelerate the research and development of National V diesel engines and maintain the leading advantage on technology.

In addition, in the first quarter of 2020, the novel coronavirus pneumonia epidemic spread throughout the country. Currently, the epidemic has been gradually controlled, but it still has a negative impact on the Company’s raw material procurement, production and manufacturing, resumption of work and production and sales of finished products in the short term. At the same time, as the seasonal nature of the agricultural machinery market, the peak season for production and sales of agricultural machinery is usually during the period of spring farming and farming preparation every year, it is expected that the Company will still confront substantial operation pressure in the first half of 2020. The Company will make overall arrangements for product service during the period of spring farming and farming preparation by innovating its work methods, actively carrying out product sales and service model innovation, with a view to minimize the possible adverse effects of the epidemic.

SIGNIFICANT EVENTS

I. PROPOSAL OF PROFIT DISTRIBUTION OF ORDINARY SHARES OR CAPITALIZATION FROM CAPITAL RESERVES

(I) Plan of proposal of profit distribution of ordinary shares and plan of proposal of capitalization from capital reserves of the Company in the latest three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares <i>(share)</i>	Dividend for every 10 shares <i>(Yuan) (tax inclusive)</i>	Number of conversion shares for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit attributable to the ordinary shareholders of the Company as shown in the consolidated statements for the year distributing dividend	As a percentage of net profit attributable to the ordinary shareholders of the Company as shown in the consolidated statements
						<i>(%)</i>
2019	0	0	0	0	0	0
2018	0	0	0	0	0	0
2017	0	0	0	17,868,700	56,514,222.97	31.62

Note: The dividend payments for 2017 include the amount of RMB17,868,700 paid for repurchase of H shares by the Company which is deemed as cash dividends.

SIGNIFICANT EVENTS

(II) If the Company recorded profit and the profit attributable to shareholders of ordinary share of the parent company was positive during the Reporting Period, but no dividend distribution proposal has been proposed, the Company should disclose the reasons and the use of the undistributed profits

Reasons for no dividend distribution proposal has been proposed, but the Company recorded profit and the profit attributable to shareholders of ordinary share of the parent company was positive during the Reporting Period

According to the relevant regulations of the Company, CSRC and the Shanghai Stock Exchange on dividend distribution, taking into account the development characteristics of the agricultural machinery industry as well as the Company's own development strategy and capital requirements, the Company will not make dividend distribution or capitalization from capital reserves during the year.

Use and plan of undistributed dividend

Used for daily operation of the Company

Note: For details of the dividend distribution proposal, please refer to the "Announcement of Special Explanation for No Dividend Distribution by First Tractor Company Limited in 2019".



SIGNIFICANT EVENTS (CONTINUED)

II. FULFILLMENT OF UNDERTAKINGS

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

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

SIGNIFICANT EVENTS (CONTINUED)

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

III. ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS OF THE COMPANY

(I) Analysis and explanation on the reasons and impacts of changes in accounting policies and accounting estimates of the Company

(1) *The impact of the implementation of the new leasing standards on the Group is as follows:*

On the first execution date, the Company does not reassess whether the existing contract is a lease or includes a lease, and applies this method to all contracts. Therefore, it only implements the convergence provisions of these standards for the contracts identified as a lease under the original lease criteria. In addition, the Group has chosen to adopt a simplified retrospective adjustment method to link up the above-mentioned lease contracts in accordance with the provisions of Accounting Standards for Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Correction. That is, to adjust the retained earnings and other related items in the financial statements at the beginning of the first year of implementation of the present Standards without adjusting the comparable period information, and to adopt the right-of-assets measurement and the relevant simplified method for the leases based on each lease option. Accounting policies of the Group for low-value asset leases and short-term leases are non-recognition of right-of-use assets and lease liabilities.

SIGNIFICANT EVENTS (CONTINUED)

The impacts of implementing the new leasing standards on items related to the current financial statements are shown below:

Unit: Yuan

Item	31 December 2018	Cumulative impact amount	1 January 2019
Right-of-use assets		28,882,159.73	28,882,159.73
Lease liabilities		9,945,649.25	9,945,649.25
Lease liabilities due within one year		18,936,510.48	18,936,510.48

IV. APPOINTMENT OR DISMISSAL OF AUDITOR

Unit: 0'000 Currency: RMB

Current appointment

Name of the domestic auditor	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic auditor	223
Term of the domestic auditor	3

	Name	Remuneration
Auditor for internal control	Da Hua Certified Public Accountants (Special General Partnership)	40

Explanation on appointment or dismissal of auditor

As considered and approved in the annual general meeting in 2016, the Company continued to appoint ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2017, and authorized the Board to determine the remuneration of the auditor.

On 15 November 2017, as considered and approved by the second extraordinary general meeting of the Company for the year 2017, the Company ceased to appoint ShineWing Certified Public Accountants LLP as the auditor for the Company's financial report (the "Financial Report Auditor") and the internal control auditor of the Company for the year 2017 and appointed Da Hua Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2017. The Board was authorized to determine its remuneration.

As considered and approved in the annual general meeting in 2018, the Company continued to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2018, and authorized the Board to determine the remuneration of the auditor.

As considered and approved in the annual general meeting in 2019, the Company continued to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2019, and authorized the Board to determine the remuneration of the auditor.

SIGNIFICANT EVENTS (CONTINUED)

V. POTENTIAL RISK OF SUSPENSION OF LISTING

During the Reporting Period, the Company had no suspension of listing and delisting.

VI. MATERIAL LITIGATION AND ARBITRATION

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

VII. PUNISHMENT ON AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRERS

During the Reporting Period, there was no punishment on and rectification of the Company and its directors, supervisors, senior management, controlling shareholders, de facto controller and acquirers.

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

During the Reporting Period, the Company, YTO, its controlling shareholder, and Sinomach, its ultimate controlling shareholder, operated according to the laws and with honesty. There was no situation of dishonesty of non-performance of court judgment or non-repayment of relative large amount of debt when due, etc.

The Company's de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

SIGNIFICANT EVENTS (CONTINUED)

IX. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions relating to daily operation

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

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

Unit: 0'000 Currency: RMB

Title of No. agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)	
1	Material Procurement Agreement	29 August 2018	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, Sinomach and its subsidiaries and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	86,000	42,515	8.77
2	Sales of Goods Agreement	29 August 2018	YTO	Controlling shareholder	Sale of (including, but not limited to) raw materials, components, spare parts, equipment and other necessities by the Company to YTO.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	34,500	22,844	4.03

SIGNIFICANT EVENTS (CONTINUED)

Title of agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
3 Composite Services Agreement	29 August 2018	YTO	Controlling shareholder	Provision of transportation and transportation ancillary services to the Company and its subsidiaries by YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 10%.	18,500	13,262	98.69
4 Energy Procurement Agreement	29 August 2018	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) the governmental guidance price; (2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party; (3) if none of the above is applicable, the transaction price between YTO and an independent third party; and (4) if none of the above is applicable, price (tax-inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+profit rate of cost)), where the profit rate of cost is not more than 16%.	20,500	13,368	89.91
5 Properties Lease Agreement	29 August 2018	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.	950	926	99.33

SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
6	Land Lease Agreement	29 August 2018	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use right.	1,350	889	100
7	Deposit Service Agreement	29 August 2018	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the CBIRC or the People's Bank of China. (PBOC)	230,000	157,674	43.93
8	Loan Service Agreement	29 August 2018	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBIRC or the PBOC; (2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	115,000	113,215	44.95
9	Bills Acceptance Service Agreement	29 August 2018	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBIRC or the PBOC; (2) if the above rate is not applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	33,600	15,846	15.23

SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
10	Bills Discounting Service Agreement	29 August 2018	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBIRC or the PBOC;</p> <p>(2) if the above rate is not applicable (as the rate prescribed by the CBIRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.</p>	25,000	13,735	53.16
11	Interbank Business Service Agreement	29 August 2018	Sinomach Finance Company Limited (國機集團財務有限公司)	Controlled subsidiary of an indirect controlling shareholder	YTO Finance and Sinomach Finance Company Limited provide financing services to each other, including interbank deposits, lendings, transfer of credit assets and other interbank business services	<p>(1) based on the Shanghai Interbank Offered Rate announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions;</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit;</p> <p>(3) with reference to the market price of the target assets in capital financing announced by other financial institutions for credit asset transfer; and</p> <p>(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.</p>	100,000	20,000	13.69

SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
12	Properties Lease Agreement	21 December 2018	YTO	Controlling shareholder	Lease of properties by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar property	470	283	34.30
13	Land Lease Agreement	21 December 2018	YTO	Controlling shareholder	Lease of land by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights	290	164	42.66
14	Common Resource Services Agreement	21 December 2018	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties; (2) cost plus method, with the mark-up percentage of no more than 10%.	600	360	100
15	Process and Technology Service Agreement	21 December 2018	YTO	Controlling shareholder	Provision of process and technology to YTO by the Company	(1) the price of the non-connected transactions between the Company and the independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	1,800	1,516	48.86

SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
16	Consortium Agreement	22 October 2019	YTO (Luoyang) Special Vehicle Co., Ltd.* (一拖(洛陽)專用汽車有限公司)	Controlled subsidiary of controlling shareholder	YTO Finance and YTO (Luoyang) Special Vehicle Co., Ltd., a controlled subsidiary of YTO, established a consortium to jointly participate in the bid for a financial lease and procurement project on new-energy municipal sanitation vehicles for Luoyang High- and New-tech Zone, and YTO Finance provided financial lease service	The term of financial lease is 5 years (60 months) and the rent shall be paid on a quarterly basis. The dynamic interest rate shall not exceed 10% and the static interest rate shall not exceed 6%.	1,749	1,749	100

- For details of the above No.1–11 connected transactions, please refer to the “Announcement on the Resolutions Passed at the Twenty-second Meeting of the Seventh Session of the Board” and “Announcement on Continuing Connected Transactions for 2019–2021” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2018, and the “Continuing Connected Transactions” announcement and related overseas regulatory announcements published on the website of the Stock Exchange on 29 August 2018. In accordance with the Listing Rules of the Stock Exchange and the Implementation Guidelines for Related Party Transactions of Listed Companies on Shanghai Stock Exchange, as the Deposit Service Agreement entered into by YTO Finance and YTO constitutes an exemption from the approval and disclosure of connected transactions of “provision of financial assistance to related parties by listed companies”, the agreement shall not be required to be submitted to the Company’s general meeting for consideration. For the details of the remaining connected transactions, please refer to the “Announcement on the Resolutions Passed at 2018 Second Extraordinary General Meeting of the Company” published on the website of the Shanghai Stock Exchange on 30 October 2018, and the “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2018” published by the Company on the website of the Stock Exchange on 29 October 2018.
- For details of the above No.12–14 connected transactions, please refer to the “H Share Announcement of First Tractor Company Limited” published by the Company on the website of the Shanghai Stock Exchange on 22 December 2018 and the announcements of “Continuing Connected Transaction-Common Resource Services Agreement” and “Properties Lease Agreement and Land Lease Agreement” published by the Company on the website of the Stock Exchange on 21 December 2018.

SIGNIFICANT EVENTS (CONTINUED)

3. For the details of adjustment to the estimated transaction caps for the above No. 15 connected transaction, please refer to the “Announcement on the Resolutions Passed at the Tenth Meeting of the Eighth Session of the Board of First Tractor Company Limited” and the “Announcement on Adjustment to the Estimated Transaction Caps for Connected Transactions in 2019” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2019 and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 29 August 2019.
4. For details of the above No.16 connected transaction, please refer to the Announcement of First Tractor Company Limited in Relation to the Related Transaction on Joint Bidding by a Controlled Subsidiary and Related Parties and Entering into Relevant Documents published by the Company on the website of the Shanghai Stock Exchange on 23 October 2019 and the “Connected Transaction – Establishment of a Consortium for Joint Participation in the Bid for a Financial Lease and Procurement Project” published by the Company on the website of the Stock Exchange on 22 October 2019.

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Date of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
17	Technology Services Agreement	29 August 2018	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and technology services by Tractors Research Company to the Company	(1) the transaction price between Tractors Research Company and an independent third party; and (2) if none of the above is applicable, price (tax-inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 18%.	11,600	8,592	99.90

For details of the above No.17 connected transaction, please refer to the “Announcement on the Resolutions Passed at the Twenty-second Meeting of the Seventh Session of the Board”, the “Announcement on Continuing Connected Transactions for 2019–2021” and the “Announcement on the Resolutions Passed at 2018 Second Extraordinary General Meeting of the Company” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2018 and 30 October 2018, respectively, and the “Continuing Connected Transactions” announcement, the “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2018” and related overseas regulatory announcements published by the Company on the website of the Stock Exchange on 29 August 2018 and 29 October 2018, respectively.

SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount in 2019	Percentage in the amount of same type of transactions (%)
18	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB6,630,000 was determined by both parties under market principles and negotiation	663	663	54.88
19	Technologies License Agreement	ZF YTO Drive Axle	Associated corporation	Authorization of use of drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of products applying these technologies as technologies authorization fee of to the Company	95	38	100
20	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations	8,000	1,876	0.33
21	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	Prices of drive axle products are determined under negotiations between both parties based on factors such as prices of past years, the then prevailing market price and raw material price fluctuations. 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 Hangzhou	25,000	10,803	2.23

- For details of No. 18–19 connected transactions, please refer to the “Announcement on Resolutions Passed at the Seventeenth Meeting of the Seventh Session of the Board of First Tractor Company Limited” of the Company published on the website of the Shanghai Stock Exchange on 1 December 2017, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 30 November 2017.
- For details of No. 20–21 connected transactions, please refer to the “Announcement on Resolutions Passed at the Fifteenth Meeting of the Seventh Session of the Board of First Tractor Company Limited”, the “Announcement on Daily Connected Transactions of ZF YTO (Luoyang) Drive Axle Company Limited” and the “Announcement on the Resolutions Passed at 2017 Second Extraordinary General Meeting of the Company” published by the Company on the website of Shanghai Stock Exchange on 30 September 2017 and 16 November 2017, respectively, and the “Sales Framework Agreement and Procurement Framework Agreement” and the “Announcement on Results of the 2017 Second Extraordinary General Meeting” published by the Company on the website of Stock Exchange on 29 September 2017 and 15 November 2017.

SIGNIFICANT EVENTS (CONTINUED)

1. Having reviewed the records and data of the aforesaid connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange, the independent non-executive Directors confirmed as follows:

- (1) such connected transactions were entered into in the ordinary and usual course of business of the Group;
- (2) such connected transactions were entered into on normal commercial terms (where applicable, as compared with transactions of similar nature carried out by similar PRC domestic entities or, if no available transactions for comparison, on terms no less favourable than those offered by independent third parties of the Group); and
- (3) such connected transactions were conducted on terms of the agreements governing the relevant transactions, which are fair and reasonable and in the interests of the Company's shareholders as a whole.

2. Confirmation of the aforesaid connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange by auditors

Having reviewed the continuing connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange during the Reporting Period, the auditors of the Company have sent a letter to the Board confirming that such connected transactions:

- (1) had obtained the approval of the Board;
- (2) were conducted in accordance with the pricing policy of the Group and the terms of the relevant agreements; and
- (3) did not exceed the cap amounts as disclosed in the relevant announcements (and if applicable, as approved by the independent shareholders of the Company) at any time during the Reporting Period.

3. Confirmation of the aforesaid connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange by Directors

The Directors (including independent non-executive Directors) confirmed that such transactions were in the interests of the Company and its shareholders as a whole and that none of them has any material interests in the aforesaid connected transactions.

4. Confirmation of the disclosure requirements of the aforesaid transactions by the Company

The Company confirmed it has complied with the disclosure requirements of Chapter 14A of the Listing Rules of the Stock Exchange in respect of the above No.1–17 connected transactions.

5. Related party transaction

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in Note XI "Related Parties and Related Parties' Transactions" to the consolidated financial statements that falls under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules of the Stock Exchange. The Company has complied with the requirements of Chapter 14A of the Listing Rules of the Stock Exchange.

SIGNIFICANT EVENTS (CONTINUED)

2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for connected transaction amount in 2019	Actual amount of connected transaction in 2019	As a percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Provision of services	Provision of calibration service and calibration instrument testing services to YTO by the Company	(1) the price of the non-connected transactions between the Company and the independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	140	51	11.96
YTO	Controlling shareholder	Provision of the right to use the patent and trademark, etc	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark	It is charged in the range of 2%–5% of the external product revenue of the trademark products.	160	30	14.42
Total				/	/	81	

Details on return of large-sum sales

Nil

Explanation on connected transactions

According to the relevant provisions of the Listing Rules of the Shanghai Stock Exchange and the Stock Exchange, the above pricing principle of connected transactions complies with the relevant provisions of the Listing Rules, and the amount does not exceed the amount required for disclosure.

SIGNIFICANT EVENTS (CONTINUED)

(II) Connected transactions of assets or equity acquisition or disposal**1. Matters which have been disclosed in the provisional announcement without development or changes in subsequent implementation**

Event details	Search index
<p>The Company quoted 33.33% of equity interests in Changtuo Company on the China Beijing Equity Exchange for transfer.</p>	<p>For details, please refer to the Announcement of First Tractor Company Limited in relation to the Preliminary Quotation and Transfer of Equity Interests and Debt Interests in Subsidiary published by the Company on the website of the Shanghai Stock Exchange on 17 November 2018, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 16 November 2018, the Announcement of First Tractor in relation to the Quotation and Disposal of Equity Interests and Debt Interests in Subsidiary and Connected Transaction published by the Company on the website of the Shanghai Stock Exchange on 15 December 2018, the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 14 December 2018 and the Announcement of First Tractor Company Limited in relation to the Update on the Quotation and Disposal of Equity Interests and Debt Interests in Subsidiary published by the Company on the website of the Shanghai Stock Exchange on 25 January 2019, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 24 January 2019.</p>

SIGNIFICANT EVENTS (CONTINUED)

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

1. For the transfer of 100% equity interests in Xinjiang Equipment Company held by the Company to YTO by means of agreed transfer, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 16 December 2019, respectively.
2. For the transfer of 100% equity interests in Xiyuan Institute Company held by Tractors Research Company to YTO by means of agreed transfer, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 13 December 2019, respectively.

For details of the above, please refer to (IV) Sales of material assets and equity interests in section IV.

(III) Significant connected transactions for joint external investment

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

As considered and approved at the 9th meeting of the 8th session of the board of directors of the Company, Tractors Research Company, a controlling subsidiary of the Company, entered into a capital increase agreement with Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.* (洛陽智能農業裝備研究院有限公司) and YTO on 19 June 2019, pursuant to which RMB4,839,048, was contributed to Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. as capital increase. After the completion of the capital increase, Tractors Research Company will hold 3% of the equity interests in Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. The registration of the aforesaid capital increase with industrial and commercial authorities has been completed on 26 June 2019. For details, please refer to the “Announcement on Connected Transactions of Foreign Investment by Controlling Subsidiary” published by the Company on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 20 June 2019 and “Connected Transaction – External Investment by a Controlled Subsidiary” published by the Company on the website of the Stock Exchange on 20 June 2019.

SIGNIFICANT EVENTS (CONTINUED)

(IV) Amounts due to and from connected parties**1. Matters which have been disclosed in the provisional announcements without development or changes in subsequent implementation**

Event details	Search index
The Company provided an entrusted loan with a total amount of up to RMB33,000,000 to Changtuo Company	For details, please refer to the “Announcement on Provision of Entrusted Loan and Connected Transaction” published by the Company on the website of the Shanghai Stock Exchange on 30 March 2019, and “Connected Transaction – Provision of Entrusted Loan” published by the Company on the website of the Stock Exchange on 29 March 2019

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

YTO, the controlling shareholder of the Company, provided an entrusted loan of RMB700 million to the Company on 12 July 2018. For details, please refer to the “Announcement on Acceptance of Financial Assistance from Controlling Shareholder” published by the Company on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 13 July 2018 and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 12 July 2018. The aforesaid loan expired on 12 July 2019. The Company has repaid the loan in full and on time.

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 on custody

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

SIGNIFICANT EVENTS (CONTINUED)

(II) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship of the Guarantor with the listed company		External guarantees provided by the Company (excluding guarantees provided for subsidiaries)										
			Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement date of guarantee	End date of guarantee	Type of guarantee	Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee
The Company	Company headquarters	Business dealer of Dianpiaotong	99,768,454.00	18 June 2019			Guarantee with joint liability	No	No	-	Yes	No	
Changxing Company	Wholly-owned subsidiary	Customer of product finance business	24,986,970.00	1 July 2018			Guarantee with joint liability	No	No	-	Yes	No	
YTO Heilongjiang	Wholly-owned subsidiary	Customer of product finance business	140,000.00	1 July 2018			Guarantee with joint liability	No	No	-	Yes	No	

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)	925,455,050.00
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	124,895,424.00

Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of the guarantees provided to subsidiaries during the Reporting Period	180,000,000.00
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)	258,155,000.00

Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)

Total amount of guarantees (A+B)	383,050,424.00
Total amount of guarantees as a percentage to the net assets of the Company (%)	8.01%

Of which:

Amount of guarantees provided to shareholders, de facto controller and its associates (C)	
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)	383,050,424.00
The portion of total amount of guarantee in excess of 50% of the net assets (E)	
Total amount of the above three categories of guarantees (C+D+E)	383,050,424.00

Explanation on possible several and joint liability for immature guarantees
Explanation on guarantee

SIGNIFICANT EVENTS (CONTINUED)

(III) Cash assets management by others under entrustment**1. Entrusted assets management***(1) General entrusted assets management**Unit : Yuan Currency : RMB*

Type	Source of fund	Amount incurred	Amount not yet due	Amount overdue and not recovered
Financial products	Own funds	290,000,000	0	0

*(2) Individual entrusted assets management**Unit : 0'000 Currency : RMB*

No	Entrusted institution	Type	Amount of financial products	Period (day)	Source of funds	Investment utilization of funds	Determination method of remuneration	Expected income
1	Luoyang Branch of Bank of Pingdingshan (平頂山銀行洛陽分行)	Short-term principal-guaranteed wealth management	10,000	14	Own funds	Monetary market instruments, bond assets and other fixed income assets	By agreement	15
2	Luoyang Branch of Bank of Pingdingshan (平頂山銀行洛陽分行)	Short-term principal-guaranteed wealth management	15,000	14	Own funds	Monetary market instruments, bond assets and other fixed income assets	By agreement	22
3	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	27
4	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	27
5	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	27
6	Donghai Securities	Collective fund and trust scheme	1,000	188	Own funds	Bond assets	/	28
7	Donghai Securities	Collective fund and trust scheme	2,000	181	Own funds	Bond assets	/	54
8	Donghai Securities	Collective fund and trust scheme	2,582	98	Own funds	Bond assets	/	35
9	Donghai Securities	Collective fund and trust scheme	1,000	91	Own funds	Bond assets	/	13

SIGNIFICANT EVENTS (CONTINUED)

No	Entrusted institution	Type	Amount of financial products	Period (day)	Source of funds	Investment utilization of funds	Determination method of remuneration	Expected income
10	Donghai Securities	Collective fund and trust scheme	2,300	91	Own funds	Bond assets	/	28
11	Donghai Securities	Collective fund and trust scheme	2,000	91	Own funds	Bond assets	/	23
12	Donghai Securities	Collective fund and trust scheme	1,500	91	Own funds	Bond assets	/	16
13	Donghai Securities	Collective fund and trust scheme	3,000	91	Own funds	Bond assets	/	33
14	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	25
15	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	25
16	Donghai Securities	Collective fund and trust scheme	731	181	Own funds	Bond assets	/	18
17	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	24
18	Donghai Securities	Collective fund and trust scheme	1,823	188	Own funds	Bond assets	/	45
19	Donghai Securities	Collective fund and trust scheme	3,000	181	Own funds	Bond assets	/	67
20	Donghai Securities	Collective fund and trust scheme	2,500	181	Own funds	Bond assets	/	56
21	Donghai Securities	Collective fund and trust scheme	3,000	181	Own funds	Bond assets	/	68
22	Donghai Securities	Collective fund and trust scheme	3,000	91	Own funds	Bond assets	/	34
23	Donghai Securities	Collective fund and trust scheme	3,000	181	Own funds	Bond assets	/	68
24	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	23
25	Donghai Securities	Collective fund and trust scheme	2,000	181	Own funds	Bond assets	/	45
26	Donghai Securities	Collective fund and trust scheme	2,000	91	Own funds	Bond assets	/	22
27	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	23
28	Donghai Securities	Collective fund and trust scheme	2,000	91	Own funds	Bond assets	/	22
29	Donghai Securities	Collective fund and trust scheme	1,000	98	Own funds	Bond assets	/	12
30	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	22
31	Donghai Securities	Collective fund and trust scheme	3,000	91	Own funds	Bond assets	/	31
32	Donghai Securities	Collective fund and trust scheme	3,000	174	Own funds	Bond assets	/	61

SIGNIFICANT EVENTS (CONTINUED)

No	Entrusted institution	Type	Amount of financial products	Period (day)	Source of funds	Investment utilization of funds	Determination method of remuneration	Expected income
33	Donghai Securities	Collective fund and trust scheme	3,000	91	Own funds	Bond assets	/	32
34	Donghai Securities	Collective fund and trust scheme	1,000	181	Own funds	Bond assets	/	21

Note: The above No.3–34 financial products are the asset management schemes of securities brokers purchased by YTO Finance of the Company pursuant to the investment scheme for 2019. The investment scheme of YTO Finance for 2019 was considered and approved at the eighth meeting of the ninth session of the Board of YTO Finance and the fifth meeting of the eighth session of the Board of the Company.

2. **Entrusted loans**

(1) *General conditions of entrusted loans*

Unit: Yuan Currency: RMB

Type	Source of fund	Amount incurred	Amount not yet due	Amount overdue and not recovered
Entrusted loans	Own funds	367,600,000.00	432,000,000.00	68,000,000.00

SIGNIFICANT EVENTS (CONTINUED)

(2) Individual entrusted loans

Unit: 0'000 Currency: RMB

Trustee	Categories of entrusted loan	Amount of entrusted loan	Commencement date of the entrusted loan	End date of entrusted loan	Source of fund	Use of fund	Calculation method of remuneration	Annual rate of return	Expected gains (if any)	Actual gains or loss	Actual recovery	Whether it passed the legal procedures	Whether there is entrusted loan plan in the future	Amount provided for impairment (if any)
YTO Shentong	Entrusted loans	1,400	29 August 2018	29 August 2019	Own funds	Production and operation		6.175%			Not recovered	Yes		1,400
YTO Shentong	Entrusted loans	2,000	23 October 2018	23 October 2019	Own funds	Production and operation		6.175%			Not recovered	Yes		2,000
YTO Shentong	Entrusted loans	2,000	26 October 2018	26 October 2019	Own funds	Production and operation		6.175%			Not recovered	Yes		2,000
YTO Shentong	Entrusted loans	700	9 November 2018	9 November 2019	Own funds	Production and operation		5.855%			Not recovered	Yes		700
YTO Shentong	Entrusted loans	700	29 November 2018	29 November 2019	Own funds	Production and operation		5.855%			Not recovered	Yes		700
YTO Shentong	Entrusted loans	700	29 January 2019	28 January 2020	Own funds	Production and operation		5.855%				Yes		700
YTO Shentong	Entrusted loans	700	2 February 2019	1 February 2020	Own funds	Production and operation		5.855%				Yes		700
YTO Shentong	Entrusted loans	600	11 February 2019	10 February 2020	Own funds	Production and operation		5.855%				Yes		600
YTO Shentong	Entrusted loans	600	15 February 2019	14 February 2020	Own funds	Production and operation		5.855%				Yes		600
YTO Shentong	Entrusted loans	1,100	29 March 2019	28 March 2020	Own funds	Production and operation		5.855%				Yes		1,100
YTO Shentong	Entrusted loans	1,300	17 May 2019	16 May 2020	Own funds	Production and operation		5.855%				Yes		1,300
YTO Shentong	Entrusted loans	1,900	30 July 2019	29 July 2020	Own funds	Production and operation		5.855%				Yes		1,900

SIGNIFICANT EVENTS (CONTINUED)

Trustee	Categories of entrusted loan	Amount of entrusted loan	Commencement date of the entrusted loan	End date of entrusted loan	Source of fund	Use of fund	Calculation method of remuneration	Annual rate of return	Expected gains (if any)	Actual gains or loss	Actual recovery	Whether it passed the legal procedures	Whether there is entrusted loan plan in the future	Amount provided for impairment (if any)
YTO Shentong	Entrusted loans	900	5 August 2019	4 August 2020	Own funds	Production and operation		5.655%				Yes		900
YTO Shentong	Entrusted loans	2,500	14 August 2019	13 August 2020	Own funds	Production and operation		5.655%				Yes		2,500
YTO International Trade	Entrusted loans	2,000	4 March 2019	3 March 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	2,000	8 March 2019	7 March 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	2,000	15 March 2019	14 March 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	2,000	21 March 2019	20 March 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	2,000	27 March 2019	26 March 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	5,000	11 July 2019	10 July 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	8,000	25 July 2019	24 July 2020	Own funds	Production and operation		4.785%				Yes		-
YTO International Trade	Entrusted loans	1,000	12 August 2019	11 August 2020	Own funds	Production and operation		4.785%				Yes		-
Changtuo Company	Entrusted loans	540	27 June 2019	26 June 2020	Own funds	Production and operation		6.175%				Yes		540
Changtuo Company	Entrusted loans	130	1 July 2019	30 June 2020	Own funds	Production and operation		5.655%				Yes		130
Changtuo Company	Entrusted loans	130	3 July 2019	2 July 2020	Own funds	Production and operation		5.655%				Yes		130
Changtuo Company	Entrusted loans	100	12 September 2019	11 September 2020	Own funds	Production and operation		5.655%				Yes		100
Changtuo Company	Entrusted loans	1,200	28 November 2019	21 November 2020	Own funds	Production and operation		5.655%				Yes		1,200

(3) Impairment allowance of entrusted loans

YTO Shentong filed a bankruptcy application to Luoyang Intermediate People's Court in December 2019. During the Reporting Period, the Company made full impairment allowance of entrusted loans of RMB171 million provided by the Company to YTO Shentong, pursuant to the relevant requirements under the Accounting Standard. As YTO Shentong remains within the 2019 consolidated statements, the provision of impairment allowance has no impact on the profit in the 2019 consolidated statements.

SIGNIFICANT EVENTS (CONTINUED)

XI. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY**(I) Poverty Alleviation by the Company****1. Targeted poverty alleviation planning**

As the designated supporting unit of Zhifang Village, Tantou Town, Luanchuan County, the Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and insisted on promoting the poverty alleviation and economic and social development of Zhifang Village in a high quality manner by focusing on team construction, industrial development and the high-quality poverty alleviation of poverty-stricken families and scientifically formulating assistance plans and measures, so as to solidly completed various poverty alleviation goals and tasks. As of the end of 2019, the village had a total of 2,088 persons (or 593 families), 444 persons (or 133 families) realized poverty alleviation in Zhifang Village (including families went out of poverty stably), of which 17 persons (or 7 families) realized poverty alleviation in 2019, and 7 persons (or 4 families) are still living in poverty.

2. Summary of annual targeted poverty alleviation

In 2019, the Company regularly visited villages to conducted the one-to-one targeted poverty alleviation activities for poverty families in Zhifang Village through formulating plans and measures for poverty alleviation by category based on the causes of poverty and their actual conditions, and donating daily necessities and school supplies totaling more than RMB40,000. The person in charge of poverty alleviation matched the assistance every month, and carried out activities such as visiting at Spring Festival and policy investigations, helping the poverty families to reap peanuts and other crops, and helping the elderly families to improve living environment. The Company purchased agricultural and sideline products such as sweet potato vermicelli, Luanchuan bean curd, corn grits, etc. of Zhifang Village, with an amount of over RMB790,000, found employment for 20 labors from poor households. The Company invested more than RMB20,000 in continuous maintenance for tractors and wheat harvesters donated in the previous period and training agricultural machinery operators. In 2019, more than 240 acres of wheat were harvested, more than 270 acres of wheat straw bundled, and three villagers in poverty were introduced to work outside, solving the difficult employment problem. The leaders of the Company led the cadres to Zhifang Village six times to visit and express condolences, and specially listened to the work report of stationed in the village. While completing various poverty alleviation tasks, the Company's cadre team has a deeper understanding of the situation at the grass-roots level, which has promoted the solid completion of various poverty alleviation goals and tasks.

SIGNIFICANT EVENTS (CONTINUED)

3. Achievements in targeted poverty alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	The Company organized more than ten entities to take targeted measures to help the 70 villagers (or 21 families) in poverty in Zhifang Village for four times. The Company maintained the donated wheat harvesters and tractors on a continuous basis and installed air conditioning system. It solved the difficult employment problem by introducing three villagers in poverty to work outside. The Company helped Zhifang Village to sell green agricultural products, which recorded a sales income of RMB790,000.
Including: 1. Capital	79
2. Funds converted from materials	6
3. Number of registered and recorded people in poverty went out of poverty with support (<i>Person</i>)	20
II. Itemized Input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation through agricultural and forestry industry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input checked="" type="checkbox"/> Poverty alleviation through asset profit <input type="checkbox"/> Poverty alleviation through science and technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial Poverty alleviation projects	79
1.4 Number of registered and recorded people in poverty went out of poverty with support (<i>Person</i>)	20

SIGNIFICANT EVENTS (CONTINUED)

4. *Follow-up targeted poverty alleviation planning*

In 2020, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will continue to follow the unified requirements and deployment of higher authority to give full play to its own advantages and implement targeted poverty alleviation support responsibilities by constantly focusing on deepening poverty alleviation of “one change and three promotions”, with a view to achieve “two coordinations” from poverty alleviation and rural revitalization, to the people in or not in poverty, and to complete the progress of building a moderately well-off society in all aspects. First, the Company will do a good job in the improvement of the product quality of Dongfanghong Loving Care Bean Curd and Vermicelli Factory, enrich the agricultural and sideline product mix in Zhifang Village for sale, increase the engagement of impoverished families and improve their income. Second, the Company will properly provide targeted assistance to impoverished families and implement various poverty alleviation measures to solve their practical difficulties. Third, the Company will do a good job in the selection of poverty alleviation cadres to ensure the seamless linkage of poverty alleviation work. Fourth, the Company will capitalize on labor service exporting business to actively guide impoverished people to go aboard, enhance self-generated impetus and increase household income.

(II) Social responsibility

For details of the social responsibility performance of the Company, please refer to the “2019 Social Responsibility Report” of the Company published on the website of the Shanghai Stock Exchange and the “2019 Environmental, Social and Governance Report” of the Company published on the website of the Stock Exchange.

SIGNIFICANT EVENTS (CONTINUED)

(III) Environment Information**1. Explanation on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities***(1) Information on emissions*

Unit	Name of major pollutants and characteristic pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (monthly average) and total amount	Any excessive emissions	Pollutant emission standards implemented	Approved total emissions
YTO Foundry and Forging	Exhaust gas: particulate matter	Organized emissions	46	Exhaust gas from melting, moulding and cleaning is emitted after treatment by the dust collector through the exhaust pipe higher than 15 meters, and is distributed around the casting and forging plant	Monthly average concentration: 7.82mg/m ³ , total amount: 30.93 tons	Nil	Exhaust gas: 1. Particulate matter concentration limit as stipulated in Table 1 of Emission Standard of Air Pollutants from Industrial Kilns and Furnaces in Henan Province (《河南省工業爐窯大氣污染物排放標準》)(DB411066-2015): 30mg/m ³ ; Level 2 particulate matter concentration limit as stipulated in Table 2 of Integrated Emission Standards of Air Pollutants (《大氣污染物綜合排放標準》)(GB16297-1996): 120mg/m ³ 2. Particulate matter concentration limit as stipulated in the Notice on the Issuance of the Special Plan for Industrial Pollution Treatment in Luoyang in 2019: 10mg/m ³	Nil

SIGNIFICANT EVENTS (CONTINUED)

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

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, and the Law of the People's Republic of China on Prevention and Control of Water Pollution, and other environmental protection laws and regulations in the course of its daily production and operation, actively responding to the relevant requirements of national, provincial and municipal ecological civilization construction. The Company has significantly reduced the emissions of pollutants by continuously implementing standard upgrade and transformation for the coating organic waste gas treatment, welding fume treatment and casting system pollution control. The Company implements rainwater and sewage diversion within the plant area, and recycles all the industrial wastewater after collection and treatment without direct discharging, reducing the discharge of water pollutants. The Company implements standardized management of hazardous wastes. The "three preventions" of hazardous waste storage areas are set up in a rational way with complete labelling. Qualified units are engaged for clearing and harmless disposal of all hazardous wastes without direct discharging. All pollution control facilities of the Company are in stable operation, and pollutant discharges meet the national or local emission standards.

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

The Company's construction projects have prepared environmental impact assessment reports, and obtained the EIA approval. The projects can implement various environmental pollution prevention and control measures in strict accordance with the requirements of the EIA report.

(4) *Contingency plan for emergency environmental incidents*

The Company has prepared a contingency plan for emergency environmental incidents filed with the environmental protection department, established an emergency response team equipped with appropriate emergency facilities and equipment. The emergency management organization and its responsibilities were clearly stipulated. Emergency drills for special programs were conducted every year. The results of the drill will be evaluated and improved in time to effectively improve the emergency response capability for environmental pollution incidents, ensuring that the impact on the environment is minimized in the event of pollution incidents.

SIGNIFICANT EVENTS (CONTINUED)

(5) *Environmental self-monitoring program*

The Company strictly abides by national and local government environmental laws, regulations and related requirements, and formulates a self-testing scheme, which combines external inspection and online monitoring to monitor pollutant emissions. For those pollution sources installed with the online monitoring equipment, test results are uploaded to the national, provincial and municipal monitoring platforms through real-time transmission for the relevant government departments to monitor at any time. For those pollution sources without the online monitoring equipment, third-party testing organizations are regularly engaged to monitor and inspect the industrial wastewater, noise and exhaust gas emissions of the Company according to the frequency and items determined by the self-testing scheme and issue test reports. Such test results have been uploaded to the Henan Province Self-testing Information Disclosure Platform in a timely manner. In 2019, all test results met the standards required.

2. *Explanation on the environment information of the Company other than the companies that are major pollution discharge units*

For details of the environment information of the Company, please refer to the “2019 Social Responsibility Report” of the Company published on the website of the Shanghai Stock Exchange and the “2019 Environmental, Social and Governance Report” of the Company published on the website of the Stock Exchange.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Changes in ordinary shares

1. Changes in ordinary shares

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

II. ISSUANCE AND LISTING OF SECURITIES

During the Reporting Period, the Company did not issue securities.

III. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (<i>shareholder</i>)	37,399 including 37,031 holders of A Shares and 368 holders of H Shares
Total number of ordinary shareholders as at the end of the month prior to the date of the Annual Report (<i>shareholder</i>)	35,767 including 35,400 holders of A Shares and 367 holders of H Shares
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (<i>shareholder</i>)	/
Total number of preference shareholders with voting rights restored as at the end of the month prior to the date of the Annual Report (<i>shareholder</i>)	/

CHANGES IN ORDINARY 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

Shareholdings of the top ten shareholders

Name of shareholder (full name)	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	Pledged or frozen Status of shares	Number	Nature of shareholder
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED	-330,000	387,707,319	39.33	0	Unknown	/	Overseas legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited	443,735	3,318,182	0.34	0	Unknown	/	Overseas legal person
Wang Yu	2,206,039	2,206,039	0.22	0	Unknown	/	Domestic natural person
Hao Huanjin	956,000	956,000	0.10	0	Unknown	/	Domestic natural person
Lin Yue	931,300	931,300	0.09	0	Unknown	/	Domestic natural person
Liu Zhengda	809,800	809,800	0.08	0	Unknown	/	Domestic natural person
Cui Dong	160,452	758,382	0.08	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07	0	Unknown	/	Overseas natural person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	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)	387,707,319	Overseas listed foreign shares	387,707,319
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
Hong Kong Securities Clearing Company Limited (Note 2)	3,318,182	Ordinary shares denominated in RMB	3,318,182
Wang Yu	2,206,039	Ordinary shares denominated in RMB	2,206,039
Hao Huanjin	956,000	Ordinary shares denominated in RMB	956,000
Lin Yue	931,300	Ordinary shares denominated in RMB	931,300
Liu Zhengda	809,800	Ordinary shares denominated in RMB	809,800
Cui Dong	758,382	Ordinary shares denominated in RMB	758,382
LIU HON NAM	726,000	Overseas listed foreign shares	726,000

Explanation on connected relationship or acting in concert among the aforesaid shareholders

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

Explanation on preference shareholders with voting rights restored and number of shares held thereby

/

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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.

(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 2019, the following shareholders of the Company (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Nature of interests	Number of shares held ¹	Number of underlying shares held under equity derivatives	Total number of shares interested ¹	Percentage of the relevant issued class of share capital ¹ (%)	Percentage of the issued class of share capital (%)	Type of share
YTO ²	Beneficial owner	Beneficial interest	410,690,578 (L)	/	410,690,578 (L)	69.15 (L)	41.66 (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 410,690,578 A Shares of the Company.

IV. CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

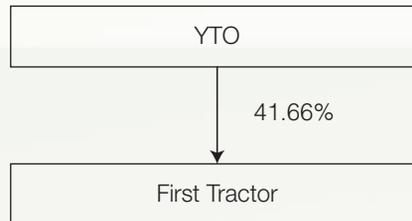
(I) Controlling Shareholder

1 Corporation

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

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

2 *Block diagram of property right and controlling relationship between the Company and the controlling shareholders*

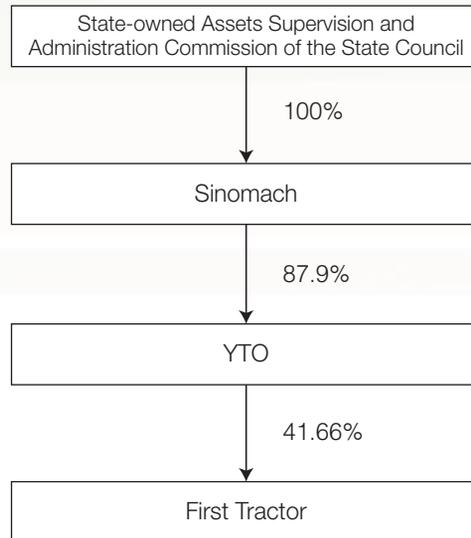


(II) Ultimate Controller

1 *Corporation*

Name State-owned Assets Supervision and Administration Commission of the State Council

2 *Block diagram of property right and controlling relationship between the Company and the ultimate controller*



V. OTHER CORPORATE SHAREHOLDERS HOLDING OVER 10% OF SHARES

As at the end of the Reporting Period, in addition to HKSCC NOMINEES LIMITED, the corporate shareholder of the Company holding over 10% of Shares was only YTO.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

VI. PUBLIC FLOAT

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

VII. TAX CONCESSIONS

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

VIII. PRE-EMPTIVE RIGHTS

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

IX. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

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

Unit: Share

Name	Position(note)	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
Li Xiaoyu	Executive Director and Chairman	Male	53	2019.4.25	2021.10.28	0	0	0	/	0	Yes (Note 1)
Cai Jibo	Executive Director and Vice Chairman	Male	50	2019.4.25	2021.10.28	0	0	0	/	0	Yes (Note 1)
Liu Jiguo	Executive Director and General Manager	Male	55	2019.4.25	2021.10.28	0	0	0	/	44.32	No
Li Hepeng	Non-executive Director	Male	66	2018.10.29	2021.10.28	0	0	0	/	0.59	Yes (Note 1)
Xie Donggang	Non-executive Director	Male	63	2018.10.29	2021.10.28	0	0	0	/	0.57	Yes (Note 1)
Zhou Honghai	Non-executive Director	Male	47	2018.10.29	2021.10.28	0	0	0	/	0	No
Yu Zengbiao	Independent non-executive Director	Male	64	2018.10.29	2020.5.28	0	0	0	/	9.41	No
Yang Minli	Independent non-executive Director	Female	54	2018.10.29	2021.10.28	0	0	0	/	9.66	No
Wang Yuru	Independent non-executive Director	Female	65	2018.10.29	2021.10.28	0	0	0	/	9.66	No
Edmund Sit	Independent non-executive Director	Male	56	2018.10.29	2021.10.28	0	0	0	/	10.51	No
Zhang Hongsheng	Chairman of the Board of Supervisors	Male	49	2019.11.29	2021.10.28	0	0	0	/	0	Yes (Note 1)
Tian Peng	Supervisor	Male	56	2018.10.29	2021.10.28	0	0	0	/	0	Yes (Note 1)
Zhang Bin	Supervisor	Male	37	2018.10.29	2021.10.28	0	0	0	/	0	No
Wang Hongbin	Supervisor	Male	51	2018.10.29	2021.10.28	0	0	0	/	47.93	No
Yang Kun	Supervisor	Male	50	2018.10.29	2021.10.28	0	0	0	/	24.60	No
Wang Kejun	Deputy General Manager	Male	55	2018.10.30	2021.10.28	0	0	0	/	41.23	No
Su Wensheng	Deputy General Manager	Male	51	2018.10.30	2021.10.28	0	0	0	/	41.16	No
Yu Lina	Deputy General Manager and Secretary to the Board	Female	49	2018.10.30	2021.10.28	0	0	0	/	41.33	No
Zhao Junfen	Financial Controller	Female	41	2019.6.4	2021.10.28	0	0	0	/	16.58	No
Xue Wenpu	Deputy General Manager	Male	47	2019.8.29	2021.10.28	0	0	0	/	52.44	No
Zhao Yanshui	Resigned Executive Director and Chairman	Male	56	2018.10.29	2019.3.3	0	0	0	/	24.39	Yes (Note 2)
Wu Yong	Resigned Executive Director and Vice Chairman	Male	54	2018.10.29	2019.7.15	0	0	0	/	25.23	Yes (Note 2)
Zhu Weijiang	Resigned Executive Director and General Manager	Male	48	2018.10.29	2019.3.3	0	0	0	/	22.84	Yes (Note 2)
Li Kai	Resigned non-executive Director	Male	65	2018.10.29	2019.3.30	0	0	0	/	0.23	No (Note 1)
Zhang Jiaxin	Resigned Chairman of the Board of Supervisors	Male	57	2018.10.29	2019.7.15	0	0	0	/	0	Yes (Note 1)
Xu Weilin	Resigned Supervisor	Male	57	2018.10.29	2019.7.15	0	0	0	/	0	Yes (Note 1)
Yao Weidong	Resigned Financial Controller	Male	53	2018.10.30	2019.3.3	0	0	0	/	19.22	Yes (Note 2)
Total	/	/	/	/	/	0	0	0	/	41.90	/

Note 1: During the Reporting Period, such Directors or Supervisors were employed in related parties of the Company and received remuneration.

Note 2: After resignation from the Company, such Directors or senior management has worked with other related parties of the Company and received remuneration.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Li Xiaoyu	<p>Born in June 1966, a professor level senior engineer, currently serves as the chairman, the chairman of the Strategy and Investment Committee, a member of the Nomination Committee under the Board of the Company, and the Party Secretary and chairman of YTO. Mr. Li also concurrently serves as the chairman of the Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. and a supervisor of Sinomach Science and Technology Research Institute Co., Ltd (國機集團科學技術研究院有限公司). Mr. Li served as head of the Equipment Manufacturing Department, deputy dean of the Central Research Institute, head of the Capital Operation Department and head of the Strategic Investment Department (the Technology Development Department and the Military Engineering Management Office) of China National Machinery Industry Corporation, deputy general manager, temporary Party Secretary and temporary Secretary of the Discipline Inspection Commission of Sinomach Science and Technology Research Institute Co., Ltd, chairman of the Board of Supervisors of China National Erzhong Group Company as well as deputy chairman of the Sinomach Capital Holdings Company Limited. Mr. Li studied in Huazhong Institute of Technology and obtained a bachelor degree in engineering. Mr. Li has extensive experience in capital operation, strategic planning, machinery manufacturing and cadre management.</p>
Cai Jibo	<p>Born in November 1969, senior engineer and senior international business operator entitled to a special allowance provided by the State Council, currently serves as the vice chairman, member of the Strategy and Investment Committee and the Remuneration Committee and vice Chairman and deputy Party secretary of YTO. He served as the general manager of SUMEC Hardware & Tools Co., Ltd., vice general manager of China Jiangsu Machinery Equipment Import & Export Corporation; a director, the general manager and the deputy Party secretary of SUMEC Group Corporation; and a director, the general manager and the deputy Party secretary of SUMEC Corporation Limited. Mr. Cai successively studied at Jiangsu Institute of Technology and Jiangsu University and obtained a bachelor degree in engineering and a doctorate in management therefrom respectively. He has rich experience in business administration and foreign trade.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Liu Jiguo	Born in December 1964, professor level senior engineer and currently serves as the Executive Director, member of the Strategy and Investment Committee under the Board of the Company, General Manager of the Company and the member of the Standing Committee of the Communist Party. Mr. Liu joined YTO in 1987, and served as the General Manager Assistant, Deputy General Manager and Safety Director of YTO, and General Manager and Director 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.
Li Hepeng	Born in March 1954, senior engineer, Non-Executive Director, member of the Remuneration Committee under the Board of the Company, and director of YTO, Sinomach Jinggong Company Limited and Bearing Science & Technology Co., Ltd.. Mr. Li served as the Deputy Director and Director of the Tianjin Institute of Mechanical Engineering, President and Party Secretary of Tianjin Research Institute of Mechanical Engineering, the General Manager and Party Secretary of China Mechanical Engineering Corporation, Party Secretary and Deputy Chairman of China Sinomach Heavy Industry Corporation Limited, and Director of Zhengzhou Institute of Abrasives Grinding. Mr. Li studied in Tianjin Open University and Tianjin University Postgraduate Course in Business Administration. Mr. Li has extensive experience in corporate management, scientific research management, hydraulic transmission, etc.
Xie Donggang	Born in November 1956, researcher level senior engineer, currently serves as the Non-Executive Director, member of Strategy and Investment Committee under the Board of the Company, and director of YTO and China National Erzhong Factory. Mr. Xie served as Deputy Director, Director and Party Secretary of the Xi'an Institute of Heavy Machinery, the President and Party Secretary of China National Heavy Machinery Research Institute, and Chairman, Party Secretary and General Manager of China National Heavy Machinery Research Institute Company Limited, Mr. Xie studied in Northeast Heavy Machinery College and Chongqing University with a Master's degree in engineering. Mr. Xie has extensive experience in operation management, metallurgical machinery design, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Zhou Honghai	<p>Born in March 1972, senior political engineer, currently serves as the Non-executive Director and member of the Audit Committee under the Board of the Company, the secretary of Party general branch, Chairman and General Manager of Luoyang State Owned Assets Management Co., Ltd (洛陽市國資國有資產經營有限公司), and the director of YTO. Mr. Zhou served as the head of the president office of ChunDu Group (春都集團), the Deputy Party Secretary (in charge of the general affairs of the Party committee) of Xuangong Hotel (旋宮大廈) in Luoyang, the Deputy Party Secretary and Deputy General Manager of Luoyang Baiwei Group (洛陽百味集團), the deputy head (taking charge of work) of the administration department of Luoyang Mining Group (洛陽礦業集團), the head of corporate management department of Luoyang Guohong Investment Group (洛陽國宏投資集團). Mr. Zhou had studied in Henan University and holds a master's degree. Mr. Zhou has extensive experience in corporate restructuring and corporate management.</p>
Yu Zengbiao	<p>Born in September 1955, a professor of Tsinghua University, doctoral tutor, is the Independent Non-Executive Director, Chairman of the Remuneration Committee under the Board, member of the Audit Committee of the Company, Independent director of Tsingtao Brewery Company Limited, HONY Yuanfang Fund Management Co., Ltd., Suzhou Green Harmonic Transmission Technology Co., Ltd. and China Film Co.,Ltd. Mr. Yu studied in Hebei University, Xiamen University and did a thesis research as a co-cultivating doctoral student at University of Illinois with a PhD degree in economics (accounting) and Chinese CPA qualifications, and is familiar with finance, accounting and enterprise performance evaluation, etc.</p>
Yang Minli	<p>Born in October 1965, director of China Agricultural Mechanization Development Research Center, professor and doctoral tutor of the College of Engineering of China Agricultural University, currently serves as the Independent Non-Executive Director, Chairman of the Nomination Committee and member of the Strategy and Investment Committee under the Board of the Company. Ms. Yang currently also serves as Deputy Secretary-General of the Panel of Promotion of Complete Mechanization of Major Crop Production under the Ministry of Agriculture and Rural Affairs, an adjunct professor at Northwest Agriculture and Forestry University, visiting professor of the College of Engineering of Northeast Agricultural University, Director of Centre for Sustainable Agricultural Mechanization of the United Nations, a member of the USAID Expert Committee for "Moderate Mechanization Project", a member of the Bologna Club, a member of the American Society of Agricultural and Biological Engineers, Standing Director of Chinese Society for Agricultural Machinery, Chairman and Secretary-General of Agricultural Mechanization Branch, Director of Chinese Society of Agricultural Engineering. Ms. Yang was a senior visiting scholar at Iowa State University in the USA, and is experienced in the field of development strategy, planning and policy for agricultural mechanization and agricultural machinery equipment.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Wang Yuru	<p>Born in September 1954, a professor and PhD supervisor at the School of Economics of Nankai University, currently serves as the Independent Non-executive Director and a member of the Nomination Committee and the Remuneration Committee under the Board of the Company. Ms. Wang currently is a director of the Tianjin Chapter of Western Returned Scholars Association, a consultant of the Corporate History Chapter of Chinese Business History Society (中國商業史學會), a director of Chinese Economic History Society and the deputy head of Professional Committee on Modern Economic History (近代經濟史專業委員會). Ms. Wang graduated from Nankai University and did research in Sophia University, Waseda University and Hitotsubashi University in Japan. Ms. Wang has been engaged in the studies on Chinese economic development, financial history and business history for years and is familiar with economics, finance and corporate management.</p>
Edmund Sit	<p>Born in November 1963, is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. In addition, Mr. Sit is also a member of Association of International Certified Financial Consultants, an associate member of Society of Chinese Accountants & 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 a member of the Remuneration Committee under the Board of the Company. 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 & Young, System Pro Uarco Business Forms Ltd, Logo S.A., Xiang Lu Industries Ltd, Chubb Hong Kong Ltd, Johnson Controls Hong Kong Ltd, C & C Joint Printing Co., (HK) Ltd and Sino Fame International Group (譽中國際集團). Mr. Sit had also worked for the following listed companies: Tianneng Power International Limited (HKEX 0819), Beijing Media Corporation Limited (HKEX 1000), SMI Holdings Group Limited (HKEX 0198), Wong's International Holdings Limited (HKEX 0099) and Beijing Gas Blue Sky Holdings Limited (HKEX 6828).</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Zhang Hongsheng	Born in December 1971, a senior economist, joined YTO in July 2019, and currently serves as the Chairman of the Board of Supervisors of the Company, the Party Secretary and Secretary of Discipline Inspection Commission of YTO. Mr. Zhang had served as the Deputy Party Secretary, Secretary of Discipline Inspection Commission, chairman of the supervisory committee of China Construction First Group Corporation Limited, chief of the Inspection and Supervision Bureau, and the director of the Inspection Work Office of China State Construction Engineering Corporation, Party member and Secretary of Discipline Inspection Commission of China Hi-Tech Group Corporation. Mr. Zhang studied in Northeast Forestry University and Chinese Academy of Social Sciences with a doctorate in management. He has extensive experience in areas such as Party construction, discipline inspection and supervision, human resources and corporate management.
Tian Peng	Born in August 1963, senior political engineer, currently serves as a Supervisor of the Company, assistant to the Party secretary, chairman of the trade union and employee representative director of YTO. Mr. Tian joined YTO in 1986, and served as deputy director of the publicity department of YTO, director and secretary of the Party general branch of the CPC of Dongfanghong (Luoyang) Cultural Transmission Center as well as executive vice chairman of the Trade Union of YTO, etc. Mr. Tian studied as a major in Politics in the Politics Department of Zhengzhou University. Mr. Tian has extensive experience in corporate culture building, trade union affairs and business management.
Zhang Bin	Born in June 1982, postgraduate, currently serves as a Supervisor of the Company, deputy general manager of Luoyang State-Owned Assets Operation Company Limited, Supervisor of YTO, chairman of Luoyang Productivity Promotion Center Co., Ltd. and chairman and general manager of Luoyang Human Resources Development Co., Ltd. Mr. Zhang had served as secretary to the general manager of Luoyang Kuangye Group Co., Ltd., vice chairman of the trade union, office director and secretary to party branch of Zhenping Mining Co., Ltd. under Henan Luoyang Mining Group, chairman of the trade union and assistant to the general manager of Songxian Mining Co., Ltd. under Luoyang Nonferrous Group as well as deputy director of business administration department of Luoyang Nonferrous Mining Group, successively. Mr. Zhang studied business administration at Zhengzhou University and a postgraduate program on social security (human resource management) at Sichuan University. Mr. Zhang has extensive experience in corporate operation and management, and human resource management.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Wang Hongbin	Born in October 1968, holds a bachelor's degree and the title of senior engineer. He currently serves as a staff representative Supervisor of the Company and the Party Secretary and deputy general manager of the Company's subsidiary High-powered Tractors Company (大拖公司). Mr. Wang had served as a general manager assistant, a deputy general manager, the Party Secretary, the Secretary of the Discipline Inspection Commission and the chairman of the labor union of Luoyang Tractors Research Institute Company Limited, the factory manager and the Party Secretary of No. 1 assembly factory of the Company and the Party Secretary and deputy factory manager of high-powered tractors assembly factory of the 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 deputy 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 a deputy head of the procurement center of the Company, the Party Secretary, the Secretary of the Discipline Inspection Commission, the chairman of the labor union and the factory manager of the mid- and low-powered wheeled tractors assembly factory of the Company.
Wang Kejun	Born in December 1964, 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. Wang joined YTO in July 1985, and served as the General Manager Assistant and Deputy General Manager of YTO, and the Director of the Company. Mr. Wang studied in Hunan University with a Bachelor degree in engineering and Jiangsu University with a Master's degree in Engineering. Mr. Wang has extensive experience in marketing management, power engineering, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (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, Jiangsu University, Henan University of Science and Technology with a Bachelor degree in engineering and a Master degree in Engineering. Mr. Su has extensive experience in production operation, enterprise management, etc.
Yu Lina	Born in August 1970, economist, level two corporate legal advisers, with the qualification of lawyer, currently serves as the Deputy General Manager and Secretary to the Board of the Company and a member of the Standing Committee of the Communist Party of YTO. 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 enterprise management, corporate governance and capital operation, etc.
Zhao Junfen	Born in March 1979, senior accountant, currently serves as the Chief Financial Officer of the Company and a member of the Standing Committee of the Party Committee of YTO. Ms. Zhao had served as a director of the finance department and chief accountant of Hi-Tech Heavy Industry Co., Ltd. (恒天重工股份有限公司) and chief accountant of Zhengzhou Textile Machinery Engineering & Technology Co., Ltd. (鄭州紡機工程技術有限公司). Ms. Zhao studied in Henan University of Economics and Law and University of International Business and Economics, and holds an Executive Master of Business Administration degree. Ms. Zhao has extensive experience in corporate financial management.
Xue Wenpu	Born in February 1973, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Party Committee of YTO. Mr. Xue joined YTO in 1994 and successively served as deputy director, director, deputy secretary of the party committee (concurrently) of the Third Assembly Plant, director of the First Assembly Plant, director and deputy secretary of the party committee (concurrently) of the High-powered Tractors Assembly Plant. Mr. Xue studied in Zhengzhou University of Technology (鄭州工學院) and holds a Bachelor's degree in engineering. Mr. Xue has profound experience in production, operation and management.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

II. APPOINTMENTS OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions held at corporate shareholders

Name	Name of shareholder	Positions held at corporate shareholders	Commencement date of tenure	End date of tenure
Zhao Yanshui	YTO Group Corporation	Chairman	16 June 2011	28 February 2019
Li Kai	YTO Group Corporation	Director	28 March 2014	
Description of positions held at corporate shareholders	Nil			

(II) Positions held at other entities

Name	Name of other entity	Positions held at other entities	Commencement date of tenure	End date of tenure
Zhao Yanshui	Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	Chairman	4 December 2017	19 June 2019
Yao Weidong	Luoyin Financial Leasing Co., Ltd.	Director	18 December 2014	
Yao Weidong	Bank of Luoyang	Director	8 February 2017	
Description of positions held at other entities	Nil			

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision making process for remuneration of Directors, Supervisors and senior management	The remuneration packages are proposed 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 "Interim Measures on Medium to Long-term Incentives for Remuneration and Performance Management of Executives of the Company" and submitted it to the Board for approval. The annual remuneration of senior management of the Company is determined by the remuneration committee under the Board in accordance with the "Interim Measures on Medium to Long-term Incentives for Remuneration and Performance Management of Executives of the Company".
Basis for determining the remuneration of Directors, Supervisors and senior management	The remuneration of Directors, Supervisors and senior management members are determined based on remuneration standard of the industry and with reference to the factors including the Company's remuneration system and operating results for current year.
Remuneration paid to Directors, Supervisors and senior management	During the Reporting Period, the Company paid RMB4.4190 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	RMB4.4190 million

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Li Xiaoyu	Executive Director, Chairman	Election	Work needs
Cai Jibo	Executive Director, Vice Chairman	Election	Work needs
Liu Jiguo	Executive Director, General Manager	Election	Work needs
Zhang Hongsheng	Chairman of the Board of Supervisors	Election	Work needs
Zhao Junfen	Financial Controller	Appointment	Work needs
Xue Wenpu	Deputy General Manager	Appointment	Work needs
Zhao Yanshui	Former executive Director, Chairman	Resignation	Work change
Wu Yong	Former executive Director, Vice Chairman	Resignation	Work change
Zhu Weijiang	Former executive Director, General Manager	Resignation	Work change
Li Kai	Former non-executive Director	Resignation	Work change
Zhang Jiaxin	Chairman of the Board of Supervisors	Resignation	Work change
Xu Weilin	Former Supervisor	Resignation	Work change
Yao Weidong	Former Financial Controller	Resignation	Work change

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

V. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of existing employees of the parent company	4,681
Number of existing employees of major subsidiaries	2,928
Total existing employees	7,609
Number of retired employees who are pensioned by the parent company and major subsidiaries	15,143

Staff composition

Category	Number of persons
Production staff	4,472
Sales staff	532
Technical staff	1,350
Management staff	1,178
Service staff	77
Total	7,609

Educational background

Education level	Number of persons (person)
Postgraduate and above	267
Undergraduate	1,969
Diploma	1,535
Below diploma	3,838
Total	7,609

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

(II) Remuneration policy

The Company adheres to the principle of performance-based incremental distribution with the focus on “strategic human resources” and “core human resources”. In 2019, according to the actual production and operation, the Company formulated a performance evaluation plan following the “target + incremental” principle, comprehensively promoted the wage budget management model for its affiliates, formulated and implement a special incentive policy of “turn losses from difficulties “for operating backbones, strengthened the positive incentive, improved the enthusiasm and creativity of employees, improved the labor cost input and output efficiency, which formed a good atmosphere of struggling for “turning losses out of difficulties” and revitalizing development “, and supported the Company’s goal of turning losses.

The Company has broadened channels for the growth of all kinds of talents, continuously strengthened the construction of multi-channel employee growth mechanism, set up chief experts, Class I expert, Class II expert, chief technician, director and other different levels of professional channels, continued to implement the multi-channel talent incentives to fully mobilize the enthusiasm and creativity of all categories of personnel, so as to provide talent support for enterprise development.

(III) Training plan

During the Reporting Period, the Company prepared to build the training platform of Dongfanghong Academy, organized and carried out the special training work for the principals, newly promoted leaders, international business personnel and skilled operators of the subsidiaries in a hierarchical and classified way, continuously improved the three-level training system, and formed a holistic and systematic talent training pattern. In addition, the Company continued to pay attention to the growth and development of new employees, according to the characteristics of the new generation of young people, it explored and innovated in the course design and organization in the on-the-job training, inspired the enthusiasm of new recruits who have the courage to think and act, and built a talent echelon for the Company to support to achieve sustainable and healthy development.

VI. OTHERS

1. Directors’ and Supervisors’ rights to acquire shares or debentures

During the Reporting Period, no rights were granted to any Directors, Supervisors, or their respective spouse or minor children, which would have enabled them to acquire benefits by means of acquisition of shares in or debentures of the Company or any other corporations; nor was the Company, its subsidiaries or holding company, or its holding company’s subsidiaries a party to any arrangement, which would have enabled the Directors or Supervisors to acquire such rights in the Company or any other corporations.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. Directors, Supervisors' and Chief executives' interests and short positions in the shares, underlying shares and debentures

As at 31 December 2019, no Directors, Supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests considered or deemed to be held by such Directors, Supervisors and chief executives under provisions such as the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange.

3. Directors' and Supervisors' service contracts

During the Reporting Period and up to the date of the Annual Report, except as disclosed in this section, none of the Directors or Supervisors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation).

4. Interests of Directors, Supervisors and entity connected with them (as defined in the Listing Rules of the Stock Exchange) in material transactions, arrangements and contracts

During the Reporting Period and up to the date of the Annual Report, save as disclosed in this section, none of the Directors, Supervisors or entity connected with them (as defined in the Listing Rules of the Stock Exchange) had any direct or indirect material interest in any transaction, arrangement or contract of significance to the business of the Company to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

5. Responsibilities of Directors and Senior Management

No permitted indemnity provision was in force during the Reporting period.

The Company has arranged appropriate insurance to cover the liabilities in respect of legal action against the Directors, Supervisors and senior management of the Company that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE

I. EXPLANATION ON CORPORATE GOVERNANCE RELATED SITUATION

During the Reporting Period, the Company continued to improve its corporate governance mechanism, strengthened strategic guidance, comprehensively deepened corporate reform, strengthened internal control and risk management, maintained sustained and healthy development, and safeguarded the interests of all shareholders of the Company in accordance with the “Company Law”, “Securities Law”, “Code of Corporate Governance for Listed Companies”, “Rules Governing the Listing of Stocks on Shanghai Stock Exchange”, “Listing Rules of the Hong Kong Stock Exchange” and other laws, regulations, normative documents and the domestic and overseas regulatory requirements of the place of listing. There is no substantial difference between the actual situation of the corporate governance structure and the relevant document regulations and requirements of CSRC. The Company also meets the requirements of the code provisions set out in the “Corporate Governance Code” issued by the Hong Kong Stock Exchange.

1. Continue to improve the construction of corporate governance system. On 29 November 2019, the Company convened the second extraordinary shareholders’ meeting in 2019 to amend the “Articles of Association” “Procedural Rules for General Meetings” “Procedural Rules for Meetings of the Board” and “Procedural Rules for the Board of Supervisors” of the Company according to the latest revisions of the normative documents such as the “Company Law of the People’s Republic of China”, “Guidelines for the Governance of Listed Companies” and “Guidelines on the Articles of Association of Listed Companies”, combined with the actual situation of the Company.
2. Continue to strengthen the standardized operation of corporate governance.
 - (1) The general meetings were held strictly in accordance with the requirements as set out in the “Articles of Association” and “Procedural Rules for General Meetings”, which ensures the equal status enjoyed by all the shareholders of the Company, especially medium and minority shareholders, and all shareholders shall be entitled to fully exercise their own rights. The controlling shareholders exercised their rights as capital contributors at general meetings by virtue of the law and there were no conducts which went beyond the authority granted thereupon or interrupted the operation decisions and activities of the Company. During the Reporting Period, there were no conducts by the controlling shareholders of the Company which infringed and damaged the interests of the Company and other shareholders by their special status.
 - (2) The Board and the special committees strictly operate in accordance with the “Articles of Association”, “Procedural Rules for Meetings of the Board” and the working rules of the special committees, and make prudent decisions. All the Directors of the Company were in strict compliance with the requirements of the “Articles of Association” and “Procedural Rules for Meetings of the Board” of the Company and other laws and regulations, to give independent, objective and fair judgment on the resolutions considered by the Board with their expertise and skill in an honest, dedicated and diligent manner, and exercised their rights and performed their duties according to the law.
 - (3) The Board of Supervisors strictly performed its duties in strict accordance with the “Articles of Association” and “Procedural Rules for Meetings of the Board of Supervisors”, and supervised the Company’s finance, internal control system construction, and performance of directors and senior management personnel. All the Supervisors performed their duties for the interests of all shareholders with a serious and responsible attitude to supervise the financial position, ordinary connected transaction and the performance of duties by the Directors and senior management of the Company according to the law and regulation.

CORPORATE GOVERNANCE (CONTINUED)

3. Continuously strengthen information disclosure management. The Company strictly complied with the “Code of Corporate Governance for Listed Companies” to perform its obligation of information disclosure, and timely disclosed relevant information including the regular reports and temporary announcement in a fair, accurate and completed way strictly based on a fair, objective, and open principles. The Company strictly implemented the “Management System for Inside Information and Insiders”. As such, insider information are discussed, transmitted, reviewed and disclosed in a standardized and legal manner and were prudently and properly kept confidential. No insider was benefited illegally in the course of transactions with inside information and in turn damaged the interests of the Company and all shareholders

II. 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
2019 First Extraordinary General Meeting	25 April 2019	“Announcement of First Tractor Company Limited on Resolution of 2019 First Extraordinary General Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	26 April 2019
2018 Annual General Meeting	11 June 2019	“Announcement of First Tractor Company Limited on Resolution of 2018 Annual General Meeting published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	12 June 2019
2019 Second Extraordinary General Meeting	29 November 2019	“Announcement of First Tractor Company Limited on Resolution of 2019 Second Extraordinary General Meeting” published on the website of the Shanghai Stock Exchange(www.sse.com.cn)	30 November 2019

Explanation on General Meetings

During the Reporting Period, resolutions presented at the 2019 First Extraordinary General Meeting, 2018 Annual General Meeting and the 2019 Second Extraordinary General Meeting of the Company were all approved.

CORPORATE GOVERNANCE (CONTINUED)

III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name	Independent director of not	Required attendance for the year	Attendance at Board meetings				Attendance at general meetings	
			Attendance by physical presence	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings	Attendance at general meetings
Li Xiaoyu	No	8	7	6	1	0	No	1
Cai Jibo	No	8	8	6	0	0	No	2
Liu Jiguo	No	8	8	6	0	0	No	2
Li Hepeng	No	11	11	9	0	0	No	0
Xie Donggang	No	11	11	9	0	0	No	0
Zhou Honghai	No	11	9	9	2	0	No	0
Yu Zengbiao	Yes	11	11	9	0	0	No	0
Yang Minli	Yes	11	11	9	0	0	No	1
Wang Yuru	Yes	11	11	9	0	0	No	1
Edmund Sit	Yes	11	11	9	0	0	No	2
Zhao Yanshui	No	0	0	0	0	0	No	0
Wu Yong	No	7	7	6	0	0	No	2
Zhu Weijiang	No	0	0	0	0	0	No	0
Li Kai	No	2	2	1	0	0	No	0

Number of Board meetings convened during the year	11
Among which: number of physical meetings	2
Number of meetings held by means of telecommunication	9
Number of meetings convened on site and by means of telecommunication	0

(II) Independent Directors' objection to relevant matters of the Company

During the Reporting Period, none of the independent non-executive Directors of the Company raised any objection to resolutions proposed at Board meetings or meetings of the Company other than Board meetings. For details of performance of duties by independent non-executive Directors, please refer to the "Report on Performance of Duties of the Independent Directors" issued by the Company on the website of the Shanghai Stock Exchange and in the overseas regulatory announcement issued by the Company on the website of the Stock Exchange on the same day.

CORPORATE GOVERNANCE (CONTINUED)

IV. DETAILS FOR DISCLOSURE OF MATERIAL OPINIONS AND SUGGESTION AND OBJECTION RAISED IN PERFORMANCE OF DUTIES IN SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

There are four special committees under the Board, namely the Strategy and Investment Committee, Audit Committee, Nomination Committee and Remuneration Committee. All members of each of the committee 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.

(I) Remuneration Committee

On 30 March 2019, Li Kai, a former member of the Remuneration Committee of the Board of the Company and a non-executive Director, resigned as a member of the Remuneration Committee of the eighth session of the Board of the Company. After consideration and approval at the seventh meeting of the eighth session of the Board, Cai Jibo, an executive Director, was added as a member of the Remuneration Committee of the eighth session of the Board of the Company. As at the date of this report, the Remuneration Committee of the eighth session of the Board of the Company consists of Mr. Yu Zengbiao (independent non-executive Director and Chairman of the Remuneration Committee), Mr. Li Hepeng (non-executive Director), Mr. Cai Jibo (Executive Director), Ms. Wang Yuru (independent non-executive Director) and Mr. Edmund Sit (independent non-executive Director).

Duties and operation of the Remuneration Committee are:

- (1) to make recommendations to the Board on the Company's remuneration policy and structure for Directors, Supervisors and senior management, the remuneration of non-executive Directors and the remuneration packages of individual executive Directors and senior management as well as on matters including the establishment of a standard and transparent procedure for developing remuneration policy;
- (2) to review and approve the management's remuneration proposals; compensation payable to executive Directors and senior management for any loss or termination of office; and compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- (3) to supervise the implementation of the Company's remuneration policy to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Details of the Directors, the Supervisors and senior management's remuneration are set out in Section VIII headed "Directors, Supervisors, Senior Management and Employees" in this report.

During the Reporting Period, the Remuneration Committee of the eighth session of the Board held one meeting on 29 August 2019 to consider and approve the performance appraisal results of the senior management of the Company for 2018.

CORPORATE GOVERNANCE (CONTINUED)

(II) Nomination Committee

On 3 March 2019, Zhao Yanshui, the former member of the Nomination Committee of the Board of the Company and executive Director, resigned as a member of the Nomination Committee of the eighth session of the Board of the Company. After consideration and approval at the seventh meeting of the eighth session of the Board, Li Xiaoyu, the executive Director, was added as a member of the Nomination Committee of the eighth session of the Board of the Company. As at the date of this report, the Nomination Committee of the eighth session of the Board of the Company consists of Ms. Yang Minli (independent non-executive Director and Chairman of the Nomination Committee), Mr. Li Xiaoyu (executive Director) and Ms. Wang Yuru (independent non-executive Director).

Duties and operation of the Nomination Committee are set out as follows:

- (1) to review the structure, size and composition of the Board based on the operating activities, asset scale and shareholding structure of the Company and make recommendations to the Board on any proposed changes to the Board in relation to implementation of the Company's corporate strategy;
- (2) to study the election criteria and procedures for Directors and managers of the Company and make recommendations to the Board;
- (3) to select appropriate candidates for Directors, managers and other senior management of the Company subject to the Board's approval pursuant to the proposals of the workgroup and to make recommendations to the Board with respect to the candidates for the Directors and managers;
- (4) to assess the independence of independent Directors; and
- (5) to make recommendations to the Board on the appointment or reappointment of Directors and the succession plan for Directors, in particular for the Chairman and the general manager.

In accordance with the Nomination Policy of the Company, the Nomination Committee of the Company shall take the following criteria into consideration when nominating the candidates for the board of Directors and managers:

- reputation, talent and experience in the industry and on professional sectors;
- qualifications for directors and senior management as required by the Company Law and others;
- commitment in respect of available time and attention on relevant matters;
- independence of independent non-executive Directors; and
- diversity in all aspects.

In accordance with the Nomination Policy of the Company, the nomination process for Directors is as follows: the Nomination Committee shall, with reference to the above criteria, recommend candidates for consideration and approval by the Board, with reasons for consideration and recommendation provided to the Board based on operating activities, shareholding structure and other factors of the Company.

CORPORATE GOVERNANCE (CONTINUED)

The Nomination Committee shall, when necessary, discuss and agree the measurable objectives for implementing the diversity policy of the Company and make recommendation to the Board for adoption.

During the Reporting Period, the Nomination Committee of the eighth session of the Board held four meetings. In particular, the first meeting was held on 5 March 2019 to consider the resolution on nomination of executive director candidates and general manager, the second meeting was held on 31 March 2019 to consider the resolution on nomination of executive director candidates, the third meeting was held on 31 May 2019 to agree the resolution for election of financial controller and the fourth meeting was held on 21 August 2019 to agree the resolution for election of the deputy general manager.

(III) Audit Committee

As at the date of this report, the Audit Committee of the eighth session of the Board of the Company consists of three members, including Mr. Edmund Sit (independent non-executive Director and chairman of the Audit Committee), Mr. Yu Zengbiao (independent non-executive Director) and Mr. Zhou Honghai (non-executive Director), among which Mr. Edmund Sit and Mr. Yu Zengbiao are accounting professionals. The composition of the Audit Committee of the Board is in compliance with the provisions under Rule 3.21 of the Listing Rules of the Stock Exchange.

Duties and operation of the Audit Committee are set out as follows:

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

CORPORATE GOVERNANCE (CONTINUED)

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

Session of meeting	Date	Resolutions	Results
First meeting in 2019	2019.1.11	<ol style="list-style-type: none"> 1. Plan for preparation and disclosure of annual report of the Company in 2018 2. Plan for preparation of auditing of annual financial report of the Company in 2018 3. Work proposal for preparation of annual internal control evaluation of the Company in 2018 	All were passed
Second meeting in 2019	2019.3.26	<ol style="list-style-type: none"> 1. Resolution on the Company's accrual of termination benefits 2. Resolution on the Company's provision for asset impairment 3. The audited financial report of the Company in 2018 4. The annual report of the Company in 2018 5. The annual internal control evaluation report of the Company in 2018 6. The execution report on continuing connected transactions of the Company for 2018 7. Resolution on determination of auditor's remuneration in 2018 and the appointment of the financial advisor and internal control auditor of the Company in 2019 8. The performance report of the Audit Committee under the Board in 2018 	

CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Date	Resolutions	Results
Third meeting in 2019	2019.4.23	The first quarterly report of the Company in 2019	
Fourth meeting in 2019	2019.8.25	1. The interim report of the Company in 2019 2. The execution report on connected transactions of the Company for the first half of 2019	
Fifth meeting in 2019	2019.9.30	1. Resulation on the transfer of 100% equity of YTO (Xinjiang) Dongfanghong Equipment Machinery Company Limited held by the Company 2. Resulation on the transfer of 100% equity of Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd. held by Luoyang Tractor Research Institute Co., Ltd.	
Sixth meeting in 2019	2019.10.24	1. The third quarterly report of the Company in 2019 2. Work proposal for preparation of internal control evaluation of the Company in 2019	
Seventh meeting in 2019	2019.12.30	1. Plan for preparation and disclosure of annual report of the Company in 2019 2. Plan for preparation of auditing of annual financial report of the Company in 2019	

As at the date hereof, the Audit Committee under the eighth session of the Board of the Company has reviewed the financial report of the Company in 2019 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2019 in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

CORPORATE GOVERNANCE (CONTINUED)

(IV) Strategy and Investment Committee

The former three members of the Strategy and Investment Committee of the Board of the Company, namely Mr. Zhao Yanshui (the former executive Director), Mr. Zhu Weijiang (the former executive Director) and Mr. Wu Yong (the former executive Director) resigned as members of the Strategy and Investment Committee of the eighth session of the Board of the Company on 3 March 2019 and 25 April 2019, respectively. After consideration and approval at the seventh meeting of the eighth session of the Board, Li Xiaoyu (an executive Director), Cai Jibo (an executive Director) and Liu Jiguo (an executive Director) were added as members of the Strategy and Investment Committee of the eighth session of the Board of the Company. As at the date of this report, the Strategy and Investment Committee of the eighth session of the Board of the Company consists of Mr. Li Xiaoyu (executive Director and chairman of the Strategy and Investment Committee), Mr. Cai Jibo (executive Director), Mr. Liu Jiguo (executive Director), Mr. Xie Donggang (non-executive Director) and Ms. Yang Minli (independent non-executive Director).

Duties and operation of the Strategy and Investment Committee are set out as follows:

- (1) to study and make recommendations on the medium and long-term strategic development plans of the Company;
- (2) to study and make recommendations on significant investments, financing proposals and material capital operations which are subject to the approval of the Board as required under the “Articles of Association” of the Company and relevant regulations of the Company;
- (3) to study and make recommendations on significant events which may affect the development of the Company;
- (4) to inspect implementation of the above matters; and
- (5) other matters as authorized by the Board.

During the Reporting Period, the Strategy and Investment Committee of the eighth session of the Board of the Company convened a meeting on 29 September 2019 to consider and approve the resolution on the transfer of 100% equity of Xinjiang Equipment Company held by the Company and the transfer of 100% equity of Xiyuan Vehicle Company held by Tractors Research Company.

CORPORATE GOVERNANCE (CONTINUED)

V. REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Company performed its duties diligently and responsibly according to the “Company Law”, the “Articles of Association” of the Company and the “Procedural Rules for Meetings of the Board of Supervisors” and the requirements of other laws, regulations and rules, and actively exerted its supervisory role, promoted the improvement in the building of governance system of the Company, thereby protecting and promoting the stable and sound development of the Company, safeguarding the interests of the Company, its shareholders and other stakeholders.

I. Work of the Board of Supervisors

(I) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Company coordinated and arranged all works and convened five meetings. Apart from auditing regular reports of the Company, the Board of Supervisors of the Company supervised the finance, internal control, connected transactions and investor relations, giving full play to individual supervisory duties. Details of convening of the meetings are as follows:

Session of meeting	Date	Inquiry index	Resolutions	Disclosure date
the second meeting of the eighth session of the Board of Supervisors	29 March 2019	websites of the Shanghai Stock Exchange and the Stock Exchange	considered and approved resolutions including the 2018 report of the Board of Supervisors, the resolution on provision of layoff benefits and impairment allowance for assets, the 2018 annual report and annual report summary, 2018 annual result announcement, 2018 dividend distribution proposal, 2018 social responsibility report and 2018 internal control self-evaluation report	30 March 2019
the third meeting of the eighth session of the Board of Supervisors	29 April 2019	/	considered and approved the 2019 first quarterly report	N/A

CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Date	Inquiry index	Resolutions	Disclosure date
the fourth meeting of the eighth session of the Board of Supervisors	29 August 2019	websites of the Shanghai Stock Exchange and the Stock Exchange	considered and approved the 2019 interim report and its summary, the 2019 interim results announcement, the resolution on amendments to the rules of procedure for the Board of Supervisors and the resolution on nomination of the supervisors of the eighth session of the Board of Supervisors	30 August 2019
the fifth meeting of the eighth session of the Board of Supervisors	29 October 2019	/	considered and approved the 2019 third quarterly report	N/A
the sixth meeting of the eighth session of the Board of Supervisors	29 November 2019	/	considered and approved the selection of the chairman of the eighth session of the Board of Supervisors	N/A

(II) Re-election of the Board of Supervisors

In July 2019, Mr. Zhang Jiaxin and Mr. Xu Weilin resigned as the chairman and the supervisor of the Board of Supervisors of the Company due to work adjustments. According to supervisor adjustment, the Company completed election for the position in a timely manner in accordance with regulatory procedures.

(III) Attendance of the relevant meetings

During the Reporting Period, the supervisors of the Company reviewed all communication and voting matters of the Board of Directors by attending the on-site meeting of the Board of Directors and the general meetings, and supervised the convening procedures, resolutions of the Board of Directors and the general meetings and the implementation of resolutions of the general meetings by the Board of Directors.

CORPORATE GOVERNANCE (CONTINUED)

II. Discharge of Supervisory Duties and Express Opinions

(I) Compliance operation of the Board of Supervisors

During the Reporting Period, the Company made amendments to the Rules of Procedures for Supervisors according to its de facto situations, and the number of the Board of Supervisor was changed to three to five supervisors from six supervisors, of which the number of employee representative supervisor was changed to no less than 1/3 of supervisors from two supervisors. Currently, the number and composition of the eighth session of the Board of Supervisors of the Company comply with the provisions of the Company Law, the Articles of Association and the Rules of Procedures for Supervisors.

(II) Supervision of financial operation and regular reports of the Company

During the Reporting Period, the Board of Supervisors reviewed four regular reports earnestly and supervised provision of layoff benefits, asset impairment allowance in the 2018 financial report and the 2018 profit distribution.

The Board of Supervisors is of the view that during the Reporting Period, the provision of layoff benefits and asset impairment allowance was in line with the relevant accounting policies of the Accounting Standards for Business Enterprises and the relevant accounting policies of the Company and the Company performed the corresponding decision procedures, which reflect that the de facto situation of the relevant assets of and the financial positions of the Company without prejudice on the profits of the Company and all shareholders. The annual profit distribution plan of the Company conforms to the provisions of the Articles of Association and the de facto situation of the Company. The preparation and consideration procedures of the Company's regular reports comply with the relevant provisions of laws, regulations and the Articles of Association, the content and format of which comply with the provisions of the CSRC, the Shanghai Stock Exchange and the Hong Kong stock exchange. The Company's accounting and financial management system has been effectively implemented. There is no material omission or false record in the financial statements, the information contained therein gave a true and fair view of the financial position of the Company in all respect, and no breach of confidentiality requirements by the persons involved in the preparation and consideration and approval of periodic report was found.

(III) Supervision on connected transactions and information disclosure

During the Reporting Period, the Board of Supervisors reviewed the Resolution on Daily Related Transactions of the Company, the Resolution on Capital Contribution of Luoyang Tractors Research Company Limited to Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd., and the Related Transaction Resolution on Joint Tender by China YTO Group Finance Co., Ltd. and YTO (Luoyang) Special Purpose Vehicle Co., Ltd. and the resolution and consideration procedure of related party transactions related to equity transfer of the Company considered by the Board of the Company. The related transactions occurred in the Reporting Period of the Company are in line with the actual needs of the Company's production and operation with the fair and reasonable pricing, the approval procedures of the Board of Directors are in line with laws, regulations and the Articles of Association of the Company, and the information disclosure is timely and sufficient, without damaging the interests of the Company and its shareholders.

CORPORATE GOVERNANCE (CONTINUED)

(IV) *Review the internal control evaluation report of the Company and supervision on the internal risk prevention and control work of the Company*

In order to ensure the continuously sound development of the Company's business, the Board of Supervisors supervised the implementation of internal control of the Company. During the Reporting Period, the Company's internal control system was effectively implemented, and the internal audit department and personnel were in place to ensure sufficiency and efficiency of the implementation and supervision of the Company's key internal control activities. The Company's internal control evaluation report gives a true and fair view on the construction and operation of the Company's internal control system, and has no objection to the Company's internal control evaluation report.

(V) *Supervision over management on the investor relations of the Company*

The Company's investor relations are in line with the requirements of the "Management System for Investor Relations". By communicating with investors through online communication, general meeting and answering investor call, the investors will be informed of the operation and management of the Company by virtue of multiple channels, thus establishing a good image in capital market.

In 2020, the Board of Supervisors will pay close attention to the operation and development goal of the Company and perform its duties faithfully and diligently, to safeguard and protect legal interests of shareholders and the Company and to promote a more standardized and sound governance as well as continuous and healthy development.

VI. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM

The "Interim Measures on Medium to Long-term Incentives for Remuneration and Performance Management of Executives of the Company" approved by the Board separates the appraisal of the senior management of the Company into two parts: annual remuneration and medium to long term incentives. During the Reporting Period, the Remuneration Committee under the Board determined the results of the annual remuneration and the medium to long term incentives of the senior management according to the above measures and based on the Company's budget, KPI indicators, major works and completion results of the operating indicators of division of labour in units.

VII. WHETHER THERE IS DISCLOSURE OF INTERNAL CONTROL SELF-ASSESSMENT REPORT

For details, please refer to the "2019 Annual Internal Control Evaluation Report of First Tractor Company Limited" issued by the Company and in the overseas regulatory announcement issued by the Company on the website of the Stock Exchange on the same day as this report.

CORPORATE GOVERNANCE (CONTINUED)

VIII. EXPLANATION ON INTERNAL CONTROL AUDIT REPORT RELATED MATTERS

For details, please refer to the “2019 Annual Internal Control Audit Report of First Tractor Company Limited” issued by the Company and in the overseas regulatory announcement issued by the Company on the website of the Stock Exchange on the same day as this report.

IX. CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strictly abided by the principles and most code provisions under the “Corporate Governance Code” and “Corporate Governance Report” (the “Code”) as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

(I) Shareholders’ right

1. According to Article 76 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 80 of the “Articles of Association” of the Company, shareholders individually or jointly holding more than 3% of the Company’s shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals.
3. If shareholders of the Company have enquiry about relevant information of the Company or request for information, they shall provide documentary evidence that they are holding certain type and numbers of shares of the Company to the Secretary to the Board or office of the Board. After verifying the identity of the shareholders by the Company, the Company will provide relevant information as stipulated in Article 60 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.

(II) Securities transactions by Directors

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

CORPORATE GOVERNANCE (CONTINUED)

(III) Directors and the Board of Directors

1. *Directors*

The eighth session of the Board consists of ten Directors, being Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice chairman) and Mr. Liu Jiguo (general manager) as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

The biographical details of Directors are set out in Section VIII headed “Directors, Supervisors, Senior Management and Employees” in this Annual Report. The Company has received the annual confirmation letter issued by each of the four independent non-executive Directors, namely Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit, 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.

One-third of the members of the Board are independent non-executive Directors. The members of the Board have different professional backgrounds and possess expertise and years of management experience in terms of corporate management, machinery design and manufacturing, and financial management, etc. The diversified professional backgrounds of Directors can ensure the decisions made by the Board to be more scientific and efficient.

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/connected relationship with each other.

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

CORPORATE GOVERNANCE (CONTINUED)

2. Board of Directors

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

The Board diversity policy formulated by the Company aims to cause the Company to take into account the composition of the Board members from various aspects when electing and appointing them, including but not limited to gender, age, race, cultural and educational background, professional experiences, knowledge and expertise, thereby avoiding a collective mindset of the Board from simplex composition and allowing Board members to consider issues from different perspectives so as to enable the Board to be more deliberate and prudent in making important decisions.

The eighth session of the Board has diversified feature, its members' age range is between 47 and 66, including two females, with backgrounds of accounting experts, industry experts in agriculture machinery and experienced persons in the fields of economy and manufacturing industry. 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 Company revised the "Articles of Association" "Procedural Rules for Meetings of the Board" the Company according to the latest revisions of the normative documents such as the "Company Law of the People's Republic of China", "Guidelines for the Governance of Listed Companies" and "Guidelines on the Articles of Association of Listed Companies", combined with the actual situation of the Company

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

CORPORATE GOVERNANCE (CONTINUED)

(IV) The Chairman and the management

Mr. Li Xiaoyu was the Chairman of the Company, and Mr. Liu Jiguo was the General Manager of the Company, thus the positions of the Chairman and the General Manager are held by different persons, complying with the Code provisions of A.2.1.

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

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

The terms of office of the non-executive Directors, Mr. Li Hepeng, Mr. Xie Donggang, and Mr. Zhou Honghai, and the independent non-executive Directors, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit, will expire on 28 October 2021, and the term of office of Mr. Yu Zengbiao will expire on 28 May 2020.

All the above seven non-executive/independent non-executive Directors possess proper experience and professional qualifications required to perform the duties of Directors. In particular, Mr. Yu Zengbiao, an independent non-executive Director, is a senior expert in finance and accounting, Ms. Yang Minli, an independent non-executive Director, is a senior expert in agricultural machinery industry, Ms. Wang Yuru, an independent non-executive Director, is an expert in economic history and corporate development research, and Mr. Edmund Sit, an independent non-executive Director, has extensive experience in finance and investment.

(VI) Special committees under the Board

Details of the Remuneration Committee, Nomination Committee, Audit Committee and Strategy and Investment Committee are set out in this section "Details for disclosure of material opinions and suggestion and objection raised in performance of duties in special committees under the Board during the Reporting Period".

(VII) Auditors' remuneration

During the Reporting Period, the auditor provided internal control audit services to the Company and issued an audit opinion on the internal control of the Company. The Company signed an appointment agreement with the auditor with respect to such non-audit services, which set out the scope of the audit contents and remuneration of the auditor.

For details, please refer to "Appointment or Dismissal of Auditor" under Section V Significant Events of this Annual Report.

CORPORATE GOVERNANCE (CONTINUED)

(VIII) Risk Management and Internal Control

During the Reporting Period, the Company has established proper risk management and internal control system. The risk management and internal control system is established and gradually improved with the orientation to possible risks exposed by the Company in various key business and management activities. The Board is responsible for the development of risk management and internal control system and the review of their effectiveness. The audit department of the Company is responsible for reviewing the effectiveness of internal control.

The Audit Committee under the Board of the Company shall hear the report from the audit department on annual conclusion and plans of the internal audit in due course every year and review the adequacy and effectiveness of the internal control and risk management of the Company.

Each year, the Board of the Company shall review the risk management and internal control monitoring system, and issue the Annual Internal Control Assessment Report to investors. During the Reporting Period, the Board of the Company conducted annual review on the risk management and internal control system and its effectiveness and considered that the Company had constructed a systematic internal control monitoring system and all the internal control system was in compliance with the PRC laws, rules and requirements. The internal control monitoring system covers all parts of operation, business and internal management of the Company, defining risk management methods and establishing three layers of risk management, which effectively guaranteed the safety and completeness of the assets and formation of true and fair financial statements. During the year, the overall internal control and operation of the Company was good and there was effective internal control in all material aspects in maintaining an effective financial report. Despite the above, the Board of the Company has to indicate that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. For details, please refer to the “2018 Annual Internal Control Evaluation Report of First Tractor Company Limited” issued by the Company on the website of the Shanghai Stock Exchange and in the overseas regulatory announcement on the website of the Stock Exchange on 29 March 2019.

With respect to the management of inside information, the Company has formulated the “Management System for Inside Information and Insiders” which sets out the procedures and internal controls for handling and dissemination of inside information and includes the definition of inside information and insider, the right to access to inside information, the duty of confidentiality of insider, the relevant accountability and handling regulations as well as the remedy for leakage of inside information and the duty to disclose information thereafter.

During the Reporting Period, before the preparation of the 2018 Annual Report, the 2019 First Quarterly Report, the 2019 Interim Report and the 2019 Third Quarterly Report of the Company, the Company has notified all the Directors, Supervisors and Senior Management of the Company not to deal in any securities of the Company as provided by the relevant regulations in the Listing Rules of the Stock Exchange.

For details, please refer to the “2019 Annual Internal Control Evaluation Report of First Tractor Company Limited” issued by the Company on the website of the Shanghai Stock Exchange and in the overseas regulatory announcement on the website of the Stock Exchange on the same day as this report.

CORPORATE GOVERNANCE (CONTINUED)

(IX) Investor Relations

During the Reporting Period, the Company focused on information disclosure and well-prepared investor relations works. The Company continued to disclose the Company's announcements on the website of the Stock Exchange and the designated media as required, and timely published announcements on investor relation special column of the Company's website. On that basis, the Company further strengthened the exchange and communication with investors, passing information to investors through various channels such as the Shanghai Stock Exchange's interactive E-platform, onsite general meeting, participation in online collective reception day activities for investors of listed companies in Henan Province etc.; facilitated voting of minority and medium shareholders by providing network voting for the general meeting; properly arranged for the PRC or overseas investors' visit requirements. Through communication with investors and listening to their advices, the effectiveness of information disclosure of the Company has been further improved.

(X) Internal key contact person of the Company

For details, please refer to Section II headed "Company Profile and Key Financial Indicators" of this Annual Report.

(XI) Amendment of Articles of Association

For details, please refer to "Explanation on Corporate Governance Related Situation" under this section.

(XII) Dividend Policy

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

SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY

I. BASIC INFORMATION

China YTO Group Finance Company Limited is a non-banking financial institution established as approved by the People's Bank of China in August 1992 and commenced business operation on 28 December 1992. It is the first finance company of enterprise group in Henan province. As at the end of the Reporting Period, the Company directly held 94.6% of equity interest in YTO Finance. YTO Finance principally engages in business including handling of internal transfer settlement between member companies; assisting member companies in receipt and payment of transaction amount; collecting the deposit of member companies; providing loans, finance lease, bill acceptance and discounting, entrusting loans and investments to member companies, and equity investment and portfolio investment in financial institutions as approved; and consumer credit service, buyer's credit and finance lease for products of member companies and inter-bank borrowing and lending.

Facing the complex and severe external economic environment and operation, with "serving group development through prevention and control of financial risks" as its major task, YTO Finance continues to adhere to its basic function positioning and service objective, and to carefully and excellently develop its internal control system and manage its comprehensive risk. By fully leveraging its financial service function, YTO Finance can support the product sales among member companies through the development of buyer's credit and financial finance lease businesses.

II. INFORMATION ABOUT BUSINESS OPERATION OF YTO FINANCE

(I) Information about business operation

As at the end of the Reporting Period, YTO Finance had total assets of RMB4,183.2085 million, representing a decrease of RMB107.7702 million or 2.51% from the beginning of the year; its total liabilities amounted to RMB3,358.5307 million, representing a decrease of RMB122.0999 million or 3.51% from the beginning of the year. In 2019, it realized total profit of RMB42.3854 million, representing a decrease of RMB21.5126 million from the previous year, mainly due to its active reduction in the investment business scale for the purpose of risk prevention and control, concentration of its resources into the business development of group companies.

As at the end of the Reporting Period, YTO Finance has a capital adequacy ratio of 21.22%, a liquidity ratio of 68.68%, no non-performing loan, a non-performing asset ratio of 1.98%, an allowance-to-loan ratio of 2.78%. The various regulatory indicators were in line with the regulatory requirements.

SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY (CONTINUED)

(II) Explanations on connected transactions

During the Reporting Period, connected transactions conducted by YTO Finance complied with the terms of 2019–2021 financial service agreement and the approved caps thereunder, with related party customer loans lower than related party deposits.

Unit: RMB10 thousand

Item	Cap of related party transaction amount in 2019	Maximum amount in 2019
Loan business	115,000	113,215
Discounting business	25,000	13,735.15
Acceptance business	33,600	15,846.23
Interbank business	100,000	20,000

(III) Explanation on the progress for the bond default by Guoyu Logistics

During the Reporting Period, the case where YTO Finance sued SPD Bank as the lead underwriter of short-term financing bonds of Guoyu Logistics, “Guoyu Logistics cp001” and “Guoyu Logistics cp002” was accepted and heard by the Shanghai Financial Court. As of the date of this report, no judgment has been issued.

SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY (CONTINUED)

III. RISK CONTROL

(I) improving its risk-resistance capacity based on business development needs

By further clarifying the development positioning and goals of providing financial services for its production and sales, the Company formulates financial business development plans and programs, and gives full play to the advantages and synergies of closely following needs of the industry, to promote industry with finance and facilitate products sales with financial services.

(II) Enhancing risk prevention measures

YTO Finance deeply sorted out its existing financial businesses in accordance with the requirements of classified management, formulated and implemented corresponding risk prevention measures, so as to effectively prevent risks. At the same time, with strict control of financial business investment, YTO Finance further reduced its business that has low connection with the principal business of enterprise group, to realize risk control and promote operation.

(III) Strengthening risk management mechanism

In accordance with the requirements of national laws and regulations and industry supervision, we will continue to improve financial risk prevention and control systems and institutional mechanisms, sort out and revise relevant processes and systems, consolidate basic management, improve early warning effects and strengthen risk prevention and control capabilities, so as to continuously improve asset quality.

AUDIT REPORT

DHSZ [2020] No.000019

To the Board of Directors of First Tractor Company Limited :

1. OPINION

We have audited the financial statements of First Tractor Company Limited (hereafter referred to as “YTO Company”), which comprise the consolidated and the parent company’s balance sheets as at December 31, 2019, and the consolidated and the parent company’s income statements, the consolidated and the parent company’s cash flow statements, the consolidated and the parent company’s statements of changes in shareholder’s equity for the year then ended, and the notes to the relevant financial statements.

In our opinion, the financial statements give a true and fair view of the state of the consolidated and the parent company’s financial position of YTO Company as at December 31, 2019, and of their consolidated and the parent company’s financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of YTO Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that we consider, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follow:

- I. Revenue recognition.
- II. Provision for inventories impairment.

AUDIT REPORT (CONTINUED)

3. KEY AUDIT MATTERS (CONTINUED)

(1) Revenue recognition

a. Audit matter:

The main resources of sales revenue of YTO Company is the sales of various types of tractors and accessories to dealers domestic and overseas. As shown in Note V.28 and VII.49, the sales revenue of main business was RMB5,670.71 million in 2019, accounting for 97.26% of the company's total revenue. Since revenue is one of the key performance indicators of YTO Company, there is an inherent risk that the management manipulates revenue in order to achieve specific goals or expectations. Therefore, we will identify the income of a joint-stock company as a key audit item.

b. Response measures in the audit:

We have implemented the following key audit procedures for the revenue recognition audit:

- I. We understand, evaluate, and test the revenue procedure including customer approval, orders confirmation and income recorded, and the related internal control.
- II. We obtain the company's sales policy to check the changes on the policies of credit, sales incentives and so on, as well as the effects of such exchanges.
- III. We check the company's sales confirmation based on orders, shipping documents, receipt, invoices and payments received, etc.
- IV. Analyzing the rationality and reasons of the company's gross profit rate change.
- V. Taking Cut-off test of revenue recognition performance for the beginning and end of year 2019.
- VI. Taking balance confirmation procedure as parts of accounts receivable audit.

Based on the procedures performed above, we believe that the overall assessment of revenue recognition adopted by management is acceptable.

AUDIT REPORT (CONTINUED)

3. KEY AUDIT MATTERS (CONTINUED)**(2) Provision for inventories impairment****a. Audit matter**

YTO Company is mainly engaged in the production of agricultural machinery and power machinery. Its main products are tractors, diesel engines and key components. The value of inventory is recorded as the lower between cost and net realizable value. The net realizable value is the estimated price after deducting the cost that is expected to happen when completed, estimated sales expenses and related taxes. To determine the expected price, the management needs to make a major decision and consider the future trend of market price based on the historical price. Refer to Note IV.13 and Note VI. 10, the ending balance of inventories is RMB1,196.2928 million, the amount of provision for inventory is RMB194.5070 million. Since this item involves with a significant amount and is significantly reliant on the management's judgments, we determine it as a key audit item.

b. Response measures in the audit

We have implemented the following key audit procedures on inventories impairment:

- I. Inspecting and testing the designation and implementation of internal control which related to inventory.
- II. Conducting supervision of inventory counting and inspecting the quantity and condition of the inventories.
- III. Obtaining the inventory aging statement, analyzing the reasonableness of provision for obsolete inventory with long-age based on the status of inventory.
- IV. Obtain and review the information on which the management evaluates the existence of impairment in inventory, evaluate appropriateness and rationality, and check relevant calculations.

Based on the procedures performed above, the judgment and estimates of the management of provision for the inventories impairment are acceptable.

AUDIT REPORT (CONTINUED)

4. OTHER INFORMATION

The management of YTO Company is responsible for the other information. The other information comprises all of the information included in the YTO Company 2019 annual report other than the financial statements and our auditor's report thereon.

Our 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

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

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing YTO Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate YTO Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing YTO Company's financial reporting process.

AUDIT REPORT (CONTINUED)

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE 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 is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design the appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on YTO 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 in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause YTO Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence on the financial information of the entities or business activities of YTO Company in order to express an audit opinion on the financial statements. We are responsible for direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding 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.

AUDIT REPORT (CONTINUED)

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DaHua Certified Public Accountants
(Special General Partnership)

Chinese Certified Public Accountant: (*Partner*) Yu Fanghong

Chinese Certified Public Accountant: Lin Haiyan

Beijing, China

April 23, 2020

CONSOLIDATED BALANCE SHEET

December 31st, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	December 31st, 2019	Dec 31st, 2018
Current assets			
Monetary Funds	Note 1	1,401,027,992.74	1,549,845,341.18
Settlement provisions			
Lendings to Banks and Other Financial Institutions	Note 2	70,000,000.00	200,000,000.00
Trading financial assets	Note 3	980,392,948.10	897,235,968.16
Financial assets measured at fair value with changes in value recognized in profit or loss			
Derivative financial assets	Note 4		578,743.73
Notes receivable	Note 5	352,201,737.77	523,719,132.77
Accounts receivable	Note 6	406,586,834.70	405,771,316.07
Receivables Financing			
Advances to suppliers	Note 7	175,282,225.34	107,561,199.88
Premiums receivable			
Reinsurance Accounts Receivable			
Provision of cession receivable			
Other receivables	Note 8	38,657,541.73	65,741,038.66
Including: Interest receivable			17,708,921.80
Dividend receivable			
Buying back the sale of financial assets	Note 9	671,668,502.78	150,203,731.40
Inventories	Note 10	1,001,785,770.20	1,430,349,787.42
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 11	250,465,409.57	184,159,312.46
Other current assets	Note 12	1,067,152,153.18	2,017,266,694.07
Total current assets		6,415,221,116.11	7,532,432,255.80
Non-current assets			
Loans and advances to customers	Note 13	959,950,968.59	1,011,378,462.91
Debt investment			
Other debt investment			
Long-term receivables	Note 14	220,198,228.05	280,985,073.83
Long-term equity investments	Note 15	119,753,172.07	131,203,815.70
Investment in other equity instruments	Note 16	3,871,238.40	
Other non-current financial assets			
Investment properties			
Fixed assets	Note 17	2,814,817,617.87	2,942,857,496.39
Construction in progress	Note 18	128,990,466.09	232,816,443.52
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 19	18,945,867.20	
Intangible assets	Note 20	791,670,317.62	842,336,991.00
Research and development expenses	Note 21		
Goodwill	Note 22		
Long-term deferred expenses	Note 23	44,118,542.74	41,237,156.30
Deferred income tax assets	Note 24	111,484,850.77	125,494,060.54
Other non-current assets			
Total non-current assets		5,213,801,269.40	5,608,309,500.19
Total assets		11,629,022,385.51	13,140,741,755.99

CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31st, 2019

Item	Note VI	December 31st, 2019	Dec 31st, 2018
Current liabilities:			
Short-term loans	Note 25	1,419,528,065.30	2,777,516,101.13
Borrowing from the central bank			—
Deposits from banks and other financial institutes			
Trading financial liabilities			
Financial liabilities measured at fair value with changes in value recognized in profit or loss			
Derivative financial liabilities	Note 27		2,727,592.84
Notes payable	Note 28	1,004,008,951.30	958,616,789.34
Accounts payable	Note 29	1,252,450,248.58	1,194,829,925.57
Advance from customers			
Contractual liability	Note 30	177,743,289.89	369,490,638.57
Funds from selling out and repurchasing financial assets			
Absorption of deposits and interbank deposits	Note 26	1,137,277,294.54	1,080,524,854.03
Brokerage for trading securities			
Brokerage for consigning securities			
Employee salary payable	Note 31	104,615,621.71	189,486,846.96
Taxes payables	Note 32	34,716,241.84	24,562,534.28
Other payables	Note 33	302,747,490.57	312,621,126.21
Including: Interest payable		3,927,593.99	20,514,340.13
Dividend payable		8,439,607.83	8,273,287.83
Fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	Note 34	649,035,505.95	76,664,479.21
Other current liabilities	Note 35	225,466,269.20	196,139,042.20
Total current liabilities		6,307,588,978.88	7,183,179,930.34
Non-current liabilities			
Long-term loans	Note 36	139,077,500.00	868,473,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 37	64,384.18	
Long-term payables	Note 38	8,933,931.06	8,971,437.07
Long-term employee salary payable	Note 39	88,010,022.26	119,715,885.28
Estimated Liabilities	Note 40	2,652,542.65	3,981,625.85
Deferred income	Note 41	155,715,222.06	169,360,596.63
Deferred tax liabilities	Note 24	143,114,014.97	130,983,510.46
Other non-current liabilities			
Total non-current liabilities		537,567,617.18	1,301,486,055.29
Total liabilities		6,845,156,596.06	8,484,665,985.63

CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31st, 2019

Item	Note VI	December 31st, 2019	Dec 31st, 2018
Owners' equity (or shareholder's equity):			
Share capital	Note 42	985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 43	2,099,466,626.33	2,099,639,657.89
Less: Treasury shares			
Other comprehensive income	Note 44	-14,198,180.13	-16,863,576.18
Special reserves	Note 45	2,230,000.31	3,274,006.51
Surplus reserves	Note 46	442,101,172.16	442,101,172.16
General risk reserves	Note 47	25,104,151.50	-
Retained earnings	Note 48	529,451,678.91	493,080,403.24
Total equity attributable to shareholders of the parent company		4,070,005,449.08	4,007,081,663.62
Minority interests		713,860,340.37	648,994,106.74
Total shareholder's equity		4,783,865,789.45	4,656,075,770.36
Total liabilities and shareholder's equity		11,629,022,385.51	13,140,741,755.99

The attached notes to the financial statements are part of the consolidated financial statements.

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

BALANCE SHEET OF THE PARENT COMPANY

December 31st, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	December 31st, 2019	Dec 31st, 2018
Current assets			
Monetary Funds		1,321,190,129.45	1,622,239,658.46
Trading financial assets		211,963,600.00	172,077,116.52
Financial assets measured at fair value with changes in value recognized in profit or loss			
Derivative financial assets			
Notes receivable		218,795,628.22	316,179,458.46
Accounts receivable	Note 1	428,483,102.61	663,935,347.56
Receivables Financing			
Advances to suppliers		128,124,688.23	74,828,658.18
Other receivables	Note 2	90,663,933.90	87,936,879.35
Including: Interest receivable			2,909,099.16
Dividend receivable		76,808,376.96	75,294,698.36
Inventories		573,890,837.00	504,408,343.29
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		1,229,070,606.89	1,970,719,420.50
Total current assets		4,202,182,526.30	5,412,324,882.32
Non-current assets			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	Note 3	2,742,403,117.96	2,866,295,996.80
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,634,385,337.52	1,624,010,518.82
Construction in progress		71,775,619.42	143,966,878.57
Productive biological assets			
Oil and gas assets			
Right-to-use assets		15,069,303.62	
Intangible assets		527,070,096.40	534,497,286.56
Research and development expenses			
Goodwill			
Long-term deferred expenses		33,354,477.35	32,262,821.15
Deferred income tax assets		53,458,554.88	60,329,817.60
Other non-current assets			
Total non-current assets		5,077,516,507.15	5,261,363,319.50
Total assets		9,279,699,033.45	10,673,688,201.82

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31st, 2019

Item	December 31st, 2019	Dec 31st, 2018
Current liabilities:		
Short-term loans	2,138,456,858.32	3,249,320,000.00
Trading financial liabilities		
Financial liabilities measured at fair value with changes in value recognized in profit or loss		
Derivative financial liabilities		2,727,592.84
Notes payable	750,363,293.22	774,848,987.81
Accounts payable	866,248,907.42	740,519,600.52
Advance from customers		
Contractual liability	150,185,828.53	143,129,821.26
Employee salary payable	58,036,817.89	66,701,364.42
Taxes payables	4,736,582.82	5,115,325.67
Other payables	157,666,148.70	174,453,029.69
Including: Interest payable		11,843,727.58
Dividend payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	606,289,789.74	71,492,363.64
Other current liabilities	29,412,611.49	27,948,212.15
Total current liabilities	4,761,396,838.13	5,256,256,298.00
Non-current liabilities		
Long-term loans	340,000,000.00	1,030,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bond		
Lease liabilities		
Long-term payables		
Long-term employee salary payable	57,921,865.55	71,270,468.46
Estimated Liabilities	2,652,542.65	3,981,625.85
Deferred income	107,161,788.92	114,491,964.32
Deferred tax liabilities	15,294,540.00	9,311,567.48
Other non-current liabilities		
Total non-current liabilities	523,030,737.12	1,229,055,626.11
Total liabilities	5,284,427,575.25	6,485,311,924.11

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31st, 2019

Item	December 31st, 2019	Dec 31st, 2018
Owners' equity (or shareholder's equity):		
Share capital	985,850,000.00	985,850,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserves	2,004,793,045.95	2,004,793,045.95
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	367,607,888.33	367,607,888.33
Retained earnings	637,020,523.92	830,125,343.43
Total shareholder's equity	3,995,271,458.20	4,188,376,277.71
Total liabilities and shareholder's equity	9,279,699,033.45	10,673,688,201.82

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

CONSOLIDATED INCOME STATEMENT

Year of 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
1. Total operating revenue		5,830,175,119.64	5,681,547,536.68
Including: Operating revenue	Note 49	5,736,943,977.67	5,540,998,393.26
Interest income	Note 50	89,290,344.59	138,092,137.95
Fees and commission income	Note 51	3,940,797.38	2,457,005.47
2. Total cost of operation		5,993,424,664.53	6,866,800,698.20
Including: Cost of operation	Note 49	4,808,281,175.55	5,098,425,607.81
Interest expenses	Note 50	33,252,713.00	12,455,994.16
Fees and commission expense	Note 51	490,425.90	405,617.87
Taxes and surcharges	Note 52	45,186,472.32	46,008,058.50
Selling expenses	Note 53	305,526,565.26	461,866,175.50
Administrative expenses	Note 54	382,371,302.74	764,198,051.29
R & D expenses	Note 55	356,609,547.39	378,394,140.28
Financial expenses	Note 56	61,706,462.37	105,047,052.79
Including: Interest expenses	Note 56	138,047,235.07	157,621,838.19
Interest income	Note 56	60,673,101.96	36,285,541.94
Add: Other income	Note 59	94,223,622.26	36,623,032.72
Investment income	Note 61	242,395,344.85	19,158,702.59
Including: Income from investments in associates and joint ventures	Note 61	-10,618,250.83	-10,627,595.84
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")	Note 62	85,687,735.18	10,081,083.66
Loss on impairment on credit (Losses listed as "-")	Note 58	-34,256,859.43	-59,449,904.60
Loss on impairment of assets (Losses listed as "-")	Note 57	-81,901,256.49	-172,393,654.35
Asset disposal income	Note 63	797,468.07	196,944.39

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2019

Item	Note VI	Amount in current year	Amount in last year
3. Operating profit		143,696,509.55	-1,351,036,957.11
Add: Non-operating income	Note 64	41,497,680.79	41,079,900.33
Less: Non-operating expenses	Note 65	2,570,351.43	4,793,199.24
4. Total profit		182,623,838.91	-1,314,750,256.02
Less: Income tax expenses	Note 66	56,110,713.49	50,221,900.25
5. Net profit		126,513,125.42	-1,364,972,156.27
(1) classification according to the continuity of operation			
Continuous operating net profit		126,513,125.42	-1,364,972,156.27
Termination of net profit			
(2) classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		61,475,427.17	-1,300,108,773.92
Minority interest		65,037,698.25	-64,863,382.35

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2019

Item	Amount in current year	Amount in last year
6. Net other comprehensive income after tax	2,282,095.72	-509,964.75
(I) Net other comprehensive income after tax attributable to owners of the parent company	<u>2,665,396.05</u>	<u>-595,491.68</u>
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods	<u>0.00</u>	<u>0.00</u>
1. Re-measurement of Benefit Plan Change		
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method		
3. Changes in Fair Value of Investment in Other Equity Instruments		
4. Fair Value Change of Enterprise's Credit Risk		
5. Others		
(2) Other comprehensive income that will be subsequently reclassified to profit and loss	<u>2,665,396.05</u>	<u>-595,491.68</u>
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale		
4. Changes in Fair Value of Other Creditor's Rights Investment		
5. Amount of financial assets reclassified into other comprehensive returns		
6. Cash Flow Hedging Reserve		
7. The Balance of Conversion of Foreign Currency Financial Statements	<u>2,665,396.05</u>	<u>-595,491.68</u>
8. Investment income from disposal of subsidiaries in a package before loss of control		
9. Investment real estate measured by converting other assets into fair value model		
10. Others		
(II) Net other comprehensive income after tax attributable to minority interests	<u>-383,300.33</u>	<u>85,526.93</u>

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2019

Item	Amount in current year	Amount in last year
7. Total comprehensive income	128,795,221.14	-1,365,482,121.02
(1) Total comprehensive income attributable to shareholders of the parent company	64,140,823.22	-1,300,704,265.60
(2) Total comprehensive income attributable to minority interests	64,654,397.92	-64,777,855.42
8. Earnings per share:		
(1) Basic earnings per share (RMB/share)	0.0624	-1.3188
(2) Diluted earnings per share (RMB/share)	0.0624	-1.3188

If a business consolidation under common control occurs in this period, the net profit achieved by the merger of the merged party before the merger under the same control is RMB 0, and the net profit achieved by the merged party in the previous period is RMB 0.

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

INCOME STATEMENT OF THE PARENT COMPANY

Year of 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
1. Operating revenue	Note 4	3,997,633,250.18	4,310,724,662.46
Less: Cost of operation	Note 4	3,561,197,346.04	4,318,023,155.66
Taxes and surcharges		18,727,199.42	18,452,441.30
Selling expenses		43,367,814.84	60,104,321.83
Administrative expenses		180,881,097.29	350,669,827.16
R & D expenses		288,560,077.84	282,380,738.77
Financial expenses		60,207,022.92	88,498,043.88
Including: Interest expenses		152,037,978.50	175,620,158.72
Interest income		88,057,629.51	92,737,537.92
Add: Other income		51,652,370.04	21,830,336.46
Investment income	Note 5	57,431,307.79	74,275,866.70
Including: income from investments in associates and joint ventures	Note 5	-10,664,878.84	-10,673,611.87
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")		42,614,076.32	29,104,565.04
Loss on impairment on credit (Losses listed as "-")		-159,760,333.54	-12,892,365.12
Loss on impairment of assets (Losses listed as "-")		-24,208,440.75	-259,229,828.56
Asset disposal income		906,561.80	-308,745.84
2. Operating profit		-186,671,766.51	-954,624,037.46
Add: Non-operating income		8,092,582.01	7,916,743.92
Less: Non-operating expenses		1,671,399.77	2,799,119.29
3. Total profit		-180,250,584.27	-949,506,412.83
Less: Income tax expenses		12,854,235.24	-35,005,159.44
4. Net profit		-193,104,819.51	-914,501,253.39
(1) Continuous operating net profit		-193,104,819.51	-914,501,253.39
(2) Termination of net profit			

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

Year of 2019

Item	Amount in current year	Amount in last year
5. Net other comprehensive income after tax	0.00	0.00
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods	0.00	0.00
1. Re-measurement of Benefit Plan Change		
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method		
3. Changes in Fair Value of Investment in Other Equity Instruments		
4. Fair Value Change of Enterprise's Credit Risk		
5. Others		
(2) Other comprehensive income that will be subsequently reclassified to profit and loss	0.00	0.00
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale		
4. Changes in Fair Value of Other Creditor's Rights Investment		
5. Amount of financial assets reclassified into other comprehensive returns		
6. Credit impairment reserve for other creditor's rights investment		
7. Effective part of hedging gains and losses from cash flows		
8. Cash Flow Hedging Reserve		
9. The Balance of Conversion of Foreign Currency Financial Statements		
10. Others		
6. Total comprehensive income	-193,104,819.51	-914,501,253.39
7. Earnings per share:		
(1) Basic earnings per share (RMB/share)		
(2) Diluted earnings per share (RMB/share)		

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

CONSOLIDATED CASH FLOW STATEMENT

Year of 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities :			
Cash from sale and render service		5,910,122,081.27	6,314,794,168.06
Net increase of customer's deposit and deposit taking of interbank		54,030,818.69	300,329,325.29
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution		100,000,000.00	-500,000,000.00
Cash from original insurance contract premium			
Net cash from reinsurance business			
Net increase of insured deposit and investment			
Net increase of financial assets disposal measured as fair value and the variation included in current profit and loss			
Interest, handling charges and commissions received		115,735,351.93	140,241,246.64
Net increase in funds deposit			
Net increase of repurchasing business funds		-520,000,000.00	-69,995,954.70
Refund of tax and levies		73,975,150.27	365,394,220.38
Cash relating to other operating activities	Note 67	127,404,450.05	159,172,056.33
Sub-total of cash inflows from operating activities		5,861,267,852.21	6,709,935,062.00
Cash payments for goods purchased and services received		4,140,000,370.56	5,461,464,185.24
Net increase in loans and payments on behalf		-39,980,625.79	102,865,612.33
Net increase in deposits with centre bank and interbank		-16,680,176.84	-52,457,657.57
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		36,714,720.84	38,973,352.56
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		981,220,453.96	1,174,361,650.89
Payments of all types of taxes		113,776,045.54	104,192,313.91
Other cash payments relating to operating activities	Note 67	315,485,394.26	264,933,352.49
Sub-total of cash outflows from operating activities		5,530,536,182.53	7,094,332,809.85
Net cash flows from operating activities		330,731,669.68	-384,397,747.85

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2019

Item	Note VI	Amount in current year	Amount in last year
2. Cash flows from investing activities:			
Cash received from disposals and withdraw on investment		996,653,200.80	553,693,976.04
Cash received from returns on investments		95,332,707.19	64,593,154.26
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		19,682,750.14	3,875,459.72
Net cash received from disposals of subsidiaries and other business units		334,436,003.42	
Other cash received relating to investing activities		0.00	
Sub-total of cash inflows from investing activities		1,446,104,661.55	622,162,590.02
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		249,116,423.19	268,432,138.66
Cash payments to acquire investments		3,871,238.40	900,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		252,987,661.59	1,168,432,138.66
Net cash flows from investing activities		1,193,116,999.96	-546,269,548.64
3. Cash flows from financing activities:			
Cash received from investors in making investment in the enterprise			0.00
Including: cash received from issuing shares of minority shareholders			0.00
Cash received from the loans		1,441,915,092.84	3,015,356,298.00
Other cash received relating to financing activities			0.00
Sub-total of cash outflows from financing activities		1,441,915,092.84	3,015,356,298.00
Cash repayments of amounts borrowed		2,969,436,581.00	3,557,392,918.56
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		140,155,908.66	192,805,455.28
Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit		200,400.00	189,000.00
Other cash payments relating to financing activities	Note 67	18,912,382.68	
Sub-total of cash outflows from financing activities		3,128,504,872.34	3,750,198,373.84
Net cash flows from financing activities		-1,686,589,779.50	-734,842,075.84

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2019

Item	Amount in current year	Amount in last year
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>3,273,729.25</u>	<u>-1,637,625.28</u>
5. Net increase in cash and cash equivalents	<u>-159,467,380.61</u>	<u>-1,667,146,997.61</u>
Plus: Cash and cash equivalents at beginning of period	<u>1,279,587,830.24</u>	<u>2,946,734,827.85</u>
6. Cash and cash equivalents at end of period	<u>1,120,120,449.63</u>	<u>1,279,587,830.24</u>

The attached notes to the financial statements are part of the consolidated financial statements.

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

CASH FLOW STATEMENT OF THE PARENT COMPANY

Year of 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities :		
Cash from sale and render service	4,723,380,207.14	5,163,599,582.21
Refund of tax and levies	42,415,249.31	290,900,393.94
Cash relating to other business activities	193,904,201.19	53,510,070.60
Sub-total of cash inflows from operating activities	4,959,699,657.64	5,508,010,046.75
Cash payments for goods purchased and services received	3,701,693,599.69	4,694,219,968.91
Cash paid to and on behalf of employees	510,832,550.17	615,682,963.36
Payments of all types of taxes	19,144,461.84	18,702,129.09
Cash paid relating to other operating activities	161,622,666.87	170,273,828.20
Sub-total of cash outflows from operating activities	4,393,293,278.57	5,498,878,889.56
Net cash flows from operating activities	566,406,379.07	9,131,157.19
2. Cash flows from investing activities		
Cash received from returns on investments	971,600,000.00	555,000,000.00
Cash received from investments income	107,992,887.92	197,375,139.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	17,703,257.60	5,065,685.32
Net cash received from disposal of subsidiaries and other business units	197,766,108.03	
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities	1,295,062,253.55	757,440,825.11
Cash paid to acquire fixed assets, intangible assets and other long-term assets	149,859,680.30	137,915,881.34
Cash paid for investments	430,352,000.00	1,164,742,000.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	580,211,680.30	1,302,657,881.34
Net cash flows from investing activities	714,850,573.25	-545,217,056.23

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

Year of 2019

Item	Amount in current year	Amount in last year
3. Cash flows from financing activities		
Cash received from investment absorption		
Cash received from the loans	2,750,000,000.00	4,688,183,000.00
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	2,750,000,000.00	4,688,183,000.00
Cash repayments of amounts borrowed	4,031,815,000.00	5,109,192,918.56
Cash paid for dividends, profits appropriation or payments of interest	169,864,361.19	216,357,702.90
Cash paid relating to other financing activities	15,078,801.10	145,500.00
Sub-total of cash outflows from financing activities	4,216,758,162.29	5,325,696,121.46
Net cash flows from financing activities	-1,466,758,162.29	-637,513,121.46
4. Effect of changes in foreign exchange rate on cash and cash equivalents	-472.33	16,940.23
5. Net increase in cash and cash equivalents	-185,501,682.30	-1,173,582,080.27
Add: Cash and cash equivalents at the beginning of the year	1,280,174,973.16	2,453,757,053.43
6. Cash and cash equivalents at the end of the year	1,094,673,290.86	1,280,174,973.16

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year of 2019

Unit: Yuan Currency: RMB

Item	Amount in this year										
	The owner's equity attributable to parent company										
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Minority equity	Total owners' equity
I. Closing balance of prior year	985,850,000.00		2,099,639,657.89		-16,863,576.18	3,274,006.51	442,101,172.16		493,080,403.24	648,994,106.74	4,656,075,770.36
Add: accounting policy changes											
Prior errors' correction											
Enterprise merger under the same control											
Others											
II. Balance at the beginning of current year	985,850,000.00		2,099,639,657.89		-16,863,576.18	3,274,006.51	442,101,172.16		493,080,403.24	648,994,106.74	4,656,075,770.36
III. Increases/decreases in current year			-173,031.56		2,665,396.05	-1,044,006.20		25,104,151.50	36,371,275.67	64,866,233.63	127,790,019.09
(I) Total comprehensive income					2,665,396.05				61,475,427.17	64,654,397.92	128,795,221.14
(II) Capital contributed by owners and capital decreases			-173,031.56							633,195.40	460,163.84
1. Capital contributed by owner											
2. Holders of other equity instruments invested capital											
3. The amount of the shares paid into the shareholders' rights and interests											
4. Others			-173,031.56							633,195.40	460,163.84
(III) Profit distribution								25,104,151.50	-25,104,151.50	-366,720.00	-366,720.00
1. Appropriation of surplus reserve											
2. Extraction of general risk reserves								25,104,151.50	-25,104,151.50		
3. Profit distributed to owners (or stockholders)										-366,720.00	-366,720.00
4. Others											
(IV) Transfers within the owners' equity											
1. Capital (or stock) transferred from capital surplus											
2. Capital (or stock) transferred from surplus reserve											
3. Recovery of losses by surplus reserve											
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans											
5. Others											
(V) Special reserves						-970,018.57				-54,639.69	-1,024,658.26
1. Extraction of special reserves						9,931,226.58				494,146.85	10,425,373.43
2. Use of special reserves						10,901,245.15				548,786.54	11,450,031.69
(VI) Others						-73,987.63					-73,987.63
IV. Balance at the end of current year	985,850,000.00		2,099,466,626.33		-14,198,180.13	2,230,000.31	442,101,172.16	25,104,151.50	529,451,678.91	713,860,340.37	4,783,865,789.45

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Year of 2019

Item	Amount in last year										
	The owner's equity attributable to parent company										Total owners' equity
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Minority equity	
I. Closing balance of prior year	985,850,000.00	-	2,099,632,613.11	-	-16,268,084.50	3,674,350.81	438,442,350.67	12,754,318.98	1,273,219,846.84	641,677,082.15	5,438,982,478.06
Add: accounting policy changes							3,658,821.49		507,215,011.34	80,636,251.82	591,510,084.65
Prior errors' correction											-
Enterprise merger under the same control											-
Others											-
II. Balance at the beginning of current year	985,850,000.00	-	2,099,632,613.11	-	-16,268,084.50	3,674,350.81	442,101,172.16	12,754,318.98	1,780,434,858.18	722,313,333.97	6,030,492,562.71
III. Increases/decreases in current year	-	-	7,044.78	-	-595,491.68	-400,344.30	-	-12,754,318.98	-1,287,354,454.94	-73,319,227.23	-1,374,416,792.35
(I) Total comprehensive income					-595,491.68				-1,300,108,773.92	-64,777,855.42	-1,365,482,121.02
(II) Capital contributed by owners and capital decreases	-	-	7,044.78	-	-	-	-	-	-	-7,044.78	-
1. Capital contributed by owner											-
2. Holders of other equity instruments invested capital											-
3. The amount of the shares paid into the shareholders' rights and interests											-
4. Others			7,044.78							-7,044.78	-
(III) Profit distribution	-	-	-	-	-	-	-	-12,754,318.98	12,754,318.98	-8,462,232.00	-8,462,232.00
1. Appropriation of surplus reserve											-
2. Extraction of general risk reserves								-12,754,318.98	12,754,318.98		-
3. Profit distributed to owners (or stockholders)											-
4. Others										-8,462,232.00	-8,462,232.00
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus											-
2. Capital (or stock) transferred from surplus reserve											-
3. Recovery of losses by surplus reserve											-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans											-
5. Others											-
(V) Special reserves	-	-	-	-	-	-400,344.30	-	-	-	-72,095.03	-472,439.33
1. Extraction of special reserves						11,858,142.62				623,408.68	12,481,551.30
2. Use of special reserves						12,258,486.92				695,503.71	12,953,990.63
(VI) Others											-
IV. Balance at the end of current year	985,850,000.00	-	2,099,639,657.89	-	-16,863,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24	648,994,106.74	4,656,075,770.36

The attached notes to the financial statements are part of the consolidated financial statements.

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year of 2019

Unit: Yuan Currency: RMB

Item	Amount in this year								Total owners' equity
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
I. Closing balance of prior year	985,850,000.00	-	2,004,793,045.95	-	0.00	0.00	367,607,888.33	830,125,343.43	4,188,376,277.71
Add: accounting policy changes							-		-
Prior errors' correction									-
Others									-
II. Balance at the beginning of current year	985,850,000.00	-	2,004,793,045.95	-	-	-	367,607,888.33	830,125,343.43	4,188,376,277.71
III. Increases/decreases in current year	-	-	-	-	-	-	-	-193,104,819.51	-193,104,819.51
(I) Total comprehensive income								-193,104,819.51	-193,104,819.51
(II) Capital contributed by owners and capital decreases	-	-	-	-	-	-	-	-	-
1. Capital contributed by owner			-						-
2. Holders of other equity instruments invested capital									-
3. The amount of the shares paid into the shareholders' rights and interests									-
4. Others				-					-
(III) Profit distribution	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve								-	-
2. Profit distributed to owners (or stockholders)								-	-
3. Others								-	-
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	-								-
2. Capital (or stock) transferred from surplus reserve	-								-
3. Recovery of losses by surplus reserve								-	-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans									-
5. Others								-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-
1. Extraction of special reserves						6,129,642.36			6,129,642.36
2. Use of special reserves						6,129,642.36			6,129,642.36
(VI) Others									-
IV. Balance at the end of current year	985,850,000.00	-	2,004,793,045.95	-	-	-	367,607,888.33	637,020,523.92	3,995,271,458.20

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

Year of 2019

Item	Amount in last year								
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total owners' equity
I. Closing balance of prior year	985,850,000.00	-	2,004,793,045.95			-	363,949,066.84	1,711,697,203.46	5,066,289,316.25
Add: accounting policy changes							3,658,821.49	32,929,393.36	36,588,214.85
Prior errors' correction									-
Others									-
II. Balance at the beginning of current year	985,850,000.00	-	2,004,793,045.95	-	-	-	367,607,888.33	1,744,626,596.82	5,102,877,531.10
III. Increases/decreases in current year	-	-	-	-	-	-	-	-914,501,253.39	-914,501,253.39
(I) Total comprehensive income								-914,501,253.39	-914,501,253.39
(II) Capital contributed by owners and capital decreases	-	-	-	-	-	-	-	-	-
1. Capital contributed by owner									-
2. Holders of other equity instruments invested capital									-
3. The amount of the shares paid into the shareholders' rights and interests									-
4. Others									-
(III) Profit distribution	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve								-	-
2. Profit distributed to owners (or stockholders)								-	-
3. Others								-	-
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	-								-
2. Capital (or stock) transferred from surplus reserve								-	-
3. Recovery of losses by surplus reserve	-								-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans									-
5. Others									-
(V) Special reserves	-	-	-	-	-	-	-	-	-
1. Extraction of special reserves						7,134,075.05			7,134,075.05
2. Use of special reserves						7,134,075.05			7,134,075.05
(VI) Others									-
IV. Balance at the end of current year	<u>985,850,000.00</u>	<u>-</u>	<u>2,004,793,045.95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,607,888.33</u>	<u>830,125,343.43</u>	<u>4,188,376,277.71</u>

The attached notes to the financial statements are part of the consolidated financial statements.

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Min Li

NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

I. GENERAL INFORMATION OF THE COMPANY

(a) The registered address of business license, the type of organization, and the address of headquarters

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

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

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by December 31, 2019, the total capital stock of company is 985,850,000 shares and registered capital is RMB985,850,000. The registered address of business license of the Company is No. 154 Construction Road, Luoyang, Henan Province. The parent company of the Company is YTO Group Corporation (referred hereunder as the “YTO Group”) and the ultimate controlling party of the YTO Group is China National Machinery Industry Corporation (referred hereunder as the “SinoMach Group”).

(b) The nature of the Group’s business and its main business activities

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

(c) The approval of the financial statements

The financial statements are reported in April 23, 2020 by the board of directors of the Group.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group include 16 companies, which are:

The name of subsidiaries	The type of Subsidiaries	Rank	Holding Ratio (%)	Representative Ratio (%)
Zhongfei Heavy Industry Investment Co., Ltd.	holding subsidiaries	2	55	55
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	participating stock subsidiaries	2	33.33	66.66
YTO Heilongjiang Agricultural Equipment Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
Luoyang Tractor Research Institute Co., Ltd.	holding subsidiaries	2	51.00	51.00
YTO International Economic and Trade Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang)Flag Auto-Body Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Fuel Injection Co., Ltd.	holding subsidiaries	2	86.11	86.11
Brilliance China Machinery Holding Co., Ltd.	holding subsidiaries	2	90.10	90.10
Luoyang Changxing Agricultural Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
China YTO Group Finance Limited Liability Company	holding subsidiaries	2	98.79	98.79
YTO (Luoyang) Diesel Engine Co., Ltd.	holding subsidiaries	2	85.47	85.47
YTO (Luoyang) Shunxing Parts Limited Liability Company	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Foundry Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO France SAS	wholly-owned subsidiaries	2	100.00	100.00
YTO Belarus Technology Co. Ltd.	wholly-owned subsidiaries	2	100.00	100.00

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

Compared with the previous period, the number of subjects included in the consolidated financial statements in the current period decreased by 2 subsidiaries which is rank 2 and 1 subsidiary in rank 3.

Subsidiaries no longer included in the scope of merger, special purpose subjects, business entities that lose control by entrusting or leasing in the current period.

Company	The reason of change
YTO (Luoyang) Handling Machinery Co., Ltd.	Stock Right Disposal
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	Stock Right Disposal
Luoyang Xiyuan and Power Inspection Institute Co., Ltd	Stock Right Disposal

Detailed information on the subject of change in the scope of merger can be found in Note VII. Changes in the scope of consolidation.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Going concern

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Specific accounting policies and accounting estimates

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

- (a) Impairment of receivables. The management of the Group assesses the credit risk based on the relevant asset portfolio and measures its loss provision based on the amount of expected credit losses over the life of the Group. If the expected figures are different from the original estimates, the difference will affect the book value of accounts receivable, as well as the impairment charges during the estimated changes.
- (b) Estimation of inventory impairment. The management of the Group has measured the lower of the cost and the net realizable value on the balance sheet day and the calculation of the net realizable value needs to be assumed and estimated. If the management of the Group revise the costs when estimating the selling price or project completed, it will affect the estimation of net realizable value of inventory, the differences of estimation will affect the provision of inventory depreciation.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Specific accounting policies and accounting estimates: (Continued)

- (c) Estimated useful life and estimated net residual value of fixed assets. The estimated useful life and estimated net residual value of fixed assets are based on the past actual life and actual net residual value of fixed assets with similar properties and functions. In the process of using fixed assets, the economic environment, technical environment and other environment may have a greater impact on the useful life and estimated net residual value of fixed assets. If the estimated useful life and net residual value of fixed assets differ from the original estimate, management will make appropriate adjustments.
- (d) The fair value of financial assets. The Group determines the fair value of financial instruments that do not have an active market using various valuation techniques including discounted cash flow method. For an available-for-sale financial asset that is legally restricted to the Group's disposal during a specified period, its fair value is based on market quotes and adjusted based on the characteristics of the instrument. At the time of valuation, the Group needs to estimate the credit risk, market volatility and correlation of itself and counterparties, and the changes in these related factors assumptions will affect the fair value of financial instruments.
- (e) Deferred income tax assets and deferred income tax liabilities.

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

2. Statement of compliance of Accounting Standards for Business Enterprises

In accordance with the Accounting Standards for Business Enterprises (ASBEs), the financial statements of the Group truly and completely present the financial position of the Group and their financial performance and cash flows and other related information.

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

3. Accounting year

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

4. Operating cycle

The operating cycle of the Group is twelve months.

5. Recording currency

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

(b) Enterprise merger under common control

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

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

As enterprise merger realized by multiple transactions which belong to a package transaction, considering these transactions as a control transaction when carrying out accounting method. In the case of non-package transactions, on the day of gaining control day, the difference between the initial investment cost of long-term equity investment and the book value of the new payment consideration with the sum of the book value of the new share price before the merger should be adjusted by adjusting capital surplus. If the capital stock is not enough to be reduced, the retained earnings will be adjusted. Accounting treatment would not be carried out for equity investment which measured by equity method or identification and measurement criteria for financial instruments before merger until disposing of the investment based on the same assets or liabilities that are directly disposed of with the invested unit. Changes in the owner's equity exclude net profit and loss, other comprehensive income and profit distribution would not be processed until the changes is transferred into the current profits and losses.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(c) Enterprise merger not under common control

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(d) The costs of merger

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

7. Preparation of consolidated financial statements

(a) Scope of the merger

The consolidation scope of the Group includes all subsidiaries controlled.

(b) Consolidated procedures

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Preparation of consolidated financial statements (Continued)

(b) Consolidated procedures (Continued)

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

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

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

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

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

9. Cash and cash equivalents

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Translation for financial statements of foreign exchange

(1) Transactions involving foreign currencies

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

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

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

(2) Foreign currency translation of financial statements

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments

Financial instruments includes financial assets, financial liabilities, and equity instrument.

(1) Category of financial instruments

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) *Classification and measurement of financial liabilities*

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

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

Subsequent measurement of financial liabilities depends on their classification:

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

2) *Other financial liabilities*

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(3) The confirmation of termination of financial instruments

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(4) Recognition and measurement of financial assets transfer

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

- (a) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:
 - I. The book value of the transferred financial assets on the date of termination confirmation.
 - II. The consideration received for the transfer of financial assets is the sum of the amount corresponding to the termination confirmation in the cumulative amount of changes in fair value that was originally recognised directly in other comprehensive income. (The financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income.)

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

- (a) Based on the expected credit losses, the Group evaluates the expected credit losses of financial assets measured at amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income, conducts impairment accounting treatment and confirms loss preparation. Of which, for the financial assets purchased or generated by the Group with credit impairment, they shall be discounted according to the actual interest rate adjusted by credit of the financial assets.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

- (b) When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:
- I. The issuer or the debtor has significant financial difficulties;
 - II. The debtor breaches the contract, such as repayment of interest or principal default or overdue;
 - III. The creditor gives the debtor no concessions in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
 - IV. The debtor is likely to go bankrupt or carry out other financial restructurings;
 - V. The financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
 - VI. Purchase or source a financial asset at a substantial discount, which reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

- (c) For purchased or generated financial assets that have suffered credit impairment, the cumulative change in expected credit losses over the entire duration of the initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of the change in expected credit losses over the entire life period is recognised in profit or loss as an impairment loss or gain. Even if the expected credit loss for the entire life period determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flow at the initial recognition, the expected change in credit loss is recognized as an impairment gain.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

- (d) Except for the case of (c) the provision for loss of financial instruments, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and measures the loss, confirms the expected credit loss and its change according to the following situations:
- I. If the credit risk of the financial instrument has increased significantly since the initial recognition, the loss is measured at the amount equivalent to the expected credit loss for the entire duration of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit and loss as an impairment loss or gain.
 - II. If the credit risk of financial instruments since the initial confirmation has not increased significantly, according to the equivalent of the financial instruments is expected in the next 12 months the amount of credit losses measuring their losses, regardless of the Group to evaluate credit loss is the basis of individual financial instruments or financial instrument combination, the resulting loss to increase or return amount, shall be used as impairment losses or gains recorded into the profits and losses.

The expected credit loss in the next 12 months refers to the expected credit loss caused by the possible default of financial instruments within the next 12 months of the balance sheet, which is part of the expected credit loss in the whole duration of the maturity.(if the expected duration of a financial instrument is less than 12 months, it is the expected duration)

In conducting the assessment, the Group considers all reasonable and valid information, including prospective information. In order to ensure a significant increase in credit risk since the initial recognition of financial instruments, i.e., to confirm the expected credit loss for the entire duration of maturity, in some cases, the assessment of credit risk on the basis of portfolio is considered as a significant increase.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

12. Accounts receivables

(1) *Notes receivable*

Provision for bad debts of the Group's notes receivable shall be made based on the expected credit loss during the whole duration.

(2) *Accounts receivable*

The Group's allowance for bad debts is based on the amount of anticipated credit losses during the entire life of the group's accounts receivable.

The Group is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at a single instrument level, and it is feasible to assess whether a significant increase in credit risk is achieved on the basis of a portfolio. Therefore, on the basis of the actual loss rate of accounts receivable in previous years, the judgment of future recovery risk and the analysis of credit risk characteristics, the Group determines the expected credit loss rate and provision for bad debts.

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivables (Continued)

(3) *Other receivable*

The Group measures other receivables loss provision in accordance with the following circumstances: ①If the credit risk has not increased significantly since the initial confirmation, the Group shall measure the loss preparation according to the amount of anticipated credit losses in the next 12 months. ②Financial assets whose credit risk has increased significantly since the initial confirmation, the Group measures the loss provision in the amount equivalent to the expected credit loss of the financial instrument during its entire life cycle. ③When purchasing or originating financial assets that have suffered credit impairment, the Group shall measure the loss provision in the amount equivalent to the expected credit loss during the whole life period.

For other receivables, the Group can not obtain sufficient evidence of significant increase in credit risk at a reasonable cost at a single instrument level, and it is feasible to assess whether significant increase in credit risk is achieved on the basis of portfolio. Therefore, the Group receives other receivables according to the common risk characteristics of financial instrument type, credit risk rating, initial confirmation date and residual contract duration. Line grouping and portfolio-based assessment of whether credit risk increases significantly.

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories

(1) Classification of inventories

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

(2) Method of valuation of inventory

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

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

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

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

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

(4) Inventory system

Adopting the perpetual inventory system.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories (Continued)

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

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

14. Contract assets and contract liabilities

(1) Method and standards for recognition of contract assets and contract liabilities

The right of the Group to receive consideration for the transfer of goods to its customers, which depends on factors other than the passage of time, is recognized as a contractual asset. Part of the obligation to transfer goods to the customer when the customer has received or receivables consideration is recognized as contract liabilities.

(2) Method of determination of expected credit loss of contract assets and accounting treatment methods

The Group evaluates the anticipated credit loss of contract assets and measures its loss preparation based on the amount equivalent to the anticipated credit loss during the whole life period. Based on the actual loss rate of contract assets in previous years, the judgment of future recovery risk and the analysis of credit risk characteristics, the expected loss rate is determined and the provision for impairment of contract assets is calculated accordingly.

15. Assets classified as held for sale

(1) Confirmation criteria for assets classified as held for sale

The Group determines non-current assets or disposal teams that simultaneously meet the following requirements as assets classified as held for sale:

- (a) In accordance with the practice of selling such assets or disposal teams in similar transactions, they can be sold immediately in the current circumstances.
- (b) The sale is very likely occurring, that is, the Group has made a resolution on a sale plan, has been approved by the regulatory authorities (if applicable), and has obtained a firm commitment to purchase which the sale is expected to be completed within one year.

Purchase commitment is determined which means a legally binding purchase agreement signed by the Group with other parties. The agreement contains important terms such as transaction price, time and severe penalties for breach of contract that major adjustments or revocations to agreements is unlikely to happen.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Assets classified as held for sale (Continued)

(2) Accounting method for assets classified as held for sale

Where the Group holds non-current assets or disposal teams for sale without depreciation or amortization and their book value is higher than the net amount of fair value minus the selling expenses, the book value shall be written down to the net amount after the fair value minus the selling expenses. The amount written down shall be recognized as the loss of impairment of assets and shall be recorded in the profits and losses of the current period. At the same time, provision for impairment of assets classified as held for sale is made.

For the non-current assets or disposal groups are classified as holding for sale on acquisition days, the amount of initial measurement is the lower between the initial measurement amount when these are not classified as holding for sale and fair value minus the net sale cost.

The above principles apply to all non-current assets, but not investment real estate which applying fair value model for follow-up measurement, biological assets Measured by net value minus sale cost, assets formed by employees' compensation, deferred tax assets, financial assets standardized by Financial Instruments-Related Accounting Standards, rights arising from insurance contracts regulated by relevant accounting standards for insurance contracts.

16. Long-term receivables

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

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

Overdue age

Not overdue receivables

Overdue receivables

Expected loss reserve rate

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

Expected loss rate

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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

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

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

18. Investment properties

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets

(1) Conditions for confirmation of fixed assets

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

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

(2) Initial measurement of fixed assets

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (Continued)

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

a. Depreciation of fixed assets

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

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

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

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

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

b. Subsequent measurements of fixed assets

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (Continued)

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

c. Disposal of fixed assets

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

20. Construction in progress

(1) Initial measurement of construction in process

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost

(1) Recognition principle of capitalization of borrowing costs

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

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

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

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

(2) Capitalization period of borrowing costs

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost (Continued)

(3) Suspension of capitalization period

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

(4) Calculation for capitalization of borrowing costs

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Right-of-use assets

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

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

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

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

23. Intangible assets and development expenditure

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

(1) *Initial measurement of intangible assets*

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

Debt restructuring to the debtor to owe, intangible assets, on the basis of the fair value of the intangible assets to determine its costs, and the book value of the debt restructuring and the to a debt is the difference between the fair value of intangible assets, included in the current profits and losses.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

(1) Initial measurement of intangible assets (Continued)

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

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

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

(2) The subsequent measurement of intangible assets

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

a. Intangible assets with limited service life

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

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

b. Intangible assets with uncertain service life

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

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

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

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

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

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

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

24. Impairment on long-term assets

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Impairment on long-term assets (Continued)

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

No matter whether there is any sign of impairment or not, the impairment test is carried out every year because of the goodwill and the intangible assets of the enterprise merger.

In the devaluation test of goodwill, the book value of goodwill would be amortised to asset groups or portfolio groups benefiting from the synergy effect of an enterprise merger as expected. When taking an impairment test on the relevant asset group containing goodwill or combination of group assets, such as goodwill and the related asset group or combination of asset groups signs of impairment, first calculate the recoverable amount but not test the impairment which does not contain an asset group or combination of asset groups. Then, compare it with the related book value and confirm the impairment the corresponding loss. Next, testing impairment of goodwill includes asset group or combination of asset groups and comparing book value of the related asset group or combination of asset groups (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill.

25. Long-term prepayments

(1) *Amortization method*

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

Amortization years

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits

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

(1) *Short-term remuneration*

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

(2) *Post-employment benefits*

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits (Continued)

(3) Termination benefits

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits (Continued)

(4) *Other long-term employment benefit*

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

27. Expected liabilities

(1) *Criteria for expected liabilities*

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

The assumed responsibilities are current liability;

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

The amount of liabilities can be measured reliably.

(2) *Measurement method of expected liabilities*

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

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

The best estimates are measured in different situation as follow:

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Expected liabilities (Continued)

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

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

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

28. Revenue

(1) *Recognition and measurement of revenue*

(a) *Contract confirmation principle;*

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

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

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(1) Recognition and measurement of revenue (Continued)

(c) Confirmation of transaction price

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

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

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

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

(e) Confirmation of revenue

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

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

I. Domestic product sales revenue

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

II. Foreign trade revenue

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

III. Financial services income

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

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

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

IV. Others

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Government subsidy

(1) Classification of government subsidy

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

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

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

(2) Confirmation of government subsidy

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

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

(3) Accounting treatment method

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Government subsidy (Continued)

(3) Accounting treatment method (Continued)

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

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

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

30. Deferred tax assets/deferred tax liabilities

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

(1) Basis of confirmation for deferred tax assets

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) Basis of confirmation for deferred tax liabilities

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

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

31. Lease

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

(1) Spin off of lease contracts

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

(2) Consolidation of lease contracts

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

- I. The two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.
- II. The amount of consideration for a contract in two or more contracts depends on the pricing or performance of other contracts.
- III. The right-to-use assets transferred by the two or more contracts together constitutes a separate lease.

(3) Accounting for the Company as lessee

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

2) Right-to-use assets

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

3) Lease liabilities

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

(4) Accounting for the Company as Lessor

1) Classification of Leases

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

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

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

2) Accounting for operating lease

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

3) Accounting for financial lease

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

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

- I. Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive.
- II. Variable rental payments depending on index or ratio.
- III. In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option.
- IV. The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

3) Accounting for financial lease (Continued)

- V. Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

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

(5) Sale-leaseback

1) The Company as the seller and lessee

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

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

2) The Company as buyer and lessor

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Discontinued operation

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

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

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

33. Safety production cost

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

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. General risk reserve

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

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

36. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

The content and reason of accounting policy change	The examination and approval procedures	Note (name and amount of report items significantly affected)
Accounting Standards for Business Enterprises No. 7-Exchange of Non Monetary Assets		See other instructions for details
Accounting Standards for Business Enterprises No.12-Debt Restructuring		See other instructions for details
Accounting Standards for Enterprises No. 2-Lease		See other instructions for details

Other instructions

1) Impact of implementation of new standards on the Group

The Group implemented the revised accounting standards for Business Enterprises No. 7 – exchange of non monetary assets from June 10, 2019, and the revised accounting standards for Business Enterprises No. 12 – debt restructuring from June 17, 2019. This change of accounting policy is dealing with the future applicable method, and the non-monetary assets exchange and debt restructuring between January 1, 2019 and the implementation date of the standard are adjusted based on the provisions of the standard. The Group's implementation of the standards has no impact on the financial statements.

On January 1, 2019, the Group implemented the new standards Accounting Standards for Enterprises No. 21 – Lease which revised and issued by the Ministry of Finance.

Relevant accounting policies are detailed in Note 31. The impact of the implementation of the new leasing standards on the Group is as follows:

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

1) Impact of implementation of new standards on the Group (Continued)

On the first execution date, the company does not reassess whether the existing contract is a lease or includes a lease, and applies this method to all contracts. Therefore, it only implements the convergence provisions of these standards for the contracts identified as a lease under the original lease criteria. In addition, the Group has chosen to adopt a simplified retrospective adjustment method to link up the above-mentioned lease contracts in accordance with the provisions of Accounting Standards for Enterprises No. 28 – Accounting Policies, Changes in Accounting Estimates and Error Correction. That is, to adjust the retained earnings and other related items in the financial statements at the beginning of the first year of implementation of the present Standards without adjusting the comparable period information, and to adopt the relevant simplified method and the right-of-assets measurement are adopted for the leases based on each lease option. Accounting policies of the Group for low-value asset leases and short-term leases are non-recognition of right-of-use assets and lease liabilities.

The impact of the implementation of the new leasing standards on items related to the current financial statements is shown below:

Item	December 31, 2018	Cumulative impact amount	January 1, 2019
Right-of-use assets		28,882,159.73	28,882,159.73
Lease liabilities		9,945,649.25	9,945,649.25
Lease liabilities due within one year		18,936,510.48	18,936,510.48

2) Impacts of the new reporting format on the Group

In September 2019 and May 2019, the Ministry of Finance issued the notice on revising and Issuing the format of consolidated financial statements and the format of general enterprise financial statements in 2019. The Group has prepared the financial statements for year 2019 in accordance with the above notification, and adjusted the items of comparative financial statements accordingly. Refer to 3).

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group

I. Consolidated balance sheet

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of the Implementation of New Accounting Standards for Enterprises	January 1, 2019
Lendings to Banks and Other Financial Institutions	200,000,000.00	257,777.78	200,257,777.78	200,257,777.78	924,502,397.15
Notes receivable		523,719,132.77	523,719,132.77		523,719,132.77
Accounts receivable		405,771,306.07	405,771,306.07		405,771,306.07
Notes receivable & Accounts receivable	929,490,438.84	-929,490,438.84			
Other receivables	65,741,038.66	-17,708,921.80	48,032,116.86		48,032,116.86
Other current assets	2,017,266,694.07	17,363,333.33	2,034,630,027.40		2,034,630,027.40
Total current assets	7,532,432,255.80	-87,810.69	7,532,344,445.11		7,532,344,445.11
Loans and advances to customers	1,011,378,462.91	87,810.69	1,011,466,273.60		1,011,466,273.60
Right-of-use assets				28,882,159.73	28,882,159.73
Total non-current assets	5,608,309,500.19	87,810.69	5,608,397,310.88	28,882,159.73	5,637,279,470.61
Total assets	13,140,741,755.99		13,140,741,755.99	28,882,159.73	13,169,623,915.72
Short-term loans	2,777,516,101.13	14,821,136.37	2,792,337,237.50		2,792,337,237.50
Absorption of deposits and interbank deposits	1,080,524,854.03	5,693,203.76	1,086,218,057.79		1,086,218,057.79
Notes payable		958,616,789.34	958,616,789.34		958,616,789.34
Accounts payable		1,194,829,925.57	1,194,829,925.57		1,194,829,925.57
Notes payable & Accounts payable	2,153,446,714.91	-2,153,446,714.91			
Other payables	312,621,126.21	-20,514,340.13	292,106,786.08		292,106,786.08
Non-current liabilities due within one year	76,664,479.21	-16,664,479.21	60,000,000.00	18,936,510.48	78,936,510.48
Total current liabilities	7,183,179,930.34	-16,664,479.21	7,166,515,451.13	18,936,510.48	7,185,451,961.61
Lease liabilities				9,945,649.25	9,945,649.25
Deferred income	169,360,596.63	16,664,479.21	186,025,075.84		186,025,075.84
Total non-current liabilities	1,301,486,055.29	16,664,479.21	1,318,150,534.50	9,945,649.25	1,328,096,183.75
Total liabilities	8,484,665,985.63		8,484,665,985.63	28,882,159.73	8,513,548,145.36

Note: The above table shows only the affected financial statements, excluding the unaffected ones.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group (Continued)

II. Balance sheet of the parent company

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of the Implementation of New Accounting Standards for Enterprises	January 1, 2019
Notes receivable & Accounts receivable	980,114,806.02	-980,114,806.02			
Notes receivable		316,179,458.46	316,179,458.46		316,179,458.46
Accounts receivable		663,935,347.56	663,935,347.56		663,935,347.56
Other receivables	87,936,879.35	-2,909,099.16	85,027,780.19		85,027,780.19
Other current assets	1,970,719,420.50	2,909,099.16	1,973,628,519.66		1,973,628,519.66
Right-of-use assets				24,041,721.43	24,041,721.43
Total assets	10,673,688,201.82		10,673,688,201.82	24,041,721.43	10,697,729,923.25
Short-term loans	3,249,320,000.00	10,392,338.69	3,259,712,338.69		3,259,712,338.69
Notes payable & Accounts payable	1,515,368,588.33	-1,515,368,588.33			
Notes payable		774,848,987.81	774,848,987.81		774,848,987.81
Accounts payable		740,519,600.52	740,519,600.52		740,519,600.52
Other payables	174,453,029.69	-11,843,727.58	162,609,302.11		162,609,302.11
Advances from customers					
Estimated Liabilities					
Non-current liabilities due within one year	71,492,363.64	-10,040,974.75	61,451,388.89	15,485,688.53	76,937,077.42
Current liabilities	5,256,256,298.00	-11,492,363.64	5,244,763,934.36	15,485,688.53	5,260,249,622.89
Deferred income	114,491,964.32	11,492,363.64	125,984,327.96		125,984,327.96
Lease liabilities				8,556,032.90	8,556,032.90
Total non-current liabilities	1,229,055,626.11	11,492,363.64	1,240,547,989.75	8,556,032.90	1,249,104,022.65
Total liabilities	6,485,311,924.11		6,485,311,924.11	24,041,721.43	6,509,353,645.54

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

- (3) **Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019**

CONSOLIDATED BALANCE SHEET

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Monetary Funds	1,549,845,341.18	1,549,845,341.18	
Settlement provisions			
Lendings to Banks and Other Financial Institutions	200,000,000.00	200,257,777.78	257,777.78
Trading financial assets	897,235,968.16	897,235,968.16	
Financial assets measured at fair value with changes in value recognized in profit or loss			
Derivative financial assets	578,743.73	578,743.73	
Notes receivable	523,719,132.77	523,719,132.77	
Accounts receivable	405,771,306.07	405,771,306.07	
Receivables Financing			
Advances to suppliers	107,561,199.88	107,561,199.88	
Premiums receivable			
Reinsurance Accounts Receivable			
Provision of cession receivable			
Other receivables	65,741,038.66	48,032,116.86	-17,708,921.80
Including: Interest receivable	17,708,921.80		-17,708,921.80
Dividend receivable			
Buying back the sale of financial assets	150,203,731.40	150,203,731.40	
Inventories	1,430,349,787.42	1,430,349,787.42	
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	184,159,312.46	184,159,312.46	
Other current assets	2,017,266,694.07	2,034,630,027.40	17,363,333.33
Total current assets	7,532,432,255.80	7,532,344,445.11	-87,810.69

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Non-current assets:			
Loans and advances to customers	1,011,378,462.91	1,011,466,273.60	87,810.69
Debt investment			
Financial assets available-for-sale			
Other debt investment			
Held-to-maturity investments			
Long-term receivables	280,985,073.83	280,985,073.83	
Long-term equity investments	131,203,815.70	131,203,815.70	
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	2,942,857,496.39	2,942,857,496.39	
Construction in progress	232,816,443.52	232,816,443.52	
Productive biological assets			
Oil and gas assets			
Right-to-use assets		28,882,159.73	28,882,159.73
Intangible assets	842,336,991.00	842,336,991.00	
Research and development expenses			
Goodwill			
Long-term deferred expenses	41,237,156.30	41,237,156.30	
Deferred income tax assets	125,494,060.54	125,494,060.54	
Other non-current assets			
Total non-current assets	5,608,309,500.19	5,637,279,470.61	28,969,970.42
Total assets	13,140,741,755.99	13,169,623,915.72	28,882,159.73

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current liabilities:			
Current liabilities	2,777,516,101.13	2,792,337,237.50	14,821,136.37
Borrowing from the central bank			
Deposits from banks and other financial institutes			
Trading financial liabilities			
Financial liabilities measured at fair value with changes in value recognized in profit or loss			
Derivative financial liabilities	2,727,592.84	2,727,592.84	
Notes payable	958,616,789.34	958,616,789.34	-
Accounts payable	1,194,829,925.57	1,194,829,925.57	-
Advance from customers			
Contractual liability	369,490,638.57	369,490,638.57	
Funds from selling out and repurchasing financial assets			
Absorption of deposits and interbank deposits	1,080,524,854.03	1,086,218,057.79	5,693,203.76
Brokerage for trading securities			
Brokerage for consigning securities			
Employee salary payable	189,486,846.96	189,486,846.96	
Taxes payables	24,562,534.28	24,562,534.28	
Other payables	312,621,126.21	292,106,786.08	-20,514,340.13
Including: Interest payable	20,514,340.13		-20,514,340.13
Dividend payable	8,273,287.83	8,273,287.83	
Fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	76,664,479.21	78,936,510.48	2,272,031.27
Other current liabilities	<u>196,139,042.20</u>	<u>196,139,042.20</u>	
Total current liabilities	<u>7,183,179,930.34</u>	<u>7,185,451,961.61</u>	<u>2,272,031.27</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Non-current liabilities:			
Reserves for insurance contracts			
Long-term loans	868,473,000.00	868,473,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		9,945,649.25	9,945,649.25
Long-term payables	8,971,437.07	8,971,437.07	
Long-term employee salary payable	119,715,885.28	119,715,885.28	
Estimated Liabilities	3,981,625.85	3,981,625.85	
Deferred income	169,360,596.63	186,025,075.84	16,664,479.21
Deferred tax liabilities	130,983,510.46	130,983,510.46	
Other non-current liabilities			
Total non-current liabilities	1,301,486,055.29	1,328,096,183.75	26,610,128.46
Total liabilities	8,484,665,985.63	8,513,548,145.36	28,882,159.73

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	December 31, 2018	January 1, 2019	Adjustment
Shareholder's equity:			
Share capital	985,850,000.00	985,850,000.00	
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserves	2,099,639,657.89	2,099,639,657.89	
Less: Treasury shares			
Other comprehensive income	-16,863,576.18	-16,863,576.18	
Special reserves	3,274,006.51	3,274,006.51	
Surplus reserves	442,101,172.16	442,101,172.16	
General risk reserves			
Retained earnings	493,080,403.24	493,080,403.24	
	<hr/>	<hr/>	<hr/>
Total equity attributable to shareholders of the parent company	4,007,081,663.62	4,007,081,663.62	
	<hr/>	<hr/>	<hr/>
Minority interests	648,994,106.74	648,994,106.74	
	<hr/>	<hr/>	<hr/>
Total shareholder's equity	4,656,075,770.36	4,656,075,770.36	
	<hr/>	<hr/>	<hr/>
Total liabilities and shareholder's equity	13,140,741,755.99	13,169,623,915.72	28,882,159.73
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Description of adjustments to each item:

Please refer to IV. 36. (1) Changes in significant accounting policies for details.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

BALANCE SHEET OF THE PARENT COMPANY

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Monetary Funds	1,622,239,658.46	1,622,239,658.46	
Trading financial assets	172,077,116.52	172,077,116.52	
Financial assets measured at fair value with changes in value recognized in profit or loss			
Derivative financial assets			
Notes receivable	316,179,458.46	316,179,458.46	
Accounts receivable	663,935,347.56	663,935,347.56	
Receivables Financing			
Advances to suppliers	74,828,658.18	74,828,658.18	
Other receivables	87,936,879.35	85,027,780.19	-2,909,099.16
Including: Interest receivable	2,909,099.16		-2,909,099.16
Dividend receivable	75,294,698.36	75,294,698.36	
Inventories	504,408,343.29	504,408,343.29	
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	1,970,719,420.50	1,973,628,519.66	2,909,099.16
Total current assets	5,412,324,882.32	5,412,324,882.32	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

BALANCE SHEET OF THE PARENT COMPANY (Continued)

Item	December 31, 2018	January 1, 2019	Adjustment
Non-current assets:			
Debt investment			
Financial assets available-for-sale			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	2,866,295,996.80	2,866,295,996.80	
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	1,624,010,518.82	1,624,010,518.82	
Construction in progress	143,966,878.57	143,966,878.57	
Productive biological assets			
Oil and gas assets			
Right-to-use assets		24,041,721.43	24,041,721.43
Intangible assets	534,497,286.56	534,497,286.56	
Research and development expenses			
Goodwill			
Long-term deferred expenses	32,262,821.15	32,262,821.15	
Deferred income tax assets	60,329,817.60	60,329,817.60	
Other non-current assets			
Total non-current assets	5,261,363,319.50	5,285,405,040.93	24,041,721.43
Total assets	10,673,688,201.82	10,697,729,923.25	24,041,721.43

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

BALANCE SHEET OF THE PARENT COMPANY (Continued)

Item	December 31, 2018	January 1, 2019	Adjustment
Current liabilities:			
Short-term loans	3,249,320,000.00	3,259,712,338.69	10,392,338.69
Trading financial liabilities			
Financial liabilities measured at fair value with changes in value recognized in profit or loss			
Derivative financial liabilities	2,727,592.84	2,727,592.84	
Notes payable	774,848,987.81	774,848,987.81	
Accounts payable	740,519,600.52	740,519,600.52	
Advance from customers			
Contractual liability	143,129,821.26	143,129,821.26	
Employee salary payable	66,701,364.42	66,701,364.42	
Taxes payables	5,115,325.67	5,115,325.67	
Other payables	174,453,029.69	162,609,302.11	-11,843,727.58
Including: Interest payable	11,843,727.58		-11,843,727.58
Dividend payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	71,492,363.64	76,937,077.42	5,444,713.78
Other current liabilities	27,948,212.15	27,948,212.15	
	<hr/>	<hr/>	<hr/>
Total current liabilities	5,256,256,298.00	5,260,249,622.89	3,993,324.89

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

(3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

BALANCE SHEET OF THE PARENT COMPANY (Continued)

Item	December 31, 2018	January 1, 2019	Adjustment
Non-current liabilities:			
Long-term loans	1,030,000,000.00	1,030,000,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		8,556,032.90	8,556,032.90
Long-term payables			
Long-term employee salary payable	71,270,468.46	71,270,468.46	
Estimated Liabilities	3,981,625.85	3,981,625.85	
Deferred income	114,491,964.32	125,984,327.96	11,492,363.64
Deferred tax liabilities	9,311,567.48	9,311,567.48	
Other non-current liabilities			
Total non-current liabilities	<u>1,229,055,626.11</u>	<u>1,249,104,022.65</u>	<u>20,048,396.54</u>
Total liabilities	<u>6,485,311,924.11</u>	<u>6,509,353,645.54</u>	<u>24,041,721.43</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Changes in significant accounting policies and accounting estimates (Continued)

- (3) *Status of relevant items in financial statements at the beginning of the year when adjustment to the New Standards for Financial Instruments, the New Standards for Revenue or the New Standards for Leasing were applied in 2019 (Continued)*

BALANCE SHEET OF THE PARENT COMPANY (Continued)

Item	December 31, 2018	January 1, 2019	Adjustment
Shareholder's equity:			
Share capital	985,850,000.00	985,850,000.00	
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserves	2,004,793,045.95	2,004,793,045.95	
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves	367,607,888.33	367,607,888.33	
Retained earnings	830,125,343.43	830,125,343.43	
	<u>4,188,376,277.71</u>	<u>4,188,376,277.71</u>	
Total shareholder's equity	<u>4,188,376,277.71</u>	<u>4,188,376,277.71</u>	
Total liabilities and shareholder's equity	<u>10,673,688,201.82</u>	<u>10,697,729,923.25</u>	<u>24,041,721.43</u>

Description of adjustments to each item:

Please refer to IV. 36. (1) Changes in significant accounting policies for details.

- (4) *For retrospective adjustments to comparative figures for the previous period due to the initial implementation of the new standards on financial instruments or new standards on lease since 2019*

Please refer to IV. 36. (1) Changes in significant accounting policies for details.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

V. TAXATION

(1) Main categories of tax and tax rates

Categories of tax	Tax basis	Tax rates
Value added tax	Domestic sales\ Provide processing, repair and repair services, etc.	16%, 13%
	Provide agricultural machinery sales, tap water, heating, gas, etc.	10%, 9%
	Other taxable sales service behavior	6%
Urban construction and maintenance tax	Payment of the turnover tax	7%, 5%
Education surcharges	Payment of the turnover tax	3%, 2%
Enterprise income tax	Taxable income	25%, 15%
Property tax	The original value of the property of the 70% (or rental income) as the tax base	1.2%, 12%

Note: in March 2019, the Ministry of Finance issued the announcement on policies related to the VAT reform. In case of taxable sales or import of goods by general VAT taxpayers, the tax rate will be adjusted to 13% if 16% tax rate was originally applied, and 9% if 10% tax rate was originally applied. From April 1, 2019 °

The income tax rate of different tax subject:

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

(2) The preferential tax policy and the basis

Value added tax (VAT)

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

V. TAXATION (CONTINUED)

(2) The preferential tax policy and the basis (Continued)

Value added tax (VAT) (Continued)

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to the provision of (the twenty-sixth item) of the article 1 of the Appendix 3 'The rules of the pilot by replacing business tax with VAT transition policy' of the 'Notice of the Ministry of Finance and the State Administration of Taxation on the full implementation of the pilot by replacing business tax with VAT' (Caishui [2016] No.36). Luoyang Changxing Agriculture Machinery Co., Ltd., subsidiaries of the Group, are exempted from VAT on sale of agricultural machinery according to Caishui [2001] No.113 Notice of Exemption from VAT for Agricultural Production Issued by Ministry of Finance and State Administration of Taxation.

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

Enterprise income tax

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

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

The following disclosed financial statement data, except as specified, “The beginning or beginning of the year” means January 1, 2019, “the end of the year or the end of the period” means December 31, 2019, “the current year or the current period” means January 1, 2019 to December 31, 2019, “the last year or the last period” means January 1, 2018 to December 31, 2018. The unit of currency is RMB.

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	994,815.11	1,054,228.70
Bank deposit	1,316,601,649.43	1,493,280,584.24
Other monetary funds	83,431,528.20	55,510,528.24
Total	<u>1,401,027,992.74</u>	<u>1,549,845,341.18</u>
Including: total amount deposited abroad	68,764,756.64	91,002,872.56

The restricted monetary funds are as follows:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deposit of bank acceptance	34,913,294.82	33,196,283.29
Other deposit	35,682,169.41	10,068,971.93
Deposit reserve requirement for central banks	210,312,078.88	226,992,255.72
Total	<u>280,907,543.11</u>	<u>270,257,510.94</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

2. Lendings to banks and other financial institutions

Item	Ending balance	Beginning balance
Non-bank financial institutions	100,000,000.00	200,000,000.00
Interest receivable from lending funds		257,777.78
Less: impairment provision	30,000,000.00	
Total	<u>70,000,000.00</u>	<u>200,257,777.78</u>

Note: on March 27, 2019, China YTO Group Finance Co., Ltd., a subsidiary of the Group, lent RMB100 million to Tianjin Property Group Finance Co., Ltd. through the national interbank lending center, with a lending period of 7 days and an annual interest rate of 4.8%. It failed to pay when due on April 3. According to the classification of financial assets, the Group classifies it into second class and provisions RMB30 million impairment reserves. At the same time, the Group sued Tianjin Property Group Finance Co., Ltd. and Tianjin Property Group Co., Ltd. and frozen the bank deposit of Tianjin Property Group Co., Ltd. by Luoyang intermediate people's Court of RMB99.95 million.

3. Trading financial assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of financial assets measured at fair value and its movement recorded through profit or loss	8,470,548.10	14,058,351.64
Debt instrument investment		295,500.00
Equity instrument investment	8,470,548.10	13,762,851.64
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	971,922,400.00	883,177,616.52
Debt instrument investment		
Equity instrument investment	971,922,400.00	883,177,616.52
Trust products		
Total	<u>980,392,948.10</u>	<u>897,235,968.16</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

4. Derivative financial assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Foreign currency loan that locking foreign exchange rate		578,743.73
Total		578,743.73

Note: On year 2018, the Group borrowed USD35 million from Luoyang Branch of China Construction Bank Co., Ltd. Meanwhile, a contract of forward settlement and sale of foreign exchange was signed with Luoyang Branch of China Construction Bank Co., Ltd.. According to the provisions of Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, when a company becomes a party to a financial instrument contract, it should recognize a financial asset or financial liability. Therefore, the Group recognizes this financial instrument as a derivative financial asset. The loan has been repaid due this year.

5. Notes receivable

(1) Classification of notes receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes	343,649,774.77	488,765,857.28
Commercial acceptance notes	8,551,963.00	34,953,275.49
Total	352,201,737.77	523,719,132.77

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

Unit: Yuan Currency: RMB

Item	Amount pledged at the end of the period
Bank acceptance notes	27,382,584.96
Commercial acceptance notes	
Total	27,382,584.96

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

5. Notes receivable (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount de-recognized at the end of the period	Amount not de-recognized at the end of the period
Bank acceptance notes	309,075,577.80	
Commercial acceptance notes		1,007,303.00
Total	309,075,577.80	1,007,303.00

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

6. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Provision for bad debts on a single basis					
Provision for bad debts by portfolio	895,175,926.34	100.00	488,589,091.64	54.58	406,586,834.70
Including:					
Aging portfolio	786,100,488.44	87.82	450,127,545.78	57.26	335,972,942.66
Risk exposure portfolio such as collateral	109,075,437.90	12.18	38,461,545.86	35.26	70,613,892.04
Total	<u>895,175,926.34</u>	/	<u>488,589,091.64</u>	/	<u>406,586,834.70</u>

Item	Book balance		Beginning Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Provision for bad debts on a single basis					
Provision for bad debts by portfolio	896,199,217.42	100.00	490,427,911.35	54.72	405,771,306.07
Including:					
Aging portfolio	843,277,315.54	94.09	474,560,442.71	56.28	368,716,872.83
Risk exposure portfolio such as collateral	52,921,901.88	5.91	15,867,468.64	29.98	37,054,433.24
Total	<u>896,199,217.42</u>	/	<u>490,427,911.35</u>	/	<u>405,771,306.07</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

6. Accounts receivable (Continued)

(2) *Accounts receivable for anticipated credit losses on a portfolio basis aging analysis of accounts receivable*

1) *Aging portfolio*

Unit: Yuan Currency: RMB

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	306,386,002.59	8,720,388.13	2.85
1 to 2 years	30,508,849.52	7,956,763.02	26.08
2 to 3 years	12,840,277.38	7,551,665.14	58.81
Over 3 years	436,365,358.95	425,898,729.49	97.60
Total	<u>786,100,488.44</u>	<u>450,127,545.78</u>	<u>57.26</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

6. Accounts receivable (Continued)

(2) **Accounts receivable for anticipated credit losses on a portfolio basis aging analysis of accounts receivable (Continued)**

2) Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	109,075,437.90	38,461,545.86	35.26
Total	109,075,437.90	38,461,545.86	35.26

(3) **Age Disclosure of Accounts Receivable**

Unit: Yuan Currency: RMB

Aging	Book Balance	Ending Balance Bad debt provision	Accrual Ratio (%)
Within 1 year	350,897,587.37	14,049,913.13	4.00
1 to 2 years	46,591,205.34	16,610,910.00	35.65
2 to 3 years	17,911,823.80	12,623,211.56	70.47
Over 3 years	479,775,309.83	445,305,056.95	92.82
Total	895,175,926.34	488,589,091.64	54.58

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

6. Accounts receivable (Continued)

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

Unit: Yuan Currency: RMB

Item	Beginning balance	Changes in the current period			Ending Balance	
		Increase: Provision	Decrease: roll-out	Decrease: Write off		Decrease: Other changes
Accounts receivable for anticipated credit losses on a portfolio basis	490,427,911.35	12,486,271.42		3,898,253.00	10,426,838.13	488,589,091.64
Including: Aging portfolio	474,560,442.71	-10,449,239.02		3,898,253.00	10,085,404.91	450,127,545.78
Risk exposure portfolio such as collateral	15,867,468.64	22,935,510.44			341,433.22	38,461,545.86
Total	490,427,911.35	12,486,271.42		3,898,253.00	10,426,838.13	488,589,091.64

(5) Accounts receivable actually written off during the reporting period

Unit: Yuan Currency: RMB

Item	Amount
Accounts receivable actually written off	3,898,253.00

The significant accounts receivable that write off of is as follows:

Unit: Yuan Currency: RMB

Company	Nature	Amount	Reason	Procedure	Whether generated by related transactions
Liaoning Shunxing Heavy Engine Crankshaft Co., Ltd	Payment for goods	2,176,476.91	Noncollectable	Internal approval	No
Haian Zhongji PUFA Crankshaft Co., Ltd	Payment for goods	1,560,063.62	Noncollectable	Internal approval	No
FAW Jingye Engine Co., Ltd	Payment for goods	86,242.00	Noncollectable	Internal approval	No
YTO (Luoyang) Handling Machinery Co., Ltd	Payment for goods	75,470.47	Noncollectable	Internal approval	Yes
Total		3,898,253.00			

Description of accounts receivable written off :

N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

6. Accounts receivable (Continued)

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

Unit: Yuan Currency: RMB

Company	Ending Balance	Ratio (%)	Bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	81,470,181.00	9.10	81,470,181.00
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	6.95	62,183,376.45
Ningxia Boxin Hengtong Machinery Equipment Co., Ltd.	58,894,264.98	6.58	58,894,264.98
YTO (Luoyang) Material Equipment Co., Ltd	32,662,011.38	3.65	326,620.12
Cuba TECNO IMPORT	24,922,379.40	2.78	12,979,418.24
Total	260,132,213.81	29.06	215,853,860.79

7. Advances to suppliers

(1) *Aging analysis of advances to suppliers*

Unit: Yuan Currency: RMB

Aging	Ending balance			Beginning balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Within 1 year	167,076,785.35	91.82		106,203,906.16	93.15	4,613,443.77
1-2 years	9,425,789.96	5.18	4,474,398.77	1,495,475.48	1.31	
2-3 years	590,421.23	0.32	188,675.00	2,485,830.48	2.18	16,850.60
Over 3 years	4,864,690.77	2.67	2,012,388.20	3,832,774.73	3.36	1,826,492.60
Total	181,957,687.31	100.00	6,675,461.97	114,017,986.85	100.00	6,456,786.97

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

7. Advances to suppliers (Continued)

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

Company name	Ending balance	Percentage in the ending balance of advances to suppliers (%)	Aging	Reason
Xuzhou Xulun Rubber Co., Ltd	60,000,000.00	32.97	Within 1year	In progress
Luoyang Zhongshou Machinery Equipment Co., Ltd	23,933,419.65	13.15	Within 1year	In progress
Dongfanghong (Luoyang) Wheel Manufacturing Co., Ltd	9,225,000.00	5.07	Within 1year	In progress
Hebei Longfengshan Casting Co., Ltd	9,171,242.81	5.04	Within 1year	In progress
Changge Yida Zhongxin Machinery Manufacturing Co., Ltd	8,000,000.00	4.40	Within 1year	In progress
Total	<u>110,329,662.46</u>	<u>60.63</u>		

8. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest receivable		
Dividend receivable		
Other receivables	<u>38,657,541.73</u>	<u>48,032,116.86</u>
Total	<u>38,657,541.73</u>	<u>48,032,116.86</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

8. Other receivables (Continued)

Other receivables

a. Disclosure of other receivables

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	59,423,043.50	100.00	20,765,501.77	34.95	38,657,541.73
Including: Aging portfolio	47,528,407.86	79.98	18,368,287.41	38.65	29,160,120.45
Low-risk portfolio	5,258,385.64	8.85	52,583.86	1.00	5,205,801.78
Risk exposure portfolio such as collateral	6,636,250.00	11.17	2,344,630.50	35.33	4,291,619.50
Total	<u>59,423,043.50</u>	<u>100.00</u>	<u>20,765,501.77</u>	<u>34.95</u>	<u>38,657,541.73</u>

Item	Book balance		Beginning balance		book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	80,653,037.75	100.00	32,620,920.89	40.45	48,032,116.86
Including: Aging portfolio	65,576,018.32	81.3	30,191,882.69	46.04	35,384,135.63
Low-risk portfolio	8,440,769.43	10.47	84,407.70	1.00	8,356,361.73
Risk exposure portfolio such as collateral	6,636,250.00	8.23	2,344,630.50	35.33	4,291,619.50
Total	<u>80,653,037.75</u>	<u>100.00</u>	<u>32,620,920.89</u>	<u>40.45</u>	<u>48,032,116.86</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

8. Other receivables (Continued)

Other receivables (Continued)

b. *Accounts receivable for anticipated credit losses on a portfolio basis*

I. Aging portfolio

Aging	Book balance	Ending balance Bad debt provision	Accrual Ratio (%)
Within 1 year	30,269,370.38	1,763,587.38	5.83
1-2 years	1,308,674.93	654,337.48	50
2-3 years	2,595,194.99	2,595,194.99	100
Over 3 years	13,355,167.56	13,355,167.56	100
Total	<u>47,528,407.86</u>	<u>18,368,287.41</u>	<u>38.65</u>

II. Low-risk portfolio

Aging	Book balance	Ending balance Bad debt provision	Accrual percentage (%)
Within 1 year	1,931,890.24	19,318.90	1.00
1-2 years	166,015.48	1,660.15	1.00
2-3 years	320,442.91	3,204.43	1.00
Over 3 years	2,840,037.01	28,400.38	1.00
Total	<u>5,258,385.64</u>	<u>52,583.86</u>	<u>1.00</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

8. Other receivables (Continued)

Other receivables (Continued)

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

III. Risk exposure portfolio such as collateral

Name of portfolio	Ending balance	Bad debt provision	Accrual percentage (%)
Risk exposure portfolio such as collateral	6,636,250.00	2,344,630.50	35.33
Total	6,636,250.00	2,344,630.50	35.33

c. Aging disclosure of other receivables

Unit: Yuan Currency: RMB

Aging	Ending balance	Beginning balance
Within 1 year	32,201,260.62	34,998,514.30
1-2 years	1,474,690.41	14,285,858.78
2-3 years	2,915,637.90	3,241,639.71
Over 3 years	22,831,454.57	28,127,024.96
Total	59,423,043.50	80,653,037.75

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

Unit: Yuan Currency: RMB

Item	Beginning balance	Changes in the current period			Ending Balance
		Provision	recovered or returned	Write off Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	32,620,920.89	-11,443,791.29		276,710.94 -134,916.89	20,765,501.77
Including: Aging portfolio	30,191,882.69	-11,414,389.43		276,710.94 -133,862.69	18,366,919.63
Low-risk portfolio	84,407.70	-29,401.86			53,951.64
Risk exposure portfolio such as collateral	2,344,630.50				2,344,630.50
Total	32,620,920.89	-11,443,791.29		276,710.94 -134,916.89	20,765,501.77

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

8. Other receivables (Continued)

Other receivables (Continued)

e. Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

Bad debts	Stage one Expected credit loss in the next 12 months	Stage two Expected credit loss over the whole duration(No credit impairment)	Stage three Expected credit loss over the whole duration(Credit impairment occurred)	Total
Beginning balance	30,276,290.39	2,344,630.50		32,620,920.89
Beginning balance in current period				
-Shift to stage two				
-Shift to stage three				
-Return to stage two				
-Return to stage one				
Provision in current period	-11,443,791.29			-11,443,791.29
Return in current period				
Transfer in current period				
Write off in current period	276,710.94			276,710.94
Other changes	-134,916.89			-134,916.89
Balance as at December 31, 2019	<u>18,420,871.27</u>	<u>2,344,630.50</u>		<u>20,765,501.77</u>

f. Other receivables that actually written off during the reporting period

Unit: Yuan Currency: RMB

Item	Amount written off
Other receivables that actually written off	<u>276,710.94</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

8. Other receivables (Continued)

Other receivables (Continued)

f. Other receivables that actually written off during the reporting period (Continued)

Important write-off of other receivables:

Unit: Yuan Currency: RMB

Company	Nature	Amount	Reason	Procedure	Whether generated by related transactions
Wuhan Guoyu Logistics Industry Group Co., Ltd	Litigation costs	276,710.94	Non-collectable	Third meeting of shareholders' meeting of finance company in 2019	No
Total	-	276,710.94	-		-

Description of other receivables written off:

N/A

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

Unit: Yuan Currency: RMB

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Ending balance					
YTO Luoyang (Zhongcheng) Machinery Co., Ltd	Payment between units of work	4,531,057.18	Within 1 year	7.63	45,310.57
Jiangsu Qingjiang Tractor Co., Ltd.	Payment between units of work	3,315,484.00	Over 5 years	5.58	3,315,484.00
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	3,070,910.25	Within 1 year	5.17	43,771.84
Shaanxi Heavy-duty Motor Company Limited	Mould deposit	2,000,000.00	2-5 years	3.37	20,000.00
Luoyang Jiangyang Metal Components Co., Ltd	Payment between units of work	1,060,000.00	Over 5 years	1.78	1,060,000.00
Total		13,977,451.43		23.53	4,484,566.41

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

8. Other receivables (Continued)

Other receivables (Continued)

h. Receivables in relation to government grants

N/A

i. Other receivables that have not been terminated for the transfer of financial assets

N/A

j. Amount of assets and liabilities formed without the transfer of other receivables and continued involvement

N/A

Other descriptions:

N/A

k. Classification of other receivables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	27,430,611.89	10,491,012.79
Deposits and petty cash	5,250,356.67	6,952,889.93
Collection and payment of social insurance withheld	870,804.13	2,297,689.36
Tax refund for export receivables	3,301,973.49	18,495,136.59
Receivables from government subsidies		5,000,000.00
Others	1,803,795.55	4,795,388.19
Total	38,657,541.73	48,032,116.86

9. Buying back the sale of financial assets

(1) Classification according to the nature of the counterparty

Item	Ending balance	Beginning balance
Domestic interbank institutes	671,668,502.78	150,203,731.40
Domestic other financial institutes		
Total	671,668,502.78	150,203,731.40

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

9. Buying back the sale of financial assets (Continued)

(2) Classification according to the asset type

Item	Ending balance	Beginning balance
Bonds	<u>671,668,502.78</u>	<u>150,203,731.40</u>
Total	<u><u>671,668,502.78</u></u>	<u><u>150,203,731.40</u></u>

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

Item	Ending balance	Beginning balance
Due within one month	<u>671,668,502.78</u>	<u>150,203,731.40</u>
Total	<u><u>671,668,502.78</u></u>	<u><u>150,203,731.40</u></u>

10. Inventories

(1) Classification of inventories

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	519,435,269.82	151,720,953.21	367,714,316.61	604,138,987.04	139,305,649.45	464,833,337.59
Work in progress	272,085,649.16	19,201,662.99	252,883,986.17	341,918,801.28	23,415,057.58	318,503,743.70
Finished goods	362,138,132.53	22,892,326.12	339,245,806.41	670,907,338.57	50,606,797.26	620,300,541.31
Goods shipped in transit	42,633,758.98	692,097.97	41,941,661.01	27,619,518.60	907,353.78	26,712,164.82
Total	<u><u>1,196,292,810.49</u></u>	<u><u>194,507,040.29</u></u>	<u><u>1,001,785,770.20</u></u>	<u><u>1,644,584,645.49</u></u>	<u><u>214,234,858.07</u></u>	<u><u>1,430,349,787.42</u></u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

10. Inventories (Continued)

(2) Impairment provision for inventories

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Other transfer out	Ending balance
		Provision for impairment	Others	Reversed	Write off		
Raw materials	139,305,649.45	55,204,635.78	-206,579.24		41,533,792.48	1,048,960.30	151,720,953.21
Work in progress	23,415,057.58	-3,895,737.91				317,656.68	19,201,662.99
Finished goods	50,606,797.26	3,615,051.48	236,042.86		30,571,414.63	994,150.85	22,892,326.12
Goods shipped in transit	907,353.78	-81,349.67			133,906.14		692,097.97
Total	214,234,858.07	54,842,599.68	29,463.62		72,239,113.25	2,360,767.83	194,507,040.29

11. Non-current assets maturing within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Original value of long-term receivable due within one year	270,402,669.98	170,816,064.55
The original value of creditor's rights investment within one year		114,582,672.94
The original value of financial lease within one year	21,384,152.28	9,162,965.01
Less: unconfirmed financing gains	22,990,688.80	13,506,259.23
Provision for impairment	18,330,723.89	96,896,130.81
Total	250,465,409.57	184,159,312.46

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

11. Non-current assets maturing within one year (Continued)

Other description

Note of non-current assets maturing within one year: China YTO Group Finance Co., Ltd., a subsidiary of the Group, purchased RMB50 million of short-term financing bonds “Guoyu logistics cp001” and RMB40 million of “Guoyu logistics cp002” in January 2016. The issuer, Wuhan Guoyu Logistics Industry Group Co., Ltd., failed to raise sufficient debt repayment funds as agreed and paid off when it was due. In March 2017, the Group sued Wuhan Guoyu Logistics Industry Group Co., Ltd. for payment of the above bond principal and interest. In October 2017, Hubei Higher People’s Court issued the civil mediation document (2017) No.18, and the subsidiary of the Group, China YTO Group Finance Co., Ltd., reached a settlement agreement with the issuer, Wuhan Guoyu Logistics Industry Group Co., Ltd. It is agreed in the agreement that Wuhan Guoyu Logistics Industry Group Co., Ltd. will repay the above financing bonds in three times which are the principal of RMB90 million, the interest of RMB6.3 million and the default interest of RMB13.07 million. At the same time, the Group has applied and frozen 98.6% shares of Wuhan Guoyu material Trade Co., Ltd., Wuhan Guoyu Logistics Industry Group Co., Ltd. and Wuhan Jiangyu Shipping Development Co., Ltd. In 2018, only RMB543.62 was paid back. In accordance with the five level classification standard for asset quality of China YTO Group Finance Co., Ltd., it was confirmed as a loss creditor’s right, and the impairment provision of RMB93,703,220.89 was fully accrued for this creditor’s right. In this year, in accordance with the resolution of the third meeting of the shareholders’ meeting in 2019 of the finance company, the debt was written off.

12. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deferred expenses	145,506.98	252,746.63
Structured deposit	800,000,000.00	1,232,000,000.00
Prepaid enterprise income tax	41,896,146.48	33,766,923.03
Financial products		544,357,700.80
Value-added tax left for deduction	234,738,569.66	219,060,350.79
Input Tax to be Certified	284,946.87	224,386.34
Advance payment of other tax	104,754.05	10,671.57
Interest receivable	400,833.33	17,363,333.33
Other	1,987,480.90	
Subtotal	1,079,558,238.27	2,047,036,112.49
Provision for impairment	-12,406,085.09	-12,406,085.09
Total	1,067,152,153.18	2,034,630,027.40

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

13. Loans and advances to customers

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of individual loans and advances	40,030,040.00	25,784,240.93
Property mortgages		23,780.93
Others	40,030,040.00	25,760,460.00
Subtotal of corporate loans and advances	950,935,400.06	1,019,705,884.92
Loans	949,275,150.00	923,971,500.00
Discounting	1,660,250.06	95,734,384.92
Loan interest		87,810.69
Total loans and advances	990,965,440.06	1,045,577,936.54
Less: Impairment provision of loans	31,014,471.47	34,111,662.94
Including: Provision made on individual basis		
Provision made on portfolio basis	31,014,471.47	34,111,662.94
Total carrying value of loans and advances	<u>959,950,968.59</u>	<u>1,011,466,273.60</u>

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

Unit: Yuan Currency: RMB

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	950,935,400.06	95.96	1,019,705,884.92	97.52
Individuals	40,030,040.00	4.04	25,784,240.93	2.47
Interests on loans			87,810.69	0.01
Total loans and advances	990,965,440.06	100.00	1,045,577,936.54	100.00
Less: Impairment provision of loans	31,014,471.47	3.13	34,111,662.94	3.26
Including: Provision made on individual basis				
Provision made on portfolio basis	31,014,471.47	3.13	34,111,662.94	3.26
Total carrying value of loans and advances	<u>959,950,968.59</u>	-	<u>1,011,466,273.60</u>	-

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

13. Loans and advances to customers (Continued)

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

Unit: Yuan Currency: RMB

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	24,164,100.00	2.44	322,353,550.00	30.83
North China			22,840,970.00	2.18
East China			31,053,800.00	2.97
Central China	942,876,240.06	95.15	657,284,255.85	62.86
Northwest China	23,925,100.00	2.41	11,769,550.00	1.13
Other areas			188,000.00	0.02
Loan interest			87,810.69	0.01
Total loans and advances	990,965,440.06	100.00	1,045,577,936.54	100.00
Less: Impairment provision of loans	31,014,471.47	3.13	34,111,662.94	3.26
Including: Provision made on individual basis				
Provision made on portfolio basis	31,014,471.47	3.13	34,111,662.94	3.26
Total carrying value of loans and advances	959,950,968.59		1,011,466,273.60	-

(4) Distribution details by type of credit guarantee modes

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Credit loans	840,000,000.00	420,000,000.00
Guaranteed loans	130,670,190.00	490,539,010.00
Loans secured by collateral	20,295,250.06	134,951,115.85
Including: Mortgage loans	18,635,000.00	39,216,730.93
Pledged loans	1,660,250.06	95,734,384.92
Loan interest		87,810.69
Total loans and advances	990,965,440.06	1,045,577,936.54
Less: Impairment provision of loans	31,014,471.47	34,111,662.94
Including: Provision made on individual basis		
Provision made on portfolio basis	31,014,471.47	34,111,662.94
Total carrying value of loans and advances	959,950,968.59	1,011,466,273.60

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

13. Loans and advances to customers (Continued)

(5) Provision for losses on loans

Unit: Yuan Currency: RMB

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		34,111,662.94		33,204,129.15
Current year provision		-3,097,191.47		907,533.79
Ending balance		31,014,471.47		34,111,662.94

14. Long-term receivable

Unit: Yuan Currency: RMB

Nature of payment	Ending balance			Beginning balance			Discount Rate Interval
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value	
Finance lease cost	67,865,500.00	2,036,745.00	65,828,755.00	25,321,440.00	819,442.14	24,501,997.86	
Including: Unconfirmed Financing Income	3,804,070.54		3,804,070.54	1,993,297.96		1,993,297.96	
Selling goods by instalments	424,262,734.97	19,427,852.35	404,834,882.62	434,096,520.82	14,333,584.44	419,762,936.38	
Including: Unconfirmed Financing Income	56,875,720.33		56,875,720.33	57,508,821.62		57,508,821.62	
Financial leases due within one year and selling goods by instalments	-268,796,133.46	-18,330,723.89	-250,465,409.57	-166,472,770.33	-3,192,909.92	-163,279,860.41	
Total	223,332,101.51	3,133,873.46	220,198,228.05	292,945,190.49	11,960,116.66	280,985,073.83	

- (1) No long-term receivables terminated due to transfer of financial assets.
- (2) No assets and liabilities formed by transferring long-term receivables and continuing to involve them.
- (3) Explanation of long-term receivable: N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

15. Long-term equity investments

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Investment reduced	Changes of increase/decrease in the period						Ending balance	Ending balance of impairment provision	
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit to be distributed	Provision for impairment	Others			
ZF YTO (Luoyang) Drive Axle Co., Ltd	130,189,284.61			-10,571,386.69						-832,392.80	118,785,505.12	
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	759,316.82			-72,752.35							686,564.47	
Luoyang Fusaite Auto Co., Ltd	7,004,515.65										7,004,515.65	7,004,515.65
Luoyang I&C Technology Consulting Co., Ltd	255,214.27			25,888.21							281,102.48	
Subtotal	138,208,331.35			-10,618,250.83						-832,392.80	126,757,687.72	7,004,515.65
Total	138,208,331.35			-10,618,250.83						-832,392.80	126,757,687.72	7,004,515.65

16. Other equity instrument investment

(1) Category of other equity instruments

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd	3,871,238.40	
Total	3,871,238.40	

Note: The Group's subsidiaries increased their investment in Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd., with a shareholding ratio of 3% during this period.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

16. Other equity instrument investment (Continued)

(2) Investment in non-tradable equity instruments

Item	Reasons designated to be measured at fair value and its changes are accounted in other comprehensive income	Dividend income recognized in the current period	Accumulated profits	Accumulated loss	Amount transferred from other comprehensive income to retained earnings	Reasons for transfer of other comprehensive income into retained earnings
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd	Non-trading equity instruments	—	—	—	—	—
Total	—	—	—	—	—	—

17. Fixed assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Fixed assets	<u>2,814,817,617.87</u>	<u>2,942,857,496.39</u>
Total	<u>2,814,817,617.87</u>	<u>2,942,857,496.39</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

17. Fixed assets (Continued)

(1) Detail of fixed assets

Unit: Yuan Currency: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance							
1. Beginning balance	8,106,262.65	2,293,650,459.89	4,167,100,256.19	54,960,527.27	105,799,336.86	5,931,422.97	6,635,548,265.83
2. Increase amount in this period	-32,851.15	41,329,746.18	242,158,011.42	3,528,317.41	15,240,502.22	60,863.83	302,284,589.91
Purchase	-	2,576,527.91	9,340,193.63	1,968,893.11	2,048,833.23	75,281.76	16,009,729.64
Transferred from construction in progress	-	37,541,593.00	232,286,280.80	2,530,432.67	13,190,278.93	-	285,548,585.40
Converted difference in Foreign Currency							
Statements	-32,851.15	634,322.03	-199,815.37	233,086.11	-194,048.82	-14,417.93	426,274.87
Reclassification	-	577,303.24	731,352.36	-1,504,094.48	195,438.88	-	-
Others	-	-	-	300,000.00	-	-	300,000.00
3. Decrease amount in this period	-	119,009,074.98	114,460,011.60	4,846,440.23	3,991,365.57	235,060.09	242,541,952.47
Disposal of scrapped	-	668,983.34	56,288,925.05	1,944,557.68	1,367,953.99	10,500.00	60,280,920.06
Others	-	118,340,091.64	58,171,086.55	2,901,882.55	2,623,411.58	224,560.09	182,261,032.41
4. Ending balance	8,073,411.50	2,215,971,131.09	4,294,798,256.01	53,642,404.45	117,048,473.51	5,757,226.71	6,695,290,903.27
II. Accumulated depreciation							
1. Beginning balance	-	947,459,255.52	2,571,982,422.84	34,524,787.06	79,344,357.40	3,909,824.92	3,637,220,647.74
2. Increase amount in this period	-	66,034,893.26	218,500,188.63	3,723,862.68	7,125,792.15	417,662.16	295,802,398.88
Provision	-	65,966,199.96	218,515,542.00	3,741,677.84	7,293,794.66	428,272.61	295,945,487.07
Converted difference in Foreign Currency							
Statements	-	-16,912.58	-132,954.00	219,688.90	-202,300.06	-10,610.45	-143,088.19
Reclassification	-	85,605.88	117,600.63	-237,504.06	34,297.55	-	-
3. Decrease amount in this period	-	25,297,382.24	77,041,290.09	2,760,235.20	2,235,563.75	149,421.52	107,483,892.80
Disposal or scrap	-	460,927.46	51,260,289.78	1,440,427.49	1,280,766.46	4,950.94	54,447,362.13
Disposal of subsidiaries	-	24,836,454.78	25,781,000.31	1,319,807.71	954,797.29	144,470.58	53,036,530.67
4. Ending balance	-	988,196,766.54	2,713,441,321.38	35,488,414.54	84,234,585.80	4,178,065.56	3,825,539,153.82
III. Impairment provision							
1. Beginning balance	4,363,098.80	10,651,046.79	37,804,916.17	2,155,375.14	302,084.15	193,600.65	55,470,121.70
2. Increase amount in this period	-17,680.80	3,410,462.63	6,147,292.08	63,485.24	10,968.52	36,013.46	9,650,541.13
Provision	-	3,410,332.69	6,204,049.89	63,485.24	11,140.57	36,481.00	9,725,489.39
Converted difference in Foreign Currency							
Statements	-17,680.80	-368.17	-56,757.81	-	-172.05	-467.54	-75,446.37
Others	-	498.11	-	-	-	-	498.11
3. Decrease amount in this period	-	3,421,285.06	6,613,110.21	68,889.76	46,765.22	36,481.00	10,186,531.25
Disposal or scrap	-	-	204,324.61	5,404.52	11,251.56	-	220,980.69
Disposal of subsidiaries	-	3,421,285.06	6,408,785.60	63,485.24	35,513.66	36,481.00	9,965,550.56
4. Ending balance	4,345,418.00	10,640,224.36	37,339,098.04	2,149,970.62	266,287.45	193,133.11	54,934,131.58
IV. Book value							
1. Ending balance of book value	3,727,993.50	1,217,134,140.19	1,544,017,836.59	16,004,019.29	32,547,600.26	1,386,028.04	2,814,817,617.87
2. Beginning balance of book	3,743,163.85	1,335,540,157.58	1,557,312,917.18	18,280,365.07	26,152,895.31	1,827,997.40	2,942,857,496.39

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

17. Fixed assets (Continued)

(2) Fixed assets leased out by operating lease

Unit: Yuan Currency: RMB

Item	Book value
Houses and buildings	162,324,001.16
Machine and equipment	2,738,239.53
Total	165,062,240.69

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

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
New Youth Jiayuan Established by Subsidiary Research Institute	66,519,054.01	The project is still in the stage of completion audit, so no real estate certificate has been obtained
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	13,437,814.30	In April 2012, the land certificate was obtained. At that time, Zhengzhou Economic Development Zone Management Committee and Haima company had schedule requirements for the construction project, so they had to complete the project construction task according to schedule, and required to start construction first and then go through relevant procedures. At present, we are applying for the construction project planning license. Only after the construction project planning license is handled can we go through the bidding filing, construction license, fire fighting filing, quality inspection, completion acceptance and other related procedures, and finally we can get the real estate license.
New cooling channel workshop of branch casting and forging plant	1,773,860.89	The construction project investment is inconsistent with the main body of the construction land. According to the current relevant regulations, it is a historical problem that the real estate certificate cannot be handled
Branch heat treatment plant	7,005,724.01	New factory building. The property right certificate is in the process of processing
Cab workshop of branch body factory	84,877,403.95	New factory building. property right certificate is in the process of processing
Total	173,613,857.16	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

17. Fixed assets (Continued)

Other explanation of fixed assets:

The increase of depreciation in this period is RMB295,945,487.08. Among the above fixed assets, the original value of the fixed assets on which the accumulated depreciation was fully accrued and still in use continuously was RMB1,878,008,459.96. Refer to the statement in the Note 69 for detailed information about the ending balance of pledge on fixed assets.

18. Construction in progress

Item	Ending balance	Beginning balance
Construction in progress	<u>128,990,466.09</u>	<u>232,816,443.52</u>
Total	<u><u>128,990,466.09</u></u>	<u><u>232,816,443.52</u></u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

18. Construction in progress (Continued)

(1) Details of construction in progress

Unit: Yuan Currency: RMB

Item	Book balance	Ending balance Impairment provision	Book value
Agricultural high-power diesel engine project	1,688,232.54	1,675,213.67	13,018.87
New model application project of new wheeled tractor intelligent manufacturing	348,675.49	-	348,675.49
User Service Training Workshop	3,926,314.31	-	3,926,314.31
Small and Medium Sized Molding Line Transformation	25,973,773.40	-	25,973,773.40
New Production Line of Automatic Multipurpose Furnace	7,837,500.80	-	7,837,500.80
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	12,472,943.24	-	12,472,943.24
Pouring machine	6,070,408.17	-	6,070,408.17
Component Matching and Product Verification Base Construction Project	4,045,656.24	-	4,045,656.24
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project		-	
Construction in progress in France	23,026,187.75	22,744,668.59	281,519.16
Electrophoresis line	4,571,112.96	996,870.96	3,574,242.00
New giant parts workshop	4,316,930.94	-	4,316,930.94
Plant foundation	2,206,437.39	2,206,437.39	-
Robot Renovation Project of Core Making Center	3,230,769.23	-	3,230,769.23
New axis cover line	3,666,445.78	-	3,666,445.78
Dormitory and canteen of Zhengzhou Branch	1,647,123.03	-	1,647,123.03
Waste gas treatment device of coating line	6,110,428.17	-	6,110,428.17
Others	56,913,595.43	11,438,878.17	45,474,717.26
Total	<u>168,052,534.87</u>	<u>39,062,068.78</u>	<u>128,990,466.09</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

18. Construction in progress (Continued)

(1) Details of construction in progress (Continued)

Unit: Yuan Currency: RMB

Item	Book balance	Beginning balance	Book value
		Impairment provision	
Agricultural high-power diesel engine project	1,688,232.54	-	1,688,232.54
New model application project of new wheeled tractor intelligent manufacturing	77,722,770.39	-	77,722,770.39
User Service Training Workshop	4,097,620.97	-	4,097,620.97
Small and Medium Sized Molding Line Transformation	9,447,032.27	-	9,447,032.27
New Production Line of Automatic Multipurpose Furnace	2,366,379.30	-	2,366,379.30
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	-	-	-
Pouring machine	6,070,408.17	-	6,070,408.17
Component Matching and Product Verification Base Construction Project	-	-	-
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	49,493,693.89	-	49,493,693.89
Construction in progress in France	19,408,908.68	11,305,639.72	8,103,268.96
Electrophoresis line	4,571,112.96	996,870.96	3,574,242.00
New giant parts workshop	4,316,930.94	-	4,316,930.94
Plant foundation	2,206,437.39	2,206,437.39	-
Robot Renovation Project of Core Making Center	3,608,127.71	-	3,608,127.71
New axis cover line	1,664,102.60	-	1,664,102.60
Dormitory and canteen of Zhengzhou Branch	1,578,106.92	-	1,578,106.92
Waste gas treatment device of coating line	-	-	-
Others	70,415,903.14	11,330,376.28	59,085,526.86
Total	<u>258,655,767.87</u>	<u>25,839,324.35</u>	<u>232,816,443.52</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

18. Construction in progress (Continued)

(2) Details of significant changes of construction in progress

Unit: Yuan Currency: RMB

Project name	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Other decrease in this period	Ending balance
Agricultural high-power diesel engine project	1,688,232.54	-	-	-	1,688,232.54
New model application project of new wheeled tractor intelligent manufacturing	77,722,770.39	69,237,387.66	143,318,156.42	3,293,326.14	348,675.49
User Service Training Workshop	4,097,620.97	915,315.01	1,086,621.67	-	3,926,314.31
Small and Medium Sized Molding Line Transformation	9,447,032.27	19,634,468.72	3,107,727.59	-	25,973,773.40
Flexible carburizing heat treatment capacity improvement project through heat treatment – New Production Line of Automatic Multipurpose Furnace	2,366,379.30	5,471,121.50	-	-	7,837,500.80
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	-	12,472,943.24	-	-	12,472,943.24
Pouring machine	6,070,408.17	-	-	-	6,070,408.17
Component Matching and Product Verification Base Construction Project	-	4,118,297.74	72,641.50	-	4,045,656.24
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	49,493,693.89	4,578,304.17	54,071,998.06	-	-
Construction in progress in France	19,408,908.68	5,538,121.28	1,834,671.48	86,170.73	23,026,187.75
Electrophoresis line	4,571,112.96	-	-	-	4,571,112.96
New giant parts workshop	4,316,930.94	-	-	-	4,316,930.94
Plant foundation	2,206,437.39	-	-	-	2,206,437.39
Robot Renovation Project of Core Making Center	3,608,127.71	-	377,358.48	-	3,230,769.23
New axis cover line	1,664,102.60	2,002,343.18	-	-	3,666,445.78
Dormitory and canteen of Zhengzhou Branch	1,578,106.92	69,016.11	-	-	1,647,123.03
Waste gas treatment device of coating line	-	6,110,428.17	-	-	6,110,428.17
Total	188,239,864.73	130,147,746.78	203,869,175.20	3,379,496.87	111,138,939.44

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

18. Construction in progress (Continued)

(2) Details of significant changes of construction in progress

Project name	Budget	Ratio of accumulated contribution to the construction to budget	Construction Progress.	Accumulated interest capitalised	Including: capitalized interest expenses in the period	Ratio of interest capitalized in the period	Sources of fund
		(0'000)				(%)	
Agricultural high-power diesel engine project	19,824.00	76.00	100.00%	12,829,031.02			Raised funds
New model application project of new wheeled tractor intelligent manufacturing	54,180.00	95.00	100.00%				Raise independently
User Service Training Workshop	890.24	100.00	100.00%				Raise independently
Small and Medium Sized Molding Line Transformation	5,614.97	53.16	60.00%				Raise independently
Flexible carburizing heat treatment capacity improvement project through heat treatment – New Production Line of Automatic Multipurpose Furnace	1,000.00	78.00	30.00%				Raise independently
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	1,500.00	83.00	80.00%				Raise independently
Pouring machine	796.00	88.00	90.00%				Raise independently
Component Matching and Product Verification Base Construction Project	985.00	41.00	42.00%				Raise independently
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	5,800.00	100.00	100.00%				Raise independently
Construction in progress in France	3,515.79	95.00	95.00%				Raise independently
Electrophoresis line	280.00	127.65	93.00%				Raise independently
New giant parts workshop	9,700.00	100.00	100.00%				Raise independently
Plant foundation	326.80	100.00	68.00%				Raise independently
Robot Renovation Project of Core Making Center	450.00	84.00	90.00%				Raise independently
New axis cover line	700.00	52.00	68.00%				Raise independently
Dormitory and canteen of Zhengzhou Branch	400.00	41.00	75.00%				Raise independently
Waste gas treatment device of coating line	1,400.00	51.86	80.00%				Raise independently
Total	107,362.80	/	/	12,829,031.02	/	/	/

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

18. Construction in progress (Continued)

(3) **Provision for impairment of construction in progress is included in this report period.**

Unit: Yuan Currency: RMB

Project name	Amount of provision	Reason
Agricultural high-power diesel engine project	1,675,213.67	Unable to use
Construction in progress in France	11,508,208.23	Construction has been suspended and will not be put into operation again
	<hr/>	
Total	<u>13,183,421.90</u>	

Note: When the project under construction of the Company reaches the expected serviceable state, the fixed assets shall be carried forward according to the actual cost and cost of the project. As the requirements of production process, some projects under construction of the company are divided into several different subprojects. Therefore, some projects under construction need several subprojects to be completed at the same time in order to actually reach the expected usable state of a whole set of equipment.

At the end of 2019, the projects with 100% progress of the Company's construction in progress but not yet converted to fixed assets and the reasons are listed as follows:

Name of item	Amount at the end of the reporting period (10 thousand)	Reasons for not transferred in fixed assets
Agricultural high-power diesel engine project	168.82	Most of the equipment and projects related to the project have been completed and carried forward to fixed assets. As a certain auxiliary equipment supplier has gone bankrupt, the provision for impairment is withdrawn in this period.
New model application project of new wheeled tractor intelligent manufacturing	34.87	Most of the assets of the project have been transferred to fixed assets, and there are some problems in the installation of auxiliary and sporadic equipment, so this part has not been transferred to fixed assets.
User Service Training Workshop	392.63	The project will be completed in January 2020.
New giant parts workshop	431.69	Most of the construction works and equipment related to the project have been completed and carried forward to fixed assets, but some of the equipment of the project has not met the requirements of the contract, so it has not been carried forward to fixed assets.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

19. Right-to-use assets

Unit: Yuan Currency: RMB

Item	Houses and buildings	Venue rental	Machinery equipment	Others	Total
I. Original book balance					
1. Beginning balance	14,151,410.99	13,247,754.85	1,428,335.41	54,658.48	28,882,159.73
2. Increase amount in this period	1,345,189.58	7,075,035.41	555,865.16	–	8,976,090.15
3. Decrease amount in this period	1,127,274.63	6,677,386.43	651,977.13	–	8,456,638.19
4. Ending balance	14,369,325.94	13,645,403.83	1,332,223.44	54,658.48	29,401,611.69
II. Accumulated depreciation					
1. Beginning balance					
2. Increase amount in this period	7,639,342.82	10,205,554.35	1,040,156.27	27,329.24	18,912,382.68
3. Decrease amount in this period	1,127,274.63	6,677,386.42	651,977.14		8,456,638.19
4. Ending balance	6,512,068.19	3,528,167.93	388,179.13	27,329.24	10,455,744.49
III. Impairment provision					
1. Beginning balance					
2. Increase amount in this period					
3. Decrease amount in this period					
4. Ending balance					
VI. Book value					
1. Ending balance of book value	7,857,257.75	10,117,235.90	944,044.31	27,329.24	18,945,867.20
2. Beginning balance of book	14,151,410.99	13,247,754.85	1,428,335.41	54,658.48	28,882,159.73

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

20. Intangible assets

(1) Detail spreadsheet of intangible assets

Unit: Yuan Currency: RMB

Item	Land use right	Patents	Others	Software	Trademarks	Total
I. Original book balance						
1. Beginning balance	910,924,304.91	5,609,583.74	9,989,215.16	82,539,448.28	59,526,000.00	1,068,588,552.09
2. Increase amount in this period	-20,000.00	1,395,752.98	-1,436,406.37	10,612,666.56	183,814.00	10,735,827.17
Purchase				10,688,858.37		10,688,858.37
Others	-20,000.00	1,395,752.98	-1,436,406.37	-76,191.81	183,814.00	46,968.80
3. Decrease amount in this period	27,808,556.36	81,834.00		616,814.98		28,507,205.34
Disposal						
Others	27,808,556.36	81,834.00		616,814.98		28,507,205.34
4. Ending balance	883,095,748.55	6,923,502.72	8,552,808.79	92,535,299.86	59,709,814.00	1,050,817,173.92
II. Accumulated amortization						
1. Beginning balance	163,065,566.38	4,688,393.93	3,673,528.22	53,712,635.01		225,140,123.54
2. Increase amount in this period	23,133,792.18	1,658,427.46	555,223.26	5,194,997.96	173,534.54	30,715,975.40
Provision	23,133,792.18	262,142.25	567,078.26	6,669,775.48	16,743.73	30,649,531.90
Others		1,396,285.21	-11,855.00	-1,474,777.52	156,790.81	66,443.50
3. Decrease amount in this period	631,815.23	56,834.00	336,236.06	610,105.52		1,634,990.81
Disposal						
Others	631,815.23	56,834.00	336,236.06	610,105.52		1,634,990.81
4. Ending balance	185,567,543.33	6,289,987.39	3,892,515.42	58,297,527.45	173,534.54	254,221,108.13
III. Impairment provision						
1. Beginning balance		633,515.33		477,922.22		1,111,437.55
2. Increase amount in this period			3,814,310.62			3,814,310.62
Provision			3,822,070.52			3,822,070.52
Increase for other reasons			-7,759.90			-7,759.90
3. Decrease amount in this period						
4. Ending balance		633,515.33	3,814,310.62	477,922.22	0	4,925,748.17
IV. Book value						
1. Ending balance of book value	697,528,205.22		845,982.75	33,759,850.19	59,536,279.46	791,670,317.62
2. Beginning balance of book value	747,858,738.53	287,674.48	6,315,686.94	28,348,891.05	59,526,000.00	842,336,991.00

As at the end of the reporting period, the intangible assets developed by the Company accounted for 0 of the balance of the intangible assets.

(2) No land use right without property right certificate

Other description:

N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

21. Development expenditure

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Internal development expenditure	Others	Transfer to current period profit or loss	Recognized as intangible assets	
Updates on accessories and R&D on other machinery products		1,599,444.80		1,599,444.80		
Research and development for dynamical machinery products		49,768,489.76		49,768,489.76		
Technological process research and development		39,804,619.80		39,804,619.80		
Fundamental research		16,803,607.62		16,803,607.62		
Research and development of tractor products		248,633,385.41		248,633,385.41		
Total		356,609,547.39		356,609,547.39		

22. Goodwill

(1) Original value of goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed from business combination	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81					14,297,893.81
Total	14,297,893.81					14,297,893.81

(2) Impairment provision for goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Provision	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81					14,297,893.81
Total	14,297,893.81					14,297,893.81

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

23. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease in this period	Ending balance
Patent use right	17,806.26		17,806.26		0.00
Amortization of equipment relocation expenses	1,700,603.01		212,575.44		1,488,027.57
Mold amortization	28,884,870.73	17,567,141.99	13,804,344.36	51,724.14	32,595,944.22
Amortization of maintenance expenditure	9,764,752.70	575,468.28	2,236,730.92		8,103,490.06
Others	869,123.60	1,883,309.22	821,351.93		1,931,080.89
Total	41,237,156.30	20,025,919.49	17,092,808.91	51,724.14	44,118,542.74

Explanation of long-term deferred expenses: Other decreases are mainly due to the disposal of molds in the current period.

24. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment	114,563,941.75	18,152,530.88	152,095,358.97	26,699,960.09
Deductible losses	24,973,782.51	6,243,445.63	19,278,438.13	6,361,884.58
Termination welfare	107,320,762.28	16,608,564.54	197,070,575.41	31,621,061.64
Wages payable and accrued expense	248,153,462.30	51,576,934.54	187,044,843.88	40,438,463.49
Deferred revenue	118,275,663.06	18,903,375.18	135,810,438.25	20,371,565.74
Changes in fair value of trading financial assets			4,500.00	1,125.00
Total	613,287,611.90	111,484,850.77	691,304,154.64	125,494,060.54

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

24. Deferred tax assets and deferred tax liabilities (Continued)

(2) Deferred tax liabilities that are not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset evaluation increase from business combination not under same control	98,845,821.41	24,711,455.35	106,905,076.77	26,726,269.19
Fair value change	787,127,461.91	118,402,559.62	695,048,275.13	104,257,241.27
Total	885,973,283.32	143,114,014.97	801,953,351.90	130,983,510.46

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deductible losses	2,364,639,151.77	2,153,698,772.04
Provision for asset impairment	805,376,546.48	849,315,856.72
Total	3,170,015,698.25	3,003,014,628.76

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

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remark
Year of 2019		81,990,879.86	
Year of 2020	279,718,583.35	288,422,449.61	
Year of 2021	137,102,842.38	145,618,595.54	
Year of 2022	199,600,425.49	240,206,685.52	
Year of 2023	170,665,686.14	172,001,440.84	
Year of 2024	66,721,071.67		
Year of 2025		4,540,249.64	
Year of 2026	50,758,454.26	91,795,402.69	
Year of 2027	1,119,729,737.98	1,129,123,068.34	
Year of 2028	340,342,350.50		
Year of 2029			
Total	2,364,639,151.77	2,153,698,772.04	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

25. Short-term borrowings

(1) Classification of borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Mortgaged loans	70,000,000.00	70,000,000.00
Credit loans	1,341,819,719.44	2,707,516,101.13
Interests payable	7,708,345.86	14,821,136.37
Total	<u>1,419,528,065.30</u>	<u>2,792,337,237.50</u>

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

(2) Short term loans overdue and outstanding

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

Unit: Yuan Currency: RMB

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

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

26. Absorption of deposits and interbank deposits

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Demand deposit	776,324,781.52	545,421,025.68
Including: Corporate	770,624,356.97	542,226,691.92
Individuals	5,700,424.55	3,194,333.76
Time deposit (including notice deposit)	358,230,891.20	535,103,828.35
Including: Corporate	358,230,891.20	535,103,828.35
Individuals		
Interests payable	2,721,621.82	5,693,203.76
Total	1,137,277,294.54	1,086,218,057.79

27. Derivative financial liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Currency forward and swap		2,727,592.84
Total		2,727,592.84

28. Notes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Commercial acceptance notes	10,164,274.35	29,223,661.55
Bank acceptance notes	993,844,676.95	929,393,127.79
Total	1,004,008,951.30	958,616,789.34

The total amount of Notes payable due and unpaid at the end of the period is RMB16,828,986.92.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

29. Accounts payable

(1) List of account payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Purchase payable	1,160,059,432.13	1,116,711,556.82
Purchase of construction equipment payable	57,403,648.63	65,193,459.38
Service payment payable	33,058,216.05	11,507,463.92
Others	1,928,951.77	1,417,445.45
Total	<u>1,252,450,248.58</u>	<u>1,194,829,925.57</u>

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

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Hong Kong LLAF INTERNATIONAL CO., LTD	26,233,915.81	Unsettled
Total	<u>26,233,915.81</u>	

30. Contractual liability

(1) Contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Payment for goods	177,743,289.89	369,490,638.57
Total	<u>177,743,289.89</u>	<u>369,490,638.57</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

30. Contractual liability (Continued)

(2) Aging analysis of contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	148,069,215.80	341,860,503.30
Over 1 year	29,674,074.09	27,630,135.27
Total	177,743,289.89	369,490,638.57

(3) Significant amounts of advance from customers aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Poly Technology Co., Ltd.	4,291,619.50	In progress
Jiangxi Wangshi Zhifang Industrial Co., Ltd.	1,990,000.00	In progress
ZF YTO (Luoyang) Axle Co., Ltd	4,429,676.26	In progress
Wuyuan Jinhe Industry and Trade Co., Ltd.	1,312,310.70	In progress
Total	12,023,606.46	

31. Employee benefits payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Short-term remuneration	92,505,328.13	768,768,917.44	796,012,740.75	65,261,504.82
Post-employment welfare – Defined contribution plan	1,874,211.86	90,732,663.11	92,012,302.52	594,572.45
Termination welfare	95,107,306.97	45,890,654.69	102,238,417.22	38,759,544.44
Total	189,486,846.96	905,392,235.24	990,263,460.49	104,615,621.71

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

31. Employee benefits payable (Continued)

(2) Short-term remuneration

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Wages or salaries, bonuses, allowances and subsidies	61,353,463.18	565,081,228.28	589,184,498.98	37,250,192.48
II. Staff welfare expense		30,402,264.66	30,402,264.66	
III. Social insurance expense	509,931.56	41,242,527.90	41,709,511.72	42,947.74
Including: Medical insurance expense	487,886.97	36,622,157.58	37,067,096.81	42,947.74
Work-related injury insurance	-1,462.48	2,197,864.80	2,196,402.32	
Maternity insurance	23,507.07	2,422,505.52	2,446,012.59	
IV. Housing funds	1,706,858.38	48,866,779.94	49,825,775.02	747,863.30
V. Union & employee education funds	28,557,581.35	16,925,794.74	18,540,084.99	26,943,291.10
VI. Short-term paid leave				
VII. Short-term profit sharing plan				
VIII. Other short-term remuneration	377,493.66	66,250,321.92	66,350,605.38	277,210.20
Total	<u>92,505,328.13</u>	<u>768,768,917.44</u>	<u>796,012,740.75</u>	<u>65,261,504.82</u>

(3) Defined contribution plan

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic endowment insurance	1,324,713.94	86,784,630.98	87,766,992.96	342,351.96
Unemployment insurance premium	33,097.48	3,578,537.17	3,611,634.65	
Enterprise annuity payment	516,400.44	369,494.96	633,674.91	252,220.49
Total	<u>1,874,211.86</u>	<u>90,732,663.11</u>	<u>92,012,302.52</u>	<u>594,572.45</u>

Other description:

The explanation of defined contribution plan: the Group participates in the social insurance plans set up by the government according to the provisions. According to the plan, the Group pays the costs of such plans according to the relevant provisions of the local government. In addition to the above charges paid, the Group no longer undertakes the further payment obligations. The corresponding expenditure is recognized into the current period profit or loss, or the cost of the related assets when incurred.

The group paid RMB90,732,663.11 (2018: RMB140,791,029.51) to the defined contribution plan participated in this year. At December 31, 2019, the group still has RMB594,572.45 (December 31, 2018: RMB1,874,211.86) of deposit fees due but not paid during the reporting period, and the relevant deposit fees have been paid after the reporting period.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

32. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Value-added tax (VAT)	2,530,430.43	1,927,845.86
Enterprise income tax	23,901,025.72	13,531,121.03
Individual income tax	456,457.82	1,838,143.14
Urban maintenance and construction tax	142,739.48	50,093.18
Property tax	5,148,793.52	4,869,814.98
Land use tax	1,886,397.01	1,944,810.35
Education surcharge	101,954.65	39,716.89
Other taxes	548,443.21	360,988.85
Total	34,716,241.84	24,562,534.28

The explanation of taxes payable: N/A

33. Other payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable	3,927,593.99	
Dividends payable	8,439,607.83	8,273,287.83
Other payables	290,380,288.75	283,833,498.25
Total	302,747,490.57	292,106,786.08

(1) Interests payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest payable on bank loans	3,927,593.99	
Total	3,927,593.99	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

33. Other payable (Continued)

(2) Dividends payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Natural person shareholders	8,439,607.83	8,273,287.83
Total	<u>8,439,607.83</u>	<u>8,273,287.83</u>

Other description includes important dividend payable over one year. Explanation of dividends payable: Brilliance China Machinery Holdings Ltd., a subsidiary of the Group, distributes the unpaid portion of the dividend

(3) Other payables

a. Classification of other payables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	64,403,223.92	77,057,903.01
Cash pledge and deposits	64,033,336.26	65,146,997.86
Expenses payable	98,983,774.05	87,941,079.14
Collection and payment on behalf of others	28,970,041.11	25,026,537.30
Others	33,989,913.41	28,660,980.94
Total	<u>290,380,288.75</u>	<u>283,833,498.25</u>

b. Significant amount of other payables aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
YTO Group Corporation	50,002,653.51	Unsettled
Funds for housing construction and maintenance	2,499,837.91	Unsettled
Total	<u>52,502,491.42</u>	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

34. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	629,077,500.00	60,000,000.00
Lease liabilities due within 1 year	18,881,483.02	18,936,510.48
Interest on long-term loans due within 1 year	1,076,522.93	
Total	649,035,505.95	78,936,510.48

35. Other current liabilities

Details of other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable		
Sales refund payable		
Discount and allowance	130,532,589.51	101,991,553.31
Warranty fee for 3 after sale services included	82,269,060.58	82,271,658.28
Agent service fees	2,600,000.00	2,600,000.00
Transportation fee	6,261,048.34	4,930,950.00
Others	3,803,570.77	4,344,880.61
Total	225,466,269.20	196,139,042.20

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

36. Long-term loans

(1) Classification of loans

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Secured loan		
Mortgage loan		
Guarantee loan	78,155,000.00	78,473,000.00
Credit loans	690,000,000.00	850,000,000.00
Interests payable	1,076,522.93	
Subtotal	769,231,522.93	928,473,000.00
Long-term loans due within 1 year	-629,077,500.00	-60,000,000.00
Including: Credit loans	-590,000,000.00	-60,000,000.00
Guarantee loan	-39,077,500.00	
Interest on long-term loans due within 1 year	-1,076,522.93	
Total	<u>139,077,500.00</u>	<u>868,473,000.00</u>

(2) Due date analysis of long-term loans

Due date	Ending balance	Beginning balance
Over than 1 year after the balance sheet date, but not over than 2 years	39,077,500.00	629,236,500.00
Over than 2 years after the balance sheet date, but not over than 5 years	100,000,000.00	239,236,500.00
Over 5 years		
Total	<u>139,077,500.00</u>	<u>868,473,000.00</u>

Explanation of long-term loans:

Guarantee loan: YTO (France) Agricultural Equipment Co., Ltd., a subsidiary of the Group, is guaranteed by the Company to borrow 10,000,000.00 Euros from the Paris Branch Bank of China Construction Bank Limited, amounting to RMB78,155,000.00. Borrowing rate is Euro Interbank Offer Rate.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

37. Lease liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Lease liabilities	18,945,867.20	28,882,159.73
Lease liabilities due within one year	-18,881,483.02	-18,936,510.48
Total	64,384.18	9,945,649.25

38. Long-term accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans from non-financial institutions	8,933,931.06	8,971,437.07
Total	8,933,931.06	8,971,437.07

Other description:

YTO AGRO-INDUSTRIAL, an offshore subsidiary of the Group, signed a supplementary agreement with the Ivorian government which stipulates that XOF 750,120,156.00 (RMB8,933,931.06 at the end of the period) of the transfer loan from the government of YITWO AGRO-INDUSTRIAL in CYD Ivory Coast in 1997 has not been repaid, and the repayment can be postponed until 2024.

39. Long-term salary payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
1. Post-employment welfare – Net liability under defined benefit plans		
2. Termination benefits	126,769,566.70	166,727,294.53
3. Other long-term benefits		
4. Non-discounted long-term payable remuneration for employees whose long-term dismissal benefits expire within one year	-38,759,544.44	-47,011,409.25
Total	88,010,022.26	119,715,885.28

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

40. Estimated liabilities

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Reason for occurring
Pending litigation	1,120,000.00		Note1
Other	2,861,625.85	2,652,542.65	Note2
Total	<u>3,981,625.85</u>	<u>2,652,542.65</u>	/

Description of estimated liabilities:

Note1: First Tractor Company Limited's bodywork are in dispute over compensation for personal injury caused by traffic accidents. the Group's estimated compensation amount is RMB1,120,000.00, which has paid in current period.

Note2: In 2017, when the sale of a towed forklift (Luoyang) Co., Ltd. was formed, part of the payment was made in the current period, and the balance was not yet paid.

41. Deferred revenue

Description of deferred revenue

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	164,300,674.98	0.00	22,640,381.92	141,660,293.06	Details refer to (1)
Government subsidies related benefit	21,724,400.86	22,313,331.00	29,982,802.86	14,054,929.00	Details refer to (1)
Total	<u>186,025,075.84</u>	<u>22,313,331.00</u>	<u>52,623,184.78</u>	<u>155,715,222.06</u>	/

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

41. Deferred revenue (Continued)

Projects related to government grants:

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/ related to income
Research and Application of New Wear-resistant Metal Material in Agricultural Machinery Equipment	1,561,078.03	-	-	801,078.03	760,000.00	-	Related to income
Research and experimental verification of the general integrated model standard for agricultural machinery and equipment intelligent factory	-	300,000.00	-	300,000.00	-	-	Related to income
High-power non-road diesel engine	44,100,000.00			4,900,000.00		39,200,000.00	Related to assets
C Series Government Project Grant	2,148,000.00			716,000.00		1,432,000.00	Related to assets
New wheeled tractor core capacity improvement	41,109,090.90			4,836,363.64		36,272,727.26	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	4,250,000.00			500,000.00		3,750,000.00	Related to assets
Others	132,402.41	-		-		132,402.41	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft	3,735,000.00			540,000.00		3,195,000.00	Related to assets
New wheeled tractor intelligent manufacturing new model application	11,900,000.00	-		1,081,818.18		10,818,181.82	Related to assets
Modern agricultural equipment smart cockpit digital factory	7,000,000.00	-		97,222.22		6,902,777.78	Related to assets
Application Engineering of "Machine Replacement" for Tractor Parts	-	4,000,000.00		4,000,000.00		-	Related to income
Key Technology and Equipment for Precision Forming of Large Digital Dieless Casting	702,400.00			702,400.00		-	Related to income

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

41. Deferred revenue (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/ related to income
Research on Fault Warning and Remote Diagnosis Technology for Tractor Operation Information Collection	783,929.47	-	-	249,047.94	-	534,881.53	Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	1,614,443.01	213,831.00	-	1,097,139.52	-	731,134.49	Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	5,167,520.30	874,500.00	-	3,220,694.35	-	2,821,325.95	Related to income
Key Technology Research and Machine Development of Hilly Mountain Tractor	1,019,738.37	189,700.00	-	558,023.90	-	651,414.47	Related to income
Research and System Development of Tractor Inspection Technology	760,725.47	119,000.00	-	159,782.26	-	719,943.21	Related to income
Improve independent research and development capabilities	13,323,657.10			1,342,030.68		11,981,626.42	Related to assets
Special funds for urban security housing projects	8,352,000.00		288,000.00			8,064,000.00	Related to assets
Key product testing platform	12,500,524.57			1,388,947.20		11,111,577.37	Related to assets
Development of key core components for new energy-saving and environmentally	1,511,003.93	349,900.00		1,156,374.98		704,528.95	Related to income
Research and system development of reliability testing technology for tractor	1,475,050.94	289,300.00		854,487.28		909,863.66	Related to income
Agricultural machinery pollution emission control technology and system research	1,259,629.97	120,000.00		560,941.65		818,688.32	Related to income
Application research of intelligent design platform in the development of high power tractor	979,895.01	218,600.00		780,713.77		417,781.24	Related to income
Research on key technologies of clean and combustion of agricultural diesel engine	269,433.49	51,700.00		276,661.05		44,472.44	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	634,326.43	131,300.00		569,731.69		195,894.74	Related to income

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

41. Deferred revenue (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/ related to income
Tractor Test Environment Warehouse and Complete Comprehensive Verification Platform	3,000,000.00					3,000,000.00	Related to income
Development and Industrialization of LF Series Power Shift Tractors	-	2,000,000.00		2,000,000.00		-	Related to income
Development and Industrialization of Non-road Guo-4 Diesel Engine	-	2,000,000.00				2,000,000.00	Related to income
State Key Laboratory of Tractor Power System	-	505,000.00				505,000.00	Related to income
Science and technology R & D service platform award and supplementary fund	-	595,000.00		595,000.00		-	Related to income
Development of Intelligent Electric Tractor	394,618.94	50,000.00		57,710.90	386,908.04		Related to income
Research on Field Operation Quality and Test Performance Verification Technology of Tractor Unit	590,607.50	142,400.00		385,169.15	347,838.35		Related to income
Mechanical industry measurement value traceability transmission basic support service capacity improvement	4,750,000.00			52,345.92	4,697,654.08		Related to assets
Industrial revitalization and technological transformation	11,000,000.00			2,200,000.00		8,800,000.00	Related to assets
The First Set of Major Technological Equipment Products Award and Subsidy Funds		8,663,100.00		8,663,100.00			Related to income
Research and development financial subsidy of Luoyang Finance Bureau		1,500,000.00		1,500,000.00			Related to income
Total	186,025,075.84	22,313,331.00	46,142,784.31	288,000.00	6,192,400.47	155,715,222.06	-

Other description:

In other changes, the amount allocated to other company is RMB760,000.00, and RMB5,432,400.47 due to the sale of Luoyang Xiyuan and Power Inspection Institute Co., Ltd.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

42. Share capital

Unit: Yuan Currency: RMB

Item	Beginning balance	Changes in current period(+、-)				Subtotal	Ending balance
		Issue new stock	Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	985,850,000.00						985,850,000.00

Explanation of share capital: No change in equity in the current period.

43. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium	1,851,848,375.56			1,851,848,375.56
Others capital reserve	247,791,282.33		173,031.56	247,618,250.77
Total	2,099,639,657.89		173,031.56	2,099,466,626.33

Explanation of capital reserve:

The reduced capital reserve in this period is due to the disposal of the equity of YTO (Luoyang) Handling Co., Ltd., a second-class subsidiary company and Luoyang Xiyuan automobile and Power Inspection Institute which is a third-class subsidiary in this year.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

44. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount before income tax in the current period	Amount incurred in this period		Less: Income tax expense	Attributable to the parent company after tax	Attributable to the minority shareholders after tax	Ending balance
			Less: accounted in loss and profit in current period which was accounted in other comprehensive income in prior period	Less: accounted in retained earnings in current period which was accounted in other comprehensive income in prior period				
I. Other comprehensive income that will not be subsequently reclassified to profit and loss								
II. Other comprehensive income that will be subsequently reclassified to profit and loss								
Exchange differences from retranslation of foreign currency financial statements	-16,863,576.18	2,282,095.72				2,665,396.05	-383,300.33	-14,198,180.13
Total other comprehensive income	-16,863,576.18	2,282,095.72				2,665,396.05	-383,300.33	-14,198,180.13

Other description: including adjustment for the effective portion of hedging profit or loss of cash flows transferred to initial recognition amount of the hedged item:

None

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

45. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production expense	3,274,006.51	9,931,226.58	10,975,232.78	2,230,000.31
Total	<u>3,274,006.51</u>	<u>9,931,226.58</u>	<u>10,975,232.78</u>	<u>2,230,000.31</u>

46. Surplus reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	441,329,741.16			441,329,741.16
Discretionary surplus reserve	771,431.00			771,431.00
Total	<u>442,101,172.16</u>	<u></u>	<u></u>	<u>442,101,172.16</u>

47. General risk reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves	<u></u>	<u>25,104,151.50</u>	<u></u>	<u>25,104,151.50</u>

Description of changes in general risk reserves:

Risk reserves are accrued by China YTO Group Finance Co., Ltd., a subsidiary of the Group.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

48. Retained earnings

Unit: Yuan Currency: RMB

Item	Current year	Last year
Beginning balance of retained earnings before adjustment	493,080,403.24	1,273,219,846.84
Total amount of adjustment on beginning balance of retained earnings		507,215,011.34
Beginning balance of retained earnings after adjustment	493,080,403.24	1,780,434,858.18
Add: Net profit for the year attributable to shareholders of the parent company	61,475,427.17	-1,300,108,773.92
Less: Appropriation of the statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of reserve fund		
Venture expansion fund		
Profit Return Investments		
Employee Benefits Fund		
Provision of general risk reserves	25,104,151.50	-12,754,318.98
Common stock dividends payable		
Common dividends converted to equity		
Preferred Dividend		
Other Distributions to Shareholders		
Profit Return Investments		
Other Profit Distribution		
Add: Surplus reserve to compensate for losses		
Carry-over recount changes in net liabilities or net assets of Beneficiary Plan		
Carry-over of Other Comprehensive Income		
Other Internal Carry-over of Owner's Rights and Interests		
Ending balance of this period	529,451,678.91	493,080,403.24

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

49. Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	5,670,705,883.99	4,770,213,833.27	5,462,527,267.10	5,054,131,616.37
Other business	66,238,093.68	38,067,342.28	78,471,126.16	44,293,991.44
Total	<u>5,736,943,977.67</u>	<u>4,808,281,175.55</u>	<u>5,540,998,393.26</u>	<u>5,098,425,607.81</u>

50. Net interest income

Unit: Yuan Currency: RMB

Item	Cumulative amount in this period	Cumulative amount in last period
Interest income	89,290,344.59	138,092,137.95
Including: From deposits in other banks	23,820,628.67	65,263,719.47
From deposits in central bank	3,339,989.69	4,384,859.73
Lending funds	4,881,666.62	17,014,055.44
Loans and advances granted	44,655,187.87	49,635,928.81
Including: Individual loans and advances	5,683,563.25	1,321,005.44
Corporate loans and advances	35,133,006.03	42,241,286.62
Notes discounting	3,838,618.59	6,073,636.75
Buying back the sale of financial assets	12,592,871.74	1,793,574.50
Interest expense	33,252,713.00	12,455,994.16
Including: From deposits in other banks		
From deposits in central bank		
Deposits from banks and other financial institutes	48,611.11	981,068.06
Deposits adsorption	32,889,492.40	11,474,926.10
Sale of repurchase financial assets		
Others	314,609.49	
Net interest income	<u>56,037,631.59</u>	<u>125,636,143.79</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

51. Fees and net commission income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Fees and commission income	3,940,797.38	2,457,005.47
Clearing and settlement fees	41,541.46	32,497.87
Agent fees	939,764.11	333,066.05
Credit commitment fees and commissions	59,546.20	122,874.60
Others	2,899,945.61	1,968,566.95
Fees and commission expense	490,425.90	405,617.87
Service fee expense	490,425.90	405,617.87
Commission expense		
Fees and net commission income	<u>3,450,371.48</u>	<u>2,051,387.60</u>

52. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Urban maintenance and construction tax	2,972,381.22	2,636,063.51
Education surcharge	2,121,370.66	1,866,688.99
Property tax	23,072,795.94	22,081,198.10
Land use tax	10,703,763.66	13,627,050.07
Vehicle and vessel usage tax	119,228.42	131,993.88
Stamp duty	5,406,847.25	4,919,993.86
Others	790,085.17	745,070.09
Total	<u>45,186,472.32</u>	<u>46,008,058.50</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

53. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Transportation expenses	125,864,251.80	125,026,580.76
Sales service fees	72,227,984.60	175,749,981.23
Employee compensation	59,630,520.96	83,350,466.65
Advertising fees	4,266,547.67	12,270,983.18
Packing expenses	10,999,423.64	11,962,284.11
Exhibition expenses	7,304,649.08	5,705,370.43
Depreciation expenses	969,365.71	995,721.63
Insurance expenses	2,160,418.31	5,815,645.94
Travel expenses	16,270,350.42	20,783,242.56
Others	5,833,053.07	20,205,899.01
Total	305,526,565.26	461,866,175.50

54. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	167,489,923.90	257,956,213.46
Depreciation expenses	60,380,606.68	58,217,668.24
Repair expense	26,127,065.60	40,736,305.70
Amortization of intangible assets	26,223,223.07	25,828,076.52
Rent fees	14,183,270.95	19,325,508.94
Overseas personnel expenses	14,184,791.67	248,515,272.23
Office fee	4,243,417.13	5,573,823.85
Business entertainment expense	3,581,580.72	5,564,223.52
Conference fee	3,971,469.52	4,759,348.55
Travel expenses	3,085,791.92	4,233,824.48
Agency fee	4,250,182.90	3,930,750.76
Litigation costs	3,282,324.60	2,775,237.63
Consultation fee	3,172,781.87	2,516,459.99
Insurance fee	1,650,952.16	1,054,418.75
Others	46,543,920.05	83,210,918.67
Total	382,371,302.74	764,198,051.29

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

55. Research & development expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	156,902,449.30	157,849,524.59
Depreciation expenses	44,678,336.10	45,101,147.10
Material cost	116,098,802.82	110,500,301.22
Test and Inspection Fee	3,283,592.53	5,417,103.22
Design fee	826,237.12	16,816,545.68
Others	34,820,129.52	42,709,518.47
Total	356,609,547.39	378,394,140.28

56. Finance expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Interest expense	138,047,235.07	157,621,838.19
Less: Interest income	60,673,101.96	36,285,541.94
Exchange loss	-4,626,405.93	1,756,897.20
Bank charges	2,282,063.23	2,501,048.06
Other expense	-13,323,328.04	-20,547,188.72
Total	61,706,462.37	105,047,052.79

57. Loss on impairment of assets

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Impairment loss on inventories	-54,842,599.68	-123,649,720.81
Impairment loss on fixed assets	-9,725,489.39	-21,027,470.61
Impairment loss on advance payments	-327,675.00	-4,580,249.37
Impairment loss on construction in progress	-13,183,421.90	-9,618,690.92
Impairment loss on intangible assets	-3,822,070.52	-1,111,437.55
Others		-12,406,085.09
Total	-81,901,256.49	-172,393,654.35

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

58. Loss on impairment on credit

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-7,354,050.90	-21,061,408.62
Loss of impairment of debt investment		-37,480,962.19
Loss of impairment of loan assets	3,097,191.47	-907,533.79
Lendings to Banks and Other Financial Institutions	-30,000,000.00	0.00
Total	<u>-34,256,859.43</u>	<u>-59,449,904.60</u>

59. Other income

(1) Details of other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Government grants	94,223,622.26	36,623,032.72
Total	<u>94,223,622.26</u>	<u>36,623,032.72</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

59. Other income (Continued)

(2) Government grants included in other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/ related to income
First batch of demonstration enterprises of single champion in manufacturing industry	1,000,000.00	–	Related to income
Application Engineering of “Machine Replacement” for Tractor Parts	4,000,000.00	–	Related to income
C Series Government Project Grant	716,000.00	716,000.00	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	540,000.00	540,000.00	Related to assets
New wheeled tractor core capacity improvement	4,836,363.64	4,836,363.64	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	500,000.00	875,000.00	Related to assets
High-power non-road diesel engine	4,900,000.00	4,900,000.00	Related to assets
New wheeled tractor intelligent manufacturing new model application	1,081,818.18		Related to assets
Modern agricultural equipment smart cockpit digital factory	97,222.22		Related to assets
Wheel tractor technical transformation		1,384,000.00	Related to assets
Intelligent Tractor Positioning and Remote Monitoring System		1,000,000.00	Related to income
Research and Application of New Wear-resistant Metal Material in Agricultural Machinery Equipment	801,078.03	438,921.97	Related to income
Equipment complex parts personalized rapid customization intelligent manufacturing new model demonstration verification		418,864.23	Related to income
Research and System Development of Tractor Inspection Technology	159,782.26	118,274.53	Related to income
Key Technology and Equipment for Precision Forming of Large Digital Dieless Casting	702,400.00		Related to income
Rapid development and demonstration application of new casting products for tractors and diesel engines	259,200.00		Related to income

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Research and experimental verification of the general integrated model standard for agricultural machinery and equipment intelligent factory	300,000.00		Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	1,097,139.52	152,936.99	Related to income
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	249,047.94	264,270.53	Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	3,220,694.35	1,945,697.54	Related to income
Key product testing and testing platform	1,388,947.20	1,388,947.20	Related to assets
Improve independent research and development capabilities	1,342,030.68	1,322,826.13	Related to assets
Development of key core components for new energy-saving and environmentally friendly agricultural diesel engines	1,156,374.98	847,218.99	Related to income
Research and system development of reliability testing technology for tractor	854,487.28	1,099,656.82	Related to income
Agricultural machinery pollution emission control technology and system research	560,941.65	98,373.12	Related to income
Application Research of Intelligent Design Platform in the Development of High Power Tractor	780,713.77	828,759.85	Related to income
China Association for science and technology youth talent promotion project		210,000.00	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	569,731.69	200,773.57	Related to income
Research on Key Technologies of Clean Combustion for Agricultural Diesel Engine	276,661.05	10,566.51	Related to income

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Income from research and development of agricultural machinery intelligent control technology and industrialization project		2,040,000.00	Related to income
2017 Luoyang small and micro enterprise technology transaction reward fund	200,000.00	200,000.00	Related to income
Development and Industrialization of LF Series Power Shift Tractors	2,000,000.00		Related to income
Science and technology R & D service platform award and supplementary fund	595,000.00		Related to income
Post-financing of scientific and technological innovation and entrepreneurship service institutions	500,000.00		Related to income
Supporting Funds for Technological Transactions of Small and Micro Enterprises	78,700.00	200,000.00	Related to income
Special funds for the preparation and revision of national standards	310,000.00	100,000.00	Related to income
2017 R & D subsidy	419,100.00		Related to income
Research on Field Operation Quality and Test Performance Verification Technology of Tractor Unit	385,169.15	613,171.77	Related to income
Development of Intelligent Electric Tractor	57,710.90	17,275.56	Related to income
Income Tax Credit	360,690.14		Related to income
Subsidy Income of Subsidy Fund for Small and Medium-sized Enterprises in Developing International Market Projects	993,100.00		Related to income
Fund subsidy income of export credit insurance projects	777,000.00		Related to income
Central Foreign Economic and Trade Development Special Grant Fund		1,000,000.00	Related to income
R & D subsidy	492,500.00		Related to income
Jiangyan District Science and technology research and Development Award	100,000.00		Related to assets
Subsidy for coal-fired boiler renovation project		60,000.00	Related to income

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
In-depth promotion of industrial economic transformation and upgrading incentive funds		190,000.00	Related to income
2017 annual corporate R&D expenses provincial financial incentive funds		187,200.00	Related to income
Industrial revitalization and technological transformation	2,200,000.00	2,200,000.00	Related to assets
Industry support funds		1,534,600.00	Related to income
Stable subsidy	47,294,078.23	3,448,600.38	Related to income
Intellectual property patent award	4,000.00	326,000.00	Related to income
Return of individual income tax service charge		139,107.84	Related to income
Heluo craftsman talent team construction fund		200,000.00	Related to income
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	558,023.90	569,625.55	Related to income
The First Set of Major Technological Equipment Products Award and Subsidy Funds	2,146,600.00		Related to income
Research and development financial subsidy of Luoyang Finance Bureau	3,000,000.00		Related to income
Others	361,315.50		Related to income
Total	<u>94,223,622.26</u>	<u>36,623,032.72</u>	

(3) Explanation of other income

N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

60. Government subsidies

(1) Classification of government subsidies

Unit: Yuan Currency: RMB

Projects of government subsidies	Amount in this period	Amount in last period	remark
Government subsidies included in deferred income	22,313,331.00	17,781,980.00	
Government subsidies included in other income	48,080,837.95	7,595,508.22	
Government subsidies included in non-business income	24,066,004.19	25,062,134.05	
Total	94,460,173.14	50,439,622.27	

(2) Explanation of government grants: N/A

61. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investments by equity method	-10,618,250.83	-10,627,595.84
Investment income from disposal of long-term equity investments	212,200,839.17	
Investment income from holding of trading financial assets	29,642,540.63	12,340,347.25
Investment income from disposal of trading financial assets	15,280.36	-24,806.62
Investment income from holding of debt investments	585,422.58	1,430,602.21
Others	10,569,512.94	16,040,155.59
Total	242,395,344.85	19,158,702.59

Other description:

The investment income of the current period increased by RMB223,236,642.26 compared with that of the previous period, mainly due to the increase in the income from the disposal of long-term equity investment caused by the disposal of equity of subsidiaries in the current period.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

62. Income from changes in fair value

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Trading financial assets	83,538,886.07	-570,067.23
Derivative financial instruments	2,148,849.11	10,651,150.89
Total	<u>85,687,735.18</u>	<u>10,081,083.66</u>

63. Assets disposal income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	797,468.07	196,944.39
Total	<u>797,468.07</u>	<u>196,944.39</u>

64. Non-operating income

(1) Details of non-operating income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Gain on debt restructuring		6,708,418.35	
Government grants	24,354,004.19	25,350,134.05	24,354,004.19
Unpayable payables	12,482,894.04	4,642,013.03	12,482,894.04
Others	4,660,782.56	4,379,334.90	4,660,782.56
Total	<u>41,497,680.79</u>	<u>41,079,900.33</u>	<u>41,497,680.79</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

64. Non-operating income (Continued)

(2) Government grants recognised in the profits and losses of the current period

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/ Related to income
Special funds for urban security housing projects	288,000.00	288,000.00	Related to income
Zombie enterprise subsidy	21,723,861.35	24,421,153.25	Related to income
Municipal Engineering Technology Center		100,000.00	Related to income
"Three supplies and one industry" subsidy		540,980.80	Related to income
Property tax and land use tax	2,342,142.84		Related to income
Total	24,354,004.19	25,350,134.05	

Other description:

N/A

65. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Debt restructuring		671,509.77	
Donations to outside party	28,033.11	8,000.00	28,033.11
Extraordinary loss		237,662.88	
Others	2,542,318.32	3,876,026.59	2,542,318.32
Total	2,570,351.43	4,793,199.24	2,570,351.43

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

66. Income tax expenses

(1) Chart of income tax expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Current income tax expenses	30,790,507.02	41,240,790.25
Deferred income tax expense	25,320,206.47	8,596,134.66
Others		384,975.34
Total	56,110,713.49	50,221,900.25

(2) The Adjustment Process of Accounting Profit and Income Tax Expenses

Unit: Yuan Currency: RMB

Item	Amount in this period
Total profit	182,623,838.91
Income Tax Expenses at Statutory/Applicable Tax Rates	45,655,959.74
The Impact of Different Tax Rates on Subsidiaries	-4,841,560.21
The impact of income tax on the period before adjustment	3,481,184.11
The impact of non-taxable income	-8,583,402.24
Non-deductible Cost, Cost and Loss Impact	7,719,948.30
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-47,717,184.53
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	95,336,955.10
Extra deductions for R& D expenses	-36,010,506.84
Others	1,069,320.06
Income tax expenses	56,110,713.49

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

67. Notes to items of cash flow statement

(1) Cash receipts from other operating activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	7,053,500.20	21,911,596.09
Cash receipts of government subsidy	94,460,173.14	50,439,622.27
Cash receipts from other receivables	25,890,776.71	86,820,837.97
Total	127,404,450.05	159,172,056.33

(2) Cash payments to other operating activities.

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Payment of selling, administrative and R&D expenses	251,153,202.67	257,676,068.35
Payment of other payables	64,332,191.59	7,257,284.14
Total	315,485,394.26	264,933,352.49

(3) Other cash payments relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Right-to-use assets	18,912,382.68	
Total	18,912,382.68	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

68. Supplementary information for consolidated cash flow statement

(1) *Supplementary information for consolidated cash flow statement*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	126,513,125.42	-1,364,972,156.27
Add: Provision for asset impairment	116,158,115.92	231,843,558.95
Depreciation of fixed asset	295,945,487.07	302,705,675.67
Amortization of right-to-use assets	18,912,382.68	
Amortization of intangible assets	30,649,531.90	31,468,203.82
Amortization of long-term deferred expenses	17,092,808.91	16,562,266.58
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-797,468.07	-196,944.39
Loss on disposal of fixed assets (Gain listed as "-")	-	
Gain or loss from changes in fair value (Gain listed as "-")	-85,687,735.18	-10,081,083.66
Financial expenses (Gain listed as "-")	85,772,633.31	139,878,201.62
Loss on investments (Gain listed as "-")	-242,395,344.85	-19,158,702.59
Decrease in deferred tax assets (Increase listed as "-")	13,189,701.96	10,738,573.22
Increase in deferred tax liabilities (Decrease listed as "-")	12,130,504.51	-2,142,438.56
Decrease in inventories (Increase listed as "-")	448,291,835.00	-386,310,148.38
Decrease in operating receivables (Increase listed as "-")	-254,441,428.67	335,083,777.88
Increase in operating payables (Decrease listed as "-")	-250,602,480.23	330,183,468.26
Others		
Net cash flow generated from operating activities	330,731,669.68	-384,397,747.85
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents		
Ending balance of cash	1,120,120,449.63	1,279,587,830.24
Less: Beginning balance of cash	1,279,587,830.24	2,946,734,827.85
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-159,467,380.61	-1,667,146,997.61

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

68. Supplementary information for consolidated cash flow statement (Continued)

(2) Net cash received from disposal of subsidiaries in the current period

Unit: Yuan Currency: RMB

Item	Amount
Cash or cash equivalents received from disposal of subsidiaries in the current period	370,692,008.03
Less: Cash and cash equivalents held by the company on the date of loss of control	36,256,004.61
Add: Cash or cash equivalents received from disposal of subsidiaries in the previous period	
Net cash received from disposal of subsidiaries	<u>334,436,003.42</u>

(3) Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
1. Cash	1,120,120,449.63	1,279,587,830.24
Including: Cash on hand	994,815.11	1,054,228.70
Bank deposits ready for payment	1,106,289,570.55	1,266,288,328.52
Other monetary funds ready for payment	12,836,063.97	12,245,273.02
Deposit in the Central Bank ready for payment		
Interbank deposits		
Loans to other banks		
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Ending balance of cash and cash equivalents	1,120,120,449.63	1,279,587,830.24
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group		

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

69. Assets with restricted ownership or right-to-use

Unit: Yuan Currency: RMB

Item	Ending balance of book value	Reason
Monetary funds	280,907,543.11	Cash deposits and statutory reserve deposited in the Central Bank
Notes receivable	27,382,584.96	Bills pledged
Fixed assets	49,531,037.80	loan mortgage
Intangible assets	26,719,832.57	loan mortgage
Total	<u>384,540,998.44</u>	

70. Net current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current assets	6,415,221,116.11	7,532,344,445.11
Less: current liabilities	6,307,588,978.88	7,185,451,961.61
Net current assets	<u>107,632,137.23</u>	<u>346,892,483.50</u>

71. Total assets deduct current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Total assets	11,629,022,385.51	13,169,623,915.72
Less: current liabilities	<u>6,307,588,978.88</u>	<u>7,185,451,961.61</u>
Total assets deduct current liabilities	<u>5,321,433,406.63</u>	<u>5,984,171,954.11</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

72. Loan

Item	Ending balance	Beginning balance
Short-term bank loan	1,411,819,719.44	2,077,516,101.03
Short-term entrustment loan		700,000,000.00
Long-term loans due in one year	629,077,500.00	60,000,000.00
Long-term loan	139,077,500.00	868,473,000.00
Total	2,179,974,719.44	3,705,989,101.03

(1) Analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	2,040,897,219.44	2,837,516,101.03
Paid after one year	139,077,500.00	868,473,000.00
Subtotal	2,179,974,719.44	3,705,989,101.03
Other loan		
Paid within one year		
Paid after one year		
Subtotal		
Total	2,179,974,719.44	3,705,989,101.03

(2) Maturity date analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	2,040,897,219.44	2,837,516,101.03
1-2 years	39,077,500.00	629,236,500.00
2-5 years	100,000,000.00	239,236,500.00
Over 5 years		
Total	2,179,974,719.44	3,705,989,101.03

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

73. Foreign currency monetary items

(1) *Foreign currency monetary items*

Item	Ending balance of foreign currency	Exchange rate	Ending balance <i>(converted into RMB)</i>
Monetary funds			156,676,176.66
USD	14,428,713.41	6.9762	100,657,590.50
EUR	1,310,360.83	7.8155	10,241,125.08
HKD	42,591,575.98	0.89578	38,152,681.93
YEN			
AUD			
XOF	613,992,327.00	0.01191	7,312,648.62
ZAR	388,296.33	0.4943	191,934.88
BYR	36,243.90	3.3163	120,195.65
Accounts receivable			114,782,111.92
USD	12,722,386.15	6.9762	88,753,910.22
EUR	684,956.65	7.8155	5,353,278.69
AUD	943,019.40	4.8843	4,605,989.66
XOF	171,902,182.06	0.01191	2,047,354.99
ZAR	28,366,535.21	0.4943	14,021,578.36
Other receivables			11,755,804.08
XOF	18,588,593.93	0.01191	221,390.15
ZAR	26,860.62	0.4943	13,277.20
EUR	1,474,139.43	7.8155	11,521,136.73
Non-current assets maturing within one year			270,402,669.98
USD	38,713,764.41	6.9762	270,074,963.25
EUR	41,930.36	7.8155	327,706.73
Long-term receivables			210,735,785.32
USD	9,355,912.89	6.9762	65,268,719.50
EUR	18,612,637.18	7.8155	145,467,065.82
Accounts payable			41,412,106.01
USD	4,141,288.89	6.9762	28,890,459.56
EUR	1,577,930.19	7.8155	12,332,313.40
AUD			
XOF	6,002,201.00	0.01191	71,486.21
ZAR	150,000.00	0.4943	74,145.00
BYR	13,177.89	3.3163	43,701.84
Other payables			5,456,420.74
USD	71,444.77	6.9762	498,413.01
EUR	602,314.71	7.8155	4,707,390.62
XOF	20,776,500.00	0.01191	247,448.12
BYR	955.58	3.3163	3,168.99

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

73. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate	Ending balance (converted into RMB)
Short-term loans			1,930,331.98
USD			
EUR	246,987.65	7.8155	1,930,331.98
Employee benefits payable			14,028,739.20
EUR	1,780,803.50	7.8155	13,917,869.75
BYR	33,431.67	3.3163	110,869.45
Non-current liabilities due within one year			39,250,203.48
EUR	5,022,097.56	7.8155	39,250,203.48
Long-term loans			39,077,500.00
EUR	5,000,000.00	7.8155	39,077,500.00
Long-term payables			8,933,931.06
XOF	750,120,156.00	0.01191	8,933,931.06

(2) Overseas business entities

Company name	Overseas main business place	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd	Hong Kong	USD	Business environment and the main settlement currency
YTO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MCHINERY (SA) (PTY) LTD.	South Africa	ZAR	Business environment and the main settlement currency
YTO FRANCE SAS	France	EUR	Business environment and the main settlement currency
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

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

74. Depreciation and amortization

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Depreciation of fixed assets	295,945,487.07	302,705,675.67
Amortization of intangible assets	30,649,531.90	31,468,203.82
Total	<u>326,595,018.97</u>	<u>334,173,879.49</u>

75. Reserved funds

According to the applicable law of China, where the Group is registered and established, the allowable reserve of the Group on December 31, 2019 is RMB529,451,678.91, and the capital reserve-equity premium is RMB1,851,848,375.56.

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business consolidation not under common control

No business consolidation not under common control in this period.

2. Business consolidation under common control

No business consolidation under common control in this period.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

3. Disposal of subsidiary companies

Unit: 10 thousand RMB

Name of subsidiary	Equity disposal price	Equity disposal ratio (%)	Equity disposal method	Time point of losing control	Basis for determining the time point of loss of control	The difference between the disposal price and the share of the subsidiary's net assets in the consolidated financial statements corresponding to the disposal investment
YTO (Luoyang) Transportation Machinery Co., Ltd	1,363.78	100.00	Sell	February 28, 2019	Note 1	2,271.43
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd	18,412.83	100.00	Sell	December 31, 2019	Note 2	5,249.02
Luoyang Xiyuan and Power Inspection Institute Co., Ltd	17,292.59	100.00	Sell	December 31, 2019	Note 3	13,699.63

Note 1: In February 2019, the Company signed a property right transaction contract with Luoyang Chenhan Agricultural Equipment Technology Co., Ltd. The Company transferred 93.39% of the total equity of YTO (Luoyang) handling machinery Co., Ltd. to Luoyang Chenhan Agricultural Equipment Technology Co., Ltd. with RMB13.6378 million. In February 2019, asset handover procedures are completed which means the Company lost the control of the YTO (Luoyang) handling machinery Co., Ltd.

Note 2: In October 2019, the Company signed an equity transfer agreement with its controlling shareholder, China YTO Group Co., Ltd. ("China YTO"). It is agreed in the agreement that the company will sell 100.00% equity of YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd. ("Xinjiang company") to China YTO. The selling price is RMB184.1283 million of the appraisal value of the equity in the appraisal report issued by Zoomlion asset appraisal group Co., Ltd. on the benchmark date of July 31, 2019 (Zoomlion rating No. [2019] 1540).

Note 3: In October 2019, Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, signed an equity transfer agreement with its controlling shareholder, China YTO Group Co., Ltd. ("China YTO"). It is agreed in the agreement that Luoyang Tractor Research Institute Co., Ltd., will transfer 100% equity of Luoyang Xiyuan vehicle and Power Inspection Institute Co., Ltd. to China YTO. The equity transfer price is determined to be RMB172.9259 million which is determined by the value of RMB234.9259 million, which is based on the appraisal report (China United rating Zi [2019] No. 1497) issued by China United asset appraisal group Co., Ltd. on the benchmark date of July 31, 2019 deducting the the dividend of Xiyuan company which is RMB62 million.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
China-Africa Heavy Industry Investment Co., Ltd	China	China	Sale of agricultural machinery	55.00		Establishment
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	China	China	Tractor manufacturing	33.33		Subsidiaries acquired through business combination not under common control
YTO Heilongjiang Agricultural Machinery Co., Ltd	China	China	Tractor manufacturing	100.00		Establishment
Luoyang tractor research institute Co., Ltd	China	China	Others	51.00		Business combination under common control
YTO International Economic and Trade Co., Ltd	China	China	Sale of agricultural machinery	100.00		Business combination under common control
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00		Business combination under common control
YTO (Luoyang) Fuel Injection Co., Ltd	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Co., Ltd	China	Bermuda	Investment shareholding	90.10		Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd	China	China	Sale of agricultural machinery	70.00	30.00	Establishment
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	China	China	Other machinery manufacturing	100.00		Establishment
China YTO Group Finance Co., Ltd	China	China	Finance	94.60	4.80	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	China	China	Tractor manufacturing	100.00		Subsidiaries acquired through business combination not under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00		Business combination under common control
YTO FRANCE SAS	France	France	Tractor manufacturing	100.00		Establishment
YTO Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00		Business combination under common control

The reason why the proportion of shareholding in the subsidiary is different from the proportion of the voting rights:

According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94.25 million based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Co., Ltd (referred to as "Changtuo Company") on March 31, 2012. the Company holds 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "SinoMach"), SinoMach authorized its voting right and supervision and management right corresponding to 33.33% equity of Changtuo Company to the Company to independently exercise these rights. The authorization will end when SinoMach transfers the equity to unrelated third parties. During the authorization period, SinoMach cannot unilaterally withdraw its authorization. SinoMach has to obtain the written consent from the Company if SinoMach needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Significant partially-owned subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Shareholding percentage of minority shareholders (%)	Profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in this period	Ending balance of minority interests
Brilliance China Machinery Holdings Co., Ltd	9.9	-473,109.50	166,320.00	3,149,058.13
YTO Group Finance Co., Ltd	1.21	590,818.28	200,400.00	10,467,915.55
China-Africa Heavy Industry Investment Co., Ltd	45	400,093.49		43,064,042.22
Luoyang Tractor Research Institute Co., Ltd	49	67,895,690.90		396,193,422.84
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	5,031,249.09		238,935,330.02
YTO (Luoyang) Fuel Injection Co., Ltd	13.89	-435,571.10		20,271,494.71
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67	-8,089,883.50		6,367,224.29

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Main financial information of significant partially-owned subsidiaries (Continued)

Item	Amount in this period			Cash Flow of Operational Activities
	Operating income	Net profit	Total comprehensive income	
Brilliance China Machinery Holdings Co., Ltd	3,338,206.65	-5,612,484.71	-4,289,150.88	-6,512,588.18
YTO Group Finance Co., Ltd	150,791,451.24	48,815,854.27	48,815,854.27	-408,757,870.57
China-Africa Heavy Industry Investment Co., Ltd	42,975,787.79	829,146.01	-242,025.34	7,095,011.68
Luoyang Tractor Research Institute Co., Ltd	211,559,804.82	138,562,634.49	138,562,634.49	122,500,824.72
YTO (Luoyang) Diesel Engine Co., Ltd	1,361,827,811.93	35,424,877.73	35,424,877.73	128,657,230.98
YTO (Luoyang) Fuel Injection Co., Ltd	54,079,838.06	-3,136,538.48	-3,136,538.48	4,077,578.68
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	82,966.62	-12,134,819.18	-12,134,819.18	1,648,877.89

Item	Amount in last period			Cash Flow of Operational Activities
	Operating income	Net profit	Total comprehensive income	
Brilliance China Machinery Holdings Co., Ltd	-	1,685,549.08	5,425,559.19	1,356,281.46
YTO Group Finance Co., Ltd	185,431,785.31	37,123,570.18	37,123,570.18	-1,597,300,285.40
China-Africa Heavy Industry Investment Co., Ltd	81,659,065.39	-8,256,169.71	-8,744,269.92	1,639,818.12
Luoyang Tractor Research Institute Co., Ltd	215,332,593.36	-2,011,919.62	-2,011,919.62	36,947,854.49
YTO (Luoyang) Diesel Engine Co., Ltd	1,274,189,141.87	-228,508,732.14	-228,508,732.14	-39,596,860.64
YTO (Luoyang) Fuel Injection Co., Ltd	58,590,871.01	-50,179,575.72	-50,179,575.72	-31,557,536.90
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd		-26,860,203.22	-26,860,203.22	-4,231,490.22

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(4) Major restrictions on the use of enterprise group assets and repayment of enterprise group debt

N/A

(5) Financial support or other support provided to the structured body that incorporates the scope of the consolidated financial statements

N/A

2. Situation of which the portion of shareholders' equity in a subsidiary changed but still in control of the subsidiary

N/A

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Unit: Yuan Currency: RMB

Name of joint ventures or associates	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Drive Axle Co., Ltd	China	China	Tractor manufacturing	49.00		Equity method
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	China	China	Tractor manufacturing	20.00		Equity method

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Unit: Yuan Currency: RMB

	Ending balance/ Amount incurred in this period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	2,459,770.66	109,510,694.21
Non-current assets	1,225,055.07	195,181,169.36
Total assets	3,684,825.73	304,691,863.57
Current liabilities	157,192.28	43,382,643.20
Non-current liabilities	94,831.00	18,831,974.81
Total liabilities	252,023.28	62,214,618.01
Minority interests		
Equity attributable to the parent company shareholders	3,432,802.45	242,477,245.56
Share of net assets calculated by shareholding ratio	686,564.47	118,813,850.32
Adjusted matters		-16,488.23
–Goodwill		
–Unrealized profits from internal transactions		-16,488.23
–Others		
Book value of equity investments in joint ventures	686,564.47	118,785,505.12
Fair value of equity investments in joint ventures with public offer		
Operating income	143,607.34	131,840,623.44
Finance expenses	231.41	-473,861.72
Income tax expenses		-
Net profit	-363,761.74	-23,230,693.24
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-363,761.74	-23,230,693.24
Dividends from associates for current period		

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures (Continued)

Unit: Yuan Currency: RMB

	Beginning balance/ Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	2,812,309.91	121,251,327.99
Non-current assets	1,384,221.51	184,366,831.34
Total assets	4,196,531.42	305,618,159.33
Current liabilities	299,967.23	39,910,220.53
Non-current liabilities	100,000.00	
Total liabilities	399,967.23	39,910,220.53
Minority interests		
Equity attributable to the parent company shareholders	3,796,564.19	265,707,938.80
Share of net assets calculated by shareholding ratio	759,316.82	130,196,890.01
Adjusted matters		-7,605.40
–Goodwill		
–Unrealized profits from internal transactions		-7,605.40
–Others		
Book value of equity investments in joint ventures	759,316.82	130,189,284.61
Fair value of equity investments in joint ventures with public offer		
Operating income	78,872.73	162,188,379.00
Finance expenses	273.55	-1,502,511.28
Income tax expenses		
Net profit	-410,633.69	-21,173,245.48
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-410,633.69	-21,173,245.48
Dividends from associates for current period		

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(3) Summary financial information of insignificant associates

Unit: Yuan Currency: RMB

Item	Ending balance/ Amount incurred in this period	Beginning balance/ Amount incurred in last period
Associates total book value of investments	281,102.48	255,214.27
Total amount of the following items calculated by shareholding ratio	-	-
Net profit	25,888.21	89,651.26
Other comprehensive income		
Total comprehensive income	25,888.21	89,651.26

(4) Significant restrictions of the ability to transfer funds from associates or joint ventures to the Group

None

(5) Excess loss incurred in associates or joint ventures

None

(6) Unconfirmed commitments related to investments in associates

None

(7) Contingent liabilities related to investments in associates or joint ventures

None

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group faces risks of various financial instruments in its daily activities, including credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk). The Group's main financial instruments include currency funds, equity investments, creditor's rights investments, loans, accounts receivable, accounts payable, etc. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks faced by the Group. These risk management policies specify specific risks, covering market risk, credit risk and liquidity risk management, etc. The Group regularly assesses changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems.

The Group disperses the risk of financial instruments through appropriate diversification of investment and business portfolio, and reduces the risk of focusing on a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

1. Credit risk

Credit risk refers to the risk of financial loss caused by the failure of the counterparty to perform its contractual obligations. The Group has adopted a policy of cooperating only with creditworthy counterparties and obtaining sufficient collateral when necessary to mitigate the risk of financial losses arising from the failure of counterparties to fulfil their contractual obligation. The Group deals only with subjects rated as equal to or above the investment level. Rating information is provided by independent rating agencies. If such information is not available, the Group will use other publicly available financial information and its own transaction records to rate major customers. The Group continuously monitors the exposure to risks and the credit ratings of many counterparties and continuously monitors these exposure to credit risks.

On December 31, 2019, the biggest credit risk exposure that may cause financial losses to the Group was mainly due to the failure of the client or counterparty to perform on the due date. Specifically, it includes accounts receivable, other receivables and notes receivable, as well as the lending business of China YTO Group Finance Co., Ltd., a subsidiary of the Group.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (Continued)

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. The Group evaluates the credit qualification of customers and sets up corresponding credit periods which are based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors refer to current market conditions. The Group will conduct regular monitoring of customer credit records. As for bad credit customers, the Group will use written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk is in the controllable range. In addition, the Group will continue to monitor balances of accounts receivable. The board of directors believes that the uncollected accounts receivable in the financial statement has an adequate allowance. Considering such procedures, the board of directors believes that the credit risk has been significantly reduced.

Monetary funds held by the Group are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and asset status, there is no significant credit risk, and will not cause any significant losses due to the default of the other party's units.

The debtor of accounts receivable is a large number of customers distributed in different industries and regions. The Group continues to conduct credit assessments of the financial position of debtors of accounts receivable and to purchase credit guarantee insurance when appropriate. Because the counterparts of currency funds and derivatives are reputable banks with high credit ratings, these instruments have low credit risk.

At December 31, 2019, the accounts receivable of the top five customers accounted for 29.06% (2018: 28.81%) of the Group's total accounts receivable, so the group has no significant risk of credit concentration.

The Group's credit risk exposure includes on balance sheet items and off balance sheet items involving credit risk. On the balance sheet date, the book value of the group's financial assets has represented its maximum credit risk exposure.

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage when the Group fulfills its obligation to pay cash or other financial assets for settlement. Each member of the Group is responsible for its cash flow forecast. The financial company under the Group monitors the long-term and short-term capital demand at the Group level based on the cash flow forecast results of each member company. Through the fund pool plan set up by large banking financial institutions, the Group coordinates and dispatches surplus funds within the group, and ensures that member enterprises have sufficient cash reserves to fulfill payment obligations due for settlement. In addition, the Group has entered into a credit agreement with major business banks to support the Group in fulfilling its obligations related to commercial paper.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (Continued)

Cash Flow Payable as shown in the Contract Remaining Period at the Balance Sheet Date of the Group's Financial Liabilities:

Unit: Yuan Currency: RMB

Item	Net book vale	December 31, 2019			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities:					
Notes payable	1,004,008,951.30	1,004,008,951.30			
Accounts payable	1,252,450,248.58	1,252,450,248.58			
Other payables	302,747,490.57	302,747,490.57			
Other current liabilities	225,466,269.20	225,466,269.20			
Short-term borrowings	1,419,528,065.30	1,419,528,065.30			
Long-term loans	139,077,500.00		39,077,500.00	100,000,000.00	
Non-current liabilities due within one year	649,035,505.95	649,035,505.95			
Absorbing deposits and Interbank Deposit	1,137,277,294.54	1,137,277,294.54			
Subtotal of non-derivative financial liabilities	6,129,591,325.44	5,990,513,825.44	39,077,500.00	100,000,000.00	
Financial liabilities	6,129,591,325.44	5,990,513,825.44	39,077,500.00	100,000,000.00	

Item	Net book vale	December 31, 2018			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities:					
Notes payable	958,616,789.34	958,616,789.34			
Accounts payable	1,194,829,925.57	1,194,829,925.57			
Other payables	292,106,786.08	292,106,786.08			
Other current liabilities	196,139,042.20	196,139,042.20			
Short-term borrowings	2,792,337,237.50	2,792,337,237.50			
Long-term loans	868,473,000.00		629,236,500.00	239,236,500.00	
Non-current liabilities due within one year	78,936,510.48	78,936,510.48			
Absorbing deposits and Interbank Deposit	1,086,218,057.79	1,086,218,057.79			
Subtotal of non-derivative financial liabilities	7,467,657,348.96	6,599,184,348.96	629,236,500.00	239,236,500.00	
Derivative financial liabilities	2,727,592.84	2,727,592.84			
Financial liabilities	7,470,384,941.80	6,601,911,941.80	629,236,500.00	239,236,500.00	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk

(1) Exchange rate risk

The main business of our company is in China, and the main business is settled in RMB. The Group has confirmed that the foreign currency assets and liabilities and future transactions in foreign currency still exists the risk of exchange rate (the currency for foreign currency assets and liabilities and foreign transactions mainly are US dollar, Hong Kong dollar, Euro, Yen, Australian dollar West African francs and Rand). The financial department of the Group is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Group to minimize the risk of exchange rate so that the Group may achieve the purpose of avoiding the exchange rate risk by signing forward foreign exchange contracts.

By the end of December 31, 2019, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Foreign currency of financial assets:				
Monetary funds		156,676,176.66		163,371,093.95
USD	14,428,713.41	100,657,590.50	14,434,135.98	99,064,362.06
EUR	1,310,360.83	10,241,125.08	2,689,414.73	21,104,644.22
HKD	42,591,575.98	38,152,681.93	42,264,257.80	37,031,942.69
YEN			7.00	0.43
AUD			615,412.92	2,969,367.34
XOF	613,992,327.00	7,312,648.62	203,719,689.00	2,436,487.48
ZAR	388,296.33	191,934.88	1,513,403.99	716,596.79
GBP				
BYR	36,243.90	120,195.65	15,008.62	47,692.94
Accounts receivable		114,782,111.92		119,255,241.03
USD	12,722,386.15	88,753,910.22	13,221,746.95	90,743,493.72
EUR	648,956.65	5,353,278.69	566,552.24	4,445,905.40
AUD	943,019.40	4,605,989.66	1,614,639.72	7,790,636.65
XOF	171,902,182.06	2,047,354.99	246,045,861.22	2,942,708.50
ZAR	28,366,535.21	14,021,578.36	28,157,332.13	13,332,496.76
Other receivables		11,755,804.08		336,926.69
XOF	18,588,593.93	221,390.15	26,409,632.50	315,859.21
ZAR	26,860.62	13,277.20	44,493.09	21,067.48
EUR	1,474,139.43	11,521,136.73		
Non-current assets maturing within one year		270,402,669.98		170,816,064.55
USD	38,713,764.41	270,074,963.25	24,888,691.07	170,816,064.55
EUR	41,930.36	327,706.73		

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Long-term receivables		210,735,785.32		320,789,277.89
USD	9,355,912.89	65,268,719.50	26,405,472.06	181,226,035.84
EUR	18,612,637.18	145,467,065.82	17,784,874.04	139,563,242.05
Foreign currency financial liabilities				
Accounts payable		41,412,106.01		56,255,123.34
USD	4,141,288.89	28,890,459.56	5,353,426.42	36,741,636.24
EUR	1,577,930.19	12,332,313.40	2,453,632.06	19,254,386.88
AUD			16,497.46	79,600.24
XOF	6,002,201.00	71,486.21	5,796,739.94	69,346.48
ZAR	150,000.00	74,145.00	150,000.00	71,025.00
BYR	13,177.89	43,701.84	12,313.45	39,128.50
Other payables		5,456,420.74		56,815,677.09
USD	71,444.77	498,413.01	68,079.88	467,245.83
EUR	602,314.71	4,707,390.62	7,179,865.36	56,342,557.44
HKD				
XOF	20,776,500.00	247,448.12		
ZAR				
BYR	955.58	3,168.99	1,848.45	5,873.82
Short-term loans		1,930,331.98		928,516,101.13
USD			135,000,000.00	926,532,000.00
EUR	246,987.65	1,930,331.98	252,838.70	1,984,101.13
XOF				
Employee benefits payable		14,028,739.20		
EUR	1,780,803.50	13,917,869.75		
BYR	33,431.67	110,869.45		
Non-current liabilities due within one year		39,250,203.48		
EUR	5,022,097.56	39,250,203.48		
Long-term loans		39,077,500.00		78,473,000.00
EUR	5,000,000.00	39,077,500.00	10,000,000.00	78,473,000.00
Long-term accounts payable		8,933,931.06		8,971,437.07
XOF	750,120,156.00	8,933,931.06	750,120,56.00	8,971,437.07

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Sensitivity analysis:

By the end of December 31, 2019, as for the Group of foreign currency of financial assets and financial liabilities, if the RMB against the US dollar and euro currency appreciation or depreciation of 10% and other factors remain unchanged, the Group will reduce or increase retained profits about RMB61,426,331.55 (Year 2018: RMB35,446,273.45).

(2) Interest rate risk

The interest rate risk of the Group arises from bank loans. Financial liabilities with floating interest rates push the Group to face the cash flow interest rate risk. Financial liabilities with fixed interest rates push the Group to face the fair value interest rate risk. The Group needs to decide a relative proportion between contracts with floating interest rates and contracts with fixed interest rates according to the market environment.

the Group's financial department continuously monitors the Group's interest rate level. Rising interest rates will increase the cost of new interest-bearing liabilities and the interest expenditure of interest-bearing liabilities that the Group has not yet paid at floating interest rates, which will have a significant negative impact on the Group's financial performance. The management will make timely adjustments based on the latest market conditions. These adjustments may be made by arranging interest rate swaps to reduce interest rate risk.

On December 31, 2019, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB and Euro, amounting to RMB100,000,000.00. (Details in VI Note 36 Long-term Loans)

Sensitivity analysis:

By the end of December 31, 2019, if the interest rate calculated at floating interest rate has increased or decreased by 1%, while other factors remain unchanged, the Group's pre-tax profit will decrease or increase by about RMB1,000,000.00. (Year 2018: RMB8,684,730.00).

The above sensitivity analysis assumption of interest rate changes has taken place on the balance sheet date and have been applied to all loans obtained by our company at floating interest rates.

(3) Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE

1. Financial instruments measured at fair value

In December 31, 2019, the Group expose the book value of financial asset instruments measured at fair value at three levels which is based on the lowest level of the three levels of the important input values used in the measurement of fair value. The three levels are defined as following:

First level: Unadjusted quotations of the same assets or liabilities that can be obtained on the day of measurement in the active market.

Second level: An input value directly or indirectly observable except for the first level of input value.

Input values in second level included: 1) Quotations similar to assets or liabilities in active markets. 2) Quotations of the same or similar assets or liabilities in an inactive market. 3) Other observable input values other than quotations, such as: The interest rate and yield curve, implied volatility and credit margin that can be observed during the normal quotation interval. 4) Input value of market verification.

Third level: The unobservable input value of the related assets or liabilities.

2. Ending fair value

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
Subtotal of Financial Assets Measured at Fair Value and its changes are accounted in loss and profit in current period				
Investments on debt instrument				
Investments on equity instrument	8,470,548.10			8,470,548.10
Subtotal of designated as financial assets measured at fair value and its changes are accounted in loss and profit in current period				
Investments on debt instrument				
Investments on equity instrument		971,922,400.00		971,922,400.00
Derivative financial assets				
Total assets	8,470,548.10	971,922,400.00		980,392,948.10
Derivative financial liabilities				
Total liabilities				

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-timely and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets incorporated in current profit and loss at fair value).

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is in the second level.

The Company hired Zhonglian Asset Appraisal Group Co., Ltd. to issue the valuation report for the investment in equity instruments held by the Company. The valuation method of equity instruments in valuation report is market method- comparisons of listed companies and market method.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

If one or more of the significant inputs are not based on observable market data, the financial instrument is then listed in the third level.

Specific methods of valuating financial instruments include:

- (1) Market price or industry price of similar financial instruments.
- (2) The fair value of interest rate swap is calculated based on discounted value of estimated future cash flows by observable yield curve.
- (3) Present value discounted from fair value of foreign exchange forward contracts calculated by the exchange rate on the settlement date.
- (4) Other methods such as discounted value of cash flow analysis which is used to calculate the fair value of the rest other financial instruments.

6. Continuous third level fair value measurement items, adjustment information between the beginning and the end of the book value and sensitivity analysis of unobvious parameters

The above continuous fair value measurement project of the Group has not changed between different levels in this year.

7. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion

The above continuous fair value measurement items of the group have not been converted between all levels in this year.

8. The changes in the valuation technology and the cause of the change in this period

The fair value valuation technology of the Group's financial instruments has not changed in this year.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

9. The fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payable, non-current liabilities and non-current assets due within one year, long-term loans.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

1. Information of the parent company of the enterprise

Unit: 0'000 Currency: RMB

Name of controlling shareholder	Registration place	Business nature	Registered capital (RMB ten thousand)	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
YTO Group Corporation	Henan Luoyang	Production and sales of large and small tractors, construction machinery, diesel engines, etc.	302,374.96	41.66	41.66

- (1) Explanation of the parent company of the Company: N/A
- (2) The ultimate controlling party of the Company is China National Machinery Industry Corporation Ltd.

China National Machinery Industry Corporation Ltd, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital of the Group is RMB27,941,243,561.47.

2. Subsidiaries of the Company: refer to the related content in the Note VIII 1. Interests in subsidiaries for the details of the subsidiaries

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

3. The Company's Joint Ventures and Associated Enterprises

Refer to the related content in the Note VIII 3. Significant joint ventures or associates for the details.

There are transactions incurred between the joint ventures and associates with the Company in this year or balances due to or from the Company realized in prior period carried forward:

Other associated party names	Relationship to other related parties	Note
YTO (Luoyang) Fuel Injection Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	The controlling shareholder of the Company held 10.57% shareholdings
Luoyang Tractor Research Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	The controlling shareholder of the Company directly held 49% shareholdings
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	The subsidiary of Luoyang Tractor Research Institute Co., Ltd. Changed to be a wholly owned subsidiary controlling shareholder at the end of December.
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company	The controlling shareholders of the Company held 45% shareholdings
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd	The joint venture of the controlling shareholder of the Company	
Luoyang Oriental Printing Co., Ltd	The joint venture of the controlling shareholder of the Company	
China YTO Kawei (Luoyang) Vehicle Co., Ltd	The joint venture of the controlling shareholder of the Company	
YTO (Luoyang) Standard Parts Co., Ltd	The joint venture of the controlling shareholder of the Company	
YTO (Luoyang) New Oriental Automobile Co., Ltd	The joint venture of the controlling shareholder of the Company	

Other explanation

According to the board rules of the Hong Kong stock exchange, the Company holding a share of 10% or more of the holding shareholders of the Company is a joint venture of the controlling shareholder of the Group.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties

Name of other related parties	Relationship to the Company
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control
YTO (Luoyang) Tobacco Machinery Co., Ltd.	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
YTO (Luoyang) Material Equipment Co., Ltd	Under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	Under common control
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang Zhongshou Machinery Equipment Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fossett Auto Incorporate Company	Under common control
Luoyang Duoen Advertising Co., Ltd	Under common control
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
Beijing Heavy Transport Machinery Design Research Institute	Same ultimate control
Changlin Incorporated Company	Same ultimate control
SINOMACH-HI Equipment Group Co., Ltd.	Same ultimate control
Fuyang Bearing Co., Ltd.	Same ultimate control
Guangzhou Jisheng Lubrication Technology Co., Ltd.	Same ultimate control
Guangzhou Optical Sky Materials Technology Co., Ltd.	Same ultimate control
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	Same ultimate control
SINOMACH-HI (Luoyang) Co., Ltd	Same ultimate control
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
The Fifth Design Institute of the Ministry of Machinery Industry	Same ultimate control
Jiangsu Sumida Mechanical and Electrical Technology Co., Ltd.	Same ultimate control
Luoyang Bearing Research Institute Co., Ltd.	Same ultimate control
Luoyang Zhouyan Science and Technology Co., Ltd.	Same ultimate control
YTO (Luoyang) Engineering Machinery Co., Ltd	Same ultimate control
Changsha Gas-electric Auto Parts Co., Ltd	Same ultimate control
China SINOMACH Heavy Industry Corporation	Same ultimate control
China Machine Tool Corporation	Same ultimate control
The Fourth Construction of China Machinery Industry Co., Ltd.	Same ultimate control
China Machinery Industry Machinery Engineering Co., Ltd.	Same ultimate control
China Machinery Industry Construction Group Co., Ltd.	Same ultimate control
China Academy of Agricultural Mechanization	Same ultimate control
China Automobile Industrial Engineering Co., Ltd.	Same ultimate control
China Heavy Machinery Research Institute Stock Company	Same ultimate control
China (Tianjin) Automotive Equipment Co., Ltd.	Same ultimate control
Xinjiang Zhongshu Agricultural and Animal Husbandry Machinery Co., Ltd.	Same ultimate control

The explanation of other related parties: The ultimate controlling party of the Company is China Machinery Industry Group Co., Ltd., so the subsidiaries controlled by China Machinery Industry Group Co., Ltd. are all related parties of the Company. Only the parties concerned with the Company are disclosed herein.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions

(1) *The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.*

(2) *Significant transactions with SINOMACH and its subsidiaries*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	18,255,373.36	13,785,642.98
Purchase of raw materials and components	61,163,799.54	62,898,788.45
Interest income	6,101,863.15	12,056,129.37
Pay clients' deposit interest	515,635.21	1,041,690.26
Commission income	65,474.52	123,376.94
Pay for R & D expenses	2,830.19	2,264,150.94

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(3) *Significant transactions between the Group and YTO Group and the subsidiaries*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	198,455,486.00	248,046,773.93
Purchase of raw materials and components	305,007,479.67	402,883,563.65
Payment and payable of power expense	133,680,514.76	160,450,955.48
Payment and payable of comprehensive services and transportation fees	140,682,645.80	148,477,803.00
Payment and payable of land rental expenses	8,889,299.17	12,274,161.50
Payment and payable of buildings rental expenses	9,258,076.18	8,896,383.63
Payment and payable of equipment rental expenses	703,082.80	3,832,438.58
Pay for R & D expenses	136,452.79	
Rental income of leasing buildings and equipment	2,897,972.42	4,314,177.09
Land lease income	1,637,791.81	2,813,192.00
Trademark use income	298,490.57	323,584.91
Purchase of plant and equipment	642,014.24	3,729,845.67
Interest income	30,522,736.58	38,012,971.66
Pay clients' deposit interest	31,277,358.43	13,167,248.19
Commission income	974,017.77	364,279.71
Payment received of research and development expense	55,784,750.05	1,529,635.21

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

**(4) Related party transactions between the Group and the joint ventures and associates
(including the joint ventures and associates of SINOMACH and YTO Group Corporation)**

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	30,415,503.86	40,306,976.67
Income from technology license	378,366.88	
Income from trademark use	4,528.30	
Income from comprehensive service	1,968,084.90	
Rental income	6,627,532.31	7,684,716.11
Purchase raw materials and parts	166,363,152.53	287,253,710.30
Payment for clients' deposit interest	3,765,441.72	2,235,400.03
Payment of research and development costs	85,922,850.00	105,736,226.45
Payment of power fee	106,524.16	
Providing technology and testing services	2,188,471.51	303,420.25
Commission income	5,837.63	8,708.75
	5,837.63	8,708.75

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(5) Borrowing and lending between related parties

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loans granting (including Notes discounted)	1,276,436,163.12	1,362,361,600.00
Absorption of deposits and interbank deposits	12,842,179,980.63	12,553,078,292.18
Short term borrowings		700,000,000.00

(6) Transfer of equity to related parties

Unit: Yuan Currency: RMB

Name of company	Transaction content	Relationship with related parties	Book value	Appraisal Value	Transfer price
China YTO Group Co., Ltd	Transfer of equity of second-class subsidiary YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	Controlling shareholder	160,000,000.00	184,128,300.00	184,128,300.00
China YTO Group Co., Ltd	Transfer of equity of a third-class subsidiary Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Controlling shareholder	20,299,145.98	234,925,900.00	172,925,900.00

Note: The dividend of Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd. is RMB62 million.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(7) Remuneration of key management personnel

Unit: 0'000 Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Remuneration of key management personnel		
Fees	40.63	50.85
Salaries and other benefits	401.27	673.91
Retirement benefits scheme contribution	24.72	48.46
	<hr/>	<hr/>
Total remuneration	466.62	773.22

Analysis of key management personnel remuneration

Unit: 0'000 Currency: RMB

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Li Xiaoyu				0.00
Cai Jibo				0.00
Liu Jiguo		44.32	2.81	47.13
Non-executive directors				
Zhou Honghai				0.00
Li, Hepeng	0.59			0.59
Xie, Donggang	0.57			0.57
Independent non-executive directors				
Yu Zengbiao	9.41			9.41
Yang, Minli	9.66			9.66
Wang Yuru	9.66			9.66
Xue Lipin	10.51			10.51
Supervisors				
Zhang Hongsheng				0.00
Tian Peng				0.00
Zhang Bin				0.00
Wang Hongbin		47.93	2.81	50.74
Yang Kun		24.60	2.81	27.41

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(7) Remuneration of key management personnel (Continued)

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Key management personnel				
Wang, Kejun (<i>Deputy general manager</i>)		41.23	2.81	44.04
Su, Wensheng (<i>Deputy general manager</i>)		41.16	2.81	43.97
Xue Wenpu (<i>Deputy general manager</i>)		52.44	2.81	55.25
Yu Lina (<i>Deputy general manager & Board Secretary</i>)		41.33	2.81	44.14
Zhao Junfen (<i>CFO</i>)		16.58	1.55	18.13
Other key management personnel				
Zhao, Yanshui (<i>Former Executive Director and Chairman</i>)		24.39		24.39
Wu Yong (<i>Former non-executive director and Vice chairman</i>)		25.23	1.30	26.53
Zhu Weijiang (<i>Former Executive Director and general manager</i>)		22.84	1.10	23.94
Li Kai (<i>Former non-executive director</i>)	0.23			0.23
Zhang Jiaxin (<i>Former chairman of the board of supervisors</i>)				
Xu Weilin (<i>Former supervisor</i>)				
Yao, Weidong (<i>Former chief financial officer</i>)		19.22	1.10	20.32
Total	40.63	401.27	24.72	466.62

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(7) Remuneration of key management personnel (Continued)

Personnel and duties	Amount in last period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Zhao, Yanshui		59.40	3.45	62.85
Zhu Weijiang		53.51	3.45	56.96
Wu, Yong		59.41	3.45	62.86
Non-executive directors				
Yin Dongfang	1.43			1.43
Li, Hepeng	1.17			1.17
Xie, Donggang	1.42			1.42
Li, Kai	1.18			1.18
Independent non-executive directors				
Wang Yuru	1.81			1.81
Xue Lipin	1.94			1.94
Yu, Zengbiao	8.91			8.91
Yang, Minli	8.64			8.64
Supervisors				
Xu Weilin				0.00
Zhang Bin				0.00
Wang Hongbin		34.81	3.45	38.26
Yang Kun		25.69	3.45	29.14

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(7) Remuneration of key management personnel (Continued)

Personnel and duties	Amount in last period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Key management personnel				
Wang, Kejun (<i>Deputy general manager</i>)		45.70	3.45	49.15
Liu, Jiguo (<i>Deputy general manager</i>)		46.51	3.45	49.96
Su, Wensheng (<i>Deputy general manager</i>)		51.85	3.46	55.31
Other key management personnel				
Yao, Weidong (<i>Former chief financial officer</i>)		52.07	3.45	55.52
Yu Lina (<i>Deputy general manager & Board Secretary</i>)		52.13	3.45	55.58
Wang Erlong (<i>Former Executive Director and Vice-Chairman</i>)		49.61	3.60	53.21
Wu Delong (<i>Former Independent Non-Executive Director</i>)	6.93			6.93
Xing Min (<i>former independent non-executive director</i>)	6.79			6.79
Li Pingan (<i>former Chairman of the Board of Supervisors</i>)	0.00	33.74		33.74
Wang Yong (<i>former supervisor</i>)	5.08			5.08
Huang Ping (<i>former supervisor</i>)	5.55			5.55
Wang Jianjun (<i>former supervisor</i>)		32.99	3.45	36.44
Zhao Guozhong (<i>former supervisor</i>)		28.72	3.45	32.17
Song Yuping (<i>former deputy general manager</i>)		47.77	3.45	51.22
Total	50.85	673.91	48.46	773.22

(8) Other related party transactions

N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties

(1) Notes receivable

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Notes receivable between the Group and YTO Group and its subsidiaries	16,476,000.00	21,590,807.83
China YTO Group Co., Ltd	16,476,000.00	
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd		3,500,000.00
YTO (Luoyang) Logistics Co., Ltd		10,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd		4,383,807.83
Luoyang Zhongshou Machinery Equipment Co., Ltd.		13,697,000.00
(2) Notes Receivable between the Group and Joint Venture or associates	660,000.00	1,080,000.00
ZF YTO (Luoyang) Bridge Co., Ltd.	660,000.00	1,080,000.00
(3) Notes receivable between the Group and SINOMACH and its subsidiaries		100,000.00
YTO (Luoyang) Engineering Machinery Co., Ltd		100,000.00
Total	17,136,000.00	22,770,807.83

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(2) Accounts receivable

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Accounts receivable between the Group and YTO Group and its subsidiaries	4,797,904.60	1,123,741.38	2,270,687.61	482,676.74
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.	59,702.10	597.02	465,702.00	4,657.02
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	975,999.05	799,760.38	975,999.05	415,069.65
SINOMACH-HI (Luoyang) Co., Ltd	1,469,023.41	25,086.85	76.56	0.77
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry			135,800.00	20,370.00
China (Tianjin) Automotive Equipment Co., Ltd.			170,000.00	25,500.00
Zhonghengtian Automobile Group (Ya'an) Automobile Co., Ltd.	1,795,908.04	269,386.21		
China SINOMACH Heavy Industry Corporation	24,180.00	24,180.00	24,180.00	12,090.00
Jiangsu Sumida Mechanical and Electrical Technology Co., Ltd.	473,092.00	4,730.92	498,930.00	4,989.30
(2) Accounts receivable between the Group and the shareholder	1,708,142.88	28,954.34	13,791,673.82	2,330,666.74
YTO Group Corporation	1,708,142.88	28,954.34	13,791,673.82	2,330,666.74

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(2) Accounts receivable (Continued)

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(3) Accounts receivables between the Group and SINOMACH and its subsidiaries	43,761,708.34	5,856,572.87		
Luoyang Fossett Auto Incorporate Company			40,613,805.16	2,495,929.57
Luoyang Zhongshou Machinery Equipment Co., Ltd	1,825,670.86	22,888.01	158,624.00	1,586.24
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	234,632.56	4,692.65	7,608,690.79	289,476.55
YTO (Luoyang) Huide Tooling Co., Ltd	812,294.85	121,445.09	124,466.49	1,244.66
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,475,835.96	4,475,835.96	623,740.59	9,554.46
YTO (Luoyang) Logistics Co., Ltd			5,242,766.62	1,219,873.48
YTO (Luoyang) Material Equipment Co., Ltd	32,662,011.98	326,620.12	2,301.50	23.02
YTO (Luoyang) Tobacco Machinery Co., Ltd.			21,527,850.59	215,278.50
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	1,090,936.93	10,909.36	1,070,460.00	10,704.60
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	874,763.21	874,763.21	3,380,141.37	33,801.41
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd	156,285.71	3,125.71	874,763.21	714,386.65
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	1,629,276.28	16,292.76		
(4) Accounts receivable between the group and joint venture or associates	2,322,072.30	23,220.72		
China YTO Kawi (Luoyang) Vehicle Co., Ltd.			1,732,524.47	17,325.25
ZF YTO (Luoyang) Axle Co. Ltd.	2,322,072.30	23,220.72	57,568.50	575.69
			1,674,955.97	16,749.56
Total	52,589,828.12	7,032,489.31	58,408,691.06	5,326,598.30

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(3) Advance to suppliers

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	40,000.00		12,713.50	
Beijing SINOMACH Lianchuang Advertising Co., Ltd.	40,000.00		-	
SINOMACH-HI Equipment Group Co., Ltd.			12,713.50	
(2) Advance to suppliers between the Group and the shareholder	202.99		6,870,228.44	
YTO Group Corporation	202.99		6,870,228.44	
(3) Advance to suppliers between the Group and YTO Group and its subsidiaries	31,441,670.25	16,850.60	4,415,270.60	
Luoyang Zhongshou Machinery & Equipment Co., Ltd	23,933,419.65		77,920.40	
YTO (Luoyang) Huide Tooling Co., Ltd			245,776.00	
Luoyang Fossett Auto Incorporate Company	941,400.00		52,400.00	
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.			4,000,000.00	
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.	6,550,000.00		-	
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	16,850.60	16,850.60	16,850.60	
YTO (Luoyang) Material Equipment Co., Ltd			22,323.60	
Total	31,481,873.24	16,850.60	11,298,212.54	

(4) Interest receivable

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd		87,810.69

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(5) *Other receivables*

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	210,472.70	210,472.70	180,207.00	180,207.00
Zhongji North Machinery Co., Ltd	30,265.70	30,265.70		
YTO (Luoyang) Engineering Machinery Co., Ltd	96,314.00	96,314.00	96,314.00	96,314.00
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd	83,893.00	83,893.00	83,893.00	83,893.00
(2) Other receivables between the Group and the majority shareholder	346,313.82	157,806.74	1,883,374.14	1,119,589.73
YTO Group Corporation	346,313.82	157,806.74	1,883,374.14	1,119,589.73
(3) Other receivables between the Group and YTO Group and its subsidiaries	4,531,201.18	45,382.57	3,648,260.00	36,482.60
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	4,531,057.18	45,310.57	3,648,116.00	36,481.16
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	144.00	72.00	144.00	1.44
(4) Other receivables between the Group and other parties	401,068.89	4,010.69	484,646.57	4,846.47
ZF YTO (Luoyang) Axle Co. Ltd.	401,068.89	4,010.69	484,646.57	4,846.47
Total	5,489,056.59	417,672.70	6,196,487.71	1,341,125.80

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(6) Right-to-use assets

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Right-to-use assets between the Group and the majority shareholder	16,231,694.45	25,064,322.76
YTO Group Corporation	16,231,694.45	25,064,322.76
(2) Right-to-use assets between the Group and YTO Group and its subsidiaries	1,026,529.32	118,222.22
Dongfanghong (Luoyang) modern life service center	-	118,222.22
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	1,026,529.32	1,026,529.32
YTO (Luoyang) Logistics Co., Ltd	-	3,272.73
(3) Right-to-use assets between the Group and other parties	-	33,475.33
ZF YTO (Luoyang) Axle Co. Ltd.	-	33,475.33
Total	17,258,223.77	25,216,020.31

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(7) Loans and advances

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Deposit of Capital Discounted:				
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd			76,120,767.33	1,903,019.18
YTO (Luoyang) Engineering Machinery Co., Ltd			9,726,603.70	243,165.09
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd			1,189,769.81	29,744.25
YTO Group Corporation			8,697,244.10	217,431.10
YTO (Luoyang) Huide Tooling Co., Ltd	1,660,630.86	41,515.77		
Loans:				
SINOMACH-HI (Luoyang) Co., Ltd	48,000,000.00	6,960,000.00	56,000,000.00	8,120,000.00
Luoyang Zhongshou Machinery & Equipment Co., Ltd			64,600,000.00	1,615,000.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd			313,500,000.00	7,837,500.00
YTO (Luoyang) Huide Tooling Co., Ltd	3,240,000.00	81,000.00	6,000,000.00	150,000.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd			7,050,000.00	1,092,750.00
YTO (Luoyang) Tobacco Machinery Co., Ltd.	2,000,000.00	50,000.00	5,000,000.00	125,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd			10,000,000.00	250,000.00
YTO Group Corporation	840,000,000.00	21,000,000.00	420,000,000.00	10,500,000.00

(8) Short-term borrowings

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
YTO Group Corporation		700,000,000.00

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(9) Collecting deposits and granting loans

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
Luoyang Tractor Research Institute Co., Ltd.	399,086,042.11	92,904,299.77
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	21,684,083.27	56,218,614.97
YTO Group Corporation	939,356,309.49	895,643,904.20
Luoyang Zhongshou Machinery Equipment Co., Ltd.	41,091,708.50	20,403,282.34
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	2,843.99	3,788,070.23
YTO (Luoyang) Material Equipment Co., Ltd	18,656,582.85	21,020,516.28
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	134,298.20	146,811.89
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	3,925,616.90	16,692,103.92
YTO (Luoyang) Logistics Co., Ltd	14,183,843.83	10,613,182.01
Dongfanghong (Luoyang) Culture Communication Centre	4,885,775.89	3,477,547.17
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	250,107.33	1,894,221.77
YTO (Luoyang) Huide Tooling Co., Ltd	2,059,295.18	1,767,624.96
Luoyang Tianhui Energy Engineering Co., Ltd	1,278,273.79	1,389,134.14
Luoyang YTO Driver Training School Co., Ltd.	556,646.89	706,612.03
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	404.33	
Luoyang Fossett Auto Incorporate Company	1,646,935.71	8,950,676.19
YTO (Luoyang) Tobacco Machinery Co., Ltd.	31,695.12	3,659,345.44
SINOMACH-HI (Luoyang) Co., Ltd	6,702.52	39,908,630.44
YTO (Luoyang) Fuel Injection Co., Ltd.	22,442,489.44	6,736,684.96
YTO (Luoyang) Engineering Machinery Co., Ltd	3.64	863.46
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	27.46	27,217.36
YTO (Luoyang) Rico Automobile Co., Ltd.	3,923.33	3,419.54
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	2,504.56	2,493.92
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	13,787,955.49	
Luoyang Oriental Printing Co., Ltd	534,062.25	
Shenzhen Dongfang Pengxing Trade Co., Ltd	172,178.24	
YTO (Luoyang) Standard Parts Co., Ltd	3,137.37	
YTO (Luoyang) New Oriental Automobile Co., Ltd.	273.42	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(10) Accounts payable

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	16,156,710.48	13,302,677.03
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	360,778.84	1,630,108.85
China Automobile Industrial Engineering Co., Ltd.	13,992,125.47	7,032,400.00
SINOMACH-HI Equipment Group Co., Ltd.		147,300.00
Changsha Gas-electric Auto Parts Co., Ltd	31,599.44	132,586.99
Fuyang Bearing Co., Ltd	286,756.23	3,781,101.77
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	37,910.00	232,910.00
The Fifth Design Institute Co., Ltd. of the Ministry of Machinery Industry	161,600.04	161,600.04
China Machine Tools Corporation	3,378.67	99,492.94
YTO (Luoyang) Engineering Machinery Co., Ltd		52,000.00
The Fourth Construction of China Machinery Industry Co., Ltd.	2,829.68	2,829.68
Beijing Zhongzhuo Cultural Media Co., Ltd.	28,800.00	28,800.00
Xinjiang Zhongshou Agricultural and Animal Husbandry Machinery Co., Ltd.		1,546.76
Beijing Zhuozhong Publishing Co., Ltd	4,500.00	
Luoyang Zhouyan International Trade Co., Ltd.	260,569.40	
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	6,096.00	
SINOMACH-HI (Luoyang) Co., Ltd	9,337.75	
Guangzhou Optical Sky Materials Technology Co., Ltd.	940,627.71	
CAMCE International Logistics Co., Ltd	12,501.25	
Erzhong (Deyang) heavy equipment Co., Ltd	17,300.00	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(10) Accounts payable (Continued)

Related parties	Ending balance	Beginning balance
(2) Accounts payable between the Group and shareholder	3,957,585.85	6,285,980.14
YTO Group Corporation	3,957,585.85	6,285,980.14
(3) Accounts payable between the Group and YTO Group and its subsidiaries	39,124,601.06	38,730,925.25
YTO (Luoyang) Logistics Co., Ltd	18,373,785.38	16,270,759.92
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	5,543,708.04	6,525,948.42
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	3,717,143.07	5,081,131.65
Luoyang Tianhui Energy Engineering Co., Ltd	2,955,965.93	2,325,471.33
YTO (Luoyang) Huide Tooling Co., Ltd	2,543,338.16	2,682,626.25
YTO (Luoyang) Material Equipment Co., Ltd	4,794,468.00	5,480,324.68
Luoyang Duoan Advertising Co., Ltd	292,170.00	252,019.00
Dongfanghong (Luoyang) Cultural Communication Center	38,110.00	10,064.00
YTO (Luoyang) Special Purpose Vehicle Co., Ltd		12,480.00
Luoyang Fossett Auto Incorporate Company		90,100.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.	215,000.00	
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	421,898.00	
YTO (Luoyang) Tobacco Machinery Co., Ltd.	180,000.00	
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	49,014.48	
(4) Accounts payable between the group and other parties	8,659,911.93	6,369,164.17
ZF YTO (Luoyang) Axle Co. Ltd.	8,595,751.89	5,351,915.31
YTO (Luoyang) Rico Automobile Co. Ltd.	44,364.39	1,017,248.86
Luoyang Oriental Printing Co., Ltd.	19,795.65	
Total	67,898,809.32	64,688,746.59

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(11) Contractual liability

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Contractual liability between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	576,929.93	251,484.38
SINOMACH-HI (Luoyang) Co., Ltd	123,802.33	140,297.34
China Machinery Heavy Industry Group Changlin Co., Ltd.		71,400.00
YTO (Luoyang) Engineering Machinery Co., Ltd		39,787.04
SINOMACH International Equipment Co., Ltd	246,010.80	
SINOMACH Casting and Forging Machinery Co., Ltd	207,116.80	
(2) Contractual liability between the Group and the shareholder		931,672.22
YTO Group Corporation		931,672.22
(3) Contractual liability between the Group and YTO Group and its subsidiaries	200,172.97	638,227.80
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	72,576.37	638,227.80
Luoyang Zhongshou Machinery Equipment Co., Ltd.	127,596.60	
(4) Contractual liability between the group and other parties	4,495,507.88	6,266,489.90
China YTO Group Linhai Vehicle Co., Ltd.	65,829.00	65,829.00
ZF YTO (Luoyang) Axle Co. Ltd.	4,429,676.26	6,200,658.28
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	2.62	2.62
Total	5,272,610.78	8,087,874.30

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(12) Other payables

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)		
CAMCE International Logistics Co., Ltd	300,000.00	378,000.00
Guangzhou Qingtian Material Technology Co., Ltd	100,000.00	100,000.00
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	50,000.00	5,000.00
Shandong Huayuan Laidong Internal Combustion Engine Co., Ltd		13,000.00
Fuyang Bearing Co., Ltd.		60,000.00
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	150,000.00	150,000.00
		5,000.00
(2) Other payables between the Group and the shareholder		
YTO Group Corporation	51,353,653.51	52,937,734.51
	51,353,653.51	52,937,734.51
(3) Other payables between the Group and YTO Group and its subsidiaries		
YTO (Luoyang) Logistics Co., Ltd	1,182,271.69	1,024,442.80
YTO (Luoyang) Huide Tooling Co., Ltd	756,410.00	736,758.83
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	3,000.00	3,000.00
Luoyang Duoan Advertising Co., Ltd	307,413.69	63,418.97
Luoyang Tianhui Energy Engineering Co., Ltd	39,888.00	98,865.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	21,500.00	33,800.00
	12,000.00	
Dongfanghong (Luoyang) Cultural Communication Center	53,060.00	76,600.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	1,000.00	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Accounts receivable and payable with related parties (Continued)

(12) Other payables (continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(4) Other payables between the group and other parties		
ZF YTO (Luoyang) Axle Co. Ltd.	60,671.58	34,134.72
Luoyang Oriental Printing Co., Ltd.	3,831.80	
	56,839.78	34,134.72
Total	52,896,596.78	54,374,312.03

(13) Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Non-current liabilities due within one year between the Group and the shareholder		
YTO Group Corporation	16,231,694.45	16,207,599.35
	16,231,694.45	16,207,599.35
(2) Non-current liabilities due within one year between the Group and YTO Group and its subsidiaries		
Dongfanghong (Luoyang) modern life service center	1,026,529.32	118,222.22
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	1,026,529.32	118,222.22
YTO (Luoyang) Logistics Co., Ltd		3,272.73
(3) Non-current liabilities due within one year between the group and other parties		
ZF YTO (Luoyang) Axle Co. Ltd.		33,475.33
		33,475.33
Total	17,258,223.77	16,359,296.90

(14) Lease liabilities

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Lease liabilities between the Group and the shareholder		
YTO Group Corporation		9,241,990.88
		9,241,990.88
Total		9,241,990.88

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XII. SHARE PAYMENT

The Group does not pay shares.

XIII. COMMITMENT AND CONTINGENCIES

1. Commitment

(1) **Foreign investment contracts and related financial expenditures that have not yet been fulfilled or not fully fulfilled**

N/A

(2) **Outsourcing contract with significant amount that was signed and performing or commencing to perform and its financial impacts**

N/A

(3) **Leased agreement that was signed and performing or commencing to perform and its financial impact**

a. As a financial lessor, the Group's future minimum rental receipts for agricultural machinery products are as follows:

Unit: Yuan Currency: RMB

Period	Amount in this period	Amount in last period
Within 1 year	20,510,900.00	8,705,090.00
1-2 years	45,399,600.00	14,734,350.00
2-3 years	1,955,000.00	1,882,000.00
After 3 years		
Total	67,865,500.00	25,321,440.00

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. Commitment (Continued)

(3) Leased agreement that was signed and performing or commencing to perform and its financial impact (Continued)

- b. On December 31, 2019, the future minimum rental charges receivable by the Group as the lessor for the irrevocable operating leases of the leasing items of housing, buildings and equipment during the following period was summarized as below:

Unit: Yuan Currency: RMB

Period	Amount in this period	Amount in last period
Within 1 year	18,881,483.02	18,879,130.48
1-2 years	64,384.18	10,378,284.99
2-3 years		
After 3 years		
Total	18,945,867.20	29,257,415.47

- c. On December 31, 2019, the Group, as the lessee, shall pay the following minimum future rent for the following period for the irrevocable operating lease of the premises, buildings, machinery and equipment:

Unit: Yuan Currency: RMB

Period	Amount in this period	Amount in last period
Within 1 year	15,339,859.14	8,791,883.21
1-2 years	7,737,545.48	12,718,409.22
2-3 years	7,601,851.64	11,273,923.54
After 3 years	11,334,624.48	23,139,052.72
Total	42,013,880.74	55,923,268.69

Note: In January 2018, the Company signed a six-year housing lease contract with ZF YTO (Luoyang) vehicle bridge Co., Ltd., which stipulates that the annual housing rent is RMB7,460,724.38. In 2019, both parties negotiated to amend the terms of the contract, reduce the rent from the original RMB7,460,724.38 to RMB6,588,624.54, and amend the lease time to five years from January 2019.

Except for the above commitments, at the end of December 31, 2019, the Group has no other major undertakings that should be disclosed.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date

(1) *Pending proceeding or arbitration of contingencies and their financial implications*

The Group has no major pending litigation or arbitration contingencies that need to be disclosed.

(2) *Contingencies resulted from external guarantees provided*

As at December 31, 2019, details of the guarantees provided by the Group to other parties are as followings:

Unit: Yuan Currency: RMB

Entity guaranteed	Guarantee matters	Amount	Time period	Note
Buyer's Credit and Finance Leasing Business Customers	Buy farm machinery products	25,126,970.00	From December 2017 to May 2021	
Dongfanghong Commercial Credit Business Customer	Buy farm machinery products	99,768,454.00	From September 2019 to June 2020	
Total		<u>124,895,424.00</u>		

Note: In 2018, the Group and its subsidiary China YTO Group Finance Co., Ltd. (hereinafter referred to as "YTO Finance Company") signed the general agreement on credit business cooperation between the buyer of agricultural machinery tickets. The agreement stipulates that the distributors who sell agricultural machinery products of the Group or the authorized enterprises of the Group shall, when they are unable to pay all the money for the agricultural machinery products sold by the Group at one time, provide the buyer's credit service of the agricultural machinery tickets to the customers who purchase the designated products of the Group by the Group and its authorized enterprises after confirming the credit standing of the customers. That is, after a customer applies for an electronic bank acceptance bill issued by a dragging financial company, which is guaranteed by the group and accepted by a dragging financial company, the customer purchases agricultural machinery products from the group or its authorized enterprises by this ticket. In the process, the group bears joint and several liability guarantees for a dragging financial company. YTO Finance Company has approved a credit guarantee credit line of RMB800,000,000.00 for the buyer of agricultural machinery tickets approved by the Group. Credit period from July 1, 2018 to May 31, 2019. After expiration, the two sides re-signed the above agreement in June 2019, and the validity period is from June 18, 2019 to May 31, 2020.

Note: In 2018, the Group's subsidiary Luoyang Changxing Agricultural Machinery Co., Ltd. (hereinafter referred to as Changxing Company) and China YTO Group Co., Ltd. (hereinafter referred to as Finance Company) signed a product finance business cooperation agreement. Changxing Company recommended to YTO Finance Company after examining the sub-information, basic information, business financing amount and guarantee of customers who purchased their designated products. The financial company will provide financial services for customers who purchased the designated products of first party. Changxing Company is jointly and severally responsible for guaranteeing such business within the credit limit. The credit limit approved by YTO Finance Company for the product finance business of Changxing Company is RMB280,000,000.00. The credit period is from July 1, 2018 to May 31, 2019.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date (Continued)

(2) *Contingencies resulted from external guarantees provided (Continued)*

Note: In 2018, the subsidiary YTO Heilongjiang Agricultural Equipment Co., Ltd. (hereinafter referred to as Heilongjiang Company) and China YTO Group Co., Ltd. (hereinafter referred to as YTO Finance Company) signed a product finance business cooperation agreement. After examining and verifying the relevant information, basic information, business financing amount and guarantee of customers who buy their designated products, Heilongjiang company recommends to YTO Finance Company, which provides financial services of product finance business to customers who buy their designated products. Heilongjiang company is jointly and severally responsible for guaranteeing such business within the credit limit. The credit limit approved by YTO Finance Company for the product finance business of Heilongjiang Company is RMB10,000,000.00. The credit period is from July 1, 2018 to May 31, 2019. After expiration, the two sides re-signed the above agreement in June 2019, and the validity period is from June 18, 2019 to May 31, 2020.

(3) *Letter of guarantee and letter of credit*

Unit: Yuan Currency: RMB

Opening bank	Beneficiary	Amount	Beginning date	Ending date
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation International Complete Equipment Co., Ltd.	1,717,524.00	2018.11.02	2020.10.26
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	33,278.77	2018.12.19	2020.11.30
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	Horiba Production Co., Ltd	2,358,799.94	2019.08.15	2020.03.15
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	Horiba Production Co., Ltd	1,326,580.20	2019.08.22	2020.03.20
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	Horiba Production Co., Ltd	5,663,920.68	2019.09.29	2020.05.31
Bank of China Luoyang Chang'an Road Branch	CAMCE International Engineering Co., Ltd	180,186.50	2019.12.19	2021.01.22
Bank of China Luoyang Chang'an Road Branch	Henan Provincial Commerce Department	200,000.00	2009.11.20	Depending on business
Total		11,480,290.09		

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

1. On December 17, 2019, the Company announced that due to the continuous loss and insolvency of its wholly-owned subsidiary, YTO (Luoyang) Shentong Construction Machinery Co., Ltd. (hereinafter referred to as Shentong company), it is difficult to pay off its due debts, so it plans to apply to the people's court for bankruptcy. On January 13, 2020, the company received the documents from Luoyang intermediate people's Court of Henan Province, and within 15 days, it submitted the list of creditor's rights and debts of Shentong company to Luoyang intermediate people's court.

2. **Evaluation on impact of the novel coronavirus pneumonia epidemic**

Novel coronavirus pneumonia epidemic has unbroken in China since January 2020, the prevention and control of new coronavirus pneumonia is continuing nationwide. The company will earnestly implement the requirements of the prevention and control work and strengthen the support for the epidemic prevention and control work. The novel coronavirus pneumonia has little impact on the overall economic operation of the company. The Company will continue to pay close attention to the development of the new crown pneumonia epidemic situation and actively respond to its possible impact on the company's financial position and business results.

Except above matters, by the end of the approval of the financial statements date, the Group has no other significant subsequent events to disclose.

XV. OTHER SIGNIFICANT MATTERS

1. **Correction of early accounting errors**

- (1) **Retrospective restatement**

No early accounting errors in the use of retrospective restatement are found in this reporting period.

- (2) **Prospective approach**

No early accounting errors in the use of future applicable law are found in this reporting period

2. **Debt restructuring**

N/A

3. **Asset swap**

N/A

4. **Annuity plan**

N/A

5. **Discontinued operation**

N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Segment information

(1) *The basis for the determination of the segment report and the accounting policy*

The Group is based on internal organizational structure, management requirements, and internal reporting system as the basis for determining the operating segment. The business branch of the Group refers to a component that meets the following conditions at the same time:

- (1) This component can generate income and cost in daily activities.
- (2) The management can regularly evaluate the operating results of the component in order to determine the allocation of resources to it and evaluate its performance.
- (3) The accounting information, such as the financial situation, the operating results and the cash flow of the component, can be obtained.

The Group determines the segment report on the basis of the operating segments, and the operating segments, which meets the following conditions, is determined to be a segment report:

- (1) The operating segments accounts for 10% or more of the total income of the division.
- (2) The absolute profit of the segment profit of the segment accounts for 10% or more of the total amount of the total profits of all profit segments or the total amount of all deficit segment losses.

Determined according to the above accounting policy report segment operating division of foreign trade total revenue accounted for the proportion of the total income of the merger does not reach 75%, increase the number of segment reporting, according to the following provisions will not report as Division operating segments into reportable range, until the proportion reached 75%:

- (1) The management department considers that the management division that discloses the management branch information to the users of the accounting information is determined to be the reporting branch.
- (2) Merge the business segment with one or more other business segments which have similar economic characteristics and meet the merger conditions of business segments as a reporting segment.

Interdivisional transfer price is determined by market price, and the assets and related expenses shared by different branches are distributed among different segments according to the proportion of income.

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Segment information (Continued)

(2) The factors for segments' classification and the types of products and services of a segment

Each segment is a business unit that provides different products and services. Because various business needs different technology and market strategy, the Group independently manages the production and operation activities of each report branch, evaluates its operation result separately, decides to allocate resources to it, evaluates its performance.

the Group has four reporting divisions: Agricultural Machinery, Power Machinery, Finance, and Other Machinery. The Agricultural Machinery Division is responsible for the production and sale of agricultural tractors, harvesters, etc. The power machinery division is mainly responsible for producing and selling diesel engines. The financial branch mainly for the Group subsidiary China group finance limited company, the main business is to handle the member units between the entrusted loans and investment, internal transfer settlement, absorption of member units deposits and other business.

(3) Reporting segment

Unit: Yuan Currency: RMB

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
1. Total operating revenue	5,256,505,013.19	1,390,953,795.33	3,773,491.59	150,784,998.41	971,842,178.88	5,830,175,119.64
Including: external transaction revenue	4,914,402,751.34	818,793,890.49	3,747,335.84	93,231,141.97		5,830,175,119.64
Revenue between segments	342,102,261.84	572,159,904.84	26,155.75	57,553,856.44	971,842,178.88	-
Loss on impairment of credit	-178,021,969.78	-4,361,634.65	8,786,952.70	-26,689,076.39	-166,028,868.69	-34,256,859.43
Loss on impairment of assets	-81,366,754.77	214,418.72	-740,669.48	-	8,250.96	-81,901,256.49
Depreciation and amortization fee	286,874,118.70	55,735,703.90	356,154.84	721,850.44		343,687,827.88
2. Total profit	-115,702,911.37	46,399,001.68	10,105,542.46	42,655,158.44	-199,167,047.70	182,623,838.91
3. Income tax expenses	49,102,574.75	13,264,952.90	-	-6,240,440.01	16,374.15	56,110,713.49
4. Net profit	-164,805,486.12	33,134,048.78	10,105,542.46	48,895,598.45	-199,183,421.85	126,513,125.42
5. Total assets	9,789,289,178.57	2,448,088,728.55	9,593,340.85	4,199,650,057.41	4,817,598,919.87	11,629,022,385.51
6. Total liabilities	6,308,105,364.52	893,883,605.16	292,147,602.81	3,373,886,160.35	4,022,866,136.78	6,845,156,596.06
7. Other important non cash items	242,002,188.14	48,487,647.06	12,000.00	24,681.42	-	290,526,516.62
Non-cash expenses other than depreciation and amortization	25,608,091.64	9,999,854.09	12,000.00			35,619,945.73
Capital expenditure	216,394,096.50	38,487,792.97		24,681.42		254,906,570.89

The accounting policies of the segments of the Group are the same as those described in the Principal accounting policies and accounting estimates.

7. Other important transactions and matters that have an impact on investors' decision-making

None

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	Ending Balance				
	Book balance		Provision for bad debt		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	603,932,167.69	100.00	175,449,065.08	29.05	428,483,102.61
Including: Aging portfolio	598,849,010.91	99.16	170,702,854.56	28.51	428,146,156.35
Risk exposure portfolio such as collateral	5,083,156.78	0.84	4,746,210.52	89.13	336,946.26
Total	<u>603,932,167.69</u>	<u>/</u>	<u>175,449,065.08</u>	<u>/</u>	<u>428,483,102.61</u>

Item	Beginning balance				
	Book balance		Provision for bad debt		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	840,612,713.24	100.00	176,677,365.68	21.02	663,935,347.56
Including: Aging portfolio	839,938,820.72	99.92	176,340,419.42	20.99	663,598,401.30
Risk exposure portfolio such as collateral	673,892.52	0.08	336,946.26	50.00	336,946.26
Total	<u>840,612,713.24</u>	<u>/</u>	<u>176,677,365.68</u>	<u>/</u>	<u>663,935,347.56</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis

① Aging portfolio

Unit: Yuan Currency: RMB

Aging	Ending balance		
	Book balance	Bad debt allowance	Accrual percentage (%)
Within 1 year	431,040,399.50	5,904,377.82	1.37
1-2 years	6,020,269.37	3,010,134.70	50.00
2-3 years	9,783,746.05	9,783,746.05	100.00
Over 3 years	152,004,595.99	152,004,595.99	100.00
Total	<u>598,849,010.91</u>	<u>170,702,854.56</u>	<u>28.51</u>

② Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Ending balance		
	Book value	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	5,083,156.78	4,746,210.52	93.37
Total	<u>5,083,156.78</u>	<u>4,746,210.52</u>	<u>93.37</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(3) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt allowance	Accrual percentage (%)
Within 1 year	433,420,453.09	8,284,431.41	1.91
1-2 years	6,066,397.43	3,056,262.76	50.38
2-3 years	11,766,828.66	11,766,828.66	100.00
Over 3 years	152,678,488.51	152,341,542.25	99.78
Total	<u>603,932,167.69</u>	<u>175,449,065.08</u>	<u>29.05</u>

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

Provision for bad debts amounted to RMB -1,228,300.60 in the current period.

(5) Top Five Accounts Receivable on the Final Balance Collection by the Debtor

Unit: Yuan Currency: RMB

Company name	Ending balance	Proportion to the ending balance of accounts receivable (%)	Bad debt allowance
Luoyang Changxing Agricultural Machinery Co., Ltd.	219,544,103.01	36.35	2,744,090.83
YTO (Luoyang) Harvesting Machinery Co., Ltd.	76,446,864.82	12.66	76,446,864.82
YTO (Luoyang) Diesel Engine Co., Ltd.	47,268,963.34	7.83	764,521.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	38,132,408.91	6.31	38,132,408.91
YTO International Economic and Trade Co., Ltd.	33,019,306.63	5.47	330,193.07
Total	<u>414,411,646.71</u>	<u>68.62</u>	<u>118,418,078.63</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Dividends receivable	76,808,376.96	75,294,698.36
Other receivables	13,855,556.94	9,733,081.83
Total	90,663,933.90	85,027,780.19

(1) Dividends receivable

Unit: Yuan Currency: RMB

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holding Co., Ltd.	76,808,376.96	75,294,698.36
Total	76,808,376.96	75,294,698.36

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	25,833,377.10	100.00	11,977,820.16	46.37	
Including: Aging portfolio	25,357,388.94	98.16	11,973,060.28	47.22	13,384,328.66
Low-risk portfolio	475,988.16	1.84	4,759.88	1.00	471,228.28
Total	<u>25,833,377.10</u>	<u>-</u>	<u>11,977,820.16</u>	<u>-</u>	<u>13,855,556.94</u>

Item	Beginning balance				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	35,458,808.38	100	25,725,726.55	72.55	
Including: Aging portfolio	32,808,472.88	92.53	25,699,223.20	78.33	7,109,249.68
Low-risk portfolio	2,650,335.50	7.47	26,503.35	1.00	2,623,832.15
Total	<u>35,458,808.38</u>	<u>-</u>	<u>25,725,726.55</u>	<u>-</u>	<u>9,733,081.83</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables (Continued)

1) Other receivables for anticipated credit losses on a portfolio basis

a. Other receivables with expected credit risk by age combination

Unit: Yuan Currency: RMB

Aging	Ending balance		
	Book balance		Bad debt allowance
	Amount	Percentage (%)	
Within 1 year	13,759,686.98	54.26	824,866.52
1-2 years	899,016.41	3.55	449,508.21
2-3 years	419,586.79	1.65	419,586.79
Over 3 years	10,279,098.76	40.54	10,279,098.76
Total	25,357,388.94	100.00	11,973,060.28

b. Other receivables for provision for bad debts using a low-risk portfolio

Unit: Yuan Currency: RMB

Portfolio name	Ending balance		
	Book balance		Bad debt allowance
	Amount	Actual percentage (%)	
Low-risk portfolio	475,988.16	1.00	4,759.88
Total	475,988.16	1.00	4,759.88

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables (Continued)

2) No accrual, collection or reversal of bad debt allowance.

3) Other receivables actually written off during the year

N/A

4) Details of top five other receivables with the ending balance classified by the borrowers

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Payment between company	4,531,057.18	Within 1 years	17.54	45,310.57
Jiangsu Qingjiang Tractor Co., Ltd	Payment between company	3,315,484.00	Over 5 years	12.83	3,315,484.00
Luoyang Jiangyang Metal Components Co., Ltd.	Payment between company	1,060,000.00	Over 5 years	4.10	1,060,000.00
Luoyang Yuchuan Thermal Equipment Co., Ltd	Payment between company	663,000.00	Within 1 years	2.57	13,260.00
ZF YTO (Luoyang) Axle Co., Ltd	Payment between company	401,068.89	Within 1 years	1.55	4,010.69
Total	-	<u>9,970,610.07</u>		<u>38.59</u>	<u>4,438,065.26</u>

5) No other receivables that have been terminated due to the transfer of financial assets

6) There is no assets and liabilities formed by no transfer of other receivables and continued involvement

7) Other receivables related to government subsidies: N/A

8) Other notes on other receivables: N/A

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments

Unit: Yuan Currency: RMB

Nature of investments	Ending balance			Beginning balance		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Subsidiaries	2,711,669,237.40	88,750,046.00	2,622,919,191.40	2,860,935,823.40	124,788,632.00	2,736,147,191.40
Joint venture or associates	126,488,442.21	7,004,515.65	119,483,926.56	137,153,321.05	7,004,515.65	130,148,805.40
Total	2,838,157,679.61	95,754,561.65	2,742,403,117.96	2,998,089,144.45	131,793,147.65	2,866,295,996.80

(1) Investments in subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO France SAS	496,273,468.97	62,752,000.00		559,025,468.97		
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	46,500,046.00			46,500,046.00		46,500,046.00
YTO (Xinjiang) Machinery Co., Ltd	160,000,000.00		160,000,000.00			
YTO Heilongjiang Agricultural Machinery Co., Ltd	100,000,000.00			100,000,000.00		
Luoyang Changxing Agricultural Machinery Co., Ltd	3,000,000.00			3,000,000.00		3,000,000.00
Yangyang Co., Ltd. (Note)	76,000,000.00			76,000,000.00		
YTO (Luoyang) Transportation Machinery Co., Ltd	52,018,586.00		52,018,586.00			
Brilliance China Machinery Holding Co., Ltd.	27,869,301.63			27,869,301.63		
YTO Group Finance Co., Ltd	485,040,302.00			485,040,302.00		
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00			55,022,000.00		
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36			281,414,966.36		
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14			392,257,881.14		
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62			77,192,767.62		
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32			152,989,481.32		
YTO (Luoyang) Foundry Company Limited	200,391,996.60			200,391,996.60		
YTO International Economic and Trade Co., Ltd	75,668,335.13			75,668,335.13		
ChangTuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00			94,250,000.00		39,250,000.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32			33,670,762.32		
YTO Belarus Technology Co. Ltd.	51,375,928.31			51,375,928.31		
Total	2,860,935,823.40	62,752,000.00	212,018,586.00	2,711,669,237.40		88,750,046.00

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in joint venture and associates

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Changes in this period			Adjusted other comprehensive income
		Additional investment	Reduce investment	Profit and loss on investments by rights and interests law	
I. Joint ventures					
Subtotal					
II. Associates					
YTO Sichuan Agricultural Equipment Co., Ltd.	759,316.82			-72,752.35	
ZF YTO (Luoyang) Axle Co. Ltd.	129,389,488.58			-10,592,126.49	
Luoyang Fossett Auto Limited by Share Ltd	7,004,515.65				
Subtotal	137,153,321.05			-10,664,878.84	
Total	137,153,321.05			-10,664,878.84	

Invested company	Changes in this period			Ending balance	Provision for impairment ending balance
	Changes in other interests	Declaration of cash dividends or profits	Provision for impairment		
I. Joint ventures					
Subtotal					
II. Associates					
YTO Sichuan Agricultural Equipment Co., Ltd.				686,564.47	
ZF YTO (Luoyang) Axle Co. Ltd.				118,797,362.09	
Luoyang Fossett Auto Limited by Share Ltd				7,004,515.65	7,004,515.65
Subtotal				126,488,442.21	7,004,515.65
Total				126,488,442.21	7,004,515.65

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	3,937,492,116.48	3,544,740,980.88	4,229,642,358.26	4,307,696,815.88
Other business	60,141,133.70	16,456,365.16	81,082,304.20	10,326,339.78
Total	<u>3,997,633,250.18</u>	<u>3,561,197,346.04</u>	<u>4,310,724,662.46</u>	<u>4,318,023,155.66</u>

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investment by cost method	33,110,078.60	105,093,698.36
Investment income from long-term equity investments by equity method	-10,664,878.84	-10,673,611.87
Investment income from disposal of long-term equity investments	21,786,108.03	-31,144,219.79
Investment income of trading financial assets during the holding period	13,200,000.00	11,000,000.00
Total	<u>57,431,307.79</u>	<u>74,275,866.70</u>

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Schedule of gain or loss from extraordinary items in this period

Unit: Yuan Currency: RMB

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	797,468.07	
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax		
Government subsidy recognized in current profit or loss (except for government subsidies which related to company business that are fixed or quantified based on the national standard)	118,577,626.45	
Capital occupation fees charged to non-financial enterprises in current profit or loss		
Income from the difference between the cost of investment on subsidiaries, associates and joint ventures and the fair value of identifiable net assets of invested entities		
Gain or loss from transferring of non-monetary assets		
Gain or loss from investments under entrust by others or assets under management by others		
Provisions of impairment of assets due to force majeure such as nature disasters		
Gain or loss on debt restructuring		
Gain or loss on corporation restructuring, such as expenditures on staff placement and integration costs		
Profit or loss in excess of the portion of the fair value generated from transactions of which the transactional price is obviously unfair		
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date		
Gain or loss from non-related business operations or contingencies		
In addition to the effective hedging business related to the normal business operation of the company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	96,857,951.06	
Gain or loss from entrusted loans to outside parties		

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Schedule of gain or loss from extraordinary items in this period (Continued)

Item	Amount in this period	Explanation
Gain or loss from entrusted loans to outside parties		
Impact on gain or loss from one-time adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations		
Custody income earned from entrusted operation		
Other non-operating income and expenses except for mentioned above	14,573,325.17	
Gain or loss from other extraordinary items	212,200,839.17	Investment income from disposal of subsidiaries
Income tax	-57,591,875.83	
Effects on non-controlling interests (after tax)	<u>-72,680,643.05</u>	
Total	<u><u>312,734,691.04</u></u>	

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

January 1, 2019 to December, 2019 (Amounts in these notes are presented in RMB unless otherwise stated)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Return on equity and earnings per share

Profit in reporting period	Weighted average rate of return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Group	1.52	0.0624	0.0624
Net profit attributable to common shareholders of the Group after non-operating profit or loss	-6.22	-0.2549	-0.2549

3. Differences in Accounting Data under Domestic and Foreign Accounting Standards

- (1) *The difference of net profit and net assets between financial reports disclosed in accordance with overseas Hong Kong Accounting Standards and China Accounting Standards at the same time*

Unit: Yuan Currency: RMB

Region	Net profit attributable to parent company		Net assets to parent company	
	Amount in this period	Amount in last period	Ending balance	Beginning balance
China Accounting Standards	61,475,427.17	-1,300,108,773.92	4,070,005,449.08	4,007,081,663.62
Hong Kong Accounting Standards	61,475,427.17	-1,300,108,773.92	4,070,005,449.08	4,007,081,663.62

4. Others:

N/A

DOCUMENTS AVAILABLE FOR INSPECTION

Document available for inspection	The 2019 Annual Report signed by the legal representative of the Company and affixed with the Company seal
Document available for inspection	The 2019 Audited Financial Statements of the Company issued by the accountants
Document available for inspection	The written confirmation and opinion on the 2019 Annual Report of the Company signed by the Directors and senior management of the Company

*Chairman: **Li Xiaoyu***

The date of approval by the Board for submission: 23 April 2020

