



# 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

## 2021 ANNUAL REPORT



\* For identification purposes only



## IMPORTANT NOTICE

- I. The Board, the Board of Supervisors, Directors, Supervisors and senior management of the Company 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 herein.
- II. All Directors of the Company attended the Board meeting.
- III. Da Hua Certified Public Accountants (Special General Partnership) issued the standard unqualified audit report to the Company.
- IV. Li Xiaoyu (the person in charge of the Company), Su Ye (the person in charge of the accounting function) and Yao Weidong (the person in charge of the Accounting Department and the accounting manager) have declared and confirmed the truthfulness, accuracy and completeness of the financial statements in the Annual Report.
- V. Proposal of profit distribution or proposal of capitalization from capital reserves for the Reporting Period as approved by the Board

At the 36th meeting of the eighth session of the Board of the Company, the profit distribution proposal for 2021 of the Company was considered and approved: a cash dividend of RMB1.17 (tax inclusive) for every ten Shares on the basis of the current total share capital of 1,123,645,275 Shares of the Company, totaling RMB131.4665 million. The Company will not make capitalization from capital reserves during the year.

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

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

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

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

No
- X. Significant risks warning  

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

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## CHAPTER I DEFINITIONS

Unless the context otherwise requires, the following terms should have the following meanings in 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 crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
Auditor or Accountant	the financial statement auditor appointed by the Company, Da Hua Certified Public Accountants (Special General Partnership) as the Company's auditor for the year of 2021
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
Company	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel
Finance Company or 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
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
Harvesting Machinery Company	YTO (Luoyang) Harvesting Machinery Company Limited (一拖(洛陽)收穫機械有限公司) (in bankruptcy and liquidation)
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Shanghai Stock Exchange	the Listing Rules of the Shanghai Stock Exchange (as amended from time to time)



## CHAPTER I DEFINITIONS (CONTINUED)

Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with a power of 25 (inclusive) to 100
Non-public Issuance	the non-public issuance of A Shares by the Company in 2020
power machinery	products including diesel engine and fuel injection
Shanghai Stock Exchange	the Shanghai Stock Exchange
SINOMACH	China National Machinery Industry Corporation (中國機械工業集團有限公司), the de facto controller of the Company
SINOMACH Finance	SINOMACH Finance Co., Ltd. (國機財務有限責任公司), a controlled company of the de facto controller of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Flag	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company
YTO Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company
YTO France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company (in judicial liquidation process)
YTO Hydraulic Transmission	YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司), a controlled subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a 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) (in bankruptcy and liquidation)
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (採埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company

## CHAPTER II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSONS AND METHODS

	<b>Secretary to the Board</b>	<b>Representative of Securities Affairs</b>
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) 64967038	(86 379) 64970213
Facsimile	(86 379) 64967438	(86 379) 64967438
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
Historical changes of registered address of the Company	Nil
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471004
Website of the Company	<a href="http://www.first-tractor.com.cn">http://www.first-tractor.com.cn</a>
E-mail	mssc0038@ytogroup.com



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

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

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

### V. BASIC INFORMATION OF SHARES

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

### VI. OTHER RELATED INFORMATION

Auditor of the Company (the PRC)	Name	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	Jin Da, Lin Haiyan
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Co., Ltd.
	Office address	CITIC Securities Building, 48 Liangmaqiao Road, Chaoyang District, Beijing
	Names of the signing sponsor representatives	Liu Mengdi, Qiu Zhiqian
	Period of continuing supervision	9 February 2021 to 31 December 2022

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

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

#### (I) Key Accounting Data

*Unit: Yuan Currency: RMB*

Key accounting data	2021	2020	Increase/Decrease	
			during the Reporting Period as compared with the corresponding period last year (%)	2019
Total operating revenue	<b>9,333,808,881.54</b>	7,582,476,787.76	23.10	5,830,175,119.64
Operating revenue	<b>9,209,135,833.76</b>	7,480,729,879.48	23.10	5,736,943,977.67
Net profit attributable to shareholders of the Company	<b>438,209,215.31</b>	280,150,740.30	56.42	61,475,427.17
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	<b>335,165,588.96</b>	146,000,785.45	129.56	-251,259,263.87
Net cash flows from operating activities	<b>582,279,759.33</b>	1,248,778,258.13	-53.37	330,731,669.68

	As at the end of 2021	As at the end of 2020	Increase/Decrease	
			as at the end of the Reporting Period as compared with the corresponding period last year (%)	As at the end of 2019
Net assets attributable to the shareholders of the Company	<b>5,402,078,873.33</b>	4,338,179,097.26	24.52	4,070,005,449.08
Total assets	<b>12,339,594,556.58</b>	12,342,608,882.99	-0.02	11,629,022,385.51



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

### (II) Key Financial Indicators

Key Financial Indicators	2021	2020	Increase/ decrease in the Period as compared to the corresponding period of the previous year (%)	2019
Basic earnings per share (RMB/share)	<b>0.3940</b>	0.2842	38.63	0.0624
Diluted earnings per share (RMB/share)	<b>0.3940</b>	0.2842	38.63	0.0624
Basic earnings per share after deduction of non-recurring profit and loss (RMB/share)	<b>0.3014</b>	0.1481	103.51	-0.2549
Weighted average return on net assets (%)	<b>8.49</b>	6.66	Up by 1.83 percentage points	1.52
Weighted average return on equity after deduction of non-recurring profit and loss (%)	<b>6.50</b>	3.47	Up by 3.03 percentage points	-6.22

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

In the first year of the “14th Five-Year Plan”, the domestic and international environment remained complex and severe. The Company actively responded to various difficulties and challenges such as the rapid increase in raw material prices, the reduction of agricultural machinery subsidies, and the unfavorable situation of epidemic prevention and control. The Company explored external markets, saved costs and increased efficiency internally, and the sales volume of large and medium-wheeled tractor and diesel engine products reached a high in recent years. The main operating indicators increased significantly, and the operating quality continued to improve.

### VIII. KEY QUARTERLY FINANCIAL INDICATORS IN 2021

Unit: Yuan Currency: RMB

	Q1 (January – March)	Q2 (April – June)	Q3 (July – September)	Q4 (October to December)
Operating revenue	3,222,188,599.04	2,352,912,990.71	2,566,000,003.31	1,068,034,240.70
Net profit attributable to shareholders of the Company	388,261,682.45	123,119,605.85	157,796,448.02	-230,968,521.01
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	379,921,893.83	104,848,527.28	134,271,684.72	-283,876,516.87
Net cash flows from operating activities	194,000,471.15	480,240,213.78	788,338,212.51	-880,299,138.11

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

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

*Unit: Yuan Currency: RMB*

<b>Non-recurring profit or loss items</b>	<b>Amounts in 2021</b>	Note (as applicable)	Amounts in 2020	Amounts in 2019
Profit or loss from disposal of non-current assets	<b>62,931.82</b>		8,249,140.24	797,468.07
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)	<b>51,981,774.14</b>		127,002,899.81	118,577,626.45
Gain or loss on debt restructuring			-280,000.00	
Gain or loss from non-related business operations or contingencies In addition to the effective hedging business related to the normal business operation of the Company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	<b>54,201,460.53</b>		27,042,589.08	96,857,951.06
Non-operating income and expenses other than those stated above	<b>24,749,907.87</b>		-7,272,311.27	14,573,325.17
Other profit and loss items that meet the definition of non-recurring profit or loss		Effect on the statements due to the exclusion of YTO France and Harvesting Machinery Company from the scope of consolidation		
	<b>-11,268,600.28</b>		2,240,493.01	212,200,839.17
Less: effect on income tax	<b>7,812,372.89</b>		6,478,732.10	57,591,875.83
Impact on minority shareholders equity interests (after tax)	<b>8,871,474.84</b>		16,354,123.92	72,680,643.05
Total	<b>103,043,626.35</b>		134,149,954.85	312,734,691.04

### X. ITEMS UNDER FAIR VALUE MEASUREMENT

*Unit: Yuan Currency: RMB*

<b>Items</b>	Balance as at the beginning of the Reporting Period	<b>Balance as at the end of the Reporting Period</b>	<b>Changes during the Reporting Period</b>	<b>Amount affecting profit for the Reporting Period</b>
Trading financial assets	1,306,381,357.98	1,038,970,988.74	-267,410,369.24	54,201,460.53
Total	1,306,381,357.98	1,038,970,988.74	-267,410,369.24	54,201,460.53

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

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

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

*Unit: Yuan Currency: RMB*

Items	2021	2020	2019	2018	2017
Total operating revenue	<b>9,333,808,881.54</b>	7,582,476,787.76	5,830,175,119.64	5,681,547,536.68	7,357,944,190.89
Total profit	<b>460,291,922.51</b>	307,334,435.87	182,623,838.91	-1,314,750,256.02	56,056,354.74
Income tax expense	<b>26,948,716.18</b>	26,372,185.09	56,110,713.49	50,221,900.25	18,345,015.80
Net profit	<b>433,343,206.33</b>	280,962,250.78	126,513,125.42	-1,364,972,156.27	37,711,338.94
Net profit attributable to shareholders of parent company	<b>438,209,215.31</b>	280,150,740.30	61,475,427.17	-1,300,108,773.92	56,514,222.97
Profit or loss attributable to minority shareholders	<b>-4,866,008.98</b>	811,510.48	65,037,698.25	-64,863,382.35	-18,802,884.03

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

*Unit: Yuan Currency: RMB*

Items	2021	2020	2019	2018	2017
Total assets	<b>12,339,594,556.58</b>	12,342,608,882.99	11,629,022,385.51	13,140,741,755.99	14,102,773,527.68
Total liabilities	<b>6,357,371,409.91</b>	7,367,087,045.88	6,845,156,596.06	8,484,665,985.63	8,663,791,049.62
Total shareholders' equity interests	<b>5,982,223,146.67</b>	4,975,521,837.11	4,783,865,789.45	4,656,075,770.36	5,438,982,478.06
Total amount attributable to shareholders' equity interests of the parent company	<b>5,402,078,873.33</b>	4,338,179,097.26	4,070,005,449.08	4,007,081,663.62	4,797,305,395.91
Minority shareholders equity interests	<b>580,144,273.34</b>	637,342,739.85	713,860,340.37	648,994,106.74	641,677,082.15

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

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2021, under the guidance of various national policies and measures such as strengthening the foundation of agricultural production and promoting the improvement of comprehensive agricultural production capacity, different parts of the country attached great importance to agricultural production and increase in food production, driving the growth of the domestic market demand in tractor industry. According to data from the China Association of Agricultural Machinery Manufacturers (農機工業協會), in 2021, the core enterprises in the agricultural machinery industry sold a total of 315 thousand of hi-powered and mid-powered tractors, representing a year-on-year increase of 3.62%. At the same time, with the introduction of indicator of K value (ratio of minimum working weight to power) of tractors, subsidy policy for agricultural machinery purchase was adjusted and optimized, and the market competition in domestic tractor industry was more standardized and orderly, which was conducive to giving play to product and market advantages for the key enterprises in the industry with comprehensive competitiveness.

In the first year of the “14th Five-Year Plan” period, the Company rushed ahead. Against the backdrop of new changes in agricultural machinery industry, intensified market competition and rapid rise in raw material prices, the Company advanced the implementation of “expanding market, controlling costs, increasing efficiency and promoting development” and other key tasks, and a good momentum continued to be seen in the operation and development of the Company. During the Reporting Period, the Company recorded a total operating revenue of RMB9,334 million, representing a year-on-year increase of 23.10%; and the net profit attributable to the shareholders of the Company was RMB438 million, representing a year-on-year increase of 56.42%.

#### **(I) Effectively responding to changes in the industry and seizing market opportunities, with the market share of leading products continuously increasing**

During the Reporting Period, based on the consumers’ needs and the direction of industrial development, the Company gave effective play to its comprehensive advantages in products, R&D, channels, services and other aspects, gave positive response to the urgent needs of consumers for high cost-effective products, hi-powered and high-efficient agricultural machinery products, and continued to optimize product portfolios, adjusted and improved the sales policy. The total sales volume of hi-powered and mid-powered tractors for the year was 69.3 thousand, representing a year-on-year increase of 29.35%, which was 25.73 percentage points more than the overall level of the industry. In terms of the diesel engine business, thanks to the advantage of professional supporting services, the total sales volume of “Dongfanghong” diesel engines for the year was 138.6 thousand. The scale of supporting machineries for external customers such as harvesting machinery and construction machinery recorded an increase as compared with the corresponding period of the previous year, and the sales volume of supporting machineries in external markets increased by 10.87%.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of promoting market sales, the Company enhanced the flexibility of marketing, effectively improved the operating quality of and market contribution by marketing channels, with the sales volume in advantageous traditional distribution channels further increasing and the market contribution by weak regions lifting. In terms of product R&D and innovation, based on the current market demand, the Company sped up the industrialization application of research and development achievements, and launched “Dongfanghong” — LX1604 (Pro), LD2104 crawler gear, LW3204 high horsepower type and mid-powered wheeled tractors with SK50–70 horsepower to meet the consumers’ personalized and differentiated needs in their farming work. The development of the typical platforms for “Dongfanghong” National IV emission standard diesel engines progressed smoothly, and the accumulated market verification hours of the National IV emission standard diesel engines reached nearly 53,500 hours, and the Company was equipped with the capability to fully switch to the production of National IV emission standard products. In terms of service guarantee and financial promotion, the Company enhanced its service guarantee capability and built a coordinated and efficient service response mechanism, further improving the user satisfaction and market recognition. In 2021, we sold more than 3,300 hi-powered and mid-powered tractors by means of financial leasing. At the same time, the Company actively overcame the impact of the COVID-19 pandemic which was raging across the planet, the rising international freight and other adverse factors, sales growth was achieved in key overseas markets such as Africa, Latin America, Central and Eastern Europe and Russian-speaking countries, and tractor export value increased by 30.02% °

### **(II) Proactively responding to the pressure of rising costs and the effect of improving quality and efficiency was seen**

In 2021, in the face of the pressure of rising raw material prices, the Company perfected the evaluation mechanism for cost control, strengthened the internal operation management, intensified cost control, capital control and quality control in order to effectively optimize the quality and efficiency of the operation of the Company. First of all, on the basis of a prudent assessment of the price trend of bulk materials, the Company gave play to the scale advantage and bargaining power of centralized procurement by means of a series of measures such as locking prices and establishing reserves of raw materials, establishing reserves when price was low, acting at appropriate time, optimizing the value chain and integrating purchasing categories, so as to reasonably control the purchasing cost. Secondly, we adhered to the principle of “controlling total volume and reducing inventory”, improving the efficiency of capital flow, innovating the measures to revitalize capital, and further improving the turnover rate of accounts receivable and inventory. Thirdly, we strengthened the improvement of quality and the tracking and verification of effect of implementation, to ensure the effective operation of product quality management system and continuously build our competitive advantage in quality.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) Adhering to focus on the main business, deepening reform and adjustment, and strengthening risk prevention

In 2021, the Company focused on reform and innovation, and enhanced the internal vitality, external competitiveness and risk-resistance ability in the development of the Company. On the basis of the completion of the localization of relevant products, in May 2021, the Company applied for judicial liquidation of the loss-making YTO France SAS, a wholly-owned subsidiary of the Company, which entered into the judicial liquidation procedure in June 2021. Regarding the reform of the cadre and personnel system, we implemented the requirements under the three-year action plan for the reform of state-owned enterprises, formulated administrative measures and implementation plan for tenure system and contractual management for the members of the management of the Company and its subsidiaries, and completed the entering into of the employment agreement and letter of responsibility for operating performance with the management and the responsible persons of subsidiaries, reflecting the reform direction towards strengthening incentives and constraints. For nurturing of new business, the Company established the Precision Agriculture Business Department at the beginning of the year, to serve the development of precision agriculture and smart agriculture and to accelerate the cultivation of a new mode of “manufacturing + service”. In the meantime, in consideration of the increasingly complex business environment, the Company continuously strengthened the construction of internal control system, the prevention and control of major risks, implemented the risk control mechanisms such as tracking and monitoring and listing supervision. During the Reporting Period, the COVID-19 pandemic control and prevention and disaster prevention work were solid and effective and the Company’s production and operation was stable.

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

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

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

### (I) Principal Businesses

Focusing on the manufacturing of advanced agricultural machinery and equipment, and insisting on the technological upgrading of industrial chain and structural optimisation over the years, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization of the PRC agricultural industry. During the Reporting Period, there was no significant change to the principal businesses of the Company.

**Agricultural Machinery Business:** the products include 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, orchards and sheds and their key components including castings, forgings gears, gear boxes and cover that are used in agricultural production.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Power Machinery Business:** the products include off-road diesel engines with displacement from 2L to 12L and power output from 10KW to 405KW along with their accessory parts including fuel injection pump and fuel injector. The products are mainly matching agricultural machinery, such as tractors and harvesters, accessories of construction machinery, 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 and buyer's credit business for the Company's product sales and investment businesses in compliance with the requirements of regulators. Please refer to Chapter X on the supplemental information on the finance business of the Company for further details.

### (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 manufactories. The Company's research and development projects are divided into strategic planning type and market demand type. The headquarters research and development center focuses on the research and development of strategic planning type products and technologies, and the subsidiaries and manufactories focus on the research and development of market demand type products. Through the joint establishment of project teams, the Company promotes the integration of two-level research and development systems, which not only improves the research and development capability of market-oriented projects of subsidiaries and manufactories and the efficiency of solving field problems, but also improves the research and development quality of strategic planning projects of the research and development center of the headquarters.

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

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

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

The buyer's credit business is categorized into loan financing business, i.e. a special loan granted by YTO Finance to its customers purchasing the Company's products. 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.

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

With the corporate vision of becoming an "outstanding agricultural equipment manufacturing service provider", leveraging on its more than 60 years' accumulation of product technology, manufacturing capacity, talents and marketing channels, the Company has become an enterprise with important influence in the agricultural machinery industry. With the country's deeper initiation of the agricultural modernization and the full implementation of the food security strategy and the rural revitalization strategy, the Company continuously accelerated upgrading of product technologies, improvement in manufacturing capacity, and innovation and reform on marketing and service models, which led to the continuous improvement of its core competitiveness and made it equipped with remarkable competitive advantages in the industry.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In respect of research and development and innovation, 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 2021, based on the current market demand, the Company continuously enriched its product portfolios, completing the development and launch for professional hi-powered wheeled tractor products with horsepower of 160 in the same year, coupled with the completion of development and mass launch of orchard-type mid-powered wheeled tractor series products. Focusing on the future, the Company accelerated the research and development of strategic products, thus the whole machine performance and reliability test and trial sale in small-lot for variable transmission tractors with horsepower of 320 were completed, and the test of partial function of power train system for variable transmission tractors with horsepower of 230 was completed; the accumulated market verification hours of products in line with National IV emission standard amounted to nearly 53,500 hours, which are equipped with the capacity of fully switching to National IV emission standards; the technology reserves for National V emission standard diesel engines and the development of the platform for new generation products were advanced in an orderly manner, and the emission certification for Euro V diesel engines was completed.

In respect of production and manufacturing, the Company has the most comprehensive manufacturing systems from whole machine to core spare parts in China's tractor industry and possesses the capabilities for manufacturing vehicle body, forged parts, castings, engines, gears and other key components of tractors. In 2021, the commencement of the construction of some key technical improvement projects, such as the quality improvement and intelligentization transformation for medium-horsepower tractors and the intelligent manufacturing and construction of YTN3 diesel engines with high-efficiency and low-emission, the completion of which will further strengthen the industrial foundation. The smart diesel engines workshop was recognised as "2021 Excellent Scenario of Intelligent Manufacturing" by the Ministry of Industry and Information Technology.

In respect of products and quality, the Company has a full range of wheeled tractors and crawler tractor products, as well as off-road power machinery products at high, medium and low horsepower. In adherence to the quality concept of "zero-defect quality and internationalized standards", the Company enabled technology strength of major products to be a leading position in the industry through the continuous implementation of high-quality projects and strengthening quality control. With outstanding performance, stable product quality, the Company's agricultural machinery, power machinery and other products have won satisfactory feedback from users.

In terms of market services, the Company has always given top priority to providing the market with reliable products and caring services. With the deep understanding of the agricultural machinery industry, the Company has constantly improved the after-sales service platform system for enterprises to serve users with "Golden Service" under the service concept of "thoughtful, fast, professional, and value-added". The Company took the lead in making a service promise of "Arriving within 6 hours and repairing within 12 hours" to consumers, effectively protecting the rights and interests of users.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Please refer to “I. Discussion and Analysis on the Operations”

#### (I) Analysis on principal business

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

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change (%)
Operating revenue	<b>9,209,135,833.76</b>	7,480,729,879.48	23.10
Operating costs	<b>7,712,932,565.70</b>	6,020,041,446.52	28.12
Selling expenses	<b>203,809,324.49</b>	358,190,492.96	-43.10
Administrative expenses	<b>363,378,163.19</b>	354,222,206.89	2.58
Financial expenses	<b>51,112,103.79</b>	52,228,726.98	-2.14
R&D expenses	<b>415,352,332.37</b>	339,036,171.41	22.51
Other income	<b>43,498,171.42</b>	105,122,597.68	-58.62
Investment income (Losses listed as “-”)	<b>639,394,264.83</b>	349,311,564.11	83.04
Gain arising from changes in fair value (Losses listed as “-”)	<b>38,351,073.07</b>	26,405,594.35	45.24
Loss on impairment of assets (Losses listed as “-”)	<b>-587,501,045.67</b>	-144,485,940.66	N/A
Loss on impairment on credit (Losses listed as “-”)	<b>-228,857,326.55</b>	-440,755,763.41	N/A
Asset disposal income (Losses listed as “-”)	<b>62,931.82</b>	8,249,140.24	-99.24
Non-operating expenses	<b>896,517.08</b>	13,319,454.10	-93.27
Net cash flows from operating activities	<b>582,279,759.33</b>	1,248,778,258.13	-53.37
Net cash flow from investment activities	<b>272,575,926.72</b>	479,943,520.74	-43.21
Net cash flows from financing activities	<b>-119,911,581.04</b>	-1,417,014,045.77	N/A



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

**Reasons for changes in operating costs:** The year-on-year increase in operating costs was mainly due to the year-on-year increase in sales volume of the Company's major products during the Reporting Period, and the reclassification of transportation expenses into operating costs from selling expenses during the same period.

**Reasons for changes in selling expenses:** due to a decrease of RMB154.38 million over the same period of last year, representing a year-on-year decrease of 43.10%, which was mainly due to the reclassification of transportation expenses into operating costs during the Reporting Period.

**Reasons for changes in administrative expenses:** due to an increase of RMB9.16 million over the same period of last year, representing a year-on-year increase of 2.58%, which was mainly due to the year-on-year increase in staff costs during the Reporting Period.

**Reasons for changes in financial expenses:** due to a decrease of RMB1.12 million over the same period of last year, representing a year-on-year decrease of 2.14%, which was mainly due to the decrease in the size of loans of the Company and a year-on-year decrease in interest expenses during the Reporting Period.

**Reasons for changes in research and development expenses:** due to an increase of RMB76.32 million over the same period of last year, representing a year-on-year increase of 22.51%, which was mainly due to the Company's active promotion of the research and development of project during the Reporting Period and the synchronous increase of R&D investment.

**Reasons for changes in other income:** due to a decrease of RMB61.62 million over the same period of last year, representing a year-on-year decrease of 58.62%, which was mainly due to the decrease in government subsidy received during the Reporting Period as compared to the same period last year.

**Reasons for changes in investment income:** due to an increase of RMB290.08 million over the same period of last year, representing a year-on-year increase of 83.04%, which was mainly due to the fact that YTO France and Harvesting Machinery Company were no longer included in the scope of consolidation of the financial statement as a result of the liquidation during the Reporting Period, and the Company reversed the excess losses which were consolidated in the previous period.

**Reasons for changes in gain arising from changes in fair value:** due to an increase of RMB11.95 million over the same period of last year, representing a year-on-year increase of 45.24%, which was mainly due to the year-on-year increase in gain arising from changes in fair value of the trading financial assets held by the Company during the Reporting Period.

**Reasons for changes in loss on impairment of assets:** due to an increase of losses by RMB443.02 million over the same period of last year, which was mainly due to the judicial liquidation of the subsidiary during the Reporting Period, for which the Company recorded an impairment loss of RMB559.04 million on long-term equity investments.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Reasons for changes in loss on impairment of credit:** due to a decrease of losses by RMB211.90 million over the same period of last year, which was mainly due to the Company's provision for impairment of RMB74.09 million for Harvesting Machinery Company's accounts receivable as a result of the liquidation of Harvesting Machinery Company; the Company's provision for impairment of RMB280.79 million for YTO Shentong's entrusted loans and receivables as a result of YTO Shentong's bankruptcy liquidation in the same period of last year.

The impact of the liquidation of the subsidiary on the Company's financial statements was reflected in three accounts: investment income, impairment loss on assets and impairment loss on credit, and the total impact of the judicial liquidation of YTO France on the Company's profit and loss for the Reporting Period is RMB-6.8 million, and the impact of the bankruptcy liquidation of Harvesting Machinery Company on the Company's profit and loss for the Reporting Period is RMB-4.63 million.

**Reason for the changes in income from disposal of assets:** due to a decrease of RMB8.19 million over the same period of the last year, which was mainly due to the decrease in income from disposal of inefficient and ineffective assets in the current period as compared to the same period of the previous year.

**Reasons for changes in non-operating expenses:** due to a decrease of RMB12.42 million over the same period of last year, which was mainly due to the impact of environmental governance and staff costs that the YTO France assumed in accordance with the local laws and regulations in the same period of last year.

### 2. Income and cost analysis

See table below

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

*Unit: 0'000 Currency: RMB*

#### Principal business by industry

By industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Equipment manufacturing industry	920,914	771,293	16.25	23.10	28.12	Decreased by 3.28 percentage points



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Principal businesses by products

By products	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Agricultural machinery	846,248	725,424	14.28	24.64	30.02	Decreased by 3.54 percentage points
Power machinery	227,749	198,952	12.64	19.48	20.16	Decreased by 0.5 percentage points
Inter-segment elimination	-153,083	-153,083	-	-	-	-
Total	920,914	771,293	16.25	23.10	28.12	Decreased by 3.28 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	881,441	736,448	16.45	23.20	28.25	Decreased by 3.29 percentage points
Outside the PRC	39,473	34,845	11.72	21.03	25.50	Decreased by 3.15 percentage points

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Principal businesses by sales model

Sales model	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 (%)
Distribution	684,938	558,008	18.53	23.38	30.42	Decreased by 4.39 percentage points
Direct selling	235,976	213,285	9.62	22.30	22.48	Decreased by 0.13 percentage point

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

The comprehensive gross profit margin of the equipment manufacturing business during the Reporting Period was 16.25%, representing a decrease of 3.28 percentage points as compared with the corresponding period of last year, which was mainly due to the significant increase in the market price of raw materials caused by the impact of the domestic and international environment and the COVID-19 pandemic, as well as the reclassification of transportation fee to operating cost during the Reporting Period. The Company actively took actions such as reducing design cost, locking the price of materials and swing purchase, which curbed the impact of increase in price of raw materials on gross profit margin to a certain extent.

The gross profit margin of the Company's agricultural machinery business was 14.28%, representing a year-on-year decrease of 3.54 percentage points.

The gross profit margin of the Company's power machinery business was 12.64%, representing a year-on-year decrease of 0.50 percentage point.

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

Main products	Unit	Production volume	Sales volume	Inventories	Increase/decrease in production volume as compared with last year (%)	Increase/decrease in sales volume as compared with last year (%)	Increase/decrease in inventories as compared with last year (%)
Tractor products	Set	73,482	69,448	10,330	28.78	29.55	64.07
Diesel engine products	Set	143,597	138,603	20,230	17.38	19.07	32.78

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (3) Cost analysis

Unit: RMBO'000

#### By industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Equipment manufacturing industry	Material	821,910	88.91	631,664	87.31	30.12
Equipment manufacturing industry	Labour	38,328	4.15	33,641	4.65	13.93
Equipment manufacturing industry	Production costs	64,138	6.94	58,177	8.04	10.25

#### By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Agricultural machinery	Material	645,655	89.00	487,949	87.46	32.32
Agricultural machinery	Labour	28,998	4.00	25,260	4.53	14.80
Agricultural machinery	Production costs	50,771	7.00	44,705	8.01	13.57
Power machinery	Material	176,255	88.59	143,715	86.80	22.64
Power machinery	Labour	9,330	4.69	8,381	5.06	11.32
Power machinery	Production costs	13,367	6.72	13,472	8.14	-0.78

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

Explanation on other situations on cost analysis

**Agricultural machinery:** During the Reporting Period, the proportion of material costs increased as compared to the same period of last year, while the proportion of labour and production costs decreased. This was mainly due to the increase in material costs for hi-powered and mid-powered tractors products and the increase in total sales of tractors.

**Power machinery:** During the Reporting Period, the proportion of material costs increased as compared to the same period of last year, while the proportion of labour and production costs decreased. This was mainly due to the increase in material costs for diesel engine products of different displacements and the increase in total sales of diesel engines.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Information on major customers and major suppliers

A. Information on major customers of the Company

Sales to the top five customers amounted to RMB685 million, accounting for 7.44% of the total sales for the year, among which, sales to the top five customers which were sales to related parties amounted to RMB231.36 million, accounting for 2.51% of the total sales for the year.

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

Unit: 0'000 Currency: RMB

No.	Name of customers	Sales amount	Proportion to total annual sales amount (%)
1	YTO Group Corporation	23,136	2.51
2	Yunnan Henghua Agricultural Machinery Development Co., Ltd. (雲南恒華農業機械發展有限公司)	7,884	0.86

Note: The sales amount of the Company to YTO Group Corporation included the amount of transactions with its subsidiaries.

B. Information on major suppliers of the Company

Procurement from the top five suppliers amounted to RMB1,910.68 million, accounting for 28.52% of the total procurement amount for the year, among which, procurement from the top five suppliers which was procurement from related parties amounted to RMB1,384.90 million, accounting for 20.67% of the total procurement amount for the year.

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

Unit: 0'000 Currency: RMB

No.	Name of suppliers	Procurement amount	Proportion to total annual Procurement amount (%)
1	YTO Group Corporation	118,649	17.71

Note: The procurement amount of the Company to YTO Group Corporation included the amount of transactions with its subsidiaries.

Other explanations

Save as disclosed, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Expenses

*Unit: Yuan*

Item	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Selling expenses	<b>203,809,324.49</b>	358,190,492.96	-154,381,168.47	-43.10
Administrative expenses	<b>363,378,163.19</b>	354,222,206.89	9,155,956.30	2.58
Research and development expenses	<b>415,352,332.37</b>	339,036,171.41	76,316,160.96	22.51
Financial expenses	<b>51,112,103.79</b>	52,228,726.98	-1,116,623.19	-2.14
Total	<b>1,033,651,923.84</b>	1,103,677,598.24	-70,025,674.40	-6.34

### 4. Research and development investment

(1) *Analysis on research and development investment*

*Unit: Yuan*

Research and development investment expensed for the Reporting Period	415,352,332.37
Research and development investment capitalized for the Reporting Period	0.00
Total research and development investment	415,352,332.37
Total research and development investment as a percentage of operating revenue (%)	4.51
Ratio of research and development investment capitalized (%)	0.00

(2) *Analysis on research and development investment*

Number of research and development personnel of the Company	1,172
Number of research and development personnel as a percentage of total staff of the Company (%)	15.76%

Education level profile of research and development personnel

Type of education level	Number of education level
Doctoral candidate	1
Master student	165
Bachelor	868
Technical school and below	138

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Age profile of research and development personnel

Type of age profile	Number of age profile
Below 30 (excluding 30)	288
30 to 40 (including 30, excluding 40)	445
40 to 50 (including 40, excluding 50)	212
50 to 60 (including 50, excluding 60)	227
60 and above	0

### 5. Cash Flow

Unit: Yuan

Items	Amount for the Reporting Period	Amount for the correspond in period of last year	Change in amounts	Change (%)
Net cash flow from operating activities	<b>582,279,759.33</b>	1,248,778,258.13	-666,498,498.80	-53.37
Net cash flow from investing activities	<b>272,575,926.72</b>	479,943,520.74	-207,367,594.02	-43.21
Net cash flow from financing activities	<b>-119,911,581.04</b>	-1,417,014,045.77	1,297,102,464.73	N/A

Net cash flow from operating activities: the inflow decreased by RMB666.5 million as compared with the corresponding period of last year, which was mainly due to a year-on-year increase in exposure of notes payable of the previous period which were due for payment in the current period and a year-on-year increase in due payments for accounts payable which were recognized in the previous period.

Net cash flow from investing activities: the inflow decreased by RMB207.37 million as compared with the corresponding period of last year, which was mainly due to a year-on-year decrease in the net amount of withdrawal of the structured deposits of the Company.

Net cash flow from financing activities: the outflow decreased by RMB1,297.10 million as compared with the corresponding period of last year, which was mainly due to the availability of proceeds from Non-public Issuance during the Reporting Period and a year-on-year decrease in net repayment of bank borrowings during the Reporting Period.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) Analysis on assets and liabilities

#### 1. Assets and liabilities situation

Unit: Yuan

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance at the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year Change (%)	Reasons for the changes
Monetary funds	3,243,399,611.65	26.28	1,702,625,475.53	13.79	90.49	The Company's earnings increased during the period, while the size of the financial assets held by YTO Finance decreased and the Company's structured deposits were paid back at maturity
Lendings to banks and other financial institutions	23,320,000.00	0.19	40,000,000.00	0.32	-41.70	The provision for impairment of lendings to banks and other financial institutions made by YTO Finance increased, resulting in the decrease in the book value of lendings to banks and other financial institutions
Notes receivable	62,757,621.58	0.51	892,050.97	0.01	6,935.21	The sales volume increased, resulting in the increase in notes receivable as compared to the beginning of the year
Accounts receivable financing	216,495,094.89	1.75	374,916,413.50	3.04	-42.26	The purchases increased, resulting in the increase in notes receivable as compared with the beginning of the year
Prepayment	242,712,324.09	1.97	177,372,921.45	1.44	36.84	Prepayments were made for procurement and establishment of reserve at the end of the year and prepayments increased
Financial assets purchased with agreement to resale	360,643,454.77	2.92	1,561,721,065.92	12.65	-76.91	The financial assets held by YTO Finance decreased
Right-to-use assets	15,044,288.50	0.12	28,901,686.93	0.23	-47.95	The accumulated depreciation of right-of-use assets increased, and the carrying value of right-of-use assets decreased
Long-term deferred expenses	61,059,040.71	0.49	44,912,084.65	0.36	35.95	The purchase of molds in the current period increased and the amount included in the long-term amortization expenses increased
Short-term loans	270,183,333.34	2.19	834,263,379.71	6.76	-67.61	Repayment of partial short-term borrowings
Loans from other banks	200,050,000.00	1.62	300,066,666.67	2.43	-33.33	Repayment of loans by YTO Finance
Contract liabilities	580,385,482.01	4.70	398,850,436.72	3.23	45.51	Increase in the advances received from customers with contracts
Absorption of deposits and interbank deposits	741,565,080.73	6.01	1,412,624,683.26	11.45	-47.50	Decrease in external units' deposits in YTO Finance
Lease liabilities	1,853,079.74	0.02	14,850,790.14	0.12	-87.52	Due to the reclassification of rental payable within one year to non-current liabilities due within one year
Other comprehensive income	-11,710,421.44	N/A	-26,960,733.16	N/A	N/A	Mainly due to the transfer of translation difference in foreign currency statements upon the deconsolidation of YTO France's bankruptcy
Retained earnings	1,086,069,085.52	8.80	795,064,178.33	6.44	36.60	Profits in the current period

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other explanations

(1) *Key financial ratios*

Item	As at the end of the Reporting Period	As at the beginning of the Year	Year-on- year change
Gearing ratio (%)	<b>51.52</b>	59.69	Decreased by 8.17 percentage points
Current ratio	<b>1.31</b>	1.08	Increased by 0.23 percentage point
Quick ratio	<b>1.02</b>	0.89	Increased by 0.13 percentage point

(2) *Bank loans*

Bank loans of the Company are mainly denominated in RMB. As at the end of the Reporting Period, bank loans (principal) of the Company due within one year amounted to RMB270 million,; and bank loans (principal) due over one year amounted to RMB110 million.

### 2. *Foreign assets*

(1) *Assets scale*

As of the end of the Reporting Period, the Company had total assets of RMB12,339.5946 million, of which: foreign assets of 9,102.91 (unit: 0'000, currency: RMB), accounting for 0.74% of the total assets.

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

As at the end of the Reporting Period, the Company's restricted cash and cash equivalents amounted to RMB1,096.6319 million, including bank's acceptance bill deposits of RMB20.2181 million, the statutory deposit reserve with central bank of RMB237.7698 million, the term deposits of over three months of RMB700 million, the policy-oriented bank restricted funds of RMB138.0522 million and other restricted funds of RMB0.5918 million.

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

During the Reporting Period, the original value of Changtuo 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 RMB53.9180 million, which were buildings and land mortgaged to the banks for short-term loans granted to Changtuo Company during the Reporting Period.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4. Other Explanations

#### (1) Foreign exchange risk

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

#### (2) Contingent liabilities

For further details, please refer to “VII.42 Estimated Liabilities” under section 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.

## (III) 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
Trading financial assets	492,954,840.47	2,030,000,000.00	2,334,825,499.06	38,351,073.07	15,850,387.46	Self-funded
Total	492,954,840.47	2,030,000,000.00	2,334,825,499.06	38,351,073.07	15,850,387.46	

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

#### 1. Information on key subsidiaries

Name of company	Registered Capital (0'000)	Principal business	As at 31 December 2021		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Income (0'000)	Net profit (0'000)
YTO Finance	50,000	Provision of financial services	525,284	87,417	16,422	4,245
YTO International Trade	6,600	International sale of agricultural machinery	36,288	-29,701	32,480	-17,149
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	263,136	150,686	221,919	4,468
Tractors Research Company	44,500	Research and development of tractor products	72,956	55,084	18,243	105
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	33,890	28,889	31,208	194

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

- (1) In May 2021, YTO Flag established Zhengzhou Sanzhen Machinery Equipment Co., Ltd. (鄭州三真機械設備有限公司), a wholly-owned subsidiary, which was included in the scope of the Company's consolidated statements in accordance with the relevant provisions of the Accounting Standards for Business Enterprises.
- (2) In June 2021, the local court of France ruled that YTO France entered into the judicial liquidation procedure. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, YTO France was no longer included in the scope of the Company's consolidated statements after entering into the judicial liquidation procedure.
- (3) In October 2021, the People's Court of Jianxi District, Luoyang, Henan Province, ruled that Harvest Machinery Company entered into bankruptcy liquidation procedure. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, Harvest Machinery Company was no longer included in the scope of the Company's consolidated statements after entering into the bankruptcy liquidation procedure.



## CHAPTER III 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	YTO Finance	16,422	6,165	4,245
2	YTO International Trade	32,480	-17,257	-17,149
3	YTO Diesel Engine	221,919	4,850	4,468

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

YTO Finance: net profit increased by RMB12.47 million year-on-year, mainly due to the increase in revenue and a larger provision to credit impairment loss in the same period of the previous year.

YTO Diesel Engine: net profit decrease by RMB22.87 million year-on-year, mainly due to the year-on-year decrease of RMB20.46 million in gain on fair value changes of financial assets held for trading during the Reporting Period.

Tractors Research Company: net profit decreased by RMB11.33 million, mainly due to the increase in research and development projects during the Reporting Period, resulting in the increase of expenses.

YTO Foundry and Forging: net profit decreased by RMB4.03 million, mainly due to the decrease in profitability as a result of the increase in material prices during the Reporting Period.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

#### (I) Industry landscape and trend

From the perspective of macro environment and strategic needs, the work on “Agriculture, Rural Areas and Rural Residents” will enter a new stage during the period of “14th Five-year Plan” when rural revitalization will be comprehensively advanced and the modernization of agricultural and rural areas will be accelerated, which will pose more urgent needs for the development of agricultural mechanization and will also bring about new development opportunities for agricultural mechanization. Against such backdrop, centered on improving agricultural technology and equipment support, accelerating the development of agricultural mechanization in China will play a more prominent role in ensuring the supply of grain and important agricultural products and the stable and increased agricultural production. The development of agricultural machinery towards being large-sized, intelligent and energy efficient has become increasingly apparent, which will benefit key and core enterprises with the competitiveness in the whole industrial chain and advantages in technology reserve.

Specifically, according to the analysis of and judgment on the current market situation, the sales growth in tractor industry in past two years has exceeded expectation, and to a certain extent, the demand was ahead of schedule. In the second half of 2021, the overall market demand for tractors declined, indicating that the market of traditional agricultural machinery products such as tractors was still characterized by existing product update. In December 2022, the switch to “National IV” standard for off-road mobile machinery will formally commence. The increase in manufacturing and purchasing costs brought about by the switch to National IV will have a certain impact on consumers’ willingness to purchase, and the uncertainty at market demand side will increase.

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

During the period of the “14th Five-Year Plan”, by closely focusing on the national strategies of rural revitalization and food security, the Company will firmly seize the market opportunities brought about by the modernization of agriculture and rural areas and transformation and upgrading of agricultural machinery and equipment industry. The Company will adhere to the development idea of “innovation-driven, optimize the structure, penetrate the market and seize the high-end”, develop a platform for high-level innovation, steadily advance product technology upgrading and strengthening the leading role of technology. We will accelerate the disposal of inefficient and ineffective assets and optimize the asset structure. We will actively explore the international market while deeply cultivating the domestic market, strengthening our leading role in the market. Targeting modern agriculture, green agriculture and precision agriculture, the Company will accelerate the research and development and industrialization of intelligent, new energy and other high-end equipment, and upgrade the industrial chain, to achieve high-quality development of the Company.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) Operation plan

In 2022, the Company will adhere to the strategic development ideas of “seeking progress while maintaining stability” and “14th Five-Year Plan”, to grasp the change trend of industry development and competition pattern. Centering on the business idea of “seizing opportunities, improving capabilities, adapting to the situation, and maintaining steady growth”, we will accelerate scientific and technological research and development innovation and breakthrough and upgrading of product technology, further integrating into the new development pattern and promoting steady operation and sustainable development of the Company.

First, to penetrate the market and strive for stable increase in market share. We will improve the ability in market prediction and control, analyze and judge the influence of subsidy policy, switching to National IV emission standard, trend of raw material prices and other factors on the operation of the Company, firmly grasp the new trend of changes in consumers’ demand, actively and proactively seize opportunities, consolidate and enhance the competitive advantages in the market.

Second, to reduce costs and increase efficiency, expanding the space for improving quality and efficiency. The Company will strengthen the management of its internal operation, advance whole value chain cost management system. Focusing on key links such as reduction of technology cost, procurement cost, accounts receivable and inventory pressure, we will innovate cost management and control methods and ways, mainly for improving the competitive advantages in product costs and the profitability.

Third, to grasp the key points and build a solid foundation for transformation and upgrading. The Company will give play to the advantages of collaborative and efficient platform of technology research and development. The technical route and timeline for the switching to National IV emission standards should be strictly implemented to ensure the smooth switching of “Dongfanghong\* (東方紅)” whole series of National IV emission standard products. The Company will continue to promote the localization improvement and commercialization of large and efficient power-shift and variable transmission tractors, and to meet the mass demand in high-end market. On the basis of consolidating the advantages in tractors and power machinery products, we will actively explore and steadily advance the expansion of agricultural machinery products industry chain to enrich the product portfolios. We will thoroughly implement the three-year action plan for reform of state-owned enterprises, promoting the effective implementation of the reform of the system for scientific and technological research and development, incentivizing the marketing teams and other reform tasks, and enhancing the operating mechanisms and management models that adapt to the market.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (IV) Potential risks

#### 1. *Risk relating to adjustment to subsidy policy of purchasing agricultural machinery*

Since the promulgation of the Law on the Promotion of Agricultural Mechanization (《農業機械化促進法》) in 2004, the central government, the State and local governments have implemented a series of subsidy policies that are related to the Company's products. With the increasing policy support and financial investment of the State for agricultural development, the enthusiasm of farmers to purchase agricultural machinery has gradually increased, and the market demand for agricultural machinery equipment has continued to rise. If the government's policy support for the agricultural machinery industry is weakened in the future, the subsidy policy for agricultural machinery purchase is cancelled, the amount of subsidy is significantly reduced, the subsidy limit of single agricultural machinery products is lowered or the subsidy form is changed, Company's operating performance will be affected.

By actively analyzing and judging the overall trend of the changes in policy and user structure and the upgrading of market demand, the Company will give play to its advantages in research and development of technology, core manufacturing and other aspects, improve cost performance and added value of products, and provide value-added benefits for users, turn crisis into opportunities, consolidate and enhance market share.

#### 2. *Risk relating to rising raw material prices and labor cost*

Since the second half of 2020, due to the influence of the factors such as market demand recovery, easing liquidity, and short-term supply shortages, the bulk commodity market price and energy price have risen significantly as a whole. As steel and rubber account for a relatively high proportion of the Company's procurement of raw material and parts, the rise of prices of raw material and energy will affect the Company's profitability. At the same time, with the improvement of people's living standards, the salary level of the Company's employees is likely to continue to rise in the future, thus accelerating the rise of labor costs, which will also affect the profitability of the Company.

Through the measures of optimizing procurement process, shortening intermediate links of procurement and centralized and large-scale procurement, the Company will improve the degree of automation and efficiency of production, so as to reduce the impact of rising raw material prices and labor costs on the Company's performance.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **3. Risk relating to increased competition in the domestic market**

The subsidy and related supporting policy for agricultural machinery purchase and the trend of intensive management of land have provided favorable policy and system environment for the development of the domestic agricultural machinery industry, also attracted the attention of enterprises outside the industry to the agricultural machinery industry. If the leaders of other industry gradually enter into the agricultural machinery industry, the competition in agricultural machinery products market will become increasingly fierce.

Through strengthening investment management, risk management, cost and expense management, incentive mechanism reform and other measures, the Company will enhance the quality of economic operation, optimize structure of business and asset, improve operational efficiency and the competitiveness of the Company. Besides, we will further adjust the market structure and accelerate the development of international markets.

### **4. Risk in overseas market**

COVID-19 pandemic has not yet been effectively controlled in the world, and constraints factors such as regional conflicts and trade frictions continue to emerge. Risks such as the disorder in the global industrial chain and supply chain, continuous rise in prices of bulk commodity, tight energy supply, and adjustment to monetary policies in major economies are intertwined. Thus the overseas market of the Company's products may be affected to a certain extent, and there exists great uncertainty in sales.

The Company will actively implement the special planning for internationalization, focusing on optimizing the market layout while deeply penetrating key markets, to participate in global competition, promote product certification, and achieve a breakthrough in developed market as soon as possible.

### **5. Risk relating to product technology upgrading**

With the higher requirements by users for the applicability, comfort, energy conservation and environmental protection of agricultural machinery products, the technological advancement and speed of product upgrading in the agricultural machinery industry will be intensified in the future. At the end of December 2022, the off-road diesel engine emission standard of the State will be switched to National IV, and the pace of switching to National V will be accelerated. It will be difficult for the products that cannot meet the upgrading requirements of national environmental protection emission standards to survive in the market, which poses higher requirements for the technology upgrading of the Company's diesel engines products, and the matching between diesel engines and tractor products.

The Company will give play to the advantages in research and development of off-road diesel engines and the advantages in the matching of diesel engines with its main engines, accelerate the progress of research and development and commercialization of new technologies, and actively adapt to the needs of industry upgrading.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 6. *Risk relating to undiversified product mix*

With the development of large-scale and intensive management of land, users' demands for whole-process mechanization and complete sets of agricultural equipment solutions continue to grow, and the overall demand for products in agricultural machinery industry continues to diversify. Meanwhile, a new round of subsidy policy for agricultural machinery purchase has indicated clearly that the amount of subsidy for the wheeled tractors and other machinery and tools with obsolete technologies the ownership of which are excessive in the region would be gradually reduced, and it would focus on supporting the weak links in agricultural mechanization. However, currently, the Company's product mix is undiversified, reducing the subsidy amount for single agricultural machine purchase may divert the subsidy funds for some traditional products such as tractors, which may have an adverse impact on the operating performance of the Company.

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

## (V) Other disclosure

### 1. *Management Contracts*

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

### 2. *Directors' permitted Indemnities*

Pursuant to the Articles of Association and subject to the relevant provisions therein, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur in or sustain by the execution of his/her duty as a director of the Company or otherwise in relation thereto. The Company has arranged appropriate insurance cover for the Directors and senior management of the Company in respect of legal action against them in the course of execution of their duties in good faith.

### 3. *Relationships with employees, customers and suppliers*

The Directors recognise that employees, customers, suppliers and business partners are the keys to the sustainable development of the Group.

Regarding employee salary and incentive system, the Group has formulated a set of remuneration system referenced to the market to attract and retain key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group. The Group ensures all employees are reasonably remunerated and the remuneration packages of employees are reviewed regularly and necessary adjustments are made to the remuneration packages to align with the market standards.

### 4. *Acquisitions and Disposals*

The Company did not undertake any material acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period.



## CHAPTER IV CORPORATE GOVERNANCE

### I. EXPLANATION ON CORPORATE GOVERNANCE RELATED SITUATION

During the Reporting Period, the Company continued to improve its corporate governance mechanism, standardize the corporate operation, improve various rules and regulations, strengthen internal control and risk management, in accordance with the “Company Law”, “Securities Law”, “Code of Corporate Governance for Listed Companies” and other laws, regulations and the domestic and overseas regulatory requirements of the place of listing, so as to maintain sustainable and healthy development and safeguard the interests of all shareholders of the Company. The actual situation of the corporate governance structure is in line with the relevant document regulations and requirements of CSRC and the requirements of the code provisions set out in the “Corporate Governance Code” issued by the Hong Kong Stock Exchange.

1. Shareholders and general meetings. The Company has strictly complied with the requirements of the laws and regulations, the Articles of Association and the Rules of Procedure for General Meetings of Shareholders to ensure that the shareholders exercise their rights in accordance with the law. During the Reporting Period, the Company convened three general meetings and two class meetings and engaged lawyers to witness the convening and holding procedures of the general meetings, which were legal and effective. The internet voting method of the general meeting ensures that all shareholders of the Company, especially the medium and minority investors, participate in the decision-making and fully exercise their rights. During the Reporting Period, the controlling shareholder of the Company acted in a standardized manner and did not interfere directly or indirectly with the decision-making and operating activities of the Company beyond the general meeting of shareholders, and 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. Directors and the Board meetings. The Company selected and employed directors in strict accordance with the provisions of the Articles of Association, and the number of persons and the formation of the Board of the Company were in line with the requirements of laws and regulations. The Directors performed their duties faithfully and diligently in accordance with laws and regulations, actively participated in the trainings, and were familiar with relevant laws and regulations, clear about the rights, obligations and responsibilities of the Directors, and made independent, fair and objective judgments on the motions considered by the Board based on their professional knowledge and ability, and safeguard the interests of all shareholders.
3. Supervisors and the Board of Supervisors. The Board of Supervisors of the Company consists of shareholders’ representative supervisors and staff representative supervisors, and the number of persons and the formation of the Board of the Supervisors the Company were in line with the requirements of laws and regulations. The Board of the Supervisors earnestly performed its duties strictly according to the requirements of Articles of Association as well as the Procedural Rules for Meetings of the Board of Supervisors, and regularly held meetings of the Board of the Supervisors. The Supervisors of the Company are diligent and honest, actively attend the meetings of the Board of Supervisors, shareholders’ meetings and Board meetings, earnestly performed its duties and supervised and examined on the performance of Directors and senior management and the financial legality and compliance of the Company, thereby fully safeguarding the legal interests of the Company and the shareholders.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

4. System amendments and improvements. During the Reporting Period, firstly, the Company amended the Articles of Association of the Company in accordance with the results of the non-public offering and the operational needs of the Company to increase the registered capital and scope of operation of the Company; secondly, in accordance with the Securities Law, the Approval of the State Council on the Adjustment of the Rules Applicable to the Notice Period for Holding General Meetings of Overseas Listed Companies (Guo Han [2019] No. 97) and the requirements of the Three-Year Action for the Reform of State-owned Enterprises, the Company's Articles of Association, the Rules of Procedures for General Meetings and the Rules of Procedures for Board Meetings were amended to add provisions relating to the protection of the rights and interests of small and medium-sized investors and the rights of the Board to assess the performance of the management, etc. The notice period for general meetings of the Company was shortened to further improve the corporate governance system.
5. Information disclosure and registration and management of inside information and insiders. The secretary of the Board is responsible for the information disclosure work of the Company. The Company strictly complied with the listing rules of two sides to perform its obligation of information disclosure according to laws, and timely disclosed relevant information including the regular reports and temporary announcement in a fair, accurate and completed way strictly based on a fair, objective, and open principles. During the Reporting Period, the Company strictly complied the requirements of the Management System for Inside Information and Insiders and other regulations, and made proper registration and filing of the registration of insider in accordance with the progress of relevant material matters and matters requiring confidentiality, and there was no abnormal fluctuation of the Company's share price due to leakage of insider information, which safeguarded the fairness of the Company's information disclosure and practically protected the legitimate interests of the Company's shareholders.

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

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

1. Assets: The Company had independent and complete assets, clear property rights, independent supply, production and sales systems, and patented and proprietary technologies.
2. Personnel: The Company's personnel were independent of the controlling shareholder and had an independent labor and personnel management department with an independent labor and personnel, and salary management system.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

3. Finance: The Company has set up an independent finance department, established an independent accounting system and financial and accounting management system, thus forming a completely independent internal control mechanism, independent accounting, opened bank accounts independently and paid taxes independently.
4. Organization: The Company had a complete organization and an independent organizational structure; the Board, the Board of Supervisors and other internal organizations of the Company operate completely independently.
5. Business: The Company has independent business and self-management capabilities, makes independent decisions, operates independently, is self-financing, and independently bears the corresponding responsibilities and risks.

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

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

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

As Article 16 of the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions (CBRC Decree No. 6 of 2015) stipulates that "an enterprise group can only establish one finance company", the Company intended to cancel the liquidation of YTO Finance in order to meet the regulatory requirements of the industry. At the same time, as a member of SINOMACH, the Company intended to increase capital to SINOMACH Finance Co., Ltd. to obtain part of the investment income through its shareholding to appropriately compensate for the decrease in income after the dissolution of the YTO Finance, and to obtain richer financial services with the stronger capital strength and capital resources of SINOMACH Finance Co., Ltd. to enhance the Company's financing ability and capital management level and support the Company's high quality development.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### III. BRIEFS OF GENERAL MEETINGS

Session of meeting	Date	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results	Meeting resolutions
2021 First Extraordinary General Meeting	23 February 2021	“Announcement of First Tractor Company Limited on Resolutions of 2021 First Extraordinary General Meeting” published on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> )	24 February 2021	<ol style="list-style-type: none"> <li>To approve proposal on election of a Supervisor</li> <li>To approve proposed amendments to the Decision Making Principles on Investments and Operation of the Company</li> </ol>
2020 Annual General Meeting	8 June 2021	“Announcement of First Tractor Company Limited on Resolutions of 2020 Annual General Meeting” published on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> )	9 June 2021	<ol style="list-style-type: none"> <li>To approve the report of the Board of Directors of the Company for the year 2020</li> <li>To approve the work report of the supervisory committee of the Company for the year 2020</li> <li>To approve the resolution on making provisions for impairment of assets by the Company for 2020</li> <li>To approve the audited financial report of the Company for the year 2020</li> <li>To approve the profit distribution plan of the Company for the year 2020</li> <li>To approve the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company’s financial report and the internal control auditor for the year 2021, and to authorize the Board of the Company to decide its audit fees</li> <li>To approve the amendments to the Articles of Association</li> </ol>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Date	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results	Meeting resolutions
2021 Second Extraordinary General Meeting	2 November 2021	Announcement of First Tractor Company Limited on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	3 November 2021	<ol style="list-style-type: none"><li>1. To approve the continuing connected transactions for 2022 to 2024 of the Company</li><li>2. To approve the resolution regarding the increase in the cap amount of the 2021 ordinary connected transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited</li><li>3. To approve the resolution regarding the amendments to the Articles of Association</li><li>4. To approve the resolution regarding the amendments to the Rules of Procedures for the Shareholders' Meetings</li><li>5. To approve the resolution regarding the amendments to the Rules of Procedures of the Board Meetings</li><li>6. To approve the resolution regarding the election of a supervisor of the Company</li></ol>
2021 First A Share Class Meeting	2 November 2021	Announcement of First Tractor Company Limited on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	3 November 2021	<ol style="list-style-type: none"><li>1. To approve the resolution regarding the amendments to the Articles of Association</li><li>2. To approve the resolution regarding the amendments to the Rules of Procedures for the Shareholders' Meetings</li></ol>
2021 First H Share Class Meeting	2 November 2021	Announcement of First Tractor Company Limited on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting on the website of the Shanghai Stock Exchange (www.sse.com.cn)	3 November 2021	<ol style="list-style-type: none"><li>1. To approve the resolution regarding the amendments to the Articles of Association</li><li>2. To approve the resolution regarding the amendments to the Rules of Procedures for the Shareholders' Meetings</li></ol>

### Explanation on General Meetings

During the Reporting Period, resolutions presented at the 2021 First Extraordinary General Meeting, 2020 Annual General Meeting, 2021 Second Extraordinary General Meeting, 2021 First A Share Class Meeting and 2021 First H Share Class Meeting of the Company were all approved.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: Share

Name	Position (Note 1)	Gender	Age	Commencement date of tenure	End date of tenure (Note1)	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares held during the year	Reason for changes	Total remuneration (before tax) received from the Company during the Reporting Period (RMB'000)	Whether he/she received remuneration from related parties of the Company during his/her tenure
Li Xiaoyu	Executive Director and Chairman	Male	55	2019.4.25	2021.10.28	0	0	0	/	0	Yes (Note 2)
Liu Jiguo	Executive Director and General Manager	Male	57	2019.4.25	2021.10.28	0	0	0	/	130.87	No
Li Hepeng	Non-executive Director	Male	68	2018.10.29	2021.10.28	0	0	0	/	1.16	Yes (Note 2)
Xie Donggang	Non-executive Director	Male	65	2018.10.29	2021.10.28	0	0	0	/	0.69	Yes (Note 2)
Zhou Honghai	Non-executive Director	Male	49	2018.10.29	2021.10.28	0	0	0	/	0	No
Yang Minli	Independent non-executive Director	Female	56	2018.10.29	2021.10.28	0	0	0	/	9.89	No
Wang Yuru	Independent non-executive Director	Female	67	2018.10.29	2021.10.28	0	0	0	/	9.89	No
Edmund Sit	Independent non-executive Director	Male	58	2018.10.29	2021.10.28	0	0	0	/	10.16	No
Yang Yu	Chairman of the Board of Supervisors	Male	47	2021.11.2	2021.10.28	0	0	0	/	0	Yes (Note 2)
Tian Peng	Supervisor	Male	58	2018.10.29	2021.10.28	0	0	0	/	0	Yes (Note 2)
Zhang Bin	Supervisor	Male	39	2018.10.29	2021.10.28	0	0	0	/	0	No
Wang Hongbin	Supervisor	Male	53	2018.10.29	2021.10.28	0	0	0	/	133.28	No
Yang Kun	Supervisor	Male	53	2018.10.29	2021.10.28	0	0	0	/	110.80	No
Wang Kejun	Deputy General Manager	Male	57	2018.10.30	2021.10.28	0	0	0	/	105.11	No
Su Wensheng	Deputy General Manager	Male	53	2018.10.30	2021.10.28	0	0	0	/	110.61	No
Yu Lina	Deputy General Manager and Secretary to the Board	Female	51	2018.10.30	2021.10.28	0	0	0	/	106.33	No
Xue Wenpu	Deputy General Manager	Male	49	2019.8.29	2021.10.28	0	0	0	/	104.33	No
Su Ye	Financial Controller	Male	48	2020.10.19	2021.10.28	0	0	0	/	70.59	No
Cai Jibo	Resigned Executive Director and Vice Chairman	Male	52	2019.4.25	2021.6.9	0	0	0	/	0	Yes (Note 2)
Wang Dongxing	Resigned Chairman of the Board of Supervisors	Male	50	2021.2.23	2021.10.15	0	0	0	/	0	Yes (Note 2)
Total	/	/	/	/	/	/	/	/	/	903.71	/



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

*Note 1:* The term of office of the eighth session of the Board and the Board of Supervisors of the Company expired on 28 October 2021. As the election of the new session of the Board and the Board of Supervisors of the Company has not been completed, the term of office of the eighth session of the Board, the Board of Supervisors, the special committees of the Board and the senior management of the Company will be extended until the election of the ninth session of the Board and the Board of Supervisors and the appointment of the senior management of the Company by the ninth session of the Board and the Board of Supervisors at the first extraordinary general meeting in 2022. For details, please refer to the Announcement of YTO on the Extension of Election of the Board and the Board of Supervisors published by the Company on the website of the SSE on 26 October 2021.

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

<b>Name</b>	<b>Major work experience</b>
Li Xiaoyu	Born in June 1966, a professor level senior engineer, currently serves as the chairman, the chairman of the Strategy, Investment and Sustainable Development Committee of the Board, a member of the Nomination Committee under the Board of the Company, Assistant to General Manager and Head of Human Resources Department (Organization Department of the Party Committee) of SINOMACH, chairman of YTO and chairman of the Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. Mr. Li served as head of the Equipment Manufacturing Department of SINOMACH, temporary Party Secretary and deputy general manager of SINOMACH Science and Technology Research Institute Co., Ltd., chairman of the Board of Supervisors, head of the Capital Operation Department, head of the Strategic Investment Department (Technological Development Department and Military Management Office) of China National Erzhong Group Corporation, vice chairman of SINOMACH Capital Holdings Co., Ltd. and secretary of the Party Committee of YTO. 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.
Liu Jiguo	Born in December 1964, professor level senior engineer and currently serves as the Executive Director, member of the Strategy, Investment and Sustainable Development Committee of the Board of the Company, General Manager of the Company secretary to Party Committee and deputy chairman of YTO. Mr. Liu joined YTO in 1987, and served as the General Manager Assistant, Deputy General Manager and Safety Director of YTO, and 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 China Geological Equipment Group Co., Ltd. (中國地質裝備集團有限公司). 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, SINOMACH Jingong Company Limited (國機精工有限公司), SINOMACH Precision Industry Co., Ltd. (國機精工股份有限公司) (formerly known as Bearing Science & Technology Co., Ltd.) and YTO, respectively. 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 technology research, etc.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Xie Donggang	Born in November 1956, researcher level senior engineer, currently serves as the Non-Executive Director, member of Strategy, Investment and Sustainable Development Committee under the Board of the Company, and director of China National Erzhong Factory Guilin Scientific Research Institute Co., Ltd. and SINOMACH Precision Industry Co., Ltd., respectively. 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 and director of YTO, 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.
Zhou Honghai	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, a member of the Party committee and the Deputy General Manager of Luoyang Urban and Rural Construction Investment Group Co., Ltd. (洛陽城鄉建設投資集團有限公司). 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), 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 had studied in Henan University and holds a master's degree. Mr. Zhou has extensive experience in corporate restructuring and corporate management.
Yang Minli	Born in October 1965, director of China Agricultural Mechanization Development Research Center, professor and doctoral tutor dean of the "Belt and Road" International Agricultural Equipment Industry and Intelligent Agricultural Technology Innovation Institute, currently serves as the Independent Non-Executive Director, Chairman of the Nomination Committee, member of the Strategy, Investment and Sustainable Development Committee and the Remuneration 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, senior expert of the "Science and Technology Innovation China" National Agricultural Machinery Equipment Technology Service Team, and special expert of "Tianfu Scholar" in Sichuan Province an adjunct professor at Northwest Agriculture and Forestry University, visiting professor of the College of Engineering of Northeast Agricultural University and Tarim University, a member of the USAID Global 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 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.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Wang Yuru	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, the Remuneration Committee and the Audit Committee, respectively 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.
Edmund Sit	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 the Remuneration Committee under the Board of the Company, independent non-executive director of BAIC Motor Corporation Limited (1958.HK) director of Alpcorp Ltd and Alpcorp Trading Services Ltd, the General Manager of Chuanghui Consulting Co., Ltd. (創慧顧問諮詢公司) and Chuanghui Traditional Chinese Medicine Clinic (創慧中醫診所), and Principal Lecturer of the Association of International Certified Financial Consultants (特許金融策略師協會). He has over 30 years' experience in auditing, finance, management accounting, personnel management, corporate finance, company secretary and listing. Mr. Sit graduated from Hong Kong Baptist University and holds a bachelor's degree (merit) and master's degree of business administration. He has worked for KPMG, Ernst & 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 served as the senior manager of the following listed companies: Tianneng Power International Limited (819.HK), Beijing Media Corporation Limited (1000.HK), SMI Holdings Group Limited (198.HK), Wong's International Holdings Limited (99.HK) and Beijing Gas Blue Sky Holdings Limited (6828.HK and SGX UQ7).
Yang Yu	Born in August 1974, senior engineer, currently serves as the chairman of the Board of Supervisors of the Company, a standing member of the Party Committee and secretary of the Discipline Inspection Commission of YTO. Mr. Yang joined YTO in September 2021, and served as the assistant to the general manager and a member of the Discipline Inspection Commission of China Electric Apparatus Research Institute Co., Ltd., secretary of the Discipline Inspection Commission and a member of the Party Committee of Guilin Electric Apparatus Research Institute Co., Ltd.. Mr. Yang studied in Zhejiang University with a bachelor's degree in engineering. Mr. Yang has extensive experience in corporate management, scientific research and discipline inspection and supervision.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Tian Peng	Born in August 1963, senior political engineer, currently serves as a Supervisor of the Company, 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, the deputy secretary of the Party committee and the general manager of Luoyang Guorun Enterprise Service 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, chairman of Luoyang Productivity Promotion Center Co., Ltd., and chairman and general manager of Luoyang Human Resources Development Co., Ltd., deputy general manager of Luoyang State-Owned Assets Operation Company Limited and Supervisor of YTO, 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.
Wang Hongbin	Born in October 1968, holds a bachelor's degree and the title of senior engineer. He currently serves as a staff representative Director of Manufacture Engineering Center and deputy Party Secretary of the Company. 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, Party Secretary and Deputy General Manager of the hi-powered tractor company 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 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.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Name	Major work experience
Wang Kejun	Born in December 1964, senior engineer, currently serves as the Deputy General Manager of the Company. 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.
Su Wensheng	Born in August 1968, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Communist Party of YTO. Mr. Su joined YTO in 1991, and served as the General Manager Assistant of the Company, etc. Mr. Su studied in Gansu University of Technology, Jiangsu University, Henan University of Science and Technology with a Bachelor degree in engineering and a Master degree in Engineering. Mr. Su has extensive experience in production operation, enterprise management, etc.
Yu Lina	Born in August 1970, economist, level two corporate legal advisers, with the qualification of lawyer, currently serves as the Deputy General Manager and Secretary to the Board of the Company and a member of the Standing Committee of the Communist Party of YTO, director of SINOMACH Capital Holdings Ltd. and Director of Brilliance China Machinery Holdings Limited. Ms. Yu joined YTO in 1992, and served as the Director of Investor Relations and other positions of the Company. Ms. Yu studied in the Zhongnan University of Economics and Law and China University of Political Science and Law with a Bachelor degree in Law and a Master degree in Law. Ms. Yu has extensive experience in investment and capital operation, corporate governance, and human resource management etc.
Xue Wenpu	Born in February 1973, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Party Committee of YTO. Mr. Xue joined YTO in 1994 and successively served as deputy director, director, deputy secretary of the party committee (concurrently) of the Third Assembly Plant, director of the First Assembly Plant, director and deputy secretary of the party committee (concurrently) of the High-powered Tractors Assembly Plant. Mr. Xue studied in Zhengzhou University of Technology (鄭州工學院) and holds a Bachelor's degree in engineering. Mr. Xue has profound experience in production, operation and management.
Su Ye	Born in October 1973, senior accountant, currently serves as the Financial Controller of the Company and a standing member of the Party Committee of YTO. Mr. Su served as the general manager of the Asset and Financial Department, general manager of the Asset Operational Department, assistant to general manager and employee representative director of SINOMACH Asset Management Corporation (國機資產管理有限公司); the executive director (chairman) and general manager of SINOMACH Times Estate (Chengdu) Co., Ltd.* (國機時代置業成都有限公司); the executive director and general manager of SINOMACH Investment Management (Chengdu) Co., Ltd.* (國機投資管理成都有限公司); and the financial controller of China Geological Equipment Group Co., Ltd. (中國地質裝備集團有限公司). Mr. Su studied in Capital University of Economics and Business and University of International Business and Economics, and holds a Bachelor degree in Economics and a Master of Business Administration degree. Mr. Su has extensive experience in financial management and enterprise operation management.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

#### 1. Positions held at corporate shareholders

Name	Name of shareholder	Positions held at corporate shareholders	Commencement date of tenure	End date of tenure
Cai Jibo (resigned)	YTO Group Corporation	Vice Chairman, Vice Party Secretary	2019.03	2021.06
Wang Dongxing (resigned)	YTO Group Corporation	A member of the Standing Committee of the Party Committee, Secretary of the Discipline Inspection Commission	2020.11	2021.08
Description of positions held at corporate shareholders	Nil			

#### 2. Positions held at other entities

For details of positions held by the current Directors, Supervisors and senior management of the Company at corporate shareholders and other entities, please refer to the major work experience.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

Decision making process for remuneration of Directors, Supervisors and senior management	The remuneration 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 "The Administrative Measures for the Remuneration of the Person-in-charge of the Company" and submitted it to the Board for approval. The annual remuneration of senior management of the Company is determined by the remuneration committee under the Board in accordance with the "Performance Assessment Measures for the Person-in-charge of the Company".
Basis for determining the remuneration of Directors, Supervisors and senior management	The remuneration of Directors, Supervisors and senior management members are determined based on remuneration standard of the industry and with reference to the factors including the Company's remuneration system and operating results for current year.
Remuneration paid to Directors, Supervisors and senior management	During the Reporting Period, the Company paid RMB9.0371 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	RMB9.0371 million

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

Name	Position	Change	Reason for change
Wang Dong Xing	Supervisor, Chairman of the Board of Supervisors	Election	Work needs
Cai Ji Bo	Former Executive Director, Vice Chairman	Resignation	Work change
Wang Dong Xing	Former Supervisor, Chairman of the Board of Supervisors	Resignation	Work change
Yang Yu	Supervisor, Chairman of the Board of Supervisors	Election	Work needs

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

Session	Date	Resolution
The twenty-fifth meeting of the eighth session of the Board	8 February 2021	1. The Resolution regarding the Cap Amount for the Daily Related Party Transaction for 2021 between the Company and ZF YTO (Luoyang) Drive Axle Company Limited was considered and passed
The twenty-sixth meeting of the eighth session of the Board	1 March 2021	1. The Resolution regarding the Increase of the Registered Capital of the Company and Corresponding Amendment to the Articles of Association of the Company was considered and passed
The twenty-seventh meeting of the eighth session of the Board	29 March 2021	<ol style="list-style-type: none"> <li>1. The Report of the Board of Directors of the Company for 2020 was considered and passed</li> <li>2. The Resolution regarding the Provision for Impairment on Assets of the Company for 2020 was considered and passed , and was approved to be submitted to the general meeting of the Company for consideration</li> <li>3. The Resolution of the Company regarding the Provision for Benefit for Termination of Employment for 2020 was considered and passed</li> <li>4. The Audited Financial Report of the Company for 2020 was considered and passed, and was approved to be submitted to the general meeting of the Company for consideration</li> <li>5. The Plan of the Company for Profit Distribution for 2020 was considered and passed, and was approved to be submitted to the general meeting of the Company for consideration</li> <li>6. The Annual Report and Summary of the Company for 2020, the Annual Results Announcement of the Company for 2020 were considered and passed</li> <li>7. The Social Responsibility Report of the Company for 2020, the Environmental, Social and Governance Report for 2020 were considered and passed</li> <li>8. The Internal Control Assessment Report of the Company for 2020 was considered and passed</li> <li>9. The Financial Budget Report of the Company for 2021 was considered and passed</li> <li>10. The Resolution regarding the Financing of the Company for 2021 was considered and passed</li> <li>11. The Resolution regarding the Purchase of Structured Deposits with Self-owned Idle Funds was considered and passed</li> <li>12. The Resolution regarding Negotiable Securities Investment Business of China YTO Group Finance Company Limited was considered and passed</li> <li>13. The Resolution regarding Confirmation of Remuneration of Auditor of the Company for 2020 and Reappointment of Financial and Internal Control Auditors of the Company for 2021 was considered and passed, and was approved to be submitted to general meeting of the Company for consideration</li> <li>14. The Resolution regarding the Amendments to the Measures for Remuneration and Performance Assessment for Persons in Charge of the Company was considered and passed</li> <li>15. The Resolution regarding Request for Convening of 2020 Annual General Meeting of the Company was considered and passed</li> </ol>



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The twenty-eighth meeting of the eighth session of the Board	28 April 2021	1. The 2021 First Quarterly Report was considered and passed
The twenty-ninth meeting of the eighth session of the Board	13 May 2021	1. The Resolution regarding the Liquidation of YTO (France) Agricultural Equipment Co., Ltd. was considered and passed 2. The Resolution regarding the Amendments to the Articles of Association of the Company was considered and passed, and was approved to be submitted to the general meeting of the Company for consideration 3. The Resolution regarding the Amendments to Terms of Reference for the Strategy, Investment Committee and Sustainable Development Committee of the Board was considered and passed
The thirtieth meeting of the eighth session of the Board	25 August 2021	1. The 2021 Interim Report and Summary, the 2021 Interim Results Announcement of the Company was considered and passed 2. The Resolution regarding the Special Report on the Depositing and Actual Utilization of the Funds Raised of the Company in the First Half of 2021 was considered and passed 3. The Resolution regarding the Transfer of 100% Equity Interest and Relevant Creditors' Rights held by YTO (Luoyang) Flag Auto-body Co., Ltd. in Zhengzhou Sanzhen Mechanical Equipment Co., Ltd. was considered and passed 4. The Resolution regarding the Continuing Connected Transactions of the Company for 2022-2024 was considered and passed, and was approved to be submitted to the general meeting of the Company for consideration 5. The Resolution regarding the Convening of 2021 Second Extraordinary General Meeting was considered and passed
The thirty-first meeting of the eighth session of the Board	15 September 2021	1. The Resolution regarding the Plan for the Implementation of Tenure System and Contracting Management among the Management was considered and passed 2. The Resolution regarding the Increase of Cap Amount for the Daily Related Party Transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited for 2021 was considered and passed, and was approved to be submitted to the general meeting of the Company for consideration 3. The Resolution regarding the Increase of the Cap for the Daily Related Party Transactions between the Company and Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd for 2021 was considered and passed 4. The Resolution regarding the Amendments to the Articles of Association of the Company, the Rules of Procedures for General Meeting and the Rules of Procedures for the Board of Directors was considered and passed, and was approved to be submitted to the General Meeting of the Company for consideration 5. The Resolution regarding the 2021 First A/H Share Class Meeting of the Company was considered and passed

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Session	Date	Resolution
The thirty-second meeting of the eighth session of the Board	27 October 2021	1. The 2021 Third Quarterly Report of the Company was considered and passed
The thirty-third meeting of the eighth session of the Board	26 November 2021	1. The Resolution regarding the Purchase of Liability Insurance to Cover the Directors, Supervisors and Senior Management of the Company was considered and passed
The thirty-fourth meeting of the eighth session of the Board	24 December 2021	1. The Resolution regarding the Daily Related Party Transactions of the Company for 2022 was considered and passed 2. The Resolution regarding the Reduction of Registered Capital of Zhongfei Heavy Industry Investment Co., Ltd. was considered and passed 3. The Resolution regarding the Disposal of the Land in the Industrial Park was considered and passed

## VI. 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	10	9	8	1	0	No	1
Liu Jiguo	No	10	10	8	0	0	No	5
Li Hepeng	No	10	10	8	0	0	No	5
Xie Donggang	No	10	10	8	0	0	No	2
Zhou Honghai	No	10	9	8	1	0	No	0
Yang Minli	Yes	10	10	8	0	0	No	5
Wang Yuru	Yes	10	10	8	0	0	No	5
Edmund Sit	Yes	10	10	8	0	0	No	5
Cai Jibo	No	5	5	4	0	0	No	1

*Note:* Li Xiaoyu, the Chairman of the Board, did not attend the 2020 annual general meeting of the Company due to that he was studying in the Central Party School.

Number of Board meetings convened during the year	10
Among which: number of physical meetings	0
Number of meetings held by means of telecommunication	8
Number of meetings convened on site and by means of telecommunication	2



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### VII. SPECIAL COMMITTEE UNDER THE BOARD

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

<b>Classification of special committee</b>	<b>Name</b>
Audit Committee	Edmund Sit, Zhou Honghai, Wang Yuru
Nomination Committee	Yang, Minli, Li Xiaoyu, Wang Yuru
Remuneration Committee	Edmund Sit, Li Hepeng, Yang Minli, Wang Yuru
Strategy, Investment and Sustainable Development Committee	Li Xiaoyu, Liu Jiguo, Xie Donggang, Yang Minli

Explanation:

1. Each of the special committee of the Board of the Company had considered each Director's professional background and experience and the composition requirements set out in the "Code of Corporate Governance for Listed Companies" of the CSRC and the "Code on Corporate Governance" of the Stock Exchange, among which the Audit Committee, Nomination Committee and Remuneration Committee are all chaired by independent non-executive Directors while the members are mostly non-executive Directors of the Company.
2. Mr. Cai Jibo, former executive Director, deputy chairman, member of the Remuneration Committee and of Investment Committee and Sustainable Development Committee of the eighth session of the Board of the Company, has resigned on 9 June 2021 and ceased to serve any position of the Company due to work adjustment.
3. On 13 May 2021, upon the approval at the twenty-ninth meeting of the eighth session of the Board, the Company will change the name "Investment and Sustainable Development Committee of the Board" into "Strategy, Investment and Sustainable Development Committee", and add relevant responsibility for Environment, Social and Governance (ESG) of the Company.

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

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

- (1) to oversee the relationship between the external auditors and the Company, including but not limited to making recommendations to the Board on appointment, reappointment and removal of external auditors, approving the audit fee, terms of appointment and policies on non-audit services of external auditors, raising any queries in respect of their resignations or dismissals, and reviewing and monitoring the independence and objectivity of the external auditors and the effectiveness of audit process;
- (2) to review the financial reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the listing rules and other laws and regulations;

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

- (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.; and
- (4) to review the Company's financial and accounting policies and practices;
- (5) to study other topics defined by the Board.

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

<b>Dates</b>	<b>Contents</b>	<b>Important advice and recommendations</b>	<b>Performance of other duties</b>
2021.1.4	1. to consider plan for preparation of annual report of the Company in 2020 and plan for preparation of auditing of annual financial report of the Company in 2020	to suggest the explanation of actively undertaking and assuming social responsibility for the year of 2020 in ESG report	/
2021.1.28	1. to consider estimated results and make asset impairment	/	/



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

<b>Dates</b>	<b>Contents</b>	<b>Important advice and recommendations</b>	<b>Performance of other duties</b>
2021.3.24	<ol style="list-style-type: none"><li>1. to consider the resolution on the Company's accrual of termination benefits</li><li>2. to consider the resolution on the Company's provision for asset impairment</li><li>3. to consider the audited financial report of the Company in 2020</li><li>4. to consider the annual report of the Company in 2020</li><li>5. to consider the annual internal control evaluation report of the Company in 2020</li><li>6. to consider the execution report on continuing connected transactions of the Company for 2020</li><li>7. to consider the resolution on determination of auditor's remuneration in 2020 and the appointment of the financial advisor and internal control auditor of the Company in 2021</li><li>8. to consider the performance report of the Audit Committee under the Board in 2020</li></ol>	<p>When considering the 2021 annual report of the Company, the following suggestions were made:</p> <ol style="list-style-type: none"><li>1. It is suggested that the Company will take actions in the construction of green high-end intelligent agricultural machinery and equipment, precision agriculture and information service platform, and assume the responsibility as a leading enterprise in the agricultural machinery industry;</li><li>2. It is suggested that the Company to learn from the previous experience of achieving profits turning from loss and overcoming difficulties, establish crisis awareness, and actively respond to changes in the market situation;</li></ol>	/
2021.4.27	<ol style="list-style-type: none"><li>1. to consider the first quarterly report of the Company in 2021</li></ol>	/	/

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

Dates	Contents	Important advice and recommendations	Performance of other duties
2021.8.20	1. to consider the interim report of the Company in 2021 2. to consider the resolution on continuing connected transactions of the Company for 2022 to 2024 3. to consider the execution report on connected transactions of the Company for the first half of 2021	/	/
2021.9.13	1. to consider the resolution regarding the increase in the cap amount of the 2021 ordinary connected transactions between the Company and ZF YTO (Luoyang) Drive Axle Company Limited	/	/
2021.10.25	1. to consider the third quarterly report of the Company in 2021 2. to consider the work proposal for preparation of internal control evaluation of the Company in 2021	/	/

As at the date of this report, the Audit Committee under the eighth session of the Board of the Company has reviewed the financial report of the Company in 2021 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2021 in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

### **2. 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.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

- (1) reputation, talent and experience in the industry and on professional sectors;
- (2) qualifications for directors and senior management as required by the Company Law and others;
- (3) commitment in respect of available time and attention on relevant matters;
- (4) independence of independent non-executive Directors; and
- (5) 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.

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 did not convene any meetings.

### **3. 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 IV headed "Directors, Supervisors, Senior Management and Employees" in this report.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

During the Reporting Period, the Remuneration Committee convened three meetings, details of which are as follows:

<b>Dates</b>	<b>Contents</b>	<b>Important advice and recommendations</b>	<b>Performance of other duties</b>
2021.3.24	To consider the resolution on the Measures on Remuneration and Performance Appraisal of person-in-charge of the Company	<ol style="list-style-type: none"> <li>1. It is suggested to set the incentive coefficient of the person-in-charge of the enterprise as a range to maintain certain flexibility</li> <li>2. It is suggested to improve the process of calculating the remuneration of responsible persons of enterprises and increase the prerequisites for calculating the maximum remuneration</li> </ol>	/
2021.8.20	To consider the resolution on the adjustment of the benchmark value of the remuneration of the person-in-charge of the Company	/	/
2021.9.22	To consider the resolution in relation to the remuneration and performance assessment of the Company's Person-in-charge for 2020	<ol style="list-style-type: none"> <li>1. It is suggested that the special incentive policies shall be flexibly used to reflect the recognition of contribution to the management of the Company</li> <li>2. It is suggested that Company is able to stimulate the initiative and enthusiasm of the management and the Company's cadres and employees to a greater extent by introducing the benefit sharing mechanism</li> </ol>	/



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### **4. *Duties and operation of the Strategy, Investment and Sustainable Development 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;
- (5) to formulate the Company’s value philosophy, code of conduct and commitment to stakeholders in respect of environmental, social responsibility and governance (ESG), review the Company’s practical actions and performance in respect of environmental, social responsibility and governance (ESG), supervise the disclosure of periodic (financial year) reports on the Company’s environmental, social responsibility and governance (ESG) management, and report to the Board or provide recommendations on other matters related to the Company’s environmental, social responsibility and governance (ESG) work; and
- (6) other matters as authorized by the Board.

The Strategy, Investment and Sustainable Development Committee of the Board did not convene any meetings during the Reporting Period.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### VIII. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES DURING THE END OF REPORTING PERIOD

#### (I) Employees

Number of existing employees of the parent company	4,859
Number of existing employees of major subsidiaries	2,576
Total existing employees	7,435
Number of retired employees who are pensioned by the parent company and major subsidiaries	15,292

#### Staff composition

Category	Number of persons
Production staff	4,407
Sales staff	614
Technical staff	1,206
Management staff	1,139
Service staff	69
Total	7,435

#### Educational background

Education level	Number of persons (person)
Postgraduate and above	257
Undergraduate	2,004
Diploma	1,499
Below diploma	3,675
Total	7,435



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (II) Changes in Directors, Supervisors and senior management

During the Reporting Period, the changes in Directors, Supervisors and senior management are set out as follows:

On 23 February 2021, Mr. Wang Dongxing was elected as a Supervisor and the chairman of the eighth session of the Board of Supervisors of the Company for a term commencing from 23 February 2021 to 28 October 2021 by the 2021 first extraordinary general meeting of the Company and the thirteenth meeting of the eighth session of the Board of Supervisors. For details, please refer to the Announcement on the Resolution of the 2021 First Extraordinary General Meeting of First Tractor Company Limited and Announcement on the Election of the Chairman of the Board of Supervisors of First Tractor Company Limited published on the website of Shanghai Stock Exchange on 24 February 2021 and the Announcement on the Resolutions of the 2021 First Extraordinary General Meeting and Election of Chairman of Board of Supervisors disclosed on the website of the Stock Exchange on 23 February.

On 9 June 2021, Mr. Cai Jibo resigned as the vice chairman, the executive Director, a member of the Strategy, Investment and Sustainable Development Committee and a member of the Remuneration Committee of the Board of the Company due to the change in work arrangements. For details, please refer to the Announcement on the Resignation of the Vice Chairman of First Tractor Company Limited published on the website of the Shanghai Stock Exchange on 10 June 2021 and the website of the Stock Exchange on 9 June.

On 15 October 2021, Mr. Wang Dongxing resigned as chairman of the Board of Supervisors and the supervisor of the Company due to the change in work arrangements. The Company convened the 17th meeting of the eighth session of the Board of Supervisors and nominated Mr. Yang Yu as a candidate for Supervisor of the Company. For details, please refer to the Announcement on the Resignation of the Chairman of the Board of Supervisors and Election of a Supervisor published on the website of Shanghai Stock Exchange on 16 October 2021 and the Announcement on the Resignation of the Chairman of the Board of Supervisors and Election of a Supervisor and the Inclusion of a Provisional Proposal at the 2021 Second Extraordinary General Meeting on 2 November 2021 published on the website of the Stock Exchange on 15 October.

On 2 November 2021, Mr. Yang Yu was elected as a Supervisor and the chairman of the eighth session of the Board of Supervisors of the Company by the 2021 second extraordinary general meeting and the 19th meeting of the eighth session of the Board of Supervisors of the Company for a term commencing from 2 November 2021 to the expiry of the term of the eighth session of the Board of Supervisors of the Company. For details, please refer to the Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Class Meeting and the 2021 First H Class Meeting of First Tractor Company Limited and the Announcement of First Tractor Company Limited on the Election of the Chairman of the Board of Supervisors published on the website of Shanghai Stock Exchange on 3 November 2021, and the Poll Results of the Extraordinary General Meeting and the Class Meeting Held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors disclosed on the website of the Stock Exchange on 2 November.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (III) Remuneration policy

The Company strengthened the efficiency-oriented business philosophy, continued to increase efforts in the reform of target assessment and incentive mechanism, deepened the target assessment and incentive for the management team of the second-class units at the company level, and increased assessment and incentive for the key staff, business teams and independent accounting unit of each second-class unit; formulated management measures for product managers of the marketing regions, explored to establish a project performance assessment system, guided technical staff to stay close to the market, and improved the speed of market response. According to the needs of international business development, special performance appraisal methods have been formulated with sales volume as the core indicator, and the incentive for excess over the target profit has been enhanced; the functional departments of the Company have established and improved the performance-based salary plan, in which salary is set based on the position and paid by the performance contribution and ability, and the performance appraisal is adopted in key work by using KPI method, so as to improve the salary growth mechanism of the employees and connect the employees' income with the Company's efficiency and personal contribution, and thus the employees' work enthusiasm can be effectively stimulated and the core staff can be motivated and retained.

### (IV) Training plan

During the Reporting Period, relying on the training platform of Dongfanghong Academy, the Company organized various types of training for middle and senior leaders, marketing personnel, skilled operators, functional management personnel and professional technicians, which further developed a large-scale and systematic talent training system; the Company established cooperative relationships with a number of universities, vocational and technical colleges and training and consulting institutions, selected a number of internal and external trainers, and newly developed a number of new courses with independent intellectual property rights. Training resources and capabilities have been continuously strengthened. The Company continued to pay attention to the growth and development of young employees and has launched special training programs such as training classes for young officers, trainings for new employees and a new apprenticeship system, exploring and innovating in terms of curriculum design and organization, and continuously improving the construction of talent ladder. At the same time, the Company actively responded to and participated in the national vocational skills improving special activities, declared the qualification of independent recognition of vocational skills level, improved the Internet vocational skills evaluation system, and further built a platform for the growth of highly skilled talents.

### (V) 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 have enabled the Directors or Supervisors to acquire such rights in the Company or any other corporations.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

As at 31 December 2021, 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.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

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

Whether the provisions of the Articles of Association or the requirements of the resolutions of general meetings are met

Yes  No

Whether the standard and proportion of dividends are explicit and clear

Yes  No

Whether relevant decision making procedures and mechanisms are adequate

Yes  No

Whether the independent directors have performed their duties and played their due roles

Yes  No

Whether small and medium shareholders have the opportunity to fully express their opinions and appeals, and whether their legal rights and interests have been fully protected

Yes  No

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

During the Reporting Period, the Board of the Company approved the Regulations Governing the Remuneration of Corporate Officers, the Regulations Governing the Performance Appraisal of Corporate Officers and the Regulations and Implementation Plan for the Term System and Contractualization of the Management of the Company's Managerial Staff. The remuneration committee of the Board of the Company determined the annual remuneration of senior management staff and the results of the medium and long-term incentive offer in accordance with the aforementioned method and after evaluating the achievement of the Company's budget and KPI indicators of the competent authority, key tasks and the business targets of the associated units of the division of work. At the same time, the committee conducted contractual management on management members and the fixed-term appointment system, organized employees to sign employment contract, post appointment agreement and operating results contracts for the year and for the term, and developed and improved the market-oriented operation mechanism. The committee also released and enhanced the full potential of frugality, entrepreneurship, vitality and creativity of management in an enterprise.



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

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

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

According to the arrangement of the internal control system and internal control evaluation work plan, the Company organized internal control self-evaluation and self-examination of the effectiveness of the internal control system, etc. For problems and defects found, the responsible person and the time for completion of rectification are clearly defined and rectification measures are formulated. The Company has implemented the rectification of problems through daily supervision and inspection. As of the end of 2021, the rectification of all deficiencies identified in the internal control self-assessment has been completed. The internal control mechanism of the Company was effective and has achieved the expected objectives of internal control, ensuring the interests of the Company and all shareholders.

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

During the Reporting Period, the Company managed its subsidiaries through strategic planning and management, daily management and guidance of each functional system, as well as the appointment of directors and supervisors to its subsidiaries. At the same time, the Company clarified through its management system that its subsidiaries, as members of the listed group, must comply with the requirements for the standardized operation of listed companies and the standardized operation of the Company's internal control system, and clearly stipulated the reporting system and consideration procedures for material matters, timely tracking of the subsidiaries' operation, financial status, production and operation, project construction, safety and environmental protection and other material matters, and fulfillment of information disclosure obligations in a timely manner.

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

For details, please refer to the "2021 Annual Internal Control Evaluation Report of First Tractor Company Limited" issued by the Company on the same day as this report.

Whether the internal control audit report is disclosed: Yes

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

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### XIII. RECTIFICATION OF SELF-CHECK PROBLEMS IN THE SPECIAL ACTION ON GOVERNANCE OF LISTED COMPANIES

During the Reporting Period, the Company completed the amendments to the Articles of Association and the Rules of Procedure of the General Meeting of the Company in relation to the solicitation of shareholders' voting rights in accordance with the results of the self-examination of the "Listed Company Governance Special Self-Inspection Checklist" and the newly amended Securities Law, and there were no other matters requiring rectification. For details, please refer to the "Announcement of First Tractor Company Limited on Amendments to the Company's Articles of Association, Rules of Procedure of the General Meeting and Rules of Procedure of the Board Meeting" and the "Announcement of First Tractor Company Limited on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting" published on the website of the Shanghai Stock Exchange on 16 September 2021 and 3 November 2021.

### XVI. 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. Details are as follows:

#### (I) Shareholders' right

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

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



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (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.

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

#### 1. *Directors*

The biographical details of Directors are set out in Section headed “Directors, Supervisors, Senior Management and Employees” in this Annual Report. The Company has received the annual confirmation letter issued by each of the three independent non-executive Directors, namely Yang Minli, Wang Yuru and 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. The proportion of the independent non-executive Directors represented one-third of the members of the Board of the Company.

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

During the Reporting Period, by preparing the information disclosure announcement, and sending the operation information of the Company to all of its Directors, Supervisors and senior management in a timely manner, the Company provided them with its latest operation updates and public information. 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.

#### 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.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

The eighth session of the Board has diversified feature, its members' age range is between 49 and 68, 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 Board convened ten 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."

### (IV) The Chairman and the management

During the Reporting Period, 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, expired on 28 October 2021. As the Company did not complete the re-election during the term of office of the eighth session of the Board, the term of office of the Directors of the eighth session of the Board was extended until the election of the new session of the Board.

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

### (VI) Special committees under the Board

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



## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (VII) Auditors' remuneration

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

### (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.

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 2020 Annual Report, the 2021 First Quarterly Report, the 2021 Interim Report and the 2021 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.

## CHAPTER IV CORPORATE GOVERNANCE (CONTINUED)

### (IX) Investor relations

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

The Company has further enhanced communication with investors through various means such as holding results meetings, "Shanghai interactive e-platform", on-site meetings at shareholders' meetings, receiving calls from investors and receiving visits from investors. After the disclosure of the 2020 annual report and the 2021 semi-annual report, the Company organized a timely results presentation on the platform of the SSE and participated in the 2021 online collective reception day for investors of listed companies in Henan organized by the Henan Securities Regulatory Bureau and the Henan Listed Companies Association to discuss in depth the Company's operating results, product layout, strategic direction and innovative development measures. The Company held the shareholders' meeting by combining on-site meeting and network voting, actively creating conditions for investors, especially small and medium-sized investors, to participate in the meeting and ensuring the exercise of their legal rights by the large number of medium and minority shareholders.

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

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

### (XI) Amendment of Articles of Association

During the Reporting Period, the Company amended the Articles of Association for three times. Firstly, the Company increased the registered capital of the Company based on the results of the Non-public Issuance; secondly, the scope of business of the Company was increased based on the operational needs of the Company; and thirdly, in accordance with the newly amended Securities Law and the Approval of the State Council on the Adjustment of the Provisions Applicable to the Notice Period for Holding General Meetings of Overseas Listed Companies and Other Matters (Guo Han [2019] No. 97) and other relevant provisions, the Company has added relevant provisions on the protection of the rights and interests of medium and minority investors and the rights of the Board to the performance appraisal of the management in the Articles of Association of the Company, and adjusted the notice period for general meetings of the Company.

### (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.



## CHAPTER V ENVIRONMENT AND SOCIAL RESPONSIBILITY

### I. ENVIRONMENTAL INFORMATION

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

Please refer to the Company's "2021 Social Responsibility Report" disclosed on the website of the Shanghai Stock Exchange and the "2021 Environmental, Social and Governance Report" published on the website of the Stock Exchange for relevant information on the Company's efforts conducive to ecological protection, pollution prevention and control and environmental responsibility fulfillment.

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

Please refer to the Company's "2021 Social Responsibility Report" disclosed on the website of the Shanghai Stock Exchange and the "2021 Environmental, Social and Governance Report" published on the website of the Stock Exchange for relevant information on the measures taken to reduce its carbon emissions during the Reporting Period and its effects.

### II. SOCIAL RESPONSIBILITY

Please refer to the Company's "2021 Social Responsibility Report" disclosed on the website of the Shanghai Stock Exchange and the "2021 Environmental, Social and Governance Report" published on the website of the Stock Exchange for relevant information on social responsibility of the Company.

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

The Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era, in accordance with the general requirements of the national rural revitalization strategy, strictly implemented the "four requirements of sustainable poverty reduction", actively improved the long-term mechanism of helping work with corporate characteristics, consolidated and expanded the achievements of poverty eradication, implemented the responsibility of targeted helping, effectively dovetails with the requirements of the rural revitalization strategy, combined the actual situation of the helping areas, and carried out work through multiple forms and channels to ensure the practical effect of helping.

## CHAPTER V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

Since 2021, the Company has consolidated and expanded the results of poverty alleviation through policy promotion, industry support, skills promotion, education subsidies and other measures, and comprehensively assisted in the smooth transition of village revitalization. Firstly, the Company strengthened the leadership of the organization, set up a leading group of village revitalization work, regularly visited the areas of poverty alleviation to carry out research and planning and project promotion work, and actively fulfilled the social responsibility of enterprises; secondly, the Company established a dynamic monitoring and helped long-term mechanism to prevent return to poverty. The first secretary stationed in the village, person in charge and work team of poverty alleviation solved the work of more than 20 people by collating information on work and developing public welfare positions to ensure the stability of the results of poverty alleviation; thirdly, the Company promoted consumption to help the poor and expanded the results of poverty alleviation. The Company helped to sell and organized the purchase of special agricultural and sideline products in poor areas totaling RMB950,600 to ensure that farmers continue to increase their income steadily; fourthly, combined with the Company's business characteristics, the Company deepened the agricultural machinery to help, continued to conduct the maintenance and use of donated agricultural machinery, to improve farmers' grain yield, helping the area of poverty alleviation farmland rototilling more than 300 mu, winter wheat harvesting more than 200 mu; fifthly, the Company carried out door-to-door condolences. The person in charge regularly carry out help activities heart to heart and hand to hand, sending household necessities and school supplies to farmers, understanding the practical needs of poor families and solving the practical difficulties of poor families.

In the next step, the Company will continue to follow the general requirements of the village revitalization strategy, focus on the "five rejuvenation", implement the "four requirements of sustainable poverty reduction", improve the dynamic monitoring and help long-term mechanism to prevent the return of poverty, continue to consolidate and expand the results of poverty alleviation, and give full support to the rejuvenation of the village.



## CHAPTER VI SIGNIFICANT EVENTS

### I. FULFILLMENT OF UNDERTAKINGS

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

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Whether in a timely and strict manner
Undertakings related to refinancing	Other	SINOMACH	SINOMACH undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings.	Long-term	No	Yes
	Other	YTO	YTO undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings.	Long-term	No	Yes



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Whether in a timely and strict manner
	Other	Directors, Supervisors and senior management of the Company	<ol style="list-style-type: none"><li>1. I undertake that I will not direct benefits to other units or individuals at nil consideration or on unfair terms, and will not harm the Company's interests in any other manner;</li><li>2. I undertake that I will act to restrain duty-related spending;</li><li>3. I undertake that I will not utilise the assets of the Company for any investment or consumption irrelevant with the performance of my duties;</li><li>4. the remuneration system formulated by the Board or the Remuneration Committee will be correlated to the implementation of the Company's measures to make up for returns;</li><li>5. in the event of the implementation of any share option incentive scheme by the Company in future, the conditions for exercising options under such scheme proposed to be published will be correlated to the implementation of the Company's measures to make up for returns;</li><li>6. during the period from the date on which such undertaking is given to the completion of the non-public issuance of shares, supplementary undertakings will be given in accordance with new regulations announced by the CSRC concerning measures to make up for returns and related undertakings, if such regulations are announced by the CSRC and the foregoing undertakings fall short of meeting such new regulations.</li></ol>	Long-term	No	Yes

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

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



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### III. APPOINTMENT OR DISMISSAL OF AUDITOR

Unit: 0'000 Currency: RMB

#### Current appointment

Name of the domestic auditor	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic auditor	225
Term of the domestic auditor	5

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

Explanation on appointment or dismissal of auditor

The domestic auditor of the Company was Da Hua Certified Public Accountants (Special General Partnership). There was no change of domestic auditor of the Company in the past three years.

### IV. MATERIAL LITIGATION AND ARBITRATION

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

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

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

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### VI. MATERIAL CONNECTED TRANSACTIONS

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

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

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

*Unit: 0'000 Currency: RMB*

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, SINOMACH and its subsidiaries and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	104,000	85,282	10.33



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sale of (including, but not limited to) raw materials, components, spare parts, equipment and other necessities by the Company to YTO.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	39,500	24,825	2.72
3	Composite Services Agreement	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%.	22,000	21,762	90.33

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	<p>(1) the governmental guidance price;</p> <p>(2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party;</p> <p>(3) if none of the above is applicable, the transaction price between YTO and an independent third party; and</p> <p>(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%.</p>	23,500	18,721	98.47
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	<p>(1) the transaction price between the lessor and an independent third party; and</p> <p>(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.</p>	950	861	97.30
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	<p>(1) the transaction price between the lessor and an independent third party; and</p> <p>(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.</p>	1,350	1,087	93.48
7	Deposit Service Agreement	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the CBIRC or the People's Bank of China.	280,000	170,028	33.56



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	<p>(1) the rate prescribed by the CBIRC or the PBOC;</p> <p>(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</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 comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.</p>	145,000	104,428	48.49
9	Bills Acceptance Service Agreement	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBIRC or the PBOC;</p> <p>(2) if the above rate is not applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.</p>	42,000	20,862	9.75

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
10	Bills Discounting Service Agreement	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBIRC or the PBOC;</p> <p>(2) if the above rate is not applicable (as the rate prescribed by the CBIRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.</p>	35,000	9,079	78.09
11	Interbank Business Service Agreement	SINOMACH Finance	Controlled subsidiary of the de facto controller	YTO Finance and SINOMACH Finance provide financing services to each other, including interbank deposits, lendings, transfer of credit assets and other interbank business services	<p>(1) based on the Shanghai Interbank Offered Rate announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions;</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit;</p> <p>(3) 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	60,000	39.80

**CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)**

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
12	Properties Lease Agreement	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	600	439	27.25
13	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties;  (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights.	75	7	2.92
14	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties;  (2) cost plus method, with the mark-up percentage of no more than 10%.	800	477	100.00
15	Research and Development Services Agreement	YTO	Controlling shareholder	Provision of services including product R&D services, process technology R&D services, material testing services, and measuring instrument testing services to YTO and its subsidiaries by the Company.	(1) the price of the non-connected transactions for same services between the Company and the independent third parties;  (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions;  (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	1,000	886	19.11

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
16	Product Inspection and Testing as well as Technological Services Agreement	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	Wholly-owned subsidiary of the controlling shareholder	Provision of products-related technological testing services, patent services, standardized technological support services, and research and development services on nonstandard equipment such as inspection and testing equipment for products of the Company and its subsidiaries.	(1) the price of the non-connected transactions between Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd and the independent third parties;  (2) the price of the reasonable cost of the service provided by Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd with the addition of gross margin of the comparable non-connected transactions;  (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	3,200	2,676	100.00

- 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 announcement on “Continuing Connected Transactions” 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 transaction on provision of financial assistance to connected persons by listed companies, which is exempt from obtaining the approval and disclosure of connected transactions, and 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.



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

2. For details of the above No.12–16 connected transactions, please refer to the “Announcement on the Daily Related Transactions for 2021 of First Tractor Company Limited” and the “Announcement of First Tractor Company Limited on the Increase of the Cap Amount for the Daily Related Transactions for 2021 with Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd” published by the Company on the website of the Shanghai Stock Exchange on 23 December 2020 and 16 September 2021, respectively and the announcement of “Continuing Connected Transaction: (1) Common Resource Services Agreement; (2) Properties Lease Agreement and Land Lease Agreement; (3) Research and Development Services Agreement; (4) Product Inspection and Testing as well as Technological Services Agreement” and the announcement of “Continuing Connected Transaction: Adjustment to the Annual Cap Amount of the Product Inspection and Testing as well as Technological Services Agreement” published by the Company on the website of the Stock Exchange on 22 December 2020 and 15 September 2021, respectively.

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	Percentage in the amount of same type of transactions (%)
17	Technology Services Agreement	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%.	13,500	13,267	100.00

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.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in 2021	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 RMB6.63 million was determined by both parties under market principles and negotiation	663	663	36.09
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	75	69	100.00
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	4,800	4,022	0.44
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	22,000	19,840	2.40

For details of No. 18–21 connected transactions, please refer to the “Announcement of First Tractor Company Limited on Daily Connected Transactions for 2021 with ZF YTO (Luoyang) Drive Axle Company Limited”, the “Announcement of First Tractor Company Limited on the Increase of the Cap Amount for the Daily Related Transactions for 2021 with ZF YTO (Luoyang) Drive Axle Company Limited” and the “Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First Class Meeting for Holders of A Shares and the 2021 First Class Meeting for Holders of H Shares of First Tractor ” published by the Company on the website of the Shanghai Stock Exchange on 9 February 2021, 16 September 2021 and 3 November 2021, and the overseas regulatory announcement published by the Company published by the Company on the website of the Stock Exchange on 8 February 2021 and 15 September 2021 and the announcement on “Poll Results of the Extraordinary General Meeting and the Class Meeting Held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors” published by the Company on the website of the Stock Exchange on 2 November 2021.



## CHAPTER VI 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:*
- (i) such connected transactions were entered into in the ordinary and usual course of business of the Group;
  - (ii) 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
  - (iii) 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:

- (i) had obtained the approval of the Board;
- (ii) were conducted in accordance with the pricing policy of the Group and the terms of the relevant agreements; and
- (iii) 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.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### 2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for transaction amount in 2021	Actual amount of transaction in 2021	As a percentage in the amount of same type of transactions (%)
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.	50	17	47.48
Total				/	/	17	/

Details on return of large-sum sales

None

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.

## (II) Connected transactions of credits or debts

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

#### Event details

The Company provided an entrusted loan with a total amount of up to RMB21,000,000 to Changtuo Company, which was due in 2020, and Changtuo Company failed to repay the loan under the contract. As Changtuo Company is a subsidiary which has been incorporated into the Company's consolidated financial statements, such matter will not materially and adversely affect the profit and loss of the Company's consolidated financial statements for the current period, nor will it affect the Company's day-to-day production and operation.

#### Search index

For details, please refer to the "Announcement on Provision of Entrusted Loan and Connected Transaction" published by the Company on the Shanghai Stock Exchange on 28 March 2020, and the announcement published by the Company on the website of the Stock Exchange on 27 March 2020, the Announcement of First Tractor Company Limited Regarding a Subsidiary's Non-repayment of Matured Entrusted Loan issued by the Company on the website of the Shanghai Stock Exchange on 3 July 2020, and the Announcement Regarding a Subsidiary's Non-repayment of Matured Entrusted Loan Provided by the Company published on the website of the Stock Exchange on 2 July 2020.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

#### 1. Deposit business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Daily maximum deposit limit (Note 1)	Range of deposit interest rates (Note 1)	Beginning balance	Amount incurred in this period		Ending balance
					Total deposit amount in this period	Total withdraw amount in this period	
YTO Group Corporation Limited	Controlling shareholder	/	/	98,989.04	958,952.95	1,024,677.37	33,264.61
Luoyang Tractor Research Institute Co., Ltd. (Note 2)	A controlled subsidiary of the Company	/	/	20,693.44	95,442.98	87,390.64	28,745.79
YTO (Luoyang) Logistics Co., Ltd.	A company controlled by controlling shareholders	/	/	3,439.98	55,472.93	56,039.97	2,872.95
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	A company controlled by controlling shareholders	/	/	2,606.92	10,003.19	10,317.63	2,292.48
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	A company controlled by controlling shareholders	/	/	2,251.22	12,307.45	11,277.32	3,281.35
YTO (Luoyang) Hydraulic Transmission Corporation Limited (Note 2)	A controlled subsidiary of the Company	/	/	5,148.87	13,966.63	14,725.38	4,390.11
Luoyang Fossett Environmental Protection Technology Co. Ltd.	A company controlled by controlling shareholders	/	/	1,675.02	16,825.13	15,208.18	3,291.97
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	A company controlled by controlling shareholders	/	/	0.00	2,911.16	1,931.60	979.56
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	A company controlled by controlling shareholders	/	/	319.71	4,597.82	4,783.13	134.41
YTO (Luoyang) material equipment Co., Ltd.	A company controlled by controlling shareholders	/	/	1,340.20	286,937.49	285,892.04	2,385.65

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit (Note 1)	Range of deposit interest rates (Note 1)	Beginning balance	Amount incurred in this period		Ending balance
					Total deposit amount in this period	Total withdraw amount in this period	
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	A company controlled by controlling shareholders	/	/	970.76	973.27	1,397.40	546.62
Luoyang Tianhui Energy Engineering Co., Ltd.	A company controlled by controlling shareholders	/	/	369.96	748.71	851.80	266.88
Dongfanghong (Luoyang) Modern Life Services Co., Ltd.	An enterprise controlled by controlling shareholders	/	/	579.95	1,720.88	1,850.34	450.50
YTO (Luoyang) Huide Tooling Co., Ltd.	A company controlled by controlling shareholders	/	/	232.22	5,452.95	5,319.61	365.56
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd. (Note 4)	A company controlled by formerly controlling shareholders	/	/	43.74	0.12	43.86	0.00
Luoyang Oriental Printing Co., Ltd.	A company Equity investment Company controlled by controlling shareholders	/	/	65.48	240.39	235.93	69.94
Luoyang YTO Driver Training School Co., Ltd.	A company controlled by controlling shareholders	/	/	5.83	95.54	73.82	27.55
Shenzhen Dongfang Pengxing Trade Co., Ltd. (Note 4)	A Company formerly controlled by controlling shareholders	/	/	2.26	54.35	33.17	23.45
YTO (Luoyang) Rico Automobile Co., Ltd. (Note 3)	A company Equity investment Company controlled by controlling shareholders	/	/	1.22	867.72	868.86	0.07
SINOMACH-HI (Luoyang) Co., Ltd. (Note 4)	A company formerly controlled by the de facto controller	/	/	0.57	0.00	0.57	0.00
YTO (Luoyang) Standard Parts Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.32	0.00	0.00	0.32



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit (Note 1)	Range of deposit interest rates (Note 1)	Beginning balance	Amount incurred in this period		Ending balance
					Total deposit amount in this period	Total withdraw amount in this period	
China YTO Kawei (Luoyang) Vehicle Co., Ltd. (Note 3)	Equity investment Company controlled by controlling shareholders	/	/	0.31	0.00	0.00	0.31
YTO (Luoyang) New Oriental Automobile Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.03	0.00	0.00	0.03
Luoyang Zhongshou Machinery Equipment Co., Ltd.	A company controlled by controlling shareholders	/	/	5,007.96	8,557.26	13,561.45	3.77
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	A company controlled by controlling shareholders	/	/	1,482.66	5,995.83	7,478.49	0.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.	A company controlled by controlling shareholders	/	/	20.10	12,939.97	12,960.07	0.00
YTO (Luoyang) Dongchen Mold Technology Co., Ltd. (Note 4)	Equity investment Company originally controlled by controlling shareholders	/	/	0.04	0.00	0.04	0.00
Total	/	/	/	145,247.81	1,495,064.72	1,556,918.67	83,393.88

Note 1: The Company provided deposit business interest rate range from 0.42% to 4.125% for each member unit, and please refer to the Deposit Service Agreement disclosed in this Chapter XII (I) 2 for the details of the maximum balance at any point of time for the relevant deposit service.

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

Note 3: The controlling shareholder of the Company holds more than 30% equity interest in YTO (Luoyang) Rico Automobile Co., Ltd. and China YTO Kawei (Luoyang) Vehicle Co., Ltd., which are 30% controlled companies under the relevant provisions of Chapter 14A of the Listing Rules of the Stock Exchange, and the transactions between the two companies and the listed company and its controlled subsidiaries constitute related party transactions under the Listing Rules of the Stock Exchange.

Note 4: YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd., Shenzhen Dongfang Pengxing Trade Co., Ltd. and SINOMACH-HI (Luoyang) Co., Ltd. have entered into bankruptcy liquidation procedures and the liquidations are in progress. YTO (Luoyang) Dongchen Mold Technology Co., Ltd. has completed bankruptcy liquidation.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### 2. Loan business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Loan limit (Note)	The range of interest rates of the loans	Beginning Balance	Amount incurred in this period		Ending Balance
					Total deposit amount in this period	Total withdraw amount in this period	
YTO Group Co., Ltd.	Controlling Shareholders	105,000.00	3.54%– 3.696%	89,000.00	99,000.00	109,000.00	79,000.00
YTO (Luoyang) Huide Tooling Co., Ltd.	A company controlled by controlling shareholders	800.00	4.8%– 5.655%	0.00	570.00	0.00	570.00
Total	/	/	/	89,000.00	99,570.00	109,000.00	79,570.00

Note: The loan limit refers to the amount of loan credit granted by YTO Finance for each member unit. For the details of the maximum balance at any point of time of the relevant loan service during the Reporting Period, please refer to the Loan Service Agreement disclosed in this chapter XII (I) 2.



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### 3. Granting business or other financial business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Total amount (Note 1)	Actual amount	Balance at the end of the reporting period
YTO Group Corporation	Controlling Shareholder	Bills acceptance	30,000.00	18,326.34	7,138.89
YTO (Luoyang) Logistics Co., Ltd	A company controlled by controlling shareholders	Bills acceptance	6,000.00	8,878.54	5,179.05
YTO (Luoyang) Fuel Injection Co., Ltd.	Subsidiary controlled by the Company	Bills acceptance	800.00	800.66	373.16
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	A company controlled by controlling shareholders	Bills acceptance	1,500.00	0.00	6.00
YTO (Luoyang) Huide Tooling Co., Ltd	A company controlled by controlling shareholders	Bills acceptance	800.00	600.00	500.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	A company formerly controlled by controlling shareholders	Bills acceptance	0.00	0.00	2.76
YTO (Luoyang) Logistics Co., Ltd	A company controlled by controlling shareholders	Notes discounting	9,000.00	8,186.36	3,434.04
YTO (Luoyang) Huide Tooling Co., Ltd	A company controlled by controlling shareholders	Notes discounting	300.00	280.00	220.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.	A company controlled by controlling shareholders	Notes discounting	1,000.00	103.00	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	A company controlled by controlling shareholders	Notes discounting	500.00	245.71	0.00
Luoyang Tractor Research Institute Co., Ltd.	Subsidiary controlled by the Company	Notes discounting	5,000.00	4,998.00	0.00
Sinomach Finance Co., Ltd.	A company controlled by the de facto controller	Interbank borrowing	50,000	50,000 (Note 2)	20,000
Sinomach Finance Co., Ltd.	A company controlled by the de facto controller	Interbank lending	50,000	40,000 (Note 2)	0.00
Sinomach Finance Co., Ltd.	A company controlled by the de facto controller	Inter-bank deposits	50,000	90,000 (Note 2)	0.00
YTO (Luoyang) Huide Tooling Co., Ltd	A company controlled by controlling shareholders	Financial leasing	/	92.39	122.19

Note 1: The total amount refers to the credit facilities provided by YTO Finance to member companies, which can be recycled during the Reporting Period. During the Reporting Period, the maximum balance at any one point did not exceed the caps of the Bills Acceptance Service Agreement, Bills Discounting Service Agreement and Interbank Business Service Agreement disclosed in chapter XI. (I).2.

Note 2: During the Reporting Period, the amount of interbank borrowings of YTO Finance from SINOMACH Finance increased by RMB200 million and decreased by RMB300 million, totaling RMB500 million; the amount of interbank loans of YTO Finance to SINOMACH Finance increased by RMB200 million and decreased by RMB200 million, totaling RMB400 million; the amount of interbank loans of YTO Finance to SINOMACH Finance increased by RMB300 million and decreased by RMB600 million during the period, totaling RMB900 million.

## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

### (IV) Others

YTO subscribed for all 137,795,275 A shares under the non-public issuance of the Company. The procedures for registration of the shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited were completed on 9 February 2021, and the lock-up period was 36 months. For details, please refer to the Announcement on Issue Results of Non-public Issuance of A Shares and Changes in Shareholding Structure of First Tractor (《一拖股份非公開發行A股股票發行結果暨股本變動的公告》) and Short Form Report on Changes in Equity (Revised) (《簡式權益變動報告書(修訂版)》) published by the Company on the website of the Shanghai Stock Exchange on 19 February 2021 and 20 February 2021, and the overseas regulatory announcement published on the website of the Stock Exchange on 18 February and 19 February 2021.

## VII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

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

#### 1. Custody

Unit: Yuan Currency: RMB

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

Explanation on custody

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

### (II) Guarantee

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



## CHAPTER VI SIGNIFICANT EVENTS (CONTINUED)

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

#### 1. Entrusted loans

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

Unit: 0'000 Currency: RMB

Type	Source of fund	Amount incurred	Amount not yet due	Amount overdue and not recovered
Entrusted loans	Own funds	10,000.00	42,000.00	19,200.00

##### (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	Annualized rate of return	Actual recovery	Whether it passed the legal procedures	Amount provided for impairment (if any)
YTO International Trade	Entrusted loans	2,000	2 March 2021	1 March 2022	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	5 March 2021	4 March 2022	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	11 March 2021	10 March 2022	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	18 March 2021	17 March 2022	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	25 March 2021	24 March 2022	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	3,000	5 June 2020	3 June 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	10 June 2020	8 June 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	16 June 2020	14 June 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	22 June 2020	20 June 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	28 June 2020	26 June 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	7 July 2020	5 July 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	13 July 2020	11 July 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	20 July 2020	18 July 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	27 July 2020	25 July 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	5 August 2020	3 August 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	10 August 2020	8 August 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	13 August 2020	11 August 2022	Own funds	Production and operation	4.785%		Yes	-

## CHAPTER VI 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	Annualized rate of return	Actual recovery	Whether it passed the legal procedures	Amount provided for impairment (if any)
YTO International Trade	Entrusted loans	2,000	17 August 2020	15 August 2022	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	1,000	21 August 2020	19 August 2022	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%	Not recovered	Yes	540
Changtuo Company	Entrusted loans	130	1 July 2019	30 June 2020	Own funds	Production and operation	5.655%	Not recovered	Yes	130
Changtuo Company	Entrusted loans	130	3 July 2019	2 July 2020	Own funds	Production and operation	5.655%	Not recovered	Yes	130
Changtuo Company	Entrusted loans	100	12 September 2019	11 September 2020	Own funds	Production and operation	5.655%	Not recovered	Yes	100
Changtuo Company	Entrusted loans	1,200	28 November 2019	21 November 2020	Own funds	Production and operation	5.655%	Not recovered	Yes	1,200

### Other Matters

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

### (3) Impairment allowance of entrusted loans

During the Reporting Period, no provision was made for the impairment on entrusted loans, however, a provision of RMB192 million was made for the impairment on entrusted loans, of which: RMB171 million was made for the impairment on entrusted loans of YTO Shentong, and RMB21 million was made for the impairment of entrusted loans of Changtuo Company.

## VIII. PROPOSED RESTRUCTURING TRANSACTIONS INVOLVING THE FINANCE COMPANY

For further details regarding the proposed Restructuring Transactions involving the Finance Company, please refer to the Company's announcement published on 29 March 2022.

# CHAPTER VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

### (I) Changes in Shares

#### 1. Changes in Shares

Unit: Share

	Before change		New shares issued	Increase/decrease after change (+, -)				After change	
	Number	Percentage (%)		Bonus share	Equity fund transferred into shares	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions	0	0	137,795,275	0	0	0	137,795,275	137,795,275	12.26
1. Shareholdings of the State									
2. Shareholdings of state-owned legal person	0	0	137,795,275	0	0	0	137,795,275	137,795,275	12.26
3. Other domestic shareholdings									
Including: Shareholdings of domestic non-state-owned legal person									
Shareholdings of domestic natural person									
4. Foreign shareholdings									
Including: Shareholdings of foreign legal person									
Shareholdings of foreign natural person									
II. Shares not subject to selling restrictions	985,850,000	100	0	0	0	0	0	985,850,000	87.74
1. RMB-denominated ordinary shares	593,910,000	60.24	0	0	0	0	0	593,910,000	52.86
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	391,940,000	39.76	0	0	0	0	0	391,940,000	34.88
4. Others									
III. Total number of shares	985,850,000	100	137,795,275	0	0	0	137,795,275	1,123,645,275	100

#### 2. Explanations on changes in shares

The procedures for registration of the 137,795,275 Renminbi-denominated ordinary shares (A shares) issued under the non-public issuance of the Company with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited were completed, and the lock-up period was 36 months. For details, please refer to the Announcement on Issue Results of Non-public Issuance of A Shares and Changes in Shareholding Structure of First Tractor (《一拖股份非公开发行A股股票发行结果暨股本变动的公告》) published by the Company on the website of the Shanghai Stock Exchange on 19 February 2021, and the overseas regulatory announcement published on the website of the Stock Exchange on 18 February 2021.

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

### (II) Changes in restricted shares

Unit: Share

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

## II. ISSUANCE AND LISTING OF SECURITIES

### (I) Issuance of securities during the Reporting Period

Unit: share Currency: RMB

Type of shares and its derivative securities	Issue date	Issue price (or interest rate)	Issuance size	Listing date	Number of shares permitted to be listed and traded	Date of cessation of trading
RMB-denominated ordinary shares of ordinary share type	9 February 2021	RMB5.08	137,795,275	19 February 2021	137,795,275	/

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

### (II) Total number of shares and changes in shareholders structure of the Company and changes in assets and liabilities structure of the Company

#### 1. Total number of ordinary shares and changes in share capital structure of the Company

Items	Preceding the non-public issuance		Following the non-public issuance	
	Number <i>(shares)</i>	Percentage <i>(%)</i>	Number <i>(shares)</i>	Percentage <i>(%)</i>
Shares subject to selling restrictions	-	-	137,795,275	12.26
Shares not subject to selling restrictions	985,850,000	100	985,850,000	87.74
Total number of shares	985,850,000	100	1,123,645,275	100

#### 2. Changes in assets and liabilities structure of the Company

During the Reporting Period, the opening total assets amounted to RMB12,342.6089 million, the total liabilities amounted to RMB7,367.087 million, and the gearing ratio was 59.69%; the closing total assets amounted to RMB12,339.5946 million, the total liabilities amounted to RMB6,357.3714 million, and the gearing ratio was 51.52%.

### 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>	44,945 including 44,619 holders of A Shares and 326 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>	50,250 including 49,924 holders of A Shares and 326 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>	/

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

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

Unit: Share

#### 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, charged or frozen Status of shares	Number	Nature of shareholder
YTO Group Corporation	137,795,275	548,485,853	48.81	137,795,275	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	316,000	388,195,319	34.55	0	Unknown	/	Overseas legal person
Hong Kong Securities Clearing Company Limited (Note 2)	1,952,244	4,758,647	0.42	0	Unknown	/	Overseas legal person
Shenzhen Qianhai Huolan Assets Management Co., Ltd. — Huolan Yuanfang No. 1 Private Placement Securities Investment Fund (深圳市前海 火藍資產管理有限公司—火藍 遠方1號私募證券投資基金)	2,348,200	2,348,200	0.21	0	Unknown	/	Other
Li Jun	1,500,274	1,500,274	0.13	0	Unknown	/	Domestic natural person
Jiang Youan	1,437,001	1,437,001	0.13	0	Unknown	/	Domestic natural person
Luo Ruzhong	984,800	984,800	0.09	0	Unknown	/	Domestic natural person
Jiao Yanfeng	284,000	944,000	0.08	0	Unknown	/	Domestic natural person
Han Yujie	111,000	789,700	0.07	0	Unknown	/	Domestic natural person
Qin Tao	774,400	774,400	0.07	0	Unknown	/	Domestic natural person

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

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

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	388,195,319	Overseas listed foreign shares	388,195,319
Hong Kong Securities Clearing Company Limited (Note 2)	4,758,647	Ordinary shares denominated in RMB	4,758,647
Shenzhen Qianhai Huolan Assets Management Co., Ltd. — Huolan Yuanfang No. 1 Private Placement Securities Investment Fund (深圳市前海火藍資產管理有限公司—火藍遠方1號私募證券投資基金)	2,348,200	Ordinary shares denominated in RMB	2,348,200
Li Jun	1,500,274	Ordinary shares denominated in RMB	1,500,274
Jiang Youan	1,437,001	Ordinary shares denominated in RMB	1,437,001
Luo Ruzhong	984,800	Ordinary shares denominated in RMB	984,800
Jiao Yanfeng	944,000	Ordinary shares denominated in RMB	944,000
Han Yujie	789,700	Ordinary shares denominated in RMB	789,700
Qin Tao	774,400	Ordinary shares denominated in RMB	774,400

Explanation on special repurchase accounts of top ten shareholders'	Not applicable
Explanations on the voting rights entrusted by or to, or waived by the aforesaid shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, is not engaged in any delegation of/being entrusted with and waiver of voting rights. The Company is not aware of any delegation of/being entrusted with and waiver of voting rights by other shareholders.
Explanation on connected relationship or acting in concert among the aforesaid shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies with, any other shareholders. The Company is not aware of any connected relationship among other shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.
Explanation on preference shareholders with voting rights restored and number of shares held thereby	Not applicable

## CHAPTER VII CHANGES IN 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.

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

*Unit: share*

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading	Number of additional shares available for listing and trading	Selling restrictions
			Time available for listing and trading		
1	YTO Group Corporation	137,795,275	19 February 2024	137,795,275	No transfer shall be made within 36 months from the date of completion of Non-public Issuance of the Company
	Explanation on connected relationship or acting in concert among the aforesaid shareholders			Not applicable	

### (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 2021, 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 <sup>1</sup>	Number of underlying shares held under equity derivatives	Total number of shares interested <sup>1</sup>	Percentage of the relevant issued class of share capital <sup>1</sup> (%)	Percentage of the issued class of share capital <sup>1</sup> (%)	Type of share
YTO <sup>2</sup>	Beneficial owner	Beneficial interest	548,485,853 (L)	/	548,485,853 (L)	74.96(L)	48.81(L)	A Share

*Note 1:* (L) – Long position

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



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

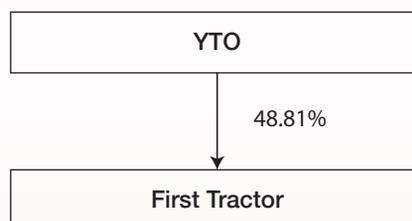
### IV. CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

#### (I) Controlling Shareholder

##### 1 Corporation

<b>Name</b>	<b>YTO Group Corporation</b>
Person in charge or legal representative	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

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



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

### (II) Ultimate Controller

#### 1 Corporation

##### Name

Person in charge or legal representative

Date of establishment

Main business

##### China National Machinery Industry Corporation Ltd

Zhang Xiaolun

21 May 1988

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

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

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

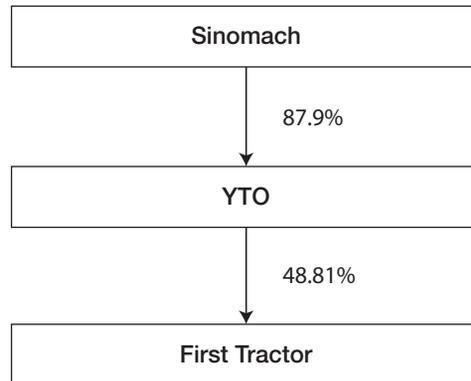
Other explanations

Nil



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

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



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

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

### 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 on a pro rata basis to its existing shareholders.



## CHAPTER VIII PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.



## **CHAPTER IX RELEVANT INFORMATION ON BONDS**

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

## CHAPTER X SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY

### I. BASIC INFORMATION

YTO Finance 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. Currently, YTO Finance is principally engaged 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.

### II. INFORMATION ABOUT BUSINESS OPERATION OF YTO FINANCE

Adhering to rooting in the Group and serving entities, YTO Finance gave full play to its financial functions, implemented the buyer's credit and financial leasing business modes in an innovative manner, promoted the products sales for member enterprises. It conscientiously implemented the establishment of internal control system and comprehensive risk management, and effectively implemented the key work and business. Meanwhile, YTO Finance strictly implemented the Commitment Letter on Avoidance of Horizontal Competition between SINOMACH Finance Co., Ltd. and China YTO Group Finance Company Limited, to provide services for member enterprises within the specified service scope, and there were no instances of such two finance companies providing services to one business at the same time.

As at the end of December 2021, YTO Finance had total assets of RMB5,252.8379 million, representing an increase of RMB31.2019 million or 0.60% as compared with the same period of the previous year; its total liabilities amounted to RMB4,378.6669 million, representing a decrease of RMB5.7467 million or 0.13% as compared with the same period of the previous year and its owner's equity amounted to RMB874.1711 million, representing an increase of RMB36.9486 million or 4.41% as compared with the same period of the previous year. In 2021, it realized total profit of RMB61.7025 million, representing an increase of RMB13.8138 million or 28.85% from the previous year.

YTO Finance operated in strict compliance with relevant provisions under national financial laws, regulations, ordinance and rules, with sound asset quality and financial conditions and controllable overall risks. As at the end of the Reporting Period, YTO Finance had a capital adequacy ratio of 23.23%, a liquidity ratio of 40.23%, a non-performing loan ratio of 0.03%, a non-performing asset ratio of 1.45%, an allowance-to-loan ratio of 2.77%. The various regulatory indicators were in line with the regulatory requirements.

### III. RISK CONTROL

In 2021, YTO Finance adhered to the risk prevention and control concept of "Operating in accordance with laws, practising in a compliant manner, preventing risks and promoting development", optimised its internal control system and improved its internal control capability. In accordance with the requirements on comprehensive risk management of the regulatory authorities and the Company, in combination with actual situation of YTO Finance, the Company refined the management requirements of risk assessment, early warning and monitoring, improvement of the internal control system and accountability, strengthened the prevention and control of various risks beforehand, following up during the process and inspection afterwards, and promoted the Company's comprehensive risk management work in a solid manner. The Company has been able to effectively promote the rapid improvement of its risk control capability.

## CHAPTER X SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY

### IV. PROPOSED RESTRUCTURING OF YTO FINANCE

According to Rule 14 of the “Measures of China Banking and Insurance Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (CBIRC Order [2020] No.6)”\* (中國銀保監會非銀行金融機構行政許可事項實施辦法(銀保監會 令2020年第6號)) (“Rule 14 Measures”) published by the CBIRC, a corporate group can only have one finance company within the same corporate group to provide financial services to companies within the same group. SINOMACH currently has two finance companies under its group, namely (i) Sinomach Finance, which is a 79.32%-owned subsidiary of SINOMACH; and (ii) YTO Finance which is a 99.4%-owned subsidiary of the Company. SINOMACH is the ultimate controlling shareholder of the Company since it is a controlling shareholder of YTO, which in turn is the controlling shareholder of the Company. There is currently a clear delineation of financial services provided by YTO Finance and Sinomach Finance respectively, where YTO Finance shall only provide financial services to YTO and its member companies and Sinomach Finance shall only provide financial services to SINOMACH and its member companies (excluding the member companies under YTO).

In view of the above, the Company and YTO Finance intend to undertake the restructuring of the relevant personnel, assets and businesses of YTO Finance and Sinomach Finance through a series of transaction arrangements including, among others, (i) the disposal of certain Target Assets by YTO Finance to Sinomach Finance; (ii) the capital increase in Sinomach Finance by the Company; (iii) the voluntary liquidation of YTO Finance; and (iv) the provision of financial services by Sinomach Finance to the Group (collectively, the “Restructuring Transactions”).

The main purpose of the Restructuring Transactions is, firstly, to fully comply with the relevant PRC regulations that require only one finance company within the same corporate group; secondly, after the integration of the two finance companies, Sinomach Finance will undertake and operate the business of YTO Finance and serve as an integrated financial services platform of SINOMACH, which will further enhance its capital base and ability in serving other members of the Group; and thirdly, the Company will be able to maintain and enhance its economic benefits by the Capital Increase. The Company can also leverage on the comprehensive and quality services, in-depth industry expertise and substantial financial resources of Sinomach Finance to provide good financial support, including the continued provision of high-quality financial service and products to the Group’s customers, which is conducive to sustaining the operations and development of the Group.

The implementation of the Restructuring Transactions is subject to relevant approvals including the approvals to be obtained from independent shareholders of the Company being obtained.

## CHAPTER XI AUDIT REPORT

DHSZ [2022] No.000057

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, 2021, 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, 2021, 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 of main business recognition;
- II. Provision for inventories impairment;
- III. Provision for impairment of receivables related to sales of goods.



## CHAPTER XI AUDIT REPORT (CONTINUED)

### 3. KEY AUDIT MATTERS (CONTINUED)

#### (1) Revenue of main business 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, (31) and Note VII, Note 51, the sales revenue of main business was RMB 9,119.57 million in 2021, accounting for 97.70% 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 of main business recognition performance for the beginning and end of year 2021.
- 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.

## CHAPTER XI 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 V, (16) and Note VII, Note 10, the ending balance of inventories is RMB 1,786.12 million, the amount of provision for inventory is RMB 112.11 million. Since this item involves with a significant amount is significant relies 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:

- ① Inspecting and testing the designation and implementation of internal control which related to inventory.
- ② Conducting supervision of inventory counting and inspecting the quantity and condition of the inventories.
- ③ Obtaining the inventory aging statement, analyzing the reasonableness of provision for obsolete inventory with long-age based on the status of inventory.
- ④ 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.



## CHAPTER XI AUDIT REPORT (CONTINUED)

### 3. KEY AUDIT MATTERS (CONTINUED)

#### (3) Provision for impairment of receivables related to sales of goods

##### 1. *Item description*

As shown in Note V, (13) and Note VII, Note 5, and 14 of the financial statements, as of December 31, 2021, YTO shares in the consolidated financial statement of the sales of goods-related accounts receivable book balance of 757.19 million yuan, The long-term receivables were 386.61million yuan, and the impairment reserves were 455.53 million yuan and 283.86 million yuan respectively. Since YTO's management needs to predict important accounting estimates and judgments when determining the expected recoverable accounts receivable, and the balance of accounts receivable accounts for a relatively high proportion of total assets, if it cannot be recovered on time or cannot be recovered, it will have a greater impact on the financial statements , so we identified the impairment of receivables related to sales of goods as a key audit matter.

##### 2. *Audit response*

- ① Evaluate the effectiveness of the management's design and operation of the internal control system for receivables related to sales of goods;
- ② Understand and evaluate whether the management's accounting estimate of the expected credit loss rate of the receivables is reasonable through procedures such as reviewing the sales contract, checking the recovery of the payment, and communicating with the management;
- ③ Re-check the provision process for bad debt provision of YTO receivables, including the provision of aging analysis method and the provision of collateral risk exposure portfolio;
- ④ Select a sample for letter verification corresponding to the ending balance of receivables;
- ⑤ Analyze whether there are signs of impairment for receivables with a long age, and whether the provision for impairment is reasonable.

Based on the audit work that has been performed, we believe that the management's judgments and estimates regarding the provision for impairment of receivables related to sales of goods are reasonable.

## CHAPTER XI 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 2021 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.

### 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.

## CHAPTER XI AUDIT REPORT (CONTINUED)

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

- (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.

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 : 金達 (Partner)

Chinese Certified Public Accountant : 林海艷

# CONSOLIDATED BALANCE SHEET

December 31<sup>st</sup>, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	December 31st, 2021	December 31st, 2020
<b>Current assets</b>			
Monetary Funds	Note 1	3,243,399,611.65	1,702,625,475.53
Lendings to Banks and Other Financial Institutions	Note 2	23,320,000.00	40,000,000.00
Trading financial assets	Note 3	1,038,970,988.74	1,306,381,357.98
Derivative financial assets			
Notes receivable	Note 4	62,757,621.58	892,050.97
Accounts receivable	Note 5	301,661,736.48	376,202,670.98
Receivables Financing	Note 6	216,495,094.89	374,916,413.50
Advances to suppliers	Note 7	242,712,324.09	177,372,921.45
Other receivables	Note 8	24,247,156.19	26,301,581.33
Buying back the sale of financial assets	Note 9	360,643,454.77	1,561,721,065.92
Inventories	Note 10	1,674,008,933.28	1,356,265,811.19
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 11	188,189,353.75	238,726,244.12
Other current assets	Note 12	319,494,747.99	281,587,195.02
<b>Total current assets</b>		<b>7,695,901,023.41</b>	<b>7,442,992,787.99</b>
<b>Non-current assets</b>			
Loans and advances to customers	Note 13	891,754,953.83	982,249,523.38
Debt investment			
Other debt investment			
Long-term receivables	Note 14	147,379,925.56	132,870,486.03
Long-term equity investments	Note 15	126,970,546.37	122,332,619.67
Investment in other equity instruments	Note 16	4,839,048.00	4,839,048.00
Other non-current financial assets			
Investment properties			
Fixed assets	Note 17	2,465,981,510.01	2,617,726,435.41
Construction in progress	Note 18	79,246,144.63	96,000,297.40
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 19	15,044,288.50	28,901,686.93
Intangible assets	Note 20	750,855,986.17	766,872,164.74
Research and development expenses	Note 21		
Goodwill	Note 22		
Long-term deferred expenses	Note 23	61,059,040.71	44,912,084.65
Deferred income tax assets	Note 24	100,562,089.39	102,911,748.79
Other non-current assets			
<b>Total non-current assets</b>		<b>4,643,693,533.17</b>	<b>4,899,616,095.00</b>
<b>Total assets</b>		<b>12,339,594,556.58</b>	<b>12,342,608,882.99</b>

**CONSOLIDATED BALANCE SHEET (CONTINUED)**December 31<sup>st</sup>, 2021

Item	Note VI	December 31st, 2021	December 31st, 2020
<b>Current liabilities:</b>			
Short-term loans	Note 25	<b>270,183,333.34</b>	834,263,379.71
Absorption of deposits and interbank deposits	Note 26	<b>741,565,080.73</b>	1,412,624,683.26
Deposits from banks and other financial institutes	Note 27	<b>200,050,000.00</b>	300,066,666.67
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	Note 28	<b>1,429,974,406.92</b>	1,547,322,110.70
Accounts payable	Note 29	<b>2,005,338,697.27</b>	1,788,192,802.43
Advance from customers	Note 30	<b>198,307.51</b>	
Funds from sales of financial assets with repurchasement agreement	Note 31	<b>11,759,888.55</b>	
Contractual liability	Note 32	<b>580,385,482.01</b>	398,850,436.72
Employee salary payable	Note 33	<b>94,183,174.20</b>	91,878,235.64
Taxes payables	Note 34	<b>16,547,128.41</b>	23,075,553.98
Other payables	Note 35	<b>264,862,718.59</b>	209,162,369.54
Liabilities classified as held for sale			
Non-current liabilities due within one year	Note 36	<b>13,333,158.50</b>	14,142,498.21
Other current liabilities	Note 37	<b>262,766,044.87</b>	255,104,052.55
<b>Total current liabilities</b>		<b><u>5,891,147,420.90</u></b>	<b><u>6,874,682,789.41</u></b>
<b>Non-current liabilities</b>			
Long-term loans	Note 38	<b>110,000,000.00</b>	99,800,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 39	<b>1,853,079.74</b>	14,850,790.14
Long-term payables	Note 40	<b>8,251,321.72</b>	9,151,465.90
Long-term employee salary payable	Note 41	<b>57,802,347.71</b>	78,569,914.36
Estimated Liabilities	Note 42	<b>1,962,613.99</b>	2,652,542.65
Deferred income	Note 43	<b>138,045,711.55</b>	142,638,278.14
Deferred tax liabilities	Note 24	<b>148,308,914.30</b>	144,741,265.28
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u>466,223,989.01</u></b>	<b><u>492,404,256.47</u></b>
<b>Total liabilities</b>		<b><u>6,357,371,409.91</u></b>	<b><u>7,367,087,045.88</u></b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31<sup>st</sup>, 2021

Item	Note VI	December 31st, 2021	December 31st, 2020
<b>Shareholder's equity</b>			
Share capital	Note 44	<b>1,123,645,275.00</b>	985,850,000.00
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserves	Note 45	<b>2,655,849,996.00</b>	2,099,466,626.33
Less: Treasury shares			
Other comprehensive income	Note 46	<b>-11,710,421.44</b>	-26,960,733.16
Special reserves	Note 47	<b>3,465,767.12</b>	3,015,461.22
Surplus reserves	Note 48	<b>501,495,783.59</b>	442,101,172.16
General risk reserves	Note 49	<b>43,263,387.54</b>	39,642,392.38
Retained earnings	Note 50	<b>1,086,069,085.52</b>	795,064,178.33
<b>Total equity attributable to shareholders of the parent company</b>		<b><u>5,402,078,873.33</u></b>	<u>4,338,179,097.26</u>
<b>Minority interests</b>		<b><u>580,144,273.34</u></b>	<u>637,342,739.85</u>
<b>Total shareholder's equity</b>		<b><u>5,982,223,146.67</u></b>	<u>4,975,521,837.11</u>
<b>Total liabilities and shareholder's equity</b>		<b><u>12,339,594,556.58</u></b>	<u>12,342,608,882.99</u>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# CONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY

December 31<sup>st</sup>, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	December 31st, 2021	December 31st, 2020
<b>Current assets</b>			
Monetary Funds		2,359,458,905.17	1,608,714,731.40
Trading financial assets		243,232,200.00	512,201,600.00
Derivative financial assets			
Notes receivable		4,474,442.43	892,050.97
Accounts receivable	Note 1	268,784,518.68	347,769,727.04
Receivables Financing		107,547,214.91	192,533,034.72
Notes receivable & Accounts receivable			
Advances to suppliers		201,109,349.01	233,981,978.59
Other receivables	Note 2	163,216,480.15	82,958,827.14
Inventories		1,160,601,878.63	845,454,361.90
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		680,582,364.34	651,878,524.75
<b>Total current assets</b>		<b>5,189,007,353.32</b>	<b>4,476,384,836.51</b>
<b>Non-current assets</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	Note 3	2,133,667,445.23	2,130,056,078.80
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,428,183,835.66	1,495,186,425.93
Construction in progress		48,035,500.29	51,995,691.52
Productive biological assets			
Oil and gas assets			
Right-to-use assets		9,391,087.23	20,630,385.89
Intangible assets		506,056,408.64	513,657,721.90
Research and development expenses			
Goodwill			
Long-term deferred expenses		43,089,905.20	31,728,854.65
Deferred income tax assets		48,206,349.18	46,231,011.85
Other non-current assets			
<b>Total non-current assets</b>		<b>4,216,630,531.43</b>	<b>4,289,486,170.54</b>
<b>Total assets</b>		<b>9,405,637,884.75</b>	<b>8,765,871,007.05</b>

## CONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31<sup>st</sup>, 2021

Item	Note XVI	December 31st, 2021	December 31st, 2020
<b>Current liabilities:</b>			
Short-term loans		1,090,999,722.24	1,601,734,727.90
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		902,517,901.06	1,108,582,868.61
Accounts payable		1,372,715,494.19	1,164,874,749.77
Notes payable & Accounts payable			
Advance from customers		198,307.51	
Contractual liability		417,021,907.97	227,234,931.67
Employee salary payable		60,809,164.13	54,129,972.18
Taxes payables		5,009,107.51	4,951,437.55
Other payables		126,855,196.33	146,058,309.25
Liabilities classified as held for sale			
Non-current liabilities due within one year		9,507,198.34	251,018,241.26
Other current liabilities		67,830,207.96	49,918,107.90
<b>Total current liabilities</b>		<b>4,053,464,207.24</b>	<b>4,608,503,346.09</b>
<b>Non-current liabilities</b>			
Long-term loans		110,000,000.00	99,800,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities			10,098,084.14
Long-term payables			
Long-term employee salary payable		38,644,746.62	53,349,151.96
Estimated Liabilities		1,962,613.99	2,652,542.65
Deferred income		96,254,651.84	94,746,864.62
Deferred tax liabilities		19,984,830.00	15,330,240.00
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>266,846,842.45</b>	<b>275,976,883.37</b>
<b>Total liabilities</b>		<b>4,320,311,049.69</b>	<b>4,884,480,229.46</b>



## CONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

*December 31<sup>st</sup>, 2021*

Item	<i>Note XVI</i>	<b>December 31st, 2021</b>	<b>December 31st, 2020</b>
<b>Shareholder's equity</b>			
Share capital		<b>1,123,645,275.00</b>	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		<b>2,561,176,415.62</b>	2,004,793,045.95
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		<b>427,002,499.76</b>	367,607,888.33
Retained earnings		<b>973,502,644.68</b>	523,139,843.31
<b>Total shareholder's equity</b>		<b><u>5,085,326,835.06</u></b>	<b><u>3,881,390,777.59</u></b>
<b>Total liabilities and shareholder's equity</b>		<b><u>9,405,637,884.75</u></b>	<b><u>8,765,871,007.05</u></b>

*Legal Representative:*  
**Li Xiaoyu**

*Chief Financial Officer:*  
**Su Ye**

*Accounting Manager:*  
**Yao Weidong**

# CONSOLIDATED INCOME STATEMENT

Year of 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
<b>1. Total operating revenue</b>		<b>9,333,808,881.54</b>	7,582,476,787.76
Including: Operating revenue	Note 51	<b>9,209,135,833.76</b>	7,480,729,879.48
Interest income	Note 52	<b>118,198,056.28</b>	96,516,346.86
Fees and commission income	Note 53	<b>6,474,991.50</b>	5,230,561.42
<b>2. Total cost of operation</b>		<b>8,811,858,933.89</b>	7,193,597,535.06
Including: Cost of operation	Note 51	<b>7,712,932,565.70</b>	6,020,041,446.52
Interest expenses	Note 52	<b>21,572,879.07</b>	25,663,192.22
Fees and commission expense	Note 53	<b>695,451.23</b>	524,735.26
Taxes and surcharges	Note 54	<b>43,006,114.05</b>	43,690,562.82
Selling expenses	Note 55	<b>203,809,324.49</b>	358,190,492.96
Administrative expenses	Note 56	<b>363,378,163.19</b>	354,222,206.89
R & D expenses	Note 57	<b>415,352,332.37</b>	339,036,171.41
Financial expenses	Note 58	<b>51,112,103.79</b>	52,228,726.98
Including: Interest expenses	Note 58	<b>28,392,320.26</b>	76,005,944.32
Interest income	Note 58	<b>2,450,078.79</b>	31,766,071.77
Add: Other income	Note 61	<b>43,498,171.42</b>	105,122,597.68
Investment income (Losses listed as "-")	Note 63	<b>639,394,264.83</b>	349,311,564.11
Including: Income from investments in associates and joint ventures	Note 63	<b>1,845,539.21</b>	1,738,170.81
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 64	<b>38,351,073.07</b>	26,405,594.35
Loss on impairment of assets (Losses listed as "-")	Note 59	<b>-587,501,045.67</b>	-144,485,940.66
Loss on impairment on credit (Losses listed as "-")	Note 60	<b>-228,857,326.55</b>	-440,755,763.41
Asset disposal income	Note 65	<b>62,931.82</b>	8,249,140.24



## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2021

Item	Note VI	Amount in current year	Amount in last year
<b>3. Operating profit</b>		<b>426,898,016.57</b>	292,726,445.01
Add: Non-operating income	Note 66	<b>34,290,423.02</b>	27,927,444.96
Less: Non-operating expenses	Note 67	<b>896,517.08</b>	13,319,454.10
<b>4. Total profit</b>		<b>460,291,922.51</b>	307,334,435.87
Less: Income tax expenses	Note 68	<b>26,948,716.18</b>	26,372,185.09
<b>5. Net profit</b>		<b>433,343,206.33</b>	280,962,250.78
Including: net profit achieved by the merger of the merged party before the merger under the same control			
(1) classification according to the continuity of operation			
Continuous operating net profit		<b>433,343,206.33</b>	280,962,250.78
Termination of net profit			
(2) classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		<b>438,209,215.31</b>	280,150,740.30
Minority interest		<b>-4,866,008.98</b>	811,510.48

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2021

Item	Note VI	Amount in current year	Amount in last year
<b>6. Net other comprehensive income after tax</b>		<b>14,875,597.03</b>	-11,626,836.86
Net other comprehensive income after tax attributable to owners of the parent company		<b>15,250,311.72</b>	-12,762,553.03
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		<b>0.00</b>	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		<b>15,250,311.72</b>	-12,762,553.03
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		<b>15,250,311.72</b>	-12,762,553.03
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			
Net other comprehensive income after tax attributable to minority interests		<b>-374,714.69</b>	1,135,716.17



## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2021

Item	Note VI	Amount in current year	Amount in last year
<b>7. Total comprehensive income</b>		<b>448,218,803.36</b>	269,335,413.92
Total comprehensive income attributable to shareholders of the parent company		453,459,527.03	267,388,187.27
Total comprehensive income attributable to minority interests		-5,240,723.67	1,947,226.65
<b>8. Earnings per share:</b>			
(1) Basic earnings per share		0.3940	0.2842
(2) Diluted earnings per share		0.3940	0.2842

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# CONSOLIDATED INCOME STATEMENT OF THE PARENT COMPANY

Year of 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current year	Amount in last year
<b>1. Operating revenue</b>	Note 4	<b>7,429,887,637.27</b>	5,659,345,279.21
Less: Cost of operation	Note 4	<b>6,380,545,058.12</b>	4,767,082,095.51
Taxes and surcharges		<b>19,952,946.86</b>	19,887,166.55
Selling expenses		<b>27,595,409.74</b>	37,431,204.73
Administrative expenses		<b>215,783,177.08</b>	188,748,676.18
R & D expenses		<b>323,297,910.00</b>	226,548,376.40
Financial expenses		<b>-1,477,677.69</b>	27,928,884.21
Including: Interest expenses		<b>53,873,791.80</b>	104,807,244.38
Interest income		<b>56,537,448.61</b>	64,627,009.12
Add: Other income		<b>26,028,468.37</b>	58,601,613.30
Investment income(Losses listed as "-")	Note 5	<b>90,111,029.53</b>	118,876,992.31
Including: income from investments in associates and joint ventures	Note 5	<b>1,842,297.95</b>	1,678,429.81
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 "-")		<b>31,030,600.00</b>	238,000.00
Loss on impairment of assets (Losses listed as "-")		<b>-28,755,391.97</b>	-680,892,594.72
Loss on impairment on credit (Losses listed as "-")		<b>-5,510,627.17</b>	-412,671.42
Asset disposal income		<b>1,834,706.44</b>	4,892,922.26
<b>2. Operating profit</b>		<b>578,929,598.36</b>	-106,976,862.64
Add: Non-operating income		<b>18,576,033.67</b>	2,098,955.23
Less: Non-operating expenses		<b>880,265.03</b>	1,739,530.17
<b>3. Total profit</b>		<b>596,625,367.00</b>	-106,617,437.58
Less: Income tax expenses		<b>2,679,252.67</b>	7,263,243.03
<b>4. Net profit</b>		<b>593,946,114.33</b>	-113,880,680.61
Continuous operating net profit		<b>593,946,114.33</b>	-113,880,680.61
Termination of net profit			

## CONSOLIDATED INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

Year of 2021

Item	Note XVI	Amount in current year	Amount in last year
<b>5. Net other comprehensive income after tax</b>		<b>0.00</b>	0.00
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		<b>0.00</b>	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		<b>0.00</b>	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			
<b>6. Total comprehensive income</b>		<b>593,946,114.33</b>	-113,880,680.61
<b>7. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# CONSOLIDATED CASH FLOW STATEMENT

Year of 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
<b>1. Cash Flow from Operating Activities :</b>			
Cash from sale and render service		<b>8,395,931,276.69</b>	6,776,511,312.27
Net increase of customer's deposit and deposit taking of interbank		<b>-669,699,461.17</b>	272,965,034.29
Net increase borrowings from central bank			300,000,000.00
Net increase borrowing funds to other financing institution			300,000,000.00
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		<b>120,240,307.26</b>	104,175,388.96
Net increase in funds deposit		<b>-99,500,000.00</b>	
Net increase of repurchasing business funds		<b>1,200,000,000.00</b>	-890,000,000.00
Refund of tax and levies		<b>120,727,601.36</b>	51,286,316.60
Cash relating to other operating activities	Note 69	<b>102,506,989.76</b>	189,506,489.31
Sub-total of cash inflows from operating activities		<b>9,170,206,713.90</b>	6,804,444,541.43
Cash payments for goods purchased and services received		<b>6,541,336,828.11</b>	4,050,786,340.08
Net increase in loans and payments on behalf		<b>25,440,657.45</b>	90,203,346.91
Net increase in deposits with centre bank and interbank		<b>678,042,047.61</b>	49,415,635.74
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		<b>23,971,986.18</b>	24,581,617.48
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		<b>1,016,729,745.80</b>	912,537,391.28
Payments of all types of taxes		<b>141,532,356.10</b>	134,139,389.09
Other cash payments relating to operating activities	Note 67	<b>160,873,333.32</b>	294,002,562.72
Sub-total of cash outflows from operating activities		<b>8,587,926,954.57</b>	5,555,666,283.30
<b>Net cash flows from operating activities</b>		<b>582,279,759.33</b>	1,248,778,258.13

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

Year of 2021

Item	Note VI	Amount in current year	Amount in last year
<b>2. Cash flows from investing activities:</b>			
Cash received from disposals and withdraw on investment		305,414,818.66	500,476,277.50
Cash received from returns on investments		16,111,594.82	42,788,699.67
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		20,823,126.69	18,521,993.89
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities	Note 67		
Sub-total of cash inflows from investing activities		342,349,540.17	561,786,971.06
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		67,845,645.52	81,207,645.28
Cash payments to acquire investments		1,800,000.00	399,897.80
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	Note 67	127,967.93	235,907.24
Sub-total of cash outflows from investing activities		69,773,613.45	81,843,450.32
<b>Net cash flows from investing activities</b>		<b>272,575,926.72</b>	<b>479,943,520.74</b>
<b>3. Cash flows from financing activities:</b>			
Cash received from investors in making investment in the enterprise		697,999,997.00	
Including: cash received from issuing shares of minority shareholders			
Cash received from the loans		490,000,000.00	1,331,428,666.89
Other cash received relating to financing activities			19,328.96
Sub-total of cash inflows from financing activities		1,187,999,997.00	1,331,447,995.85
Cash repayments of amounts borrowed		1,039,800,000.00	2,579,573,280.39
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		111,793,827.38	150,007,278.21
Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit		5,491,600.00	78,511,135.00
Other cash payments relating to financing activities		156,317,750.66	18,881,483.02
Sub-total of cash outflows from financing activities		1,307,911,578.04	2,748,462,041.62
<b>Net cash flows from financing activities</b>		<b>-119,911,581.04</b>	<b>-1,417,014,045.77</b>

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2021

Item	Note VI	Amount in current year	Amount in last year
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>-5,002,289.98</u>	<u>-15,002,272.15</u>
5. Net increase in cash and cash equivalents		<u>729,941,815.03</u>	<u>296,705,460.95</u>
Plus: Cash and cash equivalents at beginning of period		<u>1,416,825,910.58</u>	<u>1,120,120,449.63</u>
6. Cash and cash equivalents at end of period		<u><u>2,146,767,725.61</u></u>	<u><u>1,416,825,910.58</u></u>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# CASH FLOW STATEMENT OF THE PARENT COMPANY

Year of 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current year	Amount in last year
<b>1. Cash Flow from Operating Activities :</b>			
Cash from sale and render service		5,793,100,714.08	4,799,628,115.56
Refund of tax and levies		82,863,365.80	31,125,811.73
Cash relating to other business activities		149,375,741.08	69,828,757.89
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		6,025,339,820.96	4,900,582,685.18
		<hr/>	<hr/>
Cash payments for goods purchased and services received		4,640,968,525.09	3,096,155,925.51
Cash paid to and on behalf of employees		606,040,594.32	523,479,321.35
Payments of all types of taxes		23,652,643.12	20,373,568.82
Cash paid relating to other operating activities		240,859,076.81	394,191,761.43
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		5,511,520,839.34	4,034,200,577.11
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		<b>513,818,981.62</b>	<b>866,382,108.07</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>2. Cash flows from investing activities</b>			
Cash received from returns on investments		400,029,133.00	720,476,277.50
Cash received from investments income		46,853,211.91	155,676,754.16
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,919,670.21	11,207,186.74
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		456,802,015.12	887,360,218.40
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		43,987,069.88	72,551,591.29
Cash paid for investments		101,800,000.00	420,000,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		145,787,069.88	492,551,591.29
		<hr/>	<hr/>
<b>Net cash flows from investing activities</b>		<b>311,014,945.24</b>	<b>394,808,627.11</b>
		<hr/> <hr/>	<hr/> <hr/>

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

Year of 2021

Item	Note XVI	Amount in current year	Amount in last year
<b>3. Cash flows from financing activities</b>			
Cash received from investment absorption		697,999,997.00	
Cash received from the loans		1,540,000,000.00	2,170,000,000.00
Cash received relating to other financing activities			19,328.96
Sub-total of cash inflows from financing activities		<u>2,237,999,997.00</u>	<u>2,170,019,328.96</u>
Cash repayments of amounts borrowed		2,279,800,000.00	3,290,200,000.00
Cash paid for dividends, profits appropriation or payments of interest		139,035,182.99	110,655,885.70
Cash paid relating to other financing activities		153,079,488.71	15,069,303.62
Sub-total of cash outflows from financing activities		<u>2,571,914,671.70</u>	<u>3,415,925,189.32</u>
<b>Net cash flows from financing activities</b>		<u><b>-333,914,674.70</b></u>	<u><b>-1,245,905,860.36</b></u>
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		-431.48	-330.51
<b>5. Net increase in cash and cash equivalents</b>		490,918,820.68	15,284,544.31
Add: Cash and cash equivalents at the beginning of the year		1,109,957,835.17	1,094,673,290.86
<b>6. Cash and cash equivalents at the end of the year</b>		<u><b>1,600,876,655.85</b></u>	<u><b>1,109,957,835.17</b></u>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year of 2021

Prepared by: First Tractor Company Limited

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
<b>I. Closing balance of prior year</b>	985,850,000.00	-	2,099,466,626.33	-	-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	795,064,178.33	637,342,739.85	4,975,521,837.11
Add: accounting policy changes											-
Prior errors' correction											-
Enterprise merger under the same control											-
Others											-
<b>II. Balance at the beginning of current year</b>	985,850,000.00	-	2,099,466,626.33	-	-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	795,064,178.33	637,342,739.85	4,975,521,837.11
<b>III. Increases/decreases in current year</b>	137,795,275.00	-	556,383,369.67	-	15,250,311.72	450,305.90	59,394,611.43	3,620,995.16	291,004,907.19	-57,198,466.51	1,006,701,309.56
(I) Total comprehensive income					15,250,311.72				438,209,215.31	-5,240,723.67	448,218,803.36
(II) Capital contributed by owners and capital decreases	137,795,275.00	-	556,383,369.67	-	-	-	-	-	-	4,504,577.79	686,683,222.46
1. Capital contributed by owner	137,795,275.00		556,383,369.67								694,178,644.67
2. Holders of other equity instruments invested capital											-
3. The amount of the shares paid into the shareholders' rights and interests											-
4. Others										4,504,577.79	4,504,577.79
(III) Profit distribution	-	-	-	-	-	-	59,394,611.43	3,620,995.16	-147,204,308.12	-56,508,448.00	-140,697,149.53
1. Appropriation of surplus reserve							59,394,611.43		-59,394,611.43		-
2. Extraction of general risk reserves								3,620,995.16	-3,620,995.16		-
3. Profit distributed to owners (or stockholders)									-84,188,701.53	-56,508,448.00	-140,697,149.53
4. Others											-
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-
2. Capital (or stock) transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve											-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans											-
5. Other comprehensive income carried forward to retained earnings											-
6. Others											-
(V) Special reserves	-	-	-	-	-	450,305.90	-	-	-	46,127.37	496,433.27
1. Extraction of special reserves						12,371,045.95				1,030,024.81	13,401,070.76
2. Use of special reserves						11,920,740.05				983,897.44	12,904,637.49
(VI) Others											-
<b>IV. Balance at the end of current year</b>	1,123,645,275.00	-	2,655,849,996.00	-	-11,710,421.44	3,465,767.12	501,495,783.59	43,263,387.54	1,086,069,085.52	580,144,273.34	5,982,223,146.67

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

Year of 2021

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
<b>I. Closing balance of prior year</b>	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	539,451,678.91	713,860,340.37	4,783,865,789.45
Add: accounting policy changes											-
Prior errors' correction											-
Enterprise merger under the same control											-
Others											-
<b>II. Balance at the beginning of current year</b>	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	539,451,678.91	713,860,340.37	4,783,865,789.45
<b>III. Increases/decreases in current year</b>	-	-	-	-	-12,762,563.03	785,460.91	-	14,538,240.88	266,612,499.42	-76,517,600.52	191,656,047.66
(I) Total comprehensive income					-12,762,563.03				280,150,740.30	1,947,226.65	269,335,413.92
(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	-	-	-	-	-	-	-	14,538,240.88	-14,538,240.88	-78,511,135.00	-78,511,135.00
1. Appropriation of surplus reserve											-
2. Extraction of general risk reserves								14,538,240.88	-14,538,240.88		-
3. Profit distributed to owners (or stockholders)										-78,511,135.00	-78,511,135.00
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. Other comprehensive income carried forward to retained earnings											-
6. Others											-
(V) Special reserves	-	-	-	-	-	785,460.91	-	-	-	46,307.63	831,768.74
1. Extraction of special reserves						12,927,685.36				1,044,800.66	13,972,486.02
2. Use of special reserves						12,142,224.45				998,492.63	13,140,717.28
(VI) Others											-
<b>IV. Balance at the end of current year</b>	985,850,000.00	-	2,099,466,626.33	-	-26,960,733.16	3,015,461.22	442,101,172.16	39,642,392.38	796,064,178.33	637,342,739.85	4,975,521,837.11

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

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

Year of 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note V	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
<b>I. Closing balance of prior year</b>		985,850,000.00	-	2,004,793,045.95	-	-	-	367,607,888.33	523,139,843.31	3,881,390,777.59
Add: accounting policy changes										-
Prior errors' correction										-
Others										-
<b>II. Balance at the beginning of current year</b>		985,850,000.00	-	2,004,793,045.95	-	-	-	367,607,888.33	523,139,843.31	3,881,390,777.59
<b>III. Increases/decreases in current year</b>		137,795,275.00	-	556,383,369.67	-	-	-	59,394,611.43	450,362,801.37	1,203,936,057.47
(I) Total comprehensive income									593,946,114.33	593,946,114.33
(II) Capital contributed by owners and capital decreases		137,795,275.00	-	556,383,369.67	-	-	-	-	-	694,178,644.67
1. Capital contributed by owner		137,795,275.00		556,383,369.67						694,178,644.67
2. Holders of other equity instruments invested capital										-
3. The amount of the shares paid into the shareholders' rights and interests										-
4. Others										-
(III) Profit distribution		-	-	-	-	-	-	59,394,611.43	-143,583,312.96	-84,188,701.53
1. Appropriation of surplus reserve								59,394,611.43	-59,394,611.43	-
2. Profit distributed to owners (or stockholders)									-84,188,701.53	-84,188,701.53
3. Others										-
(IV) Transfers within the owners' equity		-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus		-								-
2. Capital (or stock) transferred from surplus reserve		-								-
3. Recovery of losses by surplus reserve										-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans										-
5. Other comprehensive income carried forward to retained earnings										-
6. Others										-
(V) Special reserves		-	-	-	-	-	-	-	-	-
1. Extraction of special reserves							7,166,518.41			7,166,518.41
2. Use of special reserves							7,166,518.41			7,166,518.41
(VI) Others										-
<b>IV. Balance at the end of current year</b>		1,123,645,275.00	-	2,561,176,415.62	-	-	-	427,002,499.76	973,502,644.68	5,085,326,835.06

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

Year of 2021

Item	Note V	Amount in this 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
<b>I. Closing balance of prior year</b>		985,850,000.00	-	2,004,783,045.95	-	-	-	367,607,888.33	637,020,523.92	3,995,271,458.20
Add: accounting policy changes								-		-
Prior errors' correction										-
Others										-
<b>II. Balance at the beginning of current year</b>		-	-	-	-	-	-	367,607,888.33	637,020,523.92	3,995,271,458.20
<b>III. Increases/decreases in current year</b>		-	-	-	-	-	-	-	-113,880,680.61	-113,880,680.61
(I) Total comprehensive income									-113,880,680.61	-113,880,680.61
(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. Other comprehensive income carried forward to retained earnings										-
6. Others										-
(V) Special reserves		-	-	-	-	-	-	-	-	-
1. Extraction of special reserves							5,837,492.12			5,837,492.12
2. Use of special reserves							5,837,492.12			5,837,492.12
(VI) Others										-
<b>IV. Balance at the end of current year</b>		<u>985,850,000.00</u>	<u>-</u>	<u>2,004,783,045.95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,607,888.33</u>	<u>523,139,843.31</u>	<u>3,881,390,777.59</u>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

## I. GENERAL INFORMATION OF THE COMPANY

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 RMB 636,346,000 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: RMB 1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB 785,000,000. 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 HKD 3.95/share, which increased the registered and paid-up share capital of the Company to RMB 845,900,000. 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 RMB 5.40/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 RMB 995,900,000.

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

In January 2021, China YTO Group Co., Ltd. received the China Securities Regulatory Commission’s “Approval for the Non-public Issuance of Shares by First Tractor Company Limited”, and increased the company’s capital by a net amount of RMB 694,178,644.67, which is included in “share capital” of RMB 137,795,275.00 and which is included in the “capital reserve - share capital premium” of RMB 556,383,369.67.

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by December 31, 2021, the total capital stock of company is 1,123,645,275.00 shares and registered capital is RMB 1,123,645,275.00. The registered address of business license of the Company is No. 154 Construction Road, Luoyang, Henan Province. The parent company of the Company is YTO Group Corporation (referred hereunder as the “YTO Group”) and the ultimate controlling party of the YTO Group is China National Machinery Industry Corporation (referred hereunder as the “SinoMach Group”).

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

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

The financial statements are reported in March 29, 2022 by the board of directors of the Group.

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

*January 1, 2021 to December 31, 2021 (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 13 companies, which are:

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

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 subjects included in the scope of the consolidated financial statements in the current period increased by 1 level 3 subsidiary, decreased by 1 level 2 subsidiary and 1 level 3 subsidiary. Please refer to "Note VII, Changes in the Consolidated scope" for specific information about the subjects of changes in the consolidated scope.

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

January 1, 2021 to December 31, 2021 (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 V. 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, 2021 to December 31, 2021 (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, 2021 to December 31, 2021 (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. Business cycle

The operating cycle of the group is 12 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, 2021 to December 31, 2021 (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, 2021 to December 31, 2021 (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 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, 2021 to December 31, 2021 (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.

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

January 1, 2021 to December 31, 2021 (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)**

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

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

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

- (c)** 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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 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.

#### 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 11. Financial instruments

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

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

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

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

##### **(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.

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

January 1, 2021 to December 31, 2021 (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)*

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.

##### (d) *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, 2021 to December 31, 2021 (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)*

- (e) *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.

- (f) *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, 2021 to December 31, 2021 (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)*

(g) *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.

(h) *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.

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

January 1, 2021 to December 31, 2021 (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)*

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

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.

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

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

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

January 1, 2021 to December 31, 2021 (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, Confirmation and measurement of financial liabilities (Continued)*

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.

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, 2021 to December 31, 2021 (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, Confirmation 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.

##### **(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.

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

January 1, 2021 to December 31, 2021 (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 (Continued)**

###### *(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.

##### **(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.

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

January 1, 2021 to December 31, 2021 (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)**

- 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.

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, 2021 to December 31, 2021 (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.

##### **(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.

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

January 1, 2021 to December 31, 2021 (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  
(Continued)***

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

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

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

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

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

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

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

January 1, 2021 to December 31, 2021 (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 receivable)  
(Continued)**

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

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

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

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

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

January 1, 2021 to December 31, 2021 (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 receivable) (Continued)**

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

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

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

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

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

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

January 1, 2021 to December 31, 2021 (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 receivable)  
(Continued)**

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

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

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

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

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

January 1, 2021 to December 31, 2021 (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 receivable) (Continued)**

##### *(3) Determination of expected credit losses*

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

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

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

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

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

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

January 1, 2021 to December 31, 2021 (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 receivable)  
(Continued)**

**(4) Write-down of financial assets**

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

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

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

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

#### 12. Notes receivable

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

The group shall make provision for bad debt of notes receivable based on the expected amount of credit losses during the entire period of its existence.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 13. Accounts receivables

***The determination method and accounting treatment method of expected credit loss of 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.

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

#### 14. Receivables financing

For receivables financing, the Group shall make provision for bad debts based on the expected amount of credit losses during the entire term of existence.

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 15. Other receivable

The Group measures other receivables loss provision in accordance with the following circumstances:

① If 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. ② Financial 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. ③ When 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.

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 16. 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



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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 16. Inventories (Continued)

**(4) Inventory system**

Adopting the perpetual inventory system.

**(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.

#### 17. Contract assets and contract liabilities

**(1) Methods and standards for the recognition of contract assets and 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 Group when the customer has received or receivables consideration is recognized as contract liabilities.

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

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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 18. 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.

**(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.

- (3)** 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.

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 19. 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.

<b>Overdue age</b>	<b>Expected loss reserve rate</b>
Not overdue receivables	Expected credit loss of risk exposure is the balance of contract amount less unrealized financing income
Overdue receivables	Expected loss rate

#### 20. Long-term equity investment

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

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

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 20. Long-term equity investment (Continued)

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.

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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 20. 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.

#### 21. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 22. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 22. 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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 22. Fixed assets (Continued)

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

##### *b. Subsequent measurements of fixed assets*

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

##### *c. Disposal of fixed assets*

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

#### 23. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 24. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 24. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 25. 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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 26. Intangible assets and development expenditure

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

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

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

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

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

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

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.

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 26. Intangible assets and development expenditure (Continued)

**(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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 26. Intangible assets and development expenditure (Continued)

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

##### *b. Intangible assets with uncertain service life*

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

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

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

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

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

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

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 26. 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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 27. 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.

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

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

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



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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 28. Long-term prepayments

**(1) Amortization method**

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

**(2) Amortization years**

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 29. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 29. 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.

##### (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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 30. 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.

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.

- (3)** 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.

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 31. 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.

###### (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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 31. 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.

###### (f) *Sales with warranty*

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

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 31. Revenue (Continued)

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

*(g) Principal liable party / agent*

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

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

*I. Domestic product sales revenue*

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

*II. Foreign trade revenue*

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

*III. Financial services income*

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

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

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

*IV. Other*

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 32. Government subsidy

##### (1) *Classification of government subsidy*

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

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

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

##### (2) *Confirmation of government subsidy*

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 32. Government subsidy (Continued)

**(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.

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 33. Deferred tax assets/ deferred tax liabilities

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

##### (1) *Basis of confirmation for deferred tax assets*

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

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

##### (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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. Lease

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

##### (1) *Spin off of lease contracts*

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

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

##### (2) *Consolidation of lease contracts*

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. Lease (Continued)

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

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

##### 1) *short-term leases and low-value assets leases*

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

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

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

##### 2) *Right-to-use assets*

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

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

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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. Lease (Continued)

##### (4) Accounting for the Company as Lessor

###### 1) Classification of Leases

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

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

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

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. Lease (Continued)

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

###### 2) Accounting for financial lease

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

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

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

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

###### 3) 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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 34. Lease (Continued)

##### (5) Sale-leaseback

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

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

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

2) *The Company as buyer and lessor.*

If the transfer of assets in the sale-leaseback transaction belongs to sales, the Company shall 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.

#### 35. Discontinued operation

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

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 36. Safety production cost

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

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

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

#### 38. General risk reserve

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

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

**(1) Changes in significant accounting policies**

No accounting policies were changed during the reporting period.

**(2) Changes in Accounting Estimates**

No accounting estimates were changed during the reporting period.

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

*January 1, 2021 to December 31, 2021 (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.	13%
	Provide agricultural machinery sales, tap water, heating, gas, etc.	9%
	Other taxable sales service behavior	6%
Urban construction and maintenance tax	Payment of the turnover tax	7% · 5%
Education surcharges	Payment of the turnover tax	3% · 2%
Enterprise income tax	Taxable income	25% · 15%
Property tax	The original value of the property of the 70% (or rental income) as the tax base	1.2% · 12%

The income tax rate of different tax subject:

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

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. TAXATION (CONTINUED)

#### (2) The preferential tax policy and the basis

##### 1. Value added tax (VAT)

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

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to the provision of (the twenty-sixth item) of the article 1 of the Appendix 3 'The rules of the pilot by replacing business tax with VAT transition policy' of the 'Notice of the Ministry of Finance and the State Administration of Taxation on the full implementation of the pilot by replacing business tax with VAT' (Caishui [2016] No.36). Luoyang Changxing Agriculture Machinery Co., Ltd., subsidiaries of the Group, are exempted from VAT on sale of agricultural machinery according to Caishui [2001] No.113 Notice of Exemption from VAT for Agricultural Production Issued by Ministry of Finance and State Administration of Taxation.

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

##### 2. Enterprise income tax

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

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

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

*January 1, 2021 to December 31, 2021 (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, 2021, “the end of the year or the end of the period” means December 31, 2021, “the current year or the current period” means January 1, 2021 to December 31, 2021. The unit of currency is RMB.

#### 1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	413,447.08	382,376.31
Bank deposit	3,084,123,983.80	1,664,011,936.27
Other monetary funds	158,862,180.77	38,231,162.95
Total	<u>3,243,399,611.65</u>	<u>1,702,625,475.53</u>
Including : total amount deposited abroad	48,719,452.12	58,500,849.52

The restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Deposit of bank acceptance	20,218,112.35	22,041,438.35
Policy Bank Restricted Funds	138,052,188.68	
Deposit reserve requirement for central banks	237,769,762.23	259,727,714.62
Fixed deposits of more than three months	700,000,000.00	
Other deposit	591,822.78	4,030,411.98
Total	<u>1,096,631,886.04</u>	<u>285,799,564.95</u>

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

January 1, 2021 to December 31, 2021 (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	99,500,000.00	100,000,000.00
Less: impairment provision	76,180,000.00	60,000,000.00
Total	23,320,000.00	40,000,000.00

*Note:* on March 27, 2019, China YTO Group Finance Co., Ltd., a subsidiary of the Group, lent RMB 100 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%. In 2021, Tianjin Property Group Co., Ltd. underwent bankruptcy and reorganization, and the Group made provision for impairment based on the difference between the recoverable asset value and the book value.

#### 3. Trading financial assets

Item	Ending balance	Beginning balance
Subtotal of financial assets measured at fair value and its movement recorded through profit or loss		306,108,457.98
Debt instrument investment		300,000,000.00
Equity instrument investment		6,108,457.98
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	1,038,970,988.74	1,000,272,900.00
Debt instrument investment	1,038,960,400.00	1,000,272,900.00
Equity instrument investment	10,588.74	
Other financial assets designated as fair value		
Total	1,038,970,988.74	1,306,381,357.98



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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 4. Notes receivable

**(1) Classification of notes receivable**

Item	Ending balance	Beginning balance
Bank acceptance notes	62,129,339.36	
Commercial acceptance notes	628,282.22	892,050.97
Total	62,757,621.58	892,050.97

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

N/A

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

Item	Amount de-recognized at the end of the period	Amount not de-recognized at the end of the period
Bank acceptance notes		23,575,892.03
Commercial acceptance notes		
Total		23,575,892.03

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 4. Notes receivable (Continued)

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

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 5. Accounts receivable

**(1) Age Disclosure of Accounts Receivable**

Aging	Ending Balance	Beginning Balance
Within 1 year	292,874,155.48	355,619,302.12
1 to 2 yeas	4,670,501.05	20,238,834.27
2 to 3 yeas	8,697,080.46	38,739,020.72
Over 3 years	450,950,037.19	351,698,526.62
Sub-total	757,191,774.18	766,295,683.73
Less : Bad debt provision	455,530,037.70	390,093,012.75
Total	301,661,736.48	376,202,670.98

*Note:* The increase in accounts receivable over 3 years over the previous year was mainly due to the fact that YTO (Luoyang) Harvesters Co., Ltd. was no longer included in the consolidation scope due to bankruptcy and liquidation in the current period.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 5. Accounts receivable (Continued)

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

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

Item	Beginning Balance				Book Value
	Book balance		Bad debt provision		
	Amount	Ratio(%)	Amount	Accrual Ratio(%)	
Accounts receivable for anticipated credit losses on a portfolio basis	766,295,683.73	100.00	390,093,012.75	50.91	376,202,670.98
Including: Aging portfolio	677,972,895.68	88.47	354,313,235.37	52.26	323,659,660.31
Risk exposure portfolio such as collateral	88,322,788.05	11.53	35,779,777.38	40.51	52,543,010.67
Total	766,295,683.73	100.00	390,093,012.75	50.91	376,202,670.98

##### (3) Accounts receivable with expected credit losses by combination

###### 1) Aging portfolio

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	256,699,383.54	4,369,444.20	1.7
1 to 2 years	2,459,368.86	1,135,066.94	46.15
2 to 3 years	3,620,323.19	3,620,323.19	100
Over 3 years	424,329,802.25	413,365,826.41	97.42
Total	687,108,877.84	422,490,660.74	61.49



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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 5. Accounts receivable (Continued)

**(3) Accounts receivable with expected credit losses by combination (Continued)**

2) Risk exposure portfolio such as collateral

Name of portfolio	Book value	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	<u>70,082,896.34</u>	<u>33,039,376.96</u>	<u>47.14</u>
Total	<u><u>70,082,896.34</u></u>	<u><u>33,039,376.96</u></u>	<u><u>47.14</u></u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 5. Accounts receivable (Continued)

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

Item	Beginning balance	Changes in the current period			Ending Balance	
		Increase: Provision	Decrease: disposal of subsidiaries	Decrease: Write off		Decrease: Other changes
Accounts receivable for anticipated credit losses on a portfolio basis	390,093,012.75	69,510,941.75	869,998.42	1,967,677.87	1,236,240.51	455,530,037.70
Including: Aging portfolio	354,313,235.37	70,559,658.33	869,998.42	1,293,785.35	218,449.91	422,490,660.74
Risk exposure portfolio						
such as collateral	35,779,777.38	-1,048,716.58	673,892.52	673,892.52	1,017,719.32	33,039,376.96
Total	390,093,012.75	69,510,941.75	869,998.42	1,967,677.87	1,236,240.51	455,530,037.70

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 5. Accounts receivable (Continued)

**(5) Accounts receivable actually written off during the reporting period**

Item	Amount
Accounts receivable actually written off	1,967,677.87

The significant accounts receivable that write off of is as follows:

Company	Nature	Amount	Reason	Procedure (%)	Whether generated by related transactions
Taizhou Gaoyun Machinery Co., Ltd.	Sales receivables	673,892.52	Noncollectable	Company internal approval	No
Luoyang Hongdu Machinery Co., Ltd.	Sales receivables	384,631.78	Noncollectable	Company internal approval	No
Huaxian Yongsheng Agricultural Machinery Service Farmer Professional Cooperative	Sales receivables	162,700.00	Noncollectable	Company internal approval	No
Luoyang Yuxian Trading Co., Ltd.	Sales receivables	132,652.40	Noncollectable	Company internal approval	No
Luoyang Yongsheng Materials Co., Ltd.	Sales receivables	128,557.49	Noncollectable	Company internal approval	No
Luoyang Huicheng Founding Mould Co., Ltd.	Sales receivables	124,689.48	Noncollectable	Company internal approval	No
Others	Sales receivables	360,554.20	Noncollectable	Company internal approval	No
Total		1,967,677.87			

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 5. Accounts receivable (Continued)

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

Company	Ending Balance	Ratio (%)	Bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	81,470,181.00	10.76	81,470,181.00
YTO (Luoyang) Harvesters Co., Ltd.	74,091,864.82	9.79	74,091,864.82
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	8.21	62,183,376.45
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	27,533,497.99	3.64	27,533,497.99
Cuba TECNOIMPORT	22,742,044.16	3.00	21,341,309.14
Total	268,020,964.42	35.40	266,620,229.40

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

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



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

January 1, 2021 to December 31, 2021 (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

##### (1) Aging analysis of advances to suppliers

Aging	Ending balance			Beginning balance		Bad debt provision
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	
Within 1 year	240,707,027.25	96.61	62,027.96	172,516,701.09	93.94	1,277.08
1-2 years	415,647.03	0.17	1,277.08	892,877.41	0.49	-
2-3 years	31,722.51	0.01		6,630,305.41	3.61	4,429,562.92
Over 3 years	8,006,858.46	3.21	6,385,626.12	3,596,906.24	1.96	1,833,028.70
Total	<u>249,161,255.25</u>	<u>100.00</u>	<u>6,448,931.16</u>	<u>183,636,790.15</u>	<u>100.00</u>	<u>6,263,868.70</u>

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

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

Company name	Ending balance	Percentage in the ending balance of advances to suppliers (%)	Aging	Reason
Xuzhou Xulun Rubber Co., Ltd	99,185,635.41	39.81	Within 1 year	In progress
Yto Group Corporation	34,780,433.99	13.96	Within 1 year	In progress
Golden Century (Luoyang) Wheel Manufacturing Co., Ltd.	33,480,276.23	13.44	Within 1 year	In progress
Shandong Xingtai TYRE Co., Ltd.	10,742,458.17	4.31	Within 1 year	In progress
Qingdao Beihai Wheels Co., Ltd.	7,454,357.83	2.99	Within 1 year	In progress
Total	<u>185,643,161.63</u>	<u>74.51</u>		

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

*January 1, 2021 to December 31, 2021 (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

<b>(1) Item</b>	<b>Ending balance</b>	Beginning balance
Interests receivable	944.41	1,571.53
Other receivables	<u>24,246,211.78</u>	<u>26,300,009.80</u>
Total	<u><u>24,247,156.19</u></u>	<u><u>26,301,581.33</u></u>
<b>(2) Interest receivable</b>		
<b>Item</b>	<b>Ending balance</b>	Beginning balance
Interest receivable on buyer's credit	<u>944.41</u>	<u>1,571.53</u>
Total	<u><u>944.41</u></u>	<u><u>1,571.53</u></u>

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

January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables

##### a. Age Disclosure of Accounts Receivable

Aging	Ending Balance	Beginning Balance
Within 1 year	18,636,260.13	21,453,022.07
1 to 2 yeas	1,245,778.38	2,440,443.02
2 to 3 yeas	1,496,161.33	1,167,068.41
Over 3 years	99,616,674.67	100,174,546.67
Sub-total	<u>120,994,874.51</u>	<u>125,235,080.17</u>
Less : Bad debt provision	<u>96,748,662.73</u>	<u>98,935,070.37</u>
Total	<u><u>24,246,211.78</u></u>	<u><u>26,300,009.80</u></u>

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

*January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables (Continued)

##### b. Classification of other receivables by nature

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	83,415,252.13	87,782,607.43
Deposits and petty cash	5,722,026.99	7,013,114.80
Collection and payment of social insurance withheld	2,913,552.64	2,740,751.94
Tax refund for export receivables	9,697,109.31	6,952,670.38
Others	19,246,933.44	20,745,935.62
Total	<b>120,994,874.51</b>	<b>125,235,080.17</b>

##### c. Disclosure by three stages of impairment of financial assets

Item	Ending Balance			Beginning Balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Stage one	113,165,302.53	93,431,784.46	19,733,518.07	117,423,793.72	95,667,773.87	21,756,019.85
Stage two	7,829,571.98	3,316,878.27	4,512,693.71	7,811,286.45	3,267,296.50	4,543,989.95
Stage three						
Total	<b>120,994,874.51</b>	<b>96,748,662.73</b>	<b>24,246,211.78</b>	<b>125,235,080.17</b>	<b>98,935,070.37</b>	<b>26,300,009.80</b>

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

January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables (Continued)

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

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

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

*January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables (Continued)

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

Item	Book balance		Beginning balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	125,235,080.17	100.00	98,935,070.37	79.00	26,300,009.80
Including: Aging portfolio	111,687,688.31	89.18	95,610,412.79	85.61	16,077,275.52
Low-risk portfolio	5,736,105.41	4.58	57,361.08	1.00	5,678,744.33
Risk exposure portfolio such as collateral	7,811,286.45	6.24	3,267,296.50	41.83	4,543,989.95
<b>Total</b>	<b>125,235,080.17</b>	<b>100.00</b>	<b>98,935,070.37</b>	<b>79.00</b>	<b>26,300,009.80</b>

e. *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	11,531,267.99	272,568.10	2.36
1-2 years	901,125.89	450,562.96	50.00
2-3 years	63,549.54	63,549.54	100.00
Over 3 years	92,564,050.77	92,564,050.77	100.00
<b>Total</b>	<b>105,059,994.19</b>	<b>93,350,731.37</b>	<b>88.85</b>

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

January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables (Continued)

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

##### II. Low-risk portfolio

Aging	Book balance	Ending balance Bad debt provision	Accrual percentage (%)
Within 1 year	7,064,446.16	70,644.45	1.00
1-2 years	333,162.49	3,331.63	1.00
2-3 years	291,325.79	2,913.26	1.00
Over 3 years	416,373.90	4,163.75	1.00
Total	<u>8,105,308.34</u>	<u>81,053.09</u>	<u>1.00</u>

##### III. Risk exposure portfolio such as collateral

Name of portfolio	Ending balance	Bad debt provision	Accrual percentage (%)
Risk exposure portfolio such as collateral	<u>7,829,571.98</u>	<u>3,316,878.27</u>	<u>42.36</u>
Total	<u>7,829,571.98</u>	<u>3,316,878.27</u>	<u>42.36</u>



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

*January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables (Continued)

f. Provision for bad debts of other receivables

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	95,667,773.87	3,267,296.50		98,935,070.37
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	-1,037,955.56	49,581.77		-988,373.79
Return in current period				
Transfer in current period				
Write off in current period	-3,145.00			-3,145.00
Other changes	-1,194,888.85			-1,194,888.85
Ending balance	<u>93,431,784.46</u>	<u>3,316,878.27</u>		<u>96,748,662.73</u>

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

January 1, 2021 to December 31, 2021 (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)

##### (3) Other receivables (Continued)

g. The actual amount of other receivables written off during this reporting period is 3,145.

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

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Payment between units of work	82,240,000.00	Over 5 years	67.97	82,240,000.00
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	8,076,189.25	Within 1 year	6.67	169,046.59
Shanghai Pengpu Machinery Factory Co., Ltd.	Payment between units of work	6,490,000.00	Over 5 years	5.36	2,292,959.42
Jiangsu Qingjiang Tractor Co., Ltd.	Payment between units of work	3,315,484.00	Over 5 years	1.84	3,315,484.00
Shaanxi Heavy-duty Motor Company Limited	Mould deposit	2,226,175.75	Within 1 year	2.74	22,261.76
Total		102,347,849.00		84.58	88,039,751.77

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

*January 1, 2021 to December 31, 2021 (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)

**(3) Other receivables (Continued)**

- i. No other receivables involving government subsidies*
- j. No other receivables that have not been terminated for the transfer of financial assets*
- k. No amount of assets and liabilities formed without the transfer of other receivables and continued involvement*

#### 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	360,643,454.77	1,561,721,065.92
Including : Capital	360,000,000.00	1,560,000,000.00
Interest receivable	643,454.77	1,721,065.92
Domestic other financial institutes		
Total	<u>360,643,454.77</u>	<u>1,561,721,065.92</u>

**(2) Classification according to the asset type**

Item	Ending balance	Beginning balance
Bonds	360,643,454.77	1,561,721,065.92
Total	<u>360,643,454.77</u>	<u>1,561,721,065.92</u>

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

January 1, 2021 to December 31, 2021 (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

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

Item	Ending balance	Beginning balance
Due within one month	310,543,317.78	1,301,281,817.50
1-3 month	50,100,136.99	260,439,248.42
Total	360,643,454.77	1,561,721,065.92

#### 10. Inventories

##### (1) Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	524,270,464.44	77,570,319.57	446,700,144.87	512,169,174.72	132,110,838.41	380,058,336.31
Work in progress	224,080,472.99	10,230,755.26	213,849,717.73	224,682,267.57	7,388,853.48	217,293,414.09
Finished goods	715,572,408.37	18,422,463.04	697,149,945.33	574,764,094.46	23,565,607.70	551,198,486.76
Goods shipped in transit	322,197,294.96	5,888,169.61	316,309,125.35	213,557,152.20	5,841,578.17	207,715,574.03
Total	1,786,120,640.76	112,111,707.48	1,674,008,933.28	1,525,172,688.95	168,906,877.76	1,356,265,811.19

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

*January 1, 2021 to December 31, 2021 (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

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	132,110,838.41	4,755,258.23			23,522,143.33	35,773,633.74	77,570,319.57
Work in progress	7,388,853.48	2,841,901.78					10,230,755.26
Finished goods	23,565,607.70	18,269,383.08			18,030,509.34	5,382,017.80	18,422,463.04
Goods shipped in transit	5,841,578.17	919,909.04			873,317.60		5,888,169.61
Total	168,906,877.76	26,786,452.13			42,425,970.87	41,155,651.54	112,111,707.48

#### 11. Non-current assets maturing within one year

Item	Ending balance	Beginning balance
Original value of long-term receivable due within one year	391,991,636.72	330,647,509.01
The original value of financial lease within one year	107,479,608.15	56,149,752.33
Less: unconfirmed financing gains	46,766,667.72	31,366,267.03
Provision for impairment	264,515,223.40	116,704,750.19
Total	188,189,353.75	238,726,244.12

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 12. Other current assets

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	8,319,616.38	19,095,550.99
Loan by mandate	171,000,000.00	171,000,000.00
Value-added tax left for deduction	292,339,820.11	268,197,591.62
Input Tax to be Certified	190,666.19	336,250.42
Advance payment of other tax	4,608,443.55	3,217,771.39
Interest receivable	14,036,201.76	3,146,115.69
Subtotal	<u>490,494,747.99</u>	<u>464,993,280.11</u>
Less: Provision for impairment	<u>171,000,000.00</u>	<u>183,406,085.09</u>
Total	<u><u>319,494,747.99</u></u>	<u><u>281,587,195.02</u></u>

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

January 1, 2021 to December 31, 2021 (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*

Item	Ending balance	Beginning balance
Subtotal of individual loans and advances	13,710,081.86	51,573,608.82
Property mortgages		
Others	13,710,081.86	51,573,608.82
Subtotal of corporate loans and advances	903,953,910.38	956,734,369.31
Loans	867,608,260.00	948,464,022.43
Discounting	36,345,650.38	8,270,346.88
Loan interest	1,294,081.19	1,488,490.42
Total loans and advances	918,958,073.43	1,009,796,468.55
Less : Impairment provision of loans	27,203,119.60	27,546,945.17
Including : Provision made on individual basis	-	
Provision made on portfolio basis	27,203,119.60	27,546,945.17
Total carrying value of loans and advances	<u>891,754,953.83</u>	<u>982,249,523.38</u>

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

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	903,953,910.38	98.37	956,734,369.31	94.75
Individuals	13,710,081.86	1.49	51,573,608.82	5.10
Interests on loans	1,294,081.19	0.14	1,488,490.42	0.15
Total loans and advances	918,958,073.43	100.00	1,009,796,468.55	100
Less : Impairment provision of loans	27,203,119.60	2.96	27,546,945.17	2.73
Including : Provision made on individual basis				
Provision made on portfolio basis	27,203,119.60	2.96	27,546,945.17	2.73
Total carrying value of loans and advances	<u>891,754,953.83</u>		<u>982,249,523.38</u>	

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

January 1, 2021 to December 31, 2021 (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

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

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	20,506,676.86	2.23	35,418,394.65	3.50
Central China	879,421,920.38	95.70	942,342,150.98	93.32
Northwest China	17,735,395.00	1.93	30,547,432.50	3.03
Loan interest	1,294,081.19	0.14	1,488,490.42	0.15
Total loans and advances	918,958,073.43	100.00	1,009,796,468.55	100.00
Less : Impairment provision of loans	27,203,119.60	2.96	27,546,945.17	2.73
Including : Provision made on individual basis	-			
Provision made on portfolio basis	27,203,119.60	2.96	27,546,945.17	2.73
Total carrying value of loans and advances	891,754,953.83		982,249,523.38	

##### (4) Distribution details by type of credit guarantee modes

Item	Ending balance	Beginning balance
Credit loans	792,700,000.00	890,000,000.00
Guaranteed loans	63,038,341.86	89,482,631.25
Loans secured by collateral	61,925,650.38	28,825,346.88
Including : mortgage loans	22,580,000.00	20,555,000.00
Pledged loans	39,345,650.38	8,270,346.88
Loan interest	1,294,081.19	1,488,490.42
Total loans and advances	918,958,073.43	1,009,796,468.55
Less : Impairment provision of loans	27,203,119.60	27,546,945.17
Including : Provision made on individual basis	-	
Provision made on portfolio basis	27,203,119.60	27,546,945.17
Total carrying value of loans and advances	891,754,953.83	982,249,523.38

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

January 1, 2021 to December 31, 2021 (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

##### (5) Provision for losses on loans

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		27,546,945.17		31,014,471.47
Current year provision		-343,825.57		-3,467,526.30
Ending balance		27,203,119.60		27,546,945.17

#### 14. Long-term receivable

##### (1) Long-term receivable situation

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	240,261,966.05	7,442,895.85	232,819,070.20	112,417,434.16	3,395,786.59	109,021,647.57	
Including:							
Unconfirmed Financing Income	13,635,513.51		13,635,513.51	7,752,731.31		7,752,731.31	
Selling goods by instalments	386,611,319.87	283,861,110.76	102,750,209.11	405,984,718.44	143,409,635.86	262,575,082.58	
Including:							
Unconfirmed Financing Income	52,312,631.24		52,312,631.24	55,560,078.55		55,560,078.55	
Less: Financial leases due within one year and selling goods by instalments	452,704,577.15	264,515,223.40	188,189,353.75	355,430,994.31	116,704,750.19	238,726,244.12	
Total	174,168,708.77	26,788,783.21	147,379,925.56	162,971,158.29	30,100,672.26	132,870,486.03	

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 14. Long-term receivable (Continued)

##### (2) Provision for bad debts of other receivables

Bad debts	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Beginning balance		3,395,786.59	143,409,635.86	146,805,422.45
Beginning balance in current period				
-Shift to stage two				
-Shift to stage three				
-Return to stage two				
-Return to stage one				
Provision in current period		4,047,109.26	140,451,474.90	144,498,584.16
Return in current period				
Transfer in current period				
Write off in current period				
Other changes				
Ending balance		7,442,895.85	283,861,110.76	291,304,006.61

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

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

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

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

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 14. Long-term receivable (Continued)

**(3) Finance lease receivables**

Remaining lease term	Ending balance	Beginning balance
Within 1 year	107,479,608.15	56,149,752.33
1-2 years	133,201,889.71	43,907,303.49
2-3 years	757,810.96	3,414,821.93
3-4 years	12,458,170.74	
4-5years		16,698,227.72
Over 5years		
Subtotal of total lease receivables	253,897,479.56	120,170,105.47
Less: Unrecognized financing income	13,635,513.51	7,752,731.31
Subtotal of present value of lease receivables	240,261,966.05	112,417,374.16
Less: Lease payments due within one year	103,447,774.92	53,917,949.65
Total	<u>136,814,191.13</u>	<u>58,499,424.51</u>

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

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

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

January 1, 2021 to December 31, 2021 (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

Invested company	Beginning balance	Additional investment	Changes of increase/decrease in the period				Declared cash dividends/profit to be distributed	Provision for impairment	Others	Ending balance	Ending balance of impairment provision
			Investment reduced	Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes					
I. Investments in associates											
ZF YTO (Luoyang) Drive Axle Co., Ltd	121,441,096.58			2,378,171.19					992,387.49		124,811,655.26
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	617,842.97			-31,287.50							586,555.47
Luoyang Yizhong Technology Consulting Co., Ltd.	273,680.12			73,671.45							347,351.57
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.		1,800,000.00		-575,015.93							1,224,984.07
<b>Total</b>	<b>122,332,619.67</b>	<b>1,800,000.00</b>		<b>1,845,539.21</b>					<b>992,387.49</b>		<b>126,970,546.37</b>

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

*January 1, 2021 to December 31, 2021 (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

**(1) Category of other equity instruments**

Item	Ending balance	Beginning balance
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	4,839,048.00	4,839,048.00
Total	4,839,048.00	4,839,048.00

**(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						

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

January 1, 2021 to December 31, 2021 (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

Item	Ending balance	Beginning balance
Fixed assets	<u>2,465,981,510.01</u>	<u>2,617,726,435.41</u>
Total	<u>2,465,981,510.01</u>	<u>2,617,726,435.41</u>

#### (1) Original Value and Accumulated Depreciation of Fixed Assets

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
<b>I. Original book balance</b>							
1. Beginning balance	8,289,825.00	2,227,412,440.75	4,292,485,009.82	50,673,632.16	123,045,543.20	3,560,807.69	6,705,467,258.62
2. Increase amount in this period		31,745,345.12	140,426,831.03	4,183,428.84	4,918,487.26	10,000.00	181,284,092.25
Purchase		299,780.80	6,050,730.10	531,484.77	1,434,682.70		8,316,678.37
Transferred from construction in progress		26,715,616.72	139,816,226.43	3,364,487.90	3,845,857.87	10,000.00	173,752,188.92
Converted difference in Foreign Currency Statements		-608,202.02	-2,724.66	-153,847.66	-20,000.70		-784,775.04
Reclassification		5,338,149.62	-5,437,400.84	441,303.83	-342,052.61		
3. Decrease amount in this period	8,289,825.00	11,778,723.80	224,988,950.62	3,130,221.10	2,246,637.62	3,193,018.38	253,627,376.52
Disposal of scrapped		6,336,906.54	187,307,572.43	3,130,221.10	2,021,257.42		198,795,957.49
Disposal of subsidiaries	8,289,825.00	5,441,817.26	37,681,378.19		225,380.20	3,193,018.38	54,831,419.03
4. Ending balance		<u>2,247,379,062.07</u>	<u>4,207,922,890.23</u>	<u>51,726,839.90</u>	<u>125,717,392.84</u>	<u>377,789.31</u>	<u>6,633,123,974.35</u>

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

January 1, 2021 to December 31, 2021 (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) Original Value and Accumulated Depreciation of Fixed Assets (Continued)

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
<b>II. Accumulated depreciation</b>							
1. Beginning balance		1,042,571,499.12	2,827,785,857.65	28,328,099.66	93,321,933.19	2,921,008.23	3,994,928,397.85
2. Increase amount in this period		62,385,898.12	215,409,004.81	3,413,366.51	7,539,874.16	35,202.81	288,783,346.41
Provision		62,500,031.50	215,609,611.06	3,457,344.64	7,758,682.77	35,202.81	289,360,872.78
Converted difference in Foreign Currency							
Statements		-426,077.49	-2,580.00	-132,488.16	-16,380.72		-577,526.37
Reclassification		311,944.11	-198,026.25	88,510.03	-202,427.89		
3. Decrease amount in this period		5,152,594.96	188,855,229.79	2,878,060.67	2,033,837.29	2,675,042.35	201,594,765.06
Disposal or scrap		3,937,230.30	159,823,022.30	2,878,060.67	1,873,725.62		168,512,038.89
Disposal of subsidiaries		1,215,364.66	29,032,207.49		160,111.67	2,675,042.35	33,082,726.17
4. Ending balance		<u>1,099,804,802.28</u>	<u>2,854,339,632.67</u>	<u>28,863,405.50</u>	<u>98,827,970.06</u>	<u>281,168.69</u>	<u>4,082,116,979.20</u>
<b>III. Impairment provision</b>							
1. Beginning balance	4,461,900.00	12,805,890.73	73,917,292.29	970,653.58	287,782.32	368,906.44	92,812,425.36
2. Increase amount in this period		61,440.94	8,291,467.16		21,959.27		8,374,867.37
Provision			1,364,303.67		23,808.39		1,388,112.06
Converted difference in Foreign Currency							
Statements							
Others			6,986,755.31				6,986,755.31
Reclassification		61,440.94	-59,591.82		-1,849.12		
3. Decrease amount in this period	4,461,900.00	473,090.04	10,754,882.83		103,028.28	368,906.44	16,161,807.59
Disposal or scrap			3,244,445.60		59,610.14		3,304,055.74
Disposal of subsidiaries	4,461,900.00	473,090.04	7,510,437.23		43,418.14	368,906.44	12,857,751.85
4. Ending balance		<u>12,394,241.63</u>	<u>71,453,876.62</u>	<u>970,653.58</u>	<u>206,713.31</u>		<u>85,025,485.14</u>
<b>IV. Book value</b>							
1. Ending balance of book value		1,135,180,018.16	1,282,129,380.94	21,892,780.82	26,682,709.47	96,620.62	2,465,981,510.01
2. Beginning balance of book	3,827,925.00	1,172,035,050.90	1,390,781,859.88	21,374,878.92	29,435,827.69	270,893.02	2,617,726,435.41

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

January 1, 2021 to December 31, 2021 (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

Item	Book value
Houses and buildings	49,597,909.34
Machine and equipment	30,356,532.98
Total	<u>79,954,442.32</u>

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

Item	Book value	Reason for property right certificate not yet processed
Modern agricultural equipment cab automation engineering	81,948,736.13	The property right certificate is in the process of processing.
New Youth Jiayuan Established by Subsidiary Research Institute	64,213,227.70	The property right certificate is in the process of processing
Production workshop of large wheel tractor joint plant	43,187,545.29	The property right certificate is in the process of processing.
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	12,473,849.44	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 YTO can get the real estate license.
Zhengzhou branch dormitory and canteen	1,448,841.17	

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

*January 1, 2021 to December 31, 2021 (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)

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

Item	Book value	Reason for property right certificate not yet processed
Branch heat treatment plant	4,727,049.95	The property right certificate is in the process of processing.
South Office Building of large wheel tractor joint plant	4,431,426.82	The property right certificate is in the process of processing.
North Auxiliary Building of large wheel tractor joint plant	3,114,557.23	The property right certificate is in the process of processing.
User training service workshop	3,051,243.52	The property right certificate is in the process of processing
Branch heat treatment auxiliary room	1,782,616.72	The property right certificate is in the process of processing.
New cooling channel workshop for kw line	853,092.15	The investment of the construction project is inconsistent with the main body of the construction land. According to the current relevant regulations, it is impossible to apply for the real estate certificate.
Total	221,232,186.12	

*Other explanation of fixed assets:*

The increase of depreciation in this period is RMB 289,360,872.78. 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 RMB 1,694,034,730.87. Refer to the statement in the Note 70 for detailed information about the ending balance of pledge on fixed assets.

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

January 1, 2021 to December 31, 2021 (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

Item	Ending balance	Beginning balance
Construction in progress	<u>79,246,144.63</u>	<u>96,000,297.40</u>
Total	<u><u>79,246,144.63</u></u>	<u><u>96,000,297.40</u></u>

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

January 1, 2021 to December 31, 2021 (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*

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Agricultural high-power diesel engine project	1,675,213.67	1,675,213.67		1,675,213.67	1,675,213.67	0.00
New model application project of new wheeled tractor intelligent manufacturing				348,675.49		348,675.49
New Production Line of Automatic Multipurpose Furnace				8,451,125.53		8,451,125.53
Component Matching and Product Verification Base Construction Project				6,935,912.81		6,935,912.81
New giant parts workshop				3,773.58		3,773.58
Robot Renovation Project of Core Making Center				3,230,769.23		3,230,769.23
New axis cover line				350,121.77		350,121.77
Waste gas treatment device of coating line				137,614.68		137,614.68
CNC gear hobbing machine (Luoyang Zhaotai)				2,116,553.67		2,116,553.67
Gear grinding machine (Luoyang Zhaotai)				3,028,058.13		3,028,058.13
Horizontal machining center				3,141,592.90		3,141,592.90
Tractor machine test environment warehouse and supporting comprehensive verification platform				10,415,598.75		10,415,598.75
Component matching and product verification base construction project (Phase 1)				1,534,738.20		1,534,738.20
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	15,447,699.59		15,447,699.59	10,020,400.64		10,020,400.64
Waste gas treatment project	-		-	3,640,589.85		3,640,589.85
2021 Informatization Project	4,926,588.28		4,926,588.28			
Gear hobbing machine (Luoyang Zhaotai)	3,714,159.60		3,714,159.60			
Quality improvement and intelligent transformation project for medium-horsepower tractors	13,397,570.55		13,397,570.55			
Small and medium-sized medium frequency electric furnace renovation project	3,292,149.05		3,292,149.05			
High-efficiency and low-emission YTN3 diesel engine intelligent manufacturing construction project	4,444,824.96		4,444,824.96			
Clean and intelligent transformation of foundry production line	4,298,053.39		4,298,053.39	977,919.08		977,919.08
Others	44,208,240.73	14,483,141.52	29,725,099.21	86,780,170.90	45,113,317.81	41,666,853.09
Total	95,404,499.82	16,158,355.19	79,246,144.63	142,788,828.88	46,788,531.48	96,000,297.40

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

January 1, 2021 to December 31, 2021 (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	Beginning balance	Increase in this period	Transferred to fixed assets in this period		Decrease in this period	Ending balance	Budget	Percentage of project investment to the budgeted amount (%)	Rate of progress	Accumulated capitalization of interest	Including : rate of capitalization of interest in this period	Rate of interest capitalization in this period (%)	Source of funds
			to fixed assets in this period	Decrease in this period									
New Production Line of Automatic Multipurpose Furnace	8,451,125.53	1,359,200.15	9,810,325.68				12,050,000.00	100	100				Raise independently
Component Matching and Product Verification Base Construction Project	6,935,912.81	0	6,935,912.81				9,850,000.00	79.54	100				Raise independently
Robot transformation project	3,230,769.23	63,180.09	3,293,949.32				4,500,000.00	84	100				Raise independently
Waste gas treatment device for painting line	137,614.68	183,486.24	321,100.92				7,975,000.00	90	100				Raise independently
CNC gear hobbing machine (Luoyang Zhaota)	2,116,553.67	0	2,116,553.67				2,600,000.00	100	100				Raise independently
Gear grinding machine (Luoyang Zhaota)	3,028,058.13	0	3,028,058.13				3,500,000.00	98	100				Raise independently
Horizontal machining center	3,141,592.90	0	3,141,592.90				3,550,000.00	90	100				Raise independently
Tractor machine test environment warehouse and supporting comprehensive verification platform	10,415,598.75	1,895,534.86	12,311,133.61				13,900,000.00	90	100				Raise independently
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	10,020,400.64	10,466,405.14	5,039,106.19		15,447,699.59		25,000,000.00	91.74	70				Raise independently
2021 Informatization Project	0	8,665,688.26		3,739,099.98	4,926,588.28		12,355,200.00	77	77				Raise independently
Gear hobbing machine (Luoyang Zhaota)	0	3,714,159.60			3,714,159.60		4,500,000.00	93.27	60				Raise independently
Quality improvement and intelligent transformation project for medium-horsepower tractors	0	13,397,570.55			13,397,570.55		55,000,000.00	30	30				Raise independently
Small and medium-sized medium frequency electric furnace renovation project	0	3,292,149.05			3,292,149.05		6,810,300.00	87	80				Raise independently
High-efficiency and low-emission YTN3 diesel engine intelligent manufacturing construction project	0	4,444,824.96			4,444,824.96		194,900,000.00	2.57	10				Raise independently
Clean and intelligent transformation of foundry production line	977,919.08	3,320,134.31			4,298,053.39		30,000,000.00	30	90				Raise independently
Total	48,455,545.42	50,802,333.21	45,997,733.23	3,739,099.98	49,521,045.42	386,490,500.00	-	-	-	-	-	-	/

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

*January 1, 2021 to December 31, 2021 (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

Item	Venue rental	Houses and buildings	Machinery equipment	Total
I. Original book balance				
1. Beginning balance	17,385,840.90	9,700,543.97	2,368,976.89	29,455,361.76
2. Increase amount in this period	1,303,805.37	3,124,791.02	64,862.94	4,493,459.33
3. Decrease amount in this period	5,217,130.03	2,437,756.66	33,475.74	7,688,362.43
4. Ending balance	13,472,516.24	10,387,578.33	2,400,364.09	26,260,458.66
II. Accumulated depreciation				
1. Beginning balance	106,179.98	447,494.85		553,674.83
2. Increase amount in this period	10,752,856.71	6,380,036.86	1,217,964.19	18,350,857.76
3. Decrease amount in this period	5,217,130.03	2,437,756.66	33,475.74	7,688,362.43
4. Ending balance	5,641,906.66	4,389,775.05	1,184,488.45	11,216,170.16
III. Impairment provision				
1. Beginning balance				
2. Increase amount in this period				
3. Decrease amount in this period				
4. Ending balance				
V. Book value				
1. Ending balance of book value	7,830,609.58	5,997,803.28	1,215,875.65	15,044,288.50
1. Beginning balance of book	17,279,660.92	9,253,049.12	2,368,976.89	28,901,686.93

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

January 1, 2021 to December 31, 2021 (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

Item	Land use right	Patents	Software	Trademarks	Others	Total
I. Original book balance						
1. Beginning balance	883,095,748.55	7,070,051.93	98,489,875.51	60,108,508.55	8,355,261.01	1,057,119,445.55
2. Increase amount in this period			15,230,939.00			15,230,939.00
Purchase			396,902.65			396,902.65
Construction in progress transferred in			14,834,036.35			14,834,036.35
Others						
3. Decrease amount in this period		5,613,639.25	572.96	15,890.00	8,355,261.01	13,985,363.22
Disposal		5,613,639.25			8,355,261.01	13,968,900.26
Others			572.96	15,890.00		16,462.96
4. Ending balance	883,095,748.55	1,456,412.68	113,720,241.55	60,092,618.55		1,058,365,021.33
II. Accumulated amortization						
1. Beginning balance	208,049,804.60	6,436,536.60	65,766,932.13	527,308.92	3,636,205.10	284,416,787.35
2. Increase amount in this period	22,974,911.68		8,262,489.85	9,232.66		31,246,634.19
Provision	22,974,911.68		8,262,489.85	9,232.66		31,246,634.19
Reclassification						
Others						
3. Decrease amount in this period		5,613,639.25	89.58	15,890.00	3,636,205.10	9,265,823.93
Disposal		5,613,639.25			3,636,205.10	9,249,844.35
Others			89.58	15,890.00		15,979.58
4. Ending balance	231,024,716.28	822,897.35	74,029,332.40	520,651.58		306,397,597.61
III. Impairment provision						
1. Beginning balance		633,515.33	477,922.22		4,719,055.91	5,830,493.46
2. Increase amount in this period						
3. Decrease amount in this period					4,719,055.91	4,719,055.91
4. Ending balance		633,515.33	477,922.22			1,111,437.55
IV. Book value						
1. Ending balance of book value	652,071,032.27		39,212,986.93	59,571,966.97		750,855,986.17
2. Beginning balance of book value	675,045,943.95		32,245,021.16	59,581,199.63		766,872,164.74

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

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

*January 1, 2021 to December 31, 2021 (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 (Continued)

**(2) Explanation of intangible assets**

N/A

**(3) No land use right without property right certificate**

#### 21. Development expenditure

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		54,030,613.15			54,030,613.15	
Research and development for dynamical machinery products		108,893,073.53			108,893,073.53	
Process research and development		50,810,419.53			50,810,419.53	
Fundamental research		41,332,260.53			41,332,260.53	
Research and development of tractor products		157,192,187.45			157,192,187.45	
		3,093,778.18			3,093,778.18	
Total		415,352,332.27			415,352,332.27	

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 22. Goodwill

##### (1) Original value of goodwill

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

##### (2) Impairment provision for goodwill

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

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

*January 1, 2021 to December 31, 2021 (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

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease in this period	Ending balance
Amortization of equipment relocation expenses	1,275,452.15		212,575.32		<b>1,062,876.83</b>
Mold amortization	34,939,510.38	35,292,374.97	16,163,279.04	2,009,884.37	<b>52,058,721.94</b>
Amortization of maintenance expenditure	6,648,059.38	254,201.57	1,513,427.41	10,736.22	<b>5,378,097.32</b>
Others	2,049,062.74	1,966,020.82	1,455,738.94		<b>2,559,344.62</b>
Total	<u>44,912,084.65</u>	<u>37,512,597.36</u>	<u>19,345,020.71</u>	<u>2,020,620.59</u>	<b><u>61,059,040.71</u></b>

Explanation of long-term deferred expenses: Other decreases are mainly due to the disposal of molds in the current period.

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

January 1, 2021 to December 31, 2021 (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

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

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment	94,749,809.25	15,082,578.04	102,843,916.20	16,454,157.31
Termination welfare	81,308,091.77	12,480,905.93	98,885,352.72	15,238,541.06
Wages payable and accrued expense	275,544,619.26	54,972,895.48	271,422,621.48	53,790,885.59
Deferred revenue	120,171,399.55	18,025,709.94	110,454,255.14	17,428,164.83
Total	<u>571,773,991.83</u>	<u>100,562,089.39</u>	<u>583,606,145.54</u>	<u>102,911,748.79</u>

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

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	82,727,310.69	20,681,827.67	90,786,566.04	22,696,641.51
Fair value change	850,840,769.96	127,627,086.63	813,035,918.55	122,044,623.77
Total	<u>933,568,080.65</u>	<u>148,308,914.30</u>	<u>903,822,484.59</u>	<u>144,741,265.28</u>

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

*January 1, 2021 to December 31, 2021 (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

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

Item	Ending balance	Beginning balance
Provision for asset impairment	1,258,369,827.72	1,124,544,816.37
Deductible losses	1,361,059,437.15	1,889,106,877.49
Total	<u>2,619,429,264.87</u>	<u>3,013,651,693.86</u>

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

Year	Ending balance	Beginning balance	Remark
Year of 2021		234,388,214.58	
Year of 2022	69,800,966.03	120,108,525.32	
Year of 2023	67,085,275.03	161,315,657.57	
Year of 2024	12,152,227.99	59,744,380.24	
Year of 2025	49,238,808.55	65,049,671.90	
Year of 2026	43,110,151.04		
Year of 2027	31,287,727.15	31,287,727.15	
Year of 2028	647,374,682.21	881,247,616.88	
Year of 2029	333,699,685.79	333,699,685.79	
Year of 2030	13,905,127.48	2,265,398.06	
Year of 2031	93,404,785.88		
Total	<u>1,361,059,437.15</u>	<u>1,889,106,877.49</u>	

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

January 1, 2021 to December 31, 2021 (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

Item	Ending balance	Beginning balance
Mortgaged loans	70,000,000.00	73,433,929.60
Credit loans	200,000,000.00	760,000,000.00
Interests payable	183,333.34	829,450.11
Total	270,183,333.34	834,263,379.71

Explanation of short-term loans: The subsidiary of the Group, Changtuo Agricultural Machinery Equipment Group Co., Ltd. drawn short-term loan of RMB 70,000,000 from Jilin Bank Dong Sheng Branch by mortgage of real estate and land. The period will be extended after maturity, with an annual interest rate of 6.525% and a maturity date of 13 November 2019.

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

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

*January 1, 2021 to December 31, 2021 (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 (Continued)

##### (2) *Short term loans overdue and outstanding*

The total amount of the overdue short-term loans at the end of the period is RMB 70,000,000.00. The overdue short-term loans are as follows:

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

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

January 1, 2021 to December 31, 2021 (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

Item	Ending balance	Beginning balance
Demand deposit	<b>564,575,714.85</b>	1,022,512,345.62
Including : Corporate	<b>564,575,714.85</b>	1,013,708,885.36
Individuals		8,803,460.26
Time deposit (including notice deposit)	<b>173,245,530.99</b>	385,008,361.39
Including : Corporate	<b>173,245,530.99</b>	385,008,361.39
Individuals		
Interests payable	<b>3,743,834.89</b>	5,103,976.25
Total	<b>741,565,080.73</b>	1,412,624,683.26

#### 27. Loans from other banks

Item	Ending balance	Beginning balance
Capital	<b>200,000,000.00</b>	300,000,000.00
Interest	<b>50,000.00</b>	66,666.67
Total	<b>200,050,000.00</b>	300,066,666.67



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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 28. Notes payable

Item	Ending balance	Beginning balance
Bank acceptance notes	1,428,971,534.65	1,546,314,757.03
Commercial acceptance notes	1,002,872.27	1,007,353.67
Total	<u>1,429,974,406.92</u>	<u>1,547,322,110.70</u>

The total amount of Notes payable due and unpaid at the end of the period is RMB 107,072.27.

#### 29. Accounts payable

Item	Ending balance	Beginning balance
Purchase payable	1,793,783,629.36	1,597,593,667.49
Purchase of construction equipment payable	47,254,480.48	39,640,607.32
Service payment payable	164,193,538.26	150,935,442.35
Others	107,049.17	23,085.27
Total	<u>2,005,338,697.27</u>	<u>1,788,192,802.43</u>

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

January 1, 2021 to December 31, 2021 (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 (Continued)

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

Company name	Ending balance	Reason for not paid or reversed
Hong Kong LLAF INTERNATIONAL CO.,LTD	24,167,266.05	Unsettled
Total	24,167,266.05	

#### 30. Advance from customers

Item	Ending balance	Beginning balance
Rent	198,307.51	
Total	198,307.51	



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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 31. Financial assets sold under repurchase

Item	Ending balance	Beginning balance
Rediscounted Notes	<u>11,759,888.55</u>	_____
Total	<u><u>11,759,888.55</u></u>	<u>_____</u>

#### 32. Contractual liability

##### (1) Contractual liability

Item	Ending balance	Beginning balance
Payment for goods	<u>580,385,482.01</u>	<u>398,850,436.72</u>
Total	<u><u>580,385,482.01</u></u>	<u><u>398,850,436.72</u></u>

##### (2) Aging analysis of contractual liability

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	<u>552,449,716.79</u>	<u>364,323,805.35</u>
Over 1 year	<u>27,935,765.22</u>	<u>34,526,631.37</u>
Total	<u><u>580,385,482.01</u></u>	<u><u>398,850,436.72</u></u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. Contractual liability (Continued)

(3) *Significant amounts of advance from customers aged over 1 year*

Company name	Ending balance	Reason for not paid or reversed
Henan Luoyang Industrial Park Management Committee	11,926,605.50	In progress
Poly Technology Co., Ltd.	3,937,265.60	In progress
Total	15,863,871.10	

#### 33. Employee benefits payable

(1) *Classification of employee benefits payable*

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Short-term remuneration	55,314,012.80	891,071,020.59	889,016,334.14	57,368,699.25
Post-employment welfare				
- Defined contribution plan	805,322.12	85,179,076.00	84,740,261.55	1,244,136.57
Termination welfare	35,758,900.72	40,065,981.52	40,254,543.86	35,570,338.38
Total	91,878,235.64	1,016,316,078.11	1,014,011,139.55	94,183,174.20

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 33. Employee benefits payable (Continued)

##### (2) Short-term remuneration

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	26,610,923.28	662,218,949.73	663,898,893.76	<b>24,930,979.25</b>
Staff welfare expense	-	49,614,201.27	49,614,201.27	-
Social insurance expense	5,268.63	38,103,884.82	37,541,080.42	<b>568,073.03</b>
Including : Medical insurance expense	4,913.77	34,671,205.91	34,188,592.32	<b>487,527.36</b>
Work-related injury insurance	354.86	3,432,678.91	3,352,488.10	<b>80,545.67</b>
Housing funds	677,340.50	49,710,763.70	49,574,882.20	<b>813,222.00</b>
Union & employee education funds	28,006,921.91	20,497,186.17	17,461,573.11	<b>31,042,534.97</b>
Other short-term remuneration	13,558.48	70,926,034.90	70,925,703.38	<b>13,890.00</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Total	55,314,012.80	891,071,020.59	889,016,334.14	<b>57,368,699.25</b>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 33. Employee benefits payable (Continued)

##### (3) Defined contribution plan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic endowment insurance	804,740.91	81,570,158.50	81,183,318.21	1,191,581.20
Unemployment insurance premium	581.21	3,588,979.80	3,537,005.64	52,555.37
Enterprise annuity payment	-	19,937.70	19,937.70	-
Total	805,322.12	85,179,076.00	84,740,261.55	1,244,136.57

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 RMB 85,179,076.00 (2020: RMB 51,959,809.73) to the defined contribution plan participated in this year. At December 31, 2021, the group still has RMB 1,244,136.57 (December 31, 2020: RMB 805,322.12) 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 34. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax (VAT)	1,766,372.45	1,639,615.83
Enterprise income tax	5,374,503.44	11,406,877.97
Individual income tax	1,374,732.26	827,288.51
Urban maintenance and construction tax	159,547.16	150,124.86
Property tax	5,366,667.78	5,644,085.35
Land use tax	1,997,073.41	2,715,681.74
Education surcharge	113,962.25	107,232.06
Other taxes	394,269.66	584,647.66
Total	16,547,128.41	23,075,553.98

The explanation of taxes payable: N/A

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 35. Other payable

Item	Ending balance	Beginning balance
Interests payable	17,839,437.74	10,893,031.49
Dividends payable	59,459,387.16	8,439,607.83
Other payables	187,563,893.69	189,829,730.22
Total	264,862,718.59	209,162,369.54

#### (1) Interests payable

Item	Ending balance	Beginning balance
Interest payable on bank loans	17,839,437.74	10,893,031.49
Total	17,839,437.74	10,893,031.49

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 35. Other payable (Continued)

##### (2) Dividends payable

Item	Ending balance	Beginning balance
Natural person shareholders	<u>59,459,387.16</u>	<u>8,439,607.83</u>
Total	<u><u>59,459,387.16</u></u>	<u><u>8,439,607.83</u></u>

Other statements, including significant dividends payable that have not been paid for more than one year, shall disclose the reasons for non-payment:

The significant payable dividend of RMB 8,442,539.16, which has not been paid for more than one year, is the unpaid portion of the dividend distributed to Brilliance China Machinery Holdings Ltd., a subsidiary of the Group.

##### (3) Other payables

###### a. Classification of other payables by nature

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	49,011,138.09	53,798,166.51
Cash pledge and deposits	71,248,845.01	58,380,678.06
Expenses payable	21,449,109.11	35,717,615.65
Collection and payment on behalf of others	7,429,494.69	11,150,711.02
Others	<u>38,425,306.79</u>	<u>30,782,558.98</u>
Total	<u><u>187,563,893.69</u></u>	<u><u>189,829,730.22</u></u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 35. Other payable (Continued)

(3) *Other payables*

b. *Significant amount of other payables aged over 1 year*

Company name	Ending balance	Reason for not paid or reversed
YTO Group Corporation	<u>50,891,612.33</u>	Unsettled
Total	<u><u>50,891,612.33</u></u>	

c. *Explanation of other payables:*

N/A

#### 36. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year		
Lease liabilities due within 1 year	<u>13,217,047.39</u>	14,004,892.03
Interest on long-term loans due within 1 year	<u>116,111.11</u>	<u>137,606.18</u>
Total	<u><u>13,333,158.50</u></u>	<u><u>14,142,498.21</u></u>

Explanation of non-current liabilities: N/A

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 37. Other current liabilities

Item	Ending balance	Beginning balance
Discount and allowance	138,282,781.73	130,597,789.93
Warranty fee for 3 after sale services included	90,924,777.20	96,036,341.75
Agent service fees	2,580,000.00	3,055,849.06
Transportation fee	17,200.00	1,833,400.00
Environmental governance and house maintenance		11,658,286.73
Output tax to be transferred	7,025,715.58	9,560,743.04
The endorsement of the bill is not terminated	23,575,892.03	
Others	359,678.33	2,361,642.04
	<hr/>	<hr/>
Total	<b>262,766,044.87</b>	<b>255,104,052.55</b>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 38. Long-term loans

##### (1) Classification of loans

Classification of loans	Ending balance	Beginning balance
Guarantee loan		
Credit loans	110,000,000.00	99,800,000.00
Interests payable	116,111.11	137,606.18
Subtotal	110,116,111.11	99,937,606.18
Less : Long-term loans due within 1 year		
Including: Credit loans		
Guarantee loan		
Less : Interest on long-term loans due within 1 year	116,111.11	137,606.18
Long-term loans due over 1 year	110,000,000.00	99,800,000.00

##### (2) Due date analysis of long-term loans

Due date	Ending balance	Beginning balance
1-2 years		99,800,000.00
2-5 years	110,000,000.00	
Over 5 years		
Total	110,000,000.00	99,800,000.00

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 39. Lease liabilities

Item	Ending balance	Beginning balance
Present value of lease payments	15,070,127.13	28,855,682.17
Less: Reclassified to non-current liabilities due within one year	13,217,047.39	14,004,892.03
Total Net lease liability	<u>1,853,079.74</u>	<u>14,850,790.14</u>

#### 40. Long-term accounts payable

Item	Ending balance	Beginning balance
Long-term loans from non-financial institutions	8,251,321.72	9,151,465.90
Total	<u>8,251,321.72</u>	<u>9,151,465.90</u>

Explanation of long-term accounts payable:

YTO AGRO-INDUSTRIAL, an offshore subsidiary of the Group, signed a supplementary agreement with the Ivorian government which stipulates that XOF 750,120,156.00 (RMB 8,251,321.72 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.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 41. Long-term salary payable

Item	Ending balance	Beginning balance
Long-term dismissal benefits	93,344,948.09	111,035,027.08
Others	27,738.00	3,293,788.00
Less: Non-discounted long-term payable remuneration for employees whose long-term dismissal benefits expire within one year	35,570,338.38	35,758,900.72
Total	57,802,347.71	78,569,914.36

#### 42. Estimated liabilities

Item	Beginning balance	Ending balance	Reason for occurring
Other	2,652,542.65	1,962,613.99	Note1
Total	2,652,542.65	1,962,613.99	

Other statements, including significant assumptions and estimates related to significant projected liabilities:

*Note1:* 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.

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 43. Deferred revenue

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	133,584,232.43	20,000,000.00	19,711,388.47	<b>133,872,843.96</b>	Details refer to (1)
Government subsidies related benefit	9,054,045.71	562,592.00	5,443,770.12	<b>4,172,867.59</b>	Details refer to (1)
Total	<u>142,638,278.14</u>	<u>20,562,592.00</u>	<u>25,155,158.59</u>	<u><b>138,045,711.55</b></u>	

#### (1) Item of government grants

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in loss and profit in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
High-power non-road diesel engine	34,300,000.00		4,900,000.00			<b>29,400,000.00</b>	Related to assets
C Series Government Project Grant	716,000.00		716,000.00			-	Related to assets
New wheeled tractor core capacity improvement	31,436,363.62		4,836,363.64			<b>26,599,999.98</b>	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	3,250,000.00		500,000.00			<b>2,750,000.00</b>	Related to assets
Modern agricultural equipment smart cockpit digital factory	6,319,444.46		583,333.32			<b>5,736,111.14</b>	Related to assets
Energy saving and environmental protection diesel engine crankshaft machining production line project	2,655,000.00		540,000.00			<b>2,115,000.00</b>	Related to assets
Application project of new model of intelligent manufacturing of new wheeled tractors	9,736,363.62		1,081,818.20			<b>8,654,545.42</b>	Related to assets
Others	132,402.41		-			<b>132,402.41</b>	Related to assets
Intelligent workshop and factory industrial Internet platform		10,000,000.00				<b>10,000,000.00</b>	Related to assets
Industrial revitalization and technological transformation	6,600,000.00		2,200,000.00			<b>4,400,000.00</b>	Related to assets
8-12Kg/sMultifunctional Combine Harvester Project	2,625,000.00		-			<b>2,625,000.00</b>	Related to assets

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 43. Deferred revenue (Continued)

##### (1) Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in loss and profit in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/related to income
Diesel Engine National Four Provincial Renovation (Phase I) Project	4,845,000.00		510,000.00			4,335,000.00	Related to assets
Improve independent research and development capabilities	10,639,595.74		1,342,030.68			9,297,565.06	Related to assets
Special funds for urban security housing projects	7,776,000.00			288,000.00		7,488,000.00	Related to assets
Key product testing platform	9,722,630.17		1,388,947.20			8,333,682.97	Related to assets
Tractor test environment warehouse and supporting comprehensive verification platform	-	3,000,000.00	200,000.00			2,800,000.00	Related to assets
Reconstruction project of moulding line for small and medium parts in foundry	2,830,432.41		196,324.01			2,634,108.40	Related to assets
Modern agricultural equipment intelligent cockpit digital factory project subsidy	-	7,000,000.00	428,571.42			6,571,428.58	Related to assets
Development of key core components for new energy-saving and environmentally	118,184.40		118,184.40				Related to income
Research and system development of reliability testing technology for tractor	103,000.00		103,000.00				Related to income
Agricultural machinery pollution emission control technology and system research	69,544.50					69,544.50	Related to income
Application research of intelligent design platform in the development of high power tractor	50,191.53		50,191.53				Related to income
Research on key technologies of clean and combustion of agricultural diesel engine	75,672.44	37,100.00				112,772.44	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	266,594.74	-37,100.00				229,494.74	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 Non-road Countries No.4 emissions standards Diesel Engine	2,000,000.00					2,000,000.00	Related to income
Research and System Development of Tractor Inspection Technology	480,319.92		467,263.33			13,056.59	Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	685,914.00		685,914.00				Related to income

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 43. Deferred revenue (Continued)

##### (1) Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in loss and profit in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
Research on fault early warning and remote diagnosis technology of tractor operation information collection	391,991.62	39,000.00	430,991.62				Related to income
Key Technology Research and Machine Development of Hilly Mountain Tractor	571,383.64	95,000.00	666,383.64				Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	447,423.93		447,423.93				Related to income
Research and development of large-scale precision planting and fertilizing robot system	206,600.00	53,400.00	143,851.69			116,148.31	Related to income
Research and development of cloud collaborative intelligent harvesting robot system	587,224.99	205,000.00	786,448.06			5,776.93	Related to income
Development and Application Demonstration of a Network Collaborative Product Design System for Agricultural Equipment Based on Modularity (Special Project)		138,500.00				138,500.00	Related to income
Application demonstration of intelligent management and control technology for agricultural equipment production process based on digital twin technology (special project)		776,943.00	601,258.15			175,684.85	Related to income
Agricultural Equipment Enterprise Supply Chain Network Collaborative Technology Development and Application Demonstration (Special)		430,749.00	69,605.76			361,143.24	Related to income
(Special) 2020 National New Material Production and Application Demonstration Platform Construction Project - Agricultural Machinery Equipment Material Production and Application Demonstration Platform		1,724,000.00	873,254.01			850,745.99	Related to income
Yang Hongzhe Skill Master Studio		100,000.00				100,000.00	Related to income
<b>Total</b>	<b>142,638,278.14</b>	<b>20,562,592.00</b>	<b>24,867,158.59</b>	<b>288,000.00</b>		<b>138,045,711.55</b>	—

##### (2) Explanation for deferred revenue: N/A

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 44. Share capital

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	137,795,275.00				137,795,275.00	1,123,645,275.00

Explanation of share capital: On December 14, 2020, the China Securities Regulatory Commission issued the "Approval for the Approval of the Non-public Issuance of Stocks by First Tractor Co., Ltd." (China Securities Regulatory Commission [2020] No. 3379). On January 22, 2021, CITIC Securities received a total of 699,999,997.00 yuan of subscription funds for the special payment account opened by CITIC Securities for the non-public issuance of YTO shares. On January 25, 2021, CITIC Securities will transfer the remaining amount of the aforementioned subscription monies after deducting the sponsor's sponsorship fee and underwriting fee to the issuer's designated account. As of January 25, 2021, YTO shares has received a monetary contribution of RMB 699,999,997.00 from a specific investor. The total amount of raised funds deducts RMB 1,886,792.45 excluding tax underwriting and sponsorship fees, and other excluding tax issuance costs of RMB 3,934,559.88 yuan, the net amount of raised funds was 694,178,644.67 yuan, of which 137,795,275.00 yuan was included in "share capital" and 556,383,369.67 yuan was included in "capital reserve-equity premium".

#### 45. Capital reserve

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium	1,851,848,375.56	556,383,369.67		2,408,231,745.23
Others capital reserve	247,618,250.77			247,618,250.77
Total	2,099,466,626.33	556,383,369.67		2,655,849,996.00



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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 48. Surplus reserve

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	441,329,741.16	59,394,611.43		500,724,352.59
Discretionary surplus reserve	771,431.00			771,431.00
Total	<u>442,101,172.16</u>	<u>59,394,611.43</u>		<u>501,495,783.59</u>

#### 49. General risk reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves	<u>39,642,392.38</u>	<u>3,620,995.16</u>		<u>43,263,387.54</u>

Note: 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 50. Retained earnings

Item	Current year	Last year
Beginning balance of retained earnings before adjustment	795,064,178.33	529,451,678.91
Total amount of adjustment on beginning balance of retained earnings		
Beginning balance of retained earnings after adjustment	795,064,178.33	529,451,678.91
Add: Net profit for the year attributable to shareholders of the parent company	438,209,215.31	280,115,740.30
Less: Appropriation of the statutory surplus reserve	59,394,611.43	-
Appropriation of discretionary surplus reserve		
Provision of general risk reserves	3,620,995.16	14,538,240.88
Other Distributions to Shareholders	84,188,701.53	-
Ending balance of this period	<u>1,086,069,085.52</u>	<u>795,064,178.33</u>

#### 51. Operating revenue and operating costs

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	9,119,573,244.59	7,666,972,224.57	7,365,226,434.26	5,968,749,843.74
Other business	89,562,589.17	45,960,341.13	115,503,445.22	51,291,602.78
Total	<u>9,209,135,833.76</u>	<u>7,712,932,565.70</u>	<u>7,480,729,879.48</u>	<u>6,020,041,446.52</u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 52. Net interest income

Item	Cumulative amount in this period	Cumulative amount in last period
Interest income	<b>118,198,056.28</b>	96,516,346.86
Including: From deposits in other banks	<b>45,018,581.43</b>	20,182,792.68
From deposits in central bank	<b>4,033,136.30</b>	3,450,102.56
Lending funds	<b>93,333.33</b>	
Loans and advances granted	<b>45,680,070.60</b>	45,237,223.03
Including: Individual loans and advances	<b>12,465,004.93</b>	7,054,807.56
Corporate loans and advances	<b>32,546,784.35</b>	38,089,529.49
Notes discounting	<b>668,281.32</b>	92,885.98
Buying back the sale of financial assets	<b>23,372,934.62</b>	27,646,228.59
Interest expense	<b>21,572,879.07</b>	25,663,192.22
Including: From deposits in other banks		
From deposits in central bank		
Deposits from banks and other financial institutes	<b>100,000.00</b>	153,333.34
Deposits adsorption	<b>21,334,727.01</b>	25,509,858.88
Sale of repurchase financial assets		
Others	<b>138,152.06</b>	
Net interest income	<b>96,625,177.21</b>	70,853,154.64

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 53. Fees and net commission income

Item	Amount in this period	Amount in last period
Fees and commission income	6,474,991.50	5,230,561.42
Clearing and settlement fees	41,058.68	53,553.75
Agent fees	465,066.04	702,801.85
Credit commitment fees and commissions	134,343.16	82,980.85
Others	5,834,523.62	4,391,224.97
Fees and commission expense	695,451.23	524,735.26
Service fee expense	695,451.23	524,735.26
Commission expense		
Fees and net commission income	<u>5,779,540.27</u>	<u>4,705,826.16</u>

#### 54. Taxes and surcharges

Item	Amount in this period	Amount in last period
Property tax	20,271,762.04	20,728,179.98
Stamp duty	7,893,880.32	6,518,647.63
Land use tax	7,148,190.52	9,204,297.81
Urban maintenance and construction tax	4,241,213.59	3,553,673.57
Education surcharge	3,029,438.28	2,538,340.31
Vehicle and vessel usage tax	78,359.57	90,876.41
Others	<u>343,269.73</u>	<u>1,056,547.11</u>
Total	<u>43,006,114.05</u>	<u>43,690,562.82</u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 55. Selling expenses

Item	Amount in this period	Amount in last period
Sales service fees	87,629,597.59	84,925,614.30
Employee compensation	82,177,146.17	69,555,963.62
Travel expenses	14,220,997.52	13,632,768.72
Advertising fees	9,887,378.06	7,812,207.76
Depreciation expenses	1,097,987.03	900,480.32
Insurance expenses	1,036,934.90	3,039,275.34
Transportation expenses		164,275,387.43
Others	7,759,283.22	14,048,795.47
Total	203,809,324.49	358,190,492.96

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 56. Administrative expenses

Item	Amount in this period	Amount in last period
Employee compensation	178,105,958.16	167,482,437.76
Depreciation expenses	54,498,923.86	60,664,029.84
Repair expense	36,853,114.37	36,875,236.89
Amortization of intangible assets	27,800,204.06	25,922,239.55
Rent fees	15,575,748.73	14,220,143.09
Funding for special events	4,522,169.69	3,703,610.76
Agency fee	3,685,499.02	7,255,609.73
Business entertainment expense	3,136,989.22	2,803,385.43
Office fee	2,685,520.98	4,754,041.80
Travel expenses	2,577,771.26	2,822,079.73
Consultation fee	1,901,888.98	3,444,555.06
Litigation costs	1,178,994.92	1,236,841.69
Insurance fee	1,069,262.38	1,478,763.23
Conference fee	140,932.51	1,080,557.21
Others	29,645,185.05	20,478,675.12
Total	<b>363,378,163.19</b>	354,222,206.89

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 57. Research & development expenses

Item	Amount in this period	Amount in last period
Employee compensation	184,440,267.75	133,932,989.35
Material cost	153,922,638.41	127,734,368.99
Depreciation expenses	40,812,764.32	42,180,268.87
Design fee	9,859,319.46	6,035,958.08
Test and Inspection Fee	838,018.85	2,444,815.03
Others	25,479,323.58	26,707,771.09
Total	415,352,332.37	339,036,171.41

#### 58. Finance expenses

Item	Amount in this period	Amount in last period
Interest expense	28,392,320.26	76,005,944.32
Less: Interest income	2,450,078.79	31,766,071.77
Exchange loss	25,207,539.60	23,115,481.59
Bank charges	416,588.11	570,761.94
Other expense	-454,265.39	-15,697,389.10
Total	51,112,103.79	52,228,726.98



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

January 1, 2021 to December 31, 2021 (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

##### (1) Details of other income

Item	Amount in this period	Amount in last period
Government grants	43,337,776.07	105,122,597.68
Refund of Individual Income Tax Commission	160,395.35	
Total	<u>43,498,171.42</u>	<u>105,122,597.68</u>

##### (2) Government grants included in other income

Item	Amount in this period	Amount in last period	Related to assets/related to income
Industrial revitalization and technological transformation Science and Technology Bureau "Large Institutes and Large Enterprises Policy Incentive Funds"	7,676,870.00	3,130,000.00	related to income
High-power non-road diesel engine	5,100,000.00		related to income
New wheeled tractor core capacity improvement (Innovation project in self-owned area) Robot and intelligent equipment 260-340 horsepower power shift tractor research and development and industrialization employment grant	4,900,000.00	4,900,000.00	related to assets
Key product testing and testing platform	4,836,363.64	4,836,363.64	related to assets
Improve independent research and development capabilities	2,200,000.00	2,200,000.00	related to assets
New wheeled tractor intelligent manufacturing new model application	2,112,000.00		related to income
Modern agricultural equipment smart cockpit digital factory	1,388,947.20	1,388,947.20	related to assets
(Special) 2020 National New Material Production and Application Demonstration Platform Construction Project - Agricultural Machinery Equipment Material Production and Application Demonstration Platform	1,342,030.68	1,342,030.68	related to assets
Government subsidies for supporting national and provincial foreign trade industry bases	1,081,818.20	1,081,818.20	related to assets
C Series Government Project Grant	1,011,904.74	583,333.32	related to assets
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	873,254.01		related to income
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	786,448.06	182,775.01	related to income
	716,000.00	716,000.00	related to assets
	685,914.00	104,009.49	related to income
	666,383.64	80,030.83	related to income

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

January 1, 2021 to December 31, 2021 (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 development of cloud collaborative intelligent harvesting robot system	621,700.00	200,000.00	related to income
Application demonstration of intelligent management and control technology for agricultural equipment production process based on digital twin technology (special project)	601,258.15		related to income
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	540,000.00	540,000.00	related to assets
National Import Interest Subsidy Fund	510,000.00	255,000.00	related to assets
Agricultural machinery intelligent control technology research and development and industrialization	510,000.00		related to income
Annual production of 1000 high-power power shift heavy-duty wheel tractors	500,000.00	500,000.00	related to assets
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	467,263.33	239,623.29	related to income
Financial subsidies for enterprise R&D expenses Affected by the epidemic in 2021, staying in Jiangyan for Chinese New Year subsidies	447,423.93	2,812,202.02	related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	366,052.23		related to income
Henan Province Non-road Diesel Engine Engineering Technology Research Center Award Fund	300,000.00	2,220,000.00	related to assets
Subsidy Income of Subsidy Fund for Small and Medium-sized Enterprises in Developing International Market Projects	300,000.00		related to income
Vocational Skills Enhancement Subsidy	274,300.00	343,400.00	related to income
Research on Intelligent Management Technology System of Agricultural Machinery Operation and Operation and Maintenance (Special Project)	259,680.00		related to income
High-tech enterprise recognition reward	229,000.00	213,689.91	related to income
Tractor test environment warehouse and supporting comprehensive verification platform	201,991.62		related to income
Famous Brand Product Innovation Award	200,000.00		related to income
Reconstruction project of moulding line for small and medium parts in foundry	199,000.00		related to income
100-120 HP Wheel Track Conversion Tractor	196,324.01	79,567.59	related to assets
Development Project Subsidy	150,000.00		related to income
Subsidy funds for foreign intelligence introduction plan	150,000.00		related to income
Research and development of large-scale precision seeding and fertilization robot system	143,851.69		related to income

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

January 1, 2021 to December 31, 2021 (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
Development of key core components for new energy-saving and environmentally friendly agricultural diesel engines	118,184.40	758,344.55	related to income
Research and system development of reliability testing technology for tractor	103,000.00	909,863.66	related to income
Luoyang Science and Technology Bureau "Technology Transaction Award Fund"	100,000.00		related to income
Agricultural Equipment Enterprise Supply Chain Network Collaborative Technology Development and Application Demonstration (Special)	69,605.76		related to income
Application Research of Intelligent Design Platform in the Development of High Power Tractor	50,191.53	439,689.71	related to income
Countries No.4 emissions standards diesel truck phase-out subsidy funds	30,000.00		related to assets
Stable subsidy		62,880,639.49	related to income
Subsidies for training by work		6,101,800.00	related to income
Subsidies after enterprise technology transfer in 2018		1,000,000.00	related to income
Special Award and Supplementary Funds for Industrial Enterprise Structural Adjustment		861,143.82	related to income
Agricultural machinery pollution emission control technology and system research		900,000.00	related to income
Special funds for major science and technology projects in Henan Province		780,000.00	related to income
Fund subsidy income of export credit insurance projects		688,500.00	related to income
Key Laboratory of Tractor Power System		505,000.00	related to income
Production and sales docking incentive funds		371,600.00	related to income
Diesel Engine National Four Provincial Renovation (Phase I) Project		180,000.00	related to income
Research and System Development of Tractor Inspection Technology		248,569.00	related to income
Government subsidies for processing trade funds		90,000.00	related to income
Special funds for foreign economic and trade development		60,000.00	related to income
Others	321,015.25	398,656.27	related to income
Total	<b>43,337,776.07</b>	<b>105,122,597.68</b>	

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 60. Investment income

##### (1) Details of investment income

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investments by equity method	1,845,539.21	1,738,170.81
Investment income from disposal of long-term equity investments	621,698,338.16	329,530,585.46
Investment income from holding of trading financial assets	49.87	17,685,813.11
Investment income from disposal of trading financial assets	15,850,337.59	636,994.73
Investment income from holding of debt investments others		-280,000.00
Total	<u>639,394,264.83</u>	<u>349,311,564.11</u>

(2) Explanation of investment income: The investment income of the current period increased compared with the previous period, mainly because the bankruptcy liquidation of the French company was not controlled by the company and was not included in the scope of consolidation at the end of the period.

#### 61. Income from changes in fair value

Item	Amount in this period	Amount in last period
Gains and losses from changes in fair value from held-for-trading financial assets	38,340,484.33	26,405,594.35
Derivative financial instruments	10,588.74	
Total	<u>38,351,073.07</u>	<u>26,405,594.35</u>

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 62. Loss on impairment on credit

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-213,021,152.12	-243,223,289.71
Lendings to Banks and Other Financial Institutions	-16,180,000.00	-30,000,000.00
Loss of impairment of loan investment	343,825.57	3,467,526.30
Loss of impairment of Entrusted loan		-171,000,000.00
	<hr/>	<hr/>
Total	<b>-228,857,326.55</b>	<b>-440,755,763.41</b>

#### 63. Loss on impairment of assets

Item	Amount in this period	Amount in last period
Impairment loss on inventories	-26,786,452.13	-49,534,036.78
Impairment loss on fixed assets	-1,388,112.06	-47,127,752.39
Impairment loss on advance payments	-291,012.51	-220,332.49
Impairment loss on construction in progress		-311,743.00
Impairment loss on intangible assets		-792,030.00
Impairment loss on long-term equity investment	-559,035,468.97	-46,500,046.00
	<hr/>	<hr/>
Total	<b>-587,501,045.67</b>	<b>-144,485,940.66</b>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 64. Assets disposal income

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	62,931.82	6,260,623.26
Others		1,988,516.98
Total	62,931.82	8,249,140.24

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 65. Non-operating income

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Government grants	8,643,998.07	21,880,302.13	8,643,998.07
Unpayable payables	23,469,917.44	4,300,469.22	23,469,917.44
Others	2,176,507.51	1,746,673.61	2,176,507.51
Total	<u>34,290,423.02</u>	<u>27,927,444.96</u>	<u>34,290,423.02</u>

#### (1) Details of government grants

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 assets
Zombie enterprise subsidy	8,355,998.07	21,592,302.13	Related to income
Total	<u>8,643,998.07</u>	<u>21,880,302.13</u>	

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 66. Non-operating expenses

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Lost of Non-current assets scrapped	835,443.12	62,805.67	835,443.12
Donations to outside party	42,129.08		42,129.08
Compensation expenditure		8,491,418.67	
French company environmental governance costs		4,498,730.40	
Others	18,944.88	266,499.36	18,944.88
Total	896,517.08	13,319,454.10	896,517.08

Explanation of non-operating expenses: N/A



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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 67. Income tax expenses

**(1) Chart of income tax expenses**

Item	Amount in this period	Amount in last period
Current income tax expenses	21,028,898.18	16,149,697.91
Deferred income tax expense	5,919,818.00	10,222,487.18
Others		
Total	<b>26,948,716.18</b>	26,372,185.09

**(2) The Adjustment Process of Accounting Profit and Income Tax Expenses**

Item	Amount in this period
Total profit	460,291,922.51
Income Tax Expenses at Statutory/Applicable Tax Rates	115,072,980.62
The Impact of Different Tax Rates on Subsidiaries	-51,595,150.86
The impact of income tax on the period before adjustment	-276,925.53
The impact of non-taxable income	-93,918,094.79
Non-deductible Cost, Cost and Loss Impact	3,465,444.50
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-30,323,347.67
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	155,009,975.78
Extra deductions for R& D expenses	-65,201,662.29
Others	-557,251.64
Income tax expenses	<b>26,948,716.18</b>

**(3) Explanation of income tax expenses: N/A**

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 68. Notes to items of cash flow statement

##### (1) Cash receipts from other operating activities

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	2,450,078.79	7,300,098.27
Cash receipts of government subsidy	47,564,207.55	113,925,955.89
Cash receipts from other receivables	52,492,703.42	38,280,435.15
Recovery of deposit		30,000,000.00
Total	<u>102,506,989.76</u>	<u>189,506,489.31</u>

##### (2) Cash payments to other operating activities.

Item	Amount in this period	Amount in last period
Payment of selling, administrative and R&D expenses	108,928,131.29	270,854,919.36
Payment of other payables	51,945,202.03	23,147,643.36
Total	<u>160,873,333.32</u>	<u>294,002,562.72</u>

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 68. Notes to items of cash flow statement (Continued)

**(3) Payment of other cash related to investment activities**

Item	Amount in this period	Amount in last period
Net cash received from disposal of subsidiaries and other business units is negative	<u>127,967.93</u>	<u>235,907.24</u>
Total	<u><u>127,967.93</u></u>	<u><u>235,907.24</u></u>

**(4) Receive other cash related to financing activities**

Item	Amount in this period	Amount in last period
Dividend refund	<u>                    </u>	<u>19,328.96</u>
Total	<u><u>                    </u></u>	<u><u>19,328.96</u></u>

**(5) Other cash payments relating to financing activities**

Item	Amount in this period	Amount in last period
Loan margin	<u>138,052,188.68</u>	
Right-to-use assets	<u>18,265,561.98</u>	<u>18,881,483.02</u>
Total	<u><u>156,317,750.66</u></u>	<u><u>18,881,483.02</u></u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 69. Supplementary information for consolidated cash flow statement

##### (1) Supplementary information for consolidated cash flow statement

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	433,343,206.33	280,962,250.78
Add: Provision for asset impairment	587,501,045.67	144,485,940.66
Credit impairment loss	228,857,326.55	440,755,763.41
Depreciation of fixed asset	289,360,872.78	294,961,584.18
Amortization of right-to-use assets	18,350,857.76	20,261,116.15
Amortization of intangible assets	31,246,634.19	29,970,135.47
Amortization of long-term deferred expenses	19,345,020.71	19,565,057.92
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-62,931.82	-8,249,140.24
Loss on disposal of fixed assets (Gain listed as "-")	835,443.12	62,805.67
Gain or loss from changes in fair value (Gain listed as "-")	-38,351,073.07	-26,405,594.35
Financial expenses (Gain listed as "-")	28,386,532.06	47,141,304.71
Loss on investments (Gain listed as "-")	-639,394,264.83	-349,311,564.11
Decrease in deferred tax assets (Increase listed as "-")	2,349,659.40	8,573,101.98
Increase in deferred tax liabilities (Decrease listed as "-")	3,567,649.02	1,627,250.31
Decrease in inventories (Increase listed as "-")	-303,373,922.68	-407,319,527.87
Decrease in operating receivables (Increase listed as "-")	530,038,670.77	-908,704,244.23
Increase in operating payables (Decrease listed as "-")	-609,720,966.63	1,660,402,017.69
Others		
Net cash flow generated from operating activities	582,279,759.33	1,248,778,258.13
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	2,146,767,725.61	1,416,825,910.58
Less : Beginning balance of cash	1,416,825,910.58	1,120,120,449.63
Add : Ending balance of cash equivalents		
Less : Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	729,941,815.03	296,705,460.95

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 69. Supplementary information for consolidated cash flow statement (Continued)

**(2) Net cash received for disposal of subsidiaries in the current period**

<b>Item</b>	<b>Amount in this period</b>
Disposal of cash or cash equivalents received by subsidiaries in the current period	
Among: Harvesting Machinery Company	
Less: Cash and cash equivalents held by the company on the date of loss of control	<b>127,967.93</b>
Among: Harvesting Machinery Company	<b>127,967.93</b>
Disposal of net cash received by subsidiaries	<b>-127,967.93</b>

**(3) Cash and cash equivalents**

<b>Item</b>	<b>Ending balance</b>	Beginning balance
1. Cash	<b>2,146,767,725.61</b>	1,416,825,910.58
Including: Cash on hand	<b>413,447.08</b>	382,376.31
Bank deposits ready for payment	<b>2,146,354,221.57</b>	1,404,284,221.65
Other monetary funds ready for payment	<b>56.96</b>	12,159,312.62
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	<b>2,146,767,725.61</b>	1,416,825,910.58
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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 70. Assets with restricted ownership or right-to-use

Item	Ending balance of book value	Reason
Monetary funds	1,096,631,886.04	Cash deposits and statutory reserve deposited in the Central Bank ,Fixed deposits of more than three months
Notes receivable	14,000,000.00	Bills Pledge
Fixed assets	38,592,629.34	Loan mortgage
Intangible assets	15,325,331.29	Loan mortgage
Total	1,164,549,846.67	

#### 71. Net current assets

Item	Ending balance	Beginning balance
Current assets	7,695,901,023.41	7,442,992,787.99
Less: current liabilities	5,891,147,420.90	6,874,682,789.41
Net current assets	1,804,753,602.51	568,309,998.58

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 72. Total assets deduct current liabilities

Item	Ending balance	Beginning balance
Total assets	12,339,594,556.58	12,342,608,882.99
Less: current liabilities	5,891,147,420.90	6,874,682,789.41
Total assets deduct current liabilities	<u>6,448,447,135.68</u>	<u>5,467,926,093.58</u>

#### 73. Loan

Item	Ending balance	Beginning balance
Short-term bank loan	270,000,000.00	833,433,929.60
Long-term loans due in one year		
Long-term loan	<u>110,000,000.00</u>	<u>99,800,000.00</u>
Total	<u>380,000,000.00</u>	<u>933,233,929.60</u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 73. Loan (Continued)

##### (1) Analysis of loan

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	270,000,000.00	833,433,929.60
Paid after one year	110,000,000.00	99,800,000.00
Total	380,000,000.00	933,233,929.60

##### (2) Maturity date analysis of loan

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	270,000,000.00	833,433,929.60
1-2 years		99,800,000.00
2-5 years	110,000,000.00	
Total	380,000,000.00	933,233,929.60

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 74. Foreign currency monetary items

(1) *Foreign currency monetary items*

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
<b>Monetary funds</b>			<b>213,276,267.71</b>
USD	22,514,236.76	6.3757	143,544,019.31
EUR	1,473,982.13	7.2197	10,641,708.78
HKD	49,169,201.37	0.8176	40,200,739.04
AUD	805,644.87	4.6220	3,723,690.59
XOF	1,372,349,529.00	0.0110	15,095,844.82
ZAR	121,915.23	0.4004	48,814.86
BYR	8,603.18	2.4933	21,450.31
<b>Accounts receivable</b>			<b>88,862,031.36</b>
USD	11,757,193.64	6.3757	74,960,339.49
EUR	127,312.29	7.2197	919,156.54
AUD	490,708.22	4.6220	2,268,053.39
XOF	170,774,378.00	0.0110	1,878,518.16
ZAR	22,067,841.61	0.4004	8,835,963.78
<b>Other receivables</b>			<b>2,834,547.37</b>
XOF	249,330,485.50	0.0110	2,742,635.34
ZAR	26,860.62	0.4004	10,754.99
BYR	32,550.05	2.4933	81,157.04
<b>Non-current assets maturing within one year</b>			<b>391,991,636.70</b>
USD	47,719,241.77	6.3757	304,243,569.75
EUR	12,153,976.89	7.2197	87,748,066.95
Other current assets			69,365.90
BYR	27,820.92	2.4933	69,365.90
Long-term receivables	-		46,932,314.39

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 74. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
EUR	6,500,590.66	7.2197	46,932,314.39
<b>Accounts payable</b>			<b>31,551,834.32</b>
USD	4,036,527.89	6.3757	25,735,690.87
EUR	706,460.12	7.2197	5,100,430.13
AUD	11,794.96	4.6220	54,516.31
XOF	48,814,268.00	0.0110	536,956.95
ZAR	183,300.13	0.4004	73,393.37
BYR	20,393.33	2.4933	50,846.69
<b>Other payables</b>			<b>550,870.93</b>
USD	45,855.47	6.3757	292,360.72
HKD	31,811.62	0.8176	26,009.18
XOF	20,776,500.00	0.0110	228,541.50
BYR	1,588.07	2.4933	3,959.53
<b>Employee benefits payable</b>			<b>111,986.37</b>
BYR	44,914.92	2.4933	111,986.37
<b>Long-term payables</b>			<b>8,251,321.72</b>
XOF	750,120,156.00	0.0110	8,251,321.72

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 74. Foreign currency monetary items (Continued)

*(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 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, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 75. Government subsidies

##### (1) Classification of government subsidies

Projects of government subsidies	Amount	Item	The amount recorded in current profit and loss
Government subsidies included in deferred income	20,562,592.00	deferred income	
Government subsidies included in other income	18,470,617.48	other income	18,470,617.48
Government subsidies included in non-business income	8,355,998.07	non-business income	8,355,998.07
Total	<u>47,389,207.55</u>		26,826,615.55

##### (2) Explanation of government grants: N/A

#### 76. Depreciation and amortization

Item	Amount in this period	Amount in last period
Depreciation of fixed assets	289,360,872.78	294,961,584.18
Amortization of intangible assets	31,246,634.19	29,970,135.47
Total	<u>320,607,506.97</u>	<u>324,931,719.65</u>

#### 77. 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, 2021 is RMB 1,086,069,085.52, and the capital reserve-equity premium is RMB 2,408,231,745.23.



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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### VII. CHANGES IN THE SCOPE OF CONSOLIDATION

#### 1. Business consolidation not under common control

No business consolidation not under common control in this period.

#### 2. Business consolidation under common control

No business consolidation under common control in this period.

#### 3. Reverse the purchase: N/A

#### 4. Disposal of subsidiary companies: N/A

#### 5. Changes in the scope of consolidation due to other reasons

According to business needs, the company has established a third-level subsidiary, Zhengzhou Sanzhen Machinery Equipment Co., Ltd., and has obtained a business license and completed industrial and commercial registration in May 2021.

YTO French, the second-tier subsidiary of the company, and Harvesting Machinery Company, the third-tier subsidiary of the company, have applied for bankruptcy to the local court due to continuous losses, insolvency and difficulty in repaying the due debts. It has been accepted by court. The Company (YTO) no longer controls them, so they are not included in the scope of consolidation in this period.

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

January 1, 2021 to December 31, 2021 (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
Changtuo Agricultural Machinery Equipment Group Corporation	China	China	Tractor manufacturing	33.33		Subsidiaries acquired through business combination not under common control
Luoyang tractor research institute co., Ltd	China	China	Othera	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
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 Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00		Business combination under common control

*Note:* According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94.25 million. 00 based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Co., Ltd (referred to as "Changtuo Company") on March 31, 2012. the Company holds 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "SinoMach"), SinoMach authorized its voting right and supervision and management right corresponding to 33.33% equity of Changtuo Company to the Company to independently exercise these rights. The authorization will end when SinoMach transfers the equity to unrelated third parties. During the authorization period, SinoMach cannot unilaterally withdraw its authorization. SinoMach has to obtain the written consent from the Company if SinoMach needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

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

January 1, 2021 to December 31, 2021 (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

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	Remark
YTO Group Finance Co., Ltd	1.21	513,755.53	33,000.00	11,200,396.86	
Luoyang Tractor Research Institute Co., Ltd	49	513,638.29	54,458,600.00	269,913,219.73	
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	5,212,532.58	2,016,848.00	251,515,259.85	

##### (3) Main financial information of significant partially-owned subsidiaries

The main financial information of these subsidiaries is the amount before each company offset each other, but the adjustment of fair value and unified accounting policy is made after the merger day.

Item	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YTO Group Finance Co., Ltd	3,291,280,078.88	1,961,557,846.78	5,252,837,925.66	4,378,608,057.09	58,800.98	4,378,666,858.07
Luoyang Tractor Research Institute Co., Ltd	307,320,132.80	422,235,442.36	729,555,575.16	145,137,429.05	33,574,840.54	178,712,269.59
YTO (Luoyang) Diesel Engine Co., Ltd	1,969,122,462.94	662,236,076.07	2,631,358,539.01	987,254,695.80	137,239,774.79	1,124,494,470.59

Item	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YTO Group Finance Co., Ltd	3,034,066,017.98	2,187,569,952.42	5,221,635,970.40	4,384,227,157.29	186,354.78	4,384,413,512.07
Luoyang Tractor Research Institute Co., Ltd	282,606,497.74	457,569,807.66	740,176,305.40	41,640,194.22	37,601,047.02	79,241,241.24
YTO (Luoyang) Diesel Engine Co., Ltd	1,893,161,382.42	680,839,294.65	2,574,000,677.07	954,716,228.34	141,341,197.66	1,096,057,426.00

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

January 1, 2021 to December 31, 2021 (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	
YTO Group Finance Co., Ltd	164,224,708.73	42,448,609.26	42,448,609.26	746,811,752.80
Luoyang Tractor Research Institute Co., Ltd	182,427,170.44	1,048,241.41	1,048,241.41	96,808,279.23
YTO (Luoyang) Diesel Engine Co., Ltd	2,219,188,020.14	44,684,191.60	44,684,191.60	-22,152,152.72
Item	Amount in last period			Cash Flow of Operational Activities
	Operating income	Net profit	Total comprehensive income	
YTO Group Finance Co., Ltd	150,719,605.55	29,981,061.27	29,981,061.27	203,060,343.80
Luoyang Tractor Research Institute Co., Ltd	176,582,037.22	12,377,058.37	12,377,058.37	-28,700,498.02
YTO (Luoyang) Diesel Engine Co., Ltd	1,876,429,584.77	67,557,877.16	67,557,877.16	40,212,816.68

##### (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

The Group does not have this transaction in this period.

#### 3. Interests in joint ventures or associates

##### (1) Significant joint ventures or associates

Name of joint ventures or associates	Main operating place	Registration place	Business nature	Shareholding percentage(%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Drive Axle Co., Ltd	China	China	Tractor manufacturing	49.00		Equity method
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	China	China	Tractor manufacturing	20.00		Equity method

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

January 1, 2021 to December 31, 2021 (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

Item	Ending balance/Amount incurred in this period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	3,129,831.15	193,678,117.66
Non-current assets	10,422.22	158,216,040.58
Total assets	3,140,253.37	351,894,158.24
Current liabilities	207,476.01	90,458,334.43
Non-current liabilities		6,542,410.72
Total liabilities	207,476.01	97,000,745.15
Minority interests		
Equity attributable to the parent company shareholders	2,932,777.36	254,893,413.09
Share of net assets calculated by shareholding ratio	586,555.47	124,897,772.41
Adjusted matters		
—Goodwill		
—Unrealized profits from internal transactions		-86,117.15
—Others		
Book value of equity investments in joint ventures	586,555.47	124,811,655.26
Fair value of equity investments in joint ventures with public offer		
Operating income		236,289,956.39
Finance expenses	1,161.28	-1,933,038.54
Income tax expenses		
Net profit	-156,417.57	6,734,956.11
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-156,417.57	6,734,956.11
Dividends from associates for current period		
Current assets	3,286,986.11	147,127,860.67
Non-current assets	65,888.63	178,096,555.63
Total assets	3,352,874.74	325,224,416.30
Current liabilities	168,848.81	64,365,242.71
Non-current liabilities	94,831.00	12,810,588.61
Total liabilities	263,679.81	77,175,831.32
Minority interests		
Equity attributable to the parent company shareholders	3,089,194.93	248,048,584.98
Share of net assets calculated by shareholding ratio	617,842.97	121,543,806.64
Adjusted matters		102,710.06
—Goodwill		
—Unrealized profits from internal transactions		102,710.06
—Others		
Book value of equity investments in joint ventures	617,842.97	121,441,096.58
Fair value of equity investments in joint ventures with public offer		
Operating income		180,722,719.07
Finance expenses	203.97	-834,271.48
Income tax expenses		-1,300,000.00
Net profit	-343,607.52	5,556,642.48
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-343,607.52	5,556,642.48
Dividends from associates for current period		

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

January 1, 2021 to December 31, 2021 (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**

Item	Ending balance/ Amount incurred in this period	Beginning balance/ Amount incurred in last period
Associates total book value of investments	1,572,335.64	273,680.12
Total amount of the following items calculated by shareholding ratio	—	—
Net profit	-501,344.48	-7,422.36
Other comprehensive income		
Total comprehensive income	<u>-501,344.48</u>	<u>-7,422.36</u>

(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, 2021 to December 31, 2021 (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, 2021, the biggest credit risk exposure that may cause financial losses to the Group was mainly due to the failure of the client or counterparty to perform on the due date. Specifically, it includes accounts receivable, other receivables and notes receivable, as well as the lending business of China YTO Group Finance Co., Ltd., a subsidiary of the Group.

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. the Group evaluate the credit qualification of customers and set up corresponding credit period which are based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factor refer to current market conditions. the Group will conduct regular monitoring of customer credit records. As for bad credit customers, the Group will use the written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk in the controllable range. In addition, the Group will continue to monitor balances of accounts receivable. The board of directors believes that the uncollected accounts receivable in the financial statement has an adequate allowance. Considering with such procedures, the board of directors believes that the credit risk has been significantly reduced.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Credit risk (Continued)

Monetary funds held by the Group are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and asset status, there is no significant credit risk, and will not cause any significant losses due to the default of the other party's units.

The debtor of accounts receivable is a large number of customers distributed in different industries and regions. The Group continues to conduct credit assessments of the financial position of debtors of accounts receivable and to purchase credit guarantee insurance when appropriate. Because the counterparts of currency funds and derivatives are reputable banks with high credit ratings, these instruments have low credit risk.

At December 31, 2021, the accounts receivable of the top five customers accounted for 35.40% (December 31, 2020: 29.70 %) 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

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

Cash Flow Payable as shown in the Contract Remaining Period at the Balance Sheet Date of the Group's Financial Liabilities:

Item	Net book value	December 31, 2021			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,429,974,406.92	1,429,974,406.92			
Accounts payable	2,005,338,697.27	2,005,338,697.27			
Other payables	264,862,718.59	264,862,718.59			
Other current liabilities	262,766,044.87	262,766,044.87			
Short-term borrowings	270,183,333.34	270,183,333.34			
Long-term loans	110,000,000.00			110,000,000.00	
Non-current liabilities due within one year	13,333,158.50	13,333,158.50			
Absorbing deposits and Interbank Deposit	741,565,080.73	741,565,080.73			
financial assets sold for repurchase	11,759,888.55	11,759,888.55			
Long-term payables	8,251,321.72			8,251,321.72	
Subtotal of non-derivative financial liabilities	5,118,034,650.49	4,999,783,328.77		118,251,321.72	
Financial liabilities	5,118,034,650.49	4,999,783,328.77		118,251,321.72	

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. Liquidity risk (Continued)

Item	Net book value	Within 1 year	December 31, 2020		
			1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,547,322,110.70	1,547,322,110.70			
Accounts payable	1,788,192,802.43	1,788,192,802.43			
Other payables	209,162,369.54	209,162,369.54			
Other current liabilities	255,104,052.55	255,104,052.55			
Short-term borrowings	834,263,379.71	834,263,379.71			
Long-term loans	99,800,000.00		99,800,000.00		
Non-current liabilities due within one year	14,142,498.21	14,142,498.21			
Absorbing deposits and Interbank Deposit	1,412,624,683.26	1,412,624,683.26			
Subtotal of non-derivative financial liabilities	6,160,611,896.40	6,060,811,896.40	99,800,000.00		
Financial liabilities	<u>6,160,611,896.40</u>	<u>6,060,811,896.40</u>	<u>99,800,000.00</u>	<u></u>	<u></u>

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

January 1, 2021 to December 31, 2021 (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 exist 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, 2021, 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				
<b>Monetary funds</b>		<b>213,276,267.71</b>		191,838,452.93
USD	22,514,236.76	143,544,019.31	19,773,993.96	129,023,333.19
EUR	1,473,982.13	10,641,708.78	1,831,984.81	14,701,678.10
HKD	49,169,201.37	40,200,739.04	42,699,251.02	35,935,689.66
AUD	805,644.87	3,723,690.59	20,784.40	104,260.79
XOF	1,372,349,529.00	15,095,844.82	985,042,716.00	12,017,521.14
ZAR	121,915.23	48,814.86	85,817.64	38,257.50
BYR	8,603.18	21,450.31	7,031.30	17,712.55
<b>Accounts receivable</b>		<b>88,862,031.36</b>		125,628,231.70
USD	11,757,193.64	74,960,339.49	15,425,212.35	100,647,968.06
EUR	127,312.29	919,156.54	322,550.95	2,588,471.38
AUD	490,708.22	2,268,053.39	789,211.40	3,958,921.15
XOF	170,774,378.00	1,878,518.16	604,397,028.00	7,373,643.74
ZAR	22,067,841.61	8,835,963.78	24,807,598.41	11,059,227.37
<b>Other receivables</b>		<b>2,834,547.37</b>		5,650,606.56
XOF	249,330,485.50	2,742,635.34	41,096,807.50	501,381.05
ZAR	26,860.62	10,754.99	26,860.62	11,974.46
BYR	32,550.05	81,157.04	13,397.82	33,750.45
EUR			635,950.23	5,103,500.60
<b>Non-current assets maturing within one year</b>		<b>391,991,636.70</b>		330,647,509.01
USD	47,719,241.77	304,243,569.75	43,168,381.09	281,669,369.79
EUR	12,153,976.89	87,748,066.95	6,103,194.92	48,978,139.22
<b>Other current asset</b>		<b>69,365.90</b>		
BYR	27,820.92	69,365.90		

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

January 1, 2021 to December 31, 2021 (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
<b>Long-term receivables</b>	-	<b>46,932,314.39</b>		130,897,287.98
USD			4,624,212.28	30,172,522.70
EUR	<b>6,500,590.66</b>	<b>46,932,314.39</b>	12,551,372.62	100,724,765.28
<b>Foreign currency financial liabilities</b>				
<b>Accounts payable</b>		<b>31,551,834.32</b>		37,110,926.34
USD	<b>4,036,527.89</b>	<b>25,735,690.87</b>	4,129,407.89	26,943,973.54
EUR	<b>706,460.12</b>	<b>5,100,430.13</b>	1,129,426.29	9,063,645.97
AUD	<b>11,794.96</b>	<b>54,516.31</b>	11,794.96	59,167.06
XOF	<b>48,814,268.00</b>	<b>536,956.95</b>	76,807,151.00	937,047.24
ZAR	<b>183,300.13</b>	<b>73,393.37</b>	-	-
BYR	<b>20,393.33</b>	<b>50,846.69</b>	42,512.22	107,092.53
<b>Other payables</b>		<b>550,870.93</b>		719,643.28
USD	<b>45,855.47</b>	<b>292,360.72</b>	71,444.77	466,169.98
HKD	<b>31,811.62</b>	<b>26,009.18</b>		
XOF	<b>20,776,500.00</b>	<b>228,541.50</b>	20,776,500.00	253,473.30
BYR	<b>1,588.07</b>	<b>3,959.53</b>		
<b>Short-term loans</b>				3,433,929.60
EUR			427,904.00	3,433,929.60
<b>Employee benefits payable</b>		<b>111,986.37</b>		6,476,067.83
EUR			796,253.00	6,389,930.33
BYR	<b>44,914.92</b>	<b>111,986.37</b>	34,193.76	86,137.50
<b>Long-term accounts payable</b>		<b>8,251,321.72</b>		9,151,465.90
XOF	<b>750,120,156.00</b>	<b>8,251,321.72</b>	750,120,156.00	9,151,465.90

Sensitivity analysis:

By the end of December 31, 2021, 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 RMB70,350,015.01 (Year 2020: RMB72,777,005.52).

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 3. Market risk (Continued)

##### (2) Interest rate risk

The interest rate risk of the Group arises from bank loans. Financial liabilities with floating interest rates push the Group to face the cash flow interest rate risk. Financial liabilities with fixed interest rates push the Group to face the fair value interest rate risk. The Group needs to decide a relative proportion between contracts with floating interest rates and contracts with fixed interest rates according to the market environment.

the Group's financial department continuously monitors the Group's interest rate level. Rising interest rates will increase the cost of new interest-bearing liabilities and the interest expenditure of interest-bearing liabilities that the Group has not yet paid at floating interest rates, which will have a significant negative impact on the Group's financial performance. The management will make timely adjustments based on the latest market conditions. These adjustments may be made by arranging interest rate swaps to reduce interest rate risk.

On December 31, 2021, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB and Euro, amounting to RMB110,000,000.00. (Details in VII Note 38 Long-term Loans)

##### (3) Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

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

January 1, 2021 to December 31, 2021 (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, 2021, 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

##### (1) Continuous fair value measurement

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 designated as financial assets measured at fair value and its changes are accounted in loss and profit in current period				
Investments on debt instrument			1,038,960,400.00	1,038,960,400.00
Investments on equity instrument		10,588.74		10,588.74
Other			216,495,094.89	216,495,094.89
Receivables Financing				
Total assets		10,588.74	1,255,455,494.89	1,255,466,083.63

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

January 1, 2021 to December 31, 2021 (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-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets incorporated in current profit and loss at fair value).

#### 4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is in the second level.

#### 5. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

If one or more of the significant inputs are not based on observable market data, the financial instrument is then listed in the third level.

Specific methods of valuating financial instruments include :

- (1) Market price or industry price of similar financial instruments.
- (2) The fair value of interest rate swap is calculated based on discounted value of estimated future cash flows by observable yield curve.
- (3) Present value discounted from fair value of foreign exchange forward contracts calculated by the exchange rate on the settlement date.
- (4) Other methods such as discounted value of cash flow analysis which is used to calculate the fair value of the rest other financial instruments.

For the equity instrument investment held by the company, the company hired China United Assets Appraisal Group Co., Ltd. to issue a valuation report. The valuation method of the equity instrument in the valuation report adopted the market method.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. DISCLOSURE OF FAIR VALUE (CONTINUED)

**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.

**9. The fair value of financial assets and financial liabilities that are not measured at fair value**

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payables, non-current liabilities and long-term loans due within one year and an equity tool that is not quoted in an active market and its fair value is not reliably measured.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

#### 1. Information of the parent company of the enterprise

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	48.81	48.81

(1) Explanation of the parent company of the Company: N/A

(2) The ultimate controlling party of the Company is China National Machinery Industry Corporation Ltd.

China National Machinery Industry Corporation Ltd, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital of the Group is RMB26 billion.

#### 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, 2021 to December 31, 2021 (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 Company hold shareholding 10.57%
Luoyang Tractor Research Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	the Company hold share holding 49%
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 45%
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	The joint venture of the controlling shareholder of the Company	
Luoyang Oriental Printing Co., Ltd	The joint venture of the controlling shareholder of the Company	
China YTO Kawei (Luoyang) Vehicle Co., Ltd	The joint venture of the controlling shareholder of the Company	
YTO (Luoyang) Standard Parts Co., Ltd	The joint venture of the controlling shareholder of the Company	
YTO (Luoyang) New Oriental Automobile Co., Ltd	The joint venture of the controlling shareholder of the Company	

Note: According to the board rules of the Hong Kong stock exchange, the Company holding a share of 10% or more of the holding shareholders of the Company is a joint venture of the controlling shareholder of the Group.

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

*January 1, 2021 to December 31, 2021 (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) Logistics Co., Ltd	Under common control
YTO (Luoyang) material equipment Co., Ltd	Under common control
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang ZhongshouMachinery Equipment Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fossett auto incorporate company	Under common control
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	Under common control
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	Under common control
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Under common control
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Under common control
Dongfanghong Agricultural Service Technology (Henan) Co., Ltd.	Under common control
SINOMACH Finance Co., Ltd.	Same ultimate control
SINOMACH Science and Technology Research Institute Co., Ltd.	Same ultimate control
SINOMACH International Equipment Co., Ltd.	Same ultimate control
SINOMACH Changlin Co., Ltd.	Same ultimate control
Guoji Intelligent Technology Co., Ltd.	Same ultimate control
Beijing Heavy Transport Machinery Design Research Institute	Same ultimate control
Beijing Jinlun Kuntian Special Machinery Co., Ltd.	Same ultimate control
Shandong Huayuan Laidong Internal Combustion Engine Co., Ltd.	Same ultimate control
Guangzhou Jisheng Lubrication Technology Co., Ltd.	Same ultimate control
Guangzhou Kinte Material Technology Co., Ltd.	Same ultimate control
Guoji Casting and Forging Machinery Co., Ltd.	Same ultimate control
Machinery Industry Fourth Design & Research Institute Co., Ltd.	Same ultimate control
Machinery Industry Sixth Design and Research Institute Co., Ltd.	Same ultimate control
China Automobile (Tianjin) Automotive Equipment Co., Ltd.	Same ultimate control
Zhonghengtian Automobile Group (Ya'an) Automobile Co., Ltd.	Same ultimate control
China National Machinery Heavy Industry Group Co., Ltd.	Same ultimate control
Zhengzhou Abrasives Grinding Research Institute Co., Ltd.	Same ultimate control
China Automotive Industry Engineering Co., Ltd.	Same ultimate control
Zhonghengtian Off-road Vehicle Co., Ltd.	Same ultimate control
Jiangsu Sumida Electromechanical Technology Co., Ltd.	Same ultimate control
China National Machinery Industry Machinery Engineering Co., Ltd.	Same ultimate control

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 4. Other related parties (Continued)

Name of other related parties	Relationship to the Company
Beijing Guoji Lianchuang Advertising Co., Ltd.	Same ultimate control
Beijing Tianshun Great Wall Hydraulic Technology Co., Ltd.	Same ultimate control
China National Heavy Machinery Research Institute Co., Ltd.	Same ultimate control
Fuyang Bearing Co., Ltd.	Same ultimate control
China Industry International Logistics Co., Ltd.	Same ultimate control
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	Same ultimate control
Weikai Testing Technology Co., Ltd.	Same ultimate control
Chinese Academy of Agricultural Mechanization Sciences	Same ultimate control
Lanpec Technologies Limited	Same ultimate control
Shenyang Institute of Instrumentation Science Co., Ltd.	Same ultimate control
Beijing Zhongzhuo Culture Media Co., Ltd.	Same ultimate control
Beijing Zhuozhong Publishing Co., Ltd.	Same ultimate control
China National Machine Tool Corporation	Same ultimate control
China National Electrical Equipment Research Institute Co., Ltd.	Same ultimate control
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Bankruptcy liquidation is not included in the scope of consolidation
YTO (Luoyang) Harvesters Co., Ltd.	Bankruptcy liquidation is not included in the scope of consolidation
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd.	Others
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Others
China National Machinery Heavy Industry (Luoyang) Co., Ltd.	Others

#### Other explanation

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, 2021 to December 31, 2021 (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*

Item	Amount in this period	Amount in last period
Sales of raw materials and components	15,013,167.71	14,139,228.76
Research and development revenue		40,000,000.00
Rendering of services		42,452.83
Purchase of raw materials and components	25,455,805.95	9,172,889.00
Purchase of fix assets and equipment	28,113,643.41	
Interest income	160,000.00	2,639,622.64
Pay clients' deposit interest	100,021.79	153,448.75
Commission income		53,782.48
Pay for R & D expenses		2,280,188.68

(3) *Significant transactions between the Group and YTO Group and the subsidiaries*

Item	Amount in this period	Amount in last period
Sales of raw materials and components	221,860,175.77	238,631,794.68
Purchase of raw materials and components	728,705,835.27	533,098,452.65
Payment and payable of power expense	186,707,900.19	174,638,657.24
Payment and payable of comprehensive services and transportation fees	222,386,264.36	195,838,701.08
Payment and payable of land rental expenses	10,870,612.14	9,736,486.67
Payment and payable of buildings rental expenses	6,791,417.06	8,578,887.75
Payment and payable of equipment rental expenses	1,351,233.40	707,456.37
Pay for R & D expenses	26,981,460.41	22,112,044.66
Rental income of leasing buildings and equipment	4,394,063.33	5,934,752.32
Land lease income	65,710.00	1,785,472.25
Trademark use income	166,037.74	133,396.23
Purchase of plant and equipment	2,699,293.67	6,684,149.91
Interest income	29,131,687.10	30,013,557.14
Pay clients' deposit interest	18,807,856.95	23,397,157.27
Commission income	639,196.44	783,760.33
Payment received of research and development expense	4,874,339.62	55,156,603.82

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

January 1, 2021 to December 31, 2021 (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)**

Item	Amount in this period	Amount in last period
Sales of raw materials and components	52,255,239.75	31,200,022.65
Income from technology license	686,422.48	523,169.26
Income from trademark use	4,528.30	5,660.38
Income from comprehensive service	2,201,614.03	
Rental income	6,640,743.32	6,653,954.33
Purchase raw materials and parts	264,494,225.38	219,241,318.48
Payment for clients' deposit interest	5,583,472.17	4,516,743.69
Payment for research and development costs	134,332,539.09	72,363,767.03
Payment for payable power fee	517,125.44	60,811.67
Rent paid and payable	601,535.00	
Providing technology and testing services	1,113,930.49	2,189,926.25
Interest income	565,182.64	
Commission income	8,454.18	4,522.21

**(5) Borrowing and lending between related parties**

Item	Amount in this period	Amount in last period
Loans granting	995,700,000.00	1,090,000,000.00
Notes discounted	88,815,751.53	60,740,447.98
Absorption of deposits	14,950,647,167.87	15,569,186,737.89
Interbank deposits	300,000,000.00	600,000,000.00
Loans from other banks	200,000,000.00	300,000,000.00
Loans to other banks	200,000,000.00	200,000,000.00

**(6) The Group has no asset transfer or debt restructuring to related parties in this period.**

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

*January 1, 2021 to December 31, 2021 (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: RMB10 thousand)*

Item	Amount incurred in this period	Amount incurred in last period
Fees	31.79	28.76
Salaries and other benefits	871.92	561.59
Retirement benefits scheme contribution	47.84	28.18
Total remuneration	<u>951.55</u>	<u>618.53</u>

Analysis of key management personnel remuneration (Unit: RMB10 thousand) :

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Li Xiaoyu				
Cai Jibo				
Liu Jiguo		130.87	4.51	135.38
<b>Non-executive directors</b>				
Zhou Honghai				
Li, Hepeng	1.16			1.16
Xie, Donggang	0.69			0.69
<b>Independent non-executive directors</b>				
Xue Lipin	10.16			10.16
Yang, Minli	9.89			9.89
Wang Yuru	9.89			9.89
<b>Supervisors</b>				
Tian Peng			4.46	4.46
Zhang Bin				
Wang Hongbin		133.28	4.52	137.80
Yang Kun		110.80	4.44	115.24

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

January 1, 2021 to December 31, 2021 (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: RMB 10 thousand)

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Key management personnel</b>				
Wang, Kejun (Deputy general manager)		105.11	4.50	109.61
Su, Wensheng (Deputy general manager)		110.61	4.50	115.11
Xue Wenpu (Deputy general manager)		104.33	4.54	108.87
Yu Lina (Deputy general manager & Board Secretary)		106.33	4.50	110.83
Su Yie (CFO)		70.59	11.87	82.46
<b>Other key management personnel</b>				
Yu Zengbiao (Former Independent non-executive director)				
Zhang Hongsheng (Former chairman of the board of supervisors)				
Zhao Junfen (Former chief financial officer)				
Total	31.79	871.92	47.84	951.55

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

January 1, 2021 to December 31, 2021 (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: RMB10 thousand)

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Li Xiaoyu				
Cai Jibo				
Liu Jiguo		79.76	3.46	83.22
<b>Non-executive directors</b>				
Zhou Honghai				
Li, Hepeng	0.50			0.50
Xie, Donggang	0.30			0.30
<b>Independent non-executive directors</b>				
Xue Lipin	8.66			8.66
Yang, Minli	7.91			7.91
Wang Yuru	8.00			8.00
<b>Supervisors</b>				
Tian Peng				
Zhang Bin				
Wang Hongbin		88.21	3.45	91.66
Yang Kun		32.62	3.35	35.97
<b>Key management personnel</b>				
Wang, Kejun (Deputy general manager)		66.23	3.45	69.68
Su, Wensheng (Deputy general manager)		70.25	3.46	73.71
Xue Wenpu (Deputy general manager)		104.33	3.46	107.79
Yu Lina (Deputy general manager & Board Secretary)		66.27	3.46	69.73
Su Yie (CFO)		7.16	1.63	8.79
<b>Other key management personnel</b>				
Yu Zengbiao (Former Independent non-executive director)	3.39			3.39
Zhang Hongsheng (Former chairman of the board of supervisors)				
Zhao Junfen (Former chief financial officer)		46.76	2.46	49.22
Total	28.76	561.59	28.18	618.53

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments

##### a. Bank savings

Related parties	Ending balance	Beginning balance
SINOMACH Finance Co., Ltd.		300,000,000.00
Total		300,000,000.00

##### b. Notes receivable

Related Parties	Ending balance	Beginning balance
Notes receivable between the Group and YTO Group and its subsidiaries	2,891,646.89	61,947,831.05
China YTO Group Co., Ltd	2,506,000.00	54,170,000.00
YTO (Luoyang) Logistics Co., Ltd	385,646.89	484,823.05
YTO (Luoyang) Zhongcheng Machinery Co., Ltd		1,000,000.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.		6,293,008.00
Notes Receivable between the Group and Joint Venture or associates		500,000.00
ZF YTO (Luoyang) Bridge Co., Ltd.		500,000.00
Notes receivable between the Group and SINOMACH and its subsidiaries	1,587,320.00	405,000.00
Jiangsu Sumida Electromechanical Technology Co., Ltd.	1,587,320.00	
China Machinery Engineering & Construction Corporation		405,000.00
Total	4,478,966.89	62,852,831.05

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### c. Accounts receivable

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
<b>Accounts receivable between the Group and SINOMACH and its subsidiaries</b>	<b>4,128,950.40</b>	<b>2,394,591.86</b>	5,043,513.57	1,730,409.28
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.			29,502.50	590.05
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	<b>682,159.05</b>	<b>682,159.05</b>	682,159.05	682,159.05
SINOMACH-HI (Luoyang) Co., Ltd	<b>989,595.58</b>	<b>989,595.58</b>	989,595.58	45,010.32
Sinomach Foundry and Metal Forming Co., Ltd.			207,116.80	31,067.52
Zhengzhou Research Institute For Abrasives & Grinding Co., Ltd.	<b>443,800.00</b>	<b>4,438.00</b>	430,300.00	57,174.00
Automotive Engineering Corporation			736,500.00	14,730.00
China HI-TECH OFF-ROAD VEHICLE Co., Ltd.	<b>898,921.97</b>	<b>707,105.49</b>	1,795,908.04	897,954.02
Jiangsu Sumida Electromechanical Technology Co., Ltd.	<b>919,573.80</b>	<b>9,195.74</b>	172,431.60	1,724.32
Sumec Hardware & Tools Co., Ltd.	<b>180,000.00</b>	<b>1,800.00</b>		
Chtc Jove Heavy Industry Co., Ltd.	<b>14,900.00</b>	<b>298.00</b>		
<b>Accounts receivable between the Group and the shareholder</b>	<b>12,693,690.39</b>	<b>1,310,062.90</b>	1,187,291.00	593,645.50
YTO Group Corporation	<b>12,693,690.39</b>	<b>1,310,062.90</b>	1,187,291.00	593,645.50

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### c. Accounts receivable (Continued)

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
<b>Accounts receivables between the Group and YTO Group and its subsidiaries</b>	<b>31,240,374.86</b>	<b>5,124,468.05</b>	55,000,726.86	5,839,560.68
Luoyang ZhongshouMachinery Equipment Co., Ltd.	83,839.70	12,575.96	9,787,752.06	97,877.52
YTO (Luoyang) Huide Tooling Co., Ltd	5,942,626.56	59,426.27	361,396.37	3,613.96
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,136,691.67	4,136,691.67	4,475,835.96	4,475,835.96
YTO (Luoyang) Logistics Co., Ltd	6,592,140.69	65,921.41	5,295,148.11	53,092.52
Yituo Luoyang material equipment Co., Ltd.	13,502,648.98	135,026.48	33,124,498.76	331,244.98
YTO (Luoyang) Zhongcheng Machinery Co., Ltd			795,568.34	8,270.08
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	860,527.26	713,607.26	1,160,527.26	869,625.66
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	121,900.00	1,219.00		
<b>Accounts receivable between the group and joint venture or associates</b>	<b>3,847,234.21</b>	<b>38,472.35</b>	3,276,245.15	35,663.98
ZF YTO (Luoyang) axle Co. Ltd.	3,847,234.21	38,472.35	3,273,314.30	32,733.13
YTO (Luoyang) Standard Parts Co., Ltd			2,930.85	2,930.85
<b>Accounts receivable from atomic companies not included in the scope of consolidation</b>	<b>101,625,362.81</b>	<b>101,625,362.81</b>	27,533,497.99	27,533,497.99
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	27,533,497.99	27,533,497.99	27,533,497.99	27,533,497.99
Yituo (Luoyang) Harvesters Co., Ltd.	74,091,864.82	74,091,864.82		
<b>Total</b>	<b>153,535,612.67</b>	<b>110,492,957.97</b>	<b>92,041,274.57</b>	<b>35,732,777.43</b>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### d. Advance to suppliers

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
<b>Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>172,375.54</b>		139,925.70	
China National Machine Tool Corp.	99,492.94			
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	72,882.00		139,925.70	
<b>Advance to suppliers between the Group and the shareholder</b>	<b>34,780,433.99</b>		93,907.99	
YTO Group Corporation	34,780,433.99		93,907.99	
<b>Advance to suppliers between the Group and YTO Group and its subsidiaries</b>	<b>80,220.00</b>		57,689.48	16,289.48
Luoyang Fossett auto incorporate company	80,220.00		41,400.00	
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.			16,289.48	16,289.48
<b>Total</b>	<b>35,033,029.53</b>		<b>291,523.17</b>	<b>16,289.48</b>

##### e. Other current assets

Related parties	Ending balance	Beginning balance
SINOMACH Finance Co., Ltd.		50,000.00
Yituo (Luoyang) Shentong Engineering Machinery Co., Ltd.	<b>171,000,000.00</b>	171,000,000.00

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### f. Other receivables

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
<b>Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>				
Zhongji North Machinery Co., Ltd	180,207.06	180,207.03	210,472.76	210,472.70
YTO (Luoyang) Engineering Machinery Co., Ltd	96,314.00	96,314.00	30,265.70	30,265.70
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	0.06	0.03	96,314.00	96,314.00
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd	83,893.00	83,893.00	0.06	
<b>Other receivables between the Group and the majority shareholder</b>				
YTO Group Corporation	318,102.82	25,623.42	83,893.00	83,893.00
<b>Other receivables between the Group and YTO Group and its subsidiaries</b>				
Luoyang Zhongshou Machinery Equipment Co., Ltd.	134.42	134.42	187,200.00	5,890.00
YTO (Luoyang) Kintra Equipment Technology Co., Ltd.	134.42	134.42	187,200.00	5,890.00
<b>Other receivables between the Group and other parties</b>				
ZF YTO (Luoyang) axle Co. Ltd.	727,607.83	7,276.08	137,069.34	1,513.25
	727,607.83	7,276.08	136,925.34	1,369.25
<b>Other receivable from atomic companies not included in the scope of consolidation</b>				
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	82,240,000.00	82,240,000.00	144.00	144.00
	82,240,000.00	82,240,000.00		
<b>Total</b>	<b>83,466,052.13</b>	<b>82,453,240.95</b>	<b>83,306,400.12</b>	<b>82,463,192.53</b>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### g. Long-term receivables

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Long-term receivables between the Group and SINOMACH and its subsidiaries	1,221,941.13	36,658.23	2,145,874.51	64,376.24
Yto (Luoyang) Huide Tool & Equipment Co., Ltd.	1,221,941.13	36,658.23	2,145,874.51	64,376.24
	<u>1,221,941.13</u>	<u>36,658.23</u>	<u>2,145,874.51</u>	<u>64,376.24</u>

##### h. Right-to-use assets

Related parties	Ending balance	Beginning balance
<b>Right-to-use assets between the Group and the majority shareholder</b>	<b>21,865,538.07</b>	25,141,996.66
YTO Group Corporation	21,865,538.07	25,141,996.66
<b>Right-to-use assets between the Group and YTO Group and its subsidiaries</b>	<b>379,200.00</b>	446,102.42
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	83,200.00	166,857.14
YTO (Luoyang) Logistics Co., Ltd	296,000.00	279,245.28
<b>Right-of-use assets of the Group and associates and joint ventures</b>	<b>642,461.20</b>	
ZF YTO (Luoyang) axle Co. Ltd.	642,461.20	
Total	<u>22,887,199.27</u>	<u>25,588,099.08</u>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### i. Loans and advances

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
<b>Deposit of Capital Discounted:</b>				
YTO (Luoyang) Huide Tooling Co., Ltd	2,190,660.37	55,000.00	1,395,543.41	35,000.00
Luoyang Zhongshou Machinery & Equipment Co., Ltd			6,874,803.47	175,000.00
Yituo (Luoyang) Logistics Co., Ltd.	34,154,990.06	858,509.34		
<b>Loans:</b>				
YTO (Luoyang) Huide Tooling Co., Ltd	5,700,000.00	142,500.00		
YTO (Luoyang) Huide Tooling Co., Ltd(Interest receivable)	8,953.75			
YTO Group Corporation	790,000,000.00	19,750,000.00	890,000,000.00	22,250,000.00
YTO Group Corporation(Interest receivable)	795,899.99		882,472.22	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

##### j. Short-term borrowings

Related parties	Ending balance	Beginning balance
SINOMACH Finance Co., Ltd.	200,000,000.00	300,00,000.00
SINOMACH Finance Co., Ltd.(Interest payable)	50,000.00	66,666.67
	<u>                    </u>	<u>                    </u>

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### k. Collecting deposits and granting loans

Company	Ending balance	Beginning balance
Luoyang Tractor Research Institute Co., Ltd.	287,457,866.34	206,934,418.42
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd	5,466,177.72	9,707,572.37
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	22,924,768.49	26,069,164.73
YTO Group Corporation	332,646,128.50	989,890,388.44
Luoyang Zhongshou Machinery Equipment Co., Ltd.	37,715.07	50,079,624.82
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd		201,007.49
Yituo Luoyang Material equipment Co., Ltd.	23,856,463.45	13,401,998.86
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	1,344,076.33	3,197,136.26
YTO (Luoyang) Zhongcheng Machinery Co., Ltd		14,826,573.97
YTO (Luoyang) Logistics Co., Ltd	28,729,458.41	34,399,825.67
Dongfanghong (Luoyang) Modern Life Service Co., Ltd	4,504,955.65	5,799,523.41
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd		437,435.40
YTO (Luoyang) Huide Tooling Co., Ltd	3,655,647.85	2,322,196.98
Luoyang Tianhui Energy Engineering Co., Ltd	2,668,767.70	3,699,598.96
Luoyang YTO Driver Training School Co., Ltd.	275,546.44	58,302.96
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.		406.05
Luoyang Fossett auto incorporate company	32,919,666.26	16,750,165.39
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	9,795,589.12	
SINOMACH-HI (Luoyang) Co., Ltd	4.15	5,719.60
YTO (Luoyang) Fuel Injection Co., Ltd.	43,901,097.22	51,488,677.38
YTO (Luoyang) Engineering Machinery Co., Ltd	3.64	3.64
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	0.02	0.02
YTO (Luoyang) Rico Automobile Co., Ltd.	735.93	12,166.02
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	3,101.43	3,088.27
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	32,813,463.86	22,512,208.67
Luoyang Oriental Printing Co., Ltd	699,365.26	654,796.98
Shenzhen Dongfang Pengxing Trade Co., Ltd	234,461.55	22,644.28
YTO (Luoyang) Standard Parts Co., Ltd	3,164.23	3,150.78
YTO (Luoyang) New Oriental Automobile Co., Ltd.	275.76	274.58
<b>Total</b>	<b>833,938,500.38</b>	<b>1,452,478,070.40</b>

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### i. Deposit taking and interbank deposits(Interest payable)

Company	Ending balance	Beginning balance
YTO Group Corporation	538,065.01	2,952,843.36
Luoyang Zhongshou Machinery Equipment Co., Ltd.	0.91	312,928.63
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	139,543.02	223,407.38
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	286,945.25	42,604.71
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.		35,298.29
YTO (Luoyang) Logistics Co., Ltd.	83,261.98	30,513.87
Yituo Luoyang Material equipment Co., Ltd.	9,794.27	21,687.52
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	19,820.18	20,089.46
Luoyang Forsset Environmental Technology Co., Ltd.	10,930.45	12,985.52
YTO (Luoyang) Huide Tooling Co., Ltd.	3,389.77	3,172.65
Luoyang Tianhui Energy Engineering Co., Ltd.	1,171.44	1,738.31
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	2,084.61	1,088.37
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	59.74	125.9
Luoyang Oriental Printing Co., Ltd.	82.19	76.41
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.		51.03
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.		28.12
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	33.78	20.23
Shenzhen Dongfang Pengxing Trading Co., Ltd.	28.43	2.64
YTO (Luoyang) Rico Automobile Co., Ltd.	0.04	1.52
China National Machinery Heavy Industry (Luoyang) Co., Ltd.		0.9
YTO (Luoyang) Standard Parts Co., Ltd.	0.37	0.37
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.36	0.35
YTO (Luoyang) Dongchen Mould Technology Co., Ltd.		0.05
YTO (Luoyang) New Oriental Motor Co., Ltd.	0.03	0.03
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	126,666.96	
Total	1,221,878.79	3,658,665.62

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### m. Accounts payable

Related parties	Ending balance	Beginning balance
<b>Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>18,017,921.83</b>	16,108,540.02
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	1,672,512.85	1,513,161.69
China Automobile Industrial Engineering Co., Ltd.	10,520,586.03	9,423,256.78
Changsha Gas-electric Auto Parts Co., Ltd	55,996.67	55,996.67
Fuyang Bearing Co., Ltd		311,689.28
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	8,000.00	80,000.00
The fifth design and Research Institute of Mechanical Industry Co., Ltd	161,600.04	161,600.04
China Machine Tools Corporation		102,871.61
The Fourth Construction of China Machinery Industry Co., Ltd.		2,829.68
Luoyang Shaft Research Technology Co., Ltd. (Zhengzhou Branch)		972,604.30
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	13,383.50	6,096.00
Guangzhou Optical Sky Materials Technology Co., Ltd.	531,591.33	654,412.76
Sinomach Foundry and Metal Forming Co., Ltd.	896,216.53	1,903,333.33
Guangzhou Jetsun Lubrication Technology Co., Ltd.	26,166.97	343,687.13
China National Electrical Equipment Research Institute Co., Ltd.	777,000.00	537,000.00
Erzhong (Deyang) heavy equipment Co., Ltd	12,000.00	-
Shandong Huayuan Laidong ENwGINE Co., Ltd.		40,000.00
Xi'an Heavy Machinery Research Institute Co., Ltd.	0.75	0.75
SINOMACH PRECISION CO., LTD. Zhengzhou Branch	1,204,316.87	
China Second Heavy Machinery Group Deyang Wanlu Transportation Industry Co., Ltd.	1,372,401.45	
SAIC Shengjia (Tianjin) Property Management Co., Ltd.	10,148.84	
Erzhong Deyang Energy Storage Technology Co., Ltd.	756,000.00	
<b>Accounts payable between the Group and shareholder YTO Group Corporation</b>	<b>18,654,777.84</b>	11,259,880.36
	<b>18,654,777.84</b>	11,259,880.36

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

##### m. Accounts payable (Continued)

Related parties	Ending balance	Beginning balance
<b>Accounts payable between the Group and YTO Group and its subsidiaries</b>		
YTO (Luoyang) Logistics Co., Ltd	50,529,659.68	61,233,123.03
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	35,488,698.01	32,618,622.55
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	38,071.26	7,652,477.75
Luoyang Tianhui Energy Engineering Co., Ltd	3,723,143.07	3,717,143.07
YTO (Luoyang) Huide Tooling Co., Ltd	3,646,891.63	2,671,775.53
YTO (Luoyang) material equipment Co., Ltd	3,601,319.92	3,726,877.05
Luoyang Duoan Advertising Co., Ltd	1,321,195.79	6,092,024.52
Luoyang Fusait Automobile Co., Ltd.		43,620.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.	36,650.00	133,011.18
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd		541,307.94
Yto(xinjiang)dongfanghong Equipment Machinery Co., Ltd.		200,000.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	2,671,900.00	55,500.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	1,790.00	3,761,063.44
		19,700.00
<b>Accounts payable between the group and other parties</b>	22,173,453.35	14,730,755.81
ZF YTO (Luoyang) axle Co. Ltd.	20,550,659.73	14,156,372.64
YTO (Luoyang) Rico Automobile Co. Ltd.	44,364.39	44,364.39
YTO (Luoyang) Standard Parts Co., Ltd.	4,812.90	7,352.29
Luoyang Oriental Printing Co., Ltd.	620,507.45	522,666.49
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	953,108.88	
Total	109,375,812.70	103,332,299.22

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

n. Contractual liability

Related parties	Ending balance	Beginning balance
<b>Contractual liability between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>71,166.18</b>	22,938.68
SINOMACH-HI(LUOYANG) Co., Ltd.	86.8	86.80
Nanchang Kama Co., Ltd.	282.92	283.19
Xinjiang Zhongshou Agricultural and Animal Husbandry Machinery Co., Ltd.		22,566.37
China Machinery Engineering & Construction Corporation		2.32
Erzhong Deyang Energy Storage Technology Co., Ltd.	<b>70,796.46</b>	
<b>Contractual liability between the Group and the shareholder</b>		28,433.48
YTO Group Corporation		28,433.48
<b>Contractual liability between the Group and YTO Group and its subsidiaries</b>	<b>46,548.67</b>	40,558.58
YTO (Luoyang) Zhongcheng Machinery Co., Ltd		40,558.58
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	<b>46,548.67</b>	
<b>Contractual liability between the group and other parties</b>	<b>12,831.95</b>	3,920,069.90
Luoyang Yituo Light Vehicle Co., Ltd.	<b>12,831.86</b>	
ZF YTO (Luoyang) axle Co. Ltd.		3,920,067.49
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	0.09	0.09
YTO (Luoyang) Standard Parts Co., Ltd.		2.32
Total	<b>130,546.80</b>	4,012,000.64

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

###### *o. Other payables*

Related parties	Ending balance	Beginning balance
<b>Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>		
CAMCE International Logistics Co., Ltd	746,695.20	905,750.00
Guangzhou Qingtian Material Technology Co., Ltd	100,000.00	100,000.00
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	150,000.00	50,000.00
Guangzhou Jetsun Lubrication Technology Co., Ltd.	255,750.00	255,750.00
Fuyang Bearing Co., Ltd.	100,000.00	300,000.00
Luoyang Axis Research Technology Co., Ltd. Zhengzhou Branch	140,945.20	150,000.00
		50,000.00
<b>Other payables between the Group and the shareholder</b>	<b>50,891,612.33</b>	56,348,077.76
YTO Group Corporation(Other payable)	1,891,612.33	56,348,077.76
YTO Group Corporation(Dividend payable)	49,000,000.00	
<b>Other payables between the Group and YTO Group and its subsidiaries</b>	<b>991,019.73</b>	794,080.00
YTO (Luoyang) Logistics Co., Ltd	610,000.00	614,000.00
YTO (Luoyang) Huide Tooling Co., Ltd	12,000.00	
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	56,227.72	106,170.00
Luoyang Duoan Advertising Co., Ltd		14,030.00
Luoyang Tianhui Energy Engineering Co., Ltd	22,000.00	25,000.00
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.		30,000.00
Dongfanghong (Luoyang) Cultural Communication Center		3,880.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	7,000.00	1,000.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	283,792.01	
<b>Other payables between the group and other parties</b>		10,000.00
ZF YTO (Luoyang) axle Co. Ltd.		
Luoyang Oriental Printing Co., Ltd.	10,000.00	10,000.00
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	200,000.00	
Luoyang Yizhong Technology Consulting Co., Ltd.	9,625.00	
<b>Total</b>	<b>52,848,952.26</b>	58,057,907.76

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (8) Related parties payments (Continued)

p. *Non-current liabilities due within one year*

Related parties	Ending balance	Beginning balance
<b>Non-current liabilities due within one year between the Group and the shareholder</b>	<b>11,648,134.93</b>	12,781,366.20
YTO Group Corporation	<b>11,648,134.93</b>	12,781,366.20
<b>Non-current liabilities due within one year between the Group and YTO Group and its subsidiaries</b>		
Yto(xinjiang)dongfanghong Equipment Machinery Co., Ltd.	<b>379,200.00</b>	446,102.42
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	<b>83,200.00</b>	166,857.14
Yituo (Luoyang) Logistics Co., Ltd.	<b>296,000.00</b>	279,245.28
<b>The Group's lease liabilities with joint ventures and associates</b>	<b>642,461.20</b>	
ZF YTO (Luoyang) axle Co. Ltd.	<b>642,461.20</b>	
Total	<b>12,669,796.13</b>	13,227,468.62

q. *Lease liabilities*

Related parties	Ending balance	Beginning balance
<b>Lease liabilities between the Group and the shareholder</b>		12,360,630.46
YTO Group Corporation		12,360,630.46
Total		12,360,630.46

##### (9) Related Party Commitments

N/A

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

January 1, 2021 to December 31, 2021 (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) *Foren 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:*

Period	Amount in this period	Amount in last period
Within 1 year	103,447,774.92	53,917,949.65
1-2 years	124,741,891.13	40,458,510.00
2-3 years	703,800.00	3,174,474.51
After 3 years	11,368,500.00	14,866,500.00
Total	240,261,966.05	112,417,434.16

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

*January 1, 2021 to December 31, 2021 (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, 2021, the future minimum rental charges receivable by the Group as the lessor for the irrevocable operating leases of the leasing items of housing, buildings and equipment during the following period was summarized as below:

Period	Amount in this period	Amount in last period
Within 1 year	13,217,047.39	14,233,424.15
1-2 years	695,240.00	13,587,377.57
2-3 years	695,240.00	695,240.00
After 3 years	695,240.00	1,390,480.00
Total	<u>15,302,767.39</u>	<u>29,906,521.72</u>

c. On December 31, 2021, 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:

Period	Amount in this period	Amount in last period
Within 1 year	15,151,152.73	12,572,780.06
1-2 years	11,203,115.28	8,329,290.47
2-3 years	4,152,380.99	7,557,132.82
After 3 years	7,795,869.62	3,700,757.21
Total	<u>38,302,518.62</u>	<u>32,159,960.56</u>

*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, 2021, the Group has no other major undertakings that should be disclosed.

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

January 1, 2021 to December 31, 2021 (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**

On September 17, 2021, the Shanghai Financial Court made a judgment and issued (2019) Hu 74 Min Chu No. 22 in the case of a tort liability dispute between China YTO Group Finance Co., Ltd., a subsidiary of the Company, and Shanghai Pudong Development Bank Co., Ltd. Shanghai Pudong Development Bank Co., Ltd. should compensate China YTO Group Finance Co., Ltd. for the loss of 40% of the principal and interest of 15 Guoyu Logistics CP001 of 53.5 million yuan, totaling 21.4 million yuan. At present, both parties are not satisfied with the aforesaid judgment and have appealed to the Shanghai Higher People's Court.

**(2) Contingencies resulted from external guarantees provided**

As of December 31, 2021, the Group had no external debt guarantees.

**(3) Letter of guarantee and letter of credit**

Opening bank	Beneficiary	Amount	Beginning date	Ending date
Bank of China Luoyang Chang'an Road Branch	Department of Commerce of Henan Province	200,000.00	2009/11/20	Depends on business
Total		<u>200,000.00</u>		

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

*January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Profit Distribution

*Unit: RMB0'000*

Profits or dividends to be distributed	13,146.65
Profits or dividends declared after deliberation and approval	13,146.65

2021 profit distribution plan: Based on the company's total share capital of 1,123,645,275 shares after the fixed increase, cash dividends of RMB10,000 per share (tax included) will be distributed to all shareholders. The above profit distribution plan has been reviewed and approved by the 27th meeting of the 8th Board of Directors of the Company, and shall be implemented after being reviewed and approved by the Company's general meeting of shareholders.

Except for the above-mentioned events, the Group has no other significant post-balance sheet events that should be disclosed but not disclosed.

#### 2. Other explanations of events after the balance sheet date

##### (1) *Equity Transfer*

In June 2021, Henan Xigong MECHANICAL&ELECTRONICAL Equipment Co., Ltd. signed a property rights transaction contract with YTO (Luoyang) Flag Auto-Body Co., Ltd., a subsidiary of the Group. The contract stipulates that the 100% equity of Zhengzhou Sanzhen Machinery Co., Ltd. and the creditor's rights of RMB42,253,839,070 which were held by YTO (Luoyang) Flag Auto-Body Co., Ltd. were transferred to Henan Xigong MECHANICAL&ELECTRONICAL Equipment Co., Ltd. with a transfer price of RMB64,561,900. In January 2022, YTO (Luoyang) Flag Auto-Body Co., Ltd. has received the equity transfer payment, and the equity transfer has been completed. (For details of the composition of the creditor's rights, please refer to Zhonglian Ping Bao Zi [2021] No. 2128 "Asset Evaluation Report" and the detailed table).

##### (2) *Land Acquisition and Storage*

In December 2021, Luoyang Land Reserve and Arrangement Center signed a land acquisition and storage agreement with No. 1 Tractor Co., Ltd. The agreement stipulated that Party A intends to acquire Party B's land at the southeast corner of the intersection of Luoyang Industrial Park Daobeiwu Road and Qinling Road i. The land area is 90,873.60 square meters, the land use is industrial land, the land certificate number is Luo Shi Guoyong (2015) No. 03001454, the land acquisition and storage compensation fee is 52,896,070 yuan, and the company has received 13 million yuan as of December 31.

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

January 1, 2021 to December 31, 2021 (Amounts in these notes are presented in RMB unless otherwise stated)

### 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, 2021 to December 31, 2021 (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, 2021 to December 31, 2021 (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 three reporting divisions: Agricultural Machinery, Power Machinery, Finance. The Agricultural Machinery Division is responsible for the production and sale of agricultural tractors, harvesters, etc. The power machinery division is mainly responsible for producing and selling diesel engines. The financial branch mainly for the Group subsidiary China group finance limited company, the main business is to handle the member units between the entrusted loans and investment, internal transfer settlement, absorption of member units deposits and other business.

##### 3. *Reporting segment*

Item	Agricultural machinery	Power machinery	Finance service	Elimination among segments	Total
1. Total operating revenue	8,462,479,624.19	2,277,492,927.95	164,224,708.73	1,570,388,379.33	9,333,808,881.54
Including : external transaction revenue	8,041,954,274.68	1,167,181,559.08	124,673,047.78	-	9,333,808,881.54
Revenue between segments	420,525,349.51	1,110,311,368.87	39,551,660.95	1,570,388,379.33	-
Loss on impairment of assets	-583,829,401.62	-3,842,836.76	-	-171,192.71	-587,501,045.67
Loss on impairment of credit	-214,207,497.02	4,569,445.53	-14,416,612.31	4,802,662.75	-228,857,326.55
Depreciation and amortization fee	294,434,775.48	62,525,821.42	1,342,788.54	-	358,303,385.44
2. Total profit	363,745,646.78	49,499,498.30	61,702,531.14	14,655,753.71	460,291,922.51
3. Income tax expenses	2,684,300.09	4,979,483.37	19,253,921.88	-31,010.84	26,948,716.18
4. Net profit	361,061,346.69	44,520,014.93	42,448,609.26	14,686,764.55	433,343,206.33
5. Total assets	8,912,313,008.99	2,815,337,404.14	5,252,837,925.66	4,640,893,782.21	12,339,594,556.58
6. Total liabilities	5,470,506,979.85	1,166,753,415.46	4,378,666,858.07	4,658,555,843.47	6,357,371,409.91
7. Other important non cash items	194,978,204.08	43,062,377.39	3,311,563.83	-	241,352,145.30
Non-cash expenses other than depreciation and amortization	22,114,531.13	588,074.18	132,895.64	-	22,835,500.95
Capital expenditure	172,863,672.95	42,474,303.21	3,178,668.19	-	218,516,644.35

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, 2021 to December 31, 2021 (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) Age Disclosure of Accounts Receivable

Aging	Ending Balance	Beginning Balance
Within 1 year	266,799,840.85	349,715,664.36
1 to 2 yeas	11,424,591.36	7,624,389.17
2 to 3 yeas	7,248,611.65	4,139,574.23
Over 3 years	153,106,268.98	155,356,597.72
Sub-total	438,579,312.84	516,836,225.48
Less : Bad debt provision	169,794,794.16	169,066,498.44
Total	<u>268,784,518.68</u>	<u>347,769,727.04</u>

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

Item	Ending Balance				
	Book balance		Bad debt provision		book value
	Amount	Ratio(%)	Amount	Accrual Ratio(%)	
Accounts receivable for anticipated credit losses on a portfolio basis	438,579,312.84	100.00	169,794,794.16	38.71	268,784,518.68
Including: Aging portfolio	434,068,978.03	98.97	165,284,459.35	38.08	268,784,518.68
Risk exposure portfolio such as collateral	4,510,334.81	1.03	4,510,334.81	100.00	
Total	<u>438,579,312.84</u>	<u>100.00</u>	<u>169,794,794.16</u>	<u>38.71</u>	<u>268,784,518.68</u>

Item	Beginning Balance				
	Book balance		Bad debt provision		book value
	Amount	Ratio(%)	Amount	Accrual Ratio(%)	
Accounts receivable for anticipated credit losses on a portfolio basis	516,836,225.48	100.00	169,066,498.44	32.71	347,769,727.04
Including: Aging portfolio	512,390,632.31	99.13	164,620,905.27	32.13	347,769,727.04
Risk exposure portfolio such as collateral	4,445,593.17	0.87	4,445,593.17	100.00	
Total	<u>516,836,225.48</u>	<u>100.00</u>	<u>169,066,498.44</u>	<u>32.05</u>	<u>347,769,727.04</u>

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

January 1, 2021 to December 31, 2021 (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) Accounts receivable with expected credit losses by combination

###### 1) Aging portfolio

Aging	Book Balance	Ending Balance Bad debt provision	Accrual Ratio(%) (%)
Within 1 year	266,799,840.85	3,232,820.06	1.21
1 to 2 yeas	10,434,995.78	5,217,497.90	50.00
2 to 3 yeas	4,868,558.06	4,868,558.06	100.00
Over 3 years	151,965,583.34	151,965,583.34	100.00
Total	<u>434,068,978.03</u>	<u>165,284,459.35</u>	<u>38.08</u>

###### 2) Risk exposure portfolio such as collateral

Name of portfolio	Book value	Provision for bad debt	Accrual Ratio
Risk exposure portfolio such as collateral	<u>4,510,334.81</u>	<u>4,510,334.81</u>	<u>100.00</u>
Total	<u>4,510,334.81</u>	<u>4,510,334.81</u>	<u>100.00</u>

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

*January 1, 2021 to December 31, 2021 (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)

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

Item	Beginning balance	Changes in the current period			Ending Balance
		Increase: Provision	Decrease: roll-out	Decrease: Write off Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	169,066,498.44	2,267,125.77		1,333,073.27 205,756.78	169,794,794.16
Including: Aging portfolio	164,620,905.27	2,202,384.13		1,333,073.27 205,756.78	165,284,459.35
Risk exposure portfolio such as collateral	4,445,593.17	64,741.64			4,510,334.81
Total	169,066,498.44	2,267,125.77		1,333,073.27 205,756.78	169,794,794.16

##### (5) Accounts receivable actually written off during the reporting period

Company	Nature	Amount	Reason	Procedure	Whether generated by related transactions
Taizhou Gaoyun Machinery Co., Ltd.	Sales receivables	673,892.52	cannot be recovered	Company internal approval	No
Luoyang Hongdu Machinery Co., Ltd.	Sales receivables	384,631.78	cannot be recovered	Company internal approval	No
Luoyang Yuxian Trading Co., Ltd.	Sales receivables	132,652.40	cannot be recovered	Company internal approval	No
Luoyang Yongsheng Materials Co., Ltd.	Sales receivables	128,557.49	cannot be recovered	Company internal approval	No
Xinxiang Tiantong Precision Machinery Manufacturing Co., Ltd.	Sales receivables	13,339.08	cannot be recovered	Company internal approval	No
Total		1,333,073.27			

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

January 1, 2021 to December 31, 2021 (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)

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

Company	Ending Balance	Ratio(%)	Bad debt provision
YTO (Luoyang) Harvesters Co., Ltd.	74,091,864.82	16.89	74,091,864.82
Yto (Luoyang) Diesel Engine Co., Ltd.	64,587,180.89	14.73	645,871.80
Yto International, Ltd.	40,221,307.10	9.17	430,821.60
Changtuo Agricultural Machinery Equipment Group Corporation	38,132,408.91	8.69	38,132,408.91
Luoyang Changxing Agricultural Machinery Co., Ltd.	37,507,513.78	8.55	375075.14
Total	254,540,275.50	58.04	113,676,042.27

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

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

#### 2. Other receivables

Item	Ending balance	Beginning balance
Interest receivable		1,558,254.73
Dividends receivable	138,679,096.96	76,808,376.96
Other receivables	24,537,383.19	4,592,195.45
Total	163,216,480.15	82,958,827.14



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

*January 1, 2021 to December 31, 2021 (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)

##### (1) Interest receivable

###### 1) Classification of Interest Receivable

Item	Ending balance	Beginning balance
Entrusted loan interest	3,634,513.10	1,558,254.73
Less: Impairment	3,634,513.10	—
Total	<u>3,634,513.10</u>	<u>1,558,254.73</u>

###### 2) Provision for bad debts of interest receivable

Bad debts	Stage one Expected credit loss in the next 12 months	Stage two Expected credit loss over the whole duration (No credit impairment)	Stage three Expected credit loss over the whole duration (Credit impairment occurred)	Total
Beginning balance				
Beginning balance in current period				
- Shift to stage two				
- Shift to stage three				
- Return to stage two				
- Return to stage one				
Provision in current period		3,634,513.10		3,634,513.10
Return in current period				
Transfer in current period				
Write off in current period				
Other changes				
Ending balance		3,634,513.10		3,634,513.10

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

January 1, 2021 to December 31, 2021 (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)

##### (3) Dividends receivable

*Dividends receivable*

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holding Co., Ltd.	76,808,376.96	76,808,376.96
Yto (Luoyang) Diesel Engine Co., Ltd.	10,870,720.00	
Luoyang Tractor Research Institute Co., Ltd.	51,000,000.00	
Total	138,679,096.96	76,808,376.96

##### 1) Significant Dividends Receivable Aged Over 1 Year

Ending balance	Ending balance	Age	Reason	Whether impairment occurs
Brilliance China Machinery Holding Co., Ltd.	76,808,376.96	4-5 years	Payment procedures for overseas subsidiaries to be improved	No
Total	76,808,376.96			

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

*January 1, 2021 to December 31, 2021 (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)

##### (4) Other receivables

(1) Age Disclosure of Accounts Receivable

Aging	Ending Balance	Beginning Balance
Within 1 year	24,481,443.41	4,225,861.26
1 to 2 yeas	757,598.30	838,580.95
2 to 3 years	21,746.23	856,601.77
Over 3 years	7,853,372.19	7,642,085.11
Sub-total	33,114,160.13	13,563,129.09
Less : Bad debt provision	8,576,776.94	8,970,933.64
Total	<u>24,537,383.19</u>	<u>4,592,195.45</u>

(2) Classification of other receivables by nature

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	1,175,252.13	1,309,767.13
Deposits and petty cash	988,040.04	1,192,575.70
Collection and payment of social insurance withheld	2,076,842.43	1,918,117.92
Research and development funds receivable from subsidiaries	21,800,000.00	
Others	7,074,025.53	9,142,668.34
Total	<u>33,114,160.13</u>	<u>13,563,129.09</u>

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

January 1, 2021 to December 31, 2021 (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)

##### (4) Other receivables (Continued)

(3) Disclosure by three stages of impairment of financial assets

Item	Ending Balance			Beginning Balance		
	Book balance	Bad debt provision	Book value	Book balance (%)	Bad debt provision	Book value
Stage one	33,114,160.13	8,576,776.94	24,537,383.19	13,563,129.09	8,970,933.64	4,592,195.45
Stage two						
Stage three						
Total	<u>33,114,160.13</u>	<u>8,576,776.94</u>	<u>24,537,383.19</u>	<u>13,563,129.09</u>	<u>8,970,933.64</u>	<u>4,592,195.45</u>

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

January 1, 2021 to December 31, 2021 (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)

##### (4) Other receivables (Continued)

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

Item	Book Balance		Ending Ending Balance		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	33,114,160.13	100.00	8,576,776.94	25.90	24,537,383.19
Including: Aging portfolio	33,063,600.70	99.85	8,576,271.35	25.94	24,487,329.35
Low-risk portfolio	50,559.43	0.15	505.59	1.00	50,053.84
<b>Total</b>	<b>33,114,160.13</b>	<b>-</b>	<b>8,576,776.94</b>	<b>-</b>	<b>24,537,383.19</b>

Item	Book balance		Beginning balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	13,563,129.09	100.00	8,970,933.64	66.14	4,592,195.45
Including: Aging portfolio	13,345,825.61	98.40	8,968,760.60	67.20	4,377,065.01
Low-risk portfolio	217,303.48	1.60	2,173.04	1.00	215,130.44
<b>Total</b>	<b>13,563,129.09</b>	<b>-</b>	<b>8,970,933.64</b>	<b>-</b>	<b>4,592,195.45</b>

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

January 1, 2021 to December 31, 2021 (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)

##### (5) Accounts receivable for anticipated credit losses on a portfolio basis

###### 1) Aging portfolio

Aging	Ending balance		
	Book balance	Bad debt provision	Accrual Ratio (%)
Within 1 year	24,438,243.41	73.91	328,513.20
1-2 years	755,198.30	2.28	377,599.16
2-3 years	21,746.23	0.07	21,746.23
Over 3 years	7,848,412.76	23.74	7,848,412.76
Total	<u>33,063,600.70</u>	<u>-</u>	<u>8,576,271.35</u>

###### 2) Low-risk portfolio

Name of portfolio	Ending balance		Bad debt provision
	Book balance	Accrual Ratio (%)	
Low-risk portfolio	<u>50,559.43</u>	<u>1.00</u>	<u>505.59</u>
Total	<u>50,559.43</u>	<u>1.00</u>	<u>505.59</u>

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

*January 1, 2021 to December 31, 2021 (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)

##### (6) Provision for bad debts of other receivables

Bad debts	Stage one	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
	Expected credit loss in the next 12 months			
Beginning balance	8,970,933.64			8,970,933.64
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	-391,011.70			-391,011.70
Return in current period				
Transfer in current period	-3,145.00			-3,145.00
Write off in current period				
Other changes				
Ending balance	<u>8,576,776.94</u>			<u>8,576,776.94</u>

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

January 1, 2021 to December 31, 2021 (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)

(7) *Receivables that actually written off during the reporting period*

Company	Nature	Amount	Reason	Procedure	Whether generated by related transactions
Luoyang Yuxian Trading Co., Ltd.	Sales receivables	3,145.00	cannot be recovered	Court decision	No

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

*January 1, 2021 to December 31, 2021 (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)

**(8) Details of top five other receivables with the ending balance classified by the borrowers**

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Yto (Luoyang) Diesel Engine Co., Ltd.	Research and development receivables	21,800,000.00	Within 1 year	59.32	222,900.00
Jiangsu Qingjiang Tractor Co., Ltd.	Prepayments receivable	3,315,484.00	Over 5 years	9.02	3,315,484.00
Luoyang Yuchuan Thermal Equipment Co., Ltd.	Prepayments receivable	1478259.92	0-2 years	4.02	352,903.96
Luoyang Jiangyang Metal Components Co., Ltd.	Prepayments receivable	1,060,000.00	Over 5 years	2.88	1,060,000.00
Zi Yto (Luoyang) Axle Co., Ltd.	Receivables from related parties	727,607.83	Within 1 year	1.98	7,276.08
Total		<u>28,381,351.75</u>		<u>77.22</u>	<u>4,958,564.04</u>

**(9) No other receivables involving government subsidies**

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

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

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

January 1, 2021 to December 31, 2021 (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

Nature of investments	Ending balance			Beginning balance		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Subsidiaries	2,106,112,790.91	97,250,000.00	2,008,862,790.91	2,665,169,191.40	656,275,468.97	2,008,893,722.43
Joint venture or associates	124,804,654.32		124,804,654.32	121,162,356.37		121,162,356.37
Total	2,230,917,445.23	97,250,000.00	2,133,667,445.23	2,786,331,547.77	656,275,468.97	2,130,056,078.80

#### (1) Investments in subsidiaries

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	559,025,468.97		559,025,468.97			
Luoyang Changxing Agricultural Machinery Co., Ltd	3,000,000.00			3,000,000.00		3,000,000.00
Yangdong Co., Ltd.	76,000,000.00			76,000,000.00		
Brilliance China Machinery Holding Co., Ltd.	27,869,301.63		30,931.52	27,838,370.11		
YTO Group Finance Co., Ltd	485,040,302.00			485,040,302.00		
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00			55,022,000.00		
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36			281,414,966.36		
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14			392,257,881.14		
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62			77,192,767.62		
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32			152,989,481.32		
YTO (Luoyang) Foundry Company Limited	300,391,996.60			300,391,996.60		
YTO International Economic and Trade Co., Ltd	75,668,335.13			75,668,335.13		
ChangTuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00			94,250,000.00		94,250,000.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32			33,670,762.32		
YTO Belarus Technology Co. Ltd.	51,375,928.31			51,375,928.31		
Total	2,665,169,191.40		559,056,400.49	2,106,112,790.91		97,250,000.00

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

January 1, 2021 to December 31, 2021 (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

##### (2) Investments in joint venture and associates

Invested Company	Beginning balance	Additional investment	Reduce investment	Changes in this period					Ending balance	Provision for impairment ending balance
				Profit and loss on investments by rights and interests law	Adjusted other comprehensive income	Changes in other interests	Declaration of cash dividends or profits	Provision for impairment		
Associates										
Yituo Chuanlong Sichuan Agricultural Equipment Co., Ltd.	617,842.97			-31,287.50						586,555.47
ZF YTO (Luoyang) axle Co. Ltd.	120,544,513.40			2,448,601.38						122,993,114.78
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.		1,800,000.00		-575,015.93						1,224,984.07
Tota	121,162,356.37	1,800,000.00		1,842,297.95						124,804,654.32

#### 4. Operating revenue and operating costs

##### (1) Operating revenue and operating costs

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	7,353,006,315.72	6,364,408,859.26	5,533,036,827.26	4,699,906,894.85
Other business	76,881,321.55	16,136,198.86	126,308,451.95	67,175,200.66
Total	7,429,887,637.27	6,380,545,058.12	5,659,345,279.21	4,767,082,095.51

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

January 1, 2021 to December 31, 2021 (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)

#### 5. Investment income

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investment by cost method	72,755,120.00	99,122,285.00
Investment income from long-term equity investments by equity method	1,842,297.95	1,678,429.81
Investment income of trading financial assets during the holding period		17,600,000.00
Investment income from disposal of long-term equity investments	-1,798.52	476,277.50
Investment income from disposal of held-for-trading financial assets	15,515,410.10	
Total	<u>90,111,029.53</u>	<u>118,876,992.31</u>

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

*January 1, 2021 to December 31, 2021 (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

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	62,931.82	
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)	51,981,774.14	
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	54,201,460.53	
Other non-operating income and expenses except for mentioned above	24,749,907.87	
Gain or loss from other extraordinary items	-11,268,600.28	The impact of the Consolidation statement on which the French company and Harvest Machinery Company are no longer included.
Less: Income tax	7,812,372.89	
Effects on non-controlling interests (after tax)	8,871,474.84	
Total	<u>103,043,626.35</u>	

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

January 1, 2021 to December 31, 2021 (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 for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Dilute earnings per share
Net profit attributable to the Company's common shareholders	8.49	0.3940	0.3940
Net profit attributable to common shareholders of the Company after deduction of non-recurring gains and losses	6.50	0.3014	0.3014

#### 3. Differences in Accounting Data under Domestic and Foreign Accounting Standards

There is no difference between the net profit and net assets in the financial report disclosed in accordance with the overseas Hong Kong accounting standards and the Chinese accounting standards.

#### 4. Others:

N/A

**First Tractor Company Limited**  
March 29, 2022