



# 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

# 2020

## 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 therein.

II. Directors absent at the meeting

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Chairman	Li Xiaoyu	Participation in study at the Party School of the CPC Central Committee	Cai Jibo

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 considered by the Board

At the 27th meeting of the eighth session of the Board of the Company, the profit distribution proposal for 2020 of the Company was considered and approved: a cash dividend of RMB0.75 (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 RMB84,273,395.63. 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 pay attention to risks.

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

No

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

No

IX. 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 materiality principle.

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## DEFINITIONS

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

### DEFINITION OF COMMONLY USED TERMS

A Share(s)	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
Auditor or Accountant	the financial statement auditor, Da Hua Certified Public Accountants (Special General Partnership), appointed by the Company as the Company's auditor for the year of 2020
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
Group	the Company and its controlled subsidiaries
H Share(s)	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Shanghai Stock Exchange	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100



## DEFINITIONS (CONTINUED)

power machinery	products including diesel engine and fuel injection pump
Shanghai Stock Exchange	the Shanghai Stock Exchange
SINOMACH	China National Machinery Industry Corporation (中國機械工業集團有限公司), the de facto controller of the Company
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 Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company
YTO Flag	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company
YTO Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company
YTO France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company
YTO Hydraulic Transmission	formerly known as YTO (Luoyang) Fuel Injection Pump Company Limited (一拖(洛陽)燃油噴射有限公司), which was renamed as YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司) during the Reporting Period
YTO Heilongjiang	YTO Heilongjiang Agricultural Equipment Co., Ltd. (一拖黑龍江農業裝備有限公司), merged with YTO Foundry and Forging through absorption and de-registered
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司), a wholly-owned subsidiary of the Company
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (采埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company
2020 Non-public Issuance	the non-public issuance of A Shares by First Tractor Company Limited in 2020

## COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSONS AND METHODS

	<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) 6496 7038	(86 379) 6497 0213
Facsimile	(86 379) 6496 7438	(86 379) 6496 7438
E-mail	yulina@ytogroup.com	weiyajun027@163.com

### III. BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the registered address of the Company	471004
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471004
Website of the Company	<a href="http://www.first-tractor.com.cn">http://www.first-tractor.com.cn</a>
E-mail	mssc0038@ytogroup.com



## COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

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

Name of newspapers designated by the Company for dissemination of information	“China Securities Journal” and “Shanghai Securities News”
Website for publication of the annual report as designated by the CSRC	www.sse.com.cn
Website for publication of the annual report as designated by the Hong Kong Stock Exchange	www.hkex.com.hk
Place for inspection of the annual report (A Shares)	Office of the Board of the Company
Place for inspection of the annual report (H Shares)	Golden China Consultants Limited, 15/F, Chuang’s Tower, 30–32 Connaught Road Central, Central, Hong Kong
Search index of changes during the Reporting Period	For details, please refer to “H Share Announcement” published by the Company on the website of the Shanghai Stock Exchange on 1 July 2020 and “Change of Address of Principal Place of Business in Hong Kong” published by the Company on the website of the Stock Exchange on 30 June 2020

### V. BASIC INFORMATION OF SHARES

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

### VI. OTHER RELATED INFORMATION

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

## COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

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

## (I) Key Accounting Data

*Unit: Yuan Currency: RMB*

Key accounting data	2020	2019	Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)	
			2019	2018
Total operating revenue	<b>7,582,476,787.76</b>	5,830,175,119.64	30.06	5,681,547,536.68
Operating revenue	<b>7,480,729,879.48</b>	5,736,943,977.67	30.40	5,540,998,393.26
Net profit attributable to shareholders of the Company	<b>280,150,740.30</b>	61,475,427.17	355.71	-1,300,108,773.92
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	<b>146,000,785.45</b>	-251,259,263.87	N/A	-1,389,633,309.35
Net cash flows from operating activities	<b>1,248,778,258.13</b>	330,731,669.68	277.58	-384,397,747.85

	As at the end of 2020	As at the end of 2019	Increase/Decrease as at the end of The Reporting Period as compared with the end of the corresponding period last year (%)	
			the corresponding period last year (%)	As at the end of 2018
Net assets attributable to shareholders of the Company	<b>4,338,179,097.26</b>	4,070,005,449.08	6.59	4,007,081,663.62
Total assets	<b>12,342,608,882.99</b>	11,629,022,385.51	6.14	13,140,741,755.99





## COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

### (II) Key Financial Indicators

Key Financial Indicators	2020	2019	Increase/ Decrease during the Reporting Period as compared with the Corresponding period last year (%)	2018
Basic earnings per share (RMB/share)	<b>0.2842</b>	0.0624	355.45	-1.3188
Diluted earnings per share (RMB/share)	<b>0.2842</b>	0.0624	355.45	-1.3188
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	<b>0.1481</b>	-0.2549	N/A	-1.4096
Weighted average return on net assets (%)	<b>6.66</b>	1.52	Up by 5.14 percentage points	-27.91
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	<b>3.47</b>	-6.22	Up by 9.69 percentage points	-29.84

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

Following a slump in its results in 2018, the Company further focused on its main business, and made great efforts in both external “market” and internal “management”, which resulted in a continuous increase in sales of major products and year-by-year improvement in product profitability. As a consequence, the Company’s overall operating conditions showed a steady and positive trend. In 2020, the Company actively overcame the impact of the pandemic, and made every effort to promote work and production resumption. Moreover, it seized market opportunities, deeply explored its internal potential, and took multiple measures so as to achieve substantial growth in its operating results, especially significant improvement in its main business.

### VIII. KEY QUARTERLY FINANCIAL INDICATORS IN 2020

Unit: Yuan Currency: RMB

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating revenue	2,076,914,102.11	1,997,575,999.40	2,320,359,564.59	1,085,880,213.38
Net profit attributable to shareholders of the Company	198,494,578.64	124,867,111.52	154,337,059.94	-197,548,009.80
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	189,963,019.81	100,310,846.93	144,260,359.55	-288,533,440.84
Net cash flows from operating activities	-76,312,396.98	528,954,282.44	317,373,232.07	478,763,140.60

## 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 2020</b>	Note (as applicable)	Amounts in 2019	Amounts in 2018
Profit or loss from disposal of non-current assets	<b>8,249,140.24</b>		797,468.07	196,944.39
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>127,002,899.81</b>		118,577,626.45	61,973,166.77
Gain or loss on debt restructuring	<b>-280,000.00</b>			6,036,908.58
Investment income arising from gain or loss resulted from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments (except for effective hedging business related to the Company's ordinary business)	<b>27,042,589.08</b>		96,857,951.06	26,096,432.63
Non-operating income and expenses other than those stated above	<b>-7,272,311.27</b>		14,573,325.17	4,899,658.46
Other profit and loss items that meet the definition of non-recurring profit or loss		Liquidation of YTO Shentong and profit or loss from disposal of associates		
	<b>2,240,493.01</b>		212,200,839.17	
Impact on minority shareholders equity interests	<b>-16,354,123.92</b>		-72,680,643.05	-4,460,021.31
Effects on income tax	<b>-6,478,732.10</b>		-57,591,875.83	-5,218,554.09
<b>Total</b>	<b>134,149,954.85</b>		<b>312,734,691.04</b>	<b>89,524,535.43</b>

### 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>Change during the Reporting Period</b>	<b>Amount affecting profit for the Reporting Period</b>
Trading financial assets	980,392,948.10	1,306,381,357.98	325,988,409.88	44,728,402.19
<b>Total</b>	<b>980,392,948.10</b>	<b>1,306,381,357.98</b>	<b>325,988,409.88</b>	<b>44,728,402.19</b>



## COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

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

## (I) Results

Unit: 0'000 Currency: RMB

Items	2020	For the year ended 31 December			
		2019	2018	2017	2016
Total operating revenue	<b>758,248</b>	583,018	568,155	735,794	887,115
Total profit	<b>30,733</b>	18,262	-131,475	5,606	28,010
Income tax expense	<b>2,637</b>	5,611	5,022	1,835	5,421
Net profit	<b>28,096</b>	12,651	-136,497	3,771	22,589
Net profit attributable to shareholders of the parent company	<b>28,015</b>	6,148	-130,011	5,651	22,337
Profit or loss attributable to minority shareholders	<b>81</b>	6,504	-6,486	-1,880	252

## (II) Assets, liabilities and shareholders' equity interests

Unit: 0'000 Currency: RMB

Items	2020	For the year ended 31 December			
		2019	2018	2017	2016
Total assets	<b>1,234,261</b>	1,162,902	1,314,074	1,410,277	1,321,051
Total liabilities	<b>736,709</b>	684,516	848,467	866,379	770,687
Total shareholders' equity interests	<b>497,552</b>	478,387	465,608	543,898	550,364
Total amount attributable to shareholders' equity interests of the parent company	<b>433,818</b>	407,001	400,708	479,730	482,934
Minority shareholders equity interests	<b>63,734</b>	71,386	64,899	64,168	67,430

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

## OVERVIEW OF THE BUSINESS OF THE COMPANY

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

#### (I) Principal Businesses

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 changes 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 and orchards, and their key components including castings, forgings gears, gear boxes and cover that are used in agricultural production.

**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, low-speed vehicles, vessels and power generators.

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

#### (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.



## OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

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

**Sales Mode:** The agricultural machinery products of the Company are mainly sold by dealers of the Company in domestic market by way of cash on delivery and general credit sales. For dealers which have long cooperative relationship with the Company and good credit, the Company will give a certain credit limit and make annual evaluation and adjustment according to the credit situation. Our PRC sales network currently covers all 31 provinces, autonomous regions and municipalities in the mainland China. 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 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 business granted by YTO Finance to its customers purchasing the Company's products. The finance lease business is a type of lease financing business. At present, the finance lease businesses handled by YTO Finance are sale leasebacks, that is, a customer (lessee) who purchases the Company's products sells the same to YTO Finance (lessor), and then leases them back from YTO Finance (lessor). In this business, YTO Finance is both the lessor and the buyer, and the customer is both the lessee and the seller.

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

### (III) Industry Development

In 2020, affected by the COVID-19 pandemic and restrictions on grain exports in certain countries, grain prices showed a continuous upward trend, the grain planting income increased year-on-year, farmers' enthusiasm for growing grain generally increased, the sales volume of agricultural machinery products represented by tractors increased significantly, and the comprehensive mechanization rates of farming, planting and harvesting increased continuously. With the adjustment of national agricultural production structure and the continuous expansion of farmers' business scale, the country has fully implemented grain security strategy, which puts forward higher requirements for the agricultural machinery industry to ensure stable grain production and efficiency improvement. At the same time, it has created basic conditions for the long-term stable development of China's agricultural machinery industry, and also provided more opportunities for the high-quality and rapid development of agricultural machinery.

Meanwhile, the current market characteristics of agricultural machinery industry dominated by stock renewal are still obvious, and the product homogenization competition is still serious. The downward adjustment of total subsidy funds and single subsidy amount in certain provinces, and the approaching of the switching emission standards for off-road National IV diesel engines also have brought certain uncertainties to market demand.

## OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

### II. 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.

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 respect of production and manufacturing, the Company has the most comprehensive manufacturing systems for core spare parts in China’s tractor industry and possesses the capabilities for manufacturing vehicle body, forged parts, castings, engines, gears and other key components of tractors, and has extensive capabilities of production and organisation under extreme conditions to ensure that the Company is the first in the industry to resume production and work after the COVID-19 pandemic has been effectively controlled. In 2020, the implementation of the intelligent and green upgrading and transformation projects for the Company’s several key manufacturing processes, such as “Application of new model for intelligent manufacturing of new-type wheeled tractors”, providing strong support to the Company’s industrial transformation and upgrading. Based on the principle of “improving quality, increasing efficiency and reducing cost”, the Company has intensified its research and development of key process projects, and promoted the application of lean production management model in a wider scope to improve the manufacturing level and reduce costs and expenses.

In terms of technical research and development, the Company is a domestic leader in terms of power-shift and variable transmission technology for tractors, intelligent driving technology as well as electronic control technology for whole machine and parts. In 2020, the Company’s key products urgently needed in the market achieved commercialization. The variable transmission tractors have been put into the whole machine test stage. The localization of power-shift tractor and a full range of National IV tractors are undergoing market verification. The research and development of the National V new platform diesel engine and the Euro V diesel engine are progressing as planned.

In terms of market 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. During the COVID-19 pandemic, the Company solved the problems for users through combining online guidance with on-site service, and met the market service demand of “preventing pandemic and guaranteeing spring farming”.



# MANAGEMENT DISCUSSION AND ANALYSIS

## I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2020, the severe impact brought by certain major emergency incidents including the COVID-19 pandemic and the floods highlighted the importance of the agricultural production and food security in China. A number of favorable factors, including the state's adherence to the red line for arable land and permanent basic farmland, maintaining and expansion of the grain planting areas and encouraging the development of various forms of moderate scale operations, and the expected rise in grain prices, has had a positive impact on China's agricultural machinery industry. In 2020, the agricultural machinery sector ranked high among the sub-industries of China's machinery industry as a whole in terms of growth rate, in particular, the tractor industry showed stable growth following nearly four years of downturn. According to the industry report statistics from China Agricultural Machinery Industry Association Enterprise Management Committee (中國農業機械工業協會企業管理委員會), in 2020, the core enterprises in the agricultural machinery industry sold a total of 253.8 thousand of hi-powered and mid-powered tractors, representing a year-on-year increase of 26.19%.

The Company understood and grasped the spirit of “overcome the difficulties, foster new opportunities amid challenges and make new advances amid changes”. At the beginning of the year, the Company vigorously overcame difficulties such as obstructed industrial chains, impeded logistics and travelling restrictions in the resumption of work and production of industrial enterprises, and tried every possible means to “prevent pandemic and guarantee spring farming”, and achieved production at full capacity upon the arrival of the peak season for spring ploughing. During the Reporting Period, the Company continued to do a good job in production and operation against the backdrop of the “normalisation” of the prevention of the pandemic, and formed an effective synergy of “fighting the pandemic, ensuring production, expanding market, focusing on management and promoting innovation” by virtue of its leading position in the industry. In the midst of the pandemic, the Company grasped market opportunities and strived for market share, and achieved steady improvement in its operation and growth in economic benefits. During the Reporting Period, total operating revenue of RMB7,582 million was realized, representing a year-on-year increase of 30.06%, and the net profit attributable to the shareholders of the Company was RMB280 million, representing a year-on-year increase of 355.71%.

### **(I) Seizing market opportunities, continuing to upgrade products, focusing on marketing strategy innovation, and achieving sales growth of leading products**

As the tractor industry regained growth momentum, the Company adhered to the strategy of “be led by marketing, and be customer-oriented”, promoted innovation in the marketing model in line with the changes in the situation, enhanced the operation awareness and market development capability of the frontline marketing team; increased the flexibility of its marketing work through collaboration with distributors, to effectively improve the operation quality and market contribution of the marketing channels. The Company accelerated the research and development of new technology and the application of new products, and enhanced its market competitiveness through diversifying its product portfolio. The Company launched the Dongfanhong LH/LN1804/2104 series tractors at appropriate time which were urgently needed in the market, and diversified the product portfolio of mid-powered wheeled tractors in response to the market demand for mid-powered wheeled tractors with power upward adjusted. The new models such as Dongfanhong ME704/ME804 tractors and MF904/1004 tractors were recognized in market.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company gave play to innovation in its user service work, and organized online training and video services; increased the on-site services for its key products, improved the timeliness and effectiveness of its services, and continued to guarantee the availability of its services. During the Reporting Period, progress was made in its expansion into key overseas markets, with its leading products achieving substantial sales growth in Asia and Russian-speaking markets. The Company implemented the special internationalization plan, and steadily promoted key international projects such as overseas product development and certification.

During the Reporting Period, the sales volume of hi-powered and mid-powered tractors of the Company was 53.6 thousand units, representing an increase of 28.04% year-on-year. Among them, the cumulative sales volume of tractors with horsepower of above 100 amounted to 18.1 thousand units, representing an increase of 46.06% year-on-year. The cumulative growth of sales volume of hi-powered and mid-powered tractors exceeded the growth of the industry, and the market share ranked in the leading position in the industry.

The Company coordinated and promoted the improvement in the reliability of National III product platform, and the product conversion on National IV product platform of diesel engines. In particular, the Company achieved a smooth conversion of the common-rail engines, which are the hot-selling model for customers in the key regions of National III products, and achieved a significant increase in the export volume of power generators; the work on market approval for all typical platforms of National IV diesel engines was on smooth progress, which got full ready for the conversion of National IV. Meanwhile, technical reserves for National IV diesel engines and development of a new generation of product platform drove product upgrading in the diesel industry in an orderly manner. During the Reporting Period, the Company aimed at the needs for supporting products in the market, and maintained an increasing proportion of supporting products for key customers.. In 2020, the sales volume of the Company's diesel engine products was 116.4 thousand units, of which the supporting sales from the external market increased by 17.30% as compared with the corresponding period of last year.

### **(II) Implementing refined management, enhancing the profitability of the value chain, and effectively improving the quality of operations**

The Company continuously improved, which increased the proportion of sales volume of high value-added hi-powered wheeled tractor products increased, the product structure was optimized, and the profitability of products was effectively enhanced. At the same time, the Company continued to improve its cost control capabilities, focused on key sections including procurement, manufacturing, labour, management and finance, and explored the space for cost reduction and improve the turnover rate of accounts receivable and inventories, which provided strong support for improving operating results. During the Reporting Period, the comprehensive gross profit margin of the major products of the Company reached 19.53%, representing an increase of 3.34 percentage points as compared with the corresponding period of last year.

During the Reporting Period, the Company actively innovated its product quality control mechanism, implemented the "high-quality projects", strengthened quality improvement and follow-up verification of the implementation results, effectively reducing product quality risks and building up quality and cost advantages.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **(III) Striving to implement reforms and adjustments to promote the long-term sustainable development of the enterprise**

The Company has advanced various reform measures to create favourable conditions for improving quality and efficiency. Firstly, it continued to strengthen the reform of target assessment and incentive mechanism, and deepened the assessment and incentive for the operation team, marketing team and key staff of the subordinate units, and thus the initiative at all levels was significantly improved. Secondly, the Company initiated the reform of the research and development innovation system, strengthened the awareness of responsibility and the evaluation on connection between the technology and the market to form a target system of research and development guided by demands of market and users, so as to realise the effective guidance of market and efficiency on product research and development. Thirdly, it continued to promote the disposal of inefficient and inefficacious assets and the management of loss-making enterprises, with results gradually emerging. Fourthly, the Company explored ways to enhance the service capacity of the entire agricultural industry chain, promoted the transformation of the business to a model of “manufacturing + service” by extending the business development chain, promoted the market application of advanced agricultural machinery equipment, and served the development of smart agriculture.

### **(IV) Strengthening control over high-risk areas and improving risk prevention and control capabilities**

Faced with the constantly changing market environment, the Company implemented key controls on risk areas such as capital management, investment management, overseas business and credit management with focus on the internal control system and comprehensive risk management, and performed ongoing risk assessment and risk monitoring to actively prevent and resolve major operational risks.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### II. 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

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of last year	Changes (%)
Operating revenue	<b>7,480,729,879.48</b>	5,736,943,977.67	30.40
Operating costs	<b>6,020,041,446.52</b>	4,808,281,175.55	25.20
Selling expenses	<b>358,190,492.96</b>	305,526,565.26	17.24
Administrative expenses	<b>354,222,206.89</b>	382,371,302.74	-7.36
Research and development expenses	<b>339,036,171.41</b>	356,609,547.39	-4.93
Finance expenses	<b>52,228,726.98</b>	61,706,462.37	-15.36
Investment income (Losses listed as “-”)	<b>349,311,564.11</b>	242,395,344.85	44.11
Gain arising from changes in fair value (Losses listed as “-”)	<b>26,405,594.35</b>	85,687,735.18	-69.18
Loss on impairment of assets (Losses listed as “-”)	<b>-144,485,940.66</b>	-81,901,256.49	N/A
Loss on impairment of credit (Losses listed as “-”)	<b>-440,755,763.41</b>	-34,256,859.43	N/A
Non-operating income	<b>27,927,444.96</b>	41,497,680.79	-32.70
Non-operating expenses	<b>13,319,454.10</b>	2,570,351.43	418.20
Income tax expenses	<b>26,372,185.09</b>	56,110,713.49	-53.00
Net cash flow from operating activities	<b>1,248,778,258.13</b>	330,731,669.68	277.58
Net cash flow from investing activities	<b>479,943,520.74</b>	1,193,116,999.96	-59.77
Net cash flow from financing activities	<b>-1,417,014,045.77</b>	-1,686,589,779.50	N/A



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Operating revenue and operating costs:** increased by 30.40% and 25.20% as compared with the corresponding period of last year, respectively, mainly due to the year-on-year increase in sales volume of the Company's major products during the Reporting Period, and operating revenue and operating costs increased year-on-year, but the increase in operating costs was lower than the increase in operating revenue which was attributable to the Company's continuous promotion of procurement cost control and enhancement of management and control of the costs.

**Selling expenses:** increased by RMB52.66 million as compared with the corresponding period of last year, representing an increase of 17.24% year-on-year, mainly due to the increase in the sales volume, resulting in the increase in the transportation fee and the selling service fee for the Reporting Period.

**Administrative expenses:** decreased by RMB28.15 million as compared with the corresponding period of last year, representing a decrease of 7.36% year-on-year, mainly due to the policy of social security relief, resulting in a year-on-year decrease in employee benefits for the Reporting Period.

**Finance expenses:** decreased by RMB9.48 million as compared with the corresponding period of last year, representing a decrease of 15.36% year-on-year, 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.

**Investment income:** increased by RMB106.92 million as compared with the corresponding period of last year, representing an increase of 44.11% year-on-year, mainly due to the impact of the Company's reversal to the previous excess loss as YTO Shentong was no longer included into the scope of consolidation due to its liquidation during the Reporting Period.

**Gain arising from changes in fair value:** decreased by RMB59.28 million as compared with the corresponding period of last year, representing a decrease of 69.18% year-on-year, mainly due to the year-on-year decrease in gain arising from changes in fair value of the trading financial assets held by the Company.

**Loss on impairment of assets:** increased by RMB62.58 million as compared with the corresponding period of last year, mainly due to the increase in provision for impairment of fixed assets during the Reporting Period. In addition, the Company made a provision for impairment of its long-term equity investments due to the bankruptcy and liquidation of YTO Shentong.

**Loss on impairment of credit:** increased by RMB406.50 million as compared with the corresponding period of last year, mainly due to a provision for credit impairment of overseas business made by YTO International Trade during the Reporting Period. In addition, due to the bankruptcy and liquidation of YTO Shentong, the Company made a provision for impairment of its entrusted loan and accounts receivable.

**Consolidated investment income and impairment loss:** the liquidation of YTO Shentong had minor impact on the Company's profit or loss for the period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**Non-operating income:** decreased by RMB13.57 million as compared with the corresponding period of last year, representing a decrease of 32.70% year-on-year, mainly due to the decrease in write-off of accounts unpayable as compared with the corresponding period of last year during the Reporting Period.

**Non-operating expenses:** increased by RMB10.75 million as compared with the corresponding period of last year, mainly due to the increase in environmental management and personnel costs assumed by YTO France in accordance with local laws during the Reporting Period.

**Income tax expenses:** decreased by 53.00% as compared with the corresponding period of last year, which was due to, on one hand, the increase in income tax expenses driven by the investment income resulting from the disposal of equity interests in subsidiaries for the corresponding period of last year, however, there was no such event during the Reporting Period; and on the other hand, due to a year-on-year decrease in income from changes in fair value of financial assets held for trading, resulting in the decrease in deferred income tax expenses for the Reporting Period.

### 2. *Income and cost analysis*

Please see the table as blow

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

*Unit: 0'000 Currency: RMB*

#### Principal business by industry

By industry	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Equipment manufacturing industry	748,073	602,004	19.53	30.40	25.20	Increased by 3.34 percentage points



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Principal businesses by products

By products	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Agricultural machinery	678,928	557,914	17.82	29.16	24.60	Increased by 3 percentage points
Power machinery	190,623	165,568	13.14	37.05	33.39	Increased by 2.37 percentage points
Other machinery	0	0	0	-100.00	-100.00	N/A
Inter-segment elimination	-121,478	-121,478	-	-	-	-
<b>Total</b>	<b>748,073</b>	<b>602,004</b>	<b>19.53</b>	<b>30.40</b>	<b>25.20</b>	<b>Increased by 3.34 percentage points</b>

### 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	715,459	574,239	19.74	31.43	25.95	Increased by 3.49 percentage points
Outside the PRC	32,614	27,765	14.87	11.22	11.50	Decreased by 0.21 percentage point

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Explanation on principal businesses by industry, product and region

The comprehensive gross profit margin of the equipment manufacturing business during the Reporting Period was 19.53%, representing an increase of 3.34 percentage points as compared with the corresponding period of last year, which was mainly due to the year-on-year increase in sales volume of the Company's principal products and the optimization of its product structure, as well as the effective quality and efficiency improvement as well as cost management and control during the Reporting Period.

The gross profit margin of the Company's agricultural machinery business was 17.82%, representing a year-on-year increase of 3 percentage points, which was mainly attributable to the following reasons: Firstly, as the sales volume of the Company's tractor products increased year-on-year. In addition, the sales structure of the products was optimized, and the proportion of hi-powered wheeled tractor products with high profitability increased. Secondly, the manufacturing cost in production link decreased year-on-year through the implementation of lean production and target cost management.

The gross profit margin of the Company's power machinery business was 13.14%, representing a year-on-year increase of 2.37 percentage points, which was mainly due to the year-on-year increase in sales volume of the diesel engine and the increase in the proportion of large displacement diesel engine products with high profitability. In addition, the cost management and control in the production process was strengthened, and the average labor and manufacturing costs of a single machine decreased year-on-year.

### (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	57,058	53,607	6,296	33.36	28.04	121.30
Diesel engine products	Set	122,340	116,401	15,236	43.53	28.97	63.88



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (3) Cost analysis

Unit: 0'000 Currency: RMB

By industry						
By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Equipment manufacturing industry	Material	631,664	87.31	484,591	84.68	30.35
Equipment manufacturing industry	Labour	33,641	4.65	32,456	5.67	3.65
Equipment manufacturing industry	Production costs	58,177	8.04	55,211	9.65	5.37
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	487,949	87.46	379,935	84.85	28.43
Agricultural machinery	Labour	25,260	4.53	25,316	5.65	-0.22
Agricultural machinery	Production costs	44,705	8.01	42,515	9.49	5.15
Power machinery	Material	143,715	86.80	104,291	84.02	37.80
Power machinery	Labour	8,381	5.06	7,137	5.75	17.43
Power machinery	Production costs	13,472	8.14	12,693	10.23	6.14
Other machinery	Material	0	0.00	364	98.75	-100.00
Other machinery	Labour	0	0.00	2	0.52	-100.00
Other machinery	Production costs	0	0.00	3	0.73	-100.00

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

#### Explanation on other situations on cost analysis

During the Reporting Period, the input of raw materials increased due to the growth of sales volume of major products. In addition, the Company continued to reinforce cost management and control, resulting in the decrease in the unit labor cost and manufacturing cost, whose share in total cost declined.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Sales to the top five customers amounted to RMB472.82 million, accounting for 6.32% of the total sales for the year, among which, sales to the top five customers which were sales to related parties amounted to RMB122.61 million, accounting for 1.64% of the total sales for the year and the percentage of the largest customer contributed approximately 1.64% to the sales of the Group.

Procurement from the top five suppliers amounted to RMB1,024.10 million, accounting for 20.1% of the total procurement amount for the year, among which, procurement from the top five suppliers which was procurement from related parties amounted to RMB455.01 million, accounting for 8.93% of the total procurement amount for the year and the percentage of the largest supplier contributed approximately 6.19% to the procurement of the Group.

Among the top five customers, YTO (Luoyang) Material Equipment Co., Ltd. (一拖(洛陽)物資裝備有限公司) is a connected person of the Company pursuant to the Listing Rules of the Stock Exchange. Among the top five suppliers, Luoyang Zhongshou Machinery Equipment Co., Ltd. (洛陽中收機械裝備有限公司) is a connected person of the Company pursuant to the Listing Rules of the Stock Exchange.

Save as disclosed above, 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.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Expenses

Unit: Yuan Currency: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Selling expenses	<b>358,190,492.96</b>	305,526,565.26	52,663,927.70	17.24
Administrative expenses	<b>354,222,206.89</b>	382,371,302.74	-28,149,095.85	-7.36
Research and development expenses	<b>339,036,171.41</b>	356,609,547.39	-17,573,375.98	-4.93
Financial expenses	<b>52,228,726.98</b>	61,706,462.37	-9,477,735.39	-15.36
Total	<b>1,103,677,598.24</b>	1,106,213,877.76	-2,536,279.52	-0.23

During the Reporting Period, the Company's total expenses were RMB1,103.68 million, representing a decrease of RMB2.54 million or approximately 0.23% as compared with the corresponding period of last year.

For the reasons for such changes, please see: "1. Analysis on Changes in Items of Income Statement and Cash Flows Statement"

### 4. Research and development investment

Unit: Yuan

Research and development investment expensed for the Reporting Period	339,036,171.41
Research and development investment capitalized for the Reporting Period	0.00
Total research and development investment	339,036,171.41
Total research and development investment as a percentage of operating revenue (%)	4.53
Number of research and development personnel of the Company	1,193
Number of research and development personnel as a percentage of total staff of the Company (%)	15.89
Ratio of research and development investment capitalized (%)	0.00

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 5. Cash Flow

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Net cash flow from operating activities	<b>1,248,778,258.13</b>	330,731,669.68	918,046,588.45	277.58
Net cash flow from investment activities	<b>479,943,520.74</b>	1,193,116,999.96	-713,173,479.22	-59.77
Net cash flow from financing activities	<b>-1,417,014,045.77</b>	-1,686,589,779.50	269,575,733.73	N/A

Net cash flow from operating activities: the inflow increased by RMB918.05 million as compared with the corresponding period of last year, mainly due to the increase in sales volume of the Company's products and satisfactory collection of payments, resulting in a year-on-year increase in net flow generated from the sales of goods during the Reporting Period.

Net cash flow from investing activities: the inflow decreased by RMB713.17 million as compared with the corresponding period of last year, which was, on one hand, due to a year-on-year decrease in the invested and matured structured deposits of the Company, resulting in a year-on-year decrease in the net inflow of cash during the Reporting Period; on the other hand, due to the cash inflow resulting from disposal of subsidiaries in the corresponding period of last year, however, there was no such event during the Reporting Period.

Net cash flow from financing activities: the outflow decreased by RMB269.58 million as compared with the corresponding period of last year, mainly due to the Company maintained good financial position and the size of its bank loans was reduced, resulting to a year-on-year decrease in cash outflow from debt servicing during the Reporting Period.



## 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		Year-on-year Change (%)	Reasons for the changes
			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 (%)		
Lendings to banks and other financial institutions	40,000,000.00	0.32	70,000,000.00	0.60	-42.86	Increase in the provision for impairment of lendings to banks and other financial institutions made by YTO Finance, resulting in the decrease in the book value of lendings to banks and other financial institutions
Trading financial assets	1,306,381,357.98	10.58	980,392,948.10	8.43	33.25	The structured deposit was classified into trading financial assets
Notes receivable	892,050.97	0.01	352,201,737.77	3.03	-99.75	Bank acceptance was classified into accounts receivable financing
Accounts receivable financing	374,916,413.50	3.04	0.00	0.00	N/A	Bank acceptance was classified into accounts receivable financing
Other receivables	26,301,581.33	0.21	38,657,541.73	0.33	-31.96	Partial recovery of receivables
Buying back the sale of financial assets	1,561,721,065.92	12.65	671,668,502.78	5.78	132.51	Increase in the scale of purchase of financial assets at points of time by YTO Finance
Inventories	1,356,265,811.19	10.99	1,001,785,770.20	8.61	35.38	According to the expectation of the market demand for agricultural machinery in 2021, in order to cope with the market demand in Spring, constructive reserves have been made at the end of the year
Other current assets	281,587,195.02	2.28	1,067,152,153.18	9.18	-73.61	The size of structured deposits was declined, which were reclassified into trading financial assets at the end of the Reporting Period
Long-term receivables	132,870,486.03	1.08	220,198,228.05	1.89	-39.66	Due to the reclassification into non-current assets due within one year
Right-to-use assets	28,901,686.93	0.23	18,945,867.20	0.16	52.55	Increase in the right-of-use assets recognized by the Company as lessee

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance at the end of		Year-on-year Change (%)	Reasons for the changes
			Balance at the end of the corresponding period of last year	the corresponding period of last year as a percentage of total assets (%)		
Short-term loans	834,263,379.71	6.76	1,419,528,065.30	12.21	-41.23	Partial repayment of short-term loans
Loans from banks and other financial institutes	300,066,666.67	2.43	0.00	0.00	N/A	YTO Finance needed loans from banks and other financial institutes at points of time
Notes payable	1,547,322,110.70	12.54	1,004,008,951.30	8.63	54.11	Increase in purchase and the notes payable had not been due for payment
Accounts payable	1,788,192,802.43	14.49	1,252,450,248.58	10.77	42.78	Increase in purchase and the accounts payable that had not been due for payment
Contract liabilities	398,850,436.72	3.23	177,743,289.89	1.53	124.40	Increase in the advances received from customers with contracts
Taxes payables	23,075,553.98	0.19	34,716,241.84	0.30	-33.53	Year-on-year decrease in profits of subsidiaries, and the decrease in deferred income tax expense recognized, resulting in the decrease in the enterprise income tax payable
Other payables	209,162,369.54	1.69	302,747,490.57	2.60	-30.91	The service fee in other payables was reclassified into accounts payable during the Reporting Period
Non-current liabilities due within one year	14,142,498.21	0.11	649,035,505.95	5.58	-97.82	Repayment of long-term loans due within one year
Lease liabilities	14,850,790.14	0.12	64,384.18	0.00	22,965.90	Increase in the lease liabilities recognized by the Company as lessee
Other comprehensive income	-26,960,733.16	-0.22	-14,198,180.13	-0.12	N/A	Change in the exchange differences on translation of foreign currency statements due to the changes in exchange rate
Special reserves	3,015,461.22	0.02	2,230,000.31	0.02	35.22	Increase in the provision for safety production expenses during the Reporting Period
General risk reserves	39,642,392.38	0.32	25,104,151.50	0.22	57.91	Increase in the asset scale of YTO Finance, resulting in the corresponding increase in appropriation to general risk reserves
Retained earnings	795,064,178.33	6.44	529,451,678.91	4.55	50.17	Profits in the current period



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other explanations

(1) *Key financial ratios*

<b>Item</b>	<b>As at the end of the Reporting Period</b>	As at the beginning of the Year	Year-on- year change
Gearing ratio (%)	59.69	58.86	Increased by 0.83 percentage point
Current ratio	1.08	1.02	Increased by 0.06
Quick ratio	0.89	0.86	Increased by 0.03

At the end of the Reporting Period, the Company's total assets were RMB 12,342,608,882.99 and total liabilities were RMB 7,367,087,045.88. The gearing ratio (total assets divided by total liabilities) was 59.69%

(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 RMB833.4339 million, of which loans (principal) in foreign currency amounted to RMB3.4339 million (loans denominated in Euro); and bank loans (principal) due over one year amounted to RMB99.80 million.

### **2. 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 RMB285.7996 million, including bank's acceptance bill deposits of RMB22.0414 million, the statutory deposit reserve with central bank of RMB259.7277 million, and other guarantee deposits of RMB4.0305 million.

As at the end of the Reporting Period, the Company's notes receivable of restricted ownership amounted to RMB22.588 million, which were notes receivable pledged with the bank during the Reporting Period.

As at the end of the Reporting Period, the original value of 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 RMB59.8355 million, which were buildings and land mortgaged to the banks for short-term loans granted to the Company during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Other Explanations

(1) *Foreign exchange risk*

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

(2) *Contingent liabilities*

For further details, please refer to “VI.40 Estimated Liabilities” under section XI Financial Statement of this Report.

(3) *Principal sources and use of funds*

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

### (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	192,954,840.47	500,000,000.00	200,000,000.00	26,405,594.35	18,322,807.84	Self-funded
Total	192,954,840.47	500,000,000.00	200,000,000.00	26,405,594.35	18,322,807.84	



## 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 2020		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	522,164	83,722	15,072	2,998
YTO International Trade	6,600	International sale of agricultural machinery	53,411	-12,552	27,730	-16,035
YTO Diesel Engine Tractors	USD16 million	Manufacturing and sale of engines	257,400	147,794	187,643	6,756
Research Company	44,500	Research and development of tractor products	74,018	66,094	17,658	1,238
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	35,906	28,695	25,937	597

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

- (1) On 13 January 2020, the Intermediate People's Court of Luoyang City, Henan Province ruled that YTO Shentong entered into the bankruptcy and liquidation proceedings. In accordance with relevant provisions of the Accounting Standards, YTO Shentong will no longer be included in the scope of the Company's consolidated statements after entering into the bankruptcy proceedings.
- (2) During the Reporting Period, YTO Foundry and Forging has merged with YTO Heilongjiang and the industrial and commercial registration change has been completed. YTO Heilongjiang has been deregistered.

### 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	15,072	4,789	2,998
2	YTO International Trade	27,730	-16,142	-16,035
3	YTO Diesel Engine	187,643	5,459	6,756

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

YTO Finance: net profit decreased by RMB18.83 million year-on-year, mainly due to the reduction in income tax expenses caused by the write-off of credit impairment losses in the same period last year. There was no such event during the Reporting Period.

YTO International Trade: net-loss increased by RMB146.46 million year on year, mainly due to the increase in credit impairment losses accrued for accounts receivable during the Reporting Period.

YTO Diesel Engine: net profit increased by RMB32.13 million year-on-year. During the reporting period, the operating income and government subsidies of YTO Diesel Engine increased year-on-year, and operating profit achieved year-on-year growth.

Tractors Research Company: net profit decreased by RMB126.18 million year-on-year, mainly due to the recognition of investment income from the disposal of subsidiaries in the same period last year. There was no such event during the Reporting Period.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

#### (I) Industry landscape and trend

In 2020, the agricultural machinery industry witnessed a significant growth given the great importance attached and emphasis put on agriculture production and food security in China, and the tractor industry also saw remarkable performance in both production and sales. However, the situation of large figure of tractor manufacturers and the overcapacity of homogenized products which highly fragmented had not significantly changed.

In the "14th Five-Year Plan" for China's national economic and social development and the "No. 1 Central Policy Document" for 2021 by the Central Committee of the Communist Party of China, it is further specified that China will speed up the modernization of agriculture and rural areas, promote breakthrough in the development of key and core technologies in agriculture, improve the quality, economic returns and competitiveness of agriculture, increase the subsidies for purchase of agricultural machinery, offer subsidies for operation, accelerate the construction of modern agricultural operation system, and encourage the development of various forms of moderate-scale businesses. The agricultural machinery and equipment industry will play a more and more important role in supporting the development of Chinese modern agriculture, and the mechanization level in crop produce process is expected to be improved continuously. In addition, large and efficient, environment friendly and intelligent agricultural machinery and characteristic, professional and differentiated agricultural machinery which can meet different agricultural operation need will usher in broader development prospects.

Although the government has further improved and standardized subsidies granting for purchase of agricultural machineries, reduced the amount of subsidies for purchase of a single machine, despite of the switch to the National IV Standard and the increasing cost for users to purchase machinery which may bring certain uncertainties to the market for some time, with the continuous improvement of the technological level of agricultural machineries and the growing tendency for agricultural machinery industry to develop towards upsizing, intelligentization and energy conservation in China, the expectation on the technological research and development strength, integrated manufacturing capability and capital strength of agricultural machinery manufacturers will be rising, and the competitiveness of large-scale agricultural machinery manufacturers with advantages in scale, wide-ranging product categories and advanced technology may be further enhanced.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) Development strategy of the Company

During the period of the “14th Five-Year Plan”, the Company will, by closely focusing on the national strategic tasks of “comprehensively boosting the rural revitalization and accelerating the agricultural and rural modernization”, insist on the development idea of “innovation driver, optimizing the structure, deeply cultivating the market and seizing the high end”, firmly capture the opportunities of agricultural mechanization and agricultural machinery industry upgrading in China, accelerate product technology upgrading and structural adjustment, and strengthen the leading role of science and technology to steadily promote the mechanism and system innovation. The Company will focus on the advanced equipment manufacturing and modern manufacturing services, and optimize the business structure and asset structure; and actively explore the international market while deeply cultivating the domestic market. Furthermore, by 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.

### (III) Operation plan

2021 is the first year of the “14th Five-Year Plan”, the Company will, by centering on serving the national “Rural Revitalization” and high-quality and efficient development of the agriculture, continue to carry forward the fighting spirit in the period of “preventing pandemic and guaranteeing spring farming”. In addition, it will escalate the research and development and innovation and technological upgrading of products, strengthen market development and operational management, striving to maintain a sound momentum of corporate development.

Firstly, the Company will consolidate and enhance the domestic market share of its major products. The Company will further research and judge the impact of a new round of policy adjustment of agricultural machinery purchase subsidy on the development of the industry, conduct appropriate optimization, adjustment and upgrading of the product structure, give play to the corporate research and development and the market channels and other advantages, and enrich and improve the Company’s product portfolio. Moreover, with high-quality products and efficient services, it will tap deeper into the traditional market and expand our market in the weakest areas to consolidate our leading position in the domestic tractor market.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Secondly, the Company will maintain the leading edge of its core technology. The Company will integrate and build a collaborative and efficient technology research and development platform, enhance the synergy between technology research and development and market demand, and accelerate the commercialization process of products in urgent need in the market and the transformation and application of technological innovation achievements. Moreover, in terms of tractor products, the Company will benchmark itself against world-class enterprises, focus on quality improvement projects, establish a mechanism for quality improvement driven by customer satisfaction, and further improve product reliability by perfecting product design, optimizing the supply chain and improving process quality assurance, so as to narrow the gap between itself and world-class enterprises, maintain its leading position in product quality in domestic market and reflect the strength of the “Dongfanghong” brand. The Company will also focus its efforts on meeting the needs of users and speed up the improvement and optimization of products or the development of products in new platforms for the operation of fields, paddy fields and forest and fruit sheds in different regions; it will accelerate the industrialization of large and efficient powershift and variable transmission products, enhance its competitiveness in high-end market and effectively replace imports; it will steadily promote the development of intelligentization and smart technology of agricultural machinery, establish interconnection and agricultural machinery data services through agricultural machinery automation and agricultural machinery IOT, and accelerate the marketization application of precise agriculture and smart agricultural technology, so as to maintain its leading technological advantages in the future journey of agricultural machinery and unmanned agriculture. At the same time, the Company will actively prepare for the switchover of the whole series of products to the National IV emission standards, complete the emission certification for Euro V diesel engines and promote the research and development of National V diesel engines as planned, so as to enhance the competitiveness of the power products of the Company.

Thirdly, the Company will continuously optimize the quality and efficiency of its operation. The Company will strengthen its internal operation management, improve the cost management system of the whole product chain, innovate the cost management and control methods by centering on the key links such as design cost reduction, procurement cost reduction and labour cost reduction, and enhance the quality management and control as well as the cost management and control, so as to improve the input-output efficiency and continuously improve the operation quality of the enterprise.

Fourthly, the Company will deepen reform in key areas. The Company will actively implement the spirit of the three-year action plan for the reform of state-owned enterprises, improve the incentive and restraint mechanism, continue to deepen the reform of the research and development and innovation system, and strengthen the establishment of marketing team, with a view to smoothing the connection among research and development, management, market and users. Moreover, it will actively implement the special plan for internationalization, optimize the international market entry mode, and create conditions for accelerating breakthroughs in key overseas markets.

Fifthly, the Company will ensure the full implementation the risk prevention measures. The Company will firmly establish the red-line awareness and bottom-line thinking, enhance the risk warning mechanism, strengthen the bottom line for major risk prevention, strictly control major investment risks, effectively conduct the pandemic prevention and control as well as the security and environmental protection, and prevent against the impact of various risk events on the operation of the enterprise.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (IV) Potential risks

#### 1. *Market risk*

In respect of domestic market, the Company may encounter the risk of market demand change arising from the adjustment to policies on agricultural machinery purchase subsidy. “No. 1 Central Policy Document” for 2021 by the Central Committee of the Communist Party of China clearly advocates for increasing the subsidy for the purchase of agricultural machinery. However, the implementation of a new round of subsidy policies will reduce the amount of subsidy for the purchase of a single agricultural machinery, and will focus on supporting the weak links of agricultural mechanization, which may divert the subsidy funds for some traditional products such as tractors. The increase in the purchase cost of tractor users, which will have an impact on the purchase intention of some users, resulting in the risk of reduced demand growth in the tractor industry.

In respect of international market, the COVID-19 pandemic has not been effectively controlled globally, and there is great uncertainty in the foreign trade export in 2021. Some key regional markets of the Company, such as the African market, are affected by COVID-19 pandemic and natural disasters, and the purchasing power of users has further declined, which has posed more difficulties for the Company’s expansion into key overseas markets.

The Company will actively research and judge the overall trend of policy changes, user structure changes and market demand upgrading and take full advantages of the Company’s technology research and development, core manufacturing and other strengths. Moreover, it will improve product cost performance and added value, and provide value-added benefits for users, so as to turn crisis into opportunities and consolidate and enhance the market share.

Meanwhile, the Company will actively implement the special internationalization plan. While cultivating the key markets, the Company will focus on optimizing the market layout, participate in global competition, and actively promote product certification to achieve breakthroughs in the market of developed countries as soon as possible.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **2. Operational risk**

China vigorously promotes the agricultural modernization and increases agricultural subsidies. A new round of development opportunities are emerging in agricultural equipment industry, which also attracts the attention of enterprises within and outside the industry to the agricultural equipment industry and increases investment in the agricultural equipment industry. Therefore, the industry is faced with a new round of competition and upgrading. The Company will take the advantages of its research and development and core manufacturing capabilities, accelerate the upgrading of its major products, enrich the product and business portfolio, actively promote the transformation of manufacturing service industry, and consolidate its dominant position in the new round of competition.

Risk relating to rising prices of raw material. Since the fourth quarter of 2020, the prices of steel, rubber and other bulk materials have continued to rise. However, due to the reduction of single machine subsidy, homogeneous competition and other factors, it is difficult to raise the prices of agricultural machinery products in the end market, which may affect the Company's profitability.

In the reforming adjustment, the Company intends to intensify the disposal of some subsidiaries and low efficient assets, and the disposal of low efficient assets and the bankruptcy and liquidation of subsidiaries may have certain adverse impact on the earnings of the Company for the current period.

Through strengthening the investment management, risk management, cost and expense management and reform of the incentive mechanism, the Company improves the quality of its economic operations, eliminates the impact of disposal of inefficient assets on the operation, optimizes the business and asset structure, consolidates its development base and improves the operational efficiency.

### **3. Risk relating to technology upgrade**

With the deepening of agricultural modernization and the continuous application of information technology, the demand for intelligent agricultural machinery products is increasing. Meanwhile, China accelerates to promote the conversion and upgrading of off-road diesel engine emission standards as environmental policies are fully implemented, which requires a higher standard for the product research and development, manufacturing skills and overall upgrade of the supplying chain of the agriculture machinery manufacturing enterprises. In addition, the technical barriers due to Euro V emission regulations have increased the difficulty for entering the EU market. The Company will give full play to its advantages in product research and development, and effectively implement the key research and development projects and the industrialization of products. At the same time, it will strengthen the research on and investment in precision agriculture and intelligent agriculture, implement a sound forward-looking layout, and firmly grasp the opportunities arising from the new round of industry upgrading.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### V. OTHER DISCLOSURE

#### (I) 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.

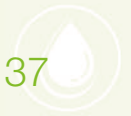
#### (II) Directors' permitted Indemnities

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.

#### (III) 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.



## SIGNIFICANT EVENTS

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

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

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares <i>(share)</i>	Dividend for every 10 shares <i>(Yuan) (tax inclusive)</i>	Number of conversion shares for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit attributable to the ordinary shareholders of the Company as shown in the consolidated statements for the year distributing dividend	As a percentage of net profit attributable to the ordinary shareholders of the Company as shown in the consolidated statements <i>(%)</i>
2020	0	0.75	0	84,273,395.63	280,150,740.30	30.08
2019	0	0	0	0	0	0
2018	0	0	0	0	0	0

## SIGNIFICANT EVENTS (CONTINUED)

## II. FULFILLMENT OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Undertaking related to the initial public offering	Solutions to horizontal competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Machinery Equipment Company Limited no longer 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





## SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
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

## SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Other	Directors, Supervisors and senior management of the Company	<ol style="list-style-type: none"> <li>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>I undertake that I will act to restrain duty-related spending;</li> <li>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>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>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>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
	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



## SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	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 Co., Ltd. shall be subject to approval at a general meeting of the Company.</p>	Long-term	No	Yes
	Solutions to business competition	SINOMACH	<p>SINOMACH Finance Co., Ltd. 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 Co., Ltd. and YTO Finance of the Company shall be subject to approval at a general meeting of the company.</p>	Long-term	No	Yes

## SIGNIFICANT EVENTS (CONTINUED)

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

## III. 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.

*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	285
Term of the domestic auditor	4

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

Explanation on appointment or dismissal of auditor

The remuneration of the domestic auditor included the auditors' fees for the 2020 Non-public Issuance.



## SIGNIFICANT EVENTS (CONTINUED)

### **IV. POTENTIAL RISK OF SUSPENSION OF LISTING**

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

### **V. MATERIAL LITIGATION AND ARBITRATION**

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

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

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

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

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

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

## SIGNIFICANT EVENTS (CONTINUED)

## VIII. MATERIAL CONNECTED TRANSACTIONS

## (I) Connected transactions relating to daily operation

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

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 2020	Actual transaction amount in 2020	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%.	95,000	61,710	9.77



## 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 2020	Actual transaction amount in 2020	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.	<p>(1) the market price of an independent third party;</p> <p>(2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and</p> <p>(3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.</p>	37,000	31,220	4.24
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation and transportation ancillary services to the Company and its subsidiaries by YTO	<p>(1) the market price of an independent third party;</p> <p>(2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and</p> <p>(3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 10%.</p>	20,000	18,341	95.11

## 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 2020	Actual transaction amount in 2020	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	(1) the governmental guidance price;  (2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party;  (3) if none of the above is applicable, the transaction price between YTO and an independent third party; and  (4) if none of the above is applicable, price (tax-inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+profit rate of cost)), where the profit rate of cost is not more than 16%.	22,000	17,469	93.83
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and  (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.	950	932	96.58
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and  (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use right.	1,350	974	93.47





## 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 2020	Actual transaction amount in 2020	Percentage in the amount of same type of transactions (%)
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. (PBOC)	280,000	181,783	40.72
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBIRC or the PBOC;  (2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and  (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	130,000	95,324	42.31
9	Bills Acceptance Service Agreement	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBIRC or the PBOC;  (2) if the above rate is not applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services; and  (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	37,600	14,229	7.48

## 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 2020	Actual transaction amount in 2020	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>	30,000	840	20.01
11	Interbank Business Service Agreement	SINOMACH Finance Company Limited (國機集團財務有限公司)	Controlled subsidiary of the de facto controller	YTO Finance and SINOMACH Finance Company Limited provide financing services to each other, including interbank deposits, lendings, transfer of credit assets and other interbank business services	<p>(1) based on the Shanghai Interbank Offered Rate announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions;</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit;</p> <p>(3) with reference to the market price of the target assets in capital financing announced by other financial institutions for credit asset transfer; and</p> <p>(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.</p>	100,000	60,000	45.64



## 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 2020	Actual transaction amount in 2020	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	593	44.02
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	290	179	29.34
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%.	600	487	100.00

## 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 2020	Actual transaction amount in 2020	Percentage in the amount of same type of transactions (%)
15	Technological and Calibration and Testing Services Agreement	YTO	Controlling shareholder	Provision of Technological and Calibration and Testing Services to YTO by the Company	(1) the price of the non-connected transactions between the Company and the independent third parties;  (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions;  (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	2,000	176	21.92
16	Commissioned R&D Agreement	SINOMACH Academy of Science and Technology Co., Ltd* (國機集團科學技術研究院有限公司)	Wholly-owned subsidiary of the de facto controller	The Company accepts the entrustment of SINOMACH Academy of Science and Technology Co., Ltd* and carries out research and development of key technologies which are applied to universal harvesters, high-end machinery, corn harvesters and silage maize harvesters	(1) the price of the non-connected transactions between the Company and the independent third parties;  (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions;  (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	4,000	4,000	100.00



## 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 2020	Actual transaction amount in 2020	Percentage in the amount of same type of transactions (%)
17	Product Inspection and Testing as well as Research and Development 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 Xiyuan Company and the independent third parties;  (2) the price of the reasonable cost of the service provided by Xiyuan 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	2,600	2,567	63.04

- For details of the above No.1–11 connected transactions, please refer to the “Announcement on the Resolutions Passed at the Twenty-second Meeting of the Seventh Session of the Board” and “Announcement on Continuing Connected Transactions for 2019–2021” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2018, and the “Continuing Connected Transactions” announcement and related overseas regulatory announcements published on the website of the Stock Exchange on 29 August 2018. In accordance with the Listing Rules of the Stock Exchange and the Implementation Guidelines for Related Party Transactions of Listed Companies on Shanghai Stock Exchange, as the Deposit Service Agreement entered into by YTO Finance and YTO constitutes an exemption from the approval and disclosure of connected transactions of “provision of financial assistance to related parties by listed companies”, the agreement shall not be required to be submitted to the Company’s general meeting for consideration. For the details of the remaining connected transactions, please refer to the “Announcement on the Resolutions Passed at 2018 Second Extraordinary General Meeting of the Company” published on the website of the Shanghai Stock Exchange on 30 October 2018, and the “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2018” published by the Company on the website of the Stock Exchange on 29 October 2018.
- For details of the above No.12–15,17 connected transactions, please refer to the “Announcement on Estimation of the Daily Related Transactions for 2020 of First Tractor Company Limited” published by the Company on the website of the Shanghai Stock Exchange on 17 December 2019 and the announcements of “Continuing Connected Transaction – (1) Common Resource Services Agreement; (2) Properties Lease Agreement and Land Lease Agreement; (3) Technological and Calibration and Testing Services Agreement; (4) Product Inspection and Testing as well as Research and Development Services Agreement” published by the Company on the website of the Stock Exchange on 17 December 2019.

## SIGNIFICANT EVENTS (CONTINUED)

3. For details of the above No.16 connected transactions, please refer to the “Announcement of First Tractor on the Related Party Transaction of Undertaking of the Research and Development Project (《一拖股份關於接受委託研發的關聯交易公告》)” published by the Company on the website of the Shanghai Stock Exchange on 14 March 2020 and the announcements of “Connected Transaction- Technology Development (Entrustment) Contract” 《關聯交易—技術開發(委託)合同》 published by the Company on the website of the Stock Exchange on 13 March 2020.

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 2020	Actual transaction amount in 2020	Percentage in the amount of same type of transactions (%)
18	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and 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%.	12,500	7,138	96.28

For details of the above No.18 connected transaction, please refer to the “Announcement on the Resolutions Passed at the Twenty-second Meeting of the Seventh Session of the Board”, the “Announcement on Continuing Connected Transactions for 2019–2021” and the “Announcement on the Resolutions Passed at 2018 Second Extraordinary General Meeting of the Company” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2018 and 30 October 2018, respectively, and the “Continuing Connected Transactions” announcement, the “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2018” and related overseas regulatory announcements published by the Company on the website of the Stock Exchange on 29 August 2018 and 29 October 2018, respectively.



## SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2020	Actual transaction amount in 2020	Percentage in the amount of same type of transactions (%)
19	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB6,630,000 was determined by both parties under market principles and negotiation	663	663	55.95
20	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	108	52	100.00
21	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations	9,000	2,550	0.35
22	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	26,000	15,833	2.51

- For details of No. 19-20 connected transactions, please refer to the “Announcement on Resolutions Passed at the Seventeenth Meeting of the Seventh Session of the Board of First Tractor Company Limited” of the Company published on the website of the Shanghai Stock Exchange on 1 December 2017, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 30 November 2017.
- For details of No. 21–22 connected transactions, please refer to the “Announcement on Resolutions Passed at the Fifteenth Meeting of the Seventh Session of the Board of First Tractor Company Limited”, the “Announcement on Daily Connected Transactions of ZF YTO (Luoyang) Drive Axle Company Limited” and the “Announcement on the Resolutions Passed at 2017 Second Extraordinary General Meeting of the Company” published by the Company on the website of Shanghai Stock Exchange on 30 September 2017 and 16 November 2017, respectively, and the “Sales Framework Agreement and Procurement Framework Agreement” and the “Announcement on Results of the 2017 Second Extraordinary General Meeting” published by the Company on the website of Stock Exchange on 29 September 2017 and 15 November 2017.

## SIGNIFICANT EVENTS (CONTINUED)

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

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

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

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

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

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

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

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

The Company confirmed it has complied with the disclosure requirements of Chapter 14A of the Listing Rules of the Stock Exchange in respect of the above No.1-18 connected transactions.

**5. Related party transaction**

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





## SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for transaction amount in 2020	Actual amount of transaction in 2020	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.	260	14	43.75
YTO (Luoyang) Huide Tooling Co., Ltd	a controlled subsidiary of the parent company	loans	provision of finance lease by YTO Finance to YTO (Luoyang) Huide Tooling Co., Ltd	Based on the loan prime rate ("LPR") published by the PBOC for 1-year/5-year loans, the LPR plus basis points method was adopted to determine the annual interest rate for the lease	/	252.55	2.44
Total				/	/	266.55	/

Details on return of large-sum sales

Nil

Explanation on connected transactions

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

## SIGNIFICANT EVENTS (CONTINUED)

### (II) Connected transactions of assets or equity acquisition or disposal

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

Event details	Search index
<p>On 23 October 2020, YTO Finance entered into the Loan Assignment Agreement with China SINOMACH-HI Corporation, pursuant to which, YTO Finance assigned all its Loan (including the principal of RMB48,000,000 and the unpaid interests of RMB47,500) and relevant rights in SINOMACH-HI (Luoyang) Company to China SINOMACH Heavy Industry Corporation, with a consideration of RMB48,047,500. The Loan Assignment is conducive to realizing YTO Finance's loan by itself, reducing the operating risks, and is conducive to protecting the legitimate interest of the Company and its Shareholders as a whole.</p>	<p>For details, please refer to the Announcement on Assignment of Loan by a Controlled Subsidiary and Connected Transaction of First Tractor Company Limited published by the Company on the website of Shanghai Stock Exchange on 27 October 2020 and the Connected Transaction – Assignment of Loan published by the Company on the website of the Stock Exchange on 26 October 2020.</p>



## SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Book value of transferred assets	Appraisal Value of the transferred assets	Transfer price	Payment method of connected transaction	Proceeds from the transfer of the transferred assets	Impact of the transaction on the operating results and financial position of the Company	Reasons for huge differences between the transaction price and book value or appraisal value and market fair value
YTO	Controlling shareholder	Equity transfer	Transfer of the 29.5% equity interests held by the Company in Luoyang Fossett Environmental Protection Technology Co. Ltd. (洛陽福賽特環保科技有限公司)	On the basis of the appraisal results of Assets Appraisal Report issued by China United Assets Appraisal Group Co., Ltd. on the benchmark date of 31 December 2019	0	47.63	47.63	In cash	/	The transaction will not have material impact on the operating position and financial results of the Company	/
YTO	Controlling shareholder	Sale of assets other than goods	Transfer of ownership of a patent held by the Company to YTO	On the basis of the appraisal results of Assets Appraisal Report issued by China United Assets Appraisal Group Co., Ltd. on the benchmark date of 14 April 2020	/	198.38	198.38	In cash	/	The transaction will not have material impact on the operating position and financial results of the Company	/

#### Explanation on connected transactions in respect of asset acquisition and disposal

- The 29.5% equity interests held by the Company in Luoyang Fossett Environmental Protection Technology Co. Ltd. (洛陽福賽特環保科技有限公司) has been made impairment provision, the book value of which is 0.
- 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. As of the end of the Reporting Period, the equity transaction was still in progress.

## SIGNIFICANT EVENTS (CONTINUED)

### (III) Amounts due to and from connected parties

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

The entrusted loans provided by the Company with a total amount of up to RMB21,000,000 to Changtuo Company were due during the Reporting Period, but they were not repaid by Changtuo Company as stipulated in 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-do-day production and operation. 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.

### (IV) Others

1. On 23 April 2020, as considered and approved at the 17th meeting of the eighth session of the Board of the Company, the Company entered into the Share Subscription Agreement in relation to the Non-public Issuance of A Shares with YTO, pursuant to which YTO proposed to subscribe for all A shares under the 2020 Non-public Issuance of the Company (the "Issuance") with not more than RMB700 million in cash. The subscription price shall be not less than 80% of the average trading price of the A Shares during the 20 trading days preceding the pricing benchmark date of the Issuance, namely RMB5.08 per A Share, and the number of shares to be subscribed for was 137,795,275 A Shares. Such matter, including the whitewash waiver given by the Securities and Futures Commission of Hong Kong to YTO from compliance with the obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code, was approved at the general meeting and the class meetings of the Company respectively, and approved by the CSRC. The procedures for share registration were completed with China Securities Depository and Clearing Co., Ltd. Shanghai Branch on 9 February 2021. For details, please refer to the Announcement on the Conditional Share Subscription Agreements and Connected Transaction entered into between the First Tractor and the Controlling Shareholder and the Announcement on Issuance Results of Non-public Issuance of A Shares and Changes in Share Capital of First Tractor published by the Company on the Shanghai Securities News and the website of the Shanghai Stock Exchange on 24 April 2020 and 19 February 2021.



## SIGNIFICANT EVENTS (CONTINUED)

2. On 13 March 2020, in order to give play to the synergistic effect of the research and development resources of SINOMACH, accelerate the research and development and application of key and universal technologies, SINOMACH Academy of Science and Technology Co., Ltd (“SINOMACH Academy”), a wholly-owned subsidiary of SINOMACH, and the Company entered into the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters) (技術開發(委託)合同(通用型收穫機關鍵技術突破與應用)), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery) (技術開發(委託)合同(高端機具關鍵技術突破與應用)), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) (技術開發(委託)合同(玉米機關鍵技術突破與應用)) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) (技術開發(委託)合同(青貯機關鍵技術突破與應用)). SINOMACH Academy respectively commissioned the Company to research and develop the projects of breakthroughs and applications of key technology of universal harvesters, breakthroughs and applications of key technology of high-end machinery, breakthroughs and applications of key technology of corn harvesters and breakthroughs and applications of key technology of silage maize harvesters. The total R&D expenses are RMB40 million. The transactions constitute connected transactions under the Listing Rules of the Shanghai Stock Exchange and Listing Rules of the Hong Kong Stock Exchange. For details, please refer to the announcement on the connected transactions disclosed by the Company on the websites of the Stock Exchange and the Company on 13 March 2020.

## IX. 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

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

## SIGNIFICANT EVENTS (CONTINUED)

## (II) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship of the Guarantor with the listed company	Beneficiary	External guarantees provided by the Company (excluding guarantees provided for subsidiaries)					Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee	Connected relationship
			Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement date of guarantee	End date of guarantee	Type of guarantee						
The Company	Company headquarters	Business dealer of Dianpiaotong	583,678,030	15 January 2020			Guarantee with joint liability	Yes	No	0	Yes	No	

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries) 583,678,030

Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries) 0

**Guarantees provided by the Company and its subsidiaries for its subsidiaries**

Total amount of the guarantees provided to subsidiaries during the Reporting Period 0

Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B) 0

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

Total amount of guarantees (A+B) 0

Total amount of guarantees as a percentage to the net assets of the Company (%) 0

Of which:

Amount of guarantees provided to shareholders, de facto controller and its associates (C) 0

Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D) 0

The portion of total amount of guarantee in excess of 50% of the net assets (E) 0

Total amount of the above three categories of guarantees (C+D+E) 0

Explanation on possible several and joint liability for immature guarantees

Explanation on guarantee

The amount of the guarantee was the amount of the guarantee provided by the Company to the business dealer of Dianpiaotong (電票通) during the Reporting Period. As at the end of the Reporting Period, the balance of the guarantees was 0.



## SIGNIFICANT EVENTS (CONTINUED)

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

#### 1. Entrusted loans

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

Unit: Yuan Currency: RMB

Type	Source of fund	Amount incurred	Amount not yet due	Amount overdue and not recovered
Entrusted loans	Own funds	420,000,000.00	420,000,000.00	192,000,000.00

##### (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	5 March 2020	4 March 2021	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	10 March 2020	9 March 2021	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	17 March 2020	16 March 2021	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	24 March 2020	23 March 2021	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	2,000	27 March 2020	26 February 2021	Own funds	Production and operation	4.785%	Recovered	Yes	-
YTO International Trade	Entrusted loans	3,000	5 June 2020	4 June 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	10 June 2020	9 June 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	16 June 2020	15 June 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	22 June 2020	21 June 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	28 June 2020	27 June 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	7 July 2020	6 July 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	13 July 2020	12 July 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	3,000	20 July 2020	19 July 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	27 July 2020	26 July 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	5 August 2020	4 August 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	10 August 2020	9 August 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	13 August 2020	12 August 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	2,000	17 August 2020	16 August 2021	Own funds	Production and operation	4.785%		Yes	-
YTO International Trade	Entrusted loans	1,000	21 August 2020	20 August 2021	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

## SIGNIFICANT EVENTS (CONTINUED)

### Other Matters

Save as listed in the table above, the Company provided entrusted loans with a total amount of RMB171,000,000 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 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, in accordance with the relevant provisions of the Accounting Standards, YTO Shentong was no longer included in the consolidated financial statements of the Company after it had entered into bankruptcy proceedings, and the provision for impairment made by the Company of its entrusted loan was reflected in the consolidated financial statements, which had an impact on the profit in the 2020 consolidated statements.

The entrusted loans provided by the Company with a total amount of RMB21,000,000 to Changtuo Company were due during the Reporting Period, but they were not repaid by Changtuo Company as stipulated in the contract. The Company has made full provision for impairment of the loans. 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.





## SIGNIFICANT EVENTS (CONTINUED)

### X. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

#### (I) Poverty Alleviation by the Company

##### 1. Targeted poverty alleviation planning

The Company actively developed a long-term mechanism for poverty alleviation with corporate characteristics through policy promotion, industrial support, skills promotion, education subsidies and other measures, so as to strengthen the mechanism, implement precise measures and continue to overcome challenges from poverty alleviation. The Company helped reduce poverty by seven persons in four families in counterpart Zhifang Village. As at the end of 2020, the poverty incidence of the village was reduced to 0 from 0.34% in 2019 and all indicators of infrastructure and public services steadily exceeded the standard for poverty alleviation of the whole village, which successfully passed acceptance inspection in the national poverty alleviation survey.

##### 2. Summary of annual targeted poverty alleviation

In 2020, the Company actively helped the counterpart village to overcome the adverse impact of the pandemic, coordinated the overall economic and social development, gave full play to its own advantages and strictly implemented various policies for poverty alleviation. Firstly, the Company coordinated the pandemic prevention and control of and targeted assistance. The Company's resident cadres comprehensively sorted out more than 210 copies of health certificates of migrant workers, and effectively guided Zhifang Village in Luanchuan County, the counterpart village of poverty alleviation, to identify, isolate and test the people returning to the village from key areas, disinfect the public areas and improve the living environment. At the same time, the Company ensured that each household had a stable source of income through such measures as providing employment information and developing public welfare positions. Therefore, none of them returned to poverty due to the COVID-19 pandemic. Secondly, the Company strengthened organizational leadership. During the Reporting Period, the Company held two research meetings on poverty alleviation to refine assistance measures, separate tasks and clarify responsibilities, and seriously promoted poverty alleviation to specifically solve various problems of poverty alleviation. Thirdly, the Company implemented one-to-one assistance to solve problems. 18 persons in charge of assistance of the Company paid visit and provided heart-to-heart, hand-in-hand assistance to the village, and went door-to-door and visited the poverty-stricken households to understand the situation. In view of the different situations of the poverty-stricken households, we helped them to clarify their ideas of economic development, formulate and improve their poverty alleviation plans and measures in a targeted manner, and donated some clothing, stationery and other daily and study necessities to solve the difficulties and problems encountered in their production and living. Fourthly, the Company leveraged on its corporate advantages to serve the "agriculture, rural areas and farmers". The Company continued to follow up on the maintenance of the agricultural machinery previously donated by the Company, and trained the local agricultural machinery operators. In 2020, the Company helped harvest more than 260 mu of wheat, bundle more than 300 mu of wheat straw and rototill more than 100 mu of land in Zhifang Village, contributing to the increase of agricultural production and income. Fifthly, the Company promoted poverty alleviation through consumption to help win the battle against poverty. The resident cadres actively promoted the development of special agricultural and sideline products in the direction of greening, specialization and branding to ensure the sustainability of poverty alleviation through consumption. At the same time, the Company actively participated in poverty alleviation through consumption, helping solve the problem of selling quality agricultural products in Zhifang Village by purchasing special agricultural and sideline products worth more than RMB800,000 during the Reporting Period.

## SIGNIFICANT EVENTS (CONTINUED)

**3. Achievements in targeted poverty alleviation**

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	
Including:	
1. Capital	80
2. Funds converted from materials	1
3. Number of registered and recorded people in poverty went out of poverty with support ( <i>Person</i> )	7
II. Itemized Input	
1. Poverty alleviation through industrial development	
Including:	
1.1 Type of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial Poverty alleviation projects	80
1.4 Number of registered and recorded people in poverty went out of poverty with support ( <i>Person</i> )	7
2. Poverty alleviation through employment transfer	
3. Poverty alleviation through relocation	
4. Poverty alleviation through education	
Including:	
4.1 Amount of input in subsidizing poverty-stricken students	0.5
4.2 Number of poverty-stricken students subsidized (person)	23

**4. Follow-up targeted poverty alleviation planning**

In 2021, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will continue to follow the unified requirements and deployment of higher authority to consolidate the achievements of poverty alleviation and prevent the return to poverty. Firstly, we shall maintain the overall stability of the assistance policy, strictly implement the "Four Not Removal" requirements, and maintain the overall stability of the existing assistance policy, financial support and assistance force; secondly, we shall improve the dynamic monitoring and management mechanism, continue to strengthen the dynamic monitoring of the population out of poverty, keep track of changes in income, and detect and provide assistance in a timely manner; thirdly, we shall continue to strengthen the assistance work by staying at villages, and improve the quality of poverty alleviation through the development planning of the follow-up projects in Zhifang Village by the village-based poverty alleviation cadres and the person in charge of poverty alleviation, so as to realize the organic convergence of poverty alleviation and rural rejuvenation.



## SIGNIFICANT EVENTS (CONTINUED)

### (II) Social responsibility

For details of the social responsibility performance of the Company, please refer to the “2020 Social Responsibility Report” of the Company published on the website of the Shanghai Stock Exchange and the “2020 Environmental, Social and Governance Report” of the Company published on the website of the Stock Exchange.

### (III) Environment Information

#### 1. Explanation on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities

(1) Information on emissions

Unit	Name of major pollutants and characteristic pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (monthly average) and total amount	Any excessive emissions	Pollutant emission standards implemented	Approved total emissions
YTO Foundry and Forging	Exhaust gas: particulate matter, non-methane hydrocarbon	Organized emissions	59	Exhaust gas from melting, moulding, casting and cleaning is emitted after treatment by the dust collector through the exhaust pipe higher than 15 meters, and is distributed in the pollutant discharge area of each workshop of the casting and forging plant	Monthly average concentration of particulate matter: 7.23mg/m <sup>3</sup> , total amount of particulate matter: 32.33 tons; Monthly average concentration of non-methane hydrocarbon: 12.99mg/m <sup>3</sup> , total amount of non-methane hydrocarbon: 2.25 tons;	Nil	Emission standard of exhaust gas: 1. Particulate matter concentration limit as stipulated in Table 1 of Emission Standard of Air Pollutants from Industrial Kilns and Furnaces in Henan Province (《河南省工業爐窯大氣污染物排放標準》) (DB411066-2020) for exhaust gas from melting: 10mg/m <sup>3</sup> ; 2. Particulate matter concentration limit as stipulated in the Notice on the Issuance of the Special Plan for Industrial Pollution Treatment in Luoyang in 2019 for exhaust gas from moulding, and cleaning: 10mg/m <sup>3</sup> 3. Non-methane hydrocarbon concentration limit as stipulated in the Yu Huan Gong Jian Ban [2017] No. 162 Notice on the Proposed Emission Limit in the Work of Special Treatment of Volatile Organic Compounds of Industrial Enterprises in the province for exhaust non-methane hydrocarbon: 80mg/m <sup>3</sup>	Nil

## SIGNIFICANT EVENTS (CONTINUED)

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

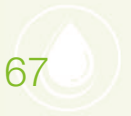
The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Soil Pollution and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, and other environmental protection laws and regulations in the course of its daily production and operation, and actively responds to the relevant requirements of national, provincial and municipal ecological civilization construction. The Company has significantly reduced the emissions of pollutants per cubic meter by continuously implementing standard upgrade and transformation for casting system pollution control, engine test exhaust control, whole machine test exhaust treatment, coating organic exhaust control, welding fume control, etc. All pollution control facilities of the Company are in stable operation, and pollutant discharges meet the national or local emission standards.

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

The Company's construction projects have implemented the Law of the People's Republic of China on Environmental Impact Assessment, prepared environmental impact assessment reports, and obtained the EIA approval from the government. The projects implemented various pollution prevention and control measures in strict accordance with the requirements of the EIA report and the approval. The Company organized the completion acceptance for environmental protection upon completion of the construction, and published it on the national environmental protection website. Both the Company and the independent legal entity have obtained the pollutants discharge permission.

(4) *Contingency plan for emergency environmental incidents*

The Company has prepared a contingency plan for emergency environmental incidents and filed it with the government environmental protection department. The emergency management organization and its responsibilities were clearly stipulated in the environment contingency plan of the Company. It established an emergency response team equipped with appropriate emergency facilities and equipment. In 2020, the Company organised an emergency plan drill for waste mineral oil spills. The results of the drill were evaluated and improved in time to effectively improve the emergency response capability for environmental pollution incidents, ensuring that the impact on the environment is minimized in the event of pollution incidents.



## SIGNIFICANT EVENTS (CONTINUED)

(5) *Environmental self-monitoring program*

The Company strictly abides by national and local government environmental laws, regulations and related requirements, formulates a pollutant self-testing scheme, and adopts both external inspection and online monitoring to monitor pollutant emissions. For those pollution sources installed with the online monitoring equipment, test results are uploaded to the national, provincial and municipal monitoring platforms through real-time transmission for the relevant government departments to monitor at any time. For those pollution sources without online monitoring equipment, third-party testing organizations are regularly engaged to monitor and inspect the industrial wastewater, industrial exhaust, noise in the plants and soil of the Company according to the frequency and items determined by the self-testing scheme and issue test reports. In 2020, all test results of pollutant emissions met the standards required.

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

The Company has implemented the national pollutant discharge permit system, strictly implemented the standard discharge of pollutants, safely and legally disposed hazardous wastes, and promoted the Company's sustainable and green development. For details of the environment information of the Company, please refer to the "2020 Social Responsibility Report" of the Company published on the website of the Shanghai Stock Exchange and the "2020 environmental, Social and Governance Report" of the Company published on the website of the Stock Exchange..

# CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

## I. CHANGES IN ORDINARY SHARE CAPITAL

### (I) Changes in ordinary shares

#### 1. *Changes in ordinary shares*

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

#### 2. *Other information considered necessary by the Company or required by regulators to be disclosed*

In 2020, the Company conducted a non-public issuance of 137,795,275 Renminbi-denominated ordinary shares (A Shares), with a nominal value of RMB1 per share, at an issue price of RMB5.08 per share. The proceeds raised in aggregate amounted to RMB699,999,997, and the actual proceeds raised, after deducting issuance cost, amounted to RMB694,178,644.67, which has been transferred into the Company's designated account in full amount on 25 January 2021. The procedures for registration and depository in relation to the shares newly issued under the issuance have been completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 9 February 2021 and the lock-up period for the shares will be 36 months.

The non-public issuance had no impact on the earnings per share and return on net assets during the Reporting Period. Upon completion of the issuance, the total share capital of the Company increased to 1,123,645,275 shares, among which 137,795,275 shares are subject to trading moratorium, representing 12.26% of the total share capital, while 985,850,000 shares are not subject to trading moratorium, representing 87.74% of the total share capital. For details, please refer to the Announcement on Issue Results of Non-public Issuance of A Shares and Changes in Share Capital of First Tractor published by the Company on the website of the Shanghai Stock Exchange on 19 February 2021, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 18 February 2021.

## II. ISSUANCE AND LISTING OF SECURITIES

During the Reporting Period, save for the resolution for the 2020 Non-public Issuance, the Company did not issue securities.

## III. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

### (I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the Reporting Period ( <i>shareholder</i> )	31,044 including 30,690 holders of A Shares and 354 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> )	42,909 including 42,566 holders of A Shares and 343 holders of H Shares
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period ( <i>shareholder</i> )	/
Total number of preference shareholders with voting rights restored as at the end of the month prior to the date of the Annual Report ( <i>shareholder</i> )	/

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

*Unit: Share*

#### Shareholdings of the top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Pledged or frozen		Nature of shareholder
					Status of shares	Number	
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	172,000	387,879,319	39.34	0	Unknown	/	Overseas legal person
China Construction Bank Corporation-Bank of Communications Schroder Economic New Power Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德經濟新動力混合型證券投資基金)	17,895,670	17,895,670	1.82	0	Unknown	/	Other
China Merchants Bank Co., Ltd. - Bank of Communications Schroder Innovation Pilot Hybrid Securities Investment Fund(招商銀行股份有限公司—交銀施羅德創新領航混合型證券投資基金)	13,838,176	13,838,176	1.40	0	Unknown	/	Other
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

### Shareholdings of the top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Pledged or frozen		Nature of shareholder
		Percentage			Status of shares	Number	
Industrial and Commercial Bank of China Limited-Hua' an Anxin Consumption Service Hybrid Securities Investment Fund(中國工商銀行股份有限公司—華安安信消費服務混合型證券投資基金)	7,553,294	7,553,294	0.77	0	Unknown	/	Other
China Construction Bank Corporation-Bank of Communications Schroder Growth 30 Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德成長30混合型證券投資基金)	5,319,705	5,319,705	0.54	0	Unknown	/	Other
Industrial and Commercial Bank of China Limited-Bank of Communications Schroder Preferred Hybrid Securities Investment Fund(中國工商銀行股份有限公司—交銀施羅德 趨勢優先混合型證券投資基金)	3,599,201	3,599,201	0.37	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited (Note 2)	-511,779	2,806,403	0.28	0	Unknown	/	Overseas legal person
Bank of Communications Co., Ltd.-Hua' an Anshun Flexible Allocation of Hybrid Securities Investment Fund(交通銀行股份有限公司—華安安順靈活配置混合型證券投資基金)	2,527,926	2,527,926	0.26	0	Unknown	/	Other



## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED	387,879,319	Overseas listed foreign shares	387,879,319
China Construction Bank Corporation-Bank of Communications Schroder Economic New Power Hybrid Securities Investment Fund(中 國建設銀行股份有限公司—交銀施羅德經濟 新動力混合型證券投資基金)	17,895,670	Ordinary shares denominated in RMB	17,895,670
China Merchants Bank Co., Ltd.- Bank of Communications Schroder Innovation Pilot Hybrid Securities Investment Fund(招商銀行 股份有限公司—交銀施羅德創新領航混合型 證券投資基金)	13,838,176	Ordinary shares denominated in RMB	13,838,176
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
Industrial and Commercial Bank of China Limited-Hua'an Anxin Consumption Service Hybrid Securities Investment Fund(中國工商 銀行股份有限公司—華安安信消費服務混合 型證券投資基金)	7,553,294	Ordinary shares denominated in RMB	7,553,294
China Construction Bank Corporation- Bank of Communications Schroder Growth 30 Hybrid Securities Investment Fund(中國建設 銀行股份有限公司—交銀施羅德成長30混合 型證券投資基金)	5,319,705	Ordinary shares denominated in RMB	5,319,705
Industrial and Commercial Bank of China Limited-Bank of Communications Schroder Preferred Hybrid Securities Investment Fund(中國工商銀行股份有限公司—交銀施羅 德趨勢優先混合型證券投資基金)	3,599,201	Ordinary shares denominated in RMB	3,599,201

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares	
		Class	Number
Hong Kong Securities Clearing Company Limited	2,806,403	Ordinary shares denominated in RMB	2,806,403
Bank of Communications Co., Ltd.-Hua'an Anshun Flexible Allocation of Hybrid Securities Investment Fund (交通銀行股份有限公司—華安順靈活配置混合型證券投資基金)	2,527,926	Ordinary shares denominated in RMB	2,527,926
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	/		

*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.

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

As at 31 December 2020, 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	410,690,578 (L)	/	410,690,578 (L)	69.15 (L)	41.66 (L)	A Share

*Note 1:* (L) – Long position

*Note 2:* SINOMACH is the controlling shareholder of YTO. SINOMACH is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 410,690,578 A Shares of the Company.

*Note 3:* On 23 April 2020, as considered and approved at the 17th meeting of the eighth session of the Board of the Company, the Company entered into the Share Subscription Agreement in relation to the Non-public Issuance of A Shares with China YTO for the non-public issuance of 137,795,275 RMB-denominated ordinary shares (A Shares) with a par value of RMB1 per share at an issue price of RMB5.08 per share. The procedures for registration and depository in relation to the newly shares issued under the issuance have been completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 9 February 2021. Upon completion of the issuance, the total share capital of the Company increased to 1,123,645,275 shares, and SINOMACH held 548,485,853 A Shares of the Company, representing approximately 48.81% of the total issued share capital.

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

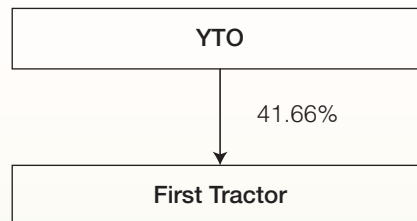
### IV. CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

#### (I) Controlling Shareholder

##### 1 Corporation

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

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





## CHANGES IN ORDINARY 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. (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

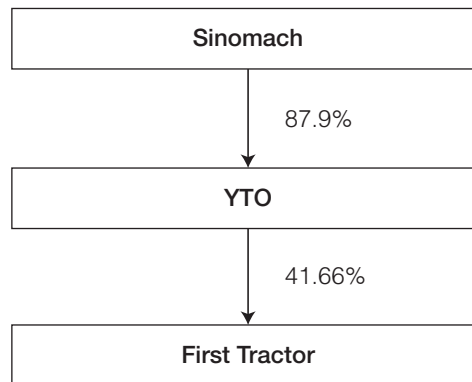
SINOMACH directly or indirectly holds equity interests in the following domestic and overseas listed companies: Lanpec Technologies Co., Ltd. (甘肅藍科石化高新裝備股份有限公司) (SH601798), SUMEC Co. Ltd. (SH600710), Linhai Co., Ltd. (林海股份有限公司) (SH600099), SINOMACH Automobile Co., Ltd. (國機汽車股份有限公司) (SH600335), China CAMC Engineering Co., Ltd. (SZ002051), SINOMACH Precision Industry Co., Ltd. (國機精工股份有限公司) (SZ002046), China Machinery Engineering Corporation (HK01829), 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

## CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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



### V. OTHER CORPORATE SHAREHOLDERS HOLDING OVER 10% OF SHARES

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

### VI. PUBLIC FLOAT

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

### VII. TAX CONCESSIONS

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

### VIII. PRE-EMPTIVE RIGHTS

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

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

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



## PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

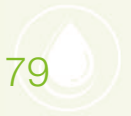
### (I) Change in shareholdings and remuneration of incumbent and resigned Directors, Supervisors and senior management during the Reporting Period

Unit: Share

Name	Position(note)	Gender	Age	Commencement date of tenure	End date of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares held during the year	Reason for changes	Total remuneration (before tax) received from the Company during the Reporting Period (RMB'000)	Whether he/she received remuneration from related parties of the Company during his/her tenure
Li Xiaoyu	Executive Director and Chairman	Male	54	2019.4.25	2021.10.28	0	0	0	/	0	Yes (Note 1)
Cai Jibo	Executive Director and Vice Chairman	Male	51	2019.4.25	2021.10.28	0	0	0	/	0	Yes (Note 1)
Liu Jiguo	Executive Director and General Manager	Male	56	2019.4.25	2021.10.28	0	0	0	/	79.76	No
Li Hepeng	Non-executive Director	Male	67	2018.10.29	2021.10.28	0	0	0	/	0.50	Yes (Note 1)
Xie Donggang	Non-executive Director	Male	64	2018.10.29	2021.10.28	0	0	0	/	0.30	Yes (Note 1)
Zhou Honghai	Non-executive Director	Male	48	2018.10.29	2021.10.28	0	0	0	/	0	No
Yang Minli	Independent non-executive Director	Female	55	2018.10.29	2021.10.28	0	0	0	/	7.91	No
Wang Yuru	Independent non-executive Director	Female	66	2018.10.29	2021.10.28	0	0	0	/	8.00	No
Edmund Sit	Independent non-executive Director	Male	57	2018.10.29	2021.10.28	0	0	0	/	8.66	No
Tian Peng	Supervisor	Male	57	2018.10.29	2021.10.28	0	0	0	/	0	Yes (Note 1)
Zhang Bin	Supervisor	Male	38	2018.10.29	2021.10.28	0	0	0	/	0	No
Wang Hongbin	Supervisor	Male	52	2018.10.29	2021.10.28	0	0	0	/	88.21	No
Yang Kun	Supervisor	Male	51	2018.10.29	2021.10.28	0	0	0	/	32.62	No
Wang Kejun	Deputy General Manager	Male	56	2018.10.30	2021.10.28	0	0	0	/	66.23	No
Su Wensheng	Deputy General Manager	Male	52	2018.10.30	2021.10.28	0	0	0	/	70.25	No
Yu Lina	Deputy General Manager and Secretary to the Board	Female	50	2018.10.30	2021.10.28	0	0	0	/	66.27	No
Xue Wenpu	Deputy General Manager	Male	48	2019.8.29	2021.10.28	0	0	0	/	104.33	No
Su Ye	Financial Controller	Male	47	2020.10.19	2021.10.28	0	0	0	/	7.16	No
Yu Zengbiao	Resigned as an independent non-executive Director	Male	65	2018.10.29	2020.5.28	0	0	0	/	3.39	No
Zhang Hongsheng	Resigned as the Chairman of the Board of Supervisors	Male	50	2019.11.29	2020.12.4	0	0	0	/	0	Yes (Note 1)
Zhao Junfen	Resigned as the Financial Controller	Female	42	2019.6.4	2020.10.15	0	0	0	/	46.76	No
Total	/	/	/	/	/	0	0	0	/	590.35	/

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





## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Liu Jiguo	Born in December 1964, professor level senior engineer and currently serves as the Executive Director, member of the Strategy and Investment Committee under the Board of the Company, General Manager of the Company and the member of the Standing Committee of the Communist Party. Mr. Liu joined YTO in 1987, and served as the General Manager Assistant, Deputy General Manager and Safety Director of YTO, and General Manager and Director of the Company. Mr. Liu studied in Northeast Heavy Machinery College and Jiangsu University with a Bachelor degree in Engineering and a Master degree in Engineering. Mr. Liu has extensive experience in corporate management, production and management, financial operation, etc.
Li Hepeng	Born in March 1954, senior engineer, Non-Executive Director, member of the Remuneration Committee under the Board of the Company, and director of 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.
Xie Donggang	Born in November 1956, researcher level senior engineer, currently serves as the Non-Executive Director, member of Strategy and Investment Committee under the Board of the Company, and director of 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.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Zhou Honghai	<p>Born in March 1972, senior political engineer, currently serves as the Non-executive Director and member of the Audit Committee under the Board of the Company, 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.</p>
Yang Minli	<p>Born in October 1965, director of China Agricultural Mechanization Development Research Center, professor and doctoral tutor of the College of Engineering of China Agricultural University, currently serves as the Independent Non-Executive Director, Chairman of the Nomination Committee, member of the Strategy and Investment 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, an adjunct professor at Northwest Agriculture and Forestry University, visiting professor of the College of Engineering of Northeast Agricultural University, Director of Centre for Sustainable Agricultural Mechanization of the United Nations, a member of the USAID Expert Committee for "Moderate Mechanization Project", a member of the Bologna Club, a member of the American Society of Agricultural and Biological Engineers, Standing Director of Chinese Society for Agricultural Machinery, Chairman and Secretary-General of Agricultural Mechanization Branch, Director of Chinese Society of Agricultural Engineering. Ms. Yang was a senior visiting scholar at Iowa State University in the USA, and is experienced in the field of development strategy, planning and policy for agricultural mechanization and agricultural machinery equipment.</p>

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Wang Yuru	<p>Born in September 1954, a professor and PhD supervisor at the School of Economics of Nankai University, currently serves as the Independent Non-executive Director and a member of the Nomination Committee, 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.</p>
Edmund Sit	<p>Born in November 1963, is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. In addition, Mr. Sit is also a member of Association of International Certified Financial Consultants, an associate member of Society of Chinese Accountants &amp; Auditors and a member of Hong Kong Business Accountants Association. He currently serves as the Independent Non-executive Director, Chairman of the Audit Committee and the Remuneration Committee under the Board of the Company, director of Alpcorp Ltd and Alpcorp Trading Services Ltd, the General Manager of Chuanghui Consulting Co., Ltd. (創慧顧問諮詢公司) and Chuanghui Traditional Chinese Medicine Clinic (創慧中醫診所), and Principal Lecturer of the Association of International Certified Financial Consultants (特許金融策略師協會). He has over 30 years' experience in auditing, finance, management accounting, personnel management, corporate finance, company secretary and listing. Mr. Sit graduated from Hong Kong Baptist University and holds a bachelor's degree (merit) and master's degree of business administration. He has worked for KPMG, Ernst &amp; Young, System Pro Uarco Business Forms Ltd, Logo S.A., Xiang Lu Industries Ltd, Chubb Hong Kong Ltd, Johnson Controls Hong Kong Ltd, C &amp; C Joint Printing Co., (HK) Ltd and Sino Fame International Group (譽中國際集團). Mr. Sit had also served as the senior manager of the following listed companies: Tianneng Power International Limited (HKEX 0819), Beijing Media Corporation Limited (HKEX 1000), SMI Holdings Group Limited (HKEX 0198), Wong's International Holdings Limited (HKEX 0099) and Beijing Gas Blue Sky Holdings Limited (HKEX 6828 and SGX UQ7).</p>



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Wang Hongbin	Born in October 1968, holds a bachelor's degree and the title of senior engineer. He currently serves as a staff representative Supervisor of the Company and the Party Secretary and deputy general manager of the Company's subsidiary High-powered Tractors Company (大拖公司). Mr. Wang had served as a general manager assistant, a deputy general manager, the Party Secretary, the Secretary of the Discipline Inspection Commission and the chairman of the labor union of Luoyang Tractors Research Institute Company Limited, the factory manager and the Party Secretary of No. 1 assembly factory of the Company and the Party Secretary and deputy factory manager of high-powered tractors assembly factory of the Company.
Yang Kun	Born in January 1969, holds a bachelor's degree and the title of economist. He currently serves as a staff representative Supervisor of the Company, general manager and Party Secretary of the mid- and low-powered wheeled tractors assembly factory of the Company. Mr. Yang had served as a deputy factory manager of the No. 1 assembly factory of the Company, the head of domestic sales department of the agricultural equipment division of the Company, the deputy general manager (taking charge of work), the Party Secretary and the Secretary of the Discipline Inspection Commission and the chairman of the labor union of the agricultural equipment marketing center of the Company, and the Party Secretary, the Secretary of the Discipline Inspection Commission, the chairman of the labor union and concurrently served as a deputy head of the procurement center of the Company, the Party Secretary, the Secretary of the Discipline Inspection Commission, the chairman of the labor union and the factory manager of the mid- and low-powered wheeled tractors assembly factory of the Company.
Wang Kejun	Born in December 1964, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Communist Party of YTO. Mr. Wang joined YTO in July 1985, and served as the General Manager Assistant and Deputy General Manager of YTO, and the Director of the Company. Mr. Wang studied in Hunan University with a Bachelor degree in engineering and Jiangsu University with a Master's degree in Engineering. Mr. Wang has extensive experience in marketing management, power engineering, etc.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Su Wensheng	Born in August 1968, senior engineer, currently serves as the Deputy General Manager of the Company and a member of the Standing Committee of the Communist Party of YTO. Mr. Su joined YTO in 1991, and served as the General Manager Assistant of the Company, etc. Mr. Su studied in Gansu University of Technology, Jiangsu University, Henan University of Science and Technology with a Bachelor degree in engineering and a Master degree in Engineering. Mr. Su has extensive experience in production operation, enterprise management, etc.
Yu Lina	Born in August 1970, economist, level two corporate legal advisers, with the qualification of lawyer, currently serves as the Deputy General Manager and Secretary to the Board of the Company and a member of the Standing Committee of the Communist Party of YTO, director of SINOMACH Capital Holdings Ltd. and a supervisor of China SINOMACH Heavy Industry Corporation. 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 an Executive Master of Business Administration degree. Mr. Su has extensive experience in financial management and enterprise operation management.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

#### (I) Positions held at corporate shareholders

Name	Name of shareholder	Positions held at corporate shareholders	Commencement date of tenure	End date of tenure
Zhang Hongsheng(Resigned)	YTO Group Corporation	A member of the Standing Committee of the Party Committee and the Secretary of the Discipline Inspection Commission	2019.7.18	2020.9.24
Zhao Junfen(Resigned)	YTO Group Corporation	A member of the Standing Committee of the Party Committee	2019.5.13	2020.8.5
Description of positions held at corporate shareholders	Nil			

#### (II) Positions held at other entities

Name	Name of other entity	Positions held at other entities	Commencement date of tenure	End date of tenure
Yu Zengbiao (Resigned)	Tsingtao Brewery Company Limited	Independent director	2018.6.28	2021.6.28
	China Film Co., Ltd.	Independent director	2019.9	
	HONY Yuanfang Fund Management Co., Ltd.	Independent director	2018.2.1	2021.1.31
	Suzhou Green Harmonic Transmission Technology Co., Ltd.	Independent director	2018.10.01	2021.02.08
Description of positions held at other entities	Nil			

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.





## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision making process for remuneration of Directors, Supervisors and senior management	The remuneration packages are proposed by the Remuneration Committee under the Board and, after having been considered and approved by the Board, submitted for shareholders' approval at a general meeting. The Remuneration Committee under the Board of the Company sets out the "Interim Measures on Medium to Long-term Incentives for Remuneration and Performance Management of Executives of the Company" and submitted it to the Board for approval. The annual remuneration of senior management of the Company is determined by the remuneration committee under the Board in accordance with the "Interim Measures on Medium to Long-term Incentives for Remuneration and Performance Management of Executives of the Company".
Basis for determining the remuneration of Directors, Supervisors and senior management	The remuneration of Directors, Supervisors and senior management members are determined based on remuneration standard of the industry and with reference to the factors including the Company's remuneration system and operating results for current year.
Remuneration paid to Directors, Supervisors and senior management	During the Reporting Period, the Company paid RMB5.9035 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	RMB5.9035 million

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Su Ye	Financial Controller	Appointment	Work needs
Zhang Hongsheng	Former Chairman of the Board of Supervisors	Resignation	Work change
Zhao Junfen	Former Financial Controller	Resignation	Work change
Yu Zengbiao	Former independent non-executive Director	Resignation	Expiration of term of office

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

### V. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

#### (I) Employees

Number of existing employees of the parent company	4,815
Number of existing employees of major subsidiaries	2,691
Total existing employees	7,506
Number of retired employees who are pensioned by the parent company and major subsidiaries	15,459

#### Staff composition

Category	Number of persons
Production staff	4,452
Sales staff	565
Technical staff	1,238
Management staff	1,181
Service staff	70
Total	7,506

#### Educational background

Education level	Number of persons (person)
Postgraduate and above	254
Undergraduate	1,946
Diploma	1,526
Below diploma	3,780
Total	7,506



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

### (II) 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.

### (III) 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 vocational skills evaluation system, and further built a platform for the growth of highly skilled talents.

## VI. OTHERS

### 1. Directors' and Supervisors' rights to acquire shares or debentures

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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

As at 31 December 2020, no Directors, Supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests considered or deemed to be held by such Directors, Supervisors and chief executives under provisions such as the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange.

### **3. Directors' and Supervisors' service contracts**

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

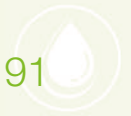
### **4. Interests of Directors, Supervisors and entity connected with them (as defined in the Listing Rules of the Stock Exchange) in material transactions, arrangements and contracts**

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

### **5. Responsibilities of Directors and Senior Management**

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

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



## CORPORATE GOVERNANCE

### I. EXPLANATION ON CORPORATE GOVERNANCE RELATED SITUATION

During the Reporting Period, the Company continued to improve its corporate governance mechanism, standardize the corporate operation, improve the corporate governance level in accordance with the “Company Law”, “Securities Law” and other laws, regulations and the domestic and overseas regulatory requirements of the place of listing, so as to ensure the compliance operation and continuous and stable development of the Company. The actual situation of the corporate governance structure is in line with the relevant document regulations and requirements of CSRC, it also meets 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 general meetings were held strictly in accordance with the requirements as set out in the “Articles of Association” and “Procedural Rules for General Meetings” of the Company and witnessed by the lawyers, which ensures the equal status enjoyed by all the shareholders of the Company, especially medium and minority shareholders, and all shareholders shall be entitled to fully exercise their own rights. The controlling shareholders exercised their rights as capital contributors at general meetings by virtue of the law and there were no conducts which went beyond the authority granted thereupon or interrupted the operation decisions and activities of the Company. During the Reporting Period, there were no conducts by the controlling shareholders of the Company which infringed and damaged the interests of the Company and other shareholders by their special status.
2. Directors and the Board meetings. The number of persons and the formation of the Board of the Company were in line with the requirements of laws and regulations, and were of reasonable professional structure. The Directors had the necessary knowledge, skill and comprehensive qualities for performing their duties, and they performed their duties faithfully and diligently, participated in the trainings and made decisions carefully. The special committee under the Board enabled to exert its role in improving the scientificity of the decision made by the Board.
3. Supervisors and the Board of Supervisors. 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. In the principle of being responsible for shareholders, it earnestly performed its duties and supervised and examined on the system construction, 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.
4. System amendments and improvements. The Company formulated the Working Rules of Independent Directors of the Company according to the requirements of the Guidelines on the Establishment of Independent Directorship of Listed Companies, combined with the operational characteristics of the Company and further deepening and improving regulatory requirements; amended the Decision Making Principles on Investment and Operation of the Company according to the approval system requirements of hierarchical authorization and collective decision making over the material operation and investment matters of the Company considered by the general meeting, the Board and operation management, and pursuant to the provisions of relevant state laws and regulations, combined with the actual operation of the Company, so as to further enhance the efficiency of decision making; amended and improved the Administration Measures for the Disclosure of Information of the Company according to the Administration Measures for the Disclosure of Information of Listed Companies, thus increasingly strengthening the information disclosure level.
5. Information disclosure and registration and management of inside information and insiders. 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. The Company strictly implemented the Management System for Inside Information and Insiders. As such, insider information are discussed, transmitted, reviewed and disclosed in a standardized and legal manner and were prudently and properly kept confidential. No insider was benefited illegally in the course of transactions with inside information and in turn damaged the interests of the Company and all shareholders.

## CORPORATE GOVERNANCE (CONTINUED)

### II. BRIEFS OF GENERAL MEETINGS

Session of meeting	Date	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results
2019 Annual General Meeting	15 June 2020	“Announcement of First Tractor Company Limited on Resolution of 2019 Annual General Meeting published on the website of the Shanghai Stock Exchange (www.sse.com.cn)”	16 June 2020
2020 First Extraordinary General Meeting	24 July 2020	“Announcement of First Tractor Company Limited on Resolution of 2020 First Extraordinary General Meeting, 2020 First A Share Class Meeting and 2020 First H Share Class Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)”	27 July 2020
2020 First A Share Class Meeting	24 July 2020	“Announcement of First Tractor Company Limited on Resolution of 2020 First Extraordinary General Meeting, 2020 First A Share Class Meeting and 2020 First H Share Class Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)”	27 July 2020
2020 First H Share Class Meeting	24 July 2020	“Announcement of First Tractor Company Limited on Resolution of 2020 First Extraordinary General Meeting, 2020 First A Share Class Meeting and 2020 First H Share Class Meeting” published on the website of the Shanghai Stock Exchange (www.sse.com.cn)”	27 July 2020

#### Explanation on General Meetings

During the Reporting Period, resolutions presented at the 2019 Annual General Meeting, 2020 First Extraordinary General Meeting, 2020 First A Share Class Meeting and 2020 First H Share Class Meeting of the Company were all approved.



## CORPORATE GOVERNANCE (CONTINUED)

## III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name	Independent director of not	Required attendance for the year	Attendance at Board meetings				Attendance at general meetings	
			Attendance by physical presence	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings	Attendance at general meetings
Li Xiaoyu	No	10	10	9	0	0	No	4
Cai Jibo	No	10	10	9	0	0	No	4
Liu Jiguo	No	10	10	9	0	0	No	4
Li Hepeng	No	10	10	10	0	0	No	0
Xie Donggang	No	10	9	9	1	0	No	0
Zhou Honghai	No	10	9	9	1	0	No	0
Yang Minli	Yes	10	10	10	0	0	No	4
Wang Yuru	Yes	10	10	10	0	0	No	4
Edmund Sit	Yes	10	10	10	0	0	No	4
Yu Zengbiao	Yes	3	3	3	0	0	No	0

Number of Board meetings convened during the year	10
Among which: number of physical meetings	0
Number of meetings held by means of telecommunication	9
Number of meetings convened on site and by means of telecommunication	1

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

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

## CORPORATE GOVERNANCE (CONTINUED)

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

There are four special committees under the Board, namely the Strategy and Investment Committee, Audit Committee, Nomination Committee and Remuneration Committee. All members of each of the committee had considered each Director's professional background and experience and the composition requirements set out in the "Code of Corporate Governance for Listed Companies" of the CSRC and the "Code on Corporate Governance" of the Stock Exchange, among which the Audit Committee, Nomination Committee and Remuneration Committee are all chaired by independent non-executive Directors while the members are mostly non-executive Directors of the Company.

#### (I) Remuneration Committee

On 28 May 2020, Yu Zengbiao, a former Chairman of the Remuneration Committee of the Board of the Company and an independent non-executive Director, resigned due to the expiry of his tenure. After consideration and approval at the eighteenth meeting of the eighth session of the Board, Yang Minli and Edmund Sit, independent non-executive Directors, were added as a member and a Chairman of the Remuneration Committee of the eighth session of the Board of the Company, respectively. As at the date of this report, the Remuneration Committee of the eighth session of the Board of the Company consists of Edmund Sit (independent non-executive Director and Chairman of the Remuneration Committee), Li Hepeng (non-executive Director), Cai Jibo (Executive Director), Wang Yuru (independent non-executive Director) and Yang Minli (independent non-executive Director).

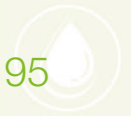
Duties and operation of the Remuneration Committee are:

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

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

During the Reporting Period, the Remuneration Committee of the eighth session of the Board held one meeting on 31 August 2020 to consider and approve the performance appraisal results of the senior management of the Company for 2019.





## CORPORATE GOVERNANCE (CONTINUED)

### (II) Nomination Committee

As at the date of this report, the Nomination Committee of the eighth session of the Board of the Company consists of Yang Minli (independent non-executive Director and Chairman of the Nomination Committee), Li Xiaoyu (executive Director) and Wang Yuru (independent non-executive Director) .

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

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

In accordance with the Nomination Policy of the Company, the 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.

## CORPORATE GOVERNANCE (CONTINUED)

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

During the Reporting Period, the Nomination Committee of the eighth session of the Board held meeting on 13 October 2020, which considered and approved the resolution on the candidate of CFO.

### (III) Audit Committee

On 28 May 2020, Yu Zengbiao, a former member of the Audit Committee of the Board of the Company and an independent non-executive Director, resigned due to the expiry of his tenure. After consideration and approval at the eighteenth meeting of the eighth session of the Board, Wang Yuru, an independent non-executive Director, was added as a member of the Audit Committee of the eighth session of the Board of the Company. As at the date of this report, the Audit Committee of the eighth session of the Board of the Company consists of three members, including Edmund Sit (independent non-executive Director and chairman of the Audit Committee), Wang Yuru (independent non-executive Director) and Zhou Honghai (non-executive Director), among which Edmund Sit is accounting professional. The composition of the Audit Committee of the Board is in compliance with the provisions under Rule 3.21 of the Listing Rules of the Stock Exchange.

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

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



## CORPORATE GOVERNANCE (CONTINUED)

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

<b>Session of meeting</b>	<b>Date</b>	<b>Resolutions</b>	<b>Results</b>
First meeting in 2020	2020.1.21	1. Preliminary results and estimated results to be published of the Company for 2019	All were passed
Second meeting in 2020	2020.2.28	1. The delay disclosure of 2019 annual report of the Company and the report on process of financial audit of the Company for 2019	
Third meeting in 2020	2020.3.24	1. Results announcement and results letter of the Company for 2019 2. The execution report on continuing connected transactions of the Company for 2019 3. Resolution on determination of auditor's remuneration in 2019 and the appointment of the financial advisor and internal control auditor of the Company in 2020	
Fourth meeting in 2020	2020.4.20	1. The audited financial report of the Company in 2019 2. The annual report of the Company in 2019 3. The annual internal control evaluation report of the Company in 2019 4. The performance report of the Audit Committee under the Board in 2019 5. The first quarterly report of the Company in 2020 6. Resolution on the non-public issuance of A Shares of the Company 7. Resolution on the feasibility report on the use of proceeds from the non-public issuance of A Shares of the Company 8. Resolution on connected transactions related to the non-public issuance of A Shares of the Company 9. Resolution on the dilution of current returns due to the non-public issuance of A Shares and the remedial measures of the Company 10. Resolution on shareholders' return plan for the next three years (2020-2022) of the Company	

## CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Date	Resolutions	Results
Fifth meeting in 2020	2020.8.25	1. The interim report of the Company in 2020  2. The execution report on connected transactions of the Company for the first half of 2020	
Sixth meeting in 2020	2020.10.27	1. The third quarterly report of the Company in 2020  2. Work proposal for preparation of internal control evaluation of the Company in 2020	

As at the date hereof, the Audit Committee under the eighth session of the Board of the Company has reviewed the financial report of the Company in 2020 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2020 in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

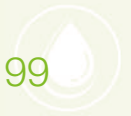
### (IV) Strategy and Investment Committee

As at the date of this report, the Strategy and Investment Committee of the eighth session of the Board of the Company consists of Mr. Li Xiaoyu (executive Director and chairman of the Strategy and Investment Committee), Mr. Cai Jibo (executive Director), Mr. Liu Jiguo (executive Director), Mr. Xie Donggang (non-executive Director) and Ms. Yang Minli (independent non-executive Director).

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

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

During the Reporting Period, the Strategy and Investment Committee of the eighth session of the Board of the Company convened a meeting on 21 April 2020 to consider and approve the Resolution on the Non-public Issuance of A Shares of the Company, Resolution on the Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares of the Company and Resolution on the Shareholders' Return Plan for the Next Three Years (2020–2022) of the Company.



## CORPORATE GOVERNANCE (CONTINUED)

### V. REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Company strictly performed its duties diligently and responsibly according to the “Company Law”, the “Articles of Association” of the Company and the “Procedural Rules for Meetings of the Board of Supervisors” and the requirements of other laws, regulations and rules, and constantly improved its supervisory function, fully exerted its supervisory role, promoted the further optimization of the internal governance mechanism of the Company, improved the compliance operation standard and risk prevention and control capability, thereby effectively safeguarding the interests of the Company, its shareholders and other stakeholders.

#### I. Work of the Board of Supervisors

##### **(I) Attendance of the relevant meetings**

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

##### **(II) Compliance operation of the Board of Supervisors**

In December 2020, Mr. Zhang Hongsheng applied for the resignation as the Chairman of the Board of Supervisors and Supervisor of the Company due to work adjustment. The resignation of Mr. Zhang Hongsheng would not cause members of the Board of Supervisors of the Company to fall below the statutory minimum quorum and would not affect the lawful operation of the Board of Supervisors of the Company. On 23 February 2021, Mr. Wang Dongxing was added as a Supervisor of the Company and elected as the Chairman of the Board of Supervisors by the Company according to the statutory procedures.



## CORPORATE GOVERNANCE (CONTINUED)

### **(III) Meetings of the Board of Supervisors**

During the Reporting Period, the Board of Supervisors of the Company overcame the unfavorable effect of the COVID-19 pandemic, coordinated and arranged all works and convened six meetings. Apart from auditing regular reports of the Company, the Board of Supervisors of the Company supervised the finance, Non-public Issuance of A Shares, internal control, connected transactions and investor relations, giving full play to individual supervisory duties. Details of convening of the meetings are as follows:

1. *The seventh meeting of the eighth session of the Board of Supervisors*

The notice of the seventh meeting of the eighth session of the Board of Supervisors was dispatched on 11 April 2020 and the meeting was held on 23 April 2020 to consider and approve the following resolutions: the Work Report of the Board of Supervisors of the Company for 2019, the 2019 Annual Report and its Summary of the Company, the Proposal for Profit Distribution of the Company for 2019, the Social Responsibility Report for 2019, the Report on Internal Control Evaluation for 2019, the First Quarterly Report and its Summary for 2020, the Resolution on Satisfaction of the Criteria for the Non-public Issuance of A Shares of the Company, the Resolution on the Plan for the Non-public Issuance of A Shares of the Company, the Resolution on the Proposal for the Non-public Issuance of A Shares of the Company, Resolution on Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares of the Company, the Resolution on Exemption from the Preparation of the Reports on the Use of Proceeds Previously Raised, the Resolution on Conditional Share Subscription Agreement on the Non-public Issuance of A Shares Entered into by the Company and the Subscription Object, the Resolution on the Matters in Relation to the Connected Transactions involved in the Non-public Issuance of A Shares, and the Resolution on Seeking for Approval at the General Meeting Regarding YTO Exempting Tender Offer to Increase Holding Shares in the Company.

2. *The eighth meeting of the eighth session of the Board of Supervisors*

The notice of the eighth meeting of the eighth session of the Board of Supervisors was dispatched on 3 July 2020 and the meeting was held on 7 July 2020 to consider and approve the following resolutions: the Resolution on Plan for the Non-public Issuance of A Shares of the Company (Revision), Resolution on Proposal for the Non-public Issuance of A Shares of the Company (Revision), and the Resolution on Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of the Company (Revision).

3. *The ninth meeting of the eighth session of the Board of Supervisors*

The notice of the ninth meeting of the eighth session of the Board of Supervisors was dispatched on 12 August 2020 and the meeting was held on 27 August 2020 to consider and approve the following resolution: the Interim Report and its Summary for and the Interim Results Announcement for 2020 of the Company.



## CORPORATE GOVERNANCE (CONTINUED)

4. *The tenth meeting of the eighth session of the Board of Supervisors*

The notice of the tenth meeting of the eighth session of the Board of Supervisors was dispatched on 19 October 2020 and the meeting was held on 29 October 2020 to consider and approve the following resolution: the Third Quarterly Report of the Company for 2020.

5. *The eleventh meeting of the eighth session of the Board of Supervisors*

The notice of the eleventh meeting of the eighth session of the Board of Supervisors was dispatched on 1 December 2020 and the meeting was held on 4 December 2020 to consider and approve the following resolution: the Resolution on Nomination of Supervisors of the Eighth Session of the Board of Supervisors of the Company.

6. *The twelfth meeting of the eighth session of the Board of Supervisors*

The notice of the twelfth meeting of the eighth session of the Board of Supervisors was dispatched on 18 December 2020 and the meeting was held on 22 December 2020 to consider and approve the following resolution: the Resolution on Establishment of Special Account for Raised Funds.

## II. Discharge of Supervisory Duties and Express Opinions

**(I) Supervision of regular reports and financial operation of the Company**

During the Reporting Period, by way of the communication with the management of the Company, reviewed the meeting information and the financial report of the Board of Supervisors, and reviewed the audit report issued by the accounting firm, the Board of Supervisors reviewed four regular reports, earnestly performed the supervision and review of the financial operation condition and financial management works of the Company.

The Board of Supervisors is of the view that during the Reporting Period, the preparation and consideration procedures of the Company's regular reports comply with the relevant provisions of laws, regulations and the Articles of Association, the content and format of which comply with the provisions of the CSRC, the Shanghai Stock Exchange and the Hong Kong stock exchange. The Company's accounting and financial management system has been effectively implemented. There is no material omission or false record in the financial statements, the information contained therein gave a true and fair view of the financial position of the Company in all respect, and no breach of confidentiality requirements by the persons involved in the preparation and consideration and approval of periodic report was found.

## CORPORATE GOVERNANCE (CONTINUED)

### **(II) Supervision on the matters of the non-public issuance of A Shares of the Company**

After the full understand and review of the relevant documents of the non-public issuance of the Company and implementation of supervision on the whole process, the Board of Supervisors of the Company is of the view that the use of the proceeds from the non-public issuance of Shares of the Company is in line with the actual condition of the Company and is of necessity and feasibility. The preparation and review procedures of the relevant documents conforms to all requirements of laws, regulations, the Articles of Association of the Company and the internal management system of the Company. The connected transactions, dilution of current returns and remedial measures involved in the transaction and the Board seeking for approval at the general meeting regarding exempting tender offer to increase holding shares in the Company by the controlling Shareholders, etc. do not prejudice the interests of the Company and other non-connected Shareholders, especially the minority Shareholders.

### **(III) Express Opinions on the Company's internal control evaluation**

In order to strictly hold on to the risk bottom line, effectively implement the risk prevention and control, and comprehensively strengthen the management and supervision of risks, during the Reporting Period, by way of listening to the report and reviewing the manuscript of the works, the Board of Supervisors supervised the implementation of internal control of the Company and is of the view that the Company's internal control system was effectively implemented, and the internal audit department and personnel were in place to ensure sufficiency and efficiency of the implementation and supervision of the Company's key internal control activities. The Company's internal control evaluation report for 2020 gives a true and fair view on the construction and operation of the Company's internal control system, and has no objection to the Company's internal control evaluation report.

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

The Company's investor relations are in line with the requirements of the "Management System for Investor Relations". After the department of investor relations of the Company overcame the unfavorable effect of the COVID-19 pandemic, by communicating with investors through online communication, telephone meeting, reverse roadshow, general meeting and answering investor call, the investors will be informed of the operation and management of the Company by virtue of multiple channels. In face of the new environment of the increasing improvement of the attention of the Company in the market, and the increasing demand for the communication with investors, the department of investor relations of the Company withstood the pressure, thus establishing a good image in capital market.

In 2021, the Board of Supervisors will pay close attention to the operation and development goal of the Company and perform its duties faithfully and diligently, further strength the compliance review and supervision, promote the internal management and standardized operation, safeguard and protect legal interests of shareholders and the Company and to promote a standardized and sound governance as well as continuous and healthy development.





## CORPORATE GOVERNANCE (CONTINUED)

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

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

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

For details, please refer to the “2020 Annual Internal Control Evaluation Report of First Tractor Company Limited” issued by the Company and in the overseas regulatory announcement published on the website of the Stock Exchange on the same day as this report.

### **VIII. EXPLANATION ON INTERNAL CONTROL AUDIT REPORT RELATED MATTERS**

For details, please refer to the “2020 Annual Internal Control Evaluation Report of First Tractor Company Limited” issued by the Company and in the overseas regulatory announcement published on the website of the Stock Exchange on the same day as this report.

## CORPORATE GOVERNANCE (CONTINUED)

### IX. CORPORATE GOVERNANCE REPORT

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

#### (I) Shareholders’ right

1. According to Article 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.

#### (II) Securities transactions by Directors

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



## CORPORATE GOVERNANCE (CONTINUED)

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

#### 1. *Directors*

During the Reporting Period, Yu Zengbiao, an independent non-executive Director of the Company, resigned due to the expiry of his tenure on 28 May 2020. The eighth session of the Board of the Company consists of nine Directors decreased from ten Directors, being Li Xiaoyu (Chairman), Cai Jibo (vice chairman) and Liu Jiguo (general manager) as executive Directors; Li Hepeng, Xie Donggang and Zhou Honghai as non-executive Directors; and Yang Minli, Wang Yuru and Edmund Sit as independent non-executive Directors.

The biographical details of Directors are set out in Section VIII headed “Directors, Supervisors, Senior Management and Employees” in this Annual Report. The Company has received the annual confirmation letter issued by each of the three independent non-executive Directors, namely Yang Minli, Wang Yuru and Edmund Sit, and the confirmation letter of independence issued by Yu Zengbiao within his tenure, in respect of their respective independence, in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange. The Company considers that all the independent non-executive Directors are qualified independent persons and comply with the requirements on independence as set out in Rule 3.13 of the Listing Rules of the Stock Exchange.

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

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

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



## CORPORATE GOVERNANCE (CONTINUED)

### **2. Board of Directors**

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

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

The eighth session of the Board has diversified feature, its members' age range is between 48 and 67, including two females, with backgrounds of accounting experts, industry experts in agriculture machinery and experienced persons in the fields of economy and manufacturing industry. Their knowledge structure and expertise are professional and mutually complementary to the overall structure of the Board, which helped members of the Board to consider issues from different perspectives so as to enable the Board to be more deliberate and prudent in making any important decisions. A diversified Board provides guarantee and support for the scientific decision-making of the Board.

During the Reporting Period, the Company formulated the Working Rules of Independent Directors of the Company according to the requirements of the Guidelines on the Establishment of Independent Directorship of Listed Companies, combined with the operational characteristics of the Company and further deepening and improving regulatory requirements.

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."



## CORPORATE GOVERNANCE (CONTINUED)

### **(IV) The Chairman and the management**

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

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

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

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

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

### **(VI) Special committees under the Board**

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

### **(VII) Auditors' remuneration**

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

## CORPORATE GOVERNANCE (CONTINUED)

### **(VIII) Risk Management and Internal Control**

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

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

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

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

During the Reporting Period, before the preparation of the 2019 Annual Report, the 2020 First Quarterly Report, the 2020 Interim Report and the 2020 Third Quarterly Report of the Company, the Company has notified all the Directors, Supervisors and Senior Management of the Company not to deal in any securities of the Company as provided by the relevant regulations in the Listing Rules of the Stock Exchange.

For details, please refer to the “2020 Annual Internal Control Evaluation Report of First Tractor Company Limited” issued by the Company on the website of the Shanghai Stock Exchange and in the overseas regulatory announcement on the website of the Stock Exchange on the same day as this report.



## CORPORATE GOVERNANCE (CONTINUED)

### **(IX) Investor Relations**

During the Reporting Period, the Company focused on information disclosure and well-prepared investor relations works. The Company continued to disclose the Company's announcements on the website of the Stock Exchange and the designated media as required, and timely published announcements on investor relation special column of the Company's website. On that basis, the Company further strengthened the exchange and communication with investors through various channels such as the Shanghai Stock Exchange's interactive E-platform, onsite general meeting, and answering investor call, and the online results representation was held under the circumstance of the significant increase in the results of the Company for the first quarter and the increasing attention of the investors, passing information on operation to investors; facilitated voting of minority and medium shareholders by providing network voting for the general meeting; properly arranged for the PRC or overseas investors' visit requirements. Through communication with investors and listening to their advices, the effectiveness of information disclosure of the Company has been further improved.

### **(X) Internal key contact person of the Company**

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

### **(XI) Amendment of Articles of Association**

During the Reporting Period, no amendments were made to the Articles of Association 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.

## SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY

### I. BASIC INFORMATION

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

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

#### (I) Information about business operation

Focusing on the major task of "serving group development through prevention and control of financial risks", YTO Finance gave full play to its financial functions, actively implemented buyer's credit and financial leasing business, and strived to conduct the debt collection. It conscientiously implemented the establishment of internal control system and comprehensive risk management, and comprehensively promoted the development of various businesses and the effective implementation of key work of YTO Finance, helping the enterprise to achieve better results.

As at the end of the Reporting Period, YTO Finance had total assets of RMB5,221.6360 million, representing an increase of RMB1,021.9859 million or 24.34% from the beginning of the year; its total liabilities amounted to RMB4,384.4135 million, representing an increase of RMB1,010.5274 million or 29.95% from the beginning of the year and its owner's equity amounted to RMB837.2225 million, representing an increase of RMB11.4586 million or 1.39% from the beginning of the year. In 2020, it realized total profit of RMB47.8887 million, representing an increase of RMB5.3133 million or 12.48% 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 16.90%, a liquidity ratio of 91.57%, a non-performing loan ratio of 0.02%, a non-performing asset ratio of 1.46%, an allowance-to-loan ratio of 2.63%. The various regulatory indicators were in line with the regulatory requirements.

#### (II) Explanations on connected transactions

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

*Unit: RMB ten thousand*

Item	Cap of related party transaction amount in 2020	Maximum amount in 2020
Loan business	130,000	95,324
Discounting business	30,000	840
Acceptance business	37,600	14,229
Interbank business	100,000	60,000





## SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS OF THE COMPANY (CONTINUED)

### III. RISK CONTROL

YTO Finance always insists on consolidating the main responsibility of risk prevention, constantly strengthening the identification, analysis, early warning and prevention of various risks, and improving the risk management of credit, liquidity and bills to continuously enhance the ability of risk management and control.

#### 1. Enhancing credit risk management and control

YTO Finance strengthened the whole management process of credit risk, and implemented risk management and control measures from the aspects of risk identification, monitoring, control and measurement to prevent the occurrence of credit risk. It standardized the risk management and control measures starting from the unification of the credit granting standards, and implemented the management and control measures throughout the whole management process of before, during and after the loans.

#### 2. Improving liquidity risk management

YTO Finance formulated the feasible liquidity contingency plan and the acceptance risk contingency plan in bill business to ensure timely and effective response when risks occur. In addition, it strengthened the daily index monitoring to meet the regulatory requirements, enhanced the position management and formulated the capital plan to ensure sufficient liquidity.

#### 3. Strengthening bill risk management

YTO Finance improved the system process, continued to optimize the bill business management. It strengthened the verification of real trade background, paid attention to the management of acceptance business quota, consolidated the management of bill margin, and conducted the liquidity management of bill acceptance. In addition, it emphasized the business skill training and compliance awareness education of the staff to improve bill risk management and response ability, which promoted the healthy development of bill business.

#### 4. Strictly preventing external risk transmission

YTO Finance insisted on the basic functional orientation, strictly controlled the scale of non-group liabilities of YTO Finance. Moreover, it had no business contact with third-party financing institutions to prevent the invasion of external risks.

# AUDIT REPORT

DHSZ [2021] No.000003

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, 2020, 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, 2020, and of their consolidated and the parent company’s financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

## 2. BASIS FOR OPINION

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

## 3. KEY AUDIT MATTERS

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

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

- I. Revenue recognition.
- II. Provision for inventories impairment.
- III. Provision for impairment of receivables related to sales of goods.



## AUDIT REPORT (CONTINUED)

### 3. KEY AUDIT MATTERS (CONTINUED)

#### (1) Revenue recognition

**a. Audit matter:**

The main resources of sales revenue of YTO Company is the sales of various types of tractors and accessories to dealers domestic and overseas. As shown in Note IV(28)and VI Note 49, the sales revenue of main business was RMB7,365.22 million in 2020, accounting for 97.13% of the company's total revenue. Since revenue is one of the key performance indicators of YTO Company, there is an inherent risk that the management manipulates revenue in order to achieve specific goals or expectations. Therefore, we will identify the income of a joint-stock company as a key audit item.

**b. Response measures in the audit:**

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

- I. We understand, evaluate, and test the revenue procedure including customer approval, orders confirmation and income recorded, and the related internal control.
- II. We obtain the company's sales policy to check the changes on the policies of credit, sales incentives and so on, as well as the effects of such exchanges.
- III. We check the company's sales confirmation based on orders, shipping documents, receipt, invoices and payments received, etc.
- IV. Analyzing the rationality and reasons of the company's gross profit rate change.
- V. Taking Cut-off test of revenue recognition performance for the beginning and end of year 2020.
- VI. Taking balance confirmation procedure as parts of accounts receivable audit.

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

## AUDIT REPORT (CONTINUED)

### 3. KEY AUDIT MATTERS (CONTINUED)

#### (2) Provision for inventories impairment

**a. Audit matter**

YTO Company is mainly engaged in the production of agricultural machinery and power machinery. Its main products are tractors, diesel engines and key components. The value of inventory is recorded as the lower between cost and net realizable value. The net realizable value is the estimated price after deducting the cost that is expected to happen when completed, estimated sales expenses and related taxes. To determine the expected price, the management needs to make a major decision and consider the future trend of market price based on the historical price. Refer to Note IV 13 and Note VI. 10, the ending balance of inventories is RMB1,525.17 million, the amount of provision for inventory is RMB168.91 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:

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

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



## AUDIT REPORT (CONTINUED)

### 3. KEY AUDIT MATTERS (CONTINUED)

#### (2) Provision for inventories impairment (Continued)

##### *c. Provision for impairment of receivables related to sales of goods*

###### *1. Item description*

As shown in Note IV, (11) and Note VI, Note 5, and 14 of the financial statements, as of December 31, 2020, YTO shares in the consolidated financial statement of the sales of goods-related accounts receivable book balance of 766.30 million, The long-term receivables were 405.98 million, and the impairment reserves were 390.09 million yuan and 143.41 million 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.

## 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 2020 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.



## 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>, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note VI	December 31st, 2020	December 31st, 2019
<b>Current assets</b>			
Monetary Funds	Note 1	1,702,625,475.53	1,401,027,992.74
Lendings to Banks and Other Financial Institutions	Note 2	40,000,000.00	70,000,000.00
Trading financial assets	Note 3	1,306,381,357.98	980,392,948.10
Derivative financial assets			
Notes receivable	Note 4	892,050.97	352,201,737.77
Accounts receivable	Note 5	376,202,670.98	406,586,834.70
Receivables Financing	Note 6	374,916,413.50	
Advances to suppliers	Note 7	177,372,921.45	175,282,225.34
Other receivables	Note 8	26,301,581.33	38,657,541.73
Including: Interest receivable		1,571.53	
Dividend receivable			
Buying back the sale of financial assets	Note 9	1,561,721,065.92	671,668,502.78
Inventories	Note 10	1,356,265,811.19	1,001,785,770.20
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 11	238,726,244.12	250,465,409.57
Other current assets	Note 12	281,587,195.02	1,067,152,153.18
<b>Total current assets</b>		<b>7,442,992,787.99</b>	<b>6,415,221,116.11</b>
<b>Non-current assets</b>			
Loans and advances to customers	Note 13	982,249,523.38	959,950,968.59
Debt investment			
Other debt investment			
Long-term receivables	Note 14	132,870,486.03	220,198,228.05
Long-term equity investments	Note 15	122,332,619.67	119,753,172.07
Investment in other equity instruments	Note 16	4,839,048.00	3,871,238.40
Other non-current financial assets			
Investment properties			
Fixed assets	Note 17	2,617,726,435.41	2,814,817,617.87
Construction in progress	Note 18	96,000,297.40	128,990,466.09
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 19	28,901,686.93	18,945,867.20
Intangible assets	Note 20	766,872,164.74	791,670,317.62
Research and development expenses	Note 21		
Goodwill	Note 22		
Long-term deferred expenses	Note 23	44,912,084.65	44,118,542.74
Deferred income tax assets	Note 24	102,911,748.79	111,484,850.77
Other non-current assets			
<b>Total non-current assets</b>		<b>4,899,616,095.00</b>	<b>5,213,801,269.40</b>
<b>Total assets</b>		<b>12,342,608,882.99</b>	<b>11,629,022,385.51</b>





## CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31<sup>st</sup>, 2020

Monetary Unit: RMB

Liabilities and owners' shareholders' equity	Note VI	December 31st, 2020	December 31st, 2019
<b>Current liabilities:</b>			
Short-term loans	Note 25	834,263,379.71	1,419,528,065.30
Deposits from banks and other financial institutes	Note 27	300,066,666.67	
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	Note 28	1,547,322,110.70	1,004,008,951.30
Accounts payable	Note 29	1,788,192,802.43	1,252,450,248.58
Advance from customers			
Contractual liability	Note 30	398,850,436.72	177,743,289.89
Absorption of deposits and interbank deposits	Note 26	1,412,624,683.26	1,137,277,294.54
Employee salary payable	Note 31	91,878,235.64	104,615,621.71
Taxes payables	Note 32	23,075,553.98	34,716,241.84
Other payables	Note 33	209,162,369.54	302,747,490.57
Including: Interest payable		10,893,031.49	3,927,593.99
Dividend payable		8,439,607.83	8,439,607.83
Liabilities classified as held for sale			
Non-current liabilities due within one year	Note 34	14,142,498.21	649,035,505.95
Other current liabilities	Note 35	255,104,052.55	225,466,269.20
<b>Total current liabilities</b>		<b>6,874,682,789.41</b>	<b>6,307,588,978.88</b>
<b>Non-current liabilities</b>			
Long-term loans	Note 36	99,800,000.00	139,077,500.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 37	14,850,790.14	64,384.18
Long-term payables	Note 38	9,151,465.90	8,933,931.06
Long-term employee salary payable	Note 39	78,569,914.36	88,010,022.26
Estimated Liabilities	Note 40	2,652,542.65	2,652,542.65
Deferred income	Note 41	142,638,278.14	155,715,222.06
Deferred tax liabilities	Note 24	144,741,265.28	143,114,014.97
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>492,404,256.47</b>	<b>537,567,617.18</b>
<b>Total liabilities</b>		<b>7,367,087,045.88</b>	<b>6,845,156,596.06</b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31<sup>st</sup>, 2020

Liabilities and owners' shareholders' equity	Note VI	December 31st, 2020	December 31st, 2019
<b>Shareholder's equity</b>			
Share capital	Note 42	985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 43	2,099,466,626.33	2,099,466,626.33
Less: Treasury shares			
Other comprehensive income	Note 44	-26,960,733.16	-14,198,180.13
Special reserves	Note 45	3,015,461.22	2,230,000.31
Surplus reserves	Note 46	442,101,172.16	442,101,172.16
General risk reserves	Note 47	39,642,392.38	25,104,151.50
Retained earnings	Note 48	795,064,178.33	529,451,678.91
<b>Total equity attributable to shareholders of the parent company</b>		<b>4,338,179,097.26</b>	<b>4,070,005,449.08</b>
<b>Minority interests</b>		<b>637,342,739.85</b>	<b>713,860,340.37</b>
<b>Total shareholder's equity</b>		<b>4,975,521,837.11</b>	<b>4,783,865,789.45</b>
<b>Total liabilities and shareholder's equity</b>		<b>12,342,608,882.99</b>	<b>11,629,022,385.51</b>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**



# BALANCE SHEET OF THE PARENT COMPANY

December 31<sup>st</sup>, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

<b>Assets</b>	<i>Note XVI</i>	<b>December 31st, 2020</b>	<b>December 31st, 2019</b>
<b>Current assets</b>			
Monetary Funds		1,608,714,731.40	1,321,190,129.45
Trading financial assets		512,201,600.00	211,963,600.00
Derivative financial assets			
Notes receivable		892,050.97	218,795,628.22
Accounts receivable	Note 1	347,769,727.04	428,483,102.61
Receivables Financing			192,533,034.72
Advances to suppliers		233,981,978.59	128,124,688.23
Other receivables	Note 2	82,958,827.14	90,663,933.90
Including: Interest receivable			1,558,254.73
Dividend receivable		76,808,376.96	76,808,376.96
Inventories		845,454,361.90	573,890,837.00
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		651,878,524.75	1,229,070,606.89
<b>Total current assets</b>		<b>4,476,384,836.51</b>	<b>4,202,182,526.30</b>
<b>Non-current assets</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	Note 3	2,130,056,078.80	2,742,403,117.96
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,495,186,425.93	1,634,385,337.52
Construction in progress		51,995,691.52	71,775,619.42
Productive biological assets			
Oil and gas assets			
Right-to-use assets		20,630,385.89	15,069,303.62
Intangible assets		513,657,721.90	527,070,096.40
Research and development expenses			
Goodwill			
Long-term deferred expenses		31,728,854.65	33,354,477.35
Deferred income tax assets		46,231,011.85	53,458,554.88
Other non-current assets			
<b>Total non-current assets</b>		<b>4,289,486,170.54</b>	<b>5,077,516,507.15</b>
<b>Total assets</b>		<b>8,765,871,007.05</b>	<b>9,279,699,033.45</b>

## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31<sup>st</sup>, 2020

Monetary Unit: RMB

Liabilities and owners' shareholders' equity	Note XVI	December 31st, 2020	December 31st, 2019
<b>Current liabilities:</b>			
Short-term loans		1,601,734,727.90	2,138,456,858.32
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		1,108,582,868.61	750,363,293.22
Accounts payable		1,164,874,749.77	866,248,907.42
Advance from customers			
Contractual liability		227,234,931.67	150,185,828.53
Employee salary payable		54,129,972.18	58,036,817.89
Taxes payables		4,951,437.55	4,736,582.82
Other payables		146,058,309.25	157,666,148.70
Liabilities classified as held for sale			
Non-current liabilities due within one year		251,018,241.26	606,289,789.74
<b>Other current liabilities</b>		49,918,107.90	29,412,611.49
<b>Total current liabilities</b>		<b>4,608,503,346.09</b>	<b>4,761,396,838.13</b>
<b>Non-current liabilities</b>			
Long-term loans		99,800,000.00	340,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		10,098,084.14	
Long-term payables			
Long-term employee salary payable		53,349,151.96	57,921,865.55
Estimated Liabilities		2,652,542.65	2,652,542.65
Deferred income		94,746,864.62	107,161,788.92
Deferred tax liabilities		15,330,240.00	15,294,540.00
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>275,976,883.37</b>	<b>523,030,737.12</b>
<b>Total liabilities</b>		<b>4,884,480,229.46</b>	<b>5,284,427,575.25</b>



## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

December 31<sup>st</sup>, 2020

<b>Liabilities and owners' shareholders' equity</b>	<i>Note XVI</i>	<b>December 31st, 2020</b>	December 31st, 2019
<b>Shareholder's equity</b>			
Share capital		<b>985,850,000.00</b>	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		<b>2,004,793,045.95</b>	2,004,793,045.95
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		<b>367,607,888.33</b>	367,607,888.33
Retained earnings		<b>523,139,843.31</b>	637,020,523.92
		<hr/>	<hr/>
<b>Total shareholder's equity</b>		<b>3,881,390,777.59</b>	3,995,271,458.20
		<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and shareholder's equity</b>		<b>8,765,871,007.05</b>	9,279,699,033.45
		<hr/> <hr/>	<hr/> <hr/>

*Legal Representative:*  
**Li Xiaoyu**

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

*Accounting Manager:*  
**Yao Weidong**

# CONSOLIDATED INCOME STATEMENT

Year of 2020

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>7,582,476,787.76</b>	5,830,175,119.64
Including: Operating revenue	Note 49	<b>7,480,729,879.48</b>	5,736,943,977.67
Interest income	Note 50	<b>96,516,346.86</b>	89,290,344.59
Fees and commission income	Note 51	<b>5,230,561.42</b>	3,940,797.38
<b>2. Total cost of operation</b>		<b>7,193,597,535.06</b>	5,993,424,664.53
Including: Cost of operation	Note 49	<b>6,020,041,446.52</b>	4,808,281,175.55
Interest expenses	Note 50	<b>25,663,192.22</b>	33,252,713.00
Fees and commission expense	Note 51	<b>524,735.26</b>	490,425.90
Taxes and surcharges	Note 52	<b>43,690,562.82</b>	45,186,472.32
Selling expenses	Note 53	<b>358,190,492.96</b>	305,526,565.26
Administrative expenses	Note 54	<b>354,222,206.89</b>	382,371,302.74
R & D expenses	Note 55	<b>339,036,171.41</b>	356,609,547.39
Financial expenses	Note 56	<b>52,228,726.98</b>	61,706,462.37
Including: Interest expenses	Note 56	<b>76,005,944.32</b>	138,047,235.07
Interest income	Note 56	<b>31,766,071.77</b>	60,673,101.96
Add: Other income	Note 59	<b>105,122,597.68</b>	94,223,622.26
Investment income Investment income (Losses listed as "-")	Note 61	<b>349,311,564.11</b>	242,395,344.85
Including: Income from investments in associates and joint ventures	Note 61	<b>1,738,170.81</b>	-10,618,250.83
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")	Note 62	<b>26,405,594.35</b>	85,687,735.18
Loss on impairment on credit (Losses listed as "-")	Note 58	<b>-440,755,763.41</b>	-34,256,859.43
Loss on impairment of assets (Losses listed as "-")	Note 57	<b>-144,485,940.66</b>	-81,901,256.49
Asset disposal income	Note 63	<b>8,249,140.24</b>	797,468.07



## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2020

Item	Note VI	Amount in current year	Amount in last year
<b>3. Operating profit</b>		<b>292,726,445.01</b>	143,696,509.55
Add: Non-operating income	Note 64	<b>27,927,444.96</b>	41,497,680.79
Less: Non-operating expenses	Note 65	<b>13,319,454.10</b>	2,570,351.43
<b>4. Total profit</b>		<b>307,334,435.87</b>	182,623,838.91
Less: Income tax expenses	Note 66	<b>26,372,185.09</b>	56,110,713.49
<b>5. Net profit</b>		<b>280,962,250.78</b>	126,513,125.42
(1) classification according to the continuity of operation			
Continuous operating net profit		<b>280,962,250.78</b>	126,513,125.42
Termination of net profit			
(2) classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		<b>280,150,740.30</b>	61,475,427.17
Minority interest		<b>811,510.48</b>	65,037,698.25

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2020

Item	Note VI	Amount in current year	Amount in last year
<b>6. Net other comprehensive income after tax</b>		<b>-11,626,836.86</b>	2,282,095.72
(1) Net other comprehensive income after tax attributable to owners of the parent company		<b>-12,762,553.03</b>	2,665,396.05
(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			
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		<b>-12,762,553.03</b>	2,665,396.05
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Changes in Fair Value of Other Creditor's Rights Investment			
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements		<b>-12,762,553.03</b>	2,665,396.05
7. Others			
(II) Net other comprehensive income after tax attributable to minority interests		<b>1,135,716.17</b>	-383,300.33





## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Year of 2020

Item	Note VI	Amount in current year	Amount in last year
<b>7. Total comprehensive income</b>		<b>269,335,413.92</b>	128,795,221.14
Total comprehensive income attributable to shareholders of the parent company		267,388,187.27	64,140,823.22
Total comprehensive income attributable to minority interests		1,947,226.65	64,654,397.92
<b>8. Earnings per share:</b>			
(1) Basic earnings per share		0.2842	0.0624
(2) Diluted earnings per share		0.2842	0.0624

If a business consolidation under common control occurs in this period, the net profit achieved by the merger of the merged party before the merger under the same control is RMB0, and the net profit achieved by the merged party in the previous period is RMB0.

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**

# INCOME STATEMENT OF THE PARENT COMPANY

Year of 2020

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>5,659,345,279.21</b>	3,997,633,250.18
Less: Cost of operation	Note 4	<b>4,767,082,095.51</b>	3,561,197,346.04
Taxes and surcharges		<b>19,887,166.55</b>	18,727,199.42
Selling expenses		<b>37,431,204.73</b>	43,367,814.84
Administrative expenses		<b>188,748,676.18</b>	180,881,097.29
R & D expenses		<b>226,548,376.40</b>	288,560,077.84
Financial expenses		<b>27,928,884.21</b>	60,207,022.92
Including: Interest expenses		<b>104,807,244.38</b>	152,037,978.50
Interest income		<b>64,627,009.12</b>	88,057,629.51
Add: Other income		<b>58,601,613.30</b>	51,652,370.04
Investment income Investment income(Losses listed as "-")	Note 5	<b>118,876,992.31</b>	57,431,307.79
Including: income from investments in associates and joint ventures	Note 5	<b>1,678,429.81</b>	-10,664,878.84
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")		<b>238,000.00</b>	42,614,076.32
Loss on impairment on credit (Losses listed as "-")		<b>-412,671.42</b>	-159,760,333.54
Loss on impairment of assets (Losses listed as "-")		<b>-680,892,594.72</b>	-24,208,440.75
Asset disposal income		<b>4,892,922.26</b>	906,561.80
<b>2. Operating profit</b>		<b>-106,976,862.64</b>	-186,671,766.51
Add: Non-operating income		<b>2,098,955.23</b>	8,092,582.01
Less: Non-operating expenses		<b>1,739,530.17</b>	1,671,399.77
<b>3. Total profit</b>		<b>-106,617,437.58</b>	-180,250,584.27
Less: Income tax expenses		<b>7,263,243.03</b>	12,854,235.24
<b>4. Net profit</b>		<b>-113,880,680.61</b>	-193,104,819.51
Continuous operating net profit		<b>-113,880,680.61</b>	-193,104,819.51
Termination of net profit			



## INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

Year of 2020

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. Changes in Fair Value of Other Creditor's Rights Investment			
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements			
7. Others			
<b>6. Total comprehensive income</b>		<b>-113,880,680.61</b>	-193,104,819.51
<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 2020

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		6,776,511,312.27	5,910,122,081.27
Net increase of customer's deposit and deposit taking of interbank		272,965,034.29	54,030,818.69
Net increase borrowings from central bank		300,000,000.00	100,000,000.00
Net increase borrowing funds to other financing institution			
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		104,175,388.96	115,735,351.93
Net increase in funds deposit			
Net increase of repurchasing business funds		-890,000,000.00	-520,000,000.00
Refund of tax and levies		51,286,316.60	73,975,150.27
Cash relating to other operating activities	Note 67	189,506,489.31	127,404,450.05
Sub-total of cash inflows from operating activities		6,804,444,541.43	5,861,267,852.21
Cash payments for goods purchased and services received		4,050,786,340.08	4,140,000,370.56
Net increase in loans and payments on behalf		90,203,346.91	-39,980,625.79
Net increase in deposits with centre bank and interbank		49,415,635.74	-16,680,176.84
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		24,581,617.48	36,714,720.84
Commissions on insurance policies paid			0.00
Cash payments to and on behalf of employees		912,537,391.28	981,220,453.96
Payments of all types of taxes		134,139,389.09	113,776,045.54
Other cash payments relating to operating activities	Note 67	294,002,562.72	315,485,394.26
Sub-total of cash outflows from operating activities		5,555,666,283.30	5,530,536,182.53
<b>Net cash flows from operating activities</b>		<b>1,248,778,258.13</b>	<b>330,731,669.68</b>



## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2020

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		500,476,277.50	996,653,200.80
Cash received from returns on investments		42,788,699.67	95,332,707.19
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		18,521,993.89	19,682,750.14
Net cash received from disposals of subsidiaries and other business units			334,436,003.42
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		<u>561,786,971.06</u>	<u>1,446,104,661.55</u>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		81,207,645.28	249,116,423.19
Cash payments to acquire investments		399,897.80	3,871,238.40
Net cash payments for acquisitions of subsidiaries and other business units			0.00
Other cash payments relating to investing activities	Note 67	<u>235,907.24</u>	
Sub-total of cash outflows from investing activities		<u>81,843,450.32</u>	<u>252,987,661.59</u>
<b>Net cash flows from investing activities</b>		<u><u>479,943,520.74</u></u>	<u><u>1,193,116,999.96</u></u>
<b>3. Cash flows from financing activities:</b>			
Cash received from investors in making investment in the enterprise			
Including: cash received from issuing shares of minority shareholders			
Cash received from the loans		1,331,428,666.89	1,441,915,092.84
Other cash received relating to financing activities	Note 67	<u>19,328.96</u>	
Sub-total of cash outflows from financing activities		<u>1,331,447,995.85</u>	<u>1,441,915,092.84</u>
Cash repayments of amounts borrowed		2,579,573,280.39	2,969,436,581.00
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		150,007,278.21	140,155,908.66
Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit		78,511,135.00	200,400.00
Other cash payments relating to financing activities	Note 67	<u>18,881,483.02</u>	<u>18,912,382.68</u>
Sub-total of cash outflows from financing activities		<u>2,748,462,041.62</u>	<u>3,128,504,872.34</u>
<b>Net cash flows from financing activities</b>		<u><u>-1,417,014,045.77</u></u>	<u><u>-1,686,589,779.50</u></u>

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year of 2020

Item	Note VI	Amount in current year	Amount in last year
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>-15,002,272.15</u>	<u>3,273,729.25</u>
5. Net increase in cash and cash equivalents		<u>296,705,460.95</u>	<u>-159,467,380.61</u>
Plus: Cash and cash equivalents at beginning of period		<u>1,120,120,449.63</u>	<u>1,279,587,830.24</u>
6. Cash and cash equivalents at end of period		<u><u>1,416,825,910.58</u></u>	<u><u>1,120,120,449.63</u></u>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**



# CASH FLOW STATEMENT OF THE PARENT COMPANY

Year of 2020

Prepared by: First Tractor Company Limited

Unit: Yuan

Currency: RMB

Item	Amount in current year	Amount in last year
<b>1. Cash Flow from Operating Activities :</b>		
Cash from sale and render service	4,799,628,115.56	4,723,380,207.14
Refund of tax and levies	31,125,811.73	42,415,249.31
Cash relating to other business activities	69,828,757.89	193,904,201.19
	<hr/>	<hr/>
Sub-total of cash inflows from operating activities	4,900,582,685.18	4,959,699,657.64
	<hr/>	<hr/>
Cash payments for goods purchased and services received	3,096,155,925.51	3,701,693,599.69
Cash paid to and on behalf of employees	523,479,321.35	510,832,550.17
Payments of all types of taxes	20,373,568.82	19,144,461.84
Cash paid relating to other operating activities	394,191,761.43	161,622,666.87
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	4,034,200,577.11	4,393,293,278.57
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	<b>866,382,108.07</b>	<b>566,406,379.07</b>
	<hr/>	<hr/>
<b>2. Cash flows from investing activities</b>		
Cash received from returns on investments	720,476,277.50	971,600,000.00
Cash received from investments income	155,676,754.16	107,992,887.92
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	11,207,186.74	17,703,257.60
Net cash received from disposal of subsidiaries and other business units		197,766,108.03
Cash received relating to other investing activities		
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	887,360,218.40	1,295,062,253.55
	<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	72,551,591.29	149,859,680.30
Cash paid for investments	420,000,000.00	430,352,000.00
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	492,551,591.29	580,211,680.30
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>394,808,627.11</b>	<b>714,850,573.25</b>
	<hr/>	<hr/>

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

Year of 2020

Item	Amount in current year	Amount in last year
<b>3. Cash flows from financing activities</b>		
Cash received from investment absorption		
Cash received from the loans	2,170,000,000.00	2,750,000,000.00
Cash received relating to other financing activities	19,328.96	
	<hr/>	<hr/>
Sub-total of cash inflows from financing activities	2,170,019,328.96	2,750,000,000.00
	<hr/>	<hr/>
Cash repayments of amounts borrowed	3,290,200,000.00	4,031,815,000.00
Cash paid for dividends, profits appropriation or payments of interest	110,655,885.70	169,864,361.19
Cash paid relating to other financing activities	15,069,303.62	15,078,801.10
	<hr/>	<hr/>
Sub-total of cash outflows from financing activities	3,415,925,189.32	4,216,758,162.29
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>-1,245,905,860.36</b>	<b>-1,466,758,162.29</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>-330.51</b>	<b>-472.33</b>
<b>5. Net increase in cash and cash equivalents</b>	<b>15,284,544.31</b>	<b>-185,501,682.30</b>
Add: Cash and cash equivalents at the beginning of the year	1,094,673,290.86	1,280,174,973.16
<b>6. Cash and cash equivalents at the end of the year</b>	<b>1,109,957,835.17</b>	<b>1,094,673,290.86</b>
	<hr/> <hr/>	<hr/> <hr/>

Legal Representative:  
**Li Xiaoyu**

Chief Financial Officer:  
**Su Ye**

Accounting Manager:  
**Yao Weidong**



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year of 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year											Total owners' equity
	The owner's equity attributable to parent company										Minority equity	
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Others		
<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	529,451,678.91		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	529,451,678.91		713,860,340.37	4,783,865,789.45
<b>III. Increases/decreases in current year</b>	-	-	-	-	-12,782,553.03	785,460.91	-	14,538,240.88	265,612,488.42		-76,517,600.52	191,656,047.66
(I) Total comprehensive income					-12,782,553.03				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		-76,511,135.00	-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)											-76,511,135.00	-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	-	-	-		46,207.83	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					998,492.83	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	795,064,178.33		637,342,739.85	4,975,521,837.11

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

Year of 2020

Item	Amount in last 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	Others	Minority equity	Total owners' equity
<b>I. Closing balance of prior year</b>	985,650,000.00		2,089,639,657.89		-16,863,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24		648,994,106.74	4,656,015,770.36
Add: accounting policy changes												-
Prior errors' correction												-
Enterprise merger under the same control												-
Others												-
<b>II. Balance at the beginning of current year</b>	985,650,000.00		2,089,639,657.89		-16,863,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24		648,994,106.74	4,656,015,770.36
<b>III. Increases/decreases in current year</b>	-		-173,031.56		2,665,396.05	-1,044,006.20	-	25,104,151.50	36,371,275.67		64,666,233.63	127,780,019.09
(I) Total comprehensive income					2,665,396.05				61,475,427.17		64,654,397.92	128,795,221.14
(II) Capital contributed by owners and capital decreases	-		-173,031.56		-	-	-	-	-		633,195.40	460,163.84
1. Capital contributed by owner												-
2. Holders of other equity instruments invested capital												-
3. The amount of the shares paid into the shareholders' rights and interests												-
4. Others			-173,031.56								633,195.40	460,163.84
(III) Profit distribution	-		-		-	-	-	25,104,151.50	-25,104,151.50		-366,720.00	-366,720.00
1. Appropriation of surplus reserve												-
2. Extraction of general risk reserves								25,104,151.50	-25,104,151.50			-
3. Profit distributed to owners (or stockholders)											-366,720.00	-366,720.00
4. Others												-
(IV) Transfers within the owners' equity	-		-		-	-	-	-	-		-	-
1. Capital (or stock) transferred from capital surplus												-
2. Capital (or stock) transferred from surplus reserve												-
3. Recovery of losses by surplus reserve												-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans												-
5. Other comprehensive income carried forward to retained earnings												-
6. Others												-
(V) Special reserves	-		-		-	-970,018.57	-	-	-		-54,639.69	-1,024,658.26
1. Extraction of special reserves						9,931,226.58					494,146.85	10,425,373.43
2. Use of special reserves						10,901,245.15					548,786.54	11,450,031.69
(VI) Others						-73,987.63						-73,987.63
<b>IV. Balance at the end of current year</b>	985,650,000.00		2,089,466,626.33		-14,198,180.13	2,230,000.31	442,101,172.16	25,104,151.50	529,451,678.91		713,860,340.37	4,783,865,789.45

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 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year								Total owners' equity
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Closing balance of prior year</b>	985,650,000.00		2,004,793,045.95				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>	985,650,000.00		2,004,793,045.95		-	-	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
(1) 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>	985,650,000.00		2,004,793,045.95		-	-	367,607,888.33	523,139,843.31	3,881,390,777.59

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

Year of 2020

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

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, 2020 to December 31, 2020 (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 RMB636,346,000 equivalent to 450,000,000 state-owned corporation shares held by the Company, according to the reorganization plan effective from December 31, 1996. Thereafter, the Company issues 335,000,000 H shares (par value: RMB1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB785,000,000. The Company has been listed in Hong Kong Exchanges and Clearing Limited (“HKEx”) since June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares with the price of HKD3.95/share, which increased the registered and paid-up share capital of the Company to RMB845,900,000. According to the Permission [2012] No. 736 of China Securities Regulatory Commission, the Company was approved to publicly issue RMB common stocks not exceeding 150,000,000 shares, and the Company actually issued 150,000,000 shares with the issue price of RMB5.40/share on July 27, 2012. The total proceed from the issuance of shares was received by the Company on August 1, 2012. The Company was listed and started to trade in Shanghai Stocks Exchange on August 8, 2012. The registered and paid-up share capital of the Company had increased to RMB995,900,000.

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

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by December 31, 2020, the total capital stock of company is 985,850,000 shares and registered capital is RMB985,850,000. The registered address of business license of the Company is No. 154 Construction Road, Luoyang, Henan Province. The parent company of the Company is YTO Group Corporation (referred hereunder as the “YTO Group”) and the ultimate controlling party of the YTO Group is China National Machinery Industry Corporation (referred hereunder as the “SINOMACH Group”).

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, 2021 by the board of directors of the Group.

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

January 1, 2020 to December 31, 2020 (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 14 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 France SAS	wholly-owned subsidiaries	2	100.00	100.00
YTO Belarus Technology Co. Ltd.	wholly-owned subsidiaries	2	100.00	100.00

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

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

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

Company	The reason of change
YTO Heilongjiang Agricultural Equipment Co., Ltd.	Company cancellation is absorbed and merged
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	Has been bankruptcy liquidation and it is no longer controlled by the company

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

#### 1. Basis of preparation

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

#### 2. Going concern

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

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### 1. Specific accounting policies and accounting estimates

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

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

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

January 1, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 2. Statement of compliance of Accounting Standards for Business Enterprises

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

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

#### 3. Accounting year

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

#### 4. Operating cycle

The operating cycle of the Group is twelve months.

#### 5. Recording currency

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

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

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

January 1, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (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.

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

January 1, 2020 to December 31, 2020 (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 (Continued)

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.

##### (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, 2020 to December 31, 2020 (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).

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, 2020 to December 31, 2020 (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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 10. Translation for financial statements of foreign exchange (Continued)

##### (2) *Foreign currency translation of financial statements (Continued)*

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.

#### 11. Financial instruments

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

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

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

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

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

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

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

January 1, 2020 to December 31, 2020 (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.

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

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

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

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



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

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

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

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

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

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

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

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

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

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

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

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

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

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

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

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

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

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

- 5) *Financial assets designated to be measured at fair value and its changes are accounted in loss an profit in current period (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 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

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

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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

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

##### *2) Other financial liabilities*

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

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

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

##### **(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, 2020 to December 31, 2020 (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**

(a) 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, 2020 to December 31, 2020 (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)**

(a) (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, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (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)**

- (a) Based on the expected credit losses, the Group evaluates the expected credit losses of financial assets measured at amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income, conducts impairment accounting treatment and confirms loss preparation. Of which, for the financial assets purchased or generated by the Group with credit impairment, they shall be discounted according to the actual interest rate adjusted by credit of the financial assets.
- (b) When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:
- I. The issuer or the debtor has significant financial difficulties;
  - II. The debtor breaches the contract, such as repayment of interest or principal default or overdue;
  - III. The creditor gives the debtor no concessions in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
  - IV. The debtor is likely to go bankrupt or carry out other financial restructurings;
  - V. The financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
  - VI. Purchase or source a financial asset at a substantial discount, which reflects the fact that credit losses have occurred.

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

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

January 1, 2020 to December 31, 2020 (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)**

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

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

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



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 11. Financial instruments (Continued)

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

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

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

#### 12. Accounts receivables

**(1) *Notes receivable and Accounts receivable***

*I. Notes receivable*

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

*II. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 12. Accounts receivables (Continued)

##### (1) Notes receivable and Accounts receivable (Continued)

##### II. Accounts receivable (Continued)

Portfolio of credit risk	Expected loss reserve rate (%)
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

##### II. 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.

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 12. Accounts receivables (Continued)

**(1) Notes receivable and Accounts receivable (Continued)**

*II. Other receivable (Continued)*

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

#### 13. Receivables Financing

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

#### 14. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 14. Inventories (Continued)

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

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

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

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

**(4) *Inventory system***

Adopting the perpetual inventory system.

**(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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 15. Contract assets and contract liabilities

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

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

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

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

#### 16. Long-term receivables

(1) *Method of determination of expected credit loss of long-term assets and accounting treatment methods*

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 17. 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.

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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 18. Long-term equity investment

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

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

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

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

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

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 18. 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.

#### 19. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 20. 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.

##### (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.

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 20. Fixed assets (Continued)

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

###### a. Depreciation of fixed assets (Continued)

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

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

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

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

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

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 20. Fixed assets (Continued)

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

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

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

#### 21. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 22. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 22. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 23. 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.

#### 24. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

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

##### (1) Initial measurement of intangible assets (Continued)

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

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

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

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

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

###### a. Intangible assets with limited service life

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

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

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

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



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 24. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 24. 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.

#### 25. Impairment on long-term assets

On the balance sheet date, the Group determines whether there may be a sign of a reduction in long-term assets. If there are signs of impairment in long-term assets, the recoverable amount is estimated on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, then determine the recoverable amount of the asset group on the basis of the asset group belonging to the asset.

The estimation of assets recoverable amount is the larger amount between the fair value deducting net cost when disposal and the expected value of future cash flow of assets.

The measurement results show that when the long-term recoverable amount assets is lower than its book value, the book value of long-term assets is reduced to its recoverable amount. The reduced amount is recognized as impairment loss recognised, at the same time, make the corresponding assets depreciation preparation. As soon as the loss of assets is confirmed, it shall not be returned during the subsequent accounting period.

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 25. Impairment on long-term assets (Continued)

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

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.

#### 26. Long-term prepayments

##### (1) *Amortization method*

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

*Amortization years*

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

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 27. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 27. Employee benefits (Continued)

##### (3) Termination benefits

Termination benefits refer to the compensation paid when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. For the situation where although the employee does not relieve the labour service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment to the termination benefits. While after the formal retirement date, the Group adopts the treatment according to the treatment of the welfare after the termination of service.

Where the Group provides termination benefits to employees, the Group confirms the liabilities of employee benefits payable generated from the termination benefits and be accounted in loss and profit in current period in current period at the earlier date between the date when the Group cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and the date that when the Group confirms the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

For termination plan of which the termination benefits which are expected not to be entirely paid after the twelve months of the end of the reporting period and the substantial termination work is completed within one year but the term to pay the compensation payment exceeds one year, the Group adopts the appropriate discounted rate and adopts the discounted amount to measure the amount of termination welfare that should be recognized into the current profit or loss.

Early retirement benefits refer to the benefit offered to the employees who voluntarily accept Group's arrangement for early retirement. The Group pays the salary and social security for the employee who voluntarily retires after approval even though the employee has not yet reached the retiring age stated in government regulation. When qualified for early retirement benefit, proposed payment on early retirement benefit from the date when rendering of service terminated to date when the employee regularly retired is discounted and then recognized as liability and accounted into profit or loss.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 27. Employee benefits (Continued)

##### (4) *Other long-term employment benefit*

Other long-term employment benefit refers to all employee benefit except for short-term benefit, post-employment benefit, and termination benefit, includes long-term paid absence, long-term disability benefit and long-term profit-sharing plan etc. Relevant accounting treatments for defined contribution plan are adopted for other long-term employment benefit qualified for defined contribution plan. When the qualification is satisfied, net assets and liabilities of other long-term employment benefits are recognized and measured, accordingly. At the end of reporting period, employee benefits from other long-term employment benefits are recognized into the following components: cost of service, net interests on the net assets liabilities of other long-term employment benefit, changes from revaluation of net assets liabilities of other long-term employment benefit. The total net amount will be recognized as profit and loss or costs to related assets for the current year.

#### 28. Expected liabilities

##### (1) *Criteria for expected liabilities*

The Group shall recognize expected liabilities if the contingent matters meet the following requirements:

The assumed responsibilities are current liability.

The fulfillment of obligations will cause the outflow of economic benefit from the Group.

The amount of liabilities can be measured reliably.

##### (2) *Measurement method of expected liabilities*

The initial measure of expected liabilities is the best estimate of the expenditure required for the performance of the current obligations.

When determining the best estimates, the Group consider the risks, uncertainties and time value of the currency. If the time value of money has a great influence, the Group determine the best estimate by discounting the related future cash outflows.

The best estimates are measured in different situation as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 28. Expected liabilities (Continued)

##### (2) *Measurement method of expected liabilities (Continued)*

There is a necessary expense that does not exist a continuous range (or range) or exist a continuous range with a range of different possibility of a variety of results. If the contingencies of individual projects involving, the best estimate is most likely to occur in accordance with the amount determined. If contingencies involving a number of projects, the best estimate according to various possible results and related probability calculation.

The total or part of the expected expenses of the Group is expected to be compensated by the third party. When the amount of the compensation is determined, it is basically determined and it can be independently recognized as assets. The amount of compensation confirmed will not exceed the book value of the estimated liabilities.

#### 29. Revenue

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

###### (a) *Contract confirmation principle*

When the contract between the Group and the customer meets the following conditions at the same time, the Group recognizes the income when the customer obtains control of the relevant commodity:

- I. The parties to the contract have approved the contract and promised to fulfill their respective obligations;
- II. The contract clarifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of services;
- III. The contract has clear payment terms related to the goods transferred or services provided;
- IV. The contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the enterprise;
- V. The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Revenue (Continued)

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

##### (b) Principle of confirmation of performance obligations

On the contract start date, the contract is evaluated, each individual obligation included in the contract is identified, and is confirmed whether each individual obligation is fulfilled within a certain period of time, or is performed at a certain point in time, and then the revenue is recognized separately upon performance of each individual performance obligation.

If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

- I. The customer acquires and consumes the economic benefits brought by the performance of the Group while fulfilling the contract.
- II. Customers can control the products under construction during the Group's performance.
- III. The goods produced during the performance of the enterprise have irreplaceable use, and the Group has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.

The Group further divides the performance obligations in the customer contract. For the performance obligation fulfilled at a certain point in time, the Group recognizes the income when the customer obtains the control right of the relevant commodity; for the performance obligation fulfilled during a certain period of time, the Group is at that time. Revenue is recognized in accordance with the progress of the performance, and the output method (or input method) is used to determine the appropriate performance schedule based on the nature of the goods and services. The output method is based on the value of the goods transferred to the customer to determine the performance of the customer (the input method is based on the Group's commitment to fulfill the performance obligations), when the performance of the contract can not be reasonably determined, Where the Group is expected to be reimbursed for the cost incurred, the revenue shall be confirmed according to the cost amount incurred until the performance schedule can be reasonably determined.



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Revenue (Continued)

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

###### (c) Confirmation of transaction price

The Group measures income according to the transaction price allocated to each individual performance obligation.

The Group determines the transaction price based on the terms of the contract and in combination with past practices. When determining the transaction price, consider the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration.

###### (d) Confirmation of the transaction price of individual performance obligations

When the contract includes two or more performance obligations, the Group shall distribute the transaction price to each individual performance obligation on the contract start date in accordance with the relative proportion of the individual selling prices of the commodities promised by each individual performance obligation. For contract discounts, the Group is prorated in proportion to each individual performance obligation.

###### (e) Confirmation of revenue

The enterprise shall fulfill its performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant commodity. Consider the following signs when deciding whether a customer has acquired control of a product:

- I. The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.
- II. The enterprise has transferred the legal title of the goods to the customer, that is the customer has the legal title to the goods.
- III. The enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind.
- IV. The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.
- V. The customer has accepted the item.
- VI. Other indications that the customer has obtained control of the commodity.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Revenue (Continued)

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

*(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.

*(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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 29. Revenue (Continued)

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

*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.

#### 30. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 30. Government subsidy (Continued)

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

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

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

##### (3) *Accounting treatment method*

The government subsidies related to the assets are recognized as deferred income and are included in the expenses or losses according to the period of use of the assets used or purchased.

Revenue related government subsidies are used to compensate the relevant expenses or losses in the subsequent period of the enterprise and are recognized as deferred income and are included in the expenses or losses during the period when the relevant expenses are recognized. Used to compensate for the relevant costs or losses incurred by the enterprise and are directly included in the current expenses or losses.

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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 31. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. Lease (Continued)

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

###### 2) Right-to-use assets (Continued)

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.

###### 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. Lease (Continued)

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

###### 2) Accounting for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.

###### 3) Accounting for financial lease

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

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

- I. Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive.
- II. Variable rental payments depending on index or ratio.
- III. In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option.
- IV. The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease.
- 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 based 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 32. Lease (Continued)

##### (5) Sale-leaseback (Continued)

##### 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.

#### 33. 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.

#### 34. 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.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 35. 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.

#### 36. 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.

#### 37. 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, 2020 to December 31, 2020 (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%
Other subsidiaries	25%
Foreign subsidiaries	Local Tax Rate

#### (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'.



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### V. TAXATION (CONTINUED)

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

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

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

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

##### 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, and YTO Flag Auto-body Company Limited are entitled to the 15% preferential income tax rate for new and high tech enterprises according to the stipulations of Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

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

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

January 1, 2020 to December 31, 2020 (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, 2020, “the end of the year or the end of the period” means December 31, 2020, “the current year or the current period” means January 1, 2020 to December 31, 2020. The last year or the last period” means January 1, 2019 to December 31, 2019. The unit of currency is RMB.

#### 1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	382,376.31	994,815.11
Bank deposit	1,664,011,936.27	1,316,601,649.43
Other monetary funds	38,231,162.95	83,431,528.20
Total	<u>1,702,625,475.53</u>	<u>1,401,027,992.74</u>
Including: total amount deposited abroad	<u>58,500,849.52</u>	<u>68,764,756.64</u>

The restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Deposit of bank acceptance	22,041,438.35	34,913,294.82
Other deposit	4,030,411.98	35,682,169.41
Deposit reserve requirement for central banks	259,727,714.62	210,312,078.88
Total	<u>285,799,564.95</u>	<u>280,907,543.11</u>

#### 2. Lendings to banks and other financial institutions

Item	Ending balance	Beginning balance
Non-bank financial institutions	100,000,000.00	100,000,000.00
Interest receivable from lending funds		
Less: impairment provision	60,000,000.00	30,000,000.00
Total	<u>40,000,000.00</u>	<u>70,000,000.00</u>

*Note:* on March 27, 2019, China YTO Group Finance Co., Ltd., a subsidiary of the Group, lent RMB100 million to Tianjin Property Group Finance Co., Ltd. through the national interbank lending center, with a lending period of 7 days and an annual interest rate of 4.8%. It failed to pay when due on April 3. According to the classification of financial assets, the Group provisions RMB60 million impairment reserves.



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 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	<b>306,108,457.98</b>	8,470,548.10
Debt instrument investment	<b>300,000,000.00</b>	
Equity instrument investment	<b>6,108,457.98</b>	8,470,548.10
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	<b>1,000,272,900.00</b>	971,922,400.00
Debt instrument investment		
Equity instrument investment	<b>1,000,272,900.00</b>	971,922,400.00
Trust products		
Total	<b>1,306,381,357.98</b>	980,392,948.10

#### 4. Notes receivable

##### (1) Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes		343,649,774.77
Commercial acceptance notes	<b>892,050.97</b>	8,551,963.00
Total	<b>892,050.97</b>	352,201,737.77

(2) *There is no note which have been pledged at the end of the period*

(3) *There is no note which have been endorsed or discounted but not yet due at the end of the period*

(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, 2020 to December 31, 2020 (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) Classified disclosure of accounts receivable

Item	Book balance		Ending Balance		book value
	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
<b>Total</b>	<b>766,295,683.73</b>	<b>/</b>	<b>390,093,012.75</b>	<b>/</b>	<b>376,202,670.98</b>

Item	Book balance		Beginning Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	895,175,926.34	100.00	488,589,091.64	54.58	406,586,834.70
Including: Aging portfolio	786,100,488.44	87.82	450,127,545.78	57.26	335,972,942.66
Risk exposure portfolio such as collateral	109,075,437.90	12.18	38,461,545.86	35.26	70,613,892.04
<b>Total</b>	<b>895,175,926.34</b>	<b>/</b>	<b>488,589,091.64</b>	<b>/</b>	<b>406,586,834.70</b>

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

*January 1, 2020 to December 31, 2020 (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) *Accounts receivable for anticipated credit losses on a portfolio basis aging analysis of accounts receivable*

1) *Aging portfolio*

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	306,942,506.15	5,896,010.97	1.92
1 to 2 yeas	9,843,110.37	4,921,555.19	50.00
2 to 3 yeas	24,556,779.55	10,378,250.87	42.26
Over 3 years	336,630,499.61	333,117,418.34	98.96
Total	<u>677,972,895.68</u>	<u>354,313,235.37</u>	<u>52.26</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>88,322,788.05</u>	<u>35,779,777.38</u>	<u>40.51</u>
Total	<u>88,322,788.05</u>	<u>35,779,777.38</u>	<u>40.51</u>

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

January 1, 2020 to December 31, 2020 (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) Age Disclosure of Accounts Receivable

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	355,619,302.12	6,270,019.31	1.76
1 to 2 years	20,238,834.27	11,077,056.05	54.73
2 to 3 years	38,739,020.72	24,560,492.04	63.40
Over 3 years	351,698,526.62	348,185,445.35	99.00
Total	<u>766,295,683.73</u>	<u>390,093,012.75</u>	<u>50.91</u>

##### (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	Decrease: Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	488,589,091.64	37,349,643.47	-	39,682,612.65	96,163,109.71	390,093,012.75
Including: Aging portfolio	450,127,545.78	34,080,825.57		39,682,612.65	90,212,523.33	354,313,235.37
Risk exposure portfolio such as collateral	38,461,545.86	3,268,817.90			5,950,586.38	35,779,777.38
Total	<u>488,589,091.64</u>	<u>37,349,643.47</u>	<u>-</u>	<u>39,682,612.65</u>	<u>96,163,109.71</u>	<u>390,093,012.75</u>

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

*January 1, 2020 to December 31, 2020 (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	39,682,612.65

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

Company	Nature	Amount	Reason	Procedure	Whether generated by related transactions
Shandong Ninglian Machinery Manufacturing Co., Ltd	Sales receivables	15,796,531.26	Noncollectable	Company internal approval	No
Luoyang Yongcheng Agricultural Machinery Manufacturing Co., Ltd.	Sales receivables	4,842,368.04	Noncollectable	Company internal approval	No
Henan Lishen Machinery Co., Ltd.	Sales receivables	4,610,553.60	Noncollectable	Company internal approval	No
Zhang Yang	Sales receivables	3,588,467.27	Noncollectable	Company internal approval	No
Luoyang Yanlong Industry and Trade Co., Ltd.	Sales receivables	2,533,894.50	Noncollectable	Company internal approval	No
Luoyang Jiangyang Metal Components Co., Ltd.	Sales receivables	2,231,580.93	The other party is bankrupt	Company internal approval	No
Urumqi Xinyonghong Agricultural Machinery Co., Ltd.	Sales receivables	1,873,774.50	Termination of execution by court	Company internal approval	No
Heilongjiang Muling Fulin Machinery Manufacturing Co., Ltd.	Sales receivables	1,571,004.64	Noncollectable	Company internal approval	No
Others	Sales receivables	2,634,437.91	Noncollectable	Company internal approval	No
Total		39,682,612.65			

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

January 1, 2020 to December 31, 2020 (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	10.64	81,470,181.00
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	8.11	62,183,376.45
YTO (Luoyang) Materials and Equipment Co., Ltd.	33,124,498.76	4.32	331,244.98
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	27,533,497.99	3.59	27,533,497.99
Cuba TECNOIMPORT	23,274,238.73	3.04	20,693,035.21
Total	227,585,792.93	29.70	192,211,335.63





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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

**6. Receivables Financing**

Item	Ending balance	Beginning balance
Notes receivable	374,916,413.50	
Total	374,916,413.50	

**(1) Receivables Financing 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	479,087,989.22	
Total	479,087,989.22	

**(2) Receivables Financing which have been pledged at the end of the period**

Item	Amount pledged at the end of the period
Bank acceptance notes	22,587,970.64
Total	22,587,970.64

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

January 1, 2020 to December 31, 2020 (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	172,516,701.09	93.94	1,277.08	167,076,785.35	91.82	
1-2 years	892,877.41	0.49	-	9,425,789.96	5.18	4,474,398.77
2-3 years	6,630,305.41	3.61	4,429,562.92	590,421.23	0.32	188,675.00
Over 3 years	3,596,906.24	1.96	1,833,028.70	4,864,690.77	2.67	2,012,388.20
Total	183,636,790.15	100.00	6,263,868.70	181,957,687.31	100.00	6,675,461.97

##### (2) No advances to supplier is over one year old and has significant in amount

##### (3) 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	80,146,894.45	43.64	Within 1 year	In progress
Shanxi Jiheng Casting Co., Ltd.	15,838,193.41	8.62	Within 1 year	In progress
Luoyang Jinshiji Wheel Manufacturing Co., Ltd.	15,631,226.44	8.51	Within 1 year	In progress
Shanxi Jianbang Group Co., Ltd.	8,419,402.92	4.58	Within 1 year	In progress
Hebei Longfengshan Casting Co., Ltd.	7,429,912.60	4.05	Within 1 year	In progress
Total	127,465,629.82	69.40		



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

**7. Advances to suppliers (Continued)**

*(4) Other explanations on advances*

N/A

**8. Other receivables**

Item	Ending balance	Beginning balance
Interests receivable	1,571.53	
Other receivables	26,300,009.80	38,657,541.73
Total	26,301,581.33	38,657,541.73

*(1) Interests receivable*

Item	Ending balance	Beginning balance
Buyer' credet Interests receivable	1,571.53	
Total	1,571.53	

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

January 1, 2020 to December 31, 2020 (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)

##### (2) Other receivables

##### a. Disclosure of other receivables

Item	Book balance		Ending Balance Bad debt provision		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	16,295,895.52
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	4,325,369.95
Total	125,235,080.17	100.00	98,935,070.37	79.00	26,300,009.80

Item	Book balance		Beginning balance Bad debt provision		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	59,423,043.50	100.00	20,765,501.77	34.95	38,657,541.73
Including: Aging portfolio	47,528,407.86	79.98	18,368,287.41	38.65	29,160,120.45
Low-risk portfolio	5,258,385.64	8.85	52,583.86	1.00	5,205,801.78
Risk exposure portfolio such as collateral	6,636,250.00	11.17	2,344,630.50	35.33	4,291,619.50
Total	59,423,043.50	100.00	20,765,501.77	34.95	38,657,541.73



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

*January 1, 2020 to December 31, 2020 (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)

##### (2) Other receivables (Continued)

b. Accounts receivable for anticipated credit losses on a portfolio basis

I. Aging portfolio

Aging	Ending balance		Accrual Ratio (%)
	Book balance	Bad debt provision	
Within 1 year	16,678,916.86	1,065,769.99	6.39
1-2 years	928,257.32	464,128.67	50.00
2-3 years	1,125,069.11	1,125,069.11	100.00
Over 3 years	92,955,445.02	92,955,445.02	100.00
Total	<u>111,687,688.31</u>	<u>95,610,412.79</u>	<u>85.61</u>

II. Low-risk portfolio

Aging	Ending balance		Accrual percentage (%)
	Book balance	Bad debt provision	
Within 1 year	4,740,354.76	47,403.56	1.00
1-2 years	370,899.70	3,709.00	1.00
2-3 years	41,999.30	420.00	1.00
Over 3 years	582,851.65	5,828.52	1.00
Total	<u>5,736,105.41</u>	<u>57,361.08</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>7,811,286.45</u>	<u>3,267,296.50</u>	<u>41.83</u>
Total	<u>7,811,286.45</u>	<u>3,267,296.50</u>	<u>41.83</u>

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

January 1, 2020 to December 31, 2020 (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)

##### (2) Other receivables (Continued)

##### c. Aging disclosure of other receivables

Aging	Ending balance	Beginning balance
Within 1 year	21,453,022.07	32,201,260.62
1-2 years	2,440,443.02	1,474,690.41
2-3 years	1,167,068.41	2,915,637.90
Over 3 years	100,174,546.67	22,831,454.57
Total	125,235,080.17	59,423,043.50

NOTE: The amount of more than three years is mainly due to the fact that YTO (Luoyang) Shentong Construction Machinery Co., Ltd. entered the bankruptcy liquidation procedure this year and was no longer included in the scope of merger.

##### d. Provision for bad debts charged, recovered or returned in the current period

Item	Beginning balance	Provision	Changes in the current period recovered or returned	Write off	Other changes	Ending Balance
Accounts receivable for anticipated credit losses on a portfolio basis	20,765,501.77	80,532,821.14	-	-	-2,363,252.54	98,935,070.37
Including: Aging portfolio	18,366,919.63	79,538,450.26	-	-	-2,294,957.10	95,610,412.79
Low-risk portfolio	53,951.64	71,704.88	-	-	-68,295.44	57,361.08
Risk exposure portfolio such as collateral	2,344,630.50	922,666.00	-	-	-	3,267,296.50
Total	20,765,501.77	80,532,821.14	-	-	-2,363,252.54	98,935,070.37

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

*January 1, 2020 to December 31, 2020 (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)

##### (2) Other receivables (Continued)

##### e. 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	18,420,871.27	2,344,630.50		20,765,501.77
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	79,610,155.14	922,666.00		80,532,821.14
Return in current period				
Transfer in current period				
Write off in current period				
Other changes	-2,363,252.54			-2,363,252.54
Ending balance	<u>95,667,773.87</u>	<u>3,267,296.50</u>		<u>98,935,070.37</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

#### 8. Other receivables (Continued)

##### (2) Other receivables (Continued)

f. There is no other receivables that actually written off during the reporting period

g. 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	65.67	82,240,000.00
Shanghai Pengpu Machinery Factory Co., Ltd.	Payment between units of work	6,490,000.00	Over 5 years	5.18	2,292,959.42
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	6,338,906.01	Within 1 year	5.06	83,669.19
Jiangsu Qingjiang Tractor Co., Ltd.	Payment between units of work	3,315,484.00	Over 5 years	2.65	3,315,484.00
Shaanxi Heavy-duty Motor Company Limited	Mould deposit	3,270,917.10	Within 1 year	2.61	32,709.17
Total		101,655,307.11		81.17	87,964,821.78

h. No other receivables involving government subsidies

i. No other receivables that have not been terminated for the transfer of financial assets

j. 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, 2020 to December 31, 2020 (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)

##### (2) Other receivables (Continued)

k. Classification of other receivables by nature

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	11,272,167.20	27,430,611.89
Deposits and petty cash	5,335,466.46	5,250,356.67
Collection and payment of social insurance withheld	934,257.04	870,804.13
Tax refund for export receivables	6,771,313.64	3,301,973.49
Others	1,986,805.46	1,803,795.55
Total	26,300,009.80	38,657,541.73

#### 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	1,561,721,065.92	671,668,502.78
Including: Capital	1,560,000,000.00	670,000,000.00
Interest receivable	1,721,065.92	1,668,502.78
Domestic other financial institutes		
Total	1,561,721,065.92	671,668,502.78

##### (2) Classification according to the asset type

Item	Ending balance	Beginning balance
Bonds	1,561,721,065.92	671,668,502.78
Total	1,561,721,065.92	671,668,502.78

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 9. Buying back the sale of financial assets (Continued)

##### (3) Classification according to the remaining days to the maturity

Item	Ending balance	Beginning balance
Due within one month	1,301,281,817.50	671,668,502.78
1-3 month	260,439,248.42	
Total	1,561,721,065.92	671,668,502.78

#### 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	512,169,174.72	132,110,838.41	380,058,336.31	519,435,269.82	151,720,953.21	367,714,316.61
Work in progress	224,682,267.57	7,388,853.48	217,293,414.09	272,085,649.16	19,201,662.99	252,883,986.17
Finished goods	574,764,094.46	23,565,607.70	551,198,486.76	362,138,132.53	22,892,326.12	339,245,806.41
Goods shipped in transit	213,557,152.20	5,841,578.17	207,715,574.03	42,633,758.98	692,097.97	41,941,661.01
Total	1,525,172,688.95	168,906,877.76	1,356,265,811.19	1,196,292,810.49	194,507,040.29	1,001,785,770.20

##### (2) Impairment provision for inventories

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Provision for impairment	Others	Reversed or Write off	Other	
Raw materials	151,720,953.21	34,634,985.96	21,118.91	53,271,263.57	994,956.10	132,110,838.41
Work in progress	19,201,662.99	-10,467,414.19	-	162,461.62	1,182,933.70	7,388,853.48
Finished goods	22,892,326.12	19,787,867.98	997,519.52	18,462,203.30	1,649,902.62	23,565,607.70
Goods shipped in transit	692,097.97	5,578,597.03	-	429,116.83	-	5,841,578.17
Total	194,507,040.29	49,534,036.78	1,018,638.43	72,325,045.32	3,827,792.42	168,906,877.76

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 11. Non-current assets maturing within one year

*Unit : Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Original value of long-term receivable due within one year	330,647,509.01	270,402,669.98
The original value of financial lease within one year	56,149,752.33	21,384,152.28
Less: unconfirmed financing gains	-31,366,267.03	-22,990,688.80
Provision for impairment	-116,704,750.19	-18,330,723.89
	<u>238,726,244.12</u>	<u>250,465,409.57</u>
Total	<u>238,726,244.12</u>	<u>250,465,409.57</u>

#### 12. Other current assets

*Unit : Yuan Currency: RMB*

Item	Ending balance	Beginning balance
Deferred expenses		145,506.98
Structured deposit		800,000,000.00
Prepaid enterprise income tax	19,095,550.99	41,896,146.48
Loan by mandate	171,000,000.00	
Value-added tax left for deduction	268,197,591.62	234,738,569.66
Input Tax to be Certified	336,250.42	284,946.87
Advance payment of other tax	3,217,771.39	104,754.05
Interest receivable	3,146,115.69	400,833.33
Other		1,987,480.90
Subtotal	464,993,280.11	1,079,558,238.27
Less: Provision for impairment	-183,406,085.09	-12,406,085.09
	<u>281,587,195.02</u>	<u>1,067,152,153.18</u>
Total	<u>281,587,195.02</u>	<u>1,067,152,153.18</u>

*Note:* The provision for impairment of other current assets mainly refers to the provision of 171 million yuan for the entrusted loan of YTO (Luoyang) Shentong Construction Machinery Co., Ltd., and the reserve for YTO (Luoyang) Harvest Machinery Co., Ltd whose the input tax cannot be deducted from RMB12.4061 million.

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

January 1, 2020 to December 31, 2020 (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	51,573,608.82	40,030,040.00
Property mortgages		
Others	51,573,608.82	40,030,040.00
Subtotal of corporate loans and advances	956,734,369.31	950,935,400.06
Loans	948,464,022.43	949,275,150.00
Discounting	8,270,346.88	1,660,250.06
Loan interest	1,488,490.42	
Total loans and advances	1,009,796,468.55	990,965,440.06
Less: Impairment provision of loans	27,546,945.17	31,014,471.47
Including: Provision made on individual basis		
Provision made on portfolio basis	27,546,945.17	31,014,471.47
Total carrying value of loans and advances	982,249,523.38	959,950,968.59

##### (2) Distribution details by industry sectors of loans and advances

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	956,734,369.31	94.75	950,935,400.06	95.96
Individuals	51,573,608.82	5.11	40,030,040.00	4.04
Interests on loans	1,488,490.42	0.15		
Total loans and advances	1,009,796,468.55	100.00	990,965,440.06	100.00
Less: Impairment provision of loans	27,546,945.17	2.73	31,014,471.47	3.13
Including: Provision made on individual basis				
Provision made on portfolio basis	27,546,945.17	2.73	31,014,471.47	3.13
Total carrying value of loans and advances	982,249,523.38		959,950,968.59	-

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 13. Loans and advances to customers (Continued)

**(3) Distribution details by geographic location of loans and advances**

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	35,418,394.65	3.51	24,164,100.00	2.44
Central China	942,342,150.98	93.32	942,876,240.06	95.15
Northwest China	30,547,432.50	3.03	23,925,100.00	2.41
Loan interest	1,488,490.42	0.15		
<b>Total loans and advances</b>	<b>1,009,796,468.55</b>	<b>100.00</b>	990,965,440.06	100.00
Less: Impairment provision of loans	27,546,945.17	2.73	31,014,471.47	3.13
Including: Provision made on individual basis				
Provision made on portfolio basis	27,546,945.17	2.73	31,014,471.47	3.13
<b>Total carrying value of loans and advances</b>	<b>982,249,523.38</b>		959,950,968.59	

**(4) Distribution details by type of credit guarantee modes**

Item	Ending balance	Beginning balance
Credit loans	890,000,000.00	840,000,000.00
Guaranteed loans	89,482,631.25	130,670,190.00
Loans secured by collateral	28,825,346.88	20,295,250.06
Including: mortgage loans	20,555,000.00	18,635,000.00
Pledged loans	8,270,346.88	1,660,250.06
Loan interest	1,488,490.42	
<b>Total loans and advances</b>	<b>1,009,796,468.55</b>	990,965,440.06
Less: Impairment provision of loans	27,546,945.17	31,014,471.47
Including: Provision made on individual basis		
Provision made on portfolio basis	27,546,945.17	31,014,471.47
<b>Total carrying value of loans and advances</b>	<b>982,249,523.38</b>	959,950,968.59

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 13. Loans and advances to customers (Continued)

##### (5) Provision for losses on loans

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		31,014,471.47		34,111,662.94
Current year provision		-3,467,526.30		-3,097,191.47
Ending balance		27,546,945.17		31,014,471.47

#### 14. Long-term receivable

Nature of payment	Ending balance				Impairment preparation	Beginning balance		Discount Rate Interval
	Book balance	Impairment preparation	Book value	Book balance		Impairment preparation	Book value	
Finance lease cost	112,417,434.16	3,395,786.59	109,021,647.57	67,865,500.00	2,036,745.00	65,828,755.00		
Including: Unconfirmed Financing Income	7,752,731.31		7,752,731.31	3,804,070.54		3,804,070.54		
Selling goods by instalments	405,984,718.44	143,409,635.86	262,575,082.58	424,262,734.97	19,427,852.35	404,834,882.62		
Including: Unconfirmed Financing Income	55,560,078.55		55,560,078.55	56,875,720.33		56,875,720.33		
Financial leases due within one year and selling goods by instalments	-355,430,994.31	-116,704,750.19	-238,726,244.12	-268,796,133.46	-18,330,723.89	-250,465,409.57		
Total	162,971,158.29	30,100,672.26	132,870,486.03	223,332,101.51	3,133,873.46	220,198,228.05		

(1) No long-term receivables terminated due to transfer of financial assets.

(2) No assets and liabilities formed by transferring long-term receivables and continuing to involve them.

(3) Other explanation: N/A

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

*January 1, 2020 to December 31, 2020 (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	Investment reduced	Changes of increase/decrease in the period					Others	Ending balance	Ending balance of impairment provision
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit to be distributed	Provision for impairment			
I. Associated enterprise											
ZF YTO (Luoyang) Drive Axle Co., Ltd	118,785,505.12			1,814,314.67					841,276.79	121,441,096.58	
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	686,564.47			-68,721.50						617,842.97	
Luoyang Fusaite Auto Co., Ltd	7,004,515.65		7,004,515.65								
Luoyang I&C Technology Consulting Co., Ltd	281,102.48			-7,422.36						273,680.12	
<b>Total</b>	<b>126,757,687.72</b>		<b>7,004,515.65</b>	<b>1,738,170.81</b>					<b>841,276.79</b>	<b>122,332,619.67</b>	

#### 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	3,871,238.40
<b>Total</b>	<b>4,839,048.00</b>	<b>3,871,238.40</b>

*Note:* The Group's subsidiaries increased their investment in Luoyang intelligent agricultural equipment Research Institute Co., Ltd., with a shareholding ratio of 3% during this period.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 16. Other equity instrument investment (Continued)

##### (2) Investment in non-tradable equity instruments

Item	Dividend income recognized in the current period	Accumulated profits	Accumulated loss	Amount transferred from other comprehensive income to retained earnings	Reasons designated to be measured at fair value and its changes are accounted in other comprehensive income	Reasons for Transfer of other comprehensive income into retained earnings
Luoyang intelligent agricultural equipment Research Institute Co., Ltd Non-trading equity instruments						
	Non-trading equity instrument					
Total						

#### 17. Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	2,617,726,435.41	2,814,817,617.87
Total	2,617,726,435.41	2,814,817,617.87



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 17. Fixed assets (Continued)

##### (1) Detail of fixed assets

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance							
1. Beginning balance	8,073,411.50	2,215,971,131.09	4,294,798,256.01	53,642,404.45	117,048,473.51	5,757,226.71	6,695,290,903.27
2. Increase amount in this period	216,413.50	19,421,314.02	124,680,127.08	9,723,393.95	9,677,969.47	-1,692,985.38	162,026,232.64
Purchase	-	13,969,350.29	8,755,281.40	2,181,672.81	2,781,907.01	-	27,688,211.51
Transferred from construction in progress	-	14,912,526.17	113,121,900.64	7,652,428.94	943,385.85	-	136,630,241.60
Converted difference in Foreign Currency							
Statements	216,413.50	-3,510,360.47	1,153,070.20	-8,907.80	-232,108.06	89,672.16	-2,292,220.47
Reclassification	-	-5,950,201.97	1,649,874.84	-101,800.00	6,184,784.67	-1,782,657.54	-
Others	-	-	-	-	-	-	-
3. Decrease amount in this period	-	7,980,004.36	126,993,373.27	12,692,166.24	3,680,899.78	503,433.64	151,849,877.29
Disposal of scrapped	-	3,090,953.33	109,840,584.26	10,768,376.82	3,408,736.20	503,433.64	127,612,084.25
Disposal of subsidiaries	-	4,646,370.90	3,750,715.12	1,923,789.42	272,163.58	-	10,593,039.02
Others	-	242,680.13	13,402,073.89	-	-	-	13,644,754.02
4. Ending 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
II. Accumulated depreciation							
1. Beginning balance	-	988,196,766.54	2,713,441,321.38	35,488,414.54	84,234,585.80	4,178,065.56	3,825,539,153.82
2. Increase amount in this period	-	60,291,577.24	220,510,672.57	3,197,997.66	12,508,533.57	-776,399.30	295,732,381.74
Provision	-	62,852,269.35	220,033,967.34	2,997,232.36	8,781,078.47	297,036.66	294,961,584.18
Converted difference in Foreign Currency							
Statements	-	-103,630.10	570,703.66	198,194.57	-54,675.03	72,065.94	682,659.04
Reclassification	-	-2,476,894.32	-116,455.49	2,570.73	3,736,280.98	-1,145,501.90	-
Others	-	19,832.31	22,457.06	-	45,849.15	-	88,138.52
3. Decrease amount in this period	-	5,916,844.66	106,166,136.30	10,358,312.54	3,421,186.18	480,658.03	126,343,137.71
Disposal or scrap	-	1,534,576.32	98,494,667.13	8,931,280.43	3,162,630.78	480,658.03	112,603,812.69
Disposal of subsidiaries	-	4,382,268.34	2,189,891.89	1,427,032.11	258,555.40	-	8,257,747.74
Others	-	-	5,481,577.28	-	-	-	5,481,577.28
4. Ending 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
III. Impairment provision							
1. Beginning balance	4,345,418.00	10,640,224.36	37,339,098.04	2,149,970.62	266,287.45	193,133.11	54,934,131.58
2. Increase amount in this period	116,482.00	2,165,666.37	45,421,277.75	-	29,437.39	175,773.33	47,908,636.84
Provision	-	365,457.77	46,523,189.22	-	-	239,105.40	47,127,752.39
Converted difference in Foreign Currency							
Statements	116,482.00	17,146.99	631,227.71	-	1,133.47	14,894.28	780,884.45
Other	-	-	-	-	-	-	-
Reclassification	-	1,783,061.61	-1,733,139.18	-	28,303.92	-78,226.35	-
3. Decrease amount in this period	-	-	8,843,083.50	1,179,317.04	7,942.52	-	10,030,343.06
Disposal or scrap	-	-	587,639.23	1,104,129.54	7,942.52	-	1,699,711.29
Disposal of subsidiaries	-	-	1,268,688.96	75,187.50	-	-	1,343,876.46
Others	-	-	6,986,755.31	-	-	-	6,986,755.31
4. Ending 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
IV. Book value							
1. Ending balance of book value	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
2. Beginning balance of book	3,727,993.50	1,217,134,140.19	1,544,017,836.59	16,004,019.29	32,547,600.26	1,386,028.04	2,814,817,617.87

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

January 1, 2020 to December 31, 2020 (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	170,861,202.47
Machine and equipment	2,680,646.20
	<hr/>
Total	173,541,848.67
	<hr/> <hr/>

##### (3) Fixed assets with the property right certificate unprocessed yet

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
Branch heat treatment plant	4,907,158.08	The property right certificate is in the process of processing
Heat treatment auxiliary room	1,850,537.26	The property right certificate is in the process of processing
Modern agricultural equipment cab automation project	82,078,734.57	The project has not yet completed the completion acceptance
The production workshop of the large-wheel tractor joint factory building	45,294,679.71	The property right certificate is in the process of processing
South Office Building of Dalun Tug Joint Factory	4,647,719.06	The property right certificate is in the process of processing
North Auxiliary Building of Large Wheel Tug Joint Factory	3,266,686.81	The property right certificate is in the process of processing
Newly added cooling channel workshop on kw line	886,559.55	The investment in 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 property right certificate
Jilin Ganzhuang House	12,009,954.05	Relevant taxes and fees have not been paid and are in the process of processing
Zhengzhou branch dormitory and canteen	1,553,593.27	In April 2012, the land certificate was obtained. At that time, Zhengzhou Economic Development Zone Management Committee and Haima company had schedule requirements for the construction project, so they had to complete the project construction task according to schedule, and required to start construction first and then go through relevant procedures. At present, we are applying for the construction project planning license. Only after the construction project planning license is handled can we go through the bidding filing, construction license, fire fighting filing, quality inspection, completion acceptance and other related procedures, and finally we can get the real estate license.
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	13,021,727.56	
New Youth Jiayuan	64,490,270.71	The property right certificate is in the process of processing
User training service workshop	3,077,418.64	The property right certificate is in the process of processing
	<hr/>	
Total	237,085,039.27	
	<hr/> <hr/>	



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

January 1, 2020 to December 31, 2020 (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)

**(4) Other explanation of fixed assets:**

The increase of depreciation in this period is RMB294,961,584.18. Among the above fixed assets, the original value of the fixed assets on which the accumulated depreciation was fully accrued and still in use continuously was RMB1,803,890,068.66. Refer to the statement in the Note 69 for detailed information about the ending balance of pledge on fixed assets.

#### 18. Construction in progress

Item	Ending balance	Beginning balance
Construction in progress	<u>96,000,297.40</u>	<u>128,990,466.09</u>
Total	<u><u>96,000,297.40</u></u>	<u><u>128,990,466.09</u></u>

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

January 1, 2020 to December 31, 2020 (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	-	1,688,232.54	1,675,213.67	13,018.87
New model application project of new wheeled tractor intelligent manufacturing	348,675.49	-	348,675.49	348,675.49	-	348,675.49
User Service Training Workshop	-	-	-	3,926,314.31	-	3,926,314.31
Small and Medium Sized Molding Line Transformation	-	-	-	25,973,773.40	-	25,973,773.40
New Production Line of Automatic Multipurpose Furnace	8,451,125.53	-	8,451,125.53	7,837,500.80	-	7,837,500.80
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	-	-	-	12,472,943.24	-	12,472,943.24
Pouring machine	-	-	-	6,070,408.17	-	6,070,408.17
Component Matching and Product Verification Base Construction Project	6,935,912.81	-	6,935,912.81	4,045,656.24	-	4,045,656.24
New giant parts workshop	3,773.58	-	3,773.58	4,316,930.94	-	4,316,930.94
Plant foundation	2,206,437.39	2,206,437.39	-	2,206,437.39	2,206,437.39	-
Robot Renovation Project of Core Making Center	3,230,769.23	-	3,230,769.23	3,230,769.23	-	3,230,769.23
New axis cover line	350,121.77	-	350,121.77	3,666,445.78	-	3,666,445.78
Dormitory and canteen of Zhengzhou Branch	-	-	-	1,647,123.03	-	1,647,123.03
Waste gas treatment device of coating line	137,614.68	-	137,614.68	6,110,428.17	-	6,110,428.17
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	3,783,185.85	-	3,783,185.85
Component matching and product verification base construction project (Phase 1)	1,534,738.20	-	1,534,738.20	391,013.36	-	391,013.36
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	10,020,400.64	-	10,020,400.64	-	-	-
Waste gas treatment project	3,640,589.85	-	3,640,589.85	2,130,629.39	-	2,130,629.39
Others	85,551,652.59	42,906,880.42	42,644,772.17	78,206,067.54	35,180,417.72	43,025,649.82
<b>Total</b>	<b>142,788,828.88</b>	<b>46,788,531.48</b>	<b>96,000,297.40</b>	<b>168,052,534.87</b>	<b>39,062,068.78</b>	<b>128,990,466.09</b>

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

*January 1, 2020 to December 31, 2020 (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
Small and Medium Sized Molding Line Transformation	25,973,773.40	5,201,870.84	31,175,644.24	-	-
New Production Line of Automatic Multipurpose Furnace	7,837,500.80	613,624.73	-	-	8,451,125.53
Component Matching and Product Verification Base Construction Project	4,045,656.24	2,890,256.57	-	-	6,935,912.81
Robot transformation project	3,230,769.23	-	-	-	3,230,769.23
New shaft cover line	3,666,445.78	1,842,188.94	5,158,512.95	-	350,121.77
Waste gas treatment device for painting line	6,110,428.17	165,619.27	6,138,432.76	-	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	3,783,185.85	6,632,412.90	-	-	10,415,598.75
Component matching and product verification base construction project (Phase 1)	391,013.36	1,143,724.84	-	-	1,534,738.20
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	-	10,020,400.64	-	-	10,020,400.64
Waste gas treatment project	2,130,629.39	1,509,960.46	-	-	3,640,589.85
	<u>571,469,402.22</u>	<u>38,306,263.89</u>	<u>42,472,589.95</u>	<u>-</u>	<u>53,003,076.16</u>
Total	<u>571,469,402.22</u>	<u>38,306,263.89</u>	<u>42,472,589.95</u>	<u>-</u>	<u>53,003,076.16</u>

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

January 1, 2020 to December 31, 2020 (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 (Continued)

Project name	Budget (ten thousand)	Percentage of project investment to the budgeted amount (%)	Rate of progress (%)	Accumulated capitalization of interest	Including: capitalization of interest in this period	Rate of interest capitalization in this period (%)	Source of funds
Small and Medium Sized Molding Line Transformation	5,614.97	56.00	72.00				Raise independently
New Production Line of Automatic Multipurpose Furnace	935.00	96.00	70.00				Raise independently
Component Matching and Product Verification Base Construction Project	985.00	70.42	70.00				Raise independently
Robot transformation project	450.00	84.00	90.00				Raise independently
New shaft cover line	700.00	78.69	90.00				Raise independently
Waste gas treatment device for painting line	797.50	80.00	90.00				Raise independently
CNC gear hobbing machine (Luoyang Zhaotai)	260.00	92.00	90.00				Raise independently
Gear grinding machine (Luoyang Zhaotai)	350.00	98.00	90.00				Raise independently
Horizontal machining center	355.00	90.00	90.00				Raise independently
Tractor machine test environment warehouse and supporting comprehensive verification platform	1,390.00	75.00	75.00				Raise independently
Component matching and product verification base construction project (Phase 1)	985.00	15.58	70.00				Raise independently
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	2,500.00	40.08	50.00				Raise independently
Waste gas treatment project	435.00	83.69	80.00				Raise independently
total	15,757.47						

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 18. Construction in progress (Continued)

(3) *Provision for impairment of construction in progress is included in this report period.*

Project name	Amount of provision	Reason
Construction in progress in France	311,743.00	Construction has been suspended and will not be put into operation again
	<hr/>	
Total	<u><u>311,743.00</u></u>	

#### 19. Right-to-use assets

Item	Houses and buildings	Venue rental	Machinery equipment	Others	Total
I. Original book balance					
1. Beginning balance	14,369,325.94	13,645,403.83	1,332,223.44	54,658.48	29,401,611.69
2. Increase amount in this period	11,202,671.32	16,593,722.75	2,420,541.81	0.00	30,216,935.88
3. Decrease amount in this period	15,871,453.29	12,853,285.68	1,383,788.36	54,658.48	30,163,185.81
4. Ending balance	9,700,543.97	17,385,840.90	2,368,976.89	0.00	29,455,361.76
II. Accumulated depreciation					
1. Beginning balance	6,512,068.19	3,528,167.93	388,179.13	27,329.24	10,455,744.49
2. Increase amount in this period	9,806,879.95	9,431,297.73	995,609.23	27,329.24	20,261,116.15
3. Decrease amount in this period	15,871,453.29	12,853,285.68	1,383,788.36	54,658.48	30,163,185.81
4. Ending balance	447,494.85	106,179.98	0.00	0.00	553,674.83
III. Impairment provision					
1. Beginning balance					
2. Increase amount in this period					
3. Decrease amount in this period					
4. Ending balance					
VI. Book value					
1. Ending balance of book value	9,253,049.12	17,279,660.92	2,368,976.89	0.00	28,901,686.93
2. Beginning balance of book	<u>7,857,257.75</u>	<u>10,117,235.90</u>	<u>944,044.31</u>	<u>27,329.24</u>	<u>18,945,867.20</u>

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

January 1, 2020 to December 31, 2020 (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	6,923,502.72	92,535,299.86	59,709,814.00	8,552,808.79	1,050,817,173.92
2. Increase amount in this period		146,549.21	5,956,543.93	415,669.55	-197,547.78	6,321,214.91
Purchase			5,956,543.93			5,956,543.93
Reclassification				415,669.55	-415,669.55	
Others		146,549.21			218,121.77	364,670.98
3. Decrease amount in this period	-	-	1,968.28	16,975.00	-	18,943.28
Disposal						
Others			1,968.28	16,975.00		18,943.28
4. Ending 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
II. Accumulated amortization						
1. Beginning balance	185,567,543.33	6,289,987.39	58,297,527.45	173,534.54	3,892,515.42	254,221,108.13
2. Increase amount in this period	22,482,261.27	146,549.21	7,469,888.03	369,222.96	-256,310.32	30,211,611.15
Provision	22,482,261.27	-	7,469,888.03	17,986.17	-	29,970,135.47
Reclassification				351,236.79	-351,236.79	
Others		146,549.21			94,926.47	241,475.68
3. Decrease amount in this period			483.35	15,448.58		15,931.93
Disposal	-	-			-	
Others			483.35	15,448.58		15,931.93
4. Ending balance	208,049,804.60	6,436,536.60	65,766,932.13	527,308.92	3,636,205.10	284,416,787.35
III. Impairment provision						
1. Beginning balance		633,515.33	477,922.22		3,814,310.62	4,925,748.17
2. Increase amount in this period					904,745.29	904,745.29
Provision					792,030.00	792,030.00
Increase for other reasons					112,715.29	112,715.29
3. Decrease amount in this period						
4. Ending balance	-	633,515.33	477,922.22		4,719,055.91	5,830,493.46
IV. Book value						
1. Ending balance of book value	675,045,943.95	-	32,245,021.16	59,581,199.63		766,872,164.74
2. Beginning balance of book value	697,528,205.22		33,759,850.19	59,536,279.46	845,982.75	791,670,317.62

##### (2) No land use right without property right certificate



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 21. Development expenditure

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		10,651,071.06		10,651,071.06		
Research and development for dynamical machinery products		79,833,209.10		79,833,209.10		
Technological process research and development		42,271,765.51		42,271,765.51		
Fundamental research		27,394,430.42		27,394,430.42		
Research and development of tractor products		178,885,695.32		178,885,695.32		
Total		<u>339,036,171.41</u>		<u>339,036,171.41</u>		

#### 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	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81					14,297,893.81
Total	<u>14,297,893.81</u>					<u>14,297,893.81</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 22. Goodwill (Continued)

##### (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	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81					14,297,893.81
Total	14,297,893.81					14,297,893.81

#### 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	1,488,027.57		212,575.42		1,275,452.15
Mold amortization	32,595,944.22	20,655,578.16	16,140,133.90	2,171,878.10	34,939,510.38
Amortization of maintenance expenditure	8,103,490.06	198,389.76	1,653,820.44		6,648,059.38
Others	1,931,080.89	1,676,510.01	1,558,528.16		2,049,062.74
Total	44,118,542.74	22,530,477.93	19,565,057.92	2,171,878.10	44,912,084.65

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, 2020 to December 31, 2020 (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	102,843,916.20	16,454,157.31	114,563,941.75	18,152,530.88
Deductible losses			24,973,782.51	6,243,445.63
Termination welfare	98,885,352.72	15,238,541.06	107,320,762.28	16,608,564.54
Wages payable and accrued expense	271,422,621.48	53,790,885.59	248,153,462.30	51,576,934.54
Deferred revenue	110,454,255.14	17,428,164.83	118,275,663.06	18,903,375.18
Total	<u>583,606,145.54</u>	<u>102,911,748.79</u>	<u>613,287,611.90</u>	<u>111,484,850.77</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	90,786,566.04	22,696,641.51	98,845,821.41	24,711,455.35
Fair value change	813,035,918.55	122,044,623.77	787,127,461.91	118,402,559.62
Total	<u>903,822,484.59</u>	<u>144,741,265.28</u>	<u>885,973,283.32</u>	<u>143,114,014.97</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 24. Deferred tax assets and deferred tax liabilities (Continued)

**(3) Deductible temporary difference that are not recognized as deferred tax assets**

Item	Ending balance	Beginning balance
Provision for asset impairment	1,124,544,816.37	805,376,546.48
Deductible losses	1,771,713,824.86	2,341,815,376.90
Total	2,896,258,641.23	3,147,191,923.38

**(4) Deductible losses unrecognized as deferred tax liabilities due in the following year**

Year	Ending balance	Beginning balance	Remark
Year of 2020		279,727,441.91	
Year of 2021	234,388,214.58	133,374,203.44	
Year of 2022	118,197,100.18	188,502,093.16	
Year of 2023	161,315,657.57	169,004,006.75	
Year of 2024	59,744,380.24	63,569,415.50	
Year of 2025	62,051,438.98		
Year of 2026			
Year of 2027	31,287,727.15	50,758,454.26	
Year of 2028	767,859,247.91	1,119,729,737.98	
Year of 2029	333,699,685.79	337,150,023.90	
Year of 2030	3,170,372.46		
Total	1,771,713,824.86	2,341,815,376.90	/

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

*January 1, 2020 to December 31, 2020 (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	73,433,929.60	70,000,000.00
Credit loans	760,000,000.00	1,341,819,719.44
Interests payable	829,450.11	7,708,345.86
Total	<u>834,263,379.71</u>	<u>1,419,528,065.30</u>

Explanation of short-term loans: The subsidiary of the Group, Changtuo Agricultural Machinery Equipment Group Co., Ltd. drawn short-term loan of RMB70,000,000 from Jilin Bank Dong Sheng Branch by mortgage of real estate and land. The period will be extended after maturity, with an annual interest rate of 6.525% and a maturity date of 13 November 2019.

**(2) Short term loans overdue and outstanding**

The total amount of the overdue short-term loans at the end of the period is RMB70,000,000.00. The overdue short-term loans are as follows:

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	<u>70,000,000.00</u>	/	/	/

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

January 1, 2020 to December 31, 2020 (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>1,022,512,345.62</b>	776,324,781.52
Including: Corporate	<b>1,013,708,885.36</b>	770,624,356.97
Individuals	<b>8,803,460.26</b>	5,700,424.55
Time deposit (including notice deposit)	<b>385,008,361.39</b>	358,230,891.20
Including: Corporate	<b>385,008,361.39</b>	358,230,891.20
Individuals		
Interests payable	<b>5,103,976.25</b>	2,721,621.82
Total	<b>1,412,624,683.26</b>	1,137,277,294.54

#### 27. Loans from other banks

Item	Ending balance	Beginning balance
Capital	<b>300,000,000.00</b>	
Interest	<b>66,666.67</b>	
Total	<b>300,066,666.67</b>	



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

*January 1, 2020 to December 31, 2020 (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	1,546,314,757.03	993,844,676.95
Commercial acceptance notes	1,007,353.67	10,164,274.35
Total	<u>1,547,322,110.70</u>	<u>1,004,008,951.30</u>

The total amount of Notes payable due and unpaid at the end of the period is RMB210,500.00.

#### 29. Accounts payable

Item	Ending balance	Beginning balance
Purchase payable	1,597,593,667.49	1,160,059,432.13
Purchase of construction equipment payable	39,640,607.32	57,403,648.63
Service payment payable	150,935,442.35	33,058,216.05
Others	23,085.27	1,928,951.77
Total	<u>1,788,192,802.43</u>	<u>1,252,450,248.58</u>

#### (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	25,182,368.13	Unsettled
Total	<u>25,182,368.13</u>	/

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 30. Contractual liability

##### (1) Contractual liability

Item	Ending balance	Beginning balance
Payment for goods	398,850,436.72	177,743,289.89
Total	398,850,436.72	177,743,289.89

##### (2) Aging analysis of contractual liability

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	364,323,805.35	148,069,215.80
Over 1 year	34,526,631.37	29,674,074.09
Total	398,850,436.72	177,743,289.89

##### (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
ZF YTO (Luoyang) axle Co., Ltd	3,920,067.49	In progress
Poly Technology Co., Ltd.	3,797,893.36	In progress
Wuyuan Jinhe Industry and Trade Co., Ltd.	1,312,310.70	In progress
Total	20,956,877.05	



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 31. Employee benefits payable

**(1) Classification of employee benefits payable**

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Short-term remuneration	65,261,504.82	806,710,198.40	816,657,690.42	55,314,012.80
Post-employment welfare - Defined contribution plan	594,572.45	51,959,809.73	51,749,060.06	805,322.12
Termination welfare	38,759,544.44	41,500,827.77	44,501,471.49	35,758,900.72
Total	<u>104,615,621.71</u>	<u>900,170,835.90</u>	<u>912,908,221.97</u>	<u>91,878,235.64</u>

**(2) Short-term remuneration**

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Wages or salaries, bonuses, allowances and subsidies	37,250,192.48	601,795,276.56	612,434,545.76	26,610,923.28
II. Staff welfare expense	-	47,153,434.84	47,153,434.84	-
Social insurance expense	42,947.74	27,582,632.05	27,620,311.16	5,268.63
III. Including: Medical insurance expense	42,947.74	26,206,104.10	26,244,138.07	4,913.77
Work-related injury insurance	-	1,376,527.95	1,376,173.09	354.86
IV. Housing funds	747,863.30	45,905,886.47	45,976,409.27	677,340.50
V. Union & employee education funds	26,943,291.10	20,122,099.60	19,058,468.79	28,006,921.91
VI. Other short-term remuneration	277,210.20	64,150,868.88	64,414,520.60	13,558.48
Total	<u>65,261,504.82</u>	<u>806,710,198.40</u>	<u>816,657,690.42</u>	<u>55,314,012.80</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 31. Employee benefits payable (Continued)

##### (3) Defined contribution plan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic endowment insurance	342,351.96	50,078,992.86	49,616,603.91	<b>804,740.91</b>
Unemployment insurance premium	–	2,133,037.36	2,132,456.15	<b>581.21</b>
Enterprise annuity payment	252,220.49	-252,220.49	0.00	<b>–</b>
Total	<u>594,572.45</u>	<u>51,959,809.73</u>	<u>51,749,060.06</u>	<u><b>805,322.12</b></u>

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 RMB51,959,809.73 (2019: RMB90,732,663.11) to the defined contribution plan participated in this year. At December 31, 2020, the group still has RMB805,322.12 (December 31, 2019: RMB594,572.45) 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 32. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax (VAT)	1,639,615.83	2,530,430.43
Enterprise income tax	11,406,877.97	23,901,025.72
Individual income tax	827,288.51	456,457.82
Urban maintenance and construction tax	150,124.86	142,739.48
Property tax	5,644,085.35	5,148,793.52
Land use tax	2,715,681.74	1,886,397.01
Education surcharge	107,232.06	101,954.65
Other taxes	584,647.66	548,443.21
Total	<u>23,075,553.98</u>	<u>34,716,241.84</u>

The explanation of taxes payable: N/A

#### 33. Other payable

Item	Ending balance	Beginning balance
Interests payable	10,893,031.49	3,927,593.99
Dividends payable	8,439,607.83	8,439,607.83
Other payables	189,829,730.22	290,380,288.75
Total	<u>209,162,369.54</u>	<u>302,747,490.57</u>

##### (1) Interests payable

Item	Ending balance	Beginning balance
Interest payable on bank loans	10,893,031.49	3,927,593.99
Total	<u>10,893,031.49</u>	<u>3,927,593.99</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 33. Other payable (Continued)

##### (2) Dividends payable

Item	Ending balance	Beginning balance
Natural person shareholders	8,439,607.83	8,439,607.83
Total	8,439,607.83	8,439,607.83

Explanation of dividends payable: Brilliance China Machinery Holdings Ltd., a subsidiary of the Group, distributes the unpaid portion of the dividend

##### (3) Other payables

###### a. Classification of other payables by nature

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	53,798,166.51	64,403,223.92
Cash pledge and deposits	58,380,678.06	64,033,336.26
Expenses payable	35,717,615.65	98,983,774.05
Collection and payment on behalf of others	11,150,711.02	28,970,041.11
Others	30,782,558.98	33,989,913.41
Total	189,829,730.22	290,380,288.75

###### b. Significant amount of other payables aged over 1 year

Company name	Ending balance	Reason for not paid or reversed
YTO Group Corporation	45,520,201.86	Unsettled
Henan Yibo industry and Trade Co., Ltd	3,080,000.00	Unsettled
Total	48,600,201.86	

###### c. Explanation of other payables:

N/A

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 34. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year		629,077,500.00
Lease liabilities due within 1 year	<b>14,004,892.03</b>	18,881,483.02
Interest on long-term loans due within 1 year	<b>137,606.18</b>	1,076,522.93
	<hr/>	<hr/>
Total	<b>14,142,498.21</b>	649,035,505.95
	<hr/> <hr/>	<hr/> <hr/>

Explanation of non-current liabilities: N/A

#### 35. Other current liabilities

Item	Ending balance	Beginning balance
Discount and allowance	<b>130,597,789.93</b>	130,532,589.51
Warranty fee for 3 after sale services included	<b>96,036,341.75</b>	82,269,060.58
Agent service fees	<b>3,055,849.06</b>	2,600,000.00
Transportation fee	<b>1,833,400.00</b>	6,261,048.34
Environmental governance and house maintenance	<b>11,658,286.73</b>	
Output tax to be transferred	<b>9,560,743.04</b>	
Others	<b>2,361,642.04</b>	3,803,570.77
	<hr/>	<hr/>
Total	<b>255,104,052.55</b>	225,466,269.20
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## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 36. Long-term loans

##### (1) Classification of loans

Item	Ending balance	Beginning balance
Guarantee loan		78,155,000.00
Credit loans	99,800,000.00	690,000,000.00
Interests payable	137,606.18	1,076,522.93
Subtotal	99,937,606.18	769,231,522.93
Long-term loans due within 1 year		-629,077,500.00
Including: Credit loans		-590,000,000.00
Guarantee loan		-39,077,500.00
Interest on long-term loans due within 1 year	-137,606.18	-1,076,522.93
Long-term loans due over 1 year	99,800,000.00	139,077,500.00

##### (2) Due date analysis of long-term loans

Due date	Ending balance	Beginning balance
Over than 1 year after the balance sheet date, but not over than 2 years	99,800,000.00	39,077,500.00
Over than 2 years after the balance sheet date, but not over than 5 years		100,000,000.00
Over 5 years		
Total	99,800,000.00	139,077,500.00

#### 37. Lease liabilities

Item	Ending balance	Beginning balance
Lease liabilities	28,855,682.17	18,945,867.20
Lease liabilities due within one year	-14,004,892.03	-18,881,483.02
Total	14,850,790.14	64,384.18

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

*January 1, 2020 to December 31, 2020 (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 accounts payable

Item	Ending balance	Beginning balance
Long-term loans from non-financial institutions	9,151,465.90	8,933,931.06
Total	9,151,465.90	8,933,931.06

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 (RMB9,151,465.90 at the end of the period) of the transfer loan from the government of YITWO AGRO-INDUSTRIAL in CYD Ivory Coast in 1997 has not been repaid, and the repayment can be postponed until 2024.

#### 39. Long-term salary payable

Item	Ending balance	Beginning balance
1. Long-term dismissal benefits	111,035,027.08	126,769,566.70
2. Others	3,293,788.00	
3. Non-discounted long-term payable remuneration for employees whose long-term dismissal benefits expire within one year	35,758,900.72	38,759,544.44
Total	78,569,914.36	88,010,022.26

#### 40. Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurring
Other	2,652,542.65	2,652,542.65	Note 1
Total	2,652,542.65	2,652,542.65	/

*Note 1:* 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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 41. Deferred revenue

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	141,660,293.06	10,635,000.00	18,711,060.63	133,584,232.43	Details refer to (1)
Government subsidies related benefit	14,054,929.00	2,105,489.00	7,106,372.29	9,054,045.71	Details refer to (1)
Total	155,715,222.06	12,740,489.00	25,817,432.92	142,638,278.14	/

#### (1) Item of government grants

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in other income in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
High-power non-road diesel engine	39,200,000.00		4,900,000.00			34,300,000.00	Related to assets
C Series Government Project Grant	1,432,000.00		716,000.00			716,000.00	Related to assets
New wheeled tractor core capacity improvement	36,272,727.26		4,836,363.64			31,436,363.62	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	3,750,000.00		500,000.00			3,250,000.00	Related to assets
Others	132,402.41	-	-			132,402.41	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft	3,195,000.00		540,000.00			2,655,000.00	Related to assets
New wheeled tractor intelligent manufacturing new model application	10,818,181.82		1,081,818.20			9,736,363.62	Related to assets
Modern agricultural equipment smart cockpit digital factory	6,902,777.78		583,333.32			6,319,444.46	Related to assets
Research on Fault Warning and Remote Diagnosis Technology for Tractor Operation Information Collection	534,881.53	70,800.00	213,689.91			391,991.62	Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	731,134.49	58,789.00	104,009.49			685,914.00	Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	2,821,325.95	438,300.00	2,812,202.02			447,423.93	Related to income



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 41. Deferred revenue (Continued)

##### (1) Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in other income in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
Key Technology Research and Machine Development of Hilly Mountain Tractor	651,414.47	-	80,030.83			571,383.64	Related to income
Research and System Development of Tractor Inspection Technology	719,943.21		239,623.29			480,319.92	Related to income
Improve independent research and development capabilities	11,981,626.42		1,342,030.68			10,639,595.74	Related to assets
Special funds for urban security housing projects	8,064,000.00			288,000.00		7,776,000.00	Related to assets
Key product testing platform	11,111,577.37		1,388,947.20			9,722,630.17	Related to assets
Development of key core components for new energy-saving and environmentally	704,528.95	172,000.00	758,344.55			118,184.40	Related to income
Research and system development of reliability testing technology for tractor	909,863.66	103,000.00	909,863.66			103,000.00	Related to income
Agricultural machinery pollution emission control technology and system research	818,688.32	112,000.00	861,143.82			69,544.50	Related to income
Application research of intelligent design platform in the development of high power tractor	417,781.24	72,100.00	439,689.71			50,191.53	Related to income
Research on key technologies of clean and combustion of agricultural diesel engine	44,472.44	31,200.00				75,672.44	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	195,894.74	70,700.00				266,594.74	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 Guo-4 Diesel Engine	2,000,000.00					2,000,000.00	Related to income

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 41. Deferred revenue (Continued)

##### (1) Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in other income in current period	Accounted in non-operating income	Other changes	Ending balance	Related to assets/ related to income
State Key Laboratory of Tractor Power System	505,000.00		505,000.00			-	Related to income
Industrial revitalization and technological transformation 8-12Kg/s Multifunctional Combine Harvester Project	8,800,000.00	2,625,000.00	2,200,000.00			6,600,000.00	Related to assets
Diesel Engine National Four Provincial Renovation (Phase I) Project		5,100,000.00	255,000.00			4,845,000.00	Related to assets
Reconstruction project of moulding line for small and medium parts in foundry		2,910,000.00	79,567.59			2,830,432.41	Related to assets
Research and development of large-scale precision planting and fertilizing robot system		206,600.00				206,600.00	Related to income
Research and development of cloud collaborative intelligent harvesting robot system		770,000.00	182,775.01			587,224.99	Related to income
<b>Total</b>	<b>155,715,222.06</b>	<b>12,740,489.00</b>	<b>25,529,432.92</b>	<b>288,000.00</b>		<b>142,638,278.14</b>	-

##### (2) Explanation for deferred revenue: N/A

#### 42. 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	-	-	-		985,850,000.00	

Explanation of share capital: No change in equity in the current period.

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 43. Capital reserve

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium	1,851,848,375.56			1,851,848,375.56
Others capital reserve	247,618,250.77			247,618,250.77
Total	2,099,466,626.33			2,099,466,626.33

#### 44. Other comprehensive income

Item	Beginning balance	Amount before income tax in the current period	Less: accounted in loss and profit in current period which was accounted in other comprehensive income in prior period	Amount incurred in this period		Less: Income tax expense	Attributable to the parent company after tax	Attributable to the minority shareholders after tax	Ending balance
				Less: accounted in retained earnings in current period which was accounted in other comprehensive income in prior period	Less: accounted in retained earnings in current period which was accounted in other comprehensive income in prior period				
Other comprehensive income that will be subsequently reclassified to profit and loss	-14,198,180.13	-11,626,836.86				-12,762,553.03	1,135,716.17		-26,960,733.16
Including: Exchange differences from retranslation of foreign currency financial statements	-14,198,180.13	-11,626,836.86				-12,762,553.03	1,135,716.17		-26,960,733.16
Total other comprehensive income	-14,198,180.13	-11,626,836.86				-12,762,553.03	1,135,716.17		-26,960,733.16

#### 45. Special reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production expense	2,230,000.31	12,927,685.36	12,142,224.45	3,015,461.22
Total	2,230,000.31	12,927,685.36	12,142,224.45	3,015,461.22

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 46. Surplus reserve

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	441,329,741.16			441,329,741.16
Discretionary surplus reserve	771,431.00			771,431.00
Total	442,101,172.16			442,101,172.16

#### 47. General risk reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves	25,104,151.50	14,538,240.88		39,642,392.38

Note: Risk reserves are accrued by China YTO Group Finance Co., Ltd., a subsidiary of the Group.

#### 48. Retained earnings

Item	Current year	Last year
Beginning balance of retained earnings before adjustment	529,451,678.91	493,080,403.24
Total amount of adjustment on beginning balance of retained earnings		-
Beginning balance of retained earnings after adjustment	529,451,678.91	493,080,403.24
Add: Net profit for the year attributable to shareholders of the parent company	280,150,740.30	61,475,427.17
Less: Appropriation of the statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Provision of general risk reserves	14,538,240.88	25,104,151.50
Ending balance of this period	795,064,178.33	129,451,678.91

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 49. Operating revenue and operating costs

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	7,365,226,434.26	5,968,749,843.74	5,670,705,883.99	4,770,213,833.27
Other business	115,503,445.22	51,291,602.78	66,238,093.68	38,067,342.28
Total	<u>7,480,729,879.48</u>	<u>6,020,041,446.52</u>	<u>5,736,943,977.67</u>	<u>4,808,281,175.55</u>

#### 50. Net interest income

Item	Cumulative amount in this period	Cumulative amount in last period
Interest income	96,516,346.86	89,290,344.59
Including: From deposits in other banks	20,182,792.68	23,820,628.67
From deposits in central bank	3,450,102.56	3,339,989.69
Lending funds		4,881,666.62
Loans and advances granted	45,237,223.03	44,655,187.87
Including: Individual loans and advances	7,054,807.56	5,683,563.25
Corporate loans and advances	38,089,529.49	35,133,006.03
Notes discounting	92,885.98	3,838,618.59
Buying back the sale of financial assets	27,646,228.59	12,592,871.74
Interest expense	25,663,192.22	33,252,713.00
Including: From deposits in other banks		
From deposits in central bank		
Deposits from banks and other financial institutes	153,333.34	48,611.11
Deposits adsorption	25,509,858.88	32,889,492.40
Sale of repurchase financial assets		
Others		314,609.49
Net interest income	<u>70,853,154.64</u>	<u>56,037,631.59</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 51. Fees and net commission income

Item	Amount in this period	Amount in last period
Fees and commission income	5,230,561.42	3,940,797.38
Clearing and settlement fees	53,553.74	41,541.46
Agent fees	702,801.85	939,764.11
Credit commitment fees and commissions	82,980.85	59,546.20
Others	4,391,224.97	2,899,945.61
Fees and commission expense	524,735.26	490,425.90
Service fee expense	524,735.26	490,425.90
Commission expense		
Fees and net commission income	<u>4,705,826.16</u>	<u>3,450,371.48</u>

#### 52. Taxes and surcharges

Item	Amount in this period	Amount in last period
Urban maintenance and construction tax	3,553,673.57	2,972,381.22
Education surcharge	2,538,340.31	2,121,370.66
Property tax	20,728,179.98	23,072,795.94
Land use tax	9,204,297.81	10,703,763.66
Vehicle and vessel usage tax	90,876.41	119,228.42
Stamp duty	6,518,647.63	5,406,847.25
Others	1,056,547.11	790,085.17
合計	<u>43,690,562.82</u>	<u>45,186,472.32</u>

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 53. Selling expenses

Item	Amount in this period	Amount in last period
Transportation expenses	164,275,387.43	125,864,251.80
Sales service fees	84,925,614.30	72,227,984.60
Employee compensation	69,555,963.62	59,630,520.96
Travel expenses	13,632,768.72	16,270,350.42
Advertising fees	7,812,207.76	11,571,196.75
Packing expenses	7,719,406.21	10,999,423.64
Insurance expenses	3,039,275.34	2,160,418.31
Depreciation expenses	900,480.32	969,365.71
Others	6,329,389.26	5,833,053.07
Total	<b>358,190,492.96</b>	<b>305,526,565.26</b>

#### 54. Administrative expenses

Item	Amount in this period	Amount in last period
Employee compensation	139,401,067.90	167,489,923.90
Depreciation expenses	60,664,029.84	60,380,606.68
Repair expense	36,875,236.89	26,127,065.60
Overseas personnel expenses	28,081,369.86	14,184,791.67
Amortization of intangible assets	25,922,239.55	26,223,223.07
Rent fees	14,220,143.09	14,183,270.95
Agency fee	7,255,609.73	4,250,182.90
Office fee	4,754,041.80	4,243,417.13
Consultation fee	3,444,555.06	3,172,781.87
Travel expenses	2,822,079.73	3,085,791.92
Business entertainment expense	2,803,385.43	3,581,580.72
Insurance fee	1,478,763.23	1,650,952.16
Litigation costs	1,236,841.69	3,282,324.60
Conference fee	1,080,557.21	3,971,469.52
Others	24,182,285.88	46,543,920.05
Total	<b>354,222,206.89</b>	<b>382,371,302.74</b>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 55. Research & development expenses

Item	Amount in this period	Amount in last period
Employee compensation	133,932,989.35	156,902,449.30
Material cost	127,734,368.99	116,098,802.82
Depreciation expenses	42,180,268.87	44,678,336.10
Design fee	6,035,958.08	826,237.12
Test and Inspection Fee	2,444,815.03	3,283,592.53
Others	26,707,771.09	34,820,129.52
Total	<u>339,036,171.41</u>	<u>356,609,547.39</u>

#### 56. Finance expenses

Item	Amount in this period	Amount in last period
Interest expense	76,005,944.32	138,047,235.07
Interest income	-31,766,071.77	-60,673,101.96
Exchange loss	23,115,481.59	-4,626,405.93
Bank charges	570,761.94	2,282,063.23
Other expense	-15,697,389.10	-13,323,328.04
Total	<u>52,228,726.98</u>	<u>61,706,462.37</u>





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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 57. Loss on impairment of assets

Item	Amount in this period	Amount in last period
Impairment loss on inventories	-49,534,036.78	-54,842,599.68
Impairment loss on fixed assets	-47,127,752.39	-9,725,489.39
Impairment loss on advance payments	-220,332.49	-327,675.00
Impairment loss on construction in progress	-311,743.00	-13,183,421.90
Impairment loss on intangible assets	-792,030.00	-3,822,070.52
Impairment loss on long-term equity investments	-46,500,046.00	
Total	<u>-144,485,940.66</u>	<u>-81,901,256.49</u>

#### 58. Loss on impairment on credit

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-243,223,289.71	-7,354,050.90
Loss of impairment of debt investment	-171,000,000.00	
Loss of impairment of loan investment	3,467,526.30	3,097,191.47
Lendings to Banks and Other Financial Institutions	-30,000,000.00	-30,000,000.00
Total	<u>-440,755,763.41</u>	<u>-34,256,859.43</u>

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

January 1, 2020 to December 31, 2020 (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	105,122,597.68	94,223,622.26
Total	105,122,597.68	94,223,622.26

##### (2) Government grants included in other income

Item	Amount in this period	Amount in last period	Related to assets/related to income
Stable subsidy	62,880,639.49	47,294,078.23	Related to income
Subsidies for training by work	6,101,800.00		Related to income
High-power non-road diesel engine	4,900,000.00	4,900,000.00	Related to assets
New wheeled tractor core capacity improvement	4,836,363.64	4,836,363.64	Related to assets
Financial subsidies for enterprise R&D expenses	3,130,000.00		Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	2,812,202.02	3,220,694.35	Related to income
(Innovation project in self-owned area) Robot and intelligent equipment			Related to assets
260–340 horsepower power shift tractor research and development and industrialization	2,220,000.00		
Industrial revitalization and technological transformation	2,200,000.00	2,200,000.00	Related to assets
Key product testing and testing platform	1,388,947.20	1,388,947.20	Related to assets
Improve independent research and development capabilities	1,342,030.68	1,342,030.68	Related to assets
New wheeled tractor intelligent manufacturing new model application	1,081,818.20	1,081,818.18	Related to assets

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

*January 1, 2020 to December 31, 2020 (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
Subsidies after enterprise technology transfer in 2018	1,000,000.00		Related to income
Research and system development of reliability testing technology for tractor	909,863.66	854,487.28	Related to income
Special Award and Supplementary Funds for Industrial Enterprise Structural Adjustment	900,000.00		Related to income
Agricultural machinery pollution emission control technology and system research	861,143.82	560,941.65	Related to income
Special funds for major science and technology projects in Henan Province	780,000.00		Related to income
Development of key core components for new energy-saving and environmentally friendly agricultural diesel engines	758,344.55	1,156,374.98	Related to income
C Series Government Project Grant	716,000.00	716,000.00	Related to assets
Fund subsidy income of export credit insurance projects	688,500.00	777,000.00	Related to income
Modern agricultural equipment smart cockpit digital factory	583,333.32	97,222.22	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	540,000.00	540,000.00	Related to assets
Key Laboratory of Tractor Power System	505,000.00		Related to income
Annual production of 1000 high-power power shift heavy-duty wheel tractors	500,000.00	500,000.00	Related to assets
Application Research of Intelligent Design Platform in the Development of High Power Tractor	439,689.71	780,713.77	Related to income
Production and sales docking incentive funds	371,600.00		Related to income

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

January 1, 2020 to December 31, 2020 (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
2017 Luoyang small and micro enterprise technology transaction reward fund		200,000.00	Related to income
Subsidy Income of Subsidy Fund for Small and Medium-sized Enterprises in Developing International Market Projects	343,400.00	993,100.00	Related to income
Diesel Engine National Four Provincial Renovation (Phase I) Project	255,000.00		Related to assets
National Import Interest Subsidy Fund	248,569.00		Related to income
Research and System Development of Tractor Inspection Technology	239,623.29	159,782.26	Related to income
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	213,689.91	249,047.94	Related to income
High-tech enterprise recognition reward	200,000.00		Related to income
Research and development of cloud collaborative intelligent harvesting robot system	182,775.01		Related to income
Government subsidies for supporting national and provincial foreign trade industry bases	180,000.00		Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	104,009.49	1,097,139.52	Related to income
Government subsidies for processing trade funds	90,000.00		Related to income
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	80,030.83	558,023.90	Related to income

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

*January 1, 2020 to December 31, 2020 (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
Reconstruction project of moulding line for small and medium parts in foundry	79,567.59		Related to assets
Special funds for foreign economic and trade development	60,000.00		Related to income
First batch of demonstration enterprises of single champion in manufacturing industry		1,000,000.00	Related to income
Application Engineering of "Machine Replacement" for Tractor Parts		4,000,000.00	Related to income
Research and development financial subsidy of Luoyang Finance Bureau		3,000,000.00	Related to income
The First Set of Major Technological Equipment Products Award and Subsidy Funds		2,146,600.00	Related to income
Development and Industrialization of LF Series Power Shift Tractors		2,000,000.00	Related to income
Science and technology R & D service platform award and supplementary fund		595,000.00	Related to income
Research and Application of New Wear-resistant Metal Material in Agricultural Machinery Equipment		801,078.03	Related to income
Technical research project of field operation quality of tractor unit and whole machine performance test verification technology		385,169.15	Related to income
Special funds for the preparation and revision of national standards		310,000.00	Related to income
Key Technology and Equipment for Precision Forming of Large Digital Dieless Casting		702,400.00	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD		569,731.69	Related to income

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

January 1, 2020 to December 31, 2020 (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
Post-financing of scientific and technological innovation and entrepreneurship service institutions		500,000.00	Related to income
Corporate R&D subsidy funds		911,600.00	Related to income
Research on Key Technologies of Clean Combustion for Agricultural Diesel Engine		276,661.05	Related to income
Rapid development and demonstration application of new casting products for tractors and diesel engines		259,200.00	Related to income
Research and experimental verification of the general integrated model standard for agricultural machinery and equipment intelligent factory		300,000.00	Related to income
Others	<b>398,656.27</b>	962,416.54	Related to income
Total	<b>105,122,597.68</b>	94,223,622.26	

##### (3) Explanation of other income: N/A

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 60. Government subsidies

**(1) Classification of government subsidies**

Projects of government subsidies	Amount in this period	Amount in last period	remark
Government subsidies included in deferred income	12,740,489.00	22,313,331.00	
Government subsidies included in other income	79,593,164.76	48,080,837.95	
Government subsidies included in non-business income	21,592,302.13	24,066,004.19	
Total	<u>113,925,955.89</u>	<u>94,460,173.14</u>	

**(2) Explanation of government grants: N/A**

#### 61. 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	1,738,170.81	-10,618,250.83
Investment income from disposal of long-term equity investments	329,530,585.46	212,200,839.17
Investment income from holding of trading financial assets	17,685,813.11	29,642,540.63
Investment income from disposal of trading financial assets	636,994.73	15,280.36
Investment income from holding of debt investments others	-280,000.00	585,422.58
		10,569,512.94
Total	<u>349,311,564.11</u>	<u>242,395,344.85</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 61. Investment income (Continued)

Description of investment income:

The investment income of the current period increased by 106.9162 million compared with the previous period. The main reason was that the bankruptcy liquidation of Shentong Company was not included in the consolidation scope, which led to an increase of 329.0543 million in income. At the same time, the bankruptcy of the company accrued a credit impairment loss of 280.79 million for the corresponding assets and long-term equity investment loss of 46.50 million, the cumulative impact of this event increased the current profit of 1.7642 million.

#### 62. Income from changes in fair value

Item	Amount in this period	Amount in last period
Trading financial assets	26,405,594.35	83,538,886.07
Derivative financial instruments		2,148,849.11
Total	<u>26,405,594.35</u>	<u>85,687,735.18</u>

#### 63. Assets disposal income

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	6,260,623.26	797,468.07
Others	1,988,516.98	
Total	<u>8,249,140.24</u>	<u>797,468.07</u>



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 64. Non-operating income

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Government grants	21,880,302.13	24,354,004.19	21,880,302.13
Unpayable payables	4,300,469.22	12,482,894.04	4,300,469.22
Others	1,746,673.61	4,660,782.56	1,746,673.61
Total	<u>27,927,444.96</u>	<u>41,497,680.79</u>	<u>27,927,444.96</u>

**(1) Government grants recognised in the profits and losses of the current period**

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	21,592,302.13	21,723,861.35	Related to income
Property tax and land use tax	—	2,342,142.84	Related to income
Total	<u>21,880,302.13</u>	<u>24,354,004.19</u>	

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

January 1, 2020 to December 31, 2020 (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 expenses

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Donations to outside party		28,033.11	
Compensation expenditure	8,491,418.67		8,491,418.67
Lost of Non-current assets scrapped	62,805.67		62,805.67
French company environmental governance costs	4,498,730.40		4,498,730.40
Others	266,499.36	2,542,318.32	266,499.36
Total	<u>13,319,454.10</u>	<u>2,570,351.43</u>	<u>13,319,454.10</u>

Explanation of non-operating expenses: (N/A)

#### 66. Income tax expenses

##### (1) Chart of income tax expenses

Item	Amount in this period	Amount in last period
Current income tax expenses	16,149,697.91	30,790,507.02
Deferred income tax expense	10,222,487.18	25,320,206.47
Others		
Total	<u>26,372,185.09</u>	<u>56,110,713.49</u>

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 66. Income tax expenses (Continued)

**(2) The Adjustment Process of Accounting Profit and Income Tax Expenses**

Item	Amount in this period
Total profit	307,334,435.87
Income Tax Expenses at Statutory/Applicable Tax Rates	76,833,608.97
The Impact of Different Tax Rates on Subsidiaries	-42,353,240.63
The impact of income tax on the period before adjustment	-270,630.40
The impact of non-taxable income	-44,430,111.44
Non-deductible Cost, Cost and Loss Impact	5,513,212.47
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-62,189,105.29
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	129,924,185.12
Extra deductions for R& D expenses	-36,054,204.69
Others	-601,529.02
Income tax expenses	<u>26,372,185.09</u>

**(3) Explanation of income tax expenses: N/A**

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 67. Notes to items of cash flow statement

##### (1) Cash receipts from other operating activities

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	7,300,098.27	7,053,500.20
Cash receipts of government subsidy	113,925,955.89	94,460,173.14
Cash receipts from other receivables	38,280,435.15	25,890,776.71
Recovery of deposit	30,000,000.00	
Total	<u>189,506,489.31</u>	<u>127,404,450.05</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	270,854,919.36	251,153,202.67
Payment of other payables	23,147,643.36	64,332,191.59
Total	<u>294,002,562.72</u>	<u>315,485,394.26</u>

##### (3) Payment of other cash related to investment activities

Item	Amount in this period	Amount in last period
The net cash received from the disposal of subsidiaries and other business units was negative	235,907.24	
Total	<u>235,907.24</u>	<u></u>



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 67. Notes to items of cash flow statement (Continued)

(4) *Receive other cash related to financing activities*

Item	Amount in this period	Amount in last period
Dividend refund	19,328.96	
Total	19,328.96	

(5) *Other cash payments relating to financing activities*

Item	Amount in this period	Amount in last period
Right-to-use assets	18,881,483.02	18,912,382.68
Total	18,881,483.02	18,912,382.68

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 68. Supplementary information for consolidated cash flow statement

(1) *Supplementary information for consolidated cash flow statement*

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	280,962,250.78	126,513,125.42
Add: Provision for asset impairment	144,485,940.66	81,901,256.49
Loss on impairment on credit	440,755,763.41	34,256,859.43
Depreciation of fixed asset	294,961,584.18	295,945,487.07
Amortization of right-to-use assets	20,261,116.15	18,912,382.68
Amortization of intangible assets	29,970,135.47	30,649,531.90
Amortization of long-term deferred expenses	19,565,057.92	17,092,808.91
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-8,249,140.24	-797,468.07
Loss on disposal of fixed assets (Gain listed as "-")	62,805.67	-
Gain or loss from changes in fair value (Gain listed as "-")	-26,405,594.35	-85,687,735.18
Financial expenses (Gain listed as "-")	47,141,304.71	85,772,633.31
Loss on investments (Gain listed as "-")	-349,311,564.11	-242,395,344.85
Decrease in deferred tax assets (Increase listed as "-")	8,573,101.98	13,189,701.96
Increase in deferred tax liabilities (Decrease listed as "-")	1,627,250.31	12,130,504.51
Decrease in inventories (Increase listed as "-")	-407,319,527.87	448,291,835.00
Decrease in operating receivables (Increase listed as "-")	-908,704,244.23	-254,441,428.67
Increase in operating payables (Decrease listed as "-")	1,660,402,017.69	-250,602,480.23
Others		
Net cash flow generated from operating activities	<u>1,248,778,258.13</u>	<u>330,731,669.68</u>

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 68. Supplementary information for consolidated cash flow statement

**(1) Supplementary information for consolidated cash flow statement**

Item	Amount in this period	Amount in last period
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents		
Ending balance of cash	1,416,825,910.58	1,120,120,449.63
Less: Beginning balance of cash	1,120,120,449.63	1,279,587,830.24
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<u>296,705,460.95</u>	<u>-159,467,380.61</u>

**(2) Cash and cash equivalents**

Item	Ending balance	Beginning balance
1. Cash	1,416,825,910.58	1,120,120,449.63
Including: Cash on hand	382,376.31	994,815.11
Bank deposits ready for payment	1,404,284,221.65	1,106,289,570.55
Other monetary funds ready for payment	12,159,312.62	12,836,063.97
Deposit in the Central Bank ready for payment		
Interbank deposits		
Loans to other banks		
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Ending balance of cash and cash equivalents	1,416,825,910.58	1,120,120,449.63
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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 69. Assets with restricted ownership or right-to-use

Item	Ending balance of book value	Reason
Monetary funds	285,799,564.95	Cash deposits and statutory reserve deposited in the Central Bank
Receivables financing	22,587,970.64	Bills Pledge
Fixed assets	44,061,833.58	Loan mortgage
Intangible assets	15,773,623.57	Loan mortgage
Total	<u>368,222,992.74</u>	/

#### 70. Net current assets

Item	Ending balance	Beginning balance
Current assets	7,442,992,787.99	6,415,221,116.11
Less: current liabilities	6,874,682,789.41	6,307,588,978.88
Net current assets	<u>568,309,998.58</u>	<u>107,632,137.23</u>

#### 71. Total assets deduct current liabilities

Item	Ending balance	Beginning balance
Total assets	12,342,608,882.99	11,629,022,385.51
Less: current liabilities	6,874,682,789.41	6,307,588,978.88
Total assets deduct current liabilities	<u>5,467,926,093.58</u>	<u>5,321,433,406.63</u>



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 72. Loan

Item	Ending balance	Beginning balance
Short-term bank loan	833,433,929.60	1,411,819,719.44
Long-term loans due in one year		629,077,500.00
Long-term loan	99,800,000.00	139,077,500.00
	<hr/>	<hr/>
Total	<b>933,233,929.60</b>	<b>2,179,974,719.44</b>
	<hr/> <hr/>	<hr/> <hr/>

#### (1) Analysis of loan

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	833,433,929.60	2,040,897,219.44
Paid after one year	99,800,000.00	139,077,500.00
	<hr/>	<hr/>
Total	<b>933,233,929.60</b>	<b>2,179,974,719.44</b>
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#### (2) Maturity date analysis of loan

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	833,433,929.60	2,040,897,219.44
1-2 years	99,800,000.00	39,077,500.00
2-5 years		100,000,000.00
	<hr/>	<hr/>
Total	<b>933,233,929.60</b>	<b>2,179,974,719.44</b>
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## NOTES TO THE FINANCIAL STATEMENTS OF FIRST TRACTOR COMPANY LIMITED (CONTINUED)

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 73. Foreign currency monetary items

##### (1) Foreign currency monetary items (Continued)

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
<b>Monetary funds</b>			<b>191,838,452.93</b>
USD	19,773,993.96	6.5249	129,023,333.19
EUR	1,831,984.81	8.0250	14,701,678.10
HKD	42,699,251.02	0.8416	35,935,689.66
YEN			
AUD	20,784.40	5.0163	104,260.79
XOF	985,042,716.00	0.0122	12,017,521.14
ZAR	85,817.64	0.4458	38,257.50
BYR	7,031.30	2.5191	17,712.55
<b>Accounts receivable</b>			<b>125,628,231.70</b>
USD	15,425,212.35	6.5249	100,647,968.06
EUR	322,550.95	8.0250	2,588,471.38
AUD	789,211.40	5.0163	3,958,921.15
XOF	604,397,028.00	0.0122	7,373,643.74
ZAR	24,807,598.41	0.4458	11,059,227.37
<b>Other receivables</b>			<b>5,650,606.56</b>
XOF	41,096,807.50	0.0122	501,381.05
ZAR	26,860.62	0.4458	11,974.46
BYR	13,397.82	2.5191	33,750.45
EUR	635,950.23	8.0250	5,103,500.60
<b>Non-current assets maturing within one year</b>			<b>330,647,509.01</b>
USD	43,168,381.09	6.5249	281,669,369.79
EUR	6,103,194.92	8.0250	48,978,139.22

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

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

#### 73. Foreign currency monetary items (Continued)

##### (1) Foreign currency monetary items (Continued)

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
<b>Long-term receivables</b>			<b>130,897,287.98</b>
USD	4,624,212.28	6.5249	30,172,522.70
EUR	12,551,372.62	8.0250	100,724,765.28
<b>Accounts payable</b>			<b>37,110,926.34</b>
USD	4,129,407.89	6.5249	26,943,973.54
EUR	1,129,426.29	8.0250	9,063,645.97
AUD	11,794.96	5.0163	59,167.06
XOF	76,807,151.00	0.0122	937,047.24
BYR	42,512.22	2.5191	107,092.53
<b>Other payables</b>			<b>719,643.28</b>
USD	71,444.77	6.5249	466,169.98
XOF	20,776,500.00	0.0122	253,473.30
<b>Short-term loans</b>			<b>3,433,929.60</b>
EUR	427,904.00	8.0250	3,433,929.60
<b>Employee benefits payable</b>			<b>6,476,067.83</b>
EUR	796,253.00	8.0250	6,389,930.33
BYR	34,193.76	2.5191	86,137.50
<b>Long-term payables</b>			<b>9,151,465.90</b>
XOF	750,120,156.00	0.0122	9,151,465.90

##### (2) Overseas business entities

Company name	Overseas main business place	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd	Hong Kong	USD	Business environment and the main settlement currency
YTO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MCHINERY(SA) (PTY) LTD.	South Africa	ZAR	Business environment and the main settlement currency
YTO FRANCE SAS	France	EUR	Business environment and the main settlement currency
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

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

#### 74. Depreciation and amortization

Item	Amount in this period	Amount in last period
Depreciation of fixed assets	294,961,584.18	295,945,487.07
Amortization of intangible assets	29,970,135.47	30,649,531.90
Total	324,931,719.65	326,595,018.97

#### 75. Reserved funds

According to the applicable law of China, where the Group is registered and established, the allowable reserve of the Group on December 31, 2020 is RMB795,064,178.33, and the capital reserve-equity premium is RMB1,851,848,375.56.

### VII. CHANGES IN THE SCOPE OF CONSOLIDATION

#### 1. Business consolidation not under common control

No business consolidation not under common control in this period.

#### 2. Business consolidation under common control

No business consolidation under common control in this period.

#### 3. Disposal of subsidiary companies: N/A

#### 4. Changes in the scope of consolidation due to other reasons

- (1) YTO (Luoyang) Shentong Construction Machinery Co., Ltd., a subsidiary of the company, has filed for bankruptcy with the People's Court due to continuous losses, insolvency, and difficulty in repaying its due debts. The court has accepted this case, Parent company no longer controls it, so the current period Shentong is not included in the scope of consolidation.
- (2) YTO Heilongjiang Agricultural Equipment Co., Ltd., a subsidiary of the company, has completed its cancellation this year, and related assets and liabilities have been incorporated into the parent company. Therefore, the consolidated statement at the end of the period reduces the subsidiary.

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VIII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Composition of the Group

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage(%)		Acquisition method
				Direct	Indirect	
China-Africa Heavy Industry Investment Co., Ltd	China	China	Sale of agricultural machinery	55.00		Establishment
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	China	China	Tractor manufacturing	33.33		Subsidiaries acquired through business combination not under common control
Luoyang tractor research institute co., Ltd	China	China	Research and development	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	Financial service	94.60	4.80	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	China	China	Tractor manufacturing	100.00		Subsidiaries acquired through business combination not under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00		Business combination under common control
YTO FRANCE SAS	France	France	Tractor manufacturing	100.00		Establishment
YTO Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00		Business combination under common control

The reason why the proportion of shareholding in the subsidiary is different from the proportion of the voting rights

According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94.25 million based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Co., Ltd (referred to as "Changtuo Company") on March 31, 2012. the Company holds 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "SINOMACH"), SINOMACH authorized its voting right and supervision and management right corresponding to 33.33% equity of Changtuo Company to the Company to independently exercise these rights. The authorization will end when SINOMACH transfers the equity to unrelated third parties. During the authorization period, SINOMACH cannot unilaterally withdraw its authorization. SINOMACH has to obtain the written consent from the Company if SINOMACH needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

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

January 1, 2020 to December 31, 2020 (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
YTO Group Finance Co., Ltd	1.21	362,860.78	111,135.00	10,719,641.33
Luoyang Tractor Research Institute Co., Ltd	49	6,064,758.60	78,400,000.00	323,858,181.44
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	9,303,876.66		248,285,190.95

##### (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	YTO Group Finance Co., Ltd	Luoyang Tractor Research Institute Co., Ltd	YTO (Luoyang) Diesel Engine Co., Ltd	YTO Group Finance Co., Ltd	Luoyang Tractor Research Institute Co., Ltd	YTO (Luoyang) Diesel Engine Co., Ltd
Current assets	3,034,066,017.98	282,606,497.74	1,893,161,382.42	1,950,735,943.05	432,458,533.77	1,577,630,249.15
Non-current assets	2,187,569,952.42	457,569,807.66	680,839,294.65	2,248,914,114.36	478,612,288.76	694,214,971.29
Total assets	5,221,635,970.40	740,176,305.40	2,574,000,677.07	4,199,650,057.41	911,070,822.53	2,271,845,220.44
Current liabilities	4,384,227,157.29	41,640,194.22	954,716,228.34	3,373,749,154.81	60,832,294.62	730,397,062.33
Non-current liabilities	186,354.78	37,601,047.02	141,341,197.66	137,005.54	41,680,522.12	131,379,230.44
Total liabilities	4,384,413,512.07	79,241,241.24	1,096,057,426.00	3,373,886,160.35	102,512,816.74	861,776,292.77
Operating income	150,719,605.55	176,582,037.22	1,876,429,584.77	150,791,451.24	211,559,804.82	1,361,827,811.93
Net profit	29,981,061.27	12,377,058.37	67,557,877.16	48,815,854.27	138,562,634.49	35,424,877.73
Total comprehensive income	29,981,061.27	12,377,058.37	67,557,877.16	48,815,854.27	138,562,634.49	35,424,877.73
Cash Flow of Operational Activities	203,060,343.80	-28,700,498.02	40,212,816.68	-408,757,870.57	122,500,824.72	128,657,230.98

##### (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

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 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

##### (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	3,286,986.11	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
– Unrealized profits from internal transactions		102,710.06
Book value of equity investments in joint ventures	617,842.97	121,441,096.58
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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 3. Interests in joint ventures or associates (Continued)

##### (2) Main financial information of important joint ventures (Continued)

Item	Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	2,459,770.66	109,510,694.21
Non-current assets	1,225,055.07	195,181,169.36
Total assets	3,684,825.73	304,691,863.57
Current liabilities	157,192.28	43,382,643.20
Non-current liabilities	94,831.00	18,831,974.81
Total liabilities	252,023.28	62,214,618.01
Minority interests		
Equity attributable to the parent company shareholders	3,432,802.45	242,477,245.56
Share of net assets calculated by shareholding ratio	686,564.47	118,813,850.32
Adjusted matters		-16,488.23
– Unrealized profits from internal transactions		-16,488.23
Book value of equity investments in joint ventures	686,564.47	118,785,505.12
Operating income	143,607.34	131,840,623.44
Finance expenses	231.41	-473,861.72
Income tax expenses		–
Net profit	-363,761.74	-23,230,693.24
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-363,761.74	-23,230,693.24
Dividends from associates for current period		



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

*January 1, 2020 to December 31, 2020 (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	273,680.12	281,102.48
Total amount of the following items calculated by shareholding ratio	—	—
Net profit	-7,422.36	25,888.21
Other comprehensive income	—	—
Total comprehensive income	<u>-7,422.36</u>	<u>25,888.21</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, 2020 to December 31, 2020 (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, 2020, 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, 2020 to December 31, 2020 (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, 2020, the accounts receivable of the top five customers accounted for 29.70% (December 31, 2019: 29.06%) of the Group's total accounts receivable, so the group has no significant risk of credit concentration.

The Group's credit risk exposure includes on balance sheet items and off balance sheet items involving credit risk. On the balance sheet date, the book value of the group's financial assets has represented its maximum credit risk exposure.

#### 2. Liquidity risk

Liquidity risk refers to the risk of capital shortage when the Group fulfills its obligation to pay cash or other financial assets for settlement. Each member of the Group is responsible for its cash flow forecast. The financial company under the Group monitors the long-term and short-term capital demand at the Group level based on the cash flow forecast results of each member company. Through the fund pool plan set up by large banking financial institutions, the Group coordinates and dispatches surplus funds within the group, and ensures that member enterprises have sufficient cash reserves to fulfill payment obligations due for settlement. In addition, the Group has entered into a credit agreement with major business banks to support the Group in fulfilling its obligations related to commercial paper.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. Liquidity risk (Continued)

Cash Flow Payable as shown in the Contract Remaining Period at the Balance Sheet Date of the Group's Financial Liabilities:

Item	Net book vale	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	6,160,611,896.40	6,060,811,896.40	99,800,000.00		
Item	Net book vale	Within 1 year	December 31, 2019		
			1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,004,008,951.30	1,004,008,951.30			
Accounts payable	1,252,450,248.58	1,252,450,248.58			
Other payables	302,747,490.57	302,747,490.57			
Other current liabilities	225,466,269.20	225,466,269.20			
Short-term borrowings	1,419,528,065.30	1,419,528,065.30			
Long-term loans	139,077,500.00		39,077,500.00	100,000,000.00	
Non-current liabilities due within one year	649,035,505.95	649,035,505.95			
Absorbing deposits and Interbank Deposit	1,137,277,294.54	1,137,277,294.54			
Subtotal of non-derivative financial liabilities	6,129,591,325.44	5,990,513,825.44	39,077,500.00	100,000,000.00	
Financial liabilities	6,129,591,325.44	5,990,513,825.44	39,077,500.00	100,000,000.00	

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

*January 1, 2020 to December 31, 2020 (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, 2020, 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>191,838,452.93</b>		156,676,176.66
USD	19,773,993.96	129,023,333.19	14,428,713.41	100,657,590.50
EUR	1,831,984.81	14,701,678.10	1,310,360.83	10,241,125.08
HKD	42,699,251.02	35,935,689.66	42,591,575.98	38,152,681.93
AUD	20,784.40	104,260.79		
XOF	985,042,716.00	12,017,521.14	613,992,327.00	7,312,648.62
ZAR	85,817.64	38,257.50	388,296.33	191,934.88
BYR	7,031.30	17,712.55	36,243.90	120,195.65
<b>Accounts receivable</b>		<b>125,628,231.70</b>		114,782,111.92
USD	15,425,212.35	100,647,968.06	12,722,386.15	88,753,910.22
EUR	322,550.95	2,588,471.38	684,956.65	5,353,278.69
AUD	789,211.40	3,958,921.15	943,019.40	4,605,989.66
XOF	604,397,028.00	7,373,643.74	171,902,182.06	2,047,354.99
ZAR	24,807,598.41	11,059,227.37	28,366,535.21	14,021,578.36
<b>Other receivables</b>		<b>5,650,606.56</b>		11,755,804.08
XOF	41,096,807.50	501,381.05	18,588,593.93	221,390.15
ZAR	26,860.62	11,974.46	26,860.62	13,277.20
BYR	13,397.82	33,750.45		
EUR	635,950.23	5,103,500.60	1,474,139.43	11,521,136.73
<b>Non-current assets maturing within one year</b>		<b>330,647,509.01</b>		270,402,669.98
USD	43,168,381.09	281,669,369.79	38,713,764.41	270,074,963.25
EUR	6,103,194.92	48,978,139.22	41,930.36	327,706.73
<b>Long-term receivables</b>		<b>130,897,287.98</b>		210,735,785.32
USD	4,624,212.28	30,172,522.70	9,355,912.89	65,268,719.50
EUR	12,551,372.62	100,724,765.28	18,612,637.18	145,467,065.82

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

January 1, 2020 to December 31, 2020 (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>Foreign currency financial liabilities</b>				
<b>Accounts payable</b>		<b>37,110,926.34</b>		41,412,106.01
USD	4,129,407.89	26,943,973.54	4,141,288.89	28,890,459.56
EUR	1,129,426.29	9,063,645.97	1,577,930.19	12,332,313.40
AUD	11,794.96	59,167.06		
XOF	76,807,151.00	937,047.24	6,002,201.00	71,486.21
ZAR	-	-	150,000.00	74,145.00
BYR	42,512.22	107,092.53	13,177.89	43,701.84
<b>Other payables</b>		<b>719,643.28</b>		5,456,420.74
USD	71,444.77	466,169.98	71,444.77	498,413.01
EUR			602,314.71	4,707,390.62
HKD				
XOF	20,776,500.00	253,473.30	20,776,500.00	247,448.12
ZAR				
BYR			955.58	3,168.99
<b>Short-term loans</b>		<b>3,433,929.60</b>		1,930,331.98
USD				
EUR	427,904.00	3,433,929.60	246,987.65	1,930,331.98
XOF				
<b>Employee benefits payable</b>		<b>6,476,067.83</b>		14,028,739.20
EUR	796,253.00	6,389,930.33	1,780,803.50	13,917,869.75
BYR	34,193.76	86,137.50	33,431.67	110,869.45
<b>Non-current liabilities due within one year</b>				39,250,203.48
EUR			5,022,097.56	39,250,203.48
<b>Long-term loans</b>				39,077,500.00
EUR			5,000,000.00	39,077,500.00
<b>Long-term accounts payable</b>		<b>9,151,465.90</b>		8,933,931.06
XOF	750,120,156.00	9,151,465.90	750,120,156.00	8,933,931.06

Sensitivity analysis:

By the end of December 31, 2020, 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 RMB72,777,005.52 (Year 2019: RMB61,426,331.55).

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

January 1, 2020 to December 31, 2020 (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, 2020, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB and Euro, amounting to RMB99,800,000.00. (Details in VI Note 36 Long-term Loans)

Sensitivity analysis:

By the end of December 31, 2020, if the interest rate calculated at floating interest rate has increased or decreased by 1%, while other factors remain unchanged, the Group's pre-tax profit will decrease or increase by about RMB998,000.00. (Year 2019: RMB1,000,000.00).

The above sensitivity analysis assumption of interest rate changes has taken place on the balance sheet date and have been applied to all loans obtained by our company at floating interest rates.

##### (3) Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

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

January 1, 2020 to December 31, 2020 (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, 2020, 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

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
Subtotal of Financial Assets Measured at Fair Value and its changes are accounted in loss and profit in current period	6,108,457.98		300,000,000.00	306,108,457.98
Investments on debt instrument			300,000,000.00	300,000,000.00
Investments on equity instrument	6,108,457.98			6,108,457.98
Subtotal of designated as financial assets measured at fair value and its changes are accounted in loss and profit in current period			1,000,272,900.00	1,000,272,900.00
Investments on debt instrument			1,000,272,900.00	1,000,272,900.00
Investments on equity instrument				
Total assets	6,108,457.98		1,300,272,900.00	1,306,381,357.98



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### X. DISCLOSURE OF FAIR VALUE (CONTINUED)

#### 3. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously.

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-timely and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets incorporated in current profit and loss at fair value).

#### 4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is in the second level.

#### 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.

The Company hired Zhonglian Asset Appraisal Group Co., Ltd. to issue the valuation report for the investment in equity instruments held by the Company. The valuation method of equity instruments in valuation report is market method- comparisons of listed companies and market method.

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

January 1, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (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 <i>(RMB ten thousand)</i>	Percentage of shareholding in the Company <i>(%)</i>	Percentage of voting right in the Company <i>(%)</i>
YTO Group Corporation	Henan Luoyang	Production and sales of large and small tractors, construction machinery, diesel engines, etc.	302,374.96	41.66	41.66

**(1) Explanation of the parent company of the Company:**

N/A

**(2) The ultimate controlling party of the Company is China National Machinery Industry Corporation Ltd.**

China National Machinery Industry Corporation Ltd, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital of the Group is 26 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, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 4. Other related parties

Name of other related parties	Relationship to the Company
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control
YTO (Luoyang) Tobacco Machinery Co., Ltd.	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
YTO (Luoyang) material equipment Co., Ltd	Under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	Under common control
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang ZhongshouMachinery Equipment Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fossett auto incorporate company	Under common control
Luoyang Duoan Advertising Co., Ltd	Under common control
Dongfanghong (Luoyang) Culture Communication Centre	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
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
China National Machinery Heavy Industry (Luoyang) 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

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

January 1, 2020 to December 31, 2020 (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
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
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

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, 2020 to December 31, 2020 (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	14,139,228.76	18,255,373.36
Research and development revenue	40,000,000.00	
rendering of services	42,452.83	
Purchase of raw materials and components	9,172,889.00	61,163,799.54
Interest income	2,639,622.64	6,101,863.15
Pay clients' deposit interest	153,448.75	515,635.21
Commission income	53,782.48	65,474.52
Pay for R & D expenses	2,280,188.68	2,830.19

(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	238,631,794.68	198,455,486.00
Purchase of raw materials and components	533,098,452.65	305,007,479.67
Payment and payable of power expense	174,638,657.24	133,680,514.76
Payment and payable of comprehensive services and transportation fees	195,838,701.08	140,682,645.80
Payment and payable of land rental expenses	9,736,486.67	8,889,299.17
Payment and payable of buildings rental expenses	8,578,887.75	9,258,076.18
Payment and payable of equipment rental expenses	707,456.37	703,082.80
Pay for R & D expenses	22,112,044.66	136,452.79
Rental income of leasing buildings and equipment	5,934,752.32	2,897,972.42
Land lease income	1,785,472.25	1,637,791.81
Trademark use income	133,396.23	298,490.57
Purchase of plant and equipment	6,684,149.91	642,014.24
Interest income	30,013,557.14	30,522,736.58
Pay clients' deposit interest	23,397,157.27	31,277,358.43
Commission income	783,760.33	974,017.77
Payment received of research and development expense	55,156,603.82	55,784,750.05

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

January 1, 2020 to December 31, 2020 (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	31,200,022.65	30,415,503.86
Income from technology license	523,169.26	378,366.88
Income from trademark use	5,660.38	4,528.30
Income from comprehensive service		1,968,084.90
Rental income	6,653,954.33	6,627,532.31
Purchase raw materials and parts	219,241,318.48	166,363,152.53
Payment for clients' deposit interest	4,516,743.69	3,765,441.72
Income from research and development costs	72,363,767.03	85,922,850.00
Income from payable power fee	60,811.67	106,524.16
Providing technology and testing services	2,189,926.25	2,188,471.51
Commission income	4,522.21	5,837.63

**(5) Borrowing and lending between related parties**

Item	Amount in this period	Amount in last period
Loans granting	1,000,547,840.00	1,003,787,840.00
Notes discounted	12,720,000.00	6,004,563.12
Absorption of deposits interbank deposits	17,722,577,695.04	17,722,648,527.25
Short term borrowings	648,047,967.13	348,047,967.13
	850,000,000.00	550,000,000.00

**(6) Transfer of equity to related parties**

Name of company	Transaction content	Relationship with related parties	Book value	Appraisal Value	Transfer price
China YTO Group Co., Ltd	Transfer of 29.5% equity held by the company of Luoyang Forset Environmental Technology Co., Ltd.	Controlling shareholder		476,277.50	476,277.50
China YTO Group Co., Ltd	Transfer of patented technology	Controlling shareholder	0.00	1,983,800.00	1,983,800.00



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

*January 1, 2020 to December 31, 2020 (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	28.76	40.63
Salaries and other benefits	561.59	401.27
Retirement benefits scheme contribution	28.18	24.72
Total remuneration	<b>618.53</b>	466.62

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		79.76	3.46	83.22
<b>Non-executive directors</b>				
Zhou Honghai				
Li, Hepeng	0.5			0.5
Xie, Donggang	0.3			0.3
<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

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

January 1, 2020 to December 31, 2020 (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) (Continued)

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Key management personnel</b>				
Wang, Kejun ( <i>Deputy general manager</i> )		66.23	3.45	69.68
Su, Wensheng ( <i>Deputy general manager</i> )		70.25	3.46	73.71
Xue Wenpu ( <i>Deputy general manager</i> )		104.33	3.46	107.79
Yu Lina ( <i>Deputy general manager &amp; Board Secretary</i> )		66.27	3.46	69.73
Su Ye ( <i>CFO</i> )		7.16	1.63	8.79
Other key management personnel				
Yu Zengbiao ( <i>Former non-executive director</i> )	3.39			3.39
Zhang Hongsheng ( <i>Former chairman of the board of supervisors</i> )				
Zhao Junfen ( <i>Former chief financial officer</i> )		46.76	2.46	49.22
<b>Total</b>	<b>28.76</b>	<b>561.59</b>	<b>28.18</b>	<b>618.53</b>

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

*January 1, 2020 to December 31, 2020 (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) (Continued)**

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Li Xiaoyu				0.00
Cai Jibo				0.00
Liu Jiguo		44.32	2.81	47.13
<b>Non-executive directors</b>				
Zhou Honghai				0.00
Li, Hepeng	0.59			0.59
Xie, Donggang	0.57			0.57
<b>Independent non-executive directors</b>				
Yu Zengbiao	9.41			9.41
Yang, Minli	9.66			9.66
Wang Yuru	9.66			9.66
Xue Lipin	10.51			10.51
<b>Supervisors</b>				
Zhang Hongsheng				0.00
Tian Peng				0.00
Zhang Bin				0.00
Wang Hongbin		47.93	2.81	50.74
Yang Kun		24.60	2.81	27.41

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

January 1, 2020 to December 31, 2020 (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) (Continued)

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
<b>Key management personnel</b>				
Wang, Kejun ( <i>Deputy general manager</i> )		41.23	2.81	44.04
Su, Wensheng ( <i>Deputy general manager</i> )		41.16	2.81	43.97
Xue Wenpu ( <i>Deputy general manager</i> )		52.44	2.81	55.25
Yu Lina ( <i>Deputy general manager &amp; Board Secretary</i> )		41.33	2.81	44.14
Zhao Junfen ( <i>CFO</i> )		16.58	1.55	18.13
<b>Other key management personnel</b>				
Zhao Yanshui ( <i>Former Executive Director and Chairman</i> )		24.39		24.39
Wu Yong ( <i>Former non-executive director</i> )		25.23	1.30	26.53
Zhu Weijiang ( <i>Former Executive Director and general manager</i> )		22.84	1.10	23.94
Li Kai ( <i>Former non-executive director</i> )	0.23			0.23
Zhang Jiaxin ( <i>Former chairman of the board of supervisors</i> )				
Xu Weilin ( <i>Former supervisor</i> )				
Yao, Weidong ( <i>Former chief financial officer</i> )		19.22	1.10	20.32
Total	40.63	401.27	24.72	466.62

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties

##### (1) Bank deposit

Related parties	Ending balance	Beginning balance
SINOMACH Finance Co., Ltd.	300,000,000.00	—
Total	300,000,000.00	—

##### (2) Notes receivable and receivables financing

Related parties	Ending balance	Beginning balance
Notes receivable between the Group and YTO Group and its subsidiaries	61,947,831.05	16,476,000.00
China YTO Group Co., Ltd	54,170,000.00	16,476,000.00
YTO (Luoyang) Logistics Co., Ltd	484,823.05	
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	1,000,000.00	
Luoyang ZhongshouMachinery Equipment Co., Ltd.	6,293,008.00	
Notes Receivable between the Group and Joint Venture or associates	500,000.00	660,000.00
ZF YTO (Luoyang) Bridge Co., Ltd.	500,000.00	660,000.00
Notes receivable between the Group and SINOMACH and its subsidiaries	405,000.00	
YTO (Luoyang) Engineering Machinery Co., Ltd	405,000.00	
Total	62,852,831.05	17,136,000.00

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (3) Accounts receivable

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Accounts receivables between the Group and SINOMACH and its subsidiaries	5,043,513.57	1,730,409.28	4,797,904.60	1,123,741.38
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.	29,502.50	590.05	59,702.10	597.02
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	682,159.05	682,159.05	975,999.05	799,760.38
SINOMACH-HI (Luoyang) Co., Ltd	989,595.58	45,010.32	1,469,023.41	25,086.85
SINOMACH Foundry and Metal Forming Co., Ltd.	207,116.80	31,067.52		
China SINOMACH Heavy Industry Corporation			24,180.00	24,180.00
Zhengzhou Abrasives grinding Research Institute Co., Ltd	430,300.00	57,174.00		
China Automotive Industry Engineering Co., Ltd	736,500.00	14,730.00		
China HI-TECH OFF-ROAD VEHICLE Co., Ltd.	1,795,908.04	897,954.02	1,795,908.04	269,386.21
Jiangsu SUMEC MECHANICAL & Electrical Technology Co., Ltd.	172,431.60	1,724.32	473,092.00	4,730.92
Accounts receivable between the Group and the shareholder YTO Group Corporation	1,187,291.00	593,645.50	1,708,142.88	28,954.34
Accounts receivable of YTO Group 's subsidiaries	55,000,726.86	5,839,560.68	43,761,708.34	5,856,572.87
Luoyang ZhongshouMachinery Equipment Co., Ltd.	9,787,752.06	97,877.52	1,825,670.86	22,888.01
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd			234,632.56	4,692.65
YTO (Luoyang) Huide Tooling Co., Ltd	361,396.37	3,613.96	812,294.85	121,445.09
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,475,835.96	4,475,835.96	4,475,835.96	4,475,835.96
YTO (Luoyang) Logistics Co., Ltd	5,295,148.11	53,092.52		
YTO (Luoyang) material equipment Co., Ltd	33,124,498.76	331,244.98	32,662,011.98	326,620.12
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	795,568.34	8,270.08	1,090,936.93	10,909.36
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	1,160,527.26	869,625.66	874,763.21	874,763.21
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd			156,285.71	3,125.71
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd			1,629,276.28	16,292.76
Accounts receivable between the group and joint venture or associates	3,276,245.15	35,663.98	2,322,072.30	23,220.72
ZF YTO (Luoyang) axle Co. Ltd.	3,273,314.30	32,733.13	2,322,072.30	23,220.72
YTO (Luoyang) Standard Parts Co., Ltd	2,930.85	2,930.85		
Accounts receivable from atomic companies not included in the scope of consolidation	27,533,497.99	27,533,497.99		
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	27,533,497.99	27,533,497.99		
Total	92,041,274.57	35,732,777.43	52,589,828.12	7,032,489.31

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (4) Advance to suppliers

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	139,925.70		40,000.00	
Beijing SINOMACH Lianchuang Advertising Co., Ltd.			40,000.00	
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	139,925.70			
Advance to suppliers between the Group and the shareholder	93,907.99		202.99	
YTO Group Corporation	93,907.99		202.99	
Advance to suppliers of YTO Group's subsidiaries	57,689.48	16,289.48	31,441,670.25	16,850.60
YTO (Luoyang) Huide Tooling Co., Ltd			23,933,419.65	
Luoyang Fossett auto incorporate company	41,400.00		941,400.00	
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.			6,550,000.00	
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	16,289.48	16,289.48	16,850.60	16,850.60
Total	<u>291,523.17</u>	<u>16,289.48</u>	<u>31,481,873.24</u>	<u>16,850.60</u>

##### (5) Other current assets

Related parties	Ending balance	Beginning balance
SINOMACH Finance Co., Ltd.(Interest receivable)	50,000.00	
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	<u>171,000,000.00</u>	

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (6) Other receivables

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
<b>I. Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>210,472.76</b>	<b>210,472.70</b>	210,472.70	210,472.70
Zhongji North Machinery Co., Ltd	30,265.70	30,265.70	30,265.70	30,265.70
YTO (Luoyang) Engineering Machinery Co., Ltd	96,314.00	96,314.00	96,314.00	96,314.00
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	0.06			
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd	83,893.00	83,893.00	83,893.00	83,893.00
<b>II. Other receivables between the Group and the majority shareholder</b>	<b>187,200.00</b>	<b>5,890.00</b>	346,313.82	157,806.74
YTO Group Corporation	187,200.00	5,890.00	346,313.82	157,806.74
<b>III. Other receivables of YTO Group's subsidiaries</b>	<b>137,069.34</b>	<b>1,513.25</b>	4,531,201.18	45,382.57
YTO (Luoyang) Machinery Co., Ltd			4,531,057.18	45,310.57
Luoyang Zhongshou Machinery Equipment Co., Ltd.	136,925.34	1,369.25		
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	144.00	144.00	144.00	72.00
<b>IV. Other receivables between the Group and other parties</b>	<b>531,658.02</b>	<b>5,316.58</b>	401,068.89	4,010.69
ZF YTO (Luoyang) axle Co. Ltd.	531,658.02	5,316.58	401,068.89	4,010.69
<b>V. Other receivable from atomic companies not included in the scope of consolidation</b>	<b>82,240,000.00</b>	<b>82,240,000.00</b>		
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	82,240,000.00	82,240,000.00		
<b>Total</b>	<b>83,306,400.12</b>	<b>82,463,192.53</b>	5,489,056.59	417,672.70



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

**(7) Long term receivable**

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Long term receivables between the YTO Group and its subsidiaries	2,145,874.51	64,376.24		
YTO (Luoyang) Huide Tooling Co., Ltd	2,145,874.51	64,376.24		
	<u>2,145,874.51</u>	<u>64,376.24</u>	<u>                    </u>	<u>                    </u>

**(8) Right-to-use assets**

Related parties	Ending balance	Beginning balance
<b>I. Right-to-use assets between the Group and the majority shareholder</b>		
YTO Group Corporation	25,141,996.66	16,231,694.45
	<u>25,141,996.66</u>	<u>16,231,694.45</u>
<b>II. Right-to-use assets between the Group and YTO Group and its subsidiaries</b>		
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	446,102.42	1,026,529.32
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	166,857.14	1,026,529.32
YTO (Luoyang) Logistics Co., Ltd	279,245.28	
	<u>279,245.28</u>	<u>                    </u>
Total	<u>25,588,099.08</u>	<u>17,258,223.77</u>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (9) 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	1,395,543.41	35,000.00	1,660,630.86	41,515.77
Luoyang Zhongshou Machinery & Equipment Co., Ltd	6,874,803.47	175,000.00		
<b>Loans:</b>				
SINOMACH-HI (Luoyang) Co., Ltd			48,000,000.00	6,960,000.00
YTO (Luoyang) Huide Tooling Co., Ltd			3,240,000.00	81,000.00
YTO (Luoyang) Tobacco Machinery Co., Ltd.			2,000,000.00	50,000.00
YTO Group Corporation	890,000,000.00	22,250,000.00	840,000,000.00	21,000,000.00
YTO Group Corporation(Interest receivable)	882,472.22			

##### (10) Short-term borrowings

Related parties	Ending balance	Beginning balance
SINOMACH Finance Co., Ltd.	300,066,666.67	

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (11) Collecting deposits and granting loans

Company	Ending balance	Beginning balance
Luoyang Tractor Research Institute Co., Ltd.	206,934,418.42	399,086,042.11
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd	9,707,572.37	
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	26,069,164.73	21,684,083.27
YTO Group Corporation	989,890,388.44	939,356,309.49
Luoyang Zhongshou Machinery Equipment Co., Ltd.	50,079,624.82	41,091,708.50
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	201,007.49	2,843.99
YTO (Luoyang) material equipment Co., Ltd	13,401,998.86	18,656,582.85
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	3,197,136.26	134,298.20
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	14,826,573.97	3,925,616.90
YTO (Luoyang) Logistics Co., Ltd	34,399,825.67	14,183,843.83
Dongfanghong (Luoyang) Culture Communication Centre	5,799,523.41	4,885,775.89
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	437,435.40	250,107.33
YTO (Luoyang) Huide Tooling Co., Ltd	2,322,196.98	2,059,295.18
Luoyang Tianhui Energy Engineering Co., Ltd	3,699,598.96	1,278,273.79
Luoyang YTO Driver Training School Co., Ltd.	58,302.96	556,646.89
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	406.05	404.33
Luoyang Fossett auto incorporate company	16,750,165.39	1,646,935.71
YTO (Luoyang) Tobacco Machinery Co., Ltd.		31,695.12
SINOMACH-HI (Luoyang) Co., Ltd	5,719.60	6,702.52
YTO (Luoyang) Fuel Injection Co., Ltd.	51,488,677.38	22,442,489.44
YTO (Luoyang) Engineering Machinery Co., Ltd	3.64	3.64
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	0.02	27.46
YTO (Luoyang) Rico Automobile Co., Ltd.	12,166.02	3,923.33
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	3,088.27	2,504.56
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	22,512,208.67	13,787,955.49
Luoyang Oriental Printing Co., Ltd	654,796.98	534,062.25
Shenzhen Dongfang Pengxing Trade Co., Ltd	22,644.28	172,178.24
YTO (Luoyang) Standard Parts Co., Ltd	3,150.78	3,137.37
YTO (Luoyang) New Oriental Automobile Co., Ltd.	274.58	273.42
Total	<b>1,452,478,070.40</b>	<b>1,485,783,721.10</b>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (12) Deposit taking and interbank deposits (Interest payable)

Company	Ending balance	Beginning balance
YTO Group Co., Ltd.	2,952,843.36	2,378,980.07
Luoyang Zhongshou Machinery Equipment Co., Ltd.	312,928.63	82,187.28
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	223,407.38	–
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	42,604.71	
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	35,298.29	
YTO (Luoyang) Logistics Co., Ltd.	30,513.87	20,802.29
YTO (Luoyang) Material Equipment Co., Ltd.	21,687.52	
Dongfanghong (Luoyang) Cultural Communication Center	20,089.46	19,881.25
Luoyang Forset Environmental Technology Co., Ltd.	12,985.52	
YTO (Luoyang) Huide Tooling Co., Ltd.	3,172.65	
Luoyang Tianhui Energy Engineering Co., Ltd.	1,738.31	
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	1,088.37	
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	125.90	
Luoyang Oriental Printing Co., Ltd.	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.	20.23	
Shenzhen Dongfang Pengxing Trading Co., Ltd.	2.64	
YTO (Luoyang) Rico Automobile Co., Ltd.	1.52	
China National Machinery Heavy Industry (Luoyang) Co., Ltd.	0.90	
YTO (Luoyang) Standard Parts Co., Ltd.	0.37	
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.35	
YTO (Luoyang) Dongchen Mould Technology Co., Ltd.	0.05	
YTO (Luoyang) New Oriental Motor Co., Ltd.	0.03	
Total	3,658,665.62	2,501,850.09

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (13) Accounts payable

Related parties	Ending balance	Beginning balance
<b>I. Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>16,108,540.02</b>	16,156,710.48
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	<b>1,513,161.69</b>	360,778.84
China Automobile Industrial Engineering Co., Ltd.	<b>9,423,256.78</b>	13,992,125.47
Changsha Gas-electric Auto Parts Co., Ltd	<b>55,996.67</b>	31,599.44
Fuyang Bearing Co., Ltd	<b>311,689.28</b>	286,756.23
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	<b>80,000.00</b>	37,910.00
The fifth design and Research Institute of Mechanical Industry Co., Ltd	<b>161,600.04</b>	161,600.04
China Machine Tools Corporation	<b>102,871.61</b>	3,378.67
The Fourth Construction of China Machinery Industry Co., Ltd.	<b>2,829.68</b>	2,829.68
Beijing Zhongzhuo Cultural Media Co., Ltd.		28,800.00
Beijing Zhuozhong Publishing Co., Ltd		4,500.00
Luoyang zhouyan International Trade Co., Ltd.	-	260,569.40
Luoyang Shaft Research Technology Co., Ltd. (Zhengzhou Branch)	<b>972,604.30</b>	
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	<b>6,096.00</b>	6,096.00
SINOMACH-HI (Luoyang) Co., Ltd	-	9,337.75
Guangzhou Optical Sky Materials Technology Co., Ltd.	<b>654,412.76</b>	940,627.71
CAMCE International Logistics Co., Ltd	-	12,501.25
SINOMACH Foundry and Metal Forming Co., Ltd.	<b>1,903,333.33</b>	
Guangzhou Jetsun Lubrication Technology Co., Ltd.	<b>343,687.13</b>	
China National Electrical Equipment Research Institute Co., Ltd.	<b>537,000.00</b>	
Erzhong (Deyang) heavy equipment Co., Ltd		17,300.00
Shandong Huayuan Laidong ENGINE Co., Ltd.	<b>40,000.00</b>	
Xi'an Heavy Machinery Research Institute Co., Ltd.	<b>0.75</b>	

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (13) Accounts payable (Continued)

Related parties	Ending balance	Beginning balance
<b>II. Accounts payable between the Group and shareholder</b>		
YTO Group Corporation	11,259,880.36	3,957,585.85
	<b>11,259,880.36</b>	3,957,585.85
<b>II. Accounts payable between the Group and YTO Group's subsidiaries</b>		
YTO (Luoyang) Logistics Co., Ltd	61,233,123.03	39,124,601.06
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	32,618,622.55	18,373,785.38
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	7,652,477.75	5,543,708.04
Luoyang Tianhui Energy Engineering Co., Ltd	3,717,143.07	3,717,143.07
YTO (Luoyang) Huide Tooling Co., Ltd	2,671,775.53	2,955,965.93
YTO (Luoyang) material equipment Co., Ltd	3,726,877.05	2,543,338.16
Luoyang Duoan Advertising Co., Ltd	6,092,024.52	4,794,468.00
Dongfanghong (Luoyang) Cultural Communication Center	43,620.00	292,170.00
Luoyang Fusaite Automobile Co., Ltd.	19,700.00	38,110.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.	133,011.18	
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	541,307.94	215,000.00
YTO (Luoyang) Tobacco Machinery Co., Ltd.	200,000.00	421,898.00
Yto(xinjiang)dongfanghong Equipment Machinery Co., Ltd.	–	180,000.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	55,500.00	
	<b>3,761,063.44</b>	49,014.48
<b>IV. Accounts payable between the group and other parties</b>		
ZF YTO (Luoyang) axle Co. Ltd.	14,730,755.81	8,659,911.93
YTO (Luoyang) Rico Automobile Co. Ltd.	14,156,372.64	8,595,751.89
YTO (Luoyang) Standard Parts Co., Ltd.	44,364.39	44,364.39
Luoyang Oriental Printing Co., Ltd.	7,352.29	
	<b>522,666.49</b>	19,795.65
<b>Total</b>	<b>103,332,299.22</b>	<b>67,898,809.32</b>

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (14) Contractual liability

Related parties	Ending balance	Beginning balance
<b>I. Contractual liability between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>22,938.68</b>	576,929.93
SINOMACH-HI(LUOYANG) Co., Ltd.	86.80	123,802.33
Nanchang Kama Co., Ltd.	283.19	
Xinjiang Zhongshou Agricultural and Animal Husbandry Machinery Co., Ltd.	22,566.37	
China Machinery Engineering & Construction Corporation	2.32	
SINOMACH International Equipment Co., Ltd		246,010.80
SINOMACH Casting and Forging Machinery Co., Ltd		207,116.80
<b>II. Contractual liability between the Group and the shareholder</b>	<b>28,433.48</b>	
YTO Group Corporation	28,433.48	
<b>III. Contractual liability between the Group and YTO Group 's subsidiaries</b>	<b>40,558.58</b>	200,172.97
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	40,558.58	72,576.37
Luoyang Zhongshou Machinery Equipment Co., Ltd.		127,596.60
<b>IV. Contractual liability between the group and other parties</b>	<b>3,920,069.90</b>	4,495,507.88
China YTO Group Linhai Vehicle Co., Ltd.		65,829.00
ZF YTO (Luoyang) axle Co. Ltd.	3,920,067.49	4,429,676.26
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	0.09	
YTO (Luoyang) Standard Parts Co., Ltd.	2.32	2.62
<b>Total</b>	<b>4,012,000.64</b>	5,272,610.78

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (15) Other payables

Related parties	Ending balance	Beginning balance
<b>I. Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>		
CAMCE International Logistics Co., Ltd	905,750.00	300,000.00
Guangzhou Qingtian Material Technology Co., Ltd	100,000.00	100,000.00
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	50,000.00	50,000.00
Guangzhou Jetsun Lubrication Technology Co., Ltd.	255,750.00	
Fuyang Bearing Co., Ltd.	300,000.00	
Luoyang Axis Research Technology Co., Ltd. Zhengzhou Branch	150,000.00	150,000.00
	50,000.00	
<b>II. Other payables between the Group and the shareholder</b>	56,348,077.76	51,353,653.51
YTO Group Corporation	56,348,077.76	51,353,653.51
<b>III. Other payables between the Group and YTO Group's subsidiaries</b>	794,080.00	1,182,271.69
YTO (Luoyang) Logistics Co., Ltd	614,000.00	756,410.00
YTO (Luoyang) Huidie Tooling Co., Ltd		3,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	106,170.00	307,413.69
Luoyang Duoan Advertising Co., Ltd	14,030.00	39,888.00
Luoyang Tianhui Energy Engineering Co., Ltd	25,000.00	21,500.00
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	30,000.00	
Dongfanghong (Luoyang) Cultural Communication Center	3,880.00	53,060.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	1,000.00	1,000.00
<b>IV. Other payables between the group and other parties</b>	10,000.00	60,671.58
ZF YTO (Luoyang) axle Co. Ltd.		3,831.80
Luoyang Oriental Printing Co., Ltd.	10,000.00	56,839.78
Total	<b>58,057,907.76</b>	<b>52,896,596.78</b>



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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 6. Accounts receivable and payable with related parties (Continued)

##### (16) 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>12,781,366.20</b>	16,231,694.45
YTO Group Corporation	12,781,366.20	16,231,694.45
<b>Non-current liabilities due within one year between the Group and YTO Group and its subsidiaries</b>	<b>446,102.42</b>	1,026,529.32
Yto(xinjiang)dongfanghong Equipment Machinery Co., Ltd.	166,857.14	-
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd		1,026,529.32
Yituo (Luoyang) Logistics Co., Ltd.	279,245.28	-
Total	<b>13,227,468.62</b>	17,258,223.77

##### (17) Lease liabilities

Related parties	Ending balance	Beginning balance
<b>Lease liabilities between the Group and the shareholder</b>	<b>12,360,630.46</b>	
YTO Group Corporation	12,360,630.46	
Total	<b>12,360,630.46</b>	

#### 7. Related Party Commitments

N/A

### XII. SHARE PAYMENT

The Group does not pay shares.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### 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	53,917,949.65	20,510,900.00
1-2 years	40,458,510.00	45,399,600.00
2-3 years	3,174,474.51	1,955,000.00
After 3 years	14,866,500.00	
Total	112,417,434.16	67,865,500.00

- b. On December 31, 2020, 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	14,233,424.15	18,881,483.02
1-2 years	13,587,377.57	64,384.18
2-3 years	695,240.00	
After 3 years	1,390,480.00	
Total	29,906,521.72	18,945,867.20c.

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

*January 1, 2020 to December 31, 2020 (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)**

- c. On December 31, 2020, 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	12,572,780.06	15,339,859.14
1-2 years	8,329,290.47	7,737,545.48
2-3 years	7,557,132.82	7,601,851.64
After 3 years	3,700,757.21	11,334,624.48
Total	<u>32,159,960.56</u>	<u>42,013,880.74</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, 2020, the Group has no other major undertakings that should be disclosed.

#### 2. Important contingencies existed on the balance sheet date

**(1) Pending proceeding or arbitration of contingencies and their financial implications**

The Group has no major pending litigation or arbitration contingencies that need to be disclosed.

**(2) Contingencies resulted from external guarantees provided**

As of December 31, 2020, the Group had no external debt guarantees.

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

#### 2. Important contingencies existed on the balance sheet date (Continued)

**(3) Letter of guarantee and letter of credit**

Opening bank	Beneficiary	Amount	Beginning date	Ending date
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	61,942.31	2020.02.27	2021.07.28
Bank of China Luoyang Chang'an Road Branch	CAMCE International Engineering Co., Ltd	180,186.50	2019.12.19	2021.1.22
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	AVL Liszt, Austria	621,135.00	2020.09.29	2021.05.30
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	Horichang Production Co., Ltd	863,930.23	2020.11.15	2021.08.15
Bank of China Luoyang Chang'an Road Branch	Department of Commerce of Henan Province	200,000.00	2009.11.20	Depending on business
Total		<u>1,927,194.04</u>		



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Directional issuing additional shares

On December 14, 2020, the China Securities Regulatory Commission issued the “Approval of the Non-Public Issuance of Stocks of First Tractor Co., Ltd.” (Zheng Jian Permit [2020] No. 3379), On January 22, 2021, CITIC Securities received a total of RMB699,999,997.00 subscription funds from the special payment account as YTO shares from the issuing target. On January 25, 2021, CITIC Securities will transfer the remaining amount of the above subscription monies after deducting the sponsor’s sponsorship fee and underwriting fee to the issuer’s designated account. On January 25, 2021, First Tractor Co., Ltd. have received a monetary contribution of RMB697,999,997.00 from a specific investor. The total amount of raised funds deducts underwriting and sponsorship fees excluding tax are RMB1,886,792.45. Other issuance costs excluding tax are RMB3,934,559.88. The net amount of raised funds is RMB694,178,644.67. RMB137,795,275.00 is included in the “share capital” and RMB556,383,369.67 is included in the “capital reserve-equity premium”.

#### 2. Profit Distribution

Proposed distribution of profits or dividends 84.2734 million

The 2020 profit distribution plan: Based on the company’s fixed-increased total share capital of 1,123,645,275 as the base, a cash dividend of 0.075 yuan per share (tax included) will be distributed to all shareholders, totaling 84.2734 million. The above-mentioned profit distribution plan has been reviewed and approved by the company’s several sessions of the board of directors, and must be implemented after the company’s shareholders meeting has reviewed and approved it.

Except above matters, by the end of the approval of the financial statements date, the Group has no other significant subsequent events to disclose.

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

January 1, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (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, 2020 to December 31, 2020 (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	6,789,281,161.83	1,906,233,445.95	150,719,605.55	1,263,757,425.57	7,582,476,787.76
Including: external transaction revenue	6,406,845,116.51	1,073,884,762.97	101,746,908.28	-	7,582,476,787.76
Revenue between segments	382,436,045.32	832,348,682.98	48,972,697.27	1,263,757,425.57	-
Loss on impairment of assets	-142,099,347.30	-2,654,263.64	-	-267,670.28	-144,485,940.66
Loss on impairment of credit	-411,116,527.50	-1,310,854.28	-25,768,091.17	2,560,290.46	-440,755,763.41
Depreciation and amortization fee	305,220,667.53	58,540,680.13	996,546.06	-	364,757,893.72
2. Total profit	207,051,393.97	67,337,646.37	47,888,698.72	14,943,303.19	307,334,435.87
3. Income tax expenses	9,482,630.93	-1,043,549.96	17,907,637.45	-25,466.67	26,372,185.09
4. Net profit	197,568,763.04	68,381,196.33	29,981,061.27	14,968,769.86	280,962,250.78
5. Total assets	8,364,456,033.64	2,755,143,442.62	5,221,635,970.40	3,998,626,563.67	12,342,608,882.99
6. Total liabilities	5,815,577,589.77	1,134,630,376.89	4,384,413,512.07	3,967,534,432.85	7,367,087,045.88
7. Other important non cash items	151,861,785.33	46,113,211.84	4,492,855.33	-	202,467,852.50
Non-cash expenses other than depreciation and amortization	13,627,202.75	17,701,204.52	2,438,537.85	-	33,766,945.12
Capital expenditure	138,234,582.58	28,412,007.32	2,054,317.48	-	168,700,907.38

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, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 1. Accounts receivable

##### (1) Classified disclosure of accounts receivable

Item	Book balance		Ending Balance Provision for bad debt		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	
<b>Total</b>	<b>516,836,225.48</b>	<b>/</b>	<b>169,066,498.44</b>	<b>/</b>	<b>347,769,727.04</b>

Item	Book balance		Ending Balance Provision for bad debt		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	603,932,167.69	100.00	175,449,065.08	29.05	428,483,102.61
Including: Aging portfolio	598,849,010.91	99.16	170,702,854.56	28.51	428,146,156.35
Risk exposure portfolio such as collateral	5,083,156.78	0.84	4,746,210.52	89.13	336,946.26
<b>Total</b>	<b>603,932,167.69</b>	<b>/</b>	<b>175,449,065.08</b>	<b>/</b>	<b>428,483,102.61</b>

##### (2) Accounts receivable for anticipated credit losses on a portfolio basis

###### ① Aging portfolio

Aging	Book balance	Ending balance Bad debt allowance	Accrual percentage (%)
Within 1 year	349,715,664.36	4,568,105.10	1.31
1-2 years	5,244,335.55	2,622,167.79	50.00
2-3 years	4,139,574.23	4,139,574.23	100.00
Over 3 years	153,291,058.17	153,291,058.17	100.00
<b>Total</b>	<b>512,390,632.31</b>	<b>164,620,905.27</b>	<b>32.13</b>

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 1. Accounts receivable (Continued)

##### (2) Accounts receivable for anticipated credit losses on a portfolio basis (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	4,445,593.17	4,445,593.17	100.00
Total	4,445,593.17	4,445,593.17	100.00

##### (3) Age Disclosure of Accounts Receivable

Aging	Accounts receivable	Ending balance Bad debt allowance	Accrual percentage (%)
Within 1 year	349,715,664.39	4,568,105.10	1.31
1-2 years	7,624,389.14	5,002,221.39	65.61
2-3 years	4,139,574.23	4,139,574.23	100.00
Over 3 years	155,356,597.72	155,356,597.72	100.00
Total	516,836,225.48	169,066,498.44	32.71

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

*January 1, 2020 to December 31, 2020 (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**

Provision for bad debts amounted to RMB3,419,557.94 in the current period.

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

Debtor	Nature	Amount	Reason	Write-off procedures performed	Whether due to related transactions
Urumqi Xinyonghong Agricultural Machinery Co., Ltd.	sales	1,873,774.50	Court terminates execution	General manager's office meeting passed	No
Ruili Agricultural Machinery Distribution Department, Haixi Road, Huimin District, Hohhot	sales	3,088.75	Cancellation	General manager's office meeting passed	No
Anhui Jialin Farming Machinery Co., Ltd.	sales	268.70	Cancellation	General manager's office meeting passed	No
Chayouzhong Banner Agriculture and Animal Husbandry Machinery Supply Company	sales	967.50	Cancellation	General manager's office meeting passed	No
Shangdu Saibei Agricultural Machinery Operation Department	sales	969.50	Cancellation	General manager's office meeting passed	No
Suining County Zhengda Agricultural Machinery Operation Department	sales	420.00	Cancellation	General manager's office meeting passed	No
Henan Lishen Machinery Co., Ltd.	sales	4,610,553.60	Noncollectable	General manager's office meeting passed	No
Luoyang Yanlong Industry and Trade Co., Ltd.	sales	2,533,894.50	Noncollectable	General manager's office meeting passed	No
Luoyang Yongcheng Agricultural Machinery Manufacturing Co., Ltd.	sales	53,760.00	Noncollectable	General manager's office meeting passed	No
Luoyang Angte Mechanical Equipment Manufacturing Co., Ltd.	sales	637,563.61	Noncollectable	General manager's office meeting passed	No
Henan Dongyue Foundry Co., Ltd.	sales	44,011.76	Bankruptcy	General manager's office meeting passed	No
Xinxiang Tiancheng Machinery Manufacturing Co., Ltd.	sales	42,852.16	Bankruptcy	General manager's office meeting passed	No
Total	-	<u>9,802,124.58</u>	-	-	-

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

January 1, 2020 to December 31, 2020 (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) Top Five Accounts Receivable on the Final Balance Collection by the Debtor

Company name	Ending balance	Proportion to the ending balance of accounts receivable (%)	Bad debt allowance
Luoyang Changxing Agricultural Machinery Co., Ltd.	100,649,210.41	19.47	1,006,492.10
YTO (Luoyang) Harvesting Machinery Co., Ltd.	74,091,864.82	14.34	74,091,864.82
YTO (Luoyang) Diesel Engine Co., Ltd.	54,268,701.09	10.50	579,055.23
YTO International Economic and Trade Co., Ltd.	44,840,252.79	8.68	463,447.33
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	38,132,408.91	7.38	38,132,408.91
Total	<u>311,982,438.02</u>	<u>60.36</u>	<u>114,273,268.39</u>

#### 2. Other receivables

Item	Ending balance	Beginning balance
Interest receivable	<u>1,558,254.73</u>	
Dividends receivable	<u>76,808,376.96</u>	76,808,376.96
Other receivables	<u>4,592,195.45</u>	13,855,556.94
Total	<u><u>82,958,827.14</u></u>	<u>90,663,933.90</u>

##### (1) Interest receivable

Investee	Ending balance	Beginning balance
Entrusted loan interest	<u>1,558,254.73</u>	
Total	<u><u>1,558,254.73</u></u>	

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

*January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)*

### XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (Continued)

##### (2) Dividends receivable

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holding Co., Ltd.	<u>76,808,376.96</u>	<u>76,808,376.96</u>
Total	<u><u>76,808,376.96</u></u>	<u><u>76,808,376.96</u></u>

##### (3) Other receivables

Item	Book balance		Ending balance Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables 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	<u>217,303.48</u>	<u>1.60</u>	<u>2,173.04</u>	<u>1.00</u>	<u>215,130.44</u>
Total	<u><u>13,563,129.09</u></u>	<u><u>-</u></u>	<u><u>8,970,933.64</u></u>	<u><u>-</u></u>	<u><u>4,592,195.45</u></u>

Item	Book balance		Beginning balance Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	25,833,377.10	100.00	11,977,820.16	46.37	13,855,556.94
Including: Aging portfolio	25,357,388.94	98.16	11,973,060.28	47.22	13,384,328.66
Low-risk portfolio	<u>475,988.16</u>	<u>1.84</u>	<u>4,759.88</u>	<u>1.00</u>	<u>471,228.28</u>
Total	<u><u>25,833,377.10</u></u>	<u><u>-</u></u>	<u><u>11,977,820.16</u></u>	<u><u>-</u></u>	<u><u>13,855,556.94</u></u>

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

January 1, 2020 to December 31, 2020 (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) Other receivables (Continued)

1) Other receivables for anticipated credit losses on a portfolio basis

a. Other receivables with expected credit risk by age combination

Aging	Ending balance		Book value
	Book balance Amount	Percentage (%)	
Within 1 year	4,053,590.36	30.37	85,549.53
1-2 years	818,048.37	6.13	409,024.19
2-3 years	856,601.77	6.42	856,601.77
Over 3 years	7,617,585.11	57.08	7,617,585.11
Total	<u>13,345,825.61</u>	<u>100.00</u>	<u>8,968,760.60</u>

b. Other receivables for provision for bad debts using a low-risk portfolio

Portfolio name	Ending balance		Book value
	Book balance Amount	Accrual proportion (%)	
Low-risk portfolio	217,303.48	1.00	2,173.04
Total	<u>217,303.48</u>	<u>1.00</u>	<u>2,173.04</u>

2) No accrual, collection or reversal of bad debt allowance.

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

*January 1, 2020 to December 31, 2020 (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) Other receivables (Continued)

3) No other receivables actually written off during the year

4) Details of top five other receivables with the ending balance classified by the borrowers

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Jiangsu Qingjiang Tractor Co., Ltd	Advances receivable	3,315,484.00	Over 5 years	24.44	3,315,484.00
Luoyang Yuchuan thermal equipment Co., Ltd	Advances receivable	1,190,259.91	Within 1 years, 1-2 years	8.78	192,633.90
Luoyang Jianguang Metal Components Co., Ltd.	Advances receivable	1,060,000.00	Over 5 years	7.82	1,060,000.00
Zhejiang Shengnuo Fastener Co., Ltd.	Claims receivable	737,400.00	Within 90 days	5.44	7,374.00
ZF YTO (Luoyang) axle Co., Ltd	Current account of related parties	531,658.02	Within 1 years	3.92	5,316.58
Total	-	<u>6,834,801.93</u>		50.40	4,580,808.48

5) No other receivables that have been terminated due to the transfer of financial assets

6) There is no assets and liabilities formed by no transfer of other receivables and continued involvement

7) Other receivables related to government subsidies: N/A

8) Other notes on other receivables: N/A

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

January 1, 2020 to December 31, 2020 (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			Book balance	Beginning balance	Book value
	Book balance	impairment	Book value			
Subsidiaries	2,665,169,191.40	656,275,468.97	2,008,893,722.43	2,711,669,237.40	88,750,046.00	2,622,919,191.40
Joint venture or associates	121,162,356.37		121,162,356.37	126,488,442.21	7,004,515.65	119,483,926.56
Total	<u>2,786,331,547.77</u>	<u>656,275,468.97</u>	<u>2,130,056,078.80</u>	<u>2,838,157,679.61</u>	<u>95,754,561.65</u>	<u>2,742,403,117.96</u>

#### (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	559,025,468.97	559,025,468.97
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	46,500,046.00		46,500,046.00			
YTO Heilongjiang Agricultural Machinery Co., Ltd	100,000,000.00		100,000,000.00			
Luoyang Changxing Agricultural Machinery Co., Ltd	3,000,000.00			3,000,000.00		3,000,000.00
Yangdong Co., Ltd.	76,000,000.00			76,000,000.00		
Brilliance China Machinery Holding Co., Ltd.	27,869,301.63			27,869,301.63		
YTO Group Finance Co., Ltd	485,040,302.00			485,040,302.00		
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00			55,022,000.00		
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36			281,414,966.36		
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14			392,257,881.14		
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62			77,192,767.62		
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32			152,989,481.32		
YTO (Luoyang) Foundry Company Limited	200,391,996.60	100,000,000.00		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	55,000,000.00	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	<u>2,711,669,237.40</u>	<u>100,000,000.00</u>	<u>146,500,046.00</u>	<u>2,665,169,191.40</u>	<u>614,025,468.97</u>	<u>656,275,468.97</u>



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

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

##### (2) Investments in joint venture and associates

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	others		
Associates											
YTO Sichuan Agricultural Equipment Co., Ltd.	686,564.47			-68,721.50						617,842.97	
ZF YTO (Luoyang) axle Co. Ltd.	118,797,362.09			1,747,151.31						120,544,513.40	
Luoyang Fossett auto Limited by Share Ltd	7,004,515.65		7,004,515.65								
<b>Total</b>	<b>126,488,442.21</b>		<b>7,004,515.65</b>	<b>1,678,429.81</b>						<b>121,162,356.37</b>	

#### 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	5,533,036,827.26	4,699,906,894.85	3,937,492,116.48	3,544,740,980.88
Other business	126,308,451.95	67,175,200.66	60,141,133.70	16,456,365.16
<b>total</b>	<b>5,659,345,279.21</b>	<b>4,767,082,095.51</b>	<b>3,997,633,250.18</b>	<b>3,560,097,346.04</b>

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

January 1, 2020 to December 31, 2020 (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	99,122,285.00	33,110,078.60
Investment income from long-term equity investments by equity method	1,678,429.81	-10,664,878.84
Investment income from disposal of long-term equity investments	476,277.50	21,786,108.03
Investment income of trading financial assets during the holding period	17,600,000.00	13,200,000.00
Total	118,876,992.31	57,431,307.79

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

*January 1, 2020 to December 31, 2020 (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	8,249,140.24	
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)	127,002,899.81	
Capital occupation fees charged to non-financial enterprises in current profit or loss		
Income from the difference between the cost of investment on subsidiaries, associates and joint ventures and the fair value of identifiable net assets of invested entities		
Gain or loss from transferring of non-monetary assets		
Gain or loss from investments under entrust by others or assets under management by others		
Provisions of impairment of assets due to force majeure such as nature disasters		
Gain or loss on debt restructuring	-280,000.00	
Gain or loss on corporation restructuring, such as expenditures on staff placement and integration costs		
Profit or loss in excess of the portion of the fair value generated from transactions of which the transactional price is obviously unfair		
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date		
Gain or loss from non-related business operations or contingencies		
In addition to the effective hedging business related to the normal business operation of the company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	27,042,589.08	
Reversal of impairment of receivables on individually impairment test		

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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 1. Schedule of gain or loss from extraordinary items in this period (Continued)

Item	Amount in this period	Explanation
Gain or loss from entrusted loans to outside parties		
Gain or loss from changes in the fair value of investment properties using the fair value model as a subsequent measurement		
Impact on gain or loss from one-time adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations		
Custody income earned from entrusted operation		
Other non-operating income and expenses except for mentioned above	-7,272,311.27	
Gain or loss from other extraordinary items	2,240,493.01	Investment income from disposal of subsidiaries
Less: Income tax	6,478,732.10	
Effects on non-controlling interests (after tax)	16,354,123.92	
Total	<u>134,149,954.85</u>	

#### 2. Return on equity and earnings per share

Project	Year 2020
Net profit attributable to shareholders of parent company	280,150,740.30
Non recurring profit and loss attributable to the parent company	134,149,954.85
Net profit attributable to shareholders of parent company after deducting non recurring profit and loss	146,000,785.45
Weighted average number of common shares outstanding	985,850,000.00
Basic earnings per share (I) (before deducting non earnings)	0.2842
Basic earnings per share (II) (after deducting non earnings)	0.1481
Weighted average of net assets attributable to shareholders of parent company	4,204,092,273.17
Weighted average return on equity (I) (before deducting non earnings)	6.6638%
Weighted average return on equity (II) (after deducting non earnings)	<u>3.4728%</u>



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

January 1, 2020 to December 31, 2020 (Amounts in these notes are presented in RMB unless otherwise stated)

### **XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **3. Differences in Accounting Data under Domestic and Foreign Accounting Standards**

There is no difference of net profit and net assets between financial reports disclosed in accordance with overseas Hong Kong Accounting Standards and China Accounting Standards at the same time.

#### **4. Others:**

N/A

First Tractor Company Limited

March 29, 2021



## DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	2020 annual report signed and sealed by the legal representative of the Company
Documents Available for Inspection	Audited financial report of the Company for 2020 issued by the accounting firm
Documents Available for Inspection	Written confirmation opinion on 2020 annual report of the Company signed by Directors, Supervisors and senior management of the Company

Chairman of the Board: **Li Xiaoyu**

Date of Approval from the Board: 29 March 2021