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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(Financial Highlights)

Total operating revenue:	**RMB9,333,808,881.54**
Net profit attributable to the equity holders of the parent company:	**RMB438,209,215.31**
Earnings per share attributable to the equity holders of the parent company:	**RMB0.3940**

The board (the "**Board**") of directors (the "**Directors**") of First Tractor Company Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"), which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises, together with comparative figures for the same period in 2020 are as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi (Unit: Yuan)).

CONSOLIDATED BALANCE SHEET

31 December 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	*Note*	**31 Dec 2021**	31 Dec 2020
Current assets:			
Monetary Funds	*Note1*	**3,243,399,611.65**	1,702,625,475.53
Lendings to Banks and Other Financial Institutions		**23,320,000.00**	40,000,000.00
Trading financial assets		**1,038,970,988.74**	1,306,381,357.98
Derivative financial assets			
Notes receivable		**62,757,621.58**	892,050.97
Accounts receivable	*Note2*	**301,661,736.48**	376,202,670.98
Accounts receivable financing		**216,495,094.89**	374,916,413.50
Advances to suppliers		**242,712,324.09**	177,372,921.45
Other receivables		**24,247,156.19**	26,301,581.33
Buying back the sale of financial assets		**360,643,454.77**	1,561,721,065.92
Inventories		**1,674,008,933.28**	1,356,265,811.19
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year		**188,189,353.75**	238,726,244.12
Other current assets		**319,494,747.99**	281,587,195.02
Total current assets		**7,695,901,023.41**	7,442,992,787.99

Item	*Note*	**31 Dec 2021**	31 Dec 2020
Non-current assets			
Loans and advances to customers		**891,754,953.83**	982,249,523.38
Debt investment			
Other debt investment			
Long-term receivables		**147,379,925.56**	132,870,486.03
Long-term equity investments		**126,970,546.37**	122,332,619.67
Other equity instrument investment		**4,839,048.00**	4,839,048.00
Other non-current financial assets			
Investment properties			
Fixed assets		**2,465,981,510.01**	2,617,726,435.41
Construction in progress		**79,246,144.63**	96,000,297.40
Productive biological assets			
Oil and gas assets			
Right-to-use assets		**15,044,288.50**	28,901,686.93
Intangible assets		**750,855,986.17**	766,872,164.74
Research and development expenses			
Goodwill			
Long-term deferred expenses		**61,059,040.71**	44,912,084.65
Deferred income tax assets		**100,562,089.39**	102,911,748.79
Other non-current assets			
Total non-current assets		**4,643,693,533.17**	4,899,616,095.00
Total assets		**12,339,594,556.58**	12,342,608,882.99

Item	*Note*	**31 Dec 2021**	31 Dec 2020
Current liabilities:			
Short-term loans		**270,183,333.34**	834,263,379.71
Absorption of deposits and interbank deposits		**741,565,080.73**	1,412,624,683.26
Loans from banks and other financial institutes		**200,050,000.00**	300,066,666.67
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		**1,429,974,406.92**	1,547,322,110.70
Accounts payable	*Note 3*	**2,005,338,697.27**	1,788,192,802.43
Advance from customers		**198,307.51**	
Sale of repurchase financial assets		**11,759,888.55**	
Contract liabilities		**580,385,482.01**	398,850,436.72
Employee salary payable		**94,183,174.20**	91,878,235.64
Taxes payable		**16,547,128.41**	23,075,553.98
Other payables		**264,862,718.59**	209,162,369.54
Liabilities classified as held for sale			
Non-current liabilities due within one year		**13,333,158.50**	14,142,498.21
Other current liabilities		**262,766,044.87**	255,104,052.55
Total current liabilities		**5,891,147,420.90**	6,874,682,789.41
Non-current liabilities			
Long-term loans		**110,000,000.00**	99,800,000.00
Bonds payable			
Including: Preference shares			
Including: Perpetual bond			
Lease liabilities		**1,853,079.74**	14,850,790.14
Long-term payables		**8,251,321.72**	9,151,465.90
Long-term employee salary payable		**57,802,347.71**	78,569,914.36
Special payables			
Estimated Liabilities		**1,962,613.99**	2,652,542.65
Deferred income		**138,045,711.55**	142,638,278.14
Deferred income tax liabilities		**148,308,914.30**	144,741,265.28
Other non-current liabilities			
Total non-current liabilities		**466,223,989.01**	492,404,256.47
Total liabilities		**6,357,371,409.91**	7,367,087,045.88

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

CONSOLIDATED INCOME STATEMENT
For the Year of 2021
Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	*Note*	**Amount incurred in this period**	Amount incurred in last period
1. Total operating revenue		**9,333,808,881.54**	7,582,476,787.76
Including: Operating revenue		**9,209,135,833.76**	7,480,729,879.48
Interest income		**118,198,056.28**	96,516,346.86
Fees and commission income		**6,474,991.50**	5,230,561.42
2. Total cost of operation		**8,811,858,933.89**	7,193,597,535.06
Including: Operating costs		**7,712,932,565.70**	6,020,041,446.52
Interest expenses		**21,572,879.07**	25,663,192.22
Fees and commission expense		**695,451.23**	524,735.26
Taxes and surcharges		**43,006,114.05**	43,690,562.82
Selling expenses		**203,809,324.49**	358,190,492.96
Administrative expenses		**363,378,163.19**	354,222,206.89
Research and development expenses		**415,352,332.37**	339,036,171.41
Financial expenses		**51,112,103.79**	52,228,726.98
Add: Gain arising from the changes in fair value		**38,351,073.07**	26,405,594.35
Investment income		**639,394,264.83**	349,311,564.11
Including: income from investments in associates and joint ventures		**1,845,539.21**	1,738,170.81
Asset disposal income		**62,931.82**	8,249,140.24
Other income		**43,498,171.42**	105,122,597.68
Loss on impairment of assets		**-587,501,045.67**	-144,485,940.66
Loss on impairment of credit		**-228,857,326.55**	-440,755,763.41

Item	*Note*	**Amount incurred in this period**	Amount incurred in last period
3. Operating profit		**426,898,016.57**	292,726,445.01
Add: Non-operating income		**34,290,423.02**	27,927,444.96
Less: Non-operating expenses		**896,517.08**	13,319,454.10
4. Total profit		**460,291,922.51**	307,334,435.87
Less: Income tax expenses	*Note 6*	**26,948,716.18**	26,372,185.09
5. Net profit		**433,343,206.33**	280,962,250.78
Including: Net profit achieved by the merger of the merged party before the merger under the same control			
(1) Classification according to the continuity of operation			
Continuous operating net profit		**433,343,206.33**	280,962,250.78
Termination of net profit			
(2) Classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		**438,209,215.31**	280,150,740.30
Profit or loss attributable to minority interests		**-4,866,008.98**	811,510.48
6. Net other comprehensive income after tax		**14,875,597.03**	-11,626,836.86
Net other comprehensive income after tax attributable to owners of the parent company		**15,250,311.72**	-12,762,553.03
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
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 other equity instrument investments			
4. Changes in fair value of credit risk due to enterprise itself			

Item	Note	**Amount incurred in this period**	Amount incurred in last period
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		**15,250,311.72**	-12,762,553.03
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets			
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Changes in fair value of other debt investment			
5. Financial assets reclassified into other comprehensive income			
6. Provision for credit impairment of other debt investment			
7. Effective part of hedging gains and losses from cash flows			
8. Cash flow hedging reserve			
9. Exchange differences from translation of foreign currency financial statements		**15,250,311.72**	-12,762,553.03
10. Others			
Net other comprehensive income after tax attributable to minority interests		**-374,714.69**	1,135,716.17
7. Total comprehensive income		**448,218,803.36**	269,335,413.92
Total comprehensive income attributable to shareholders of the parent company		**453,459,527.03**	267,388,187.27
Total comprehensive income attributable to minority interests		**-5,240,723.67**	1,947,226.65
8. Earnings per share:			
(1) Basic earnings per share		**0.3940**	0.2842
(2) Diluted earnings per share		**0.3940**	0.2842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

First Tractor Company Limited is a limited liability company registered and established in the People's Republic of China with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange since June 23, 1997 and August 8, 2012 respectively. The registered office and principal place of business of the Company is located at No. 154 Jian She Road, Luoyang, Henan Province, the People's Republic of China.

The Company is a company of manufacturing and sales of agricultural machinery. In the following, the Company and its affiliated companies are collectively referred to as the "Group". During the year, the main business operations of the Group in China are as follows：

- Manufacture and sale of agricultural machinery
- Manufacture and sale of power machinery
- Provision of loans, bills discounting and deposit-taking services

The directors of the Company believe that the immediate holding company is YTO Group Corporation Limited and the ultimate holding company is China National Machinery Industry Corporation. Both are companies registered and established in China.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Based on the going-concern assumption and transactions and events actually incurred, the financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and relevant stipulations (hereafter collectively referred as "**ASBEs**") by the Ministry of Finance of the PRC, No. 15 Information Disclosures Regulations for Companies Offering Shares in Public – General Rules of Preparing Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance, and based on the accounting policies stated in the Note "4. Accounting policies".

3. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the consolidated and the financial position of the Company as at 31 December, 2021 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 and Futures Commission and the Stock Exchange have both accepted financial statements prepared by 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 general meeting of the Company 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 Company.

4. ACCOUNTING POLICIES

(1) Accounting year

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

(2) Reporting currency

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

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

(4) Accounting method for enterprise merger 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 our Company 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 or have consideration which need to confirm the estimated liabilities or assets, the difference between the estimated liabilities or the amount of assets and the subsequent or consideration price, we should adjust the capital surplus (capital premium or equity premium), and the capital surplus is insufficient, then 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, 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.

(c) Enterprise merger not under common control

The purchase date refers to the date that the Company 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 Company. The Company 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 Company.

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 Company has paid most of the consolidated price and has the ability and plan to pay the surplus.

Ⅴ. The Company has actually controlled the financial and operating policies of the purchaser 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 is included in the profits and losses of the current period.

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

(d) Relevant costs incurred from 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.

(5) Preparation of consolidated financial statements

(a) Scope of the merger

The merge scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

(b) Consolidated procedures

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

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

The consolidated financial statements set off the internal transactions between the Company 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's consolidated financial statements and the subsidiaries are different, 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 difference between these two from minority shareholders' rights and interests.

When the subsidiary 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 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.

(6) Segment information

Segment information is presented according to the classification of business based on the major segment reporting mode by the Group. In terms of regional classification, the Group classifies revenue based on the locations of clients resided, and classifies assets based on the place of location. Because over than 90% of the revenue of the Group is from the clients in China, and over than 90% of the assets located in China, regional segment information is no longer presented.

For the needs of the management, the businesses of the Group are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the business types of the Group represents a strategic business unit that offers products. Each business unit must bear the risks and returns that are different from those of the other business segments. The three business segments are stated in summary as follows:

(a) The 'agricultural machinery' segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and component；

(b) The 'power machinery' segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets；

(c) The 'financial service' segment engages in the provision of loans, bills discounting and deposit-taking services.

Segment revenue is eliminated on consolidation. Segment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as profit of operating segments before income tax. Other information of each segment is also disclosed, including depreciation and amortization, item of income and expenses from headquarters, financial expenses, gain on disposal of subsidiaries, entitled share of profits or losses of associates, and income tax expenses. These are the methods reported to management, which, together with other reported data, serve to provide better perception to the management, and investors can also evaluate annual segment operating results from such information.

(7) Changes in accounting policies

(a) Changes in accounting policies

No accounting policies were changed during the reporting period.

(b) Changes in accounting estimates

No accounting estimates were changed during the reporting period.

5. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Monetary funds

Item	Ending Balance	Opening Balance
Cash	**413,447.08**	382,376.31
Cash in bank	**3,084,123,983.80**	1,664,011,936.27
Other monetary funds	**158,862,180.77**	38,231,162.95
Total	**3,243,399,611.65**	1,702,625,475.53
Including: total amount deposited abroad	**48,719,452.12**	58,500,849.52

The details of the restricted monetary funds are as follows:

Item	Ending Balance	Opening Balance
Bank acceptance deposit	**20,218,112.35**	22,041,438.35
Restricted funds with non-commercial bank	**138,052,188.68**	
Reserve the legal deposit reserve of the central bank	**237,769,762.23**	259,727,714.62
Term deposit over three months	**700,000,000.00**	
Other restricted funds	**591,822.78**	4,030,411.98
Total	**1,096,631,886.04**	285,799,564.95

Note 2. Accounts receivables

1. *Disclosure of accounts receivable by aging*

Aging	Ending balance	Opening balance
Within 1 year	**292,874,155.48**	355,619,302.12
1 to 2 years	**4,670,501.05**	20,238,834.27
2 to 3 years	**8,697,080.46**	38,739,020.72
Over 3 years	**450,950,037.19**	351,698,526.62
Subtotal	**757,191,774.18**	766,295,683.73
Less: Provision for bad debt	**455,530,037.70**	390,093,012.75
Total	**301,661,736.48**	376,202,670.98

Note: The increase in accounts receivable aging over 3 years as compared with that of the previous year was mainly due to the bankruptcy and liquidation of YTO (Luoyang) Harvesting Machinery Co., Ltd. which was deconsolidated.

2. *Disclosure by provision for bad debt*

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

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

3. *Accounts receivable for which anticipated credit losses were provisioned on a portfolio basis*

(1) *Aging portfolio*

Aging	Ending Balance		
	Book Balance	Provision for bad debt	Accrual Ratio (%)
Within 1 year	**256,699,383.54**	**4,369,444.20**	**1.70**
1 to 2 yeas	**2,459,368.86**	**1,135,066.94**	**46.15**
2 to 3 yeas	**3,620,323.19**	**3,620,323.19**	**100.00**
Over 3 years	**424,329,802.25**	**413,365,826.41**	**97.42**
Total	**687,108,877.84**	**422,490,660.74**	**61.49**

(2) *Risk exposure portfolio such as collateral*

Name of portfolio	Ending Balance	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	**70,082,896.34**	**33,039,376.96**	**47.14**
Total	**70,082,896.34**	**33,039,376.96**	**47.14**

4. *Provision for bad debts charged, recovered or returned in the current period*

Item	Beginning balance	Changes in the current period Increase: Provision	Decrease: roll-out	Decrease: Write off	Decrease: Other changes	Ending Balance
Accounts receivable for anticipated credit losses on a portfolio basis	390,093,012.75	69,510,941.75	869,998.42	1,967,677.87	1,236,240.51	**455,530,037.70**
Including: Aging portfolio	354,313,235.37	70,559,658.33	869,998.42	1,293,785.35	218,449.19	**422,490,660.74**
Risk exposure portfolio such as collateral	35,779,777.38	-1,048,716.58		673,892.52	1,017,791.32	**33,039,376.96**
Total	390,093,012.75	69,510,941.75	869,998.42	1,967,677.87	1,236,240.51	**455,530,037.70**

5. *Accounts receivable write-off in current reporting period*

Item	Amount of written off
Accounts receivable write-off	1,967,677.87

The important write off of accounts receivable is as follows:

Company	Nature	Amount of write off	Reason of write off	Write off procedure performed	Related party transactions
Taizhou Gaoyun Machinery Co., Ltd.	Payment for goods	673,892.52	Uncollectible	Company internal approval	No
Luoyang Hongdu Machinery Co., Ltd.	Payment for goods	384,631.78	Uncollectible	Company internal approval	No
Hua County Yongsheng Agricultural Machinery Specialized Cooperative	Payment for goods	162,700.00	Uncollectible	Company internal approval	No
Luoyang Yuxian Trade Co., Ltd.	Payment for goods	132,652.40	Uncollectible	Company internal approval	No
Luoyang Yongsheng Materials Co., Ltd.	Payment for goods	128,557.49	Uncollectible	Company internal approval	No
Luoyang Huicheng Casting Mold Company	Payment for goods	124,689.48	Uncollectible	Company internal approval	No
Others	Payment for goods	360,554.20	Uncollectible	Company internal approval	No
Total		1,967,677.87			

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

Company	Ending Balance	Percentage of ending balance of accounts receivable (%)	Bad deb t provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	**81,470,181.00**	**10.76**	**81,470,181.00**
YTO (Luoyang) Harvesting Machinery Co., Ltd.	**74,091,864.82**	**9.79**	**74,091,864.82**
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	**62,183,376.45**	**8.21**	**62,183,376.45**
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	**27,533,497.99**	**3.64**	**27,533,497.99**
Cuba TECNOIMPORT	**22,742,044.16**	**3.00**	**21,341,309.14**
Total	**268,020,964.42**	**35.40**	**266,620,229.40**

7. Accounts receivable derecognized due to transfer of financial assets: None

8. Amount of assets and liabilities formed with the transfer of accounts receivable and continued involvement: None

Note 3. Accounts payable

1. Classification of accounts payable by nature

Item	Ending Balance	Opening Balance
Purchase payment payable	**1,793,783,629.36**	1,597,593,667.49
Purchase of construction equipment payable	**47,254,480.48**	39,640,607.32
Service fee payable	**164,193,538.26**	150,935,442.35
Others	**107,049.17**	23,085.27
Total	**2,005,338,697.27**	1,788,192,802.43

2. Accounts payable with significant amount aged over 1 year

Company name	Ending balance	Reason for not paid or reversed
Hong Kong LLAF INTERNATIONAL CO., LTD	**24,167,266.05**	Unsettled
Total	**24,167,266.05**	

Note 4. Retained earnings

Item	Amount	Percentage of appropriation or distribution *(%)*
Retained earnings at the end of last period before adjustment	795,064,178.33	
Adjustment on beginning balance of retained earnings ("+" for add; "-" for less)		
Beginning balance of retained earnings after adjustment	795,064,178.33	
Add: net profit for the current period attributable to shareholders of the parent company	438,209,215.31	
Less: Statutory surplus reserve	59,394,611.43	
Discretionary surplus reserve		
Reserve fund		
Enterprise expansion fund		
Profit return for investments		
Employee benefits fund		
General risk reserves	3,620,995.16	
Common stock dividends payable	84,188,701.53	
Ordinary shares dividends transferred to share capital		
Dividend on preferred shares		
Other distributions to shareholders		
Other profit distribution		
Add: Making up for losses with surplus reserve		
Changes carried forward upon re-measurement of net liabilities or net assets under defined benefit plan		
Other comprehensive income carried forward		
Others carried forward within shareholders' equity		
Ending balance of this year	1,086,069,085.52	

Note 5. Depreciation and amortization

Item	**Amount in this year**	Amount in last year
Depreciation of fixed assets	**289,360,872.78**	294,961,584.18
Amortization of intangible assets	**31,246,634.19**	29,970,135.47
Total	**320,607,506.97**	324,931,719.65

Note 6. Income tax expenses

1. Income tax expenses

Item	Amount in this year	Amount in last year
Current income tax expenses	**21,028,898.18**	16,149,697.91
Deferred income tax expense	**5,919,818.00**	10,222,487.18
Total	**26,948,716.18**	26,372,185.09

2. The Adjustment Process of Accounting Profit and Income Tax Expenses

Item	Amount in this year
Total profit	460,291,922.51
Income Tax Expenses at Statutory/Applicable Tax Rates	115,072,980.62
The Impact of Different Tax Rates on Subsidiaries	-51,595,150.86
The impact of income tax on the period before adjustment	-276,925.53
The impact of non-taxable income	-93,918,094.79
Non-deductible Cost, Expenses and Loss Impact	3,465,444.50
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-30,323,347.67
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	155,009,975.78
Extra deductions for research and development expenses	-65,201,662.29
Others	-557,251.64
Income tax expenses	26,948,716.18

Note 7. Net current assets

Item	Ending Balance	Opening Balance
Current assets	**7,695,901,023.41**	7,442,992,787.99
Less: current liabilities	**5,891,147,420.90**	6,874,682,789.41
Net current assets	**1,804,753,602.51**	568,309,998.58

Note 8. Total assets minus current liabilities

Item	Ending Balance	Opening Balance
Total assets	**12,339,594,556.58**	12,342,608,882.99
Less: current liabilities	**5,891,147,420.90**	6,874,682,789.41
Total assets minus current liabilities	**6,448,447,135.68**	5,467,926,093.58

Note 9. Segment information

Item		Ending Balance/Amount in this year Agricultural machinery	Power machinery	Finance service	Elimination among segments	Total
1.	Total operating revenue	8,462,479,624.19	2,277,492,927.95	164,224,708.73	-1,570,388,379.33	9,333,808,881.54
	Including：External transaction revenue	8,041,954,274.68	1,167,181,559.08	124,673,047.78	–	9,333,808,881.54
	Revenue between segments	420,525,349.51	1,110,311,368.87	39,551,660.95	-1,570,388,379.33	–
	Loss on impairment of assets	-583,829,401.62	-3,842,836.76	–	171,192.71	-587,501,045.67
	Loss on impairment of credit	-214,207,497.02	4,569,445.53	-14,416,612.31	-4,802,662.75	-228,857,326.55
	Depreciation and amortization fee	294,434,775.48	62,525,821.42	1,342,788.54	–	358,303,385.44
2.	Total profit (Loss)	363,745,646.78	49,499,498.30	61,702,531.14	-14,655,753.71	460,291,922.51
3.	Income tax expenses	2,684,300.09	4,979,483.37	19,253,921.88	31,010.84	26,948,716.18
4.	Net profit (Loss)	361,061,346.69	44,520,014.93	42,448,609.26	-14,686,764.55	433,343,206.33
5.	Total assets	8,912,313,008.99	2,815,337,404.14	5,252,837,925.66	-4,640,893,782.21	12,339,594,556.58
6.	Total liabilities	5,470,506,979.85	1,166,753,415.46	4,378,666,858.07	-4,658,555,843.47	6,357,371,409.91
7.	Other important non cash items	194,978,204.08	43,062,377.39	3,311,563.83	–	241,352,145.30
	1. Non-cash expenses other than depreciation and amortization	22,114,531.13	588,074.18	132,895.64	–	22,835,500.95
	2. Capital expenditure	172,863,672.95	42,474,303.21	3,178,668.19	–	218,516,644.35

Note 10. Net asset returns and Earnings per share

Item	Year of 2021
Net profit attributable to shareholders of parent company	438,209,215.31
Non recurring profit and loss attributable to the parent company	103,043,626.35
Net profit attributable to shareholders of parent company after deducting non recurring profit and loss	335,165,588.96
Weighted average number of common shares outstanding	1,112,162,335.42
Basic earnings per share (I) (before deducting non earnings)	0.3940
Basic earnings per share (II) (after deducting non earnings)	0.3014
Weighted average of net assets attributable to shareholders of parent company	5,159,370,087.24
Weighted average return on equity (I) (before deducting non earnings)	8.4935%
Weighted average return on equity (II) (after deducting non earnings)	6.4963%

Note 11. Dividends

The 2021 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 0.117 yuan per share (tax included) will be distributed to all shareholders, totaling 131.4665 million. The above-mentioned profit distribution plan has been reviewed and approved at the thirty-sixth meeting of the eighth session of the board of directors of the Company, and must be reviewed and approved at the Company's shareholders meeting before implementation.

THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

I. Explanation on the Principal Businesses, Operation Modes of the Company during the Reporting Period

(1) Principal Businesses

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

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

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

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

(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 different raw materials and components required by each operating unit based on its needs.

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

Sales Mode: The agricultural machinery products of the Company are mainly sold by dealers of the Company in domestic market by 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 as accessories 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 before, during and after the loan business, and currently, the business risks are controllable.

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

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

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

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

III. DISCUSSION AND ANALYSIS ON THE OPERATION

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

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

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

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

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

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

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

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

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

IV. THE COMPANY's DISCUSSION AND ANALYSIS ON ITS FUTURE DEVELOPMENT

(I) Industry landscape and trend

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

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

(II) Development strategy of the Company

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

(III) Operation plan

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

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

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

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

(IV) Potential risks

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

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

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

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

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

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

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

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

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

4. *Risk in overseas market*

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

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

5. *Risk relating to product technology upgrading*

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

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

6. Risk relating to undiversified product mix

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

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

SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS

I. BASIC INFORMATION

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

II. INFORMATION ABOUT BUSINESS OPERATION OF YTO FINANCE

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

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

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

III. RISK CONTROL

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

IV. PROPOSED RESTRUCTURING OF YTO FINANCE

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

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

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

The implementation of the Restructuring Transactions is subject to relevant approvals including the approvals to be obtained from independent shareholders of the Company being obtained. Please refer to the announcement published by the Company on even date for further details of the Restructuring Transactions.

ANALYSIS OF FINANCIAL RESULTS

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

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

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

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

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

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

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

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

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

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

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

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

The impact of the liquidation of subsidiaries on the Company's financial statements was reflected in the investment income, loss on impairment of assets and loss on impairment of credit. Consolidating such three items, the impact of the judicial liquidation of YTO France on the Company's profit or loss during the Reporting Period totaled RMB-6.8 million, and the impact of the liquidation of Harvesting Machinery Company on the Company's profit or loss during the Reporting Period was RMB-4.63 million.

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

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

2. Operating Revenue

During the Reporting Period, the Company realized an operating revenue of RMB9.209 billion, representing an increase of 23.10% as compared with the corresponding period of last year, mainly due to a year-on-year increase in the sales volume of major products during the Reporting Period.

3. Costs

Cost analysis

(a) By industry

Unit: Ten thousand Yuan Currency: RMB

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	Materials	821,910	88.91	631,664	87.31	30.12
Equipment manufacturing industry	Labour	38,328	4.15	33,641	4.65	13.93
Equipment manufacturing industry	Production costs	64,138	6.94	58,177	8.04	10.25

(b) *By product*

By product	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	Materials	645,655	89.00	487,949	87.46	32.32
Agricultural machinery	Labour	28,998	4.00	25,260	4.53	14.80
Agricultural machinery	Production costs	50,771	7.00	44,705	8.01	13.57
Power machinery	Materials	176,255	88.59	143,715	86.80	22.64
Power machinery	Labour	9,330	4.69	8,381	5.06	11.32
Power machinery	Production costs	13,367	6.72	13,472	8.14	-0.78

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

Explanation on other information on cost analysis

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

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

4. 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	203,809,324.49	358,190,492.96	-154,381,168.47	-43.10
Administrative expenses	363,378,163.19	354,222,206.89	9,155,956.30	2.58
Research and development expenses	415,352,332.37	339,036,171.41	76,316,160.96	22.51
Financial expenses	51,112,103.79	52,228,726.98	-1,116,623.19	-2.14
Total	1,033,651,923.84	1,103,677,598.24	-70,025,674.40	-6.34

5. Research and development investment

Analysis on research and development investment

Unit: Yuan Currency: RMB

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

6. Cash Flow

Unit: Yuan Currency: RMB

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

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

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

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

7. Analysis on Operation by Industry, Product, Region or Sales Model

Principal Businesses by Industry, by Product, by Region and by Sales Model

Unit: Ten thousand Yuan Currency: RMB

Principal businesses by industry

By industry	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease operating revenue year-on-year (%)	Increase/ decrease in operating cost year-on-year (%)	Increase/ decrease in gross profit margin year-on-year (%)
Equipment manufacturing industry	920,914	771,293	16.25	23.10	28.12	decreased by 3.28 percentage points

Principal businesses by product

By products	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease operating revenue year-on-year (%)	Increase/ decrease in operating cost year-on-year (%)	Increase/ decrease in gross profit margin year-on-year (%)
Agricultural machinery	846,248	725,424	14.28	24.64	30.02	Decreased by 3.54 percentage points
Power machinery	227,749	198,952	12.64	19.48	20.16	Decreased by 0.5 percentage point
Inter-segment elimination	-153,083	-153,083	–	–	–	–
Total	920,914	771,293	16.25	23.10	28.12	Decreased by 3.28 percentage points

Principal businesses by region

By region	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease operating revenue year-on-year (%)	Increase/ decrease in operating cost year-on-year (%)	Increase/ decrease in gross profit margin year-on-year (%)
In the PRC	881,441	736,448	16.45	23.20	28.25	Decreased by 3.29 percentage points
Outside the PRC	39,473	34,845	11.72	21.03	25.50	Decreased by 3.15 percentage points

Principal businesses by sales model

Sales model	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease in operating revenue as compared with last year (%)	Increase/ decrease in operating cost as compared with last year (%)	Increase/ decrease in gross profit margin as compared with last year (%)
Distribution	684,938	558,008	18.53	23.38	30.42	Decreased by 4.39 percentage points
Direct selling	235,976	213,285	9.62	22.30	22.48	Decreased by 0.13 percentage point

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

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

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

The gross profit margin of the Company's power machinery business was 12.64%, representing a year-on-year decrease of 0.5 percentage point.

8. Analysis on assets and liabilities

Unit: Yuan Currency: RMB

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year Change (%)	Reasons for the changes
Monetary funds	3,243,399,611.65	26.28	1,702,625,475.53	13.79	90.49	The Company's earnings increased during the period, while the size of the financial assets held by YTO Finance decreased and the Company's structured deposits were paid back at maturity
Lendings to banks and other financial institutions	23,320,000.00	0.19	40,000,000.00	0.32	-41.70	The provision for impairment of lendings to banks and other financial institutions made by YTO Finance increased, resulting in the decrease in the book value of lendings to banks and other financial institutions
Notes receivable	62,757,621.58	0.51	892,050.97	0.01	6,935.21	The sales volume increased, resulting in the increase in notes receivable as compared to the beginning of the year
Accounts receivable financing	216,495,094.89	1.75	374,916,413.50	3.04	-42.26	The purchases increased, payment of notes increased and the balances of notes decreased as compared with the beginning of the year

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year Change (%)	Reasons for the changes
Prepayment	242,712,324.09	1.97	177,372,921.45	1.44	36.84	Prepayments were made for procurement and establishment of reserve at the end of the year and prepayments increased
Financial assets purchased with agreement to resale	360,643,454.77	2.92	1,561,721,065.92	12.65	-76.91	The financial assets held by YTO Finance decreased
Right-to-use assets	15,044,288.50	0.12	28,901,686.93	0.23	-47.95	The accumulated depreciation of right-of-use assets increased, and the carrying value of right-of-use assets decreased
Long-term deferred expenses	61,059,040.71	0.49	44,912,084.65	0.36	35.95	The purchase of molds in the current period increased and the amount included in the long-term amortization expenses increased
Short-term loans	270,183,333.34	2.19	834,263,379.71	6.76	-67.61	Repayment of partial short-term borrowings
Loans from other banks	200,050,000.00	1.62	300,066,666.67	2.43	-33.33	Repayment of loans by YTO Finance
Contract liabilities	580,385,482.01	4.70	398,850,436.72	3.23	45.51	Increase in the advances received from customers with contracts
Absorption of deposits and interbank deposits	741,565,080.73	6.01	1,412,624,683.26	11.45	-47.50	Decrease in external units' deposits in YTO Finance
Lease liabilities	1,853,079.74	0.02	14,850,790.14	0.12	-87.52	Due to the reclassification of rental payable within one year to non-current liabilities due within one year
Other comprehensive income	-11,710,421.44	N/A	-26,960,733.16	N/A	N/A	Mainly due to the transfer of translation difference in foreign currency statements upon the deconsolidation of YTO France's bankruptcy
Retained earnings	1,086,069,085.52	8.80	795,064,178.33	6.44	36.60	Profits in the current period

(1) Key financial ratios

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

(2) Bank loans

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

RESTRICTIONS ON MAIN ASSETS AS AT THE END OF THE REPORTING PERIOD

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

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

During the Reporting Period, the original value of Changtuo Company's fixed assets and intangible assets of restricted ownership amounted to a total of RMB100.0981 million, and the net value amounted to a total of RMB53.9180 million, which were buildings and land mortgaged to the banks for short-term loans granted to Changtuo Company during the Reporting Period.

FOREIGN EXCHANGE RISK

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

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.

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.

CORPORATE GOVERNANCE REPORT

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

REQUIREMENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

In 2021, the Company completed the preparation of the Environmental, Social and Governance Report in accordance with the requirements of the Environmental, Social and Governance Reporting Guide. The Company's Environmental, Social and Governance Report for 2021 will be published on the websites of the Company and the Stock Exchange in April 2022.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 Director held shares of the Company. During the Reporting Period, all Directors of the Company 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.

CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT DURING THE REPORTING PERIOD

On 23 February 2021, Mr. Wang Dongxing was elected as a Supervisor and Chairman of the eighth session of the Board of Supervisors of the Company at the first extraordinary general meeting in 2021 and the 13th meeting of the eighth session of the Board of Supervisors, with a term of office from 23 February 2021 to 28 October 2021. For details, please refer to "Announcement of First Tractor Company Limited on Resolutions of 2021 First Extraordinary General Meeting", "Announcement of First Tractor Company Limited on Election of the Chairman of the Board of Supervisors" disclosed on the website of the Shanghai Stock Exchange on 24 February 2021, and "Announcement on Resolutions of 2021 First Extraordinary General Meeting and Election of the Chairman of the Board of Supervisors" disclosed on the website of the Stock Exchange on 23 February 2021.

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

Mr. Wang Dongxing resigned as the Chairman of the Board of Supervisors and a Supervisor due to change in work arrangements on 15 October 2021. The Company held the 17th meeting of the Eighth Session of the Board of Supervisors, and elected Mr. Yang Yu as the candidate for Supervisor of the Company. For details, please refer to the Announcement in relation to the Resignation of the Chairman of the Board of Supervisors and the By-election of Supervisor published by the Company on the website of the Shanghai Stock Exchange on 16 October 2021 and the Announcement on the Resignation of the Chairman of the Board of Supervisors and Election of A Supervisor and the Inclusion of a Provisional Proposal at the 2021 Second Extraordinary General Meeting on 2 November 2021 published by the Company on the website of the Stock Exchange on 15 October 2021.

On 2 November 2021, Mr. Yang Yu was elected as a Supervisor and the Chairman of the Eighth Session of the Board of Supervisors of the Company at the 2021 Second Extraordinary General Meeting of the Company and the 19th Meeting of the Eighth Session of the Board of Supervisors with a term of office from 2 November 2021 to the expiry date of the term of the Eighth Session of the Board of Supervisors. For details, please refer to the Announcement of First Tractor Company Limited in relation to the Resolution of 2021 Second Extraordinary General Meeting, 2021 First A Share Class Meeting and 2021 First H Share Class Meeting and the Announcement in relation to the Election of the Chairman of the Board of Supervisors published by the Company on the website of the Shanghai Stock Exchange on 3 November 2021, and the Announcement on the Poll Results of the Extraordinary General Meeting and the Class Meetings held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors on 2 November 2021.

DIVIDEND

In accordance with the profit distribution policy of the Articles of Association of the Company, the Board recommends the following profit distribution proposal for 2021: a cash dividend of RMB1.17 (tax inclusive) for every ten Shares on the basis of the current total share capital of 1,123,645,275 Shares of the Company, totaling RMB131.4665 million. There will be no capitalization from capital reserves for the year. The proposal is still subject to the approval of the shareholders at the 2021 annual general meeting of the Company. Subject as aforesaid, the Company expects to pay the dividend on or before 31 July 2022.

As the date of the 2021 annual general meeting of the Company has not been determined, the relevant record date will be announced later. If the aforesaid proposal is approved by the shareholders of the Company, then pursuant to the "Corporate Income Tax Law of the PRC" and its implementing regulations and other relevant rules, which came into force on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the "Corporate Income Tax Law of the PRC") shareholders whose names appear on the H Share register of members of the Company. Any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The individual income tax will not be withheld by the Company from the dividend payable to any natural person shareholders whose names appear on the H Share register of members of the Company.

OPERATION OF THE AUDIT COMMITTEE

During the Reporting Period, the Audit Committee under the Board convened seven meetings, with all members attending all meetings and fully expressing their opinions. Details are set out below:

Date	Content	Important comments and suggestions	Other performance of duties
2021.1.4	1. To consider the work plan for the preparation of the 2020 annual report and the audit plan for the 2020 annual financial report of the Company	Suggest to highlight the Company's active undertaking and fulfillment of social responsibilities in 2020 in the ESG Report	/
2021.1.28	1. To consider the estimated results of the Company for 2020 and the provision for asset impairment	/	/

Date	Content	Important comments and suggestions	Other performance of duties
2021.3.24	1. To consider the resolution on the provision for termination benefits of the Company 2. To consider the resolution on provision for asset impairment of the Company 3. To consider the audited financial report of the Company for 2020 4. To consider the 2020 Annual Report of the Company 5. To consider the 2020 internal control evaluation report of the Company 6. To consider the Report on the Implementation of Continuing Connected Transactions of the Company for 2020 7. To consider the Resolution in relation to the Determination of the Remuneration of the Auditors for 2020 and the Appointment of the Company's Financial and Internal Control Auditors for 2021 8. To consider the Performance Report of the Audit Committee of the Board for 2020	When considering the 2020 Annual Report of the Company, the following proposals were made: 1. It is proposed that the Company will take actions in the construction of green high-end intelligent agricultural machinery and equipment, precision agriculture and information service platform, and assume the responsibility as a leading enterprise in the agricultural machinery industry; 2. Recommend the Company to learn from the previous experience of turning around loss and overcoming difficulties, establish crisis awareness, and actively respond to changes in the market situation;	/
2021.4.27	1. To review the first quarterly report of the Company in 2021	/	/
2021.8.20	1. To review the interim report of the Company in 2021 2. To review the resolution on the Company's 2022-2024 continuing connected transactions 3. To review the execution report on related transactions of the Company for the first half of 2021	/	/
2021.9.13	1. To consider the resolution in relation to the increase of the annual cap of the daily related transactions between the Company and ZF YTO (Luoyang) Axle Co., Ltd. for 2021	/	/
2021.10.25	1. To consider the third quarterly report of the Company in 2021 2. To consider the work proposal for preparation of internal control evaluation of the Company in 2021	/	/

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

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

The auditor of the Company, Da Hua Certified Public Accountants (Special General Partnership), agreed with the figures in this preliminary announcement of the results of the Group for the year ended 31 December 2021, which are consistent with the amounts that will be contained in the 2021 Annual Report of the Company. The unqualified auditor's report will also be included in the 2021 Annual Report of the Company.

DEFINITIONS

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

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 machineries used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
auditor	the financial report auditor appointed by the Company, Da Hua Certified Public Accountants (Special General Partnership) as the Company's auditor for the year of 2021
CBIRC	China Banking and Insurance Regulatory Commission
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 Shares	ordinary shares 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 a power of 100 (inclusive) horsepower or above
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
low-powered wheeled tractor	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	wheeled tractor with a power of 25 (inclusive) to 100 horsepower
power machinery	products including diesel engine and fuel injection pump
PRC	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary(ies)	a subsidiary as defined under the Listing Rules of the Stock Exchange
YTO	YTO Group Corporation* (中國一拖集團有限公司), the controlling shareholder 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 France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company (has gone into judicial liquidation process)
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited* (一拖（洛陽）神通工程機械有限公司) (has gone into bankruptcy and liquidation)
SINOMACH	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the de facto controller of the Company
Sinomach Finance	Sinomach Finance Co., Ltd.* (國機財務有限責任公司), a limited liability company approved to be established in the PRC by the CBIRC as a non-banking financial institution, and a subsidiary of Sinomach
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
Harvesting Machinery Company	YTO (Luoyang) Harvesting Machinery Company Limited* (一拖(洛陽)收獲機械有限公司) (has gone into bankruptcy and liquidation)

By order of the Board
FIRST TRACTOR COMPANY LIMITED*
YU Lina
Company Secretary

Luoyang, the PRC
29 March 2022

As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman) and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai as non-executive Directors; and Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*