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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 2023

(Financial Highlights)

Total operating revenue:	RMB11,533,786,779.44
Net profit attributable to the equity holders of the parent company:	RMB997,022,699.99
Earnings per share attributable to the equity holders of the parent company:	RMB0.8873

The board of directors (the “**Board**”) of First Tractor Company Limited* (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2023, which have been prepared in accordance with the Accounting Standards for Business Enterprises of China, together with comparative figures for the same period in 2022, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi (Unit: Yuan)).

CONSOLIDATED BALANCE SHEET

31 December 2023

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	<i>Note</i>	31 December 2023	31 December 2022
Current assets:			
Monetary Funds	<i>Note 1</i>	2,769,578,885.96	4,363,742,346.01
Lending to Banks and Other Financial Institutions		0.00	0.00
Trading financial assets		862,909,300.00	1,249,646,900.00
Derivative financial assets		0.00	0.00
Notes receivable		62,322,233.91	76,769,291.70
Accounts receivable	<i>Note 2</i>	331,205,994.88	351,792,105.00
Accounts receivable Financing		261,430,180.63	246,084,731.86
Advances to suppliers		210,734,453.99	214,603,079.62
Other receivables		24,672,309.74	26,664,987.91
Including: Dividend receivable		0.00	0.00
Interest receivable		0.00	0.00
Buying back the sale of financial assets		0.00	0.00
Inventories		1,514,190,377.68	1,191,302,696.00
Contract assets		0.00	0.00
Assets classified as held for sale		0.00	0.00
Non-current assets due within one year		26,733,364.62	26,138,882.38
Other current assets		423,894,751.27	135,457,079.03
Total current assets		<u>6,487,671,852.68</u>	<u>7,882,202,099.51</u>

Item	<i>Note</i>	31 December 2023	31 December 2022
Non-current assets:			
Loans and advances to customers		0.00	0.00
Debt investment		3,337,100,098.30	1,086,568,216.50
Other debt investment		0.00	0.00
Long-term receivables		0.00	0.00
Long-term equity investments		664,257,573.38	635,976,086.00
Other equity instrument investment		4,188,008.77	3,513,464.70
Other non-current financial assets		0.00	0.00
Investment properties		0.00	0.00
Fixed assets		2,268,814,612.75	2,311,846,878.77
Construction in progress		140,038,654.10	126,466,820.01
Productive biological assets		0.00	0.00
Oil and gas assets		0.00	0.00
Right-to-use assets		21,834,383.06	34,164,906.27
Intangible assets		697,337,769.49	713,225,331.16
Research and development expenses		0.00	0.00
Goodwill		0.00	0.00
Long-term deferred expenses		47,746,656.30	59,464,923.38
Deferred income tax assets		148,272,362.96	138,136,755.38
Other non-current assets		0.00	0.00
Total non-current assets		<u>7,329,590,119.11</u>	<u>5,109,363,382.17</u>
Total assets		<u><u>13,817,261,971.79</u></u>	<u><u>12,991,565,481.68</u></u>

Item	Note	31 December 2023	31 December 2022
Current liabilities:			
Short-term loans		0.00	270,223,055.56
Loans from banks and other financial institutes		0.00	0.00
Trading financial liabilities		0.00	0.00
Derivative financial liabilities		0.00	0.00
Notes payable		2,163,570,194.22	1,829,411,578.37
Accounts payable	Note 3	2,315,345,789.04	2,286,961,766.98
Advance from customers		0.00	190,366.98
Contract liabilities		500,336,653.14	846,464,703.95
Sale of repurchase financial assets		0.00	0.00
Absorption of deposits and interbank deposits		0.00	34,112,630.48
Employee salary payable		116,991,275.94	108,545,159.39
Taxes payables		21,912,103.66	21,049,384.80
Other payables		469,509,147.78	338,162,726.80
Including: Interests payable		39,524,418.05	24,785,843.99
Dividends payable		8,439,607.85	8,439,607.83
Liabilities classified as held for sale		0.00	0.00
Non-current liabilities due within one year		20,969,818.62	17,750,080.09
Other current liabilities		435,969,305.17	374,987,097.17
Total current liabilities		<u>6,044,604,287.57</u>	<u>6,127,858,550.57</u>

Item	<i>Note</i>	31 December 2023	31 December 2022
Non-current liabilities:			
Long-term loans		200,000,000.00	49,380,000.00
Bonds payable		0.00	0.00
Including: Preference shares		0.00	0.00
Perpetual bond		0.00	0.00
Lease liabilities		2,098,999.39	16,459,875.98
Long-term payables		8,281,441.87	8,476,357.76
Long-term employee salary payable		38,103,687.73	48,210,828.04
Special payables		0.00	0.00
Estimated Liabilities		1,962,613.99	1,962,613.99
Deferred income		181,945,272.97	121,762,517.70
Deferred income tax liabilities		120,936,004.89	120,283,861.71
Other non-current liabilities		0.00	0.00
		<hr/>	<hr/>
Total non-current liabilities		553,328,020.84	366,536,055.18
		<hr/>	<hr/>
Total liabilities		6,597,932,308.41	6,494,394,605.75
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Item	<i>Note</i>	31 December 2023	31 December 2022
Shareholder's equity			
Share capital		1,123,645,275.00	1,123,645,275.00
Other equity instruments		0.00	0.00
Including: Preferred shares		0.00	0.00
Perpetual bond		0.00	0.00
Capital reserves		2,655,849,996.00	2,655,849,996.00
Less: Treasury shares		0.00	0.00
Other comprehensive income		-13,923,730.01	-5,853,544.29
Special reserves		7,494,294.70	5,497,405.05
Surplus reserves		699,875,564.60	595,433,495.89
General risk reserves		0.00	43,263,387.54
Retained earnings	<i>Note 4</i>	2,218,749,266.26	1,540,248,936.64
Total equity attributable to shareholders of the parent Company		6,691,690,666.55	5,958,084,951.83
Minority interests		527,638,996.83	539,085,924.10
Total shareholder's equity		7,219,329,663.38	6,497,170,875.93
Total liabilities and shareholder's equity		13,817,261,971.79	12,991,565,481.68

CONSOLIDATED INCOME STATEMENT

31 December 2023

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	<i>Note</i>	Amount incurred in this year	Amount incurred in last year
1. Total operating revenue		11,533,786,779.44	12,563,780,344.92
Including: Operating revenue		11,528,160,755.86	12,455,465,114.62
Interest income		5,626,023.58	103,241,584.91
Fees and commission income		0.00	5,073,645.39
2. Total cost of operation		10,763,216,167.37	11,663,299,445.57
Including: Operating costs		9,696,630,033.53	10,497,058,564.32
Interest expenses		99,838.97	12,119,803.80
Fees and commission expense		60,491.28	505,541.79
Taxes and surcharges		49,066,163.90	49,187,427.97
Selling expenses		240,891,055.45	222,210,134.64
Administrative expenses		360,636,115.92	395,202,295.32
Research and development expenses		461,344,381.32	528,782,269.55
Financial expenses		-45,511,913.00	-41,766,591.82
Add: Other income		72,465,499.82	42,737,331.02
Investment income		122,157,792.20	7,287,769.45
Gain arising from the changes in fair value		47,757,032.42	-232,279,776.57
Loss on impairment of credit		-2,350,331.02	-88,215,114.78
Loss on impairment of assets		-15,895,859.60	-43,627,186.06
Asset disposal income		1,561,504.48	1,634,977.44

Item	Note	Amount incurred in this year	Amount incurred in last year
3. Operating profit		996,266,250.37	588,018,899.85
Add: Non-operating income		8,134,394.76	26,426,150.40
Less: Non-operating expenses		1,314,671.50	2,547,188.18
4. Total profit		1,003,085,973.63	611,897,862.07
Less: Income tax expenses	Note 6	14,058,675.83	-30,060,272.03
5. Net profit		989,027,297.80	641,958,134.10
Including: Net profit achieved by the merger of the merged party before the merger under the same control		0.00	0.00
(1) Classification according to the continuity of operation		—	—
Continuous operating net profit		971,616,583.50	558,427,311.90
Termination of net profit		17,410,714.30	83,530,822.20
(2) Classification of ownership according to ownership		—	—
Net profit attributable to shareholders of the parent company		997,022,699.99	681,050,957.24
Profit or loss attributable to minority interests		-7,995,402.19	-39,092,823.14
6. Net other comprehensive income after tax		-4,032,831.14	5,477,415.54
Net other comprehensive income after tax attributable to owners of the parent company		-8,070,185.72	5,856,877.15
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		115,426.69	-745,755.85
1. Changes in net liabilities or net assets arising from the re- measurement of defined benefit plans		0.00	0.00
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method		-228,590.79	-69,708.37

Item	Note	Amount incurred in this year	Amount incurred in last year
3.	Changes in fair value of other equity instrument investments	344,017.48	-676,047.48
4.	Changes in fair value of credit risk due to enterprise itself	0.00	0.00
(2)	Other comprehensive income that will be subsequently reclassified to profit and loss	-8,185,612.41	6,602,633.00
1.	Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method	0.00	0.00
2.	Changes in fair value of other debt investments	0.00	0.00
3.	Financial assets reclassified into other comprehensive income	0.00	0.00
4.	Provision for credit impairment of other debt investment	0.00	0.00
5.	Cash flow hedging reserve (Effective part of hedging gains and losses from cash flows)	0.00	0.00
6.	Exchange differences from translation of foreign currency financial statements	-8,185,612.41	6,602,633.00
7.	Others	0.00	0.00
	Net other comprehensive income after tax attributable to minority interests	4,037,354.58	-379,461.61
7.	Total comprehensive income	984,994,466.66	647,435,549.64
	Total comprehensive income attributable to owners of the parent company	988,952,514.27	686,907,834.39
	Total comprehensive income attributable to minority interests	-3,958,047.61	-39,472,284.75
8.	Earnings per share:	—	—
(1)	Basic earnings per share	0.8873	0.6061
(2)	Diluted earnings per share	0.8873	0.6061

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 and power 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

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

The financial statements of the Group are prepared on a going concern basis, based on actual transactions and events that have occurred, in accordance with the Accounting Standards for Business Enterprises and its application guidelines, interpretations and other relevant regulations issued by the Ministry of Finance (the "Accounting Standards for Business Enterprises"), the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports" (2013 Revision) and relevant regulations of the China Securities Regulatory Commission (hereinafter referred to as "the Commission"), and the relevant disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Stock Exchange of Hong Kong, and have been prepared on the basis of the accounting policies and accounting estimates set out in "IV. Significant Accounting Policies and Accounting Estimates" in this note.

3. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

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

Given the fact that Chinese ASBEs are equivalent to Hong Kong Financial Reporting Standards (HKFRSs), the Hong Kong Securities and Futures Commission and the Stock Exchange have both accepted financial reports prepared by Hong Kong listed companies originally from mainland China in accordance with the Chinese ASBEs and audited by accounting firms based in mainland China with relevant qualifications. As approved by the second extraordinary Shareholders Meeting in 2014 held on 31 October 2014, the Group no longer prepares financial reports under both Chinese ASBEs and Hong Kong Accounting Standards (HKASs) from the reporting year of 2014. Financial reports prepared only in accordance to the Chinese ASBEs will be provided to A Share holders and H Share holders of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting period

The accounting period for the Group is from 1 January to 31 December.

(2) Reporting currency

The Group's reporting currency is Renminbi (RMB). Its subsidiaries, associates, and joint operators apply their reporting currency based on the consideration of their local economics.

(3) The Group uses Renminbi (RMB) as the reporting currency for the preparation of the financial statements.

(4) Accounting method for Enterprise merger under the common control and not under the common control

1. 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:

- (1) These transactions are occurred at the same time, or have considered the impact of each other;
- (2) All of these transactions as a whole comes to a complete business outcome;

- (3) The occurrence of a transaction depends on the occurrence of at least one other Transaction;
- (4) A deal alone is not economical, but it is economic when considering together with other transactions.

2. *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 contingent consideration which need to confirm the estimated liabilities or assets, the difference between the estimated liabilities or the amount of assets and the subsequent contingent consideration price, should be adjusted through the capital surplus (capital premium or equity premium), and if the capital surplus is insufficient, adjust the retained earnings.

As enterprise merger realized by multiple transactions which belong to a package transaction, considering these transactions as a control transaction when carrying out accounting method. In the case of non-package transactions, 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 on the day of gaining control. 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.

3. *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 on which the buyer's net assets are transferred or the date on which the control of the production and operation decision is transferred to the Company. The Company generally believes that the transfer of control is realized when the following conditions are met:

- (1) An enterprise merger contract or agreement has been approved by the internal authority of the Company.
- (2) The merger of enterprises should be approved by the relevant competent authorities of the state and has been approved.
- (3) The necessary transfer procedures for property rights have been carried out.
- (4) The Company has paid most of the consolidated price and has the ability and plan to pay the surplus.
- (5) 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.

4. *The costs of merger*

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

(5) Accounting period

1. *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.

2. *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 policies. 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 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.

To meet 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 two business segments are stated in summary as follows:

- (1) The ‘agricultural machinery’ segment engages in the research and development, manufacture and sale of agricultural machinery, including tractors, relevant parts and component;
- (2) The ‘power machinery’ segment engages in the manufacture and sale of diesel engines, fuel injection pumps and fuel jets.

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

1. Changes in accounting policies

On 30 November 2022, the Ministry of Finance issued the “Accounting Standards for Business Enterprises Interpretation No.16” (hereby referred as “Interpretation 16”) in accordance with the relevant contents of the “Accounting for Deferred Income Taxes Related to Assets and Liabilities arising from Individual Transactions to which the Initial Recognition Exemption is Not Applicable” of Interpretation 16, which became effective from 1 January 2023, and is permitted to be implemented in advance in the year of 2022. At the twelfth meeting of the ninth session of the Board of the Company, it was resolved that the aforesaid change in accounting policy be approved, and the Group has implemented relevant contents since 1 January 2023. The implementation of Interpretation 16 had no material impact on the Group’s profit.

- (1) The amount of the impact from the implementation of Interpretation 16 on the relevant items in the Group's consolidated statement balance sheet as at 31 December 2022 is as follows:

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

- (2) The amount of the impact from the implementation of Interpretation 16 on the relevant items in the parent company's balance sheet as at 31 December 2022 is as follows:

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

2. 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

Items	Ending Balance	Beginning Balance
Cash on hand	240,002.93	60,612.69
Cash in bank	800,433,509.37	2,378,226,594.11
Other monetary funds	104,737,932.53	17,242,884.00
Deposit in financial company	1,864,167,441.13	1,968,212,255.21
Total	2,769,578,885.96	4,363,742,346.01
Including: Total amount deposited abroad	46,561,099.93	49,270,197.48

The details of the restricted monetary funds are as follows:

Items	Ending Balance	Beginning Balance
Bank acceptance deposit	544,771,522.99	834,209,742.51
Statutory deposit reserve	0.00	9,176,871.31
Other restricted funds	1,596,726.94	778,150.32
Total	546,368,249.93	844,164,764.14

Note 2. Accounts receivables

1. Age Disclosure of Accounts Receivable

Aging	Ending Balance	Beginning Balance
Within 1 year	343,960,871.88	353,550,459.77
1-2 years	10,236,946.74	4,997,809.04
2-3 years	3,208,250.11	2,503,989.10
Over 3 years	243,768,309.44	340,919,992.89
Subtotal	601,174,378.17	701,972,250.80
Less: Provision for bad debt	269,968,383.29	350,180,145.80
Total	331,205,994.88	351,792,105.00

2. Disclosure by provision for bad debt

Category	Book balance		Ending Balance		Book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Provision ratio (%)	
Bad debt provision on a portfolio basis	601,174,378.17	100.00	269,968,383.29	—	331,205,994.88
Including: Aging portfolio	529,473,772.44	88.07	224,657,454.31	42.43	304,816,318.13
Risk exposure					
portfolio such as					
collateral	71,700,605.73	11.93	45,310,928.98	63.19	26,389,676.75
Total	601,174,378.17	100.00	269,968,383.29	—	331,205,994.88

Continued:

Category	Book balance		Beginning Balance		Book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Provision ratio (%)	
Bad debt provision on a portfolio basis	701,972,250.80	100.00	350,180,145.80	—	351,792,105.00
Including: Aging portfolio	654,083,485.34	93.18	320,544,054.68	49.01	333,539,430.66
Risk exposure					
portfolio such as					
collateral	47,888,765.46	6.82	29,636,091.12	61.89	18,252,674.34
Total	701,972,250.80	100.00	350,180,145.80	—	351,792,105.00

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

(1) Aging portfolio

Aging	Book Balance	Ending Balance	
		Bad debt provision	Provision ratio (%)
Within 1 year	308,929,438.83	6,828,004.96	2.21
1-2 years	2,939,871.80	496,380.49	16.88
2-3 years	1,648,464.95	1,515,705.43	91.95
Over 3 years	215,955,996.86	215,817,363.43	99.94
Total	529,473,772.44	224,657,454.31	—

(2) *Risk exposure portfolio such as collateral*

Name of portfolio	Ending Balance	Bad debt provision	Provision ratio (%)
Risk exposure portfolio such as collateral	71,700,605.73	45,310,928.98	63.19

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

Category	Beginning Balance	Changes in the current year			Other	Ending Balance
		Provision	Recovery/ Reversal	Transfer or Write off		
Aging portfolio	320,544,054.68	-3,936,507.61	0.00	92,592,993.26	642,900.50	224,657,454.31
Risk exposure portfolio such as collateral	29,636,091.12	11,645,929.71	0.00	3,413,126.32	7,442,034.47	45,310,928.98
Total	350,180,145.80	7,709,422.10	0.00	96,006,119.58	8,084,934.97	269,968,383.29

5. *Actual accounts receivable write-off in current reporting period*

Item	Amount of write off
Actual accounts receivable write-off	96,006,119.58

Significant accounts receivables written off:

Company name	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Client 1	Payment for goods	63,100,203.73	Written off by the Company	Company internal approval	Yes
Client 2	Payment for goods	26,843,806.97	Written off by the Company	Company internal approval	Yes
Client 3	Payment for goods	2,487,726.77	Not expected to be recovered	Company internal approval	No
Total	—	92,431,737.47	—	—	—

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

Company name	Ending Balance	Percentage of ending balance of accounts receivable (%)	Bad debt provision
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd	62,183,376.45	10.34	62,183,376.45
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	26,157,000.00	4.35	517,540.00
Cuba TECNOIMPORT	25,263,904.56	4.20	25,263,904.56
Changzhou Dongfeng Agricultural Machinery Group Co., Ltd	22,879,999.99	3.81	1,391,954.09
Kashi Wan Xingtong Agricultural Machinery Co Ltd.	20,789,772.20	3.46	20,789,772.20
Total	157,274,053.20	26.16	110,146,547.30

Note 3. Accounts payable

1. Classification disclosure of accounts payable

Item	Ending Balance	Opening Balance
Purchase payment payable	2,082,123,987.38	2,081,660,028.31
Purchase of construction equipment payable	51,076,491.12	41,054,870.93
Service fee payable	181,628,924.28	164,161,767.34
Others	516,386.26	85,100.40
Total	2,315,345,789.04	2,286,961,766.98

2. Accounts payable with significant amount aged over 1 year

Company name	Ending Balance	Reason for not paid or carrying forward
LLAF INTERNATIONAL CO., LTD	25,631,359.34	Unsettled

Note 4. Retained earnings

Item	Amount	Percentage of appropriation or distribution (%)
Retained earnings at the end of last year before adjustment	1,540,248,936.64	—
Total retained earnings at the beginning of adjustment year	0.00	—
Beginning balance of retained earnings after adjustment	1,540,248,936.64	—
Add: net profit for the current year attributable to owners of the parent company	997,022,699.99	—
Others	43,263,387.54	—
Less: Statutory surplus reserves	104,442,068.71	10.00%
Common stock dividends payable	257,343,689.20	—
Ending balance of retained earnings	2,218,749,266.26	—

Note 5. Depreciation and amortization

Item	Amount in this year	Amount in last year
Depreciation of fixed assets	261,282,013.99	275,564,874.10
Amortization of intangible assets	33,999,864.03	32,647,428.19
Total	295,281,878.02	308,212,302.29

Note 6. Income tax expenses**1. Income tax expenses**

Item	Amount in this year	Amount in last year
Current income tax expenses	23,542,140.23	35,539,446.55
Deferred income tax expense	-9,483,464.40	-65,599,718.58
Total	14,058,675.83	-30,060,272.03

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

Item	Amount in this year
Total consolidated profit of this year	1,003,085,973.63
Income tax expenses at applicable tax rates	150,462,896.04
The impact of different tax rates on subsidiaries	9,948,473.70
The impact of income tax on the period before adjustment	-15,744,929.14
The impact of non-taxable income	-6,500,724.92
Non-deductible cost, expenses and loss impact	5,802,024.28
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current year	-29,376,602.33
Extra deductions for research and development expenses	-55,908,378.80
The impact of using deductible losses of unrecognized deferred income tax assets in the previous period	-44,624,083.00
Income tax expenses	14,058,675.83

Note 7. Net current assets

Item	Ending Balance	Opening Balance
Current assets	6,487,671,852.68	7,882,202,099.51
Less: Current liabilities	6,044,604,287.57	6,127,858,550.57
Net current assets	443,067,565.11	1,754,343,548.94

Note 8. Total assets minus current liabilities

Item	Ending Balance	Opening Balance
Total assets	13,817,261,971.79	12,991,565,481.68
Less: current liabilities	6,044,604,287.57	6,127,858,550.57
Total assets minus current liabilities	7,772,657,684.22	6,863,706,931.11

Note 9. Segment information

Item	Agricultural machinery	Power machinery	Finance service	Elimination	Total
1. Total operating revenue	10,562,532,953.81	2,978,511,636.31	5,626,023.58	-2,012,883,834.26	11,533,786,779.44
Including: External transaction revenue	10,136,024,866.40	1,392,135,889.46	5,626,023.58	0.00	11,533,786,779.44
Revenue between segments	426,508,087.41	1,586,375,746.85	0.00	-2,012,883,834.26	0.00
Loss on impairment of asset	-7,006,545.64	-10,218,263.14	0.00	1,328,949.18	-15,895,859.60
Loss on impairment of credit	-52,519,079.98	-1,069,474.12	384,946.90	50,853,276.18	-2,350,331.02
Depreciation and amortization fee	274,175,434.15	66,313,836.84	59,629.20	0.00	340,548,900.19
2. Total profit (total loss)	1,141,396,405.30	39,122,568.57	15,957,173.06	-193,390,173.30	1,003,085,973.63
3. Income tax expenses	35,694,925.51	-9,930,037.29	-11,721,404.41	15,192.02	14,058,675.83
4. Net profit (Loss)	1,105,701,479.79	49,052,605.86	27,678,577.47	-193,405,365.32	989,027,297.80
5. Total assets	13,996,527,939.79	3,095,648,311.44	0.00	-3,274,914,279.44	13,817,261,971.79
6. Total liabilities	6,707,192,574.78	1,738,388,915.04	0.00	-1,847,649,181.41	6,597,932,308.41
7. Other important non-cash item	287,988,008.45	189,121,406.79	63,081.20	0.00	477,172,496.44
1. Non-cash expenses other than depreciation and amortization	149,633,380.99	45,642,030.67	63,081.20	0.00	195,338,492.86
2. Capital expenditure	138,354,627.46	143,479,376.12	0.00	0.00	281,834,003.58

Note 10. Net asset returns and Earnings per share

Items	Current year
Net profit attributable to shareholders of parent company	997,022,699.99
Non-recurring profit and loss attributable to the parent company	71,137,510.83
Net profit attributable to shareholders of parent company after deducting non-recurring profit and loss	925,885,189.16
Weighted average number of common shares outstanding	1,123,645,275.00
Basic earnings per share (I) (before deducting non earnings)	0.8873
Basic earnings per share (II) (after deducting non earnings)	0.8240
Weighted average of net assets attributable to shareholders of parent company	6,324,887,809.19
Weighted average return on net assets (I) (before deducting non earnings)	15.76%
Weighted average return on net assets (II) (after deducting non earnings)	14.64%

Note 11. Dividends


The 2023 profit distribution plan: Based on the Company's fixed-increased total share capital of 1,123,645,275 Shares as the base, a cash dividend of RMB0.3194 per share (tax included) will be distributed to all shareholders, totaling RMB358.8923 million. The above-mentioned profit distribution plan has been reviewed and approved at the Nineteenth meeting of the Ninth session of the board of directors of the Company, and must be reviewed and approved at the Company's shareholders meeting before implementation. Save for the above, the Group does not have other discloseable material matter that was not disclosed under the post-balance sheet events.

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

I. EXPLANATION ON THE PRINCIPAL BUSINESSES AND OPERATING MODELS OF THE COMPANY DURING THE REPORTING PERIOD

(I) Explanation on the Principal Businesses of the Company

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

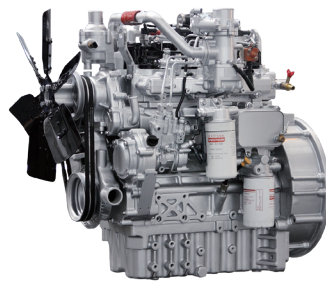
Product Name	Images	Product Description
Wheeled tractor		The walking device is wheeled, mainly used for pulling and driving various supporting equipment, agricultural machinery for completing agricultural operations, various earthwork operations, transportation operations and fixing operations. The Company has a full range of wheeled tractor products, suitable for different operating environments such as dry fields, paddy fields, orchards and sheds.

Crawler tractor



The walking device is a crawler type, mainly used for pulling and driving various supporting equipment, agricultural machinery for completing agricultural operations, various earthwork operations, transportation operations and fixing operations. The Company has a full range of crawler tractor products with better soil adhesion, suitable for wet soil and soft ground.

Diesel engine



Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy. The Company's off-road diesel engine products include displacement from 2L to 12L, power output from 10KW to 450KW high, medium and low horsepower range. The products are mainly matching agricultural machinery, such as tractors and harvesters, accessories of construction machinery, vessels and power generators.

Components



The components products of the Company include castings and forgings, gears, gearboxes and coverings for agricultural machinery products, as well as cylinder blocks, crankshafts, oil injection pumps and oil injection nozzles for power machinery products. The customers of the components products include the Company and external enterprises.

2. In adherence to the financial regulatory requirement that “an enterprise group can only set up one finance company” as stipulated in the “Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (CBIRC Order [2020] No.6)” (《中國銀監會非銀行金融機構行政許可事項實施辦法》(銀保監會令 2020 年第 6 號)), YTO Finance has concluded the merger with SINOMACH Finance during the Reporting Period. YTO Finance has completed its liquidation and deregistration. (For details, please refer to the “Announcement on Completion of Dissolution of China YTO Group Finance Company Limited” disclosed by the Company on the website of the Shanghai Stock Exchange on 6 June 2023.)

(II) Key Operation Modes

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

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

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

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

Sales Mode: The agricultural machinery products of the Company are mainly sold by dealers of the Company in the domestic market and adopted the sales policy such as cash on delivery and general credit sales. For dealers who have long cooperative relationships with the Company and good credit, the Company will give a certain credit limit and make annual evaluations and adjustments according to the credit situation. Our PRC sales network currently covers all 31 provinces, autonomous regions and municipalities in the mainland China PRC. As for the international market, the Company is establishing and improving its sales and service network step by step according to the progress of its business development. The overseas sales markets mainly include Asia areas, Russian-speaking areas, South America, Africa, and countries and regions along the “Belt and Road Initiative”. Currently, overseas sales are also based on the local dealer channel sales.

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

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

1. Continuously enhanced R&D and innovation capabilities

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

2. Complete manufacturing system and leading intelligent manufacturing capability

The Company has formed the most complete manufacturing system from machine to core parts in the domestic tractor industry, and has the self-manufacturing capability of core tractor parts such as body, casting and forging parts, engine and gear, which can effectively improve the matching between parts and machine, ensure product quality and reliability, and provide strong support for product upgrading. In 2023, the Company deeply promoted intelligent manufacturing and green manufacturing, increased investment in the core manufacturing capacity of high-end intelligent tractors and power machinery products, and further enhanced its product quality assurance capacity and production efficiency.

3. Excellent product quality and perfect after-sales service guarantee ability to create brand influence

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

4. Operational management capabilities of continuous reform, innovation, and breakthrough development

After nearly 70 years of development, the Company has accumulated profound experience in technology, management, manufacturing capacity, etc. Through the golden period of industry development and the trough of industry adjustment and decline, the Company has been able to continuously adapt to the external environment and changes in the industry, and has taken the promotion of China’s agricultural mechanisation and modernisation as its original intention and mission, and has formed the YTO spirit of “adhering to the original intention, being loyal to the mission, being united and enterprising, and being brave to be the pioneer”, and has dared to show its swords in the fierce competition in the market, and has taken the responsibility of promoting the historical responsibility for the development of the modernisation of China’s agricultural machinery with its practical actions.

III. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2023, the overall demand for the domestic agricultural machinery industry declined due to multiple factors, such as the forward shift of demand caused by the upgrading of the National IV emission standard and the increase in the purchase price of machinery. Meanwhile, the upgrading of emission standards has also accelerated the industry's transformation to green, intelligent and high-end. The leading enterprises in the tractor industry grasped the first opportunity to market National IV products, and gave full play to their strengths in technology, products, large-scale production, services, channels, etc., to seize the market, and the concentration of the industry has increased.

In the face of changes in the market and the industry, the Company, with its comprehensive competitive advantages, made great efforts to organise the production, promotion of domestic National IV products, as well as increased its efforts to develop the international market, and made breakthroughs in innovation, reform and management, thus consolidating the foundation for high-quality development. Despite the decline in sales volume of leading products, the Company's economic operation continued to maintain a good trend. During the Reporting Period, the Company recorded a total operating revenue of RMB11,528 million, a year-on-year decrease of 7.44%, net profit attributable to shareholders of listed companies was RMB997 million, a year-on-year increase of 46.39%.

1. Strengthening of scientific and technological R&D and innovation, with increasing strength in scientific and technological R&D and core manufacturing capabilities

With the mission of “leading the development of agricultural machinery and equipment and safeguarding national food safety”, the Company focuses on the shortcomings and weaknesses in high-powered machinery, small-scale machinery suitable for hill mountain areas, and intelligent area, which are urgently needed for agricultural production, and continues to carry out technological advancement. During the Reporting Period, the Company’s power shift products LF2204-E and LZ2604 formed batch sales; LW3204, a high-horsepower CVT tractor, completed the overall test and realised small batch sales verification, which filled a number of domestic technology gaps. The Company’s self-developed 50-80 hp hill mountain tractor completed trial production and entered the market operation verification stage, and the Company’s YTN platform series of diesel engine new product development and application progress orderly, YTN3 product market performed well. While developing new products well, the Company insists on being guided by users’ demands, relying on the perfect technology development and quality control system, the performance of products continues to be optimised, and the technological advantage is more prominent.

During the Reporting Period, the Company actively promoted intelligent, flexible and green transformation around the enhancement of its core manufacturing capabilities. The Company’s new YTN3 diesel engine intelligent production line was put into operation, and intelligent manufacturing projects such as the capacity enhancement of intelligent multi-purpose tractors were commenced, which provided a strong guarantee for the Company’s quality improvement, efficiency improvement and cost reduction.

2. Seizing the opportunity of switching to National IV, the competitiveness of leading products in the market has been continuously improved

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

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

3. Building a solid foundation for quality and efficiency enhancement, and continuously improving the quality of economic operation

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

4. Enhancing the new momentum of enterprise development and creating a new situation of high-quality development

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

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

(I) Industry Landscape and Trends

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

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

(II) Development Strategy of the Company

2024 marks a pivotal year for our “14th Five-Year Plan,” with a focus on reinforcing a positive development trajectory and pursuing high-quality growth. The Company will continue to focus on advanced agricultural machinery and equipment, take “leading the development of agricultural machinery and equipment, escorting national food safety” as its mission, adhere to the YTO spirit of “adhering to the original intention, faithful to the mission, united and enterprising, and being brave to be the pioneer”. The Company will accelerate the cultivation of the leading capability of scientific and technological innovation in the field of agricultural machinery and equipment, give full play to its role as the main force in the control of the agricultural machinery and equipment industry, build a supporting force for escorting the national food safety, and strive to become a world-class enterprise with excellent products, outstanding brand, leading innovation and modern governance.

(III) Operation Plan

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

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

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

2. *Accelerating Marketing Capabilities to Secure Industry Leadership Position*

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

3. *Achieving benefits from management and helping enterprises to improve quality and increase efficiency*

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

4. *Strengthening Fundamentals for Enterprises Development by Deepening Reforms and Innovation*

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

(IV) Potential Risks

1. Risk of Escalating Market Competition

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

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

2. *Risk of Subsidy Policy Adjustments*

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

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

3. *Risk of Expanding Overseas Markets*

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

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

V. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

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

Unit: Yuan Currency: RMB

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Income and cost analysis

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

Unit: 0'000 Currency: RMB

Principal business by industry

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

Principal businesses by products

By products	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Agricultural machinery	1,056,253	903,141	14.50	-9.32	-9.79	Increased by 0.45 percentage points
Power machinery	297,851	262,213	11.97	15.65	16.37	Decreased by 0.54 percentage points
Inter-segment elimination	-201,288	-195,691	-	-	-	-
Total	1,152,816	969,663	15.89	-7.44	-7.63	Increased by 0.17 percentage points

Principal businesses by region

By region	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
In the PRC	1,054,356	883,392	16.21	-10.18	-10.40	Increased by 0.21 percentage points
Outside the PRC	98,460	86,271	12.38	37.29	35.35	Increased by 1.26 percentage points

Principal businesses by sales model

Sales model	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Distribution	863,246	706,707	18.13	-15.10	-16.20	Increased by 1.07 percentage points
Direct selling	289,570	262,956	9.19	26.60	27.43	Decreased by 0.6 percentage points

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

The comprehensive gross profit margin of the equipment manufacturing business during the Reporting Period was 15.89%, representing an increase of 0.17 percentage point as compared with the corresponding period of last year, which was mainly due to the fact that the Company carried out all-inclusive, all-process and all-factor cost control around cost reduction in all aspects from research and development, procurement, production to sales during the Reporting Period, which resulted in more significant results in cost reduction, and at the same time strengthened the control of expenses, strictly controlled the expenses, and reduced the non-production and operating expenses.

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

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

(2). Operating revenue

During the Reporting Period, the Company achieved operating revenue, representing a decrease of 7.44% over the corresponding period of the previous year, mainly due to the year-on-year decrease in sales volume of tractors of the Company during the Reporting Period.

(3). Cost analysis

Unit: 0'000 Currency: RMB

By industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)	Reasons for the changes
Equipment manufacturing industry	Material	1,058,124	90.80	1,122,296	91.51	-5.72	
Equipment manufacturing industry	Labour	40,959	3.51	40,640	3.31	0.79	
Equipment manufacturing industry	Production costs	66,271	5.69	63,523	5.18	4.33	

By products

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

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

Explanation on other situations on cost analysis

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

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

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

3. Expenses

Unit: Yuan Currency: RMB

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

4. Research and development investment

Unit: Yuan Currency: RMB

Research and development investment expensed for the Reporting Period	461,344,381.32
Research and development investment capitalized for the Reporting Period	0.00
Total research and development investment	461,344,381.32
Total research and development investment as a percentage of operating revenue (%)	4.00
Ratio of research and development investment capitalized (%)	0.00

5. Cash Flow

Unit: Yuan Currency: RMB

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

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

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

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

6. Analysis on Assets and liabilities situation

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	2,769,578,885.96	20.04	4,364,510,619.25	33.59	-36.54	Effect of new large amount deposit purchase from banks during the period and accounting for them under the heading of investments in debentures
Trading financial assets	862,909,300.00	6.25	1,249,646,900.00	9.62	-30.95	Structured deposits recovered on maturity
Other current assets	423,894,751.27	3.07	134,688,805.79	1.04	214.72	Additional time deposits at the end of the period are accounted for under other current assets
Debt investment	3,337,100,098.30	24.15	1,086,568,216.50	8.36	207.12	Increase in scale of large amount deposit purchase during the Reporting Period
Right-to-use assets	21,834,383.06	0.16	34,164,906.27	0.26	-36.09	Decrease in net value due to depreciation of right-of-use assets
Short-term loans	0.00	0.00	270,223,055.56	2.08	-100.00	Due to loan repayment during the period
Advance from customers	0.00	0.00	190,366.98	0.00	-100.00	Decrease in prepaid rental fees
Contract liabilities	500,336,653.14	3.62	846,464,703.95	6.52	-40.89	Fulfilment of some performance obligations in the contract

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
Absorption of deposits and interbank deposit	0.00	0.00	34,112,630.48	0.26	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Other payables	469,509,147.78	3.40	338,162,726.80	2.60	38.84	Increase in loans from non-related parties over the beginning of the period
Long-term loans	200,000,000.00	1.45	49,380,000.00	0.38	305.02	New long-term loans during the period
Lease liabilities	2,098,999.39	0.02	16,459,875.98	0.13	-87.25	Due to reclassification of rent payable within one year to non-current liabilities due within one year
Deferred income	181,945,272.97	1.32	121,762,517.70	0.94	49.43	Increase in government grants received year-on-year
Other comprehensive income	-13,923,730.01	-0.10	-5,853,544.29	-0.05	137.87	Impact of translation differences in foreign currency statements
Special reserves	7,494,294.70	0.05	5,497,405.05	0.04	36.32	Increase in the provision for production safety during the Reporting Period
General risk reserves	0.00	0.00	43,263,387.54	0.33	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Retained earnings	2,218,749,266.26	16.06	1,540,248,936.64	11.86	44.05	Profits in the 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 (%)	47.75	49.99	Decreased by 2.24 percentage points
Current ratio	1.07	1.29	Decreased by 0.22
Quick ratio	0.82	1.09	Decreased by 0.27

(2) Loans

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

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

As at the end of the Reporting Period, the Company's monetary funds of restricted ownership amounted to RMB546.3682 million, including bank's acceptance bill deposits of RMB544.7715 million, and other restricted funds of RMB1.5967 million.

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

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

FOREIGN EXCHANGE RISK

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

PRINCIPAL SOURCES AND USE OF FUNDS

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

REMUNERATION POLICY

The Company has adhered to the principle of determining salary based on position and paying based on performance, contribution and ability. It has internally established a positive linkage mechanism between total wages and economic benefits, increasing total wages towards units with strong profitability, large value contribution, high labor efficiency and fast growth rate. In terms of internal distribution, it has established an income distribution system based on the annual salary system, job performance salary system, project salary system, and piece-rate salary system. The Company has adopted incentive methods such as bonus pools, incentive funds, and over-target rewards to tilt salary distribution toward key positions, core backbones, front-line production positions, and urgently needed high-level and highly skilled talents.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE REPORT

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

The Board of the Company is composed of highly experienced and talented members and meetings are held regularly to discuss issues that might affect the operations of the Company. The operation of the Board was sufficient to ensure the balance of powers and duties. The Board considered that during the period when Mr. Liu Jiguo served as Chairman and General Manager, such structure had not affected the balance of power and duties between the Board and the management nor the business development of the Company.

REQUIREMENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

In 2023, 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 2023 will be published on the websites of the Company and the Stock Exchange in April 2024.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Name	Position held	Change	Reason for change
Wei Tao	General Manager Executive Director	Appointment Election	Work requirements

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 2023: a cash dividend of RMB0.3194 (tax inclusive) per Share on the basis of the total share capital of 1,123,645,275 Shares of the Company as of 31 December 2023, totaling RMB358.8923 million. There will be no capitalization from capital reserves for the year. The proposal is still subject to the approval of the shareholders at the 2023 annual general meeting of the Company. Subject as aforesaid, the Company expects to pay the dividend on or before 31 July 2024.

As the date of the 2023 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.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

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

The auditor of the Company, ShineWing 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 2023, which are consistent with the amounts that will be contained in the 2023 Annual Report of the Company. The unqualified auditor's report will also be included in the 2023 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 machinery used in crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
Auditor or Accountant	the financial report auditor appointed by the Company, ShineWing Certified Public Accountants LLP (Special General Partnership) as the Company's auditor for the year of 2023
Company	First Tractor Company Limited* (第一拖拉機股份有限公司)

controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
Diesel Engine	internal combustion engine that uses diesel as fuel
Group	the Company and its controlled subsidiaries
H Share(s)	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with a power of 25 (inclusive) to 100
National IV	The National Phase IV Motor Vehicle Pollutant Emission Standards, starting from 1 December 2022, all non-road mobile machinery below 560kW produced, imported and sold and the diesel engines used in them must comply with the "National IV" standards
power machinery	products including diesel engine and fuel injection
Shanghai Stock Exchange	the Shanghai Stock Exchange
SINOMACH	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the de facto controller of the Company

SINOMACH Finance	SINOMACH Finance Co., Ltd. (國機財務有限責任公司), a controlled company of the de facto controller of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary(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)(deregistered)

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

Luoyang, the PRC

27 March 2024

As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) and Mr. Wei Tao as executive Directors; Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.

* *For identification purposes only*