



第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

(A joint stock company incorporated in
The People's Republic of China with limited liability)

Stock Code: 0038.HK 601038.SH

INTERIM REPORT 2023



* For identification purposes only

IMPORTANT NOTICE

- I. The Board and Board of Supervisors of the Company, and its Directors, Supervisors and senior management confirm that there are no false information, misleading statements or material omissions contained in this Interim Report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. All Directors of the Company attended the Board meeting.
- III. The Interim Report was unaudited.
- IV. Liu Jiguo (the person-in-charge of the Company), Kang Zhifeng (the person-in-charge of the accounting function) and Jiang Jingyuan (the person-in-charge of the Accounting Department and the accounting manager) have declared and confirmed the truthfulness, accuracy and completeness of the financial statements in the Interim Report.
- V. Proposal of profit distribution or proposal of capitalization from capital reserves for the Reporting Period as resolved and passed by the Board.

Nil

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

Forward-looking statements such as the development strategy and business plan of the Company contained in this report do not constitute any substantial commitment to investors by the Company. Investors are advised to pay attention to risks.

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

No

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

No

- IX. Whether more than half of the Directors cannot ensure the truthfulness, accuracy and completeness of the Annual Report disclosed by the Company?

No

- X. Significant risks warning

Please refer to Section III "Management Discussion and Analysis" of this report for details.

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SECTION I DEFINITIONS

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

DEFINITION OF COMMONLY USED TERMS

A Share(s)	ordinary share(s) as approved by the CSRC which is/are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
Auditor or Accountant	the financial statement auditor appointed by the Company, Shine Wing Certified Public Accountants (Special General Partnership) as the Company's auditor for the year of 2023
CBIRC	China Banking and Insurance Regulatory Commission
Changtuo Company	Changtuo Agricultural Machinery Equipment Group Company Limited* (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Company or First Tractor	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 is/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

SECTION I DEFINITIONS (CONTINUED)

hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Shanghai Stock Exchange	the Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with a power of 25 (inclusive) to 100
Non-public Issuance	the non-public issuance of A Shares by the Company in 2020
power machinery	diesel Engine and fuel injection pump/injector and other fuel injection system components and assembly products
Shanghai Stock Exchange	the Shanghai Stock Exchange
Sinomach	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the de facto controller of the Company
SINOMACH Finance	SINOMACH Finance Co., Ltd.* (國機財務有限責任公司), a controlled company of the de facto controller of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Tractors Research Company	Luoyang Tractors Research Institute Company Limited* (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company

SECTION I DEFINITIONS (CONTINUED)

YTO	YTO Group Corporation* (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited* (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	China YTO Group Finance Company Limited* (中國一拖集團財務有限責任公司), former controlled subsidiary of the Company, deregistered
YTO Flag	YTO (Luoyang) Flag Auto-Body Company Limited* (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company
YTO Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited* (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited* (一拖國際經濟貿易有限公司), a wholly owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited* (一拖(洛陽)神通工程機械有限公司) (in bankruptcy and liquidation)
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited* (採埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company
Zhongyuan Bank	Zhongyuan Bank Co., Ltd.

* For identification purposes only

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND METHODS

Secretary to the Board		Representative of Securities Affairs
Name	Yu Lina	/
Contact address	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC	/
Telephone	(86 379) 64967038	/
Facsimile	(86 379) 64967438	/
E-mail	ylina@ytogroup.com	/

III. INTRODUCTION OF CHANGES IN BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Historical changes of registered address of the Company	Nil
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471004
Website of the Company	http://www.first-tractor.com.cn
E-mail	msc0038@ytogroup.com
Search index of changes during the Reporting Period	/

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

IV. INFORMATION DISCLOSURE AND CHANGES IN PLACE FOR DOCUMENTS INSPECTION

<p>Name of newspapers designated by the Company for dissemination of information</p> <p>Website for publication of the Interim Report (A Shares)</p> <p>Website for publication of the Interim Report (H Shares)</p> <p>Place for inspection of the Interim Report of the Company (A Shares)</p> <p>Place for inspection of the Interim Report of the Company (H Shares)</p> <p>Search index of changes during the Reporting Period</p>	<p>“China Securities Journal” and “Shanghai Securities News”</p> <p>www.sse.com.cn</p> <p>www.hkex.com.hk, www.irasia.com</p> <p>Office of the Board of the Company</p> <p>Golden China Consultants Limited, Room 1502, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong</p> <p>For details of the change of place for inspection of the Interim Report of the Company (H Shares), please refer to the announcement headed “Change of Principal Place of Business in Hong Kong” published by the Company on the website of Stock Exchange (www.hkex.com.hk) on 12 May 2023.</p>
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V. BASIC INFORMATION OF SHARES

Type	Stock exchange for listing	Stock Short Name	Stock code	Abbreviation of shares prior to the change
A Share(s)	Shanghai Stock Exchange	一拖股份	601038	/
H Share(s)	Stock Exchange	FIRST TRACTOR	0038	/

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key Accounting Data	For the Reporting Period (January to June 2023)	For the corresponding period of last year (January to June 2022)		Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
		After adjustments	Before adjustments	
Total operating revenue	7,248,544,566.19	6,630,331,281.57	6,630,331,281.57	9.32
Operating revenue	7,242,918,542.61	6,550,726,514.79	6,550,726,514.79	10.57
Net profit attributable to shareholders of the listed company	754,144,938.68	581,466,905.85	581,466,905.85	29.70
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	726,052,756.85	606,677,080.21	606,677,080.21	19.68
Net cash flows from operating activities	954,344,139.53	3,275,783,250.74	3,275,783,250.74	-70.87
		As at the end of last year (31 December 2022)		Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
	As at the end of the Reporting Period (30 June 2023)	After adjustments	Before adjustments	
Net assets attributable to shareholders of the listed company	6,460,275,649.38	5,958,084,951.83	5,958,084,951.83	8.43
Total assets	14,205,305,772.95	12,991,565,481.68	12,986,142,323.23	9.34

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

(II) KEY FINANCIAL INDICATORS

Key Financial Indicators	For the Reporting Period (January to June 2023)	For the corresponding period of last year (January to June 2022)		Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
		After adjustments	Before adjustments	
Basic earnings per share (RMB/share)	0.6712	0.5175	0.5175	29.70
Diluted earnings per share (RMB/share)	0.6712	0.5175	0.5175	29.70
Basic earnings per share after deduction of non- recurring profit or loss (RMB/share)	0.6462	0.5399	0.5399	19.69
Weighted average return on net assets (%)	11.98	10.26	10.26	Increase of 1.72 percentage points
Weighted average return on net assets after deduction of non- recurring profit or loss (%)	11.53	10.71	10.71	Increase of 0.82 percentage point

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss Items	Amount	Notes (if applicable)
Profit or loss from disposal of non-current assets	743,241.14	
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received government grants in certain standard amounts or quantities)	11,857,210.93	
In addition to the effective hedging business related to the normal business operation of the Company, the fair value change on profit and loss of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities held, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	22,340,900.00	
Other non-operating income and expenses except for mentioned above	2,537,120.39	
Gain or loss from other extraordinary items	303,855.74	
Less: effect on income tax	9,091,491.24	
Impact on minority shareholders equity interests (after tax)	598,655.13	
Total	<u>28,092,181.83</u>	

Explanation on the Company's extraordinary gain or loss items as defined in the "Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No.1 – Extraordinary Gains or Losses" and the extraordinary gain or loss items as illustrated in the "Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No.1 – Extraordinary Gains or Losses" defined as its recurring gain or loss items.

Unit: Yuan Currency: RMB

Item	Amount Involved	Reason
Gain on structural deposit products	11,611,342.47	Normal fund management of the Company

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS



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

(I) EXPLANATION ON THE PRINCIPAL BUSINESSES OF THE COMPANY

- The Company is committed in becoming an “Excellent Agricultural Equipment Manufacturer and Service Provider”, focusing on the manufacturing of advanced agricultural machinery and equipment, and insisting on the technological upgrading of industrial chain and structural optimization of products, the Company continuously provides a higher standard of agricultural mechanization for the development of the PRC agricultural industry. The Company’s principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and related spare parts. The main products are as follows:

Product Name	Images of Product	Product Description
Wheeled tractor		<p>The walking device is wheeled, used for pulling and driving self-propelled power machine that performs mobile operations.</p> <p>The Company has a full range of wheeled tractor products, suitable for different operating environments such as dry fields, paddy fields, orchards and sheds.</p>
Crawler tractor		<p>The walking device is a crawler type, used for pulling and driving self-propelled power machine that performs mobile operations.</p> <p>The Company has a full range of crawler tractor products with better soil adhesion, suitable for wet soil and soft ground.</p>

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Product Name	Images of Product	Product Description
Off-road diesel engine		<p>Diesel fuel is used to convert the heat energy of diesel fuel combustion into mechanical energy.</p> <p>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.</p>
Components		<p>The components produced by 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.</p>

2. In order to implement the financial regulatory requirement that “an enterprise group can only set up one finance company” as stipulated in the “Measures of China Banking and Insurance Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (CBIRC Order [2020] No.6)”* (《中國銀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)), during the Reporting Period, YTO Finance and SINOMACH Finance completed integration. YTO Finance has completed liquidation and the industrial and commercial deregistration procedures have been completed. (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 Stock Exchange on 5 June 2023.)

(II) EXPLANATION ON THE INDUSTRY SITUATION OF THE COMPANY

For details of the industry situation during the Reporting Period, please refer to Part III headed “Discussion and Analysis on the Operation” of this section.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company possesses leading industrial technology R&D and independent innovation capacities in the domestic agricultural machinery industry, providing powerful support for product upgrade, stable and reliable product quality and an effective guarantee to enhance product competitiveness. The Company's improving intelligent manufacturing system and core manufacturing capabilities create a leading advanced manufacturing base for agricultural equipment in China, and a complete sales and after-sales service system to ensure a quick response to market demand.

During the Reporting Period, there was no change to the Company's core competitiveness.

III. DISCUSSION AND ANALYSIS ON THE OPERATION

The year 2023 was the first year for China's agricultural machinery industry to fully enter the National IV era. Due to the market demand being advanced, the rising cost of purchasing machinery, the increasing cost of operation maintenance for the users, as well as the National IV new products industry after the National IV switch are still to be further tested and accepted by the market, domestic market demand for agricultural machinery has seen adjustment of fluctuations as expected in the beginning of the year. The sales volume of hi and mid powered tractor products decreased. According to China Association of Agricultural Machinery Manufactures (中國農機工業協會), in the first half of 2023, the sales volume of hi and mid powered tractors of the backbone enterprises of the industry was 189,300 units, representing a year-on-year decrease of 10.98%. At the same time, emission standards upgrade also introduced higher manufacturing technology requirements for agricultural machinery enterprises, market resources further converged to the head enterprises with stronger comprehensive strength, and the concentration of the industry continues to increase.

In face of the shocks brought about by industrial upgrading, the Company made early planning and study, system planning, and put focus on National IV product quality management, marketing and cost control. The Company endeavored to stabilize the sales of its products and increase its market share, and the Company continued to achieve steady growth in its operation. During the Reporting Period, the Company achieved operating revenue of RMB7,243 million, representing a year-on-year increase of 10.57%, and net profit attributable to shareholders of the listed company of RMB754 million, representing a year-on-year increase of 29.70%.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(1) Grab Orders and Expand Market

In view of the impact of the National IV switch on the local market, the Company insisted on having “Grab Orders and Expand Market” as its leverage point, seized favorable opportunities with “Dongfanghong (東方紅)” tractors to take the lead in fully realizing National IV switching and batch marketing, and made timely and precise placement and adjustment of sales policies, persistently improved channel operation, fortified National IV service assurance and improved product usage training to promote product sales. Meanwhile, the Company further strengthened its quality control of National IV products by improving the quality audit management system, optimizing the quality information management platform and applying other measures to steadily optimize the key quality indicators of its leading products. The “Dongfanghong” National IV models performed well in the spring season, with its user recognition continuously increasing. During the Reporting Period, 48,900 units of the Company’s hi and mid powered tractor products were sold, and continued to hold the top place in market share of the industry.

In terms of overseas market, the Company optimized its overseas marketing network layout, persistently promoted key market product adaptability, and actively launched product export certification. In the first half of the year, the export sales volume of the Company’s hi and mid powered tractors continued to climb, with a year-on-year increase of 70.27%.

In terms of power machinery business, “Dongfanghong” National IV diesel engine has obvious advantages, with good stability and operating performance, it can better meet the demand of external users for National IV diesel engine. During the Reporting Period, the Company’s sales of diesel engine export sales volume increased by 19.05% year-on-year.

(2) Promoting Innovation and Transformation

Based on its National IV technical advantages and product reserve, the Company serves the development of large-scale and high-efficiency agricultural equipment and the weak links of agricultural application in China. The Company enriches its product series and perfects its product portfolio. In the first half of the year, in face of the rising proportion of new models after the National IV switch and the ever-shortening supply period, the Company kept a close eye on the supply points, optimized its process layout, released its advantages in production capacity, and improved its production capacity of National IV models in “mixed line” production, so as to ensure that the new models of National IV would be delivered and marketed as scheduled.

The Company continuously adapts to the new trend of product technology upgrading, increases scientific and technological research efforts around the “bottle-neck” technology, deeply promotes the strategic research and development projects of high-end tractors, such as power shift, stepless variable speed, and actively implements the research and development work of hilly mountain tractor and other specialized tractors, so as to satisfy the market demand for application. During the Reporting Period, the Company’s National IV intelligent tractors completed product verification and achieved small batch sales; new model trials of hilly mountain tractor were carried out according to plan, and the market application of relevant variant models was enhanced, which is of great significance to speed up the weak link of agricultural mechanization for hilly mountain; the Company accelerated the research and development of the new platform series of the off-road YTN diesel engine and its market verification, which is conducive to enhancing the competitiveness of the Company’s diesel engine products in the National IV and subsequent emission stages in the market.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Improving Inner Strength and Adding Value

The Company simultaneously took various measures to enhance the quality of its operations and continued to strengthen its value creation capacity by taking the optimization of the National IV project as its point of breakthrough. During the Reporting Period, with the National IV project optimization as its lead, the Company promoted cost management along the entire value chain by focusing on quality enhancement and profitability improvement.

Against the backdrop of stable and improving operation results and rising concern in the capital market, the Company has actively launched investor relation works and improved value transfer. In the first half of the year, in conjunction with the annual general meeting, the Company invited institutional investors to the Company for on-site research, participated in the collective investor exchange activities of listed companies of Sinomach, and organized the “Institutional Investors in Central Enterprises Activity” and other activities. The Company also carried out one-on-one and one-on-many exchanges with more than 40 institutional investors in order to proactively convey the intrinsic value of the Company to the outside world.

In the first half of the year, the Company effectively responded to the market fluctuations brought about by the National IV switch through the above measures, and its operations were not significantly adversely affected. However, from the second half of 2023, the market impact of the National IV switch will be further revealed. In terms of industry competition pattern, with the implementation of emission standards upgrade and other policies, the products of industry head demonstrated increasingly prominent competitive advantage, at the same time, part of the wait-and-see enterprises have begun to learn from the switching experience of large enterprises to follow up on the foundation of their own National IV products, which will also intensify market competition for a certain period of time.

In the second half of 2023, the Company will adhere to its strategic direction, fortify its competitive advantages, and strive to further increase its market share, so as to achieve sustainable, healthy and stable development of the Company in the midst of industry adjustments. Firstly, the Company will continuously improve its product and market advantages of early National IV switch, and make every effort to stabilize sales volume and increase market share by continuously enhancing its market forecasting and control capabilities, improving the quality of pipeline operations, strengthening after-sales service control and increasing brand promotion etc.. Secondly, the Company will strengthen the leadership in scientific and technological innovation and accelerate the performance upgrade process of its National IV new models and intelligent tractor products in response to industry development needs, in order to maintain its lead in product and technology. Thirdly, the Company will further improve its mechanism, stimulate vitality, enhance efficiency, and comprehensively improve the standard of operation and management around the continuous enhancement of value creation ability.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

IV. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

(I) Analysis on Principal Business

1 Analysis on changes in items of the financial statement

Unit: Yuan Currency: RMB

Item	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	7,242,918,542.61	6,550,726,514.79	10.57
Operating costs	6,095,270,579.18	5,483,733,869.53	11.15
Interest revenue	5,626,023.58	74,636,601.43	-92.46
Fees and commission income	0.00	4,968,165.35	-100.00
Interests expenses	99,838.97	10,371,808.42	-99.04
Fees and commission expenses	60,491.28	273,748.70	-77.90
Selling expenses	92,395,848.22	66,207,655.04	39.55
Administrative expenses	158,697,813.66	158,908,787.57	-0.13
Financial expenses	-30,083,841.28	-2,210,209.54	N/A
Research and development expenses	180,333,815.14	186,386,944.21	-3.25
Investment income (Losses listed as "-")	68,466,234.58	32,825,671.32	108.58
Gain arising from changes in fair value (Losses listed as "-")	26,573,546.12	-86,421,175.31	N/A
Loss on impairment of credit (Losses listed as "-")	-10,835,156.37	-74,465,404.30	N/A
Loss on impairment of assets (Losses listed as "-")	-4,922,441.13	-1,630,983.93	N/A
Non-operating expenses	624,738.16	1,742,372.23	-64.14
Income tax expenses	56,523,543.55	7,489,261.82	654.73
Net cash flow generated from operating activities	954,344,139.53	3,275,783,250.74	-70.87
Net cash flow generated from investing activities	-2,217,893,223.75	-401,223,384.33	N/A
Net cash flow generated from financing activities	-26,521,188.76	112,246,860.89	N/A

Reasons for changes in operating revenue and operating expenses: Notwithstanding the slight decrease in sales volume of hi and mid powered tractors products, the production cost and sales price of products after the National IV switch are higher than that of National III, and the sales volume of diesel engine products increased, therefore the operating revenue and operating costs increased year-on-year.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in interest revenue and expenses, fees and commission income and expenses: 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 RMB26.19 million over the same period of last year. Firstly, due to the increase in accrual of the “three-guarantee” fee as a result of the increase in revenue during the Reporting Period; secondly, the increase in the sales and service fee due to the increase in the sales volume of diesel engines.

Reasons for changes in financial expenses: due to a decrease of RMB27.87 million over the same period of last year, which is mainly due to the increase in deposit interests during the Reporting Period compared to the same period of last year.

Reasons for changes in investment income: due to an increase of RMB35.64 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.

Reasons for changes in gain arising from changes in fair value: due to an increase of RMB112.99 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 RMB63.63 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 changes in income tax expenses: due to an increase of RMB49.03 million over the same period of last year, which is mainly due to the ongoing profit of the Parent Company during the Reporting Period, unrecovered losses have been fully recovered, and provision for current income tax.

Reasons for changes in net cash flow generated from operating activities: due to the reduction in inflow of RMB2,321.44 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.

Reasons for changes in net cash flow generated from investment activities: due to the additional outflow of RMB1,816.67 million over the same period of last year, which is due to the increase in utilization of idle funds for structural deposit and large amount deposit purchase during the Reporting Period.

Reasons for changes in net cash flow generated from financing activities: due to the reduction in inflow of RMB138.77 million over the same period of last year, which is due to firstly, the net borrowings obtained during the Reporting Period were RMB50 million less than the inflow for the same period of last year, and secondly, the outflow by payment of dividends during the period was RMB72 million more than the same period of last year.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Monetary funds	2,655,047,976.99	18.69	4,363,742,346.01	33.59	-39.16	Due to the increase of large amount deposit purchase during the Reporting Period
Accounts receivable	1,143,555,992.17	8.05	351,792,105.00	2.71	225.07	Due to the effect of seasonality in sales of agricultural machinery, the accounts receivable arising from sales of goods had not yet been due for collection in the first half of the year which was the peak season
Prepayment	114,971,778.79	0.81	214,603,079.62	1.65	-46.43	Prepayment for procurement at the end of last year, is successively delivered in current period
Other receivables	53,140,706.90	0.37	26,664,987.91	0.21	99.29	Increase in export tax refunds receivable
Other current assets	78,374,511.78	0.55	135,457,079.03	1.04	-42.14	Repayment of and decrease in the value added tax left for deduction in the current period
Debt investment	3,085,292,255.86	21.72	1,086,568,216.50	8.36	183.95	Increase in the scale of large amount deposit held during the Reporting Period
Construction in progress	84,447,317.72	0.59	126,466,820.01	0.97	-33.23	Certain construction in progress was transferred to fixed assets during the Reporting Period
Short-term loans	500,381,388.90	3.52	270,223,055.56	2.08	85.17	Increase in short-term loans due to working capital requirements for production and operations during the Reporting Period
Accounts payable	3,256,745,626.83	22.93	2,286,961,766.98	17.60	42.40	Purchases of raw materials during the Reporting Period, accounts payable not yet due for payment
Advance from customers	3,504,133.12	0.02	190,366.98	0.00	1,740.73	Increase in prepaid rental fees
Contract liabilities	217,394,739.30	1.53	846,464,703.95	6.52	-74.32	Fulfilment of some performance obligations in the contract
Absorption of deposits and interbank deposits	0.00	0.00	34,112,630.48	0.26	-100.00	YTO Finance completed deregistration, all financial business has been terminated
Taxes payable	70,772,467.07	0.50	21,049,384.80	0.16	236.22	Increase in corporate income tax payable due to the continuous growth in earnings

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Other current liabilities	649,759,002.02	4.57	374,987,097.17	2.89	73.28	Increase in sales income and provision of accrued expenses in the Reporting Period
Long-term loans	0.00	0.00	49,380,000.00	0.38	-100.00	Repayment of long-term loans in the Reporting Period
Long-term employee salary payable	26,546,090.79	0.19	48,210,828.04	0.37	-44.94	Adjustment of long-term payable staff salaries due within one year to payable staff salaries
Other comprehensive income	-1,783,829.97	-0.01	-5,853,544.29	-0.05	-69.53	Effect of translation differences on foreign currency statements
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	2,080,313,576.51	14.64	1,540,248,936.64	11.86	35.06	Due to profit for the period

2. Overseas assets

At the end of the Reporting Period, the Company's total assets amounted to RMB14,205.3058 million, of which overseas assets amounted to 9,769.89 (Unit: 0'000; Currency: RMB), accounting for 0.69% of the total assets.

3. Restrictions on the key assets as at the end of the Reporting Period

As at the end of the Reporting Period, the Group's monetary funds with restrictions on ownership amounted to RMB415.4755 million, including bank's acceptance bill deposits of RMB411.973 million, and other restricted funds of RMB3.5026 million.

As at the end of the Reporting Period, the Group's notes receivable of restricted ownership amounted to RMB24.4617 million, which were notes receivable pledged with the banks during the Reporting Period.

As at the end of the Reporting Period, the carrying amount of Group's fixed assets and intangible assets of restricted ownership amounted to a total of RMB45.0417 million, which were buildings and land mortgaged to the banks for short-term loans granted to the Changtuo Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Other explanations

(1) Key financial indicators

Items	As at the end of the period	As at the beginning of the year	Change compared to corresponding period last year
Gearing ratio (%)	50.70	49.99	Increased by 0.71 percentage point
Current ratio	1.03	1.29	Decreased by 0.26
Quick ratio	0.86	1.09	Decreased by 0.23

(2) Bank loans

Bank loans of the Company are mainly denominated in RMB. As at the end of the Reporting Period, bank loans (principal) of the Company due within one year amounted to RMB500 million, and bank loans (principal) due over one year amounted to RMB0 million.

(3) Foreign exchange risk

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

(III) Analysis on Investments

1. Financial assets at fair value

Unit: Yuan Currency: RMB

Asset Category	Opening amount	Gains and losses on fair value changes during the period	Cumulative fair value changes included in equity	Impairments provided for in the period	Purchase amount for the period	Amounts sold/ redeemed during the period	Other changes	Ending amount
Others	1,253,160,364.70	26,573,546.12	0.00	0.00	1,500,000,000.00	1,270,064,166.67	0.00	1,509,669,744.15
Total	1,253,160,364.70	26,573,546.12	0.00	0.00	1,500,000,000.00	1,270,064,166.67	0.00	1,509,669,744.15

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on Key Equity Holding and Participating Companies

1. Information on key subsidiaries

Unit: 0'000 Currency: RMB

Name of company	Registered Capital	Principal business	As of 30 June 2023		Realized during the Reporting Period	
			Total assets	Net assets	Operating income	Net profit
YTO International Trade	6,600	International sale of agricultural machinery	28,601	-30,038	59,026	5,431
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	306,940	139,780	178,343	9,066
Tractors Research Company	44,500	Research and development of tractor products	65,039	55,459	9,564	450

2. Acquisitions and disposals of subsidiaries during the Reporting Period

On 7 November 2022, YTO Finance received the “Approval of the CBIRC on the Dissolution of China YTO Group Finance Company Limited” (CBIRC Approval [2022] No.787), agreeing that YTO Finance should cease all operating activities and be dissolved, and handle the liquidation and deregistration formalities in accordance with the relevant laws and regulations. In June 2023, YTO Finance completed the industrial and commercial deregistration formalities. Since then, YTO Finance was no longer included in the scope of consolidated statements of First Tractor.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Number	Name of company	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Diesel Engine	178,343	8,518	9,066

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

YTO International Trade: net profit increased by RMB107.89 million period-on-period, due to firstly the increase in sales volume of export business in the current period; secondly, the provision for credit impairment for part of the receivables of the overseas business in the same period of last year, which the impairment losses had been fully accrued at the end of the previous year, and no additional provision was made in the current Reporting Period.

YTO Diesel Engine: net profit increased by RMB93.6 million period-on-period, due to firstly, net profit increased year-on-year due to increased sales of diesel engine products and higher revenue during the current period. Secondly, the period-on-period decrease in the loss on fair value changes of the equity interest in Zhongyuan Bank held by the Company recognized during current period.

Tractors Research Company: net profit increased by RMB1.12 million period-on-period, mainly due to the period-on-period decrease in income tax expenses and the period-on-period increase in net profit during the current period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

V. OTHER DISCLOSEABLE EVENTS

(I) Potential Risks

1. *Market risks after the National IV emission standard switching*

After the implementation of the National IV emission standard for off-road diesel engines, the product quality and product adaptability of National IV products is to be further tested by the market. Meanwhile, due to the upgrade of the National IV standard brought increase in cost of user purchases, uses, and maintenance, user's willingness to buy a machine may be suppressed and hence resulting in a decline in market sales within a certain period of time; in addition, with the second and third-tier brands following up on the release of the National IV products in the second half of the year, it may lead to an increasingly intense market competition.

The Company will fully utilize the supporting advantages of diesel engine and main engine products, firmly grasp the transformation and upgrading opportunities brought by the National IV switch, do a solid job in the cost control and quality management of National IV products, and focus on improving the reliability, price/performance ratio and product competitiveness of National IV products, and strive for further increase in market share.

2. *Risk of changes in the business environment of international markets*

In the first half of 2023, the scale of China's foreign trade imports and exports has exceeded RMB20 trillion for the first time in the same period in history, with exports of electrical and mechanical products increased by 6.3% year-on-year, and the Company's exports of hi and mid powered tractors also achieved substantial growth. However, due to the impact of factors such as market supply and demand and international geopolitical situation, and tax policy adjustments in certain key international markets of the Company which may have an uncertain impact on product sales.

The Company will continue to deeply cultivate the five key overseas markets, gradually establish a stable global market structure, and form a product competitive advantage through continuous improvement of product portfolio and optimization of product allocation. Meanwhile, the Company will work solidly around the enhancement of business personnel's capability, risk prevention and control, and international logistics protection capability to provide support for the continuous expansion of overseas sales volume.

3. *Risk of changes in subsidy policy*

With the development of large-scale and intensive land property operation, large-scale agricultural operators require agricultural machinery enterprises to provide complete sets of equipment to meet their "comprehensive and full mechanization" needs. At the same time, the agricultural machinery purchase subsidy policy has explicitly gradually reduced the amount of subsidies for agricultural machinery items such as wheeled tractors, which have an obviously excessive amount of holdings in the region and are technologically outdated. The subsidy policy also focused on supporting the weak areas of agricultural mechanization. However, the Company's product variety structure is not versatile enough at present, and the reduction of subsidies amount for purchasing single piece of agricultural machinery may divert subsidies for some of the traditional products such as tractors, which may adversely affect the Company's operating results.

The Company will continue to enrich its agricultural machinery product portfolio, consolidate its competitive advantages in tractor products while actively promoting the improvement of agricultural machinery product varieties and sales of machine sets, and develop complete sets of agricultural equipment in order to reduce market risks.

SECTION IV CORPORATE GOVERNANCE

I. OVERVIEW OF GENERAL MEETINGS

Session of meeting	Convening date	Search index for the designated website for publishing resolutions	Date of publication of the resolutions	Meeting resolutions
2023 First Extraordinary General Meeting	24 March 2023	"Announcement of First Tractor Company Limited on Resolutions of 2023 First Extraordinary General Meeting" published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	25 March 2023	To approve the Company's Resolution regarding the Purchase of Financial Products with Self-owned Idle Funds for the year 2023
2022 Annual General Meeting	6 June 2023	"Announcement of First Tractor Company Limited on Resolutions of 2022 Annual General Meeting" published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	7 June 2023	<ol style="list-style-type: none"> 1. To approve the report of the Board of Directors of the Company for the year 2022; 2. To approve the work report of the Board of Supervisors of the Company for the year 2022; 3. To approve the audited financial report of the Company for the year 2022; 4. To approve the profit distribution plan of the Company for the year 2022; 5. To approve the re-appointment of Shine Wing Certified Public Accountants (Special General Partnership) as the auditor of the Company's financial report and the internal control auditor for the year 2023, and to authorize the Board of the Company to decide its audit fees.

Explanation on general meetings:

During the Reporting Period, resolutions presented at the 2023 First Extraordinary General Meeting and 2022 Annual General Meeting of the Company were all passed.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, there were no changes in Directors, supervisors and senior management of the Company.

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

III. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

Proposal of profit distribution and proposal of capitalization from capital reserves proposed for the first half of the year

Whether to distribute profit or capitalize capital reserves	No
Number of bonus shares for every 10 shares (share)	/
Dividend for every 10 shares (Yuan) (tax inclusive)	/
Number of conversion shares for every 10 shares (share)	/
Explanation on proposal of profit distribution or capitalization from capital reserves	/

IV. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has strictly adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange. For the purpose of preparing this announcement, specific enquiries have been made to all the Directors and Supervisors of the Company, who have confirmed to the Company that they had strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

V. CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the code provisions and, where appropriate, adopted the recommended best practices in the “Corporate Governance Code” as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

VI. OTHER DISCLOSURE

1. EXPLANATION ON APPOINTMENT OR DISMISSAL OF AUDITOR

As considered and approved at the 2022 annual general meeting, the Company continued to appoint Shine Wing Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2023, and the Board was authorized to determine the remuneration of the auditor.

2. REVIEW BY THE AUDIT COMMITTEE

The 2023 interim results have been reviewed by the Audit Committee of the Company.

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

3. STAFF, REMUNERATION POLICY AND TRAINING OF THE GROUP

As of 30 June 2023, the Company had 7,026 employees. During the Reporting Period, the basic salary system of the Company is a post-based salary system, under which employees' income is linked to their job performance, adhering to the principle of salary distribution based on performance and factors, and highlighting value creation. During the Reporting Period, the Company planned multi-tier and cross-system trainings for the staff, in order to improve the abilities and qualities of staff at various levels and functions, according to the need of their posts and the development of the Company, and organized technical, management, skilled operation and other trainings in a timely manner.

4. CONTINGENT LIABILITIES

As at 30 June 2023, the Company had no other material contingent liabilities.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY

I. ENVIRONMENTAL INFORMATION

(I) Explanation of the Environmental Protection Status of the Company and its Principal Subsidiaries that are Major Pollution Discharge Units as Announced by the Environmental Protection Authorities

1. Emission

Unit	Name of major pollutants and characteristic pollutants	Emission method	Number of vent ports	Distribution	Implementation standard mg/m ³	Emission concentration (monthly average) mg/m ³	Total emissions tonnes	Emission Status
YTO Flag	Particulate matter	Organized	5	No. 2 factory building, structural parts factory building and cab engineering department	10	5.05	3.27	Standardized
	Particulate matter	Organized	1	Shot blasting machine of the cab engineering department	120	8.9	0.01	Standardized
	Particulate matter	Organized	15	Coating lines of the cab engineering department and covering parts coating lines	120	4.72	1.49	Standardized
	Ringelmann Blackness	Organized	4	Coating lines of the cab engineering department	1	< 1	/	Standardized

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

Unit	Name of major pollutants and characteristic pollutants	Emission method	Number of vent ports	Distribution	Implementation standard mg/m ³	Emission concentration (monthly average) mg/m ³	Total emissions tonnes	Emission Status
	Nitrogen oxides	Organized	6	Coating lines of the cab engineering department and covering parts coating lines	300	23	0.82	Standardized
	NMHC	Organized	7	Coating lines of the cab engineering department and covering parts coating lines	50	7.92	5.55	Standardized
	Xylene	Organized	1	Covering parts coating lines	20	0.0787	0.01	Standardized
	Noise at the factory boundary	/	4	Around the factory boundary	Daytime: 65 Nighttime: 55	53 43		Standardized / Standardized
	NMHC	Unorganized	1	Outside the coating line workshop of the cab engineering department and outside the covering parts coating line workshop	1h average concentration value: 6 Concentration value at any time: 20	0.99 1.03		/ Standardized / Standardized

Note: Unorganized refers to the irregular emission of air pollutants without going through the exhaust pipe, including emissions from open workplaces and ventilation, as well as emissions through gaps, vents, open doors, windows and similar openings (holes), which is an unavoidable way of emitting pollutants.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

2. *Construction and Operation of Pollution Prevention and Control Facilities*

YTO Flag has a total of 16 sets of pollution control equipment built around waste-water and gas, it has established an environmental protection equipment management account, and regularly carries out maintenance on the control equipment and facilities to ensure its effective operation. At the same time, qualified third-party monitoring companies are annually engaged to monitor wastewater, gas and noise to ensure that pollutants meet the standards for emissions; to effectively control the unorganized emission of pollutants, the coating workshop was resealed to improve the workshop operating environment.

3. *Environmental Impact Assessment of Construction Projects and Other Administrative Permits for Environmental Protection*

YTO Flag strictly complied with the requirements of the “Law of the People’s Republic of China on Environmental Impact Assessment” and other relevant laws and regulations, completed the environmental impact assessment, and obtained the approval of the environmental impact assessment; it strictly implemented the requirements of the environmental impact assessment and the approval and ensured that the environmental protection facilities and the main facilities were designed, constructed and put into operation simultaneously. After the completion of the project, independent acceptance was carried out and the environmental protection facilities are currently in good operation.

4. *Emergency Response Plan for Environmental Incidents*

YTO Flag has prepared a special plan for environmental emergencies in accordance with the requirements and established an emergency response organization. At the same time, YTO Flag carries out training, exercises and evaluations of the special plan for environmental emergencies every year and makes timely revisions and improvements to the plan based on the results of the evaluations, so as to ensure that emergency response can be carried out in a rapid, orderly and efficient manner in the event of environmental emergencies.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

5. *Environmental Self-monitoring Program*

YTO Flag self-monitoring adopts a combination of automatic and manual monitoring. At the beginning of each year, a self-monitoring program is formulated in accordance with the State requirements of the “Technical Guidance on Self-Monitoring of Pollutant Discharging Organizations”. Volatile organic compounds emissions are monitored automatically, realizing real-time data transmission; other emission outlets are entrusted to qualified third-party testing organizations to carry out comprehensive monitoring in accordance with the requirements of the self-monitoring program. The monitored emissions have all met the emission standards.

6. *Other Environmental Information that Should be Made Public*

YTO Flag strengthened its solid waste management by annually reporting the management plan and disposal plan through the national platform, it collected and stored solid waste with strict classification on a daily basis, engaged qualified units to carry out legal disposal, and strictly implemented the joint billing system and the account management system; it also actively promoted the information-based management of hazardous wastes, and installed the hazardous waste network system to realize the whole process of information traceability.

(II) Explanation on Environmental Protection of Enterprises Other than Companies that are Major Pollution Discharge Units

1. *Administrative punishment for environmental problems*

In the first half of 2023, the Company was not subject to administrative punishment for environmental problems.

2. *Disclosure of other environmental information with reference to companies that are major pollution discharge units*

The types of pollutants emitted by the Company mainly include: smoke (dust), volatile organic compounds (VOCs), sulphur dioxide (SO₂) and nitrogen oxides (NO_x), etc..

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

During the Reporting Period, the Company, firstly, in accordance with the requirements of the national self-monitoring specifications for polluting units, conducted investigations on all pollution sources, compiled a self-monitoring program, clearly identified the major pollution sources and the main monitoring indicators, the frequency of monitoring and quality control requirements, and achieved 100% standardized rate for the emission outlets. Secondly, through the upgrading and renovation of the exhaust treatment facilities of the coating line of hi-powered tractor company, the Company has achieved standard emission of exhaust gas collection and treatment in the whole process of coating. At the same time, the Company has further improved the accounts of the environmental protection facilities in use, and the pollution prevention and control facilities that have been put into use have been operating stably. The pollutant emissions have reached the requirements of the national or local emission standards. Thirdly, in accordance with the relevant requirements of the National Environmental Impact Assessment Law, the environmental impact assessment report of the “Intelligent Multi-purpose Tractor Capacity Enhancement Project” was completed and an approval opinion was obtained. Fourthly, the Company has organized its subordinate units to carry out emergency drills for unexpected environmental incidents, and carried out special emergency drills around the leakage of hazardous waste. The Company further improved the emergency plan through drills, evaluation and conclusion. Fifthly, the Company has completed the reporting for the annual management plan and transfer plan of hazardous waste, and strengthened the daily management of hazardous waste.

II. THE SPECIFIC WORK TO ENTRENCH AND EXPAND POVERTY ALLEVIATION AND TO PROMOTE VILLAGE REVITALIZATION

The Company is committed in implementing the spirit of the State Council and the State-owned Assets Supervision and Administration Commission’s “Opinions on Performing Well in Comprehensively Promoting the Key Work of Village Revitalization in 2023”, fully utilizing its advantages in the agricultural machinery industry as a central enterprise, and combines the overall planning of village revitalization in the help areas with the actual needs of the local communities to assist the help areas in formulating development plans, implementing the responsibility of helping, planning helping projects, and initiating consumption assistance, so as to help the development of village revitalization in the help areas.

SECTION V ENVIRONMENT AND SOCIAL RESPONSIBILITY (CONTINUED)

In the first half of 2023, the Company insisted on taking the work of village revitalization as its key work, and actively fulfilling its social responsibilities. Firstly, the Company actively increased its effort in helping visits. At the same time, the Company focused on the production and living conditions of the people in the help areas, helped to resolve the practical difficulties of farmers' families, ensured that no return to poverty would take place, and consolidated the effects of poverty alleviation effort in the help areas; secondly, the Company vigorously launched consumer assistance activities during the "Double Festival" period, and helped sell and organize the purchase of RMB568,900 of special agricultural and sideline products in the help areas, which ensured effective connection between poverty alleviation achievements and rural revitalization; thirdly, the Company supported the help areas and actively planned and continued to promote the development of characteristic industries, infrastructure construction, talent quality training, etc. Especially in terms of agricultural service promotion, smart agricultural platform management, and agricultural machinery socialization service improvement, the Company gave full play to its corporate advantages and strengths, served the needs of the help areas, and vigorously promoted the comprehensive development of rural revitalization in the help areas.

In the next step, the Company will strictly implement the "Four Don'ts (四個不摘)" in accordance with the general requirements of the rural revitalization strategy, actively fulfill corporate social responsibilities, select cadres to provide temporary assistance, implement various assistance measures, vigorously promote consumption assistance, and comprehensively promote rural revitalization works in the help areas.

SECTION VI SIGNIFICANT EVENTS

I. FULFILLMENT OF UNDERTAKINGS

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

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

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Undertakings related to refinancing	Other	SINOMACH	SINOMACH undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings	Long-term	No	Yes
	Other	YTO	YTO undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings	Long-term	No	Yes
	Other	Directors, Supervisors and senior management of the Company	1. I undertake that I will not direct benefits to other units or individuals at nil consideration or on unfair terms, and will not harm the Company's interests in any other manner; 2. I undertake that I will act to restrain duty related spending; 3. I undertake that I will not utilize the assets of the Company for any investment or consumption irrelevant with the performance of my duties; 4. I undertake that the remuneration system formulated by the Board or the Remuneration Committee will be correlated to the implementation of the Company's measures to make up for returns; 5. I undertake that, in the event of the implementation of any share option incentive scheme by the Company in future, the conditions for exercising options under such scheme proposed to be published will be correlated to the implementation of the Company's measures to make up for returns; 6. during the period from the date on which such undertaking is given to the completion of the Non-public Issuance of shares, supplementary undertakings will be given in accordance with new regulations announced by the CSRC concerning measures to make up for returns and related undertakings, if such regulations are announced by the CSRC and the foregoing undertakings fall short of meeting such new regulations, I undertake that I shall make additional undertaking(s) in accordance with the latest requirements issued by the CSRC	Long-term	No	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Restricted share	YTO	The shares subscribed for by YTO under the 2020 Non-public Issuance of the Company shall not be transferred within 36 months from the completion of the issuance. Where laws and regulations impose other provisions on the lock-up period, those provisions shall prevail. The shares derived from the shares acquired by YTO under the 2020 Non-public Issuance of the Company due to the distribution of bonus shares and conversion of capital reserves to share capital shall also comply with the above lock-up arrangements	36 months from the completion of the issuance	Yes	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Name of shareholders or related parties	Connected relationship	Occupation time	Reason	Opening balance	Amount newly occupied during the Reporting Period	Total amount repaid during the Reporting Period	Closing balance	Balance as at the disclosure date of the interim report	Expected repayment method	Expected repayment amount	Expected repayment time
YTO Shentong	Other related parties	January 2020 to present	Entrusted Loan	17,100	0	427	16,673	16,673	/	/	/
Total	/	/	/	17,100	0	427	16,673	16,673	/	/	/

Proportion of total amount by the end of the period to the latest audited net assets 2.80%

Procedure for decision on misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes Consideration and approval for the fifth meeting of the eighth session of the Board

Reasons for new misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes during the current period; responsibility investigation; and measures proposed to be taken by the Board /

Reasons for non-repayment for funds misappropriated for non-operating purposes as scheduled; responsibility investigation; and measures proposed to be taken by the Board /

Specific auditing opinion by a CPA on the misappropriation, if any /

Note: YTO Shentong, a former wholly-owned subsidiary of the Company, enters into bankruptcy liquidation in January 2020, which no longer falls within the scope of consolidation. In accordance with the provisions of the Accounting Standards for Business Enterprises, the Company classified it as other related party, and the time occupied by this sum of money shall be calculated from the date it is classified as other related party. During the Reporting Period, according to the final liquidation outcome of YTO Shentong, the Company recovered debt amount of RMB4.27 million. The Company will write off the remaining unrecovered amount and the asset has been fully provisioned for credit impairment in the prior period.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

III. MATERIAL LITIGATION AND ARBITRATION

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

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

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

V. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions relating to daily operation

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, SINOMACH and its subsidiaries and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	71,000	31,881	4.69
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sales of (including, but not limited to) raw materials, components, spare parts, equipment and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	24,500	11,322	1.57

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation, transportation ancillary and production-related processing services to the Company and its subsidiaries by YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO, companies controlled by it and its associates and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 10%.	19,000	12,359	88.62
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) the market price; (2) if there is no market price, the transaction price between YTO and an independent third party; (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 16%.	24,000	11,157	98.84
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if none of the above is applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property in the adjacent area.	800	360	91.85
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if none of the above is applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use right.	1,400	551	92.66
7	Financial Services Agreement	SINOMACH Finance	Subsidiary of the de facto controller	SINOMACH Finance provides local and foreign currency deposit services to the Company and its subsidiaries, including but not limited to demand deposits, agreement deposits, call deposits, time deposits, etc.	Interest on all types of deposits of the Company and its subsidiaries with SINOMACH Finance shall be calculated and paid at the benchmark interest rate for the same period and the upper limit of the floating range of interest rates announced by the People's Bank of China from time to time, which shall not be lower than the benchmark interest rate for the same period and the benchmark interest rate for the same type of deposits offered by SINOMACH Finance to other members with the same level of creditworthiness, whichever is higher, at the major independent commercial banks in the territory where the Company and (or) its wholly-owned or controlled subsidiaries are located.	200,000	199,962	53.57

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
				SINOMACH Finance provides credit services to the Company and its subsidiaries, including but not limited to liquidity loans, fixed asset loans, buyer's credit, factoring of accounts receivable, acceptance and discounting of bills, and credit business such as guarantees, letters of guarantee and letters of credit	In accordance with the relevant requirements of the market interest rate pricing self-regulatory mechanism, the Company and its subsidiaries shall charge interest on loans obtained from SINOMACH Finance at rates no higher than the interest rates quoted by major independent commercial banks in the territory where the Company and/or its wholly-owned or controlled subsidiaries are located, and no higher than the interest rates of similar loans provided by SINOMACH Finance to other members of the same credit standing, whichever is lower.	240,000	189,444	86.86
				SINOMACH Finance provides other financial services to the Company and its subsidiaries, including but not limited to settlement and management of funds in local and foreign currencies, entrusted loans, entrusted investments, underwriting of corporate bonds, financial and financing consultancy, credit verification and related advisory and agency services, and other businesses approved by the CBRC to be engaged in	(1) SINOMACH Finance shall be exempted from charging fees for the remittance of funds by the Company and its subsidiaries for the settlement of funds with Party B; (2) For all financial services other than deposits and loans provided by SINOMACH Finance to the Company and its subsidiaries, the fees charged shall be in accordance with the regulations of the People's Bank of China or the CBRC for such type of services and shall not be higher than the standards of similar fees charged by major independent commercial banks in the territory where the Company and (or) its wholly-owned or controlled subsidiaries are located during the same period, or not higher than the standards of similar fees charged by SINOMACH Finance to other members of the same credit standard, whichever is lower.	1,000	76	74.76
8	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties, plants and ancillary facilities by YTO to the Company and its subsidiaries	(1) the price of non-connected transactions between the lessor and independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar property.	650	224	22.78

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
9	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the price of non-connected transaction between the lessor and independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights.	65	22	11.47
10	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties; (2) cost plus method, with the mark-up percentage not more than 10%.	710	65	100.00
11	R&D Service Agreement	YTO	Controlling shareholder	Provision of services including product R&D services, process technology R&D services, material testing services, and measuring instrument testing services to YTO and its subsidiaries by the Company	(1) the price of non-connected transactions for similar services between the Company and independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	1,100	120	11.22

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
12	Product Inspection and Testing as well as Technology Services Agreement	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	Wholly-owned subsidiary of the controlling shareholder	Provision of products related technological inspection and testing services, patent and standardized technological support services, and research and development services on non-standard equipment such as inspection and testing equipment for products of the Company and its subsidiaries	(1) the price of non-connected transactions between Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd and independent third parties; (2) the price of the reasonable cost of the service provided by Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	2,200	988	100.00

- For details of the above No.1-6 connected transactions, please refer to the "Announcement of First Tractor on the Resolutions Passed at the Thirtieth Meeting of the Eighth Session of the Board", "Announcement of First Tractor on Continuing Connected Transactions for 2022-2024", "Announcement of First Tractor on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting", "Announcement of First Tractor on the Resolutions Passed at the Thirty-fifth Meeting of the Eighth Session of the Board", "Announcement of First Tractor Corporation on the Increase of the Maximum Amount of Daily Connected Transactions for the Energy Procurement from 2022 to 2024", "Announcement of First Tractor on Resolutions of 2022 First Extraordinary General Meeting", published by the Company on the website of the Shanghai Stock Exchange on 26 August 2021, 3 November 2021, 4 March 2022, 14 April 2022, and the announcements on "Continuing Connected Transactions and Disclosable Transactions", "Poll Results of the Extraordinary General Meeting and the Class Meeting Held on 2 November 2021 and the Election of the Chairman of the Board of Supervisors", "Continuing Connected Transactions - Adjustment to the Annual Cap Amount of the Energy Procurement Agreement", "Poll Voting Results of the Extraordinary General Meeting held on 13 April 2022" and related overseas regulatory announcements published on the website of the Stock Exchange on 25 August 2021, 2 November 2021, 3 March 2022 and 13 April 2022;
- For details of the above No.7 connected transaction, please refer to the "Announcement of First Tractor on the Resolutions Passed at the Thirty-six Meeting of the Eighth Session of the Board", "Announcement on the Signing of Financial Services Agreement and Ordinary Connected Transaction between YTO and SINOMACH Finance Co., Ltd.", "Announcement of First Tractor on the Resolutions Passed at 2022 Second Extraordinary General Meeting" published by the Company on the website of the Shanghai Stock Exchange on 30 March 2022 and 17 June 2022, and the announcements on "(1) Disclosable and Connected Transactions in relation to the Sale of Subject Assets; (2) Major and Connected Transactions in relation to the Capital Increase to SINOMACH Finance; and (3) Disclosable Transactions and Continuing Connected Transactions in relation to the Deposit Transaction", "Poll Voting Results of the Extraordinary General Meeting held on 16 June 2022" and related overseas regulatory announcements published on the website of the Stock Exchange on 29 March 2022 and 16 June 2022;
- For details of the above No.8-12 connected transactions, please refer to the "Announcement of First Tractor on the Resolutions Passed at the Seven Meeting of the Ninth Session of the Board", "Announcement of First Tractor on Daily Connected Transactions in 2023" published by the Company on the website of the Shanghai Stock Exchange on 21 December 2022 and the announcement of "Continuing Connected Transactions in 2023" and related overseas regulatory announcement published by the Company on the website of the Stock Exchange on 20 December 2022.
- During the Reporting Period, before the completion of the deregistration and liquidation of YTO Finance, the highest balance of the financial service agreements signed between YTO Finance and YTO, namely the Deposit Service Agreement, Loan Service Agreement, Bills Acceptance Service Agreement and Bills Discounting Service Agreement at any one point in time was RMB55,003,100, RMB0, RMB87,600 and RMB0 respectively, and the highest balance of the Interbank Business Services Agreement with SINOMACH Finance at any one point in time was RMB0, and the transaction amounts were all formed by carrying forward the balances at the end of 2022 and did not exceed the maximum amount of approved connected transactions. As of the end of June 2023, YTO Finance had completed liquidation, the debts and liabilities involved in the aforesaid connected transactions had been fully settled and all the agreements had been terminated.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
13	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and other technical services related to tractors and diesel engines and other special services (including testing services) by Tractors Research Company to the Company and its subsidiaries.	(1) the price of the transactions for same business between the Tractors Research Company and the independent third parties; (2) the price of the reasonable cost of the service provided by the Tractors Research Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	20,000	7,669	100.00

For details of the above No.13 connected transaction, please refer to the "Announcement of First Tractor on the Resolutions Passed at the Seven Meeting of the Ninth Session of the Board", "Announcement on the Daily Related Transactions for 2023 of First Tractor" published by the Company on the website of the Shanghai Stock Exchange on 21 December 2022 and the announcement of "Continuing Connected Transactions in 2023" and related overseas regulatory announcement published by the Company on the website of the Stock Exchange on 20 December 2022.

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
14	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB6,630,000 was determined by both parties under market principles and negotiation.	663	331	28.12
15	Technologies License Agreement	ZF YTO Drive Axle	Associated corporation	Authorization of use of related drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of products applying these technologies as technologies authorization fee to the Company	77	0	0
16	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations.	5,800	2,939	0.41

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
17	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	(1) Prices of drive axle products are determined under negotiations between both parties based on factors such as prices of past years; the then prevailing market price and raw material price fluctuations; (2) The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Drivotech (Hangzhou) Co. Ltd.* (採埃孚傳動技術(杭州)有限公司)	20,000	13,493	1.99

For details of the above No.14-17 connected transactions, please refer to the "Announcement of First Tractor on Daily Connected Transactions for 2023 with ZF YTO (Luoyang Drive Axle Company Limited)" published by the Company on the website of the Shanghai Stock Exchange on 21 December 2022 and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 20 December 2022.

2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for transaction amount in 2023	Actual transaction amount in the first half of 2023	Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Acceptance of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark and font size	(1) Charged in range of 2%-5% of the external product revenue of the trademark products; (2) Calculated on the basis of the external sales revenue of the using unit, the maximum charge shall not exceed 5%.	35	0	0
Total				/	35	0	0
Details on return of large-sum sales					Nil		
Explanation on connected transactions					According to the relevant provisions of the Listing Rules of the Shanghai Stock Exchange and the Stock Exchange, the above pricing principle of connected transactions complies with the relevant provisions of the Listing Rules, and the amount does not exceed the amount required for disclosure		

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

1. Deposit business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Daily maximum deposit limit	Range of deposit interest rates	Beginning balance	Amount incurred in this period		Ending balance
					Total deposit amount in this period	Total withdraw amount in this period	
SINOMACH Finance	A company controlled by the de facto controller	200,000.00	1.80%-1.85%	196,821.23	3,586,255.47	3,590,914.64	192,162.06

2. Loan business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Range of loan interest rates	Beginning Balance	Amount incurred in this period		Ending Balance
				Total loan amount in this period	Total repayment amount in this period	
SINOMACH Finance	A company controlled by the de facto controller	3.4%-3.7%	4,958.00	0.00	4,958.00	0.00

3. Granting business or other financial business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Actual amount	Balance at the end of the reporting period
SINOMACH Finance	A company controlled by the de facto controller	Bills acceptance	159,581.50	159,572.58

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Custody, contracting and lease matters

(1) Custody

Unit: Yuan Currency: RMB

Name of principal	Name of trustee	Amounts of assets in custody	Commencement		Custody income	Recognition basis for custody income	Impact of custody income on the Company	Whether it is a connected transaction	Connected relationship
	Account title		Assets in custody	date of custody					
SINOMACH	First Tractor	Equity interests in Changtuo Company held by SINOMACH	/	2013-3-7	/	/	/	Yes	Indirect controlling shareholder

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

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

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

(II) Changes in restricted shares

Unit: Share

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

II. SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (*shareholder*)

31,872

Including 31,556 holders of A Shares and 316 holders of H Shares

Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (*shareholder*)

/

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Unit: Share

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders		Number of shares held subject to selling restrictions	Pledged, marked or frozen		Nature of shareholder
		Number of shares held as at the end of the period	Percentage (%)		Status of shares	Number	
YTO Group Corporation	0	548,485,853	48.81	137,795,275	Nil		/ State-owned legal person
HKSCC NOMINEES LIMITED <i>(Note 1)</i>	-208,000	387,975,309	34.53	0	Unknown		/ Overseas legal person
Hong Kong Securities Clearing Company Limited <i>(Note 2)</i>	-15,369,288	10,147,486	0.90	0	Unknown		/ Overseas legal person
China Construction Bank Corporation—Huatai-pinebridge Fuli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞富利靈活配置混合型證券投資基金)	9,215,487	9,215,487	0.82	0	Unknown		/ Others
China Construction Bank Corporation—Huatai-pinebridge Multi-Strategy Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞多策略靈活配置混合型證券投資基金)	4,633,825	4,633,825	0.41	0	Unknown		/ Others

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Number of shares held as at the end of the period	Shareholdings of the top ten shareholders		Pledged, marked or frozen		Nature of shareholder
			Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	
Industrial Bank Co., Ltd. – Huatai- pinebridge Dingli Flexible Allocation Mixed Securities Investment Fund (華 泰柏瑞鼎利靈活配置 混合型證券投資基 金)	2,996,800	2,996,800	0.27	0	Unknown		/ Others
Taikang Life Insurance Co., Ltd. (泰康人 壽保險有限責任公 司) – Investment- Linked -Innovation Dynamic	0	1,964,800	0.17	0	Unknown		/ Others
Han Yan	7,700	1,478,141	0.13	0	Unknown		/ Domestic natural person
Bank Of China Limited – Huatai-pinebridge Xinli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞新利 靈活配置混合型證券 投資基金)	1,358,203	1,358,203	0.12	0	Unknown		/ Others
China Reform Investment Co., Ltd	266,200	1,242,100	0.11	0	Unknown		/ State-owned legal person

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Class and number of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED <i>(Note 1)</i>	387,975,309	Overseas listed foreign shares	387,975,309
Hong Kong Securities Clearing Company Limited <i>(Note 2)</i>	10,147,486	Ordinary shares denominated in RMB	10,147,486
China Construction Bank Corporation— Huatai-pinebridge Fuli Flexible Allocation Mixed Securities Investment Fund (華泰 柏瑞富利靈活配置混合型證券投資基 金)	9,215,487	Ordinary shares denominated in RMB	9,215,487
China Construction Bank Corporation— Huatai-pinebridge Multi-Strategy Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞多策略靈活配置混合型 證券投資基金)	4,633,825	Ordinary shares denominated in RMB	4,633,825
Industrial Bank Co., Ltd.—Huatai- pinebridge Dingli Flexible Allocation Mixed Securities Investment Fund (華泰 柏瑞鼎利靈活配置混合型證券投資基 金)	2,996,800	Ordinary shares denominated in RMB	2,996,800
Taikang Life Insurance Co., Ltd. (泰康人 壽保險有限責任公司)—Investment- Linked – Innovation Dynamic	1,964,800	Ordinary shares denominated in RMB	1,964,800
Han Yan	1,478,141	Ordinary shares denominated in RMB	1,478,141
Bank Of China Limited—Huatai-pinebridge Xinli Flexible Allocation Mixed Securities Investment Fund (華泰柏瑞新利靈活配 置混合型證券投資基金)	1,358,203	Ordinary shares denominated in RMB	1,358,203
China Reform Investment Co., Ltd	1,242,100	Ordinary shares denominated in RMB	1,242,100

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Explanations on the repurchase of special account among the top ten shareholders

N/A

Explanations on the voting rights entrusted by or to or waived by the aforesaid shareholders

Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, is not engaged in any delegation of/being entrusted with and waiver of voting rights. The Company is not aware of any delegation of/being entrusted with and waiver of voting rights by other shareholders.

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

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

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

N/A

Note 1: The overseas listed foreign shares held by HKSCC NOMINEES LIMITED are held on behalf of various customers;

Note 2: The ordinary shares denominated in RMB held by Hong Kong Securities Clearing Company Limited are held on behalf of foreign investors who purchased ordinary shares denominated in RMB of the Company through Shanghai-Hong Kong Stock Connect.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders with selling restriction and restricted conditions

Unit: Share

Number	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Listing and trading of shares with selling restrictions		Restricted conditions
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	YTO Group Corporation	137,795,275	19 February 2024	137,795,275	No transfer within 36 months from the date of completion of the Company's Non-Public Offering
	Explanation on connected relationship or acting in concert among the aforesaid shareholders	N/A			

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

III. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2023, substantial shareholders of the Company and other persons (other than the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total number of shares interested ¹	Percentage of the relevant class of issued share capital ¹	Percentage of the total issued share capital ¹	Class of share
						(%)	(%)	
YTO	Beneficial owner	Beneficial interest	548,485,853 (L)	/	548,485,853 (L)	74.96(L)	48.81(L)	A Share

Note 1: (L) – Long position

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

Save as disclosed above, as at 30 June 2023, no person (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

IV. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2023, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including the interests and short positions considered or deemed to be held by such Directors, Supervisors and chief executives under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange.

V. SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the Reporting Period.

SECTION VIII PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

SECTION IX BONDS

The Company had no bonds during the Reporting Period.

SECTION X FINANCIAL STATEMENTS

Consolidated Balance Sheet

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Current assets:			
Monetary fund	VI. 1	2,655,047,976.99	4,363,742,346.01
Lendings to banks and other financial institutions			
Financial assets held for trading	VI. 2	1,506,156,279.45	1,249,646,900.00
Derivative financial assets			
Bills receivable	VI. 3	87,483,209.66	76,769,291.70
Accounts receivable	VI. 4	1,143,555,992.17	351,792,105.00
Receivables financing	VI. 5	275,777,260.58	246,084,731.86
Advances to suppliers	VI. 6	114,971,778.79	214,603,079.62
Other receivables	VI. 7	53,140,706.90	26,664,987.91
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	VI. 8	1,190,566,796.95	1,191,302,696.00
Contract assets			
Held-for-sale assets			
Non-current assets due within one year	VI. 9	27,173,957.66	26,138,882.38
Other current assets	VI. 10	78,374,511.78	135,457,079.03
Total current assets		7,132,248,470.93	7,882,202,099.51

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet (Continued)*As at June 30, 2023*

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Non-current assets:			
Disbursement of loans and advances to customers			
Debt instruments at amortised cost	VI. 11	3,085,292,255.86	1,086,568,216.50
Debt instruments at fair value through other comprehensive income			
Long-term receivables	VI. 12		
Long-term equity investment	VI. 13	663,258,684.82	635,976,086.00
Equity instruments at fair value through other comprehensive income	VI. 14	3,513,464.70	3,513,464.70
Other non-current financial assets			
Investment properties			
Fixed assets	VI. 15	2,310,754,632.23	2,311,846,878.77
Projects under construction	VI. 16	84,447,317.72	126,466,820.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI. 17	28,643,577.21	34,164,906.27
Intangible assets	VI. 18	706,933,795.06	713,225,331.16
Development expenditures	VI. 19		
Goodwill	VI. 20		
Long-term deferred expenses	VI. 21	51,143,736.04	59,464,923.38
Deferred tax assets	VI. 22	139,069,838.38	138,136,755.38
Other non-current assets			
Total non-current assets		7,073,057,302.02	5,109,363,382.17
Total assets		14,205,305,772.95	12,991,565,481.68

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet (Continued)

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Current liabilities:			
Short-term borrowings	VI. 23	500,381,388.90	270,223,055.56
Deposits from banks and other financial institutions		-	-
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable	VI. 24	1,652,382,989.30	1,829,411,578.37
Accounts payable	VI. 25	3,256,745,626.83	2,286,961,766.98
Advances from customers	VI. 26	3,504,133.12	190,366.98
Contract liabilities	VI. 27	217,394,739.30	846,464,703.95
Financial assets sold under agreements to repurchase			-
Customer bank deposits and interbank deposits	VI. 28	-	34,112,630.48
Employee compensation payable	VI. 29	115,097,329.41	108,545,159.39
Taxes payable	VI. 30	70,772,467.07	21,049,384.80
Other payables	VI. 31	434,967,569.40	338,162,726.80
Including: Interests payable		28,230,500.24	24,785,843.99
Dividends payable		8,439,607.88	8,439,607.83
Held-for-sale liabilities		-	-
Non-current liabilities due within one year	VI. 32	15,005,273.08	17,750,080.09
Other current liabilities	VI. 33	649,759,002.02	374,987,097.17
Total current liabilities		6,916,010,518.43	6,127,858,550.57

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet (Continued)

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Non-current liabilities:			
Long-term borrowings	VI. 34	—	49,380,000.00
Bonds payable		—	—
Including: Preference share		—	—
Perpetual bonds		—	—
Lease liabilities	VI. 35	13,123,089.79	16,459,875.98
Long-term payables	VI. 36	9,001,441.87	8,476,357.76
Long-term employee compensation payable	VI. 37	26,546,090.79	48,210,828.04
Provision	VI. 38	1,962,613.99	1,962,613.99
Deferred incomes	VI. 39	113,716,621.63	121,762,517.70
Deferred tax liabilities	VI. 22	121,649,810.89	120,283,861.71
Other non-current liabilities		—	—
Total non-current liabilities		285,999,668.96	366,536,055.18
Total liabilities		7,202,010,187.39	6,494,394,605.75
Shareholders' equity:			
Share capital	VI. 40	1,123,645,275.00	1,123,645,275.00
Other equity instruments		—	—
Including: Preference share		—	—
Perpetual bonds		—	—
Capital reserves	VI. 41	2,655,849,996.00	2,655,849,996.00
Less: treasury shares		—	—
Other comprehensive income	VI. 42	-1,783,829.97	-5,853,544.29
Special reserves	VI. 43	6,817,135.95	5,497,405.05
Surplus reserves	VI. 44	595,433,495.89	595,433,495.89
General risk provision	VI. 45	—	43,263,387.54
Retained earnings	VI. 46	2,080,313,576.51	1,540,248,936.64
Total equity attributable to owners of the Company		6,460,275,649.38	5,958,084,951.83
Non-controlling interests		543,019,936.18	539,085,924.10
Total shareholders' equity		7,003,295,585.56	6,497,170,875.93
Total liabilities and shareholders' equity		14,205,305,772.95	12,991,565,481.68

Legal representative:

Liu Jiguo

Chief Financial Officer:

Kang Zhifeng

Director of Accounting Department:

Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet of the Parent Company

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Current assets:			
Monetary fund		2,164,998,785.15	1,722,897,157.23
Financial assets held for trading		958,340,979.45	675,482,733.33
Derivative financial assets			
Bills receivable		9,648,644.24	1,625,000.00
Accounts receivable	XVI. 1	1,624,080,060.06	581,387,851.71
Receivables financing		225,568,609.17	221,126,278.14
Advances to suppliers		117,951,819.57	215,931,829.44
Other receivables	XVI. 2	199,166,026.44	201,924,617.91
Including: Interest receivable			
Dividends receivable		76,808,376.96	76,808,376.96
Inventories		616,389,193.73	665,370,559.45
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		<u>41,027,477.79</u>	<u>83,603,174.36</u>
Total current assets		<u><u>5,957,171,595.60</u></u>	<u><u>4,369,349,201.57</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet of the Parent Company (Continued)

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Non-current assets:			
Debt instruments at amortised cost		3,085,292,255.86	1,086,568,216.50
Debt instruments at fair value through other comprehensive income			
Long-term receivables			
Long-term equity investment	XVI. 3	2,152,012,755.90	2,609,671,715.57
Equity instruments at fair value through other comprehensive income			
Other non-current financial assets			
Investment properties			
Fixed assets		1,325,442,332.92	1,368,715,459.93
Projects under construction		37,392,649.42	41,927,945.62
Productive biological assets			
Oil and gas assets			
Right-of-use assets		22,278,809.19	25,832,986.85
Intangible assets		487,416,005.32	490,628,424.39
Development expenditures			
Goodwill			
Long-term deferred expenses		29,830,099.89	35,249,504.90
Deferred tax assets		48,795,696.44	52,982,699.74
Other non-current assets			
Total non-current assets		7,188,460,604.94	5,711,576,953.50
Total assets		13,145,632,200.54	10,080,926,155.07

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet of the Parent Company (Continued)

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Current liabilities:			
Short-term borrowings		500,381,388.90	200,223,055.56
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		1,194,407,132.10	1,022,266,618.92
Accounts payable		2,088,514,177.88	1,434,693,508.64
Advances from customers		3,504,133.12	190,366.98
Contract liabilities		103,126,315.32	831,726,460.38
Employee compensation payable		84,660,151.48	81,901,948.04
Taxes payable		54,315,999.89	6,011,774.44
Other payables		2,463,030,571.74	339,791,958.50
Including: Interests payable		-	-
Dividends payable		-	-
Held-for-sale liabilities		-	-
Non-current liabilities due within one year		12,272,931.39	13,519,395.20
Other current liabilities		44,578,223.26	106,292,965.99
Total current liabilities		6,548,791,025.08	4,036,618,052.65
Non-current liabilities:			
Long-term borrowings		-	-
Bonds payable		-	-
Including: Preference share		-	-
Perpetual bonds		-	-
Lease liabilities		10,005,877.80	12,313,591.65
Long-term payables		-	-
Long-term employee compensation payable		17,931,064.38	31,670,478.87
Provision		1,962,613.99	1,962,613.99
Deferred incomes		83,627,840.31	88,032,488.71
Deferred tax liabilities		32,441,821.38	28,681,108.03
Other non-current liabilities		-	-
Total non-current liabilities		145,969,217.86	162,660,281.25
Total liabilities		6,694,760,242.94	4,199,278,333.90

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet of the Parent Company (Continued)

As at June 30, 2023

Prepared by First Tractor Company Limited

Unit: RMB Yuan

Item	Notes	2023.6.30	2022.12.31
Shareholders' equity:			
Share capital		1,123,645,275.00	1,123,645,275.00
Other equity instruments		-	-
Including: Preference share		-	-
Perpetual bonds		-	-
Capital reserves		2,561,176,415.62	2,561,176,415.62
Less: treasury shares		-	-
Other comprehensive income		39,026.98	-69,708.37
Special reserves		343,901.00	-
Surplus reserves		520,940,212.06	520,940,212.06
Retained earnings		2,244,727,126.94	1,675,955,626.86
Total shareholders' equity		6,450,871,957.60	5,881,647,821.17
Total liabilities and shareholders' equity		13,145,632,200.54	10,080,926,155.07

Legal representative:
Liu Jiguo

Chief Financial Officer:
Kang Zhifeng

Director of Accounting Department:
Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
I. Total operating revenue		7,248,544,566.19	6,630,331,281.57
Including: Operating revenue	VI. 47	7,242,918,542.61	6,550,726,514.79
Interest income	VI. 48	5,626,023.58	74,636,601.43
Fee and commission income	VI. 49		4,968,165.35
II. Total operating cost		6,522,395,246.30	5,927,839,751.42
Including: Operating cost	VI. 47	6,095,270,579.18	5,483,733,869.53
Interest expenses	VI. 48	99,838.97	10,371,808.42
Fee and commission expenses	VI. 49	60,491.28	273,748.70
Taxes and surcharges	VI. 50	25,620,701.13	24,167,147.49
Selling expenses	VI. 51	92,395,848.22	66,207,655.04
Administrative expenses	VI. 52	158,697,813.66	158,908,787.57
R&D expenses	VI. 53	180,333,815.14	186,386,944.21
Financial Expenses	VI. 54	-30,083,841.28	-2,210,209.54
Including: Interest expenses		9,144,097.12	12,495,853.25
Interest income		29,872,258.61	1,431,615.26
Add: Other incomes	VI. 55	12,143,087.62	13,387,620.04
Investment income (loss to be listed with "-")	VI. 56	68,466,234.58	32,825,671.32
Including: Income from investment in affiliated business and joint venture		27,363,498.87	4,501,370.69
Revenue from derecognition of financial assets at amortized cost			
Exchange earnings (loss to be listed with "-")			
Net exposure hedging revenue (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")	VI. 57	26,573,546.12	-86,421,175.31
Credit impairment loss (loss to be listed with "-")	VI. 58	-10,835,156.37	-74,465,404.30
Asset impairment loss (loss to be listed with "-")	VI. 59	-4,922,441.13	-1,630,983.93
Income of assets disposal (loss to be listed with "-")	VI. 60	743,241.14	648,065.96

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
III. Operating profit (loss to be listed with "-")		818,317,831.85	586,835,323.93
Add: non-operating revenue	VI. 61	3,305,858.55	3,781,734.44
Less: non-operating expenses	VI. 62	624,738.16	1,742,372.23
IV. Total profit (total loss to be listed with "-")		820,998,952.24	588,874,686.14
Less: income tax expenses	VI. 63	56,523,543.55	7,489,261.82
V. Net profit (net loss to be listed with "-")		764,475,408.69	581,385,424.32
(I) Classified by continuity of operation			
1. Net profit from going concern (net losses to be listed with "-")		747,064,694.39	537,025,746.24
2. Net profit from discontinued operations (net losses to be listed with "-")		17,410,714.30	44,359,678.08
(II) Classification by ownership			
1. Net profit attributable to owners of the parent company (net losses to be listed with "-")		754,144,938.68	581,466,905.85
2. Net profit attributable to non-controlling interests (net loss to be listed with "-")		10,330,470.01	-81,481.53
VI. Net after-tax amount of other comprehensive income		5,276,332.17	-11,173,351.46
Net after-tax amount of other comprehensive income attributable to the owners of the parent company		4,069,714.32	-9,968,439.40
(I) Other comprehensive income that cannot be reclassified into profit or loss		108,735.35	-633,015.12
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive incomes that cannot be reclassified into profit or loss under the equity method		108,735.35	
3. Changes in fair value of equity instruments at FVTOCI			-633,015.12

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
4. Changes in fair value of the Company's credit risk			
(II) Other comprehensive income reclassified into profit or loss		3,960,978.97	-9,335,424.28
1. Other comprehensive incomes that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of debt instruments at FVTOCI			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for impairment of credit in debt instruments at FVTOCI			
5. Cash flow hedging reserve (effective portion of profit and loss arising from cash flow hedging)			
6. Exchange difference arising from foreign currency statements		3,960,978.97	-9,335,424.28
7. Others			
Net after-tax amount of other comprehensive income attributable to non-controlling interests		1,206,617.85	-1,204,912.06
VII. Total comprehensive income		769,751,740.86	570,212,072.86
Total comprehensive income attributable to the owner of the parent company		758,214,653.00	571,498,466.45
Total consolidated income attributable to non-controlling interests		11,537,087.86	-1,286,393.59
VIII. Earnings per share:			
(I) Basic earnings per share (yuan/share)		0.6712	0.5175
(II) Diluted earnings per share (yuan/share)		0.6712	0.5175

If an enterprise mergers under the same control in the current period, the net profit of the merged party before the merger is RMB0, and the net profit of the merged party in the previous period is RMB0.

Legal representative:
Liu Jiguo

Chief Financial Officer:
Kang Zhifeng

Director of Accounting Department:
Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Income Statement of the Parent Company

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
I. Operating revenues	XVI. 4	5,807,235,223.85	5,453,372,167.82
Less: operating costs	XVI. 4	4,993,517,933.89	4,645,179,108.69
Taxes and surcharges		11,713,583.07	10,776,574.77
Selling expenses		7,389,027.55	9,328,938.75
Administrative expenses		86,143,219.75	91,016,585.41
R&D expenses		150,572,328.56	156,784,018.51
Financial Expenses		-5,063,116.86	-10,980,921.13
Including: interest expenses		15,250,585.41	18,366,155.45
Interest income		20,778,297.91	29,357,396.82
Add: other incomes		8,189,524.40	7,898,098.89
Investment income			
(loss to be listed with "-")	XVI. 5	279,562,648.35	241,952,044.01
Including: Income from investment in affiliated business and joint venture		27,272,606.98	4,336,752.69
Revenue from derecognition of financial assets at amortized cost			
Net exposure hedging revenue (loss to be listed with "-")			
Incomes from fair value changes (loss to be listed with "-")		32,858,246.12	19,718,640.64
Credit impairment loss (loss to be listed with "-")		7,962,993.87	3,829,669.57
Asset impairment loss (loss to be listed with "-")		-470,908.40	4,882,263.06
Income of assets disposal (loss to be listed with "-")		147,219.37	540,763.06

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Income Statement of the Parent Company (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	<i>Notes</i>	January to June 2023	January to June 2022
II. Operating profit (loss to be listed with "-")		891,211,971.60	830,089,342.05
Add: non-operating revenue		460,975.49	2,746,818.62
Less: non-operating expenses			466,299.91
III. Total profit (total loss to be listed with "-")		891,672,947.09	832,369,860.76
Less: income tax expenses		65,557,760.66	6,160,177.41
IV. Net profit (net loss to be listed with "-")		826,115,186.43	826,209,683.35
(I) Net profit from continuing operations (net loss to be listed with "-")		826,115,186.43	826,209,683.35
(II) Net profit from discontinued operations (net loss to be listed with "-")			
V. Net amount of other comprehensive incomes after tax		108,735.35	
(I) Other comprehensive income that cannot be reclassified into profit or loss		108,735.35	
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive incomes that cannot be reclassified into profit or loss under the equity method		108,735.35	
3. Changes in fair value of equity instruments at FVTOCI			
4. Changes in fair value of the Company's credit risk			

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Income Statement of the Parent Company (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
(II) Other comprehensive income reclassified into profit or loss			
1. Other comprehensive incomes that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of debt instruments at FVTOCI			
3. The amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in debt instruments at FVTOCI			
5. Cash flow hedging reserve (effective portion of profit and loss arising from cash flow hedging)			
6. Exchange difference arising from foreign currency statements			
7. Others			
VI. Total comprehensive incomes		826,223,921.78	826,209,683.35

Legal representative:

Liu Jiguo

Chief Financial Officer:

Kang Zhifeng

Director of Accounting Department:

Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		5,482,238,621.05	5,293,082,906.48
Net increase in customer deposit and interbank deposit		-33,469,641.36	963,250,081.38
Cash received from interests, fees and commissions		6,394,495.07	84,421,605.33
Net increase in deposits from banks and other financial institutions			-200,000,000.00
Net increase from repurchasing business funds			360,000,000.00
Refund of taxes and surcharge		156,767,015.75	225,482,438.54
Other cash received relating to operating activities	VI. 65	<u>120,920,575.86</u>	<u>25,675,559.96</u>
Subtotal of cash inflows from operating activities		<u>5,732,851,066.37</u>	<u>6,751,912,591.69</u>
Cash paid for goods and services		4,056,416,894.63	3,612,947,257.57
Net increase in loans and advances to customers		-95,035.30	-461,862,052.29
Net increase in deposits in the central bank and other financial institutions		-9,176,871.31	-411,208,291.10
Cash paid for interests, fees and commissions		844,433.24	9,642,778.61
Cash paid to and on behalf of employees		535,231,035.99	522,325,121.69
Payments of taxes and surcharges		134,802,055.43	75,022,100.05
Cash paid for other operating activities	VI. 65	<u>60,484,414.16</u>	<u>129,262,426.42</u>
Subtotal of cash outflows from operating activities		<u>4,778,506,926.84</u>	<u>3,476,129,340.95</u>
Net cash flows from operating activities		<u><u>954,344,139.53</u></u>	<u><u>3,275,783,250.74</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
II. Cash flows from investing activities:			
Cash received from the return of investment		4,266,450.00	1,201,000.00
Cash received from acquirement of investment income		7,459,363.02	1,393,546.80
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		1,818,940.00	2,052,242.03
Net cash received from disposal of subsidiaries and other business units			61,016,327.59
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		<u>13,544,753.02</u>	<u>65,663,116.42</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		36,437,976.77	46,885,500.75
Cash paid to acquire investments		2,195,000,000.00	420,001,000.00
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities			
Subtotal of cash outflows from investing activities		<u>2,231,437,976.77</u>	<u>466,886,500.75</u>
Net cash flows from investing activities		<u><u>-2,217,893,223.75</u></u>	<u><u>-401,223,384.33</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
III. Cash flows from financing activities:			
Cash received from absorbing investment Including: cash received by subsidiaries from minority shareholders' investments			460,300,000.00
Cash received from borrowings		300,000,000.00	460,300,000.00
Other cash received relating to financing activities	VI. 65		<u>7,883,193.22</u>
Subtotal of cash inflows from financing activities		<u>300,000,000.00</u>	<u>468,183,193.22</u>
Cash paid for repayment of debts		49,580,000.00	160,300,000.00
Cash paid for distribution of dividends, profits or interest repayment		263,081,600.46	191,185,721.63
Including: dividends and profits paid by subsidiaries to minority shareholders		4,662,532.29	50,497,085.48
Other cash paid relating to financing activities	VI. 65	<u>13,859,588.30</u>	<u>4,450,610.70</u>
Subtotal of cash outflows from financing activities		<u>326,521,188.76</u>	<u>355,936,332.33</u>
Net cash flows from financing activities		<u><u>-26,521,188.76</u></u>	<u><u>112,246,860.89</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
IV. Effects from the change of exchange rate on cash and cash equivalents		<u>10,065,120.30</u>	<u>-7,090,173.88</u>
V. Net increase in cash and cash equivalents		-1,280,005,152.68	2,979,716,553.42
Add: Beginning balance of cash and cash equivalents		<u>3,519,577,581.87</u>	<u>2,146,767,725.61</u>
VI. Ending balance of cash and cash equivalents		<u><u>2,239,572,429.19</u></u>	<u><u>5,126,484,279.03</u></u>

Legal representative:
Liu Jiguo

Chief Financial Officer:
Kang Zhifeng

Director of Accounting Department:
Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Cash Flow Statement of the Parent Company

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	<i>Notes</i>	January to June 2023	January to June 2022
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		3,163,922,357.08	3,634,681,897.87
Refund of taxes and surcharge		118,885,209.88	203,440,275.88
Other cash received relating to operating activities		<u>2,206,837,151.45</u>	<u>197,475,091.42</u>
Subtotal of cash inflows from operating activities		<u>5,489,644,718.41</u>	<u>4,035,597,265.17</u>
Cash paid for goods and services		3,076,518,231.20	2,508,017,331.37
Cash paid to and on behalf of employees		329,444,591.69	323,540,981.49
Payments of taxes and surcharges		86,729,868.59	11,875,810.21
Cash paid for other operating activities		<u>48,959,391.53</u>	<u>103,163,255.28</u>
Subtotal of cash outflows from operating activities		<u>3,541,652,083.01</u>	<u>2,946,597,378.35</u>
Net cash flows from operating activities		<u><u>1,947,992,635.40</u></u>	<u><u>1,088,999,886.82</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Cash Flow Statement of the Parent Company (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	Notes	January to June 2023	January to June 2022
II. Cash flows from investing activities:			
Cash received from the return of investment		684,863,228.35	231,200,000.00
Cash received from acquirement of investment income		11,244,535.49	296,942,121.50
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		1,219,839.14	8,514,558.16
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		<u>697,327,602.98</u>	<u>536,656,679.66</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		11,783,207.03	32,281,158.51
Cash paid to acquire investments		2,215,000,000.00	400,000,000.00
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities			
Subtotal of cash outflows from investing activities		<u>2,226,783,207.03</u>	<u>432,281,158.51</u>
Net cash flows from investing activities		<u>-1,529,455,604.05</u>	<u>104,375,521.15</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

Cash Flow Statement of the Parent Company (Continued)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	<i>Notes</i>	January to June 2023	January to June 2022
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Cash received from borrowings		300,000,000.00	980,000,000.00
Other cash received relating to financing activities			7,883,193.22
		<hr/>	<hr/>
Subtotal of cash inflows from financing activities		300,000,000.00	987,883,193.22
		<hr/>	<hr/>
Cash paid for repayment of debts			1,570,000,000.00
Cash paid for distribution of dividends, profits or interest repayment		257,982,139.28	151,963,680.57
Other cash paid relating to financing activities		8,472,199.58	2,335,305.93
		<hr/>	<hr/>
Subtotal of cash outflows from financing activities		266,454,338.86	1,724,298,986.50
		<hr/>	<hr/>
Net cash flows from financing activities		33,545,661.14	-736,415,793.28
		<hr/> <hr/>	<hr/> <hr/>
IV. Effects from the change of exchange rate on cash and cash equivalents		-11,108.17	879.62
V. Net increase in cash and cash equivalents		452,071,584.32	456,960,494.31
Add: Beginning balance of cash and cash equivalents		1,507,739,713.00	1,600,876,655.85
VI. Ending balance of cash and cash equivalents		1,959,811,297.32	2,057,837,150.16
		<hr/> <hr/>	<hr/> <hr/>

Legal representative:
Liu Jiguo

Chief Financial Officer:
Kang Zhifeng

Director of Accounting Department:
Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	January to June 2023												Non-controlling interests	Total shareholders' equity	
	Shareholders' equity attributable to the parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings				Others
	Preference share	Perpetual bonds	Others												
I. Ending balance of the previous year	1,123,645,275.00				2,655,849,996.00		-5,653,544.29	5,497,405.05	595,433,495.89	43,263,387.54	1,540,248,936.64		5,668,084,951.83	538,085,924.10	6,497,170,875.93
Add: changes in accounting policies															
Correction of prior period errors															
Business combination under common control															
Others															
II. Beginning balance of the current year	1,123,645,275.00				2,655,849,996.00		-5,653,544.29	5,497,405.05	595,433,495.89	43,263,387.54	1,540,248,936.64		5,668,084,951.83	538,085,924.10	6,497,170,875.93
III. Movements in the Current Year (decrease to be listed with "-")															
(I) Total comprehensive incomes							4,069,714.32								
(II) Capital invested and decreased by shareholders															
1. Common shares invested by shareholders															
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payment included in shareholder's equity															
4. Others														-3,000,000.00	-3,000,000.00
(III) Profit distribution															
1. Appropriation to surplus reserves															
2. Appropriation to general risk reserve															
3. Distribution to shareholders														-267,343,686.35	-267,343,686.35
4. Others														-4,662,532.29	-4,662,532.29
(IV) Internal carry-over in shareholder's equity															
1. Capital surplus transferred to share capital															
2. Surplus reserves transferred to share capital															
3. Surplus reserves to recover losses															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive incomes															
6. Others															
(V) Appropriation and use of special reserves															
1. Appropriation in current year															
2. Use in current year															
(VI) Others															
IV. Ending balance of the current year	1,123,645,275.00				2,655,849,996.00		-1,783,829.97	6,817,135.95	595,433,495.89	43,263,387.54	2,080,313,576.51		6,480,275,649.38	543,019,936.18	7,003,295,585.56

SECTION X FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	January to June 2022											Non-controlling interests	Total shareholders' equity		
	Shareholders' equity attributable to the parent company										Subtotal				
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision				Retained earnings	Others
	Preference share	Perpetual bonds	Others												
I. Ending balance of the previous year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,783.59	43,263,387.54	1,086,069,065.52		5,402,078,873.33	580,144,273.34	5,982,223,146.67
Add: changes in accounting policies															
Correction of prior period errors															
Business combination under common control															
Others															
II. Beginning balance of the current year	1,123,645,275.00				2,655,849,996.00		-11,710,421.44	3,465,767.12	501,495,783.59	43,263,387.54	1,086,069,065.52		5,402,078,873.33	580,144,273.34	5,982,223,146.67
III. Movements in the Current Year (decrease to be listed with "-")															
(i) Total comprehensive incomes							-9,968,439.40	879,069.29			448,533,512.03		439,444,141.92	-2,729,440.99	436,714,700.93
(ii) Capital invested and decreased by shareholders															
1. Common shares invested by shareholders															
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payment included in shareholder's equity															
4. Others															
(iii) Profit distribution															
1. Appropriation to surplus reserves															
2. Appropriation to general risk reserve															
3. Distribution to shareholders															
4. Others															
(iv) Internal carry-over in shareholder's equity															
1. Capital surplus transferred to share capital															
2. Surplus reserves transferred to share capital															
3. Surplus reserves to recover losses															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(v) Special reserves															
1. Appropriation in current year															
2. Use in current year															
IV. Ending balance of the current year	1,123,645,275.00				2,655,849,996.00		-21,678,860.84	4,344,836.41	501,495,783.59	43,263,387.54	1,534,602,597.55		5,841,523,015.25	577,414,832.35	6,418,937,847.60

Legal representative:
Liu Jiguo

Chief Financial Officer:
Kang Zhifeng

Director of Accounting Department:
Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	January to June 2023										
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
		Preference share	Perpetual bonds	Others							
I. Ending balance of the previous year	1,123,645,275.00			2,561,176,415.62		-69,708.37		520,940,212.06	1,675,955,626.86	5,881,647,821.17	
Add: changes in accounting policies											
Correction of prior period errors											
Others											
II. Beginning balance of the current year	1,123,645,275.00			2,561,176,415.62		-69,708.37		520,940,212.06	1,675,955,626.86	5,881,647,821.17	
III. Movements in the Current Year (decrease to be listed with "-")											
(I) Total comprehensive incomes						108,735.35				569,224,136.43	
(II) Capital invested and decreased by shareholders											
1. Common shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholder's equity											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholder's equity											
1. Capital surplus transferred to share capital											
2. Surplus reserves transferred to share capital											
3. Surplus reserves to recover losses											
4. Retained earnings carried forward from changes in defined benefit plan											
5. Retained earnings carried forward from other comprehensive income											
6. Others											
(V) Special reserves											
1. Appropriation in current year											
2. Use in current year											
(VI) Others											
IV. Ending balance of the current year	1,123,645,275.00			2,561,176,415.62		39,026.98	343,901.00	520,940,212.06	2,244,727,126.94	6,450,871,957.60	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

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

For the six months ended June 30, 2023

Unit: RMB Yuan

Item	January to June 2022										
	Share capital	Preference share	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Ending balance of the previous year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68	5,085,326,835.06
Add: changes in accounting policies											
Correction of prior period errors											
Others											
II. Beginning balance of the current year	1,123,645,275.00				2,561,176,415.62				427,002,499.76	973,502,644.68	5,085,326,835.06
III. Movements in the Current Year (decrease to be listed with "-")											
(i) Total comprehensive incomes										826,209,683.35	826,209,683.35
(ii) Capital invested and decreased by shareholders											
1. Common shares invested by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholder's equity											
4. Others											
(iii) Profit distribution										-132,995,719.53	-132,995,719.53
1. Appropriation to surplus reserves										-132,995,719.53	-132,995,719.53
2. Distribution to shareholders										-132,995,719.53	-132,995,719.53
3. Others											
(iv) Internal carry-over in shareholder's equity											
1. Capital surplus transferred to share capital											
2. Surplus reserves transferred to share capital											
3. Surplus reserves to recover losses											
4. Retained earnings carried forward from changes in defined benefit plan											
5. Retained earnings carried forward from other comprehensive income											
6. Others											
(v) Special reserves								28,489.68			28,489.68
1. Appropriation in current year								4,038,251.58			4,038,251.58
2. Use in current year								4,009,761.90			4,009,761.90
(vi) Others											
IV. Ending balance of the current year	1,123,645,275.00				2,561,176,415.62			28,489.68	427,002,499.76	1,666,716,608.50	5,778,569,288.56

Legal representative:
Liu Jiguo

Chief Financial Officer:
Kang Zhifeng

Director of Accounting Department:
Jiang Jingyuan

SECTION X FINANCIAL STATEMENTS (CONTINUED)

I. GENERAL INFORMATION OF THE COMPANY

Company Profile

First Tractor Company Limited (hereinafter referred to as the Company, including its subsidiaries, collectively referred to as the Group) is a limited company established in the People's Republic of China on May 8, 1997. The Company acquired the main tractor manufacturing business and related assets and liabilities of China YTO Group Corporation (hereinafter referred to as China YTO) in accordance with the reorganization plan effective on December 31, 1996. The net asset value is RMB636,346,000.00, which is converted into 450,000,000 state-owned legal person shares. Subsequently, the Company was approved to issue 335,000,000 H shares (par value of RMB1 per share) in Hong Kong, and the registered capital and paid-in capital were increased to RMB785,000,000.00. The H shares issued by the Company were listed on the Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange) on June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares at HKD 3.95 per share. After the allotment, the registered capital and paid-in capital increased to RMB845,900,000.00. On July 27, 2012, with the approval of ZJXK [2012] No. 736 Document of China Securities Regulatory Commission, the Company publicly issued not more than 150,000,000 ordinary shares, and the actual issued shares were 150,000,000 shares at an issue price of RMB5.40 per share. All the issuance funds were in place on August 1, 2012, and the Company was officially listed for trading on Shanghai Stock Exchange on August 8, 2012. The registered capital and paid-in capital of the Company were increased to RMB995,900,000.00.

With the approval of the Company's 2015 Annual General Meeting, the first A share shareholders' meeting in 2016 and the first H share shareholders' meeting in 2016, the Company repurchased and canceled a total of 10,050,000 H shares from July 19, 2016 to May 26, 2017.

In January 2021, after the Company received the Reply on Approving the Private Placement of Shares by First Tractor Company Limited from China Securities Regulatory Commission, China YTO increased the capital of the Company by RMB694,178,644.67, of which RMB137,795,275.00 was included in the share capital and RMB556,383,369.67 was included in the share premium of the capital reserve.

After the distribution of bonus shares, placement of new shares, conversion to share capital, issuance of new shares, share repurchase, etc., over the years, as of June 30, 2023, the Company has a total of 1,123,645,275 shares of share capital and a registered capital of RMB1,123,645,275.00.

The Group operates in the agricultural machinery manufacturing industry, and its business scope mainly includes: manufacturing and sales of agricultural machinery, diesel engines and fuel injection, and other machinery, and business operations of financial companies.

The parent company of the Company is China YTO, and the ultimate controller is China National Machinery Industry Corporation (hereinafter referred to as Sinomach).

SECTION X FINANCIAL STATEMENTS (CONTINUED)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group cover 11 secondary subsidiaries. The details are shown as follows:

Name of subsidiary	Type of subsidiary	Level	Shareholding proportion (%)	Voting right proportion (%)
China-Africa Heavy Industry Investment Co., Ltd.	Holding subsidiary	2	55.00	55.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	Holding subsidiary	2	33.33	66.66
Luoyang Tractor Research Institute Co., Ltd.	Holding subsidiary	2	51.00	51.00
YTO International Economic and Trade Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO (Luoyang) Flagauto-Body Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	Holding subsidiary	2	86.11	86.11
Brilliance China Machinery Holdings Ltd.	Holding subsidiary	2	90.10	90.10
Luoyang Changxing Agricultural Machinery Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO (Luoyang) Diesel Engine Co., Ltd.	Holding subsidiary	2	85.47	85.47
YTO (Luoyang) Casting and Forging Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
YTO Belarus Technology Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00

Compared with the previous period, YTO Group Finance CO., LTD., a level-2 subsidiary, was reduced due to liquidation and cancellation in the current period.

See relevant contents of “VII. Changes in Consolidation Scope” and “VIII. Interests in Other Entities” in the Notes for details.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

III. BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

1. Preparation basis

The Group prepared the financial statements on the basis of going concern, as per the actually incurred transaction and events as well as related disclosure made according to Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant provisions and as required by Companies Ordinance of Hong Kong and Listing Rules of Hong Kong Stock Exchange, and based on the accounting policies and accounting estimates in the “Note IV. Significant Accounting Policies and Accounting Estimates”.

2. Going concern

It is believed reasonable that the Group’s financial statements have been prepared based on going concern for recent profit-making history and sourced financial support.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration on compliance with ASBE

The financial statements prepared by the Company conform to the requirements of the Accounting standards of business enterprises, and truly and completely reflect the relevant information such as the financial position, the operating results and the cash flows of the Company and the Group.

2. Accounting period

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

3. Business cycle

The business operating cycle of the Group is 12 months.

4. Bookkeeping currency

Cadfund Machinery Pty Ltd, a subsidiary of the Company, uses Rand as its bookkeeping currency; Yitwo Argo Industrial uses XOF as its bookkeeping currency.; China Brilliance Machinery Holdings Co., Ltd. uses USD as its bookkeeping currency. Except for the above companies, the Company and other subsidiaries use RMB as their bookkeeping currency.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment method for business combination under common control and different controls

The assets and liabilities acquired by the Group, as the combining party, from the business combinations under common control should be measured based on the carrying amount in the ultimate controller's consolidated statements of the combined party on the combination date. The difference between the carrying amount of the net assets acquired and that of the paid combination consideration shall be used to adjust the capital reserve. Where the capital reserve is insufficient for offset, retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combinations not under common control are measured at fair value on the acquisition date. The combination cost is the sum of fair value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. on the acquisition date for obtaining the control right of the acquiree and various direct expenses in business combination (in the business combination realized step by step through several transactions, the combination cost is the sum of the cost for each single transaction). Positive balance between the combination cost and the fair value of the identifiable net assets of the acquiree obtained by the Group on the acquisition date shall be recognized as goodwill; if the combination cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in the business combination and the fair value of non-cash assets or equity security issued in the consideration of combination shall be re-checked first. If the rechecked combination cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in current non-operating revenue.

6. Preparation method of consolidated financial statements

The Group incorporates all subsidiaries controlled by it and structured entities into consolidated financial statements.

In preparing the consolidated financial statements, where the accounting policy or accounting period adopted by subsidiaries are inconsistent with that adopted by the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits within the scope of consolidation shall be eliminated during preparation of consolidated financial statements. Shares in owners' equity of subsidiaries but not attributable to the parent company, net profit and loss for the current period, other comprehensive income, and shares attributable to non-controlling interests in total comprehensive income shall be listed in consolidated financial statements as "Non-controlling interests, non-controlling interests, other comprehensive income equity attributed to minority shareholders and total comprehensive income equity attributed to minority shareholders" respectively.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation method of consolidated financial statements (Continued)

For the subsidiaries acquired in the business combinations under common control, its operating results and cash flow are included into the consolidated financial statements from the beginning of the current period of the combination. During the preparation of comparative consolidated financial statements, relevant items of the financial statements of the previous period shall be adjusted. It shall be deemed that the reporting entity formed after the combination has existed since the beginning of control by the ultimate controller.

Under the circumstance that the equity of the investee is obtained under the common control through multiple transactions step by step, which results in a business combination, supplementary disclosure to treatment methods in consolidated financial statements shall be made in the reporting period for acquiring the control. For example, if equity of the investee under the common control is obtained step by step through several transactions, which results in a business combination, such equity shall be adjusted in the preparation of consolidated financial statements as if they might have existed as the current state from the time when the ultimate controller takes the control. When preparing comparative accounts, relevant assets and liabilities of the acquiree are included in comparative accounts of consolidated financial statements of the Group according to the restriction that the time above shall be later than the time when the Group and the acquiree are under the common control of the ultimate controller, moreover, increased net assets resulting from the merger are adjusted as relevant items under owners' equity. In order to avoid repeated calculation of value of net assets of the combined party, the long-term equity investment held by the Group before the combination is achieved, the changes in relevant profits and losses, other comprehensive income and other net asset that have been recognized in the period from the later date, when the long-term equity investment is acquired and when the Group and the combined party are under the final control of the same party, to the combination date, shall respectively be applied to write down the beginning retained earnings or current profits and losses during the period of comparative statement.

As for subsidiaries acquired by business combinations not under common control, operating results and cash flows shall be incorporated into consolidated financial statements from the date when the Group takes the control. In preparing of consolidated financial statements, financial statements of the subsidiaries are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation method of consolidated financial statements (Continued)

Under the circumstance that the equity of the investee is obtained under different control through multiple transactions step by step, which results in a business combination, supplementary disclosure to treatment methods in consolidated financial statements shall be made in the reporting period for acquiring the control. For instance, under the circumstance that the business combination is realized under different control through multiple transactions step by step, the equity of the Acquiree obtained before the acquisition date shall be recalculated as per the fair value of the equity on the acquisition date when preparing the consolidated financial statements, with the balance between the fair value and its carrying amount included into the current investment income; if the equity of the Acquiree held before the acquisition date involves other comprehensive income calculated under the equity method and other change of the owner's equity except for net profits and incomes, other comprehensive incomes and profit allocation, the relevant other comprehensive incomes and other change of owners' equity shall be transferred into the current income of the acquisition date, except other comprehensive incomes arising out from that the investee remeasures change of the net liabilities or net assets of the set benefit plan.

At the situation when the Group partially disposes long-term equity investments in subsidiaries without losing control right, in the consolidated financial statements, for the difference between the disposal price and the share of net assets which should be entitled by the Group in the subsidiaries continuously calculated since the acquisition date or combination date corresponding to the disposed long-term equity investments, such difference shall be adjusted to capital premium or share premium. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

Where control right over the investee is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance between the sum of consideration acquired from disposal of equity interest and the fair value of the residual equity interest and the share of net assets of the original subsidiaries measured constantly based on the original shareholding proportion from the acquisition date or combination date shall be recognized as the profit and loss on investment of the period at the loss of control and the goodwill shall be offset. Other comprehensive income in connection with equity investment of the original subsidiary shall be transferred to the profit and loss on investment of the period at the loss of control.

When the Group disposes of equity investment of the subsidiaries step by step through multiple transactions till losing the control right, if various transactions from disposal of equity investment of subsidiaries till losing the control right belong to package deal, accounting treatment shall be conducted for each transaction as the transaction that disposes of subsidiary with loss of control right. Nonetheless, before loss of control right, the balance between each disposal price and the net asset share of such subsidiary enjoyed correspondingly in asset disposal is recognized in the other comprehensive income in the consolidated financial statements and transferred into the current profit and loss when losing control right.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Classification of joint-operation arrangement and accountant treatment method of joint operation

The Group's joint arrangements include joint operations and joint ventures. In projects for joint operation, for assets held and liabilities assumed solely which are recognized by the Group as the joint-venture party in joint operation and assets held and liabilities assumed according to shares, their relevant income and costs shall be determined as per related individual agreements or shares. Only profit or loss attributable to other joint operators shall be recognized in transactions where assets purchase and sale occurred with joint operator but not classified as trading transactions.

8. Recognition criteria for cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term of not more than 3 months and high liquidity, and is easily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. Foreign currency transactions and translation of foreign currency statements

(1) *Foreign currency transaction*

The amount of the Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date. The foreign currency monetary items in the balance sheet date are translated into RMB at the spot exchange rate on the balance sheet date; the translation difference is directly recognized as the current profit and loss, except the disposal of translation difference that is formed by foreign currency specific borrowings for establishing or producing assets eligible for capitalization as per capitalization principle.

(2) *Translation of foreign currency financial statements*

The assets and liabilities in the foreign currency balance sheet shall be converted based on the exchange rate on the balance sheet date; Owners' equity items except "Retained earnings", shall be converted according to the spot exchange rate on the business date. The revenue and expense items in the profit statement shall be converted according to the spot exchange rate on the date of transaction occurrence. The difference arising from the above translation shall be listed in other comprehensive income items. Foreign currency cash flow shall be converted at the spot rate on the date that cash flow occurs. The amount of effect of exchange rate fluctuations on cash shall be separately listed in the cash flow statement.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and financial liabilities

When the Group becomes a party of a financial instrument contract, the Group recognizes a financial asset or a financial liability.

(1) *Financial assets*

1) *Classification, recognition and measurement of financial assets*

According to the business mode of financial assets management and the contract cash flow characteristics of financial assets, the Company classifies financial assets into financial assets measured at amortized cost, financial assets at FVTOCI, and financial assets at FVTPL.

The Company classified the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: ① the business mode of the financial assets management takes the collection of contract cash flow as the objective. ② The contract terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. The difference between the initial amount and due amount shall be amortized by the effective interest method, unless designated for the hedged items, and the gains or losses arising from its amortization, impairment, exchange gain or loss and derecognition shall be included in the current profits and losses.

The Company classifies the financial assets that meet the following conditions simultaneously into the financial assets at FVTOCI: ① the business mode of the financial assets management takes the collection of contract cash flow and selling the financial assets as the objective. ② The contract terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. The gains or losses of such financial assets, other than the credit impairment loss or gain, exchange gain or loss and interest of such financial assets calculated by the effective interest method, shall be included in other comprehensive income, unless designated for the hedged items. When the financial assets are derecognized, the accumulative gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income, and included in the current profits and losses.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and financial liabilities (Continued)

(1) *Financial assets (Continued)*

1) *Classification, recognition and measurement of financial assets (Continued)*

The Company recognizes the interest income by the effective interest method. The interest income shall be determined by multiplying the book value of financial assets by the effective interest rate, except for the following circumstances: ① for the purchased or originated financial assets that the credit impairment has occurred, their interest incomes shall be determined at their amortized costs and by the effective interest rate adjusted through credit from the initial recognition. ② For purchased or originated financial assets that the credit impairment has not occurred but the credit impairment has occurred in the subsequent period, their interest incomes shall be determined at their amortized costs and by the effective interest rate during the subsequent period.

The Company shall designate the non-trading equity instruments as the financial assets at FVTOCI. This designation shall not be revoked once made. The non-trading equity instrument investments at FVTOCI that the Company designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and other relevant gains and losses (including the exchange gain or loss) shall be included in other comprehensive income, and shall not be transferred in the current profits and losses subsequently, but the obtained dividends (except for those belonging to the investment cost recovered). When its recognition is terminated, the accumulated gains or losses previously booked into other comprehensive income shall be transferred from other comprehensive incomes and recorded into retained earnings.

Financial assets other than the above financial assets measured at the amortized cost and the financial assets measured at FVTOCI. The Company classified it as financial assets at FVTPL. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the current profits and losses directly. The gains or losses of such financial assets shall be included in the profits and losses of current year.

The financial assets will be classified as the financial assets at FVTPL if they are recognized by the Company in the business combination not under common control and constituted by the contingent consideration.

The Company reclassifies all affected financial assets when changing the business mode of financial assets management.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and financial liabilities (Continued)

(1) *Financial assets (Continued)*

2) *Recognition basis and measurement for transfer of financial assets*

The Company derecognizes the financial assets that meet one of the following conditions: ① the contract right of collecting the cash flow of such financial assets is terminated; ② the financial assets are transferred, and the Company has transferred almost all risks and rewards related to the ownership of the financial assets; and ③ the financial assets are transferred, and the Company neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the carrying amount of transferred financial asset and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profits and losses.

If the partial transfer of the financial assets meets derecognition conditions, the entire carrying amount of the transferred financial assets shall be amortized at their own relative fair values between the derecognized part and the underrecognized part, and the difference between the sum of consideration received from the transfer and the amount which should be amortized to the derecognized part, originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire carrying amount of the aforesaid financial assets amortized shall be included in the current profits and losses.

(2) *Financial liabilities*

1) *Classification, recognition and measurement of financial liabilities*

Except for the following items, the Company classifies the financial liabilities as the financial liabilities measured at amortized cost and uses the effective interest method to carry out a subsequent calculation based on the amortized cost:

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and financial liabilities (Continued)

(2) *Financial liabilities (Continued)*

1) *Classification, recognition and measurement of financial liabilities (Continued)*

- ① The financial liabilities at FVTPL (including derivatives falling under financial liabilities), including the financial liabilities held for trading and financial liabilities designated as financial liabilities at FVTPL when initially recognizing, are measured subsequently at fair value, the gains or losses resulting from the changes in fair value and the dividends and interest expenses related to such financial liabilities are recorded in the current profits and losses.
- ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. Such financial liabilities shall be measured by the Company in accordance with relevant standards for the transfer of financial assets.
- ③ Financial guarantee contracts that do not fall under the above circumstances ① or ②, and loan commitments that do not fall under the above circumstance ① and lend at a rate lower than market interest rates. If the Company is the issuer of such financial liabilities, the liabilities after initial recognition shall be subsequently measured according to the higher of the loss reserve amount determined according to the impairment provisions of financial instruments, and the balance of initially recognized amount after deducting the accumulated amortized amount recognized according to the revenue standard.

The financial liabilities recognized by the Company as the acquirer in the business combination not under common control and constituted by the contingent consideration shall be subjected to the accounting treatment at fair value through current profits and losses.

2) *Recognition criteria for termination of financial liabilities*

Where the current obligation of financial liabilities has been terminated entirely or partially, the financial liabilities or obligation that has been terminated shall be derecognized. The Company and the Creditor sign an agreement in which the existing financial liabilities are replaced by means of undertaking new financial liabilities; in the event that the contract terms of the new financial liabilities and those for existing financial liabilities are inconsistent, recognition for the existing financial liabilities shall be terminated and the new financial liabilities shall be recognized. In case the Company makes a material alteration to all or part of the contract terms of the existing financial liabilities, recognition for the existing financial liability or part thereof shall be terminated while the financial liabilities after the alteration shall be recognized as new financial liabilities. The difference between the carrying amount of the derecognized part and the paid consideration shall be included in current profits and losses.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and financial liabilities (Continued)

(3) *Determination methods for fair values of financial assets and financial liabilities*

The fair value of financial assets and financial liabilities in the Company shall be measured by the price in the primary market, and in case of no primary market, such assets and liabilities shall be measured by the price in the most favorable market. And then applicable and sufficient data and valuation techniques supported by other information shall be used. The inputs for measuring the fair value are divided into three levels: the inputs for Level 1 are the unadjusted quotation of identical assets or liabilities in the active market which can be obtained on the measurement date; the inputs for Level 2 are the inputs directly or indirectly observable for relevant assets or liabilities other than those for Level 1; the inputs for Level 3 are the inputs that are unobservable for relevant assets or liabilities. The Company gives priority in use of the input value for the first level and finally uses that of the third level. The level of fair value measurement results is determined based on the lowest level for input value that is significant for the whole fair value measurement.

The investment of the Company in the equity investment shall be measured at the fair value. However, under the limited circumstances, if the recent information for determining the fair value is insufficient and the cost represents the best estimate for the fair value within this range, such cost could represent its appropriate estimate for the fair value within this distribution range.

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

Financial assets and financial liabilities of the Company shall be presented separately in the balance sheet and be not mutually offset. However, the net amount is presented in the balance sheet after being offset, when the following conditions are met at the same time: (1) The Company has a legal right to offset the recognized amount and that such legal rights are currently enforceable; (2) The Company plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and financial liabilities (Continued)

(5) *Difference between financial liability and equity instrument and related treatment method*

The Company distinguishes financial liabilities and equity instruments according to the following principles: (1) If the Company fails to unconditionally perform one contract obligation by delivering cash or other financial assets, the contract obligation satisfies the definition of financial liabilities. While some financial instruments do not expressly include the terms and conditions for the obligation to deliver cash or other financial assets, it is possible to form contract obligations indirectly through other terms and conditions. (2) If one financial instrument must or can be settled by the Company's own equity instruments, the Company's own equity instruments used for settling such instruments shall be considered as a substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If it is the former one, this instrument is the financial liabilities of the Issuer. If it is the latter, the instrument is the equity instrument of the Issuer. Under certain circumstances, a financial instrument contract requires that the Company must or may settle the financial instrument with its own equity instruments, where the amount of contract rights or contract obligations is equal to the number of own equity instruments available or to be delivered multiplied by the fair value upon its settlement. In this case, regardless of whether the amount of the contract right or obligation is a fixed value or changes based in whole or in part on changes in variables other than the market price of the Company's own equity instruments (such as interest rates, the price of a good or the price of a financial instrument), the contract is classified as financial liabilities.

When classifying a financial instrument (or its components) in the consolidated financial statements, the Company takes into consideration all the terms and conditions agreed between members of the Group and holders of financial instruments. If the Group as a whole has assumed the obligation to deliver cash, other financial assets or settle it by other means of rendering the instrument a financial liability, the instrument should be classified as a financial liability.

Where the financial instruments or their components are classified as financial liabilities, the related interest, stock dividends (or dividends), gains or losses, gains or losses arising from redemption or refinancing, etc. are included by the Company in the current profits and losses.

Where the financial instruments or their components are classified as equity instruments, its issue (including refinancing), repurchase, sale or cancellation is treated as a change in equity and the fair value change of the equity instruments is not recognized.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Notes receivable

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

The Company accrues provision for bad debt for notes receivable according to the amount of expected credit loss in the whole duration.

12. Accounts receivable

The determination method and accounting treatment method of the expected credit loss of accounts receivable

The Company accrues provision for bad debt for accounts receivable according to the amount of expected credit loss in the whole duration.

The Company cannot obtain sufficient evidence about the significant increase of credit risk at a reasonable cost at the level of individual instruments, but it is feasible to evaluate whether the credit risk has increased significantly on the basis of portfolio. Therefore, the Company, on the basis of the actual loss rate of accounts receivable in previous years, the judgment for future recovery risk and the analysis of credit risk characteristics, determines the expected credit loss rate and accrue the combination of provision for bad debt.

The Company calculates expected credit loss of accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of impairment provision of the current accounts receivable, the Company will recognize the difference as an impairment loss on accounts receivable, debit "credit impairment loss" and credit "bad debt provision". On the contrary, the Company recognizes the difference as impairment gains and makes opposite accounting records.

If the Company actually suffers a credit loss and determines that the relevant accounts receivable cannot be taken back and are approved to be written off, the "bad debt provision" shall be debited and the "accounts receivable" shall be credited according to the approved written-off amount. If the written off amount is greater than the accrued loss provision, "credit impairment loss" shall be debited against difference of the period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivable (Continued)

The determination method and accounting treatment method of the expected credit loss of accounts receivable (Continued)

Portfolio by credit risk characteristics	Expected loss provision ratio (%)
Ageing portfolio	Accrual according to the estimated loss rate in the whole duration
Including: Domestic business customers	Loss rate estimated based on account age credit risk feature portfolio
International business customers	Loss rate estimated based on account age credit risk feature portfolio after netting of the amount guaranteed by Sinosure
Receivables with mortgage and pledge guarantee	The balance after netting of the recoverable value of collateral from the original value is taken as the expected credit loss of risk exposure

13. Receivables financing

The Group accrues provision for bad debt for receivables financing according to the amount of expected credit loss in the whole duration.

14. Other receivables

Other expected credit loss of receivables determination method and accounting treatment method

The Group shall measure loss provisions for other receivables according to the following situations: ① for financial assets whose credit risk has not increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount of the expected credit loss in the next 12 months; ② for financial assets whose credit risk has increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration; ③ for the purchase or underlying financial assets that have occurred credit impairments, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Other receivables (Continued)

Other expected credit loss of receivables determination method and accounting treatment method (Continued)

For other receivables, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, initial recognition date and remaining contract term as the common risk characteristics, the Group groups other receivables and considers whether credit risk increases significantly on a portfolio basis.

Portfolio by credit risk characteristics	Expected loss provision ratio (%)
Combination mode	
Including: Ageing portfolio	Estimated loss rate
Non-operating low-risk portfolio	
Receivables with mortgage and pledge guarantee	The balance after netting of the recoverable value of collateral from the original value is taken as the expected credit loss of risk exposure

15. Inventories

Inventories of the Group mainly include raw materials, revolving materials, materials outsourced for processing, unfinished products, self-manufactured semi-finished products, finished products (commodities in stock), and commodities shipped in transit.

The purchased and sent inventories shall be valued according to the predetermined planned cost, and a separate "Material Cost Variance" account shall be set up to carry forward the difference between the actual cost and the planned cost on schedule. The cost of the sent and balanced inventories shall be adjusted to the actual cost at the end of the period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Inventories (Continued)

For merchandise inventories directly for selling such as finished products, goods in stocks and materials for selling, the net realizable value shall be recognized at the amount of the estimated selling price less estimated selling expenses and relevant taxes; for material inventories to be processed, the net realizable value shall be recognized at the amount of the estimated selling price of the finished products less estimated cost incurred till completion of production, estimated selling expenses and relevant taxes; for inventories held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price and if the quantity of inventories held is greater than the ordered quantity of the sales contract, the net realizable value of the excess part shall be calculated based on the general selling price. At the end of the period, provision for inventory impairment is accrued according to individual inventory items; however, for inventories with large quantity and low unit price, provision for inventory impairment shall be accrued according to inventory type; for inventories that are related to product series produced and sold in the same region, have the same or similar end use or purpose, and are difficult to be measured separately from other items, the provision for inventory write-down shall be accrued together. If the influencing factors of the previous write-down of inventory value have disappeared, the impairment amount shall be restored, and shall be reversed within the original provision for inventory impairment. And the reversed amount shall be included in current profits and losses.

Perpetual inventory system is adopted for inventories.

Low-value consumables and packaging materials are amortized by the one-off write-off method.

16. Contract assets

(1) *Methods and standards for the recognition of contract assets*

The Group has transferred the goods to the customer and has the right to receive the consideration, and if the right depends on factors other than the passage of time, it shall be recognized as contract assets; the obligation to transfer the goods to the customer due to customer consideration received or receivable shall be recognized as contract liabilities.

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

The Group evaluates the expected credit loss of contract assets and measures its provision for loss according to the amount equivalent to the expected credit loss in the whole duration. On the basis of the actual loss rate of contract assets in previous years, the judgment of future recovery risk and the analysis of credit risk features, the expected loss rate is determined and the provision for impairment of contract assets is accrued accordingly.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Contract cost

(1) *Determination method of assets related to contract costs*

The Group's assets related to contract costs include contract performance cost and contract acquisition costs.

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Group's resources for future using for performance of obligations; and the cost is expected to be recovered.

Contract acquisition cost, namely, the incremental cost incurred by the Group for the acquisition of the contract and expected to be recovered, as the contract acquisition cost, it shall be recognized as an asset; and if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs. Incremental cost refers to the cost (such as sales commissions) that would not have occurred if the Group had not obtained the contract. Other expenses incurred by the Group for the acquisition of the contract, excluding the incremental costs expected to be recovered (such as the travel expenses incurred regardless of whether or not the contract is obtained), include in the current profit and loss when it occurs, however, except costs clearly borne by the customer.

(2) *Amortization of assets related to contract costs*

The assets related to the contract costs of the Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

(3) *Impairment of assets related to contract costs*

When determining the impairment losses of assets related to contract costs, the Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the difference between the carrying amount and the remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, and the difference between the carrying amount and the estimated costs due to the transfer of the relevant commodity, the provision for impairment shall be made for the excess and recognized as asset impairment losses.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Contract cost (Continued)

(3) Impairment of assets related to contract costs (Continued)

If the factors for impairment in previous periods change after that, so that the aforesaid difference is higher than the carrying amount of the asset, the original provision for impairment of the asset shall be reversed and included in the current profits or losses, but the carrying amount of the asset after reversal shall not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

18. Long-term receivables

Determination method and accounting treatment method of expected credit loss of long-term receivables

The Group recognizes the receivables from finance leases, receivables from installments by deferred method, receivables from sales of goods and rendering of labor services of financing nature as long-term receivables. At the same time, it recognizes the unrealized financing income according to the difference between the fair value of the contract or agreement price receivable and the contract or agreement amount.

Accrual for provision for impairment of long-term receivables: the balance of the original value deducting the unrealized financing income shall be taken as the basis for accrual for impairment.

Overdue ageing

Expected loss provision ratio

Normal payment

The balance of the contract amount minus the unrealized financing income is taken as the expected credit loss of risk exposure

Overdue accounts

Estimated loss rate

19. Long-term equity investments

The long-term equity investment of the Group is mainly aimed to subsidiaries, associates and joint ventures.

The Group judges the common control based on the point that all the participants or group of participants collectively control the arrangement, and that the policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investments (Continued)

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. The Group, if holding less than 20% of the voting right of the investee, may have a significant influence on the investee in consideration of facts and situations that the Group sends representatives to the Board of Directors or similar organs of authorities of the investee, participates in financial and operation policy-making of the investee, has important transactions with the investee, sends management personnel to the investee, or provides critical technical information for the investee.

The investee under the control of the Group shall be deemed as a subsidiary of the Group. As to long-term equity investments acquired in business combination under common control, the share of carrying amount of net assets in the ultimate controller's consolidated statements of the acquiree on the combination date shall be recognized as the initial investment amount of long-term equity investments. If the carrying amount of the net asset of the combined party on the combination date is negative, then the cost of long-term equity investments shall be determined as zero.

Under the circumstance that the equity of the investees under common control is obtained through multiple transactions step by step, which results in business combination, supplementary disclosure to treatment methods for long-term equity investments in consolidated financial statements shall be made in the reporting period acquiring the control. For instance, as to the equity of the investee under common control acquired step-by-step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control power. If it is not a package deal, the combined party's portion of carrying amount of net assets in the ultimate controller's consolidated financial statements owned on the combination date is taken as the initial investment amount for long-term equity investments. The balance between the initial investment amount and the sum of the carrying amount of long-term equity investments which has reached the amount before the combination and the carrying amount of new payment consideration obtained on the combination date shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investments acquired via business combination not under common control, the combination cost is taken as the initial investment amount.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investments (Continued)

As to equity interest of the investee under different controls acquired step-by-step through multiple transactions and a business combination finally completed, the method for handling the cost of long-term equity investments in the financial statement of the parent company shall be complementarily disclosed during the reporting period acquiring the control. For instance, as to the equity of the investee under different control acquired step-by-step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control power. If it is not a package deal, the sum of carrying amount of equity investment originally held and new investment cost is taken as the initial investment amount calculated by the cost method. If the equity interest originally held before the acquisition date and calculated by the equity method, relevant other comprehensive income originally figured out by the equity method is temporarily not adjusted and will be subject to accounting treatment when disposing the investment, on the same basis as that adopted by the investee entity for directly handling related assets or liabilities. If the equity held before the acquisition date is non-trading equity instruments that are designated by the Group to be measured at FVTOCI, the accumulated changes in fair value originally included in other comprehensive income shall not be transferred into current profits or losses.

Apart from aforementioned long-term equity investment acquired through business combination, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost.

The Group calculates the investment to the subsidiaries by cost method, with equity method adopted for joint ventures and associates.

For long-term equity investments subsequently calculated by the cost method, when more investments added, the carrying amount of the long-term equity investments cost is increased based on the fair value of cost paid for added investments and related transaction expenses. Cash dividend or profit declared by the investee is recognized as current investment income in accordance with the amount to enjoy.

For long-term equity investments subsequently measured by the equity method, the carrying amount of the long-term equity investments shall be accordingly increased or decreased as the owners' equity of the investee changes. Wherein, the Group shall, when recognizing the shares of the net losses of the investee that shall be enjoyed by the Group, calculate the portion attributed to the Group based on the fair value of each identifiable asset of the investee upon acquisition in accordance with the shareholding ratio by offsetting profits and losses of unrealized internal transaction incurred between the joint venture and associate, then recognize the net profits of the investee after adjustment.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investments (Continued)

For the disposal of long-term equity investments, the difference between the carrying amount and actually obtained price shall be included in the current investment income. For long-term equity investment calculated by the equity method, the related other comprehensive income previously calculated by the equity method should be accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method. The owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution should be transferred in full to current investment income upon the termination of the equity method.

Where the Group loses the joint control over or the significant influence on the investee due to the disposal of part of the equity investment, the remaining disposed equity shall be accounted for as per the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK [2017] No.7), and the balance between the fair value and the carrying amount on the date of losing joint control or significant influence is included in current profit or loss. Other comprehensive income recognized on the former equity investment due to the adoption of the equity method of accounting is treated on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting and carried forward proportionately. Owners' equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution should be transferred proportionately to current investment income.

For loss control of the investee due to disposal of partial long-term equity investments, the residual equity after disposal, if capable of realizing joint control or applying significant influence on the investee, is changed to the equity method for calculation, the difference for disposal of carrying amount and consideration is included in the investment income, and the residual equity is adjusted as it is calculated by the equity method since it is acquired; the residual equity after disposal, if unable to realize joint control or apply significant effect on the investee, is changed to accounting treatment based on the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK [2017] No.7), the difference for disposal of carrying amount and consideration is included in the investment income, and the difference between the fair value and carrying amount of the residual equity on the loss-control date is included in current profit and loss.

Various transactions of the Group from step-by-step equity disposal to loss of controlling power do not belong to the package deal, and every transaction is separately subject to accounting treatment. Any transaction categorized as package deal is subject to the accounting treatment oriented for subsidiary disposal and loss of controlling power. However, before the loss of controlling power, the difference between the disposal price and carrying amount of long-term equity investments of the corresponding disposed equity interest for every transaction is recognized as other comprehensive income, which is not transferred into current profit and loss until the controlling power is lost.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Investment properties

Investment properties of the Group refer to the properties held for earning rents or capital appreciation, or both, including plant & buildings that have already been rented, and these properties are measured by cost model.

The Group's investment real estates shall be depreciated or amortized by the straight-line method. The estimated useful life, net residuals rate, and annual rate of depreciation (amortization) of various investment real estate refer to those of fixed assets:

21. Fixed assets

(1) *Conditions for confirmation of fixed assets*

No fixed asset may be recognized unless it simultaneously meets the conditions as follows: The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and the cost of the fixed asset can be measured reliably. Fixed assets of the Group include plant and buildings, machinery equipment, transportation facility, office equipment and electronic equipment.

(2) *Initial measurement of fixed assets*

Except for the fully depreciated fixed assets that are still in use and the land that is separately valued and recorded, all the fixed assets of the Group shall be depreciated. Straight line method shall be adopted for calculating depreciation. The depreciation life by category, estimated residuals rate and depreciation rate of the fixed assets of the Group are as follows:

No.	Category	Depreciation method	Depreciable life (year)	Estimated residual rate (%)	Annual depreciation rate (%)
1	Land assets	-	Long term	-	-
2	Houses and buildings	Straight-line method	10-30	5-10	3.00-9.50
3	Machinery Equipment	Straight-line method	10-14	5-10	6.40-9.50
4	Transportation facilities	Straight-line method	8-12	5-10	7.50-11.90
5	Office and electronic equipment	Straight-line method	5-8	5-10	11.30-19.00
6	Others	Straight-line method	5-14	5-10	6.40-19.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Fixed assets (Continued)

(2) Initial measurement of fixed assets (Continued)

At the end of each year, the Group reviews the estimated useful life, estimated net residual value and depreciation methods of fixed assets. If a change occurs, it shall be treated as a change in accounting estimates.

If a fixed asset is disposed of or if no economic benefit will be obtained from the use or disposal, the recognition of such fixed asset is terminated. The disposal income from selling, transferring, discarding or damaging of fixed assets shall be deducted by the carrying amount thereof and relevant taxes and then included in the current profit and loss.

22. Construction in progress

Construction in progress ready for intended use shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

23. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment real estates and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements acquired or constructed are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets eligible for capitalization are suddenly suspended in acquisition or construction or production for more than three months continuously, the capitalization of borrowing costs shall be suspended until the restart of acquisition or construction and production activities of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from unused borrowings deposited in banks or investment income from temporary investment of unused borrowings is deducted. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowings.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Right-of-use assets

The right-of-use asset refers to the right of the Company as the lessee to use the leased asset during the lease term.

(1) Initial measurement

At the commencement of the lease term, the Group initially measures the right-of-use assets at cost. The cost includes the following four items: ① initial measurement of lease liabilities; ② deducted amount related to the enjoyed lease incentive if there is a lease incentive for the lease payment made on or before the commencement of the lease term; ③ initial direct cost incurred, i.e., incremental cost incurred to reach the lease; and ④ costs expected to be incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state agreed in the leasing terms, except those incurred for the production of inventory.

(2) Subsequent measurement

After the commencement of the lease term, the Group uses the cost model to carry out subsequent measurement on the right-of-use asset, i.e. the right-of-use assets is measured by the cost minus accumulated depreciation and accumulated impairment loss.

If the Group remeasures the lease liabilities in accordance with the relevant provisions of the leasing standards, the carrying amount of the right-of-use asset shall be adjusted accordingly.

(3) Depreciation of right-to-use asset

Since the Group accrues provision for depreciation of the right-of-use assets in the current month from the commencement of the lease term, the amount of depreciation accrued shall be included in the cost of the relevant asset or current profits and losses.

When determining the depreciation method of the right-of-use assets, the Group depreciates the right-of-use assets by the straight-line method. For the depreciation life, the Group follows the following principles: if the ownership of the leased asset can be reasonably confirmed to be acquired at the expiration of the lease term, the depreciation shall be carried out within the remaining useful life of the leased asset; otherwise, the depreciation shall be carried out within the remaining lease term or the useful life of the leased asset, whichever is shorter.

If the right-of-use asset is impaired, the Group will carry out subsequent depreciation according to the carrying amount of the right-of-use asset after deducting the impairment loss.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Intangible assets

The intangible assets of the Group include land use right, patented technology, non-patented technology, software and trademark right, etc., which shall be measured at actual cost when being obtained; wherein, for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value.

The land use right shall be averagely amortized according to the transfer period from the start date of transfer. Intangible assets of software and exclusive right shall be averagely amortized within the period with economic benefits. The amortized amounts shall be included in current profits and losses and relevant asset costs according to beneficiaries. The estimated useful life and the amortization method of intangible assets with limited useful life shall be reviewed at the end of each year. Any change shall be handled as changes in accounting estimates.

The useful life of the trademark right of use and production licensing right cannot be determined, because it is impossible to foresee the period during which it will bring economic benefits to the Group. Intangible assets with uncertain useful life shall not be amortized during the holding period, and the useful life of intangible assets shall be rechecked at the end of each period. If it is still uncertain after re-examination at the end of the period, the impairment test shall be continued in each accounting period.

Item	Estimated useful life	Basis
Land right of use	30-50 years	Years of benefiting
Software	2-10 years	Years of benefiting
Patent rights	5-10 years	Years of benefiting

26. Impairment of long-term assets

On each balance sheet date, the Group shall check the long-term equity investment, investment real estate measured by cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with limited useful life, operating leasing assets and other items. In case of any indication of impairment, the Group shall carry out an impairment assessment. Impairment tests shall be conducted on goodwill and intangible assets with uncertain useful life at the end of each year, whether there is any indication of impairment.

The Group determines whether there is any sign of possible impairment for the assets on the balance sheet date. If there is any sign of possible impairment for the long-term assets, the Company will estimate the recoverable amount on single asset basis. If the recoverable amount of the single asset is hard to estimate, it shall be determined by the asset group to which it belongs.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Impairment of long-term assets (Continued)

The recoverable amount of the assets is estimated based on the net amount calculated by deduction of disposal fees from the fair value of the assets, or the present value of expected future cash flow of the assets, whichever is higher. Where the recoverable amount of long-term assets is lower than the carrying amount according to the measurement of recoverable amount, their carrying amount shall be written down to the recoverable amount, and the write-down amount shall be recognized as impairment loss of assets and included in current profits and losses. Simultaneously, the provision for impairment of assets shall be drawn accordingly. Once confirmed, the impairment loss of assets shall not be reversed in future accounting periods.

After the impairment loss of assets is recognized, the depreciation or amortization charges of the impaired assets shall be adjusted accordingly in the future to enable systematic amortization of the adjusted carrying amount of assets (deducting the expected net residual value) in the remaining useful life.

Impairment tests shall be conducted on goodwill formed in business merger and intangible assets with uncertain useful life every year no matter whether there is any sign of impairment.

In conducting the impairment test for goodwill, the carrying amount of goodwill shall be amortized to the assets group or asset portfolio benefit from the synergy of business merger. When conducting impairment tests on the related asset portfolio or portfolio of asset groups that contain(s) goodwill, if there are indications of impairment, test the asset groups or groups of asset groups that do not contain goodwill firstly and calculate the recoverable amount, and compare it with the related carrying amount to confirm the corresponding impairment loss. Then, the asset groups portfolio or portfolio of asset groups including goodwill are tested for impairment. Comparing the carrying amount (including the carrying amount of goodwill amortized) of the related asset groups or groups of asset groups and their recoverable amounts, where the recoverable amount of an asset group or groups of asset groups is lower than its carrying amount, an impairment loss is recognized for goodwill.

27. Long-term deferred expenses

The Group's long-term deferred expenses include mold amortization and maintenance expenses. Such expenses shall be equally amortized in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortized value of unamortized items shall be all transferred to the current profit or loss. The amortization period of molds is 3-10 years, and the amortization period of maintenance expenses is 2-10 years.

28. Contract liabilities

The contract liabilities reflect the Group's obligations to transfer commodities to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Company has obtained the right to receive the contract consideration unconditionally before the transfer of the commodities to the customer, the contract liabilities shall be confirmed according to the amount received or receivable when the customer actually makes the payment and payment due.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Employee compensation

(1) *Short-term remuneration*

Short-term compensations mainly include: salary, bonus, allowances and subsidies; welfare expenses; medical insurance premiums, employment injury insurance premiums, birth insurance premiums and other social insurance premiums; housing provident fund; labor union expenditure and employee education fund; short-term compensated absences; short-term profit sharing plan; non-monetary welfare and other short-term compensations. During the accounting period when employees provide services, the actual short-term compensation is recognized as liabilities and included in the current profits and losses or relevant asset costs according to the beneficiaries.

(2) *Post-employment benefits*

Post-employment welfare mainly includes endowment insurance, annuity, unemployment insurance, early retirement benefits and other post-employment welfare, which are classified into defined contribution plan and defined benefit plan according to the risks and obligations borne by the Company. Contribution that paid to individual subject for the services provided by the employees in the accounting period on the balance sheet date as per the defined contribution plan shall be recognized as liabilities, and included in the current profit or loss or related asset cost as per the benefit object.

The defined contribution plan of the Group refers to the basic endowment insurance, unemployment insurance, and enterprise annuity paid for the employees according to relevant regulations by local governments. During the accounting period when employees render services to the Group, the amount payable calculated by the base and ratio in conformity with local regulation is recognized as a liability and accounted for profit and loss or related cost of assets.

(3) *Dismission welfare*

Post-employment benefits mainly include pension insurance, annuity, unemployment insurance, internal retirement benefits and other post-employment benefits, etc. According to the risks and obligations undertaken by the company, they are classified into defined deposit plans and defined benefit plans. Contributions made to a separate entity at the balance sheet date in exchange for services rendered by employees during the accounting period are recognized as liabilities and are included in current profit or loss or related asset costs according to the beneficiaries.

The set deposit plan of the Group refers to the payment of basic pension insurance, unemployment insurance and enterprise annuity for employees in accordance with the relevant regulations of the local government. During the accounting period when employees provide services to the Group, the amount payable is calculated according to the local payment base and proportion, recognized as a liability, and recorded in the profit or loss of the current period or the cost of the related assets.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Employee compensation (Continued)

(4) *Other long-term employment benefit*

Other long-term employee welfare refers to the employee benefits except for short-term benefits, post-employment welfare and dismissal welfare, including long-term compensated absences, long-term disability welfare, long-term profit sharing plan, etc. Other long-term employee welfare provided by the Group to employees that meet the conditions of defined contribution plan, the accounting shall be treated as per the provisions in above defined contribution plan. Net liabilities or assets of other long-term employee welfares provided by the Group to employees and satisfying conditions of the defined benefit plan shall be recognized and measured as per provisions of the defined benefit plan. At the end of the reporting period, the Group recognizes employee payroll cost generated from other long-term employee welfares as the following components: service cost; net interest amount of net liabilities or assets of other long-term employee welfares; changes generated from remeasurement of net liabilities or assets of other long-term employee welfares. The total net amount shall be included in current profits and losses or relevant asset cost.

30. Lease liabilities

(1) *Initial measurement*

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

1) *Lease payment*

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use the leased asset during the lease term, including: ① fixed payment and substantially fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; ③ exercise price of purchase option when the Group reasonably determines to exercise purchase option; ④ payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; and ⑤ amount expected to be paid according to the guaranteed residual value provided by the Group.

2) *Discount rate*

When calculating the present value of the lease payment, the Group adopts the interest rate included in the lease as the discount rate; if the interest rate included in the lease cannot be recognized, the incremental borrowing rate of the Group is to be adopted as the discount rate.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease liabilities (Continued)

(2) *Subsequent measurement*

After the commencement of the lease term, the Group will carry out subsequent measurement of the lease liabilities according to the following principles: ① increase the carrying amount of the lease liabilities when confirming the interest on the lease liabilities; ② reduce the carrying amount of lease liabilities when making the lease payment; and ③ remeasure the carrying amount of the lease liabilities when the lease payment changes due to revaluation or lease change.

The interest expenses of the lease liabilities within each lease term shall be calculated according to the fixed periodic rate, and included in the current profits and losses, except for those should be capitalized. Periodic rate refers to the discount rate adopted by the Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be remeasured according to the revised discount rate due to changes in the lease payment or lease changes.

(3) *Remeasurement*

After the commencement of the lease term, in case of the following circumstances, the Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the remaining amount in the current profits and losses. ① The substantial fixed payment changes; ② the expected payable amount of the guaranteed residual value changes; ③ the index or ratio used to determine the lease payment changes; ④ the evaluation result of purchase option changes; and ⑤ the evaluation result of renewal option or option to terminate the lease or actual exercise changes.

31. Estimated liabilities

When an external warranty, discount of commercial acceptance notes, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements at the same time, the Group shall recognize such responsibilities as estimated liabilities: the assumed responsibilities are current obligations; the fulfillment of such obligations will likely cause the outflow of economic benefits from the Group; the amount of such obligations can be measured reliably.

The provisions are initially measured at the best estimate of expenditures required to perform relevant current obligations, and the risks, uncertainties, and time value of money related to contingencies are taken into comprehensive consideration. Where the time value of money is of great influence, the best estimate is recognized through the discount of relevant future cash outflows. As of the balance sheet date, the carrying amount of the provision is reviewed and adjusted (if any change) to reflect the current best estimate.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Revenue

The Group's operating revenue mainly includes domestic sales revenue, export revenue, financial service revenue and others.

(1) The general principles for revenue recognition are as follows:

The Group has fulfilled its performance obligations of the contract, meaning it recognizes the revenue when the customer has obtained the control rights of the relevant commodities or services.

If the contract contains two or more performance obligations, the Group shall, at the beginning of the contract, apportion the transaction price to each performance obligation according to the relative proportion of the individual selling price of the commodities or services promised by each performance obligation, and measure the revenue according to the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive for the transfer of commodities or services to the customer, excluding payments received on behalf of third parties. The transaction price recognized by the Group shall not exceed the amount of accumulative confirmed revenue that will most likely not be great reverse when the relevant uncertainty is removed. The amount expected to be refunded to the customer shall not be included in the transaction price as the liabilities. Where there is a material financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest method. At the beginning of the contract, if the Group expects that the interval between the customer's acquisition of control over goods or services and the payment of the price by the customer will not exceed one year, the significant financing component existing in the contract is considered.

In case one of the following conditions is met, the Group will perform the performance obligations within a period of time. Otherwise, it will perform the performance obligations at a time point:

1. The customer obtains and consumes the economic benefits brought by the Group while performing the contract.
2. The customer can control the goods under construction during the Group's performance.
3. The goods generated during the performance of the Group are irreplaceable, and the Group is entitled to collect the amount for the performance accumulatively completed so far throughout the term of the Contract.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Revenue (Continued)

(1) The general principles for revenue recognition are as follows: (Continued)

For the performance obligations performed within a certain period of time, the Group shall confirm the revenue according to the performance progress during that period and determine the performance progress according to the percentage of completion method. If the performance progress cannot be reasonably confirmed, and the costs incurred by the Group can be expected to be compensated, the revenue shall be confirmed according to the amount of costs incurred until the performance progress can be reasonably confirmed.

For performance obligations performed at a certain time point, the Group shall confirm the revenue at the time point when the customer gains control rights of the relevant commodities or services. In determining whether a customer has obtained the control rights of the goods or services, the Group shall take the following indications into consideration:

1. The Group enjoys the current collection right in regard to such goods or services.
2. The Group has transferred the legal ownership of such goods to the customer.
3. The Group has transferred the physical goods to the customer.
4. The Group has transferred the main risk and rewards of such goods in terms of ownership to the customer.
5. The customer has accepted such goods or services, etc.

The right that the Group has the right to collect the consideration because it has transferred such goods or services to the customer shall be presented as the contract asset, and the contract assets take the expected credit loss as the base to make the impairment. The Group's unconditional right to collect consideration from customers shall be presented as receivables. The Group's obligations to transfer goods or services to the customer due to customer consideration received or receivable shall be presented as the contract liabilities.

(2) Specific principles for revenue recognition

- 1) Domestic sales revenue mainly refers to the revenue obtained from the sales of products by the Group. According to the contract, as long as the Group has the relevant evidence that the other party obtains the control right of the product, the Group completes the contract performance obligation and recognizes the revenue.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Revenue (Continued)

(2) *Specific principles for revenue recognition (Continued)*

2) *Export revenue*

Export revenue mainly refers to the revenue obtained from foreign trade. After the Group's goods are declared offshore, the revenue is recognized with relevant evidence that the other party has obtained control of the product.

3) *Revenue from financial services*

The revenue from financial services mainly includes interest revenue, fees and commission revenue obtained by China YTO Group Finance CO., LTD., a subsidiary of the Group. Interest revenue refers to the revenue obtained by providing funds to the other party for use but not constituting equity investment, or due to the other party's occupation of the Group's funds, including interbank regular interest revenue, loan interest revenue, discount interest revenue, etc. The Group recognizes the revenue according to the time and effective interest rate of the abalienation of the right to use funds. Fees and commission revenue are charged by providing various services to customers. Service charges & commissions charged for providing services within a certain period are recognized on average during the corresponding period, and other fees and commissions are recognized upon completion of the relevant transaction.

33. Government subsidy

Government subsidy refers to monetary or non-monetary assets acquired by the Group from the government for free. The government subsidies shall be recognized when all the attached conditions can be satisfied and the government subsidies can be received by the Group.

If the government subsidy is a monetary asset, it shall be measured according to the amount actually received. For subsidies appropriated according to fixed quota standards, or when at the end of the period, there is conclusive evidence that the relevant conditions stipulated in the financial support policy can be met and the financial support funds are expected to be received, such government subsidies shall be measured in accordance with the amount receivable; If government subsidy is non-monetary assets, they shall be measured at fair value. If the fair value cannot be obtained reliably, the government subsidies shall be measured according to the nominal amount (RMB1).

Government subsidies fall into asset-related government subsidy and revenue-related government subsidy. The asset-related government subsidies refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtainment of such assets in other forms. The revenue-related government subsidies refer to those other than the asset-related government subsidies. If no assistance object is specified in the government documents, the Group shall determine it based on the above identifying principles. For those hard to be identified, classify them totally in the revenue-related government subsidies.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Government subsidy (Continued)

Where a government subsidy related to an asset is recognized as deferred income, it shall be amortized to profit or loss over the useful life of the constructed or purchased asset on a reasonable and systematic basis.

The government subsidies related to income shall be recognized as deferred incomes and included into the current profits and losses when recognizing the related expenses or losses if they are used for compensating the subsequent related expenses or losses of the enterprise; should they be used for compensating the related expenses or losses that have incurred, they shall be included into the current profits and losses upon acquisition.

The government subsidies related to the daily activities of the enterprise shall be included in other income; and the government subsidies irrelevant to the daily activities of the enterprise shall be included in non-operating revenue and expense.

Government subsidies related to policy-based preferential loan discount shall offset related borrowing costs; for loans with policy-based preferential interest rate provided by the lending bank, the actually received loan amount shall be taken as the entry value of the loan. When the recognized government subsidies of the relevant loan costs need to be returned according to the loan principal and the policy-based preferential interest rate, the carrying amount of the assets shall be adjusted if the government subsidies are used to offset the carrying amount of the relevant assets at the time of initial recognition.; If deferred incomes are concerned, the government subsidies shall offset against the book value of the deferred incomes, and the excess shall be included in current profits and losses.; If there are no deferred incomes concerned, they shall be directly included in the current profits and losses.

34. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities of the Group shall be recognized by calculating the difference (temporary difference) between the tax base and carrying amount thereof. For the deductible loss of taxable income that can be deducted in the future years as specified by tax laws, corresponding deferred tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred tax liabilities shall not be recognized. For the temporary difference with respect to initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable income (or deductible losses), relevant deferred tax assets and liabilities shall not be recognized. Deferred tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

The deferred tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Group.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Leases

(1) Identification of lease

On the commencement date of a contract, the Group evaluates whether the contract is a lease or includes a lease. Where a party to a contract transfers the right to control the use of one or more identified assets for a certain period of time in return for a consideration, the contract is a lease or includes a lease. If the contract includes multiple separate leases at the same time, the lessee and the lessor will split the contract and carry out accounting treatment for each separate lease.

(2) The Group as the lessee

At the commencement of the lease term, the Group recognizes the right-of-use asset and lease liabilities for the lease. For the recognition and measurement of right-of-use assets and lease liabilities, please refer to Note IV “24. Right-of-use Assets” and “30. Lease Liabilities”.

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope or extend the lease term by increasing the right to use one or more leased assets, and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope or the extended lease term according to the contract.

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee’s incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the carrying amount of the right-of-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profits and losses. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the carrying amount of the right-of-use asset accordingly.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Leases (Continued)

(2) The Group as the lessee (Continued)

1) Short-term lease and low-value asset lease

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognize the right-of-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profits and losses by the straight-line method or other systematic and reasonable methods during each lease term.

(3) The Group as the lessor

On the basis that the contract evaluated in (1) is the lease or includes the lease, the Group, as the lessor, divides the lease into finance leases and operating leases on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a finance lease and other leases other than the finance lease as an operating lease.

If a lease has one or more of the following circumstances, the Group usually classifies it as a finance lease: ① When the lease term expires, the ownership of the leased assets is transferred to the lessee; ② The lessee has the option to purchase the leased assets, and the purchase price is low enough compared with the fair value of the leased assets when the option is expected to be exercised, so it can be reasonably determined that the lessee will exercise the option on the lease start date; ③ Although the ownership of the assets is not transferred, the lease period accounts for most of the useful life of the leased assets (not less than 75% of the useful life of the leased assets); ④ On the lease start date, the present value of lease receipts is almost equal to the fair value of leased assets (not less than 90% of the fair value of leased assets.); ⑤ The property of the leasing assets is special. The leasing assets can be used by the lessee only if not changed significantly. If a lease has one or more of the following signs, the Group may also classify it as a finance lease: ① If the lessee cancels the lease, the lessee shall bear the losses caused to the lessor by the cancellation of the lease; ② The gain or loss arising from the fluctuation of the fair value of the residual value of assets belongs to the lessee; ③ The lessee has the ability to renew the lease for the next period at a rent far below the market level.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Leases (Continued)

(3) *The Group as the lessor (Continued)*

1) *Accounting treatment of operating lease*

① Treatment of rent

In each lease term, the Group will recognize the lease amount of operating lease as the rental income by the straight-line method.

② Incentives provided

Where a rent-free period is provided, the Group will distribute the total rent by the straight-line method throughout the lease term without deduction of rent-free period, and the rental income shall be recognized during the rent-free period. Where the Group assumes some expenses of the lessee, such expenses will be deducted from the total rent income and distribute the balance of rental income, and the balance of the deducted rental income will be apportioned in the lease term.

③ Initial direct expense

The initial direct expense incurred by the Group relating to the operating lease shall be capitalized to the cost of the underlying asset of the lease, and shall be included in the current profits and losses in stages during the lease term according to the same recognition basis as rental income.

④ Depreciation

The fixed assets in the assets under operating lease will be depreciated according to the depreciation policies applied by the Group for similar assets; and other assets under operating lease shall be amortized in a systematic and reasonable way.

⑤ Variable lease payment

The Group's variable lease payment which is related to operating lease and not included in lease receipts is included in the current profits and losses when it actually occurs.

⑥ Change in operating lease

If there is a change in the operating lease, the Group will take it as a new lease from the effective date of change, and the lease receipts received in advance or receivable related to the lease before the change will be regarded as the receipts for the new lease.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Leases (Continued)

(3) *The Group as the lessor (Continued)*

2) *Accounting treatment of finance lease*

① Initial measurement

At the commencement of the lease term, the Group recognizes the finance lease receivables for the finance lease and derecognizes the finance leasing assets. When the Group initially measures the finance lease receivables, the net investment in a lease is taken as the entry value of the finance lease receivables.

The net investment in a lease is equivalent to the sum of the unguaranteed residual value and the present value of the lease receipts that have not yet been received at the commencement of the lease term which is discounted at the interest rate implicit in the lease. The lease receipts refer to the amount that the lessor should collect from the lessee due to the transfer of right to use the leased asset during the lease term, including: ① the fixed payment and the substantial fixed payment that the lessee needs to pay; if there is the lease incentive, the relevant amount of lease incentive shall be deducted; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; ③ the exercise price of purchase option, provided that it reasonably determines that the lessee will exercise the option; ④ the amount to be paid by the lessee for exercising the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; and ⑤ the guaranteed residual value provided by the lessee, the party related to the lessee and an independent third party that has the economical ability to perform the guarantee obligation to the lessor.

② Subsequent measurement

The Group calculates and recognizes interest income in each lease term at a fixed periodic rate. The periodic rate means that the implicit discount rate is adopted by determining the net investment in a lease (in case of sublease, if the implicit interest rate of sublease cannot be determined, the discount rate of the original lease is adopted (adjusted according to the initial direct expenses related to sublease)), or the change in finance lease is not taken as a separate lease for the accounting treatment and meets the revised discount rate determined according to relevant regulations when the lease is classified as the finance lease condition if the change takes effect on the lease commencement date.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Leases (Continued)

(3) *The Group as the lessor (Continued)*

2) *Accounting treatment of finance lease (Continued)*

③ Accounting treatment of lease change

If the finance lease changes and meets the following conditions, the Group will take the change as a separate lease for accounting treatment: ① the change expands the lease scope by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope according to the contract.

If the change in finance lease is not taken as a separate lease for the accounting treatment, and takes effect on the lease commencement date, the lease will be classified as an operating lease condition, and the Group will take it as a new lease for the accounting treatment from the effective date of lease change and take the net investment in a lease before the effective date of lease change as the carrying amount of the leased asset.

36. Held-for-sale

The Group classifies non-current assets or disposal groups as held for sale if both of the following conditions are met: (1) In accordance with the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; (2) A sale is highly likely to occur, that is, a decision has been made on a sale plan and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. Relevant provisions require relevant authority or regulatory approval before sale needs to obtain relevant approval. The Group measures the carrying value of each asset and liability in the non-current asset or disposal group in accordance with the relevant accounting standards before classifying the non-current asset or disposal group as held for sale for the first time. When the non-current assets or disposal groups held for sale are initially measured or remeasured at the balance sheet date, if the carrying value is higher than the net amount after the fair value is deducted from the sale expense, the carrying value is written down to the net amount after the fair value is deducted from the sale expense, and the amount of the written down is recognized as an asset impairment loss, which is included in the current profit and loss, and at the same time, the impairment provision for assets held for sale is made.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Held-for-sale (Continued)

Non-current assets or groups of disposals acquired by the Group specifically for resale are classified as held for sale on the acquisition date if they meet the conditions specified in the statement “The sale is expected to be completed within one year” and are likely to meet other classification conditions for the held for Sale category in the short term (usually three months). In the initial measurement, compare the initial measurement amount assuming it is not classified as held for sale and the net fair value less selling charges, measured at the lower of the two. With the exception of non-current assets or disposal groups acquired in the business combination, the difference arising from the initial measurement of the non-current assets or disposal groups is included in the current profit or loss.

If the Group loses control over its subsidiaries due to the sales of investment in subsidiaries and other reasons, whether the Group reserves some of its equity investments after the sales or not, when the investment in subsidiaries to be sold meets the conditions for the held-for-sale assets, the investment in subsidiaries will be classified as the held-for-sale assets as a whole in the individual financial statements of the parent company and all the assets and liabilities of subsidiaries will be classified as the held-for-sale assets in the consolidated financial statements.

If the net amount obtained by deducting the selling expenses from the fair value of non-current assets held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the held-for-sale assets shall not be reversed.

For the asset impairment losses recognized in the disposal group held for sale, the carrying amount of the goodwill in the disposal group shall be deducted, and then the carrying amount shall be deducted proportionately based on the proportion of the carrying amount of each non-current asset.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Held-for-sale (Continued)

If the net amount obtained by deducting the selling expenses from the fair value of disposal groups held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized in the non-current assets applicable to the relevant measurement rules after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The carrying amount of goodwill deducted and the asset impairment losses recognized in the non-current assets before being classified as the held-for-sale assets shall not be reversed.

For the subsequently reversed amount of asset impairment losses recognized in the disposal group held for sale, the carrying amount shall be increased proportionately based on the proportion of the carrying amount of each non-current asset other than the goodwill in the disposal group.

Non-current assets held for sale or non-current assets in disposal groups are not depreciated or amortized and interest and other expenses on liabilities in disposal groups held for sale continue to be recognized.

When the non-current assets or disposal groups held for sale are not further classified as the held-for-sale assets or the non-current assets are removed from the disposal groups held for sale due to failure to meet the conditions for the held-for-sale assets, the measurement shall be conducted based on the lower of the following two: (1) carrying amount before being classified as the held-for-sale assets based on the amount of depreciation, amortization or impairment after adjustment that should be recognized in the case that assuming they are not classified as the held-for-sale assets; (2) recoverable amount.

When the non-current assets or disposal groups held for sale are derecognized, the unrecognized gains or losses shall be included in the current profits or losses.

37. Termination of operation

Discontinued operations refer to the components of the GROUP which meet one of the following conditions, which could be separately distinguished, and that such components have been disposed or been classified as the type of held for sale assets: (1) Such components represent an independent main business or separate main operating areas; (2) Such components are parts of a related plan to dispose of an independent main business or a separate main business area; (3) Such components are subsidiaries specially acquired for resale.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

38. Other significant accounting policies and accounting estimates

The Group continuously evaluates the significant accounting estimates and key assumption adopted based on historical experience and other factors, including reasonable expectations for future events. Major changes, if any, in the following significant accounting estimates and key assumptions may cause a significant impact on the carrying amount of assets and liabilities in subsequent accounting years:

- (1) Impairment for receivables The management of the Company evaluates credit risk on the basis of relevant asset portfolios and measures the provision for the loss according to the amount of expected credit loss in the whole duration. If the expected figure differs from the original estimates, the related difference will affect the carrying amount of receivables and the impairment charge during the change period of estimates.
- (2) Estimate of impairment of inventories. On the balance sheet date, the management of the Company measures the inventories according to the lower of cost and net realizable value, and the net realizable value shall be calculated by utilizing assumptions and estimates. If the management revises the estimated selling price as well as the costs and expenses to be incurred until completion, it will affect the estimates of the net realizable value of inventories, and the difference will affect the provision for inventory impairment accrued.
- (3) Estimated useful life and estimated net residual value of fixed assets. The estimated useful life and estimated net residual value of fixed assets are estimated based on the previous actual useful life and the actual net residual value of fixed assets with similar properties and functions. During the use of fixed assets, the economic environment, technical environment, and other environments may have a great impact on the useful life and estimated net residual value of fixed assets. If the estimated useful life and the net residual value of fixed assets are different from the original estimates, the management will make appropriate adjustments.
- (4) Fair value of financial assets. For financial instruments without an active market, the Group determines their fair value by various valuation techniques including the discount cash flow method. For financial assets that the Group is expressly restricted by law from disposing of within a specific period, their fair value is adjusted based on the market quotation and the characteristics of the instrument. In valuation, the Group needs to estimate the credit risk, market volatility, and correlation of itself and counterparties, and the changes in assumptions of these relevant factors will have an impact on the fair value of financial instruments.
- (5) Deferred tax assets and liabilities When recognizing the deferred tax assets, the Group also takes into account the possibility of reversal of deductible temporary differences and deductible losses. The deductible temporary differences mainly include influences of the provision for impairment of assets, the accrued expenses that have not been approved for pre-tax deduction, the offset of internal unrealized profits, etc. Deferred tax assets are recognized based on the Group's expectation that the deductible temporary differences and deductible losses will be reversed in the foreseeable future through the generation of sufficient taxable income from continuing operations. The Group has accrued the current income tax and deferred income tax based on the current tax laws and regulations and the current best estimates and assumptions. In case of changes due to the tax laws and regulations or relevant circumstances in the future, the Group needs to make adjustments to the current income tax and deferred income tax.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. Other significant accounting policies and accounting estimates (Continued)

- (6) Income tax During the normal business activities, final tax treatment for many transactions and events has uncertainties. When accruing income tax, the Group needs to make significant judgments. If there is a difference between the finally recognized outcome for these taxes and the initially received amount, it will have an impact on the above-mentioned taxes in the final recognition period.

39. Changes in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

On November 30, 2022, the Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (hereinafter referred to as Interpretation No. 16), and the Company started to implement the content regarding the “accounting treatment of exemption from initial recognition is not applicable to deferred income tax related to assets and liabilities arising from individual transactions” in Interpretation No. 16 from January 1, 2023. Moreover, it is allowed to implement it in advance to 2022. The twelfth meeting of the ninth Board of Directors of the Company resolved to approve the above accounting policy changes and the Group has implemented it from January 1, 2023. The implementation of Interpretation No. 16 has no significant impact on the Group’s profits.

- 1) *The amount affected by the implementation of Interpretation No. 16 on the relevant items in the Group’s consolidated statements and balance sheet as of December 31, 2022 is as follows:*

(Unit: RMB)

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

- 2) *The amount affected by the implementation of Interpretation No. 16 on the relevant items in the parent company’s balance sheet as of December 31, 2022 is as follows:*

(Unit: RMB)

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

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Changes in significant accounting policies and accounting estimates (Continued)

(2) *Changes in significant accounting estimates*

None.

(3) *Implementation of relevant items in financial statements upon the adjustment of the interpretation of standards from 2023 (for the first time)*

None.

V. TAXES

1. Main taxes and tax rates

Main taxes and tax rates

Tax category	Taxation basis	Tax rate
	Domestic sales; providing processing, repair, maintenance services, etc.	13%
Value-added tax (VAT)	Providing agricultural machinery sales, tap water, heating, gas, etc.	9%
	Other taxable sales and services	6%
Urban maintenance and construction tax	Turnover tax actually paid	7%, 5%
Educational surcharges	Turnover tax actually paid	3%, 2%
Enterprise income tax	Taxable income	25%, 15%
Real estate tax	70% (or rental income) of the original value of the property as the tax basis	1.2%, 12%

SECTION X FINANCIAL STATEMENTS (CONTINUED)

V. TAXES (CONTINUED)

1. Main taxes and tax rates (Continued)

Taxpayer's description for the tax rates of different corporate income taxes:

Name of taxpayer	Income tax rate
First Tractor Company Limited	15%
YTO (Luoyang) Diesel Engine Co., Ltd.	15%
YTO (Luoyang) Flagauto-Body Co., Ltd.	15%
Luoyang Tractor Research Institute Co., Ltd.	15%
Other domestic subsidiaries	25%
Overseas subsidiaries	Calculated and paid per local tax policy

2. Tax preference

(1) Value-added tax

As a restructured scientific research institute, Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, is exempted from the import tariffs and the value-added taxes and consumption taxes on import links on the supplies for scientific research, scientific and technological development, and teaching that cannot be produced at home or the performances of relevant supplies produced at home cannot meet the needs for scientific research institutions, technology development institutions, schools and other organizations according to the decisions of the Notice of the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on the Import Tax Policies for Supporting Scientific and Technological Innovations during the "14th Five-Year Plan" Period (CGS [2021] No. 23) and the Notice of the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on Issuing the List of Supplies for Scientific Research, Scientific and Technological Development and Teaching Imported that Are Exempt from Import Taxes (First Batch) during the "14th Five-Year Plan" Period (CGS [2021] No. 44).

Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, complies with the provisions of Item (26) of Article I of Annex 3 "Provisions on the Transitional Policies for the Pilot Program of Replacing Business Tax with Value-Added Tax" to the Notice of the Ministry of Finance and the State Taxation Administration on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (CS [2016] No. 36): taxpayers are exempt from VAT for provision of technology transfer, technology development and associated technology consulting, and technology services.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

V. TAXES (CONTINUED)

2. Tax preference (Continued)

(1) *Value-added tax (Continued)*

According to Article 7 of the Announcement of the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019], MOF, STA, and GACC), Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, allows that the tax payable is credited at an additional rate of 10% for the current deductible input tax for taxpayers in the production and life service sector (hereinafter referred to as the “additional credit policy”) from April 1, 2019 to December 31, 2021. The period of execution for the additional credit policy for value-added tax in the production and life service sector stipulated in the Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Value-Added Tax Policies for Promoting the Resolution of Difficulties so as to Develop the Difficulty-Ridden Industries in the Service Sector (Announcement No. 11 [2022], MOF and STA) is extended to December 31, 2022. The period of execution for the additional credit policy for value-added tax in the production and life service sector stipulated in the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying Policies for Value-added Tax Reduction and Exemption for Small-scale VAT Taxpayers (Announcement No. 1 [2023], MOF and STA) is extended to December 31, 2023. Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, continues to use the above tax preferences in the current period.

Luoyang Tractor Research Institute Co., Ltd., a subsidiary of the Company, is exempted from urban land use tax and house property tax on public rental housing and VAT on rental income obtained from the operation of public rental housing according to the Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Tax Policies for Public Rental Housing (Announcement No. 61 [2019], MOF and STA). The implementation period is extended to December 31, 2023, in accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Extending the Implementation Period of Certain Preferential Tax Policies (Announcement No. 6 [2021], MOF and STA).

Luoyang Changxing Agricultural Machinery Co., Ltd., a subsidiary of the Company, enjoys the VAT exemption policy for the sales of agricultural machinery in accordance with the Notice of the Ministry of Finance and the State Taxation Administration concerning the Policy of Exemption of Value Added Tax on Agricultural Means of Production (CS [2001] No. 113).

The Group’s subsidiaries Cadfund Machinery Pty Ltd, Yitwo Argo-Industrial, and YTO Belarus Technology Co., Ltd. are registered abroad and pay VAT at the local applicable tax rate.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

V. TAXES (CONTINUED)

2. Tax preference (Continued)

(2) Enterprise income tax

The Company and its subsidiaries, including YTO (Luoyang) Diesel Engine Co., Ltd., YTO (Luoyang) Flagauto-Body Co., Ltd., and Luoyang Tractor Research Institute Co., Ltd. are high-tech enterprises jointly recognized by the Provincial Department of Science and Technology, the Public Finance Department, and the State Taxation Administration and according to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate of 15% is applicable.

The Group's subsidiaries Cadfund Machinery Pty Ltd, Yitwo Argo-Industrial and YTO Belarus Technology Co., Ltd. are registered abroad and pay income tax at the local applicable tax rate.

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, among the following disclosed data in the financial statements, "ending balance" refers to June 30, 2023; "beginning balance" refers to January 1, 2023; "current period" refers to the period from January 1 to June 30, 2023; "previous period" refers to the period from January 1 to June 30, 2022; and the monetary unit is RMB.

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	126,626.80	60,612.69
Bank deposits	2,239,655,740.30	3,528,903,780.24
Other monetary funds	415,265,609.89	834,777,953.08
Total	2,655,047,976.99	4,363,742,346.01
Including: total amount deposited overseas	57,136,780.71	49,270,197.48
Deposits in financial companies	1,921,620,626.51	1,968,212,255.21

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Monetary funds (Continued)

Monetary funds with restricted right of use:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Margin for bank acceptance bill	411,972,965.41	834,209,742.51
Statutory reserve deposited in the Central Bank	0.00	9,176,871.31
Funds by restricted by policy	0.00	0.00
Time deposits of more than three months	0.00	0.00
Others	3,502,582.39	778,150.32
Total	415,475,547.80	844,164,764.14

2. Financial assets held for trading

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Financial assets at FVTPL	654,340,979.45	420,172,500.00
Including: bond instrument investment	654,340,979.45	420,172,500.00
Financial assets designated as measured at FVTPL	851,815,300.00	829,474,400.00
Including: equity instrument investment	851,815,300.00	829,474,400.00
Total	1,506,156,279.45	1,249,646,900.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable

(1) *Classified presentation of notes receivable*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	53,983,181.68	24,937,093.37
Commercial acceptance bill	33,500,027.98	51,832,198.33
Total	87,483,209.66	76,769,291.70

(2) *Notes receivable pledged as collateral at the end of the period*

Unit: Yuan Currency: RMB

Item	Pledged amount at the end of the period
Bank acceptance bill	3,031,700.00

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

Unit: Yuan Currency: RMB

Item	Derecognition amount at the end of the period	Non-derecognition amount at the end of the period
Bank acceptance bill	0.00	33,061,849.48
Commercial acceptance bill	0.00	2,177,490.60
Total	0.00	35,239,340.08

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) *Accounts receivable listed by bad debt accrual method*

Unit: Yuan Currency: RMB

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	1,511,503,219.70	100.00	367,947,227.53	-	1,143,555,992.17
Including: Ageing portfolio	1,413,335,619.40	93.51	337,780,304.99	23.90	1,075,555,314.41
Collateral and other risk exposure portfolios	98,167,600.30	6.49	30,166,922.54	30.73	68,000,677.76
Total	1,511,503,219.70	100.00	367,947,227.53	-	1,143,555,992.17

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	701,972,250.80	100.00	350,180,145.80	-	351,792,105.00
Including: Ageing portfolio	654,083,485.34	93.18	320,544,054.68	49.01	333,539,430.66
Collateral and other risk exposure portfolios	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

1) *Provision for bad debts of accounts receivable accrued as per portfolio – ageing portfolio*

Unit: Yuan Currency: RMB

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	1,095,577,523.13	23,167,181.14	2.11
1-2 years	5,244,119.58	2,345,571.60	44.73
2-3 years	1,177,752.54	931,328.10	79.08
Over 3 years	311,336,224.15	311,336,224.15	100.00
Total	1,413,335,619.40	337,780,304.99	-

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(1) *Accounts receivable listed by bad debt accrual method (Continued)*

2) *Provision for bad debts of accounts receivable accrued as per portfolio – collateral and other risk exposure portfolios*

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	<u>98,167,600.30</u>	<u>30,166,922.54</u>	<u>30.73</u>

(2) *Accounts receivable listed as per ageing*

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	1,163,454,605.30	353,550,459.77
1-2 years	5,306,630.35	4,997,809.04
2-3 years	1,936,392.00	2,503,989.10
Over 3 years	340,805,592.05	340,919,992.89
Subtotal	<u>1,511,503,219.70</u>	<u>701,972,250.80</u>
Less: provision for bad debts	<u>367,947,227.53</u>	<u>350,180,145.80</u>
Total	<u>1,143,555,992.17</u>	<u>351,792,105.00</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) *Provision for bad debts of accounts receivable in the current period*

Unit: Yuan Currency: RMB

Category	Beginning balance	Change of amount in the current period			Others	Ending balance
		Provision	Recovered or transferred back	Charged or written off		
Ageing portfolio	320,544,054.68	15,834,350.64	0.00	0.00	1,401,899.67	337,780,304.99
Collateral and other risk exposure portfolios	29,636,091.12	1,076,585.67	0.00	0.00	-545,754.25	30,166,922.54
Total	350,180,145.80	16,910,936.31	0.00	0.00	856,145.42	367,947,227.53

Note: Other changes are due to exchange rate changes.

(4) *There is no accounts receivable actually written off during the reporting period*

(5) *Accounts receivables from top five borrowers listed by ending balance*

Unit: Yuan Currency: RMB

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
Jiangsu World High-tech Agricultural Equipment Co., Ltd.	68,805,301.38	Within 2 years	4.55	2,755,631.46
YTO (Luoyang) Harvesters Co., Ltd.	63,100,203.73	Over 5 years	4.17	63,100,203.73
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	Over 5 years	4.11	62,183,376.45
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	26,843,806.97	Over 5 years	1.78	26,843,806.97
TECNOIMPORT, Cuba	24,842,643.30	Over 5 years	1.64	24,842,643.30
Total	245,775,331.83	-	16.25	179,725,661.91

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(6) *No other receivables that have not been terminated for the transfer of financial assets*

(7) *No amount of assets and liabilities formed without the transfer of other receivables and continued involvement*

5. Receivables financing

(1) *Classified presentation of notes receivable*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	<u>275,777,260.58</u>	<u>246,084,731.86</u>
Total	<u>275,777,260.58</u>	<u>246,084,731.86</u>

(2) *Receivables financing which has been endorsed or discounted but not yet expired at the end of the period*

Unit: Yuan Currency: RMB

Item	Derecognition amount at the end of the period	Non-derecognition amount at the end of the period
Bank acceptance bill	<u>1,611,712,846.95</u>	<u>0.00</u>
Total	<u>1,611,712,846.95</u>	<u>0.00</u>

(3) *Notes receivable pledged as collateral at the end of the period*

Unit: Yuan Currency: RMB

Item	Pledged amount at the end of the period
Bank acceptance bill	<u>21,430,000.00</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Advances to suppliers

(1) Ageing of advances to suppliers

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Amount	Proportion (%)	Provision for bad debts	Amount	Proportion (%)	Provision for bad debts
Within 1 year	114,774,539.28	93.22	0.00	214,045,042.97	96.08	0.00
1-2 years	155,336.15	0.13	50,180.00	484,493.59	0.22	50,180.00
2-3 years	25,254.10	0.02	0.00	250,823.84	0.11	147,187.14
Over 3 years	8,158,706.99	6.63	8,091,877.73	7,998,214.91	3.59	7,978,128.55
Total	123,113,836.52	100.00	8,142,057.73	222,778,575.31	100.00	8,175,495.69

(2) Accounts of top five prepayments listed by the ending balance

Unit: Yuan Currency: RMB

Company name	Ending balance	Aging	Proportion in total ending balance of advances to suppliers (%)
Xuzhou Armour Rubber Company Ltd	65,768,681.55	Within 1 year	53.42
Shandong Xingtai Tyre Co., Ltd.	13,373,849.06	Within 1 year	10.86
ZUSE HOLLER HILLE WERKZEUGMASCHINEN GMBH	4,429,562.92	Over 5 years	3.60
Zhengzhou Baosteel Steel Processing & Distribution Co., Ltd.	3,819,970.00	Within 1 year	3.10
ZF Friedrichshafen AG	3,236,214.69	Within 1 year	2.63
Total	90,628,278.22	—	73.61

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables

The project list

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	<u>53,140,706.90</u>	<u>26,664,987.91</u>
Total	<u>53,140,706.90</u>	<u>26,664,987.91</u>

Other receivables

(1) Other receivables listed as per nature

Unit: Yuan Currency: RMB

Nature	Book value at the end of the period	Book value at the beginning of the period
Unit's transaction payments	95,741,760.56	98,800,759.92
Security deposits, pretty cash, margin, etc.	10,892,829.04	4,698,369.17
Export tax refund receivable	30,666,920.81	8,832,737.30
Others	<u>10,144,520.87</u>	<u>10,411,856.95</u>
Total	<u>147,446,031.28</u>	<u>122,743,723.34</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2023	93,721,886.43	2,356,849.00	0.00	96,078,735.43
Book value of other receivables on January 1, 2023 in the current period	0.00	0.00	0.00	0.00
— Be transferred to Stage II	0.00	0.00	0.00	0.00
— Be transferred to Stage III	0.00	0.00	0.00	0.00
— Be transferred back to Stage II	0.00	0.00	0.00	0.00
— Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current period	-1,781,224.64	0.00	0.00	-1,781,224.64
Reversal in the current period	0.00	0.00	0.00	0.00
Write-off in the current period	0.00	0.00	0.00	0.00
Verification in the current period	0.00	0.00	0.00	0.00
Other changes	7,813.59	0.00	0.00	7,813.59
Balance as at June 30, 2023	<u>91,948,475.38</u>	<u>2,356,849.00</u>	<u>0.00</u>	<u>94,305,324.38</u>

Note: Other changes are mainly exchange rate changes.

(3) Other receivables listed as per ageing

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	48,040,354.87	20,638,200.08
1-2 years	2,552,866.75	2,114,878.20
2-3 years	139,902.35	994,680.46
Over 3 years	96,712,907.31	98,995,964.60
Subtotal	147,446,031.28	122,743,723.34
Less: provision for bad debts	<u>94,305,324.38</u>	<u>96,078,735.43</u>
Total	<u>53,140,706.90</u>	<u>26,664,987.91</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts*

Unit: Yuan Currency: RMB

Category	Book value		Ending Balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	147,446,031.28	100.00	94,305,324.38	-	53,140,706.90
Including: Ageing portfolio	130,357,180.96	88.41	91,844,071.55	70.46	38,513,109.41
Low risk portfolio	10,440,381.82	7.08	104,403.83	1.00	10,335,977.99
Collateral and other risk exposure portfolios	6,648,468.50	4.51	2,356,849.00	35.45	4,291,619.50
Total	147,446,031.28	100.00	94,305,324.38	-	53,140,706.90

Category	Book value		Beginning Balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	122,743,723.34	100.00	96,078,735.43	-	26,664,987.91
Including: Ageing portfolio	111,198,658.86	90.59	93,672,920.46	84.24	17,525,738.40
Low risk portfolio	4,896,595.98	3.99	48,965.97	1.00	4,847,630.01
Collateral and other risk exposure portfolios	6,648,468.50	5.42	2,356,849.00	35.45	4,291,619.50
Total	122,743,723.34	100.00	96,078,735.43	-	26,664,987.91

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)*

1) *Provision for bad debts of other receivables accrued as per portfolio—Ageing portfolio*

Unit: Yuan Currency: RMB

Aging	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	39,353,665.22	1,404,405.82	3.57
1-2 years	1,127,700.02	563,850.01	50.00
2-3 years	126,012.35	126,012.35	100.00
Over 3 years	89,749,803.37	89,749,803.37	100.00
Total	130,357,180.96	91,844,071.55	—

2) *Provision for bad debts of other receivables accrued as per portfolio—Low-risk portfolio*

Unit: Yuan Currency: RMB

Aging	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	8,686,689.65	86,866.91	1.00
1-2 years	1,424,438.23	14,244.38	1.00
2-3 years	2,400.00	24.00	1.00
Over 3 years	326,853.94	3,268.54	1.00
Total	10,440,381.82	104,403.83	—

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)*

3) *Provision for bad debts of other receivables accrued as per portfolio—Collateral and other risk exposure portfolios*

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	6,648,468.50	2,356,849.00	35.45

(5) *Bad debt provision of other receivables*

Unit: Yuan Currency: RMB

Category	Beginning balance	Change of amount in the current period			Others	Ending balance
		Provision	Recovered or transferred back	Charged or written off		
Ageing portfolio	93,672,920.46	-1,836,662.50	0.00	0.00	7,813.59	91,844,071.55
Low risk portfolio	48,965.97	55,437.86	0.00	0.00	0.00	104,403.83
Collateral and other risk exposure portfolios	2,356,849.00	0.00	0.00	0.00	0.00	2,356,849.00
Total	96,078,735.43	-1,781,224.64	0.00	0.00	7,813.59	94,305,324.38

(6) *No other receivables actually written off during the reporting period.*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(7) *Other receivables from top five ending balances listed as per the borrowers*

Unit: Yuan Currency: RMB

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Unit's transaction payments	80,188,112.00	Over 5 years	54.38	80,188,112.00
Luoyang Jianxi District Tax Bureau, State Taxation Administration	Tax refund receivable	30,100,836.99	Within 1 year	20.41	426,611.67
Shanghai Pengpu Machine Building Plant (Group) Co., Ltd.	Unit's transaction payments	6,490,000.00	Over 5 years	4.40	2,292,959.42
Heilongjiang Provincial Department of Agriculture and Rural Affairs	Unit's transaction payments	5,500,000.00	Within 1 year	3.73	825,000.00
Jiangsu Qingjiang Tractor Co., Ltd.	Unit's transaction payments	<u>3,315,484.00</u>	Over 5 years	<u>2.25</u>	<u>3,315,484.00</u>
Total	-	<u><u>125,594,432.99</u></u>	-	<u><u>85.17</u></u>	<u><u>87,048,167.09</u></u>

(8) *No other receivables involving government subsidies*

(9) *No other receivables that have not been terminated for the transfer of financial assets*

(10) *No amount of assets and liabilities formed without the transfer of other receivables and continued involvement*

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

(1) Category of inventories

Unit: Yuan Currency: RMB

Item	Book value	Ending balance Provision for the decline in inventory value/impairment provision for contract performance cost	Carrying amount
Raw materials	554,014,769.11	71,904,149.15	482,110,619.96
Goods in process	113,339,763.25	7,708,496.58	105,631,266.67
Goods in stock	541,939,622.52	20,793,038.22	521,146,584.30
Goods in transit	87,877,644.60	6,199,318.58	81,678,326.02
Total	1,297,171,799.48	106,605,002.53	1,190,566,796.95

Item	Book value	Beginning balance Provision for the decline in inventory value/impairment provision for contract performance cost	Carrying amount
Raw materials	599,532,962.43	79,184,887.39	520,348,075.04
Goods in process	140,705,044.95	7,833,196.52	132,871,848.43
Goods in stock	472,333,919.11	16,922,162.81	455,411,756.30
Goods in transit	87,973,619.02	5,302,602.79	82,671,016.23
Total	1,300,545,545.51	109,242,849.51	1,191,302,696.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

(2) Provision for inventory impairment/contract performance cost impairment

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	79,184,887.39	-1,324,040.17	0.00	5,956,698.07	0.00	71,904,149.15
Goods in process	7,833,196.52	-124,699.94	0.00	0.00	0.00	7,708,496.58
Goods in stock	16,922,162.81	5,438,393.56	0.00	1,313,366.13	254,152.02	20,793,038.22
Goods in transit	5,302,602.79	966,225.64	0.00	69,509.85	0.00	6,199,318.58
Total	109,242,849.51	4,955,879.09	0.00	7,339,574.05	254,152.02	106,605,002.53

9. Non-current assets due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Original value of long-term receivables due within one year	491,753,591.23	469,397,036.77
Original value of financial lease payments due within one year	0.00	151,060.48
Less: unrealized financing income	57,827,616.25	55,135,840.70
Less: provision for bad debts	406,752,017.32	388,273,374.17
Total	27,173,957.66	26,138,882.38

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	1,072,623.87	8,433,310.27
Entrusted loan	166,733,550.00	171,000,000.00
VAT to be certified/credited	64,318,056.00	121,090,525.95
Other prepaid taxes	19,983,831.91	12,164,969.57
Interests receivable	0.00	768,273.24
Subtotal	252,108,061.78	313,457,079.03
Less: provision for bad debts	173,733,550.00	178,000,000.00
Total	78,374,511.78	135,457,079.03

11. Debt instruments at amortised cost

(1) Debt instruments at amortised cost

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book value	Provision for Impairment	Carrying amount	Book value	Provision for Impairment	Carrying amount
Large-denomination certificate of deposit	3,085,292,255.86	0.00	3,085,292,255.86	1,086,568,216.50	0.00	1,086,568,216.50

(2) Significant debt investment with ending balance

Unit: Yuan Currency: RMB

Item	Ending balance				Beginning balance			
	Par Value	Coupon rate	Effective interest rate	Expiry date	Par Value	Coupon rate	Effective interest rate	Expiry date
Large-denomination certificate of deposit	3,050,000,000.00	-	-	-	1,085,000,000.00	-	-	-

Note: The Company's debt investment at the end of the period is mainly large-denomination certificates of deposit purchased from banks, with a par value of deposit between RMB15 million to RMB50 million.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables

(1) Long-term receivables

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance			Interval of discount rate
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Finance lease payments	0.00	0.00	0.00	148,925.98	81,995.98	66,930.00	—
Among them: Unrealized financing revenue	0.00	0.00	0.00	2,134.50	0.00	2,134.50	—
Sales payment receivable	433,925,974.98	406,752,017.32	27,173,957.66	415,604,903.28	389,532,950.90	26,071,952.38	—
Among them: Unrealized financing revenue	57,827,616.25	0.00	57,827,616.25	55,211,517.42	0.00	55,211,517.42	—
Long-term receivables due within one year	<u>-433,925,974.98</u>	<u>-406,752,017.32</u>	<u>-27,173,957.66</u>	<u>-414,412,256.55</u>	<u>-388,273,374.17</u>	<u>-26,138,882.38</u>	—
Total	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,341,572.71</u>	<u>1,341,572.71</u>	<u>0.00</u>	—

(2) Provision for bad debt

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit losses for the next 12 months	Expected credit loss within the whole duration (no credit impairment occurs)	Expected credit loss within the whole duration (credit impairment has occurred)	
Balance on January 1, 2023	0.00	81,995.98	389,532,950.90	389,614,946.88
Book value of long-term receivables as at January 1, 2023 in the current period	—	—	—	—
— Be transferred to Stage II	0.00	0.00	0.00	0.00
— Be transferred to Stage III	0.00	0.00	0.00	0.00
— Be transferred back to Stage II	0.00	0.00	0.00	0.00
— Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current period	0.00	-28,105.30	0.00	-28,105.30
Reversal in the current period	0.00	0.00	0.00	0.00
Write-off in the current period	0.00	0.00	0.00	0.00
Verification in the current period	0.00	0.00	0.00	0.00
Other changes (Note 1)	0.00	-53,890.68	17,219,066.42	17,165,175.74
Balance as at June 30, 2023	<u>0.00</u>	<u>0.00</u>	<u>406,752,017.32</u>	<u>406,752,017.32</u>

Note 1: Other changes are mainly YTO International, Ltd.'s exchange profits and losses on receivables from Cuba.

Note 2: The above provision for impairment includes the impairment reclassified to non-current asset due within one year.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables (Continued)

(3) No long-term receivables terminated due to transfer of financial assets.

(4) No assets and liabilities formed by transferring long-term receivables and continuing to involve them.

13. Long-term equity investment

Unit: Yuan Currency: RMB

Investees	Beginning balance	Increase in investment	Increase/decrease in the current period			Other changes in equity
			Negative investment	Profit or loss on investments recognized under the equity method	Other comprehensive income adjustments	
I. Associates						
ZF YTO (Luoyang) Axle Co., Ltd.	77,671,186.78	0.00	0.00	9,289,168.15	0.00	0.00
Sinomach Finance Co., Ltd.	557,942,578.30	0.00	0.00	17,950,069.03	108,735.35	0.00
Luoyang I&C Technology Consulting Co., Ltd.	362,320.92	0.00	0.00	124,261.69	0.00	0.00
Total	635,976,086.00	0.00	0.00	27,363,498.87	108,735.35	0.00

Investees	Increase/decrease in the current period				Ending balance of impairment provision
	Cash dividends or profits declared to pay	Accrual of provision for impairment	Others	Ending balance	
I. Associates					
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	-173,135.40	86,787,219.53	0.00
Sinomach Finance Co., Ltd.	0.00	0.00	0.00	576,001,382.68	0.00
Luoyang I&C Technology Consulting Co., Ltd.	16,500.00	0.00	0.00	470,082.61	0.00
Total	16,500.00	0.00	-173,135.40	663,258,684.82	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Equity instruments at FVTOCI

(1) *Equity instruments at FVTOCI*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	<u>3,513,464.70</u>	<u>3,513,464.70</u>

(2) *Non-trading equity instrument investment in the current period*

Unit: Yuan Currency: RMB

Item	Dividend income recognized this period	Accumulated gains	Cumulative losses	Amount of other comprehensive income transferred to retained earnings	Reasons for being designated as being measured at FVTOCI	Reasons for transferring other comprehensive income to retained earnings
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	<u>0.00</u>	<u>0.00</u>	<u>1,325,583.30</u>	<u>0.00</u>	Non-trading equity instruments	-

15. Fixed assets

The project list

Unit: Yuan Currency: RMB

Item	Ending book value	Beginning book value
Fixed assets	<u>2,310,754,632.23</u>	<u>2,311,846,878.77</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(1) Details of fixed assets

Unit: Yuan Currency: RMB

Item	Houses and buildings	Machinery Equipment	Transportation facilities	Office and electronic equipment	Others	Total
I. Book value	-	-	-	-	-	-
1. Beginning balance	2,248,057,227.43	4,250,649,306.93	54,106,304.25	119,044,713.39	377,789.31	6,672,235,341.31
2. Increase in the current period	5,239,660.93	124,598,896.25	547,560.65	2,327,379.45	0.00	132,713,497.28
(1) Purchase	94,995.42	1,732,747.96	264,616.03	500,507.77	0.00	2,592,867.18
(2) Transfer to construction in progress	4,477,831.75	122,864,425.43	214,613.51	699,710.53	0.00	128,256,581.22
(3) Reclassification of details of fixed assets	-1,123,180.11	0.00	0.00	1,123,180.11	0.00	0.00
(4) Effect of foreign currency conversion	779,289.87	1,722.86	68,331.11	30,042.47	0.00	879,386.31
(5) Others	1,010,724.00	0.00	0.00	-26,061.43	0.00	984,662.57
3. Decrease in the current period	219,186.47	12,033,865.54	789,554.13	1,824,708.01	0.00	14,867,314.15
(1) Disposal or retirement	219,186.47	12,033,865.54	789,554.13	1,824,708.01	0.00	14,867,314.15
4. Ending balance	2,253,077,701.89	4,363,214,337.64	53,864,310.77	119,547,384.83	377,789.31	6,790,081,524.44
II. Accumulated depreciation						
1. Beginning balance	1,156,268,071.30	2,972,224,351.31	31,017,795.35	97,246,534.12	316,866.45	4,257,073,618.53
2. Increase in the current period	31,232,104.64	95,694,135.14	1,745,119.83	3,932,173.59	17,848.92	132,621,382.12
(1) Provision	31,828,078.87	95,692,896.27	1,698,580.38	2,911,132.70	17,848.92	132,148,537.14
(2) Reclassification of details of fixed assets	-1,000,288.60	0.00	0.00	1,000,288.60	0.00	0.00
(3) Difference of foreign currency translation	283,148.93	1,238.87	46,539.45	20,752.29	0.00	351,679.54
(4) Others	121,165.44	0.00	0.00	0.00	0.00	121,165.44
3. Decrease in the current period	183,499.18	10,490,062.68	701,593.59	1,740,665.60	0.00	13,115,821.05
(1) Disposal or retirement	183,499.18	10,490,062.68	701,593.59	1,722,476.04	0.00	13,097,631.49
(2) Others	0.00	0.00	0.00	18,189.56	0.00	18,189.56
4. Ending balance	1,187,316,676.76	3,057,428,423.77	32,061,321.59	99,438,042.11	334,715.37	4,376,579,179.60
III. Provision for impairment						
1. Beginning balance	12,920,382.73	89,196,867.65	1,001,884.76	195,708.87	0.00	103,314,844.01
2. Increase in the current period	-478.06	0.00	0.00	478.06	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00	0.00
(2) Reclassification of details of fixed assets	-478.06	0.00	0.00	478.06	0.00	0.00
3. Decrease in the current period	0.00	498,016.94	46,488.30	22,626.16	0.00	567,131.40
(1) Disposal or retirement	0.00	498,016.94	46,488.30	22,626.16	0.00	567,131.40
4. Ending balance	12,919,904.67	88,698,850.71	955,396.46	173,560.77	0.00	102,747,712.61
IV. Carrying amount						
1. Carrying amount at the end of the period	1,052,841,120.46	1,217,087,063.16	20,847,592.72	19,935,781.95	43,073.94	2,310,754,632.23
2. Carrying amount at the beginning of the period	1,078,868,773.40	1,189,228,087.97	22,086,624.14	21,602,470.40	60,922.86	2,311,846,878.77

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(2) *Fixed assets leased out under operating leases*

Unit: Yuan Currency: RMB

Item	Ending book value
Houses and buildings	123,194,894.55
Machinery equipment and other equipment	<u>14,682,530.52</u>
Total	<u><u>137,877,425.07</u></u>

(3) *Fixed assets without certificate*

Unit: Yuan Currency: RMB

Item	Carrying amount	Reason(s) for the failure to transact the certificate of title
Modern Agricultural Equipment Cab Automation Engineering	77,608,843.57	In process
Qingnian Jiayuan	60,719,150.68	In process
Large Machine Workshop I	40,908,382.00	In process
New Lost Foam Workshop	17,111,554.61	In process
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Renovation Project	15,952,109.77	In process
Main Workshop for Reclamation of Used Sand	7,721,255.29	In process
Heat Treatment Workshop	4,456,887.76	In process
Staff Canteen in Industrial Park	4,267,977.59	In process
Auxiliary Room of Large Machine Workshop I	3,652,293.89	In process
User Training Service Workshop	2,896,934.38	In process
New Cooling Passage Workshop for kw Line	1,844,944.22	The main body of investment in the construction project is inconsistent with that of the construction land, so the real estate ownership certificate cannot be handled temporarily.
Auxiliary Room for Heat Treatment	<u>1,680,735.91</u>	In process
Total	<u><u>238,821,069.67</u></u>	-

Other notes of fixed assets:

The original value of the fixed assets that were fully depreciated are still in use is RMB1,897,742,239.10. For the mortgage of fixed assets at the end of the period, refer to Note VI. 67. Assets with ownership or use right restricted.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Projects under construction

The project list

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Projects under construction	84,447,317.72	126,466,820.01

(1) Construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book value	Provision for Impairment	Carrying amount	Book value	Provision for Impairment	Carrying amount
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	30,984,388.29	0.00	30,984,388.29	67,532,825.87	0.00	67,532,825.87
Discharge Bench Construction Project	8,140,221.80	0.00	8,140,221.80	4,376,322.56	0.00	4,376,322.56
Quality improvement and the intelligent transformation project of medium-horsepower tractors	5,910,600.63	0.00	5,910,600.63	6,866,253.67	0.00	6,866,253.67
Information-based Project 2021	5,058,565.56	0.00	5,058,565.56	5,058,565.56	0.00	5,058,565.56
Information-based Project 2022	4,831,945.21	0.00	4,831,945.21	5,638,255.84	0.00	5,638,255.84
Second Batch of High-power Diesel Engine (Phase II) Project in Industrial Park	1,675,213.67	1,675,213.67	0.00	1,675,213.67	1,675,213.67	0.00
Upgrading and Renovation Project of Small and Medium-sized Parts Line	654,672.88	0.00	654,672.88	5,413,016.91	0.00	5,413,016.91
Cleaning Intelligent Renovation of Casting Production Line	472,084.17	0.00	472,084.17	227,271.94	0.00	227,271.94
LR Cylinder Line Quality Provision Project	0.00	0.00	0.00	5,896,329.20	0.00	5,896,329.20
Renovation of Automatic Line of Gear Box Shell Truss	0.00	0.00	0.00	4,369,911.53	0.00	4,369,911.53
Intelligent Environmental Protection Improvement Project of Dongfanghong Diesel Engine Hot Trial Line	0.00	0.00	0.00	73,069.30	0.00	73,069.30
Others	46,452,222.70	18,057,383.52	28,394,839.18	39,072,381.15	18,057,383.52	21,014,997.63
Total	104,179,914.91	19,732,597.19	84,447,317.72	146,199,417.20	19,732,597.19	126,466,820.01

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Projects under construction (Continued)

(2) *Changes of major construction in progress in the current period*

Unit: Yuan Currency: RMB

Project name	Beginning balance	Increase in the current period	Transferred to fixed assets	Other decreases	Ending balance
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	67,532,825.87	43,372,430.84	78,132,811.82	1,788,056.60	30,984,388.29
Quality improvement and the intelligent transformation project of medium- horsepower tractors	6,866,253.67	4,218,903.67	4,379,469.07	795,087.64	5,910,600.63
LR Cylinder Line Quality Provision Project	5,896,329.20	9,051,830.11	14,948,159.31	0.00	0.00
Information-based Project 2022	5,638,255.84	6,081,429.34	6,887,739.97	0.00	4,831,945.21
Upgrading and Renovation Project of Small and Medium-sized Parts Line	5,413,016.91	673,428.75	5,431,772.78	0.00	654,672.88
Information-based Project 2021	5,058,565.56	131,963.38	131,963.38	0.00	5,058,565.56
Discharge Bench Construction Project	4,376,322.56	4,876,288.60	1,112,389.36	0.00	8,140,221.80
Renovation of Automatic Line of Gear Box Shell Truss	4,369,911.53	2,913,274.34	7,283,185.87	0.00	0.00
Cleaning Intelligent Renovation of Casting Production Line	227,271.94	244,812.23	0.00	0.00	472,084.17
Intelligent Environmental Protection Improvement Project of Dongfanghong Diesel Engine Hot Trial Line	73,069.30	48,712.87	121,782.17	0.00	0.00
Total	105,451,822.38	71,613,074.13	118,429,273.73	2,583,144.24	56,052,478.54

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Projects under construction (Continued)

(2) *Changes of major construction in progress in the current period (Continued)*

Project name	Budget	Ratio of accumulative investment to budget (%)	Progress (%)	Accumulated amount of capitalization of interest	Including: Amount of capitalized interest in current period	Capitalization rate of interest in current period (%)	Source of funds
Intelligent Manufacturing Construction Project of Efficient and Low-emission YTN3 Diesel Engine	194,900,000.00	56.19	60.00	733,838.87	289,060.44	3.64	Bank borrowings
Quality improvement and the intelligent transformation project of medium-horsepower tractors	55,000,000.00	69.00	95.00	0.00	0.00	0.00	Own funds
LR Cylinder Line Quality Provision Project	15,000,000.00	87.97	100.00	0.00	0.00	0.00	Own funds
Information-based Project 2022	10,671,900.00	70.00	70.00	0.00	0.00	0.00	Own funds
Upgrading and Renovation Project of Small and Medium-sized Parts Line	15,000,000.00	59.76	90.00	0.00	0.00	0.00	Own funds
Information-based Project 2021	12,355,200.00	76.84	77.00	0.00	0.00	0.00	Own funds
Discharge Bench Construction Project	19,850,000.00	52.46	30.00	0.00	0.00	0.00	Own funds
Renovation of Automatic Line of Gear Box Shell Truss	8,230,000.00	100.00	100.00	0.00	0.00	0.00	Own funds
Cleaning Intelligent Renovation of Casting Production Line	5,000,000.00	99.47	92.00	0.00	0.00	0.00	Own funds
Intelligent Environmental Protection Improvement Project of Dongfanghong Diesel Engine Hot Trial Line	25,000,000.00	0.49	100.00	0.00	0.00	0.00	Own funds
Total	361,007,100.00	-	-	733,838.87	289,060.44	-	-

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-use assets

Unit: Yuan Currency: RMB

Item	Land right of use	Houses and buildings	Machinery Equipment	Total
I. Book value				
1. Beginning balance	20,088,223.80	13,484,593.60	2,152,022.28	35,724,839.68
2. Increase in the current period	3,398,082.09	99,053.57	221,087.75	3,718,223.41
(1) Rent	3,398,082.09	33,638.71	221,087.75	3,652,808.55
(2) Difference of foreign currency translation	0.00	65,414.86	0.00	65,414.86
3. Decrease in the current period	0.00	0.00	0.00	0.00
(1) Decrease due to lease expiration	0.00	0.00	0.00	0.00
4. Ending balance	23,486,305.89	13,583,647.17	2,373,110.03	39,443,063.09
II. Accumulated depreciation				
1. Beginning balance	1,295,937.72	263,995.69	0.00	1,559,933.41
2. Increase in the current period	5,371,300.19	3,296,068.48	572,183.80	9,239,552.47
(1) Provision	5,371,300.19	3,254,016.07	572,183.80	9,197,500.06
(2) Difference of foreign currency translation	0.00	42,052.41	0.00	42,052.41
3. Decrease in the current period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
4. Ending balance	6,667,237.91	3,560,064.17	572,183.80	10,799,485.88
III. Provision for impairment				
1. Beginning balance	0.00	0.00	0.00	0.00
2. Increase in the current period	0.00	0.00	0.00	0.00
3. Decrease in the current period	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00
IV. Carrying amount				
1. Carrying amount at the end of the period	16,819,067.98	10,023,583.00	1,800,926.23	28,643,577.21
2. Carrying amount at the beginning of the period	18,792,286.08	13,220,597.91	2,152,022.28	34,164,906.27

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets

Unit: Yuan Currency: RMB

Item	Land right of use	Patent rights	Software	Trademark right	Total
I. Book value					
1. Beginning balance	871,063,253.63	1,456,412.68	116,186,485.02	60,096,433.55	1,048,802,584.88
2. Increase in the current period	0.00	0.00	10,698,106.69	-8,715.00	10,689,391.69
(1) Purchase	0.00	0.00	482,920.34	0.00	482,920.34
(2) Transfer to construction in progress	0.00	0.00	10,214,039.27	0.00	10,214,039.27
(3) Difference of foreign currency translation	0.00	0.00	1,147.08	-8,715.00	-7,567.92
3. Decrease in the current period	563,040.00	0.00	0.00	0.00	563,040.00
(1) Sale	0.00	0.00	0.00	0.00	0.00
(2) Others	563,040.00	0.00	0.00	0.00	563,040.00
4. Ending balance	870,500,213.63	1,456,412.68	126,884,591.71	60,087,718.55	1,058,928,936.57
II. Cumulative amortization					
1. Beginning balance	251,368,794.22	822,897.35	81,740,425.29	533,699.31	334,465,816.17
2. Increase in the current period	11,361,572.46	0.00	5,236,363.96	-4,098.63	16,593,837.79
(1) Provision	11,361,572.46	0.00	5,235,745.61	4,616.37	16,601,934.44
(2) Difference of foreign currency translation	0.00	0.00	618.35	-8,715.00	-8,096.65
3. Decrease in the current period	175,950.00	0.00	0.00	0.00	175,950.00
(1) Sale	0.00	0.00	0.00	0.00	0.00
(2) Others	175,950.00	0.00	0.00	0.00	175,950.00
4. Ending balance	262,554,416.68	822,897.35	86,976,789.25	529,600.68	350,883,703.96
III. Provision for impairment					
1. Beginning balance	0.00	633,515.33	477,922.22	0.00	1,111,437.55
2. Increase in the current period	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Decrease in the current period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	633,515.33	477,922.22	0.00	1,111,437.55
IV. Carrying amount					
1. Carrying amount at the end of the period	607,945,796.95	0.00	39,429,880.24	59,558,117.87	706,933,795.06
2. Carrying amount at the beginning of the period	619,694,459.41	0.00	33,968,137.51	59,562,734.24	713,225,331.16

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Development expenditures

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred into current profits and losses	
R&D of Tractor Products	0.00	99,982,325.63	0.00	0.00	99,982,325.63	0.00
R&D of Power Machinery Products	0.00	42,963,020.05	0.00	0.00	42,963,020.05	0.00
Process R&D	0.00	23,172,012.71	0.00	0.00	23,172,012.71	0.00
Component Optimization and R&D of Other Machinery Products	0.00	11,590,188.74	0.00	0.00	11,590,188.74	0.00
Special Funds for Industrial Foundation Reconstruction and High-quality Development of the Manufacturing Industry	0.00	99,217.50	0.00	0.00	99,217.50	0.00
Basic research	0.00	2,527,050.51	0.00	0.00	2,527,050.51	0.00
Total	0.00	180,333,815.14	0.00	0.00	180,333,815.14	0.00

20. Goodwill

(1) Original value of goodwill

Unit: Yuan Currency: RMB

Name of investee or matters forming goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Formed by business combination	Others	Disposal	Others	
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

(2) Provision for impairment of goodwill

Unit: Yuan Currency: RMB

Name of investee or matters forming goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Disposal	Others	
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Long-term unamortized expenses

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Amortization in the current period	Other decreases in the current period	Ending balance
Amortized mold	54,268,912.47	3,990,499.20	11,531,279.83	0.00	46,728,131.84
Amortized maintenance expenditure	4,090,034.04	12,871.72	549,526.44	-5,401.86	3,558,781.18
Others	1,105,976.87	0.00	249,153.85	0.00	856,823.02
Total	59,464,923.38	4,003,370.92	12,329,960.12	-5,401.86	51,143,736.04

22. Deferred tax assets and liabilities

(1) Deferred tax assets not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	99,263,731.44	15,568,754.01	102,564,028.34	16,070,713.22
Dismissal welfare	52,488,421.42	8,005,347.62	71,917,522.62	10,959,910.41
Wages payable and accrued expenses	466,419,076.82	95,044,863.61	422,919,443.59	88,698,059.47
Deferred incomes	106,671,112.79	16,000,666.91	113,232,758.86	16,984,913.83
Deductible difference caused by leasing business	28,128,362.87	4,450,206.23	34,209,956.07	5,423,158.45
Total	752,970,705.34	139,069,838.38	744,843,709.48	138,136,755.38

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Deferred tax assets and liabilities (Continued)

(2) *Deferred tax liabilities not offset*

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Assets evaluation appreciation in the business combination not under the same control	71,327,774.49	17,646,710.87	75,376,708.87	18,658,944.47
Changes in fair value	663,685,958.59	99,552,893.79	641,345,058.59	96,201,758.79
Temporary difference caused by leasing business	28,128,362.87	4,450,206.23	34,209,956.07	5,423,158.45
Total	763,142,095.95	121,649,810.89	750,931,723.53	120,283,861.71

(3) *Breakdown of unrecognized deferred tax assets*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Provision for asset impairment	1,195,813,195.40	1,167,184,917.53
Deductible losses	637,462,296.05	983,701,608.75
Total	1,833,275,491.45	2,150,886,526.28

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Deferred tax assets and liabilities (Continued)

(4) *Deductible loss of unrecognized deferred tax assets due in the following years*

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remarks
2022	0.00	0.00	—
2023	67,085,275.03	67,085,275.03	—
2024	12,152,227.99	12,152,227.99	—
2025	19,986,131.17	21,068,321.46	—
2026	1,227,463.13	16,093,546.50	—
2027	19,072,982.76	59,314,402.97	—
2028	155,356,836.02	198,274,266.79	—
2029	71,112,575.68	330,817,082.36	—
2030	13,905,127.48	13,905,127.48	—
2031	92,240,031.30	92,272,278.98	—
2032	185,323,645.49	172,719,079.19	—
Total	637,462,296.05	983,701,608.75	—

23. Short-term loans

Classification of short-term loans

Unit: Yuan Currency: RMB

Category of loans	Ending balance	Beginning balance
Mortgage loans	0.00	70,000,000.00
Credit loan	500,000,000.00	200,000,000.00
Interests payable	381,388.90	223,055.56
Total	500,381,388.90	270,223,055.56

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Notes payable

Unit: Yuan Currency: RMB

Type of bill	Ending balance	Beginning balance
Bank acceptance bill	1,652,382,989.30	1,829,304,506.10
Commercial acceptance bill	0.00	107,072.27
Total	1,652,382,989.30	1,829,411,578.37

Note: The bill payable due but unpaid at the end of the current year is RMB0.00.

25. Accounts payable

(1) Accounts payable listed as per type and nature

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Procurement payable	3,043,103,428.29	2,081,660,028.31
Engineering equipment purchase payables	58,902,292.03	41,054,870.93
Service payables	154,289,526.45	164,161,767.34
Others	450,380.06	85,100.40
Total	3,256,745,626.83	2,286,961,766.98

(2) Accounts payable listed as per ageing

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year	2,852,222,221.42	1,976,325,706.83
1-2 years	182,107,370.47	142,792,136.62
2-3 years	100,227,632.55	94,323,052.54
Over 3 years	122,188,402.39	73,520,870.99
Total	3,256,745,626.83	2,286,961,766.98

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Accounts payable (Continued)

(3) Significant payables with ageing over one year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reasons for not repaying or carrying forward
LLAF INTERNATIONAL CO.,LTD	<u>27,173,957.66</u>	Unsettled

26. Advances from customers

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Rental received in advance	<u>3,504,133.12</u>	<u>190,366.98</u>

27. Contract liabilities

(1) Contract liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Sales payment	<u>217,394,739.30</u>	<u>846,464,703.95</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Contract liabilities

(2) *Contract liabilities presented by ageing*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	183,946,096.73	817,628,370.07
Over 1 year	33,448,642.57	28,836,333.88
Total	<u>217,394,739.30</u>	<u>846,464,703.95</u>

(3) *Significant contract liabilities with ageing over one year*

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not transfer
Management Committee of Henan Luoyang Industrial Park	11,926,605.50	Unsettled
Poly Technologies	3,937,265.60	Unsettled
Total	<u>15,863,871.10</u>	-

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Deposits from banks and other financial institutions

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current deposits	0.00	7,969,641.36
Including: Company	0.00	7,969,641.36
Time deposits (including notice deposits)	0.00	25,500,000.00
Including: Company	0.00	25,500,000.00
Interests payable	0.00	642,989.12
Total	0.00	34,112,630.48

29. Employee compensation payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term remuneration	74,930,309.15	484,293,664.43	483,097,787.12	76,126,186.46
Post-employment benefits – defined contribution plan	1,256,263.25	49,318,482.57	48,102,933.88	2,471,811.94
Dismissal welfare	32,358,586.99	21,930,606.70	17,789,862.68	36,499,331.01
Total	108,545,159.39	555,542,753.70	548,990,583.68	115,097,329.41

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee compensation payable (Continued)

(2) Short-term remuneration

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salary, bonus, allowance and subsidy	40,271,283.23	350,445,587.72	350,390,356.66	40,326,514.29
Employee benefits	0.00	17,967,228.69	17,967,228.69	0.00
Social insurance premium	573,053.88	22,464,324.59	21,991,906.64	1,045,471.83
Including: medical insurance premiums	491,726.90	19,896,500.60	19,422,966.90	965,260.60
Industrial injury insurance premium	81,326.98	2,567,823.99	2,568,939.74	80,211.23
Housing provident fund	897,467.00	29,121,630.00	29,133,995.00	885,102.00
Labor union funds and employee education funds	33,188,505.04	12,088,750.44	11,440,366.14	33,836,889.34
Others	0.00	52,206,142.99	52,173,933.99	32,209.00
Total	74,930,309.15	484,293,664.43	483,097,787.12	76,126,186.46

(3) Defined contribution plan

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance	1,203,200.56	47,294,262.58	46,129,665.30	2,367,797.84
Unemployment insurance premium	53,062.69	2,024,219.99	1,973,268.58	104,014.10
Total	1,256,263.25	49,318,482.57	48,102,933.88	2,471,811.94

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee compensation payable (Continued)

(3) Defined contribution plan (Continued)

Description of defined contribution plan: The Group participates in the social insurance plan established by government agencies according to regulations. As per the program, the Group will contribute to the program in accordance with relevant regulations of the local government. Besides the contribution above, the Group will not assume any obligations for payment. Corresponding expenditures shall be counted in current profit and loss or relevant asset costs.

The Group shall pay RMB49,318,482.57 (RMB45,496,505.69 in the same period in 2022) into the defined contribution plan in the current period. As of June 30, 2023, the Group has a payable contribution of RMB2,471,811.94 (RMB1,256,263.25 as of December 31, 2022) for paying the relevant payable contributions at the end of the reporting period that has been due but not paid in the reporting period.

30. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Real estate tax	7,560,838.00	6,841,823.68
VAT	4,244,631.67	4,110,146.45
Land use tax	3,407,840.71	2,920,036.11
Enterprise income tax	42,811,784.12	2,625,844.52
Individual income tax	8,987,107.06	1,873,618.50
Urban maintenance and construction tax	305,568.96	253,716.84
Educational surcharges	218,343.01	180,997.69
Other taxes and fees	3,236,353.54	2,243,201.01
Total	70,772,467.07	21,049,384.80

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable	28,230,500.24	24,785,843.99
Dividends payable	8,439,607.88	8,439,607.83
Other payables	<u>398,297,461.28</u>	<u>304,937,274.98</u>
Total	<u>434,967,569.40</u>	<u>338,162,726.80</u>

Interests payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest payable	<u>28,230,500.24</u>	<u>24,785,843.99</u>
Total	<u>28,230,500.24</u>	<u>24,785,843.99</u>

Significant interest due but unpaid

Unit: Yuan Currency: RMB

Entity	Overdue amount	Overdue reason
Shanghai Chengfan Enterprise Management Partnership (Limited Partnership)	<u>28,230,500.24</u>	Insufficient working capital
Total	<u>28,230,500.24</u>	/

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

Interests payable (Continued)

Dividends payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	8,439,607.88	8,439,607.83
Total	8,439,607.88	8,439,607.83

Other payables

(1) *Other payables classified as per nature*

Unit: Yuan Currency: RMB

Nature	Ending balance	Beginning balance
Unit's transaction payments	160,486,691.73	161,706,679.18
Guarantee deposit and security deposit	71,978,933.72	70,380,574.69
Loans from/to non-related parties	70,000,000.00	0.00
Collection and payment on behalf of others	63,905,939.02	40,140,737.24
Expenses payable	13,557,875.44	13,520,468.85
Others	18,368,021.37	19,188,815.02
Total	398,297,461.28	304,937,274.98

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

(2) Significant other payables with an ageing over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reasons for not repaying or carrying forward
YTO Group Corporation	149,723,564.50	Unsettled
Shanghai Chengfan Enterprise Management Partnership (Limited Partnership)	<u>70,000,000.00</u>	Insufficient liquidity
Total	<u>219,723,564.50</u>	–

32. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Lease liabilities due within one year	15,005,273.08	17,515,361.76
Long-term loans due within one year	0.00	200,000.00
Interest on long-term borrowings	<u>0.00</u>	<u>34,718.33</u>
Total	<u>15,005,273.08</u>	<u>17,750,080.09</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Discounts	493,240,190.42	246,923,863.47
Sales and Warranty Service Fees for Repair, Replacement, and Refund	113,198,268.78	104,886,888.97
Non-derecognition of notes	35,239,340.08	11,375,744.49
Output VAT to be carried forward	7,275,959.63	8,461,910.42
Intermediary service cost	0.00	2,660,000.00
Others	805,243.11	678,689.82
Total	649,759,002.02	374,987,097.17

34. Long-term loan

(1) Classification of long-term borrowings

Unit: Yuan Currency: RMB

Category of loans	Ending balance	Beginning balance
Principal of Credit Loan	0.00	49,580,000.00
Interests payable	0.00	34,718.33
Subtotal	0.00	49,614,718.33
Long-term loans due within one year	0.00	-200,000.00
Interest on long-term loan	0.00	-34,718.33
Total	0.00	49,380,000.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Lease liabilities

(1) *Presentation of lease liabilities*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Present Value of Lease Liabilities	28,128,362.87	33,975,237.74
Less: re-classified to non-current liabilities due within one year	15,005,273.08	17,515,361.76
Net amount of lease liabilities	13,123,089.79	16,459,875.98

(2) *Analysis of maturity date of lease liabilities*

Unit: Yuan Currency: RMB

The carrying amount of the above lease liabilities shall be repaid in the following periods	Amount
Within 1 year	15,005,273.08
1 to 2 years	13,123,089.79
Total	28,128,362.87
Less: lease liabilities due within one year	15,005,273.08
Lease liabilities disclosed under non-current liabilities	13,123,089.79

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Long-term payables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term Non-financial Institution Loans	9,001,441.87	8,476,357.76

Notes.: Yitwo Argo Industrial, an overseas subsidiary of the Group, signed a supplementary agreement with the Ivory Coast Government, which stipulated that the sub-loan amount of XOF750,120,156.00 (equivalent to RMB9,001,441.87 at the end of the period) obtained by Yitwo Argo Industrial from the government in 1997 had not been repaid. Repayment may be postponed to 2024.

37. Long-term employee compensation payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term Dismission Welfare	63,017,683.80	80,193,727.03
Less: undiscounted long-term employee compensation payable due within one year	36,499,331.01	32,358,586.99
Others	27,738.00	375,688.00
Total	26,546,090.79	48,210,828.04

38. Provisions

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Cause of formation
Others	1,962,613.99	1,962,613.99	Note

Note: It was formed by selling Yituo (Luoyang) Forklift Limited Company Sales Company in 2017, and the balance has not been paid.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred income

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause of formation
Asset-related government subsidies	119,267,582.40	0.00	10,046,784.11	109,220,798.29	-
Income-related government subsidies	<u>2,494,935.30</u>	<u>3,015,000.00</u>	<u>1,014,111.96</u>	<u>4,495,823.34</u>	-
Total	<u>121,762,517.70</u>	<u>3,015,000.00</u>	<u>11,060,896.07</u>	<u>113,716,621.63</u>	-

Projects of government subsidies

Unit: Yuan Currency: RMB

Projects using government subsidies	Beginning balance	Amount of new subsidies in current period	Amount included in non-operating revenue of the current period	Amount included in other gains in the current period	Amount for writing down the costs and expenses in the current period	Other changes	Ending balance	Asset-related/income-related
High-power Non-road Diesel Engine	24,500,000.00	0.00	0.00	2,450,000.00	0.00	0.00	22,050,000.00	Asset-related
Core Capacity Improvement of New Wheeled Tractors	21,763,636.34	0.00	0.00	2,418,181.82	0.00	0.00	19,345,454.52	Asset-related
Intelligent Workshop and Factory Industrial Internet Platform	10,000,000.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00	Asset-related
To Improve Independent R&D Capability	7,955,534.38	0.00	0.00	671,015.34	0.00	0.00	7,284,519.04	Asset-related
Application Project of New Wheeled Tractor Intelligent Manufacturing Model	7,572,727.22	0.00	0.00	540,909.10	0.00	0.00	7,031,818.12	Asset-related
Key Product Test and Inspection Platform	6,944,735.77	0.00	0.00	694,473.60	0.00	0.00	6,250,262.17	Asset-related
Special Funds for the Urban Affordable Housing Project	7,200,000.00	0.00	144,000.00	0.00	0.00	0.00	7,056,000.00	Asset-related
Subsidies for Modern Agricultural Equipment Intelligent Cockpit Digital Factory Project	5,714,285.74	0.00	0.00	428,571.42	0.00	0.00	5,285,714.32	Asset-related
Modern Agricultural Equipment Intelligent Cockpit Digital Factory	5,152,777.82	0.00	0.00	291,666.66	0.00	0.00	4,861,111.16	Asset-related
Quality improvement and the intelligent transformation of medium-horsepower tractors	5,110,000.00	0.00	0.00	125,528.33	0.00	0.00	4,984,471.67	Asset-related
G4 Diesel Engine Provincial Renovation Project (Phase I)	3,825,000.00	0.00	0.00	255,000.00	0.00	0.00	3,570,000.00	Asset-related
Complete Tractor Test Environment Chamber and Supporting Comprehensive Verification Platform	2,500,000.00	0.00	0.00	150,000.00	0.00	0.00	2,350,000.00	Asset-related
8-12Kg/s Multifunctional Combine Harvester Project	2,493,750.00	0.00	0.00	131,250.00	0.00	0.00	2,362,500.00	Asset-related
Renovation Project of Small and Medium-sized Parts Modelling Line of Foundry	2,377,732.72	0.00	0.00	128,187.84	0.00	0.00	2,249,544.88	Asset-related

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred income

	Beginning balance	Amount of new subsidies in current period	Amount included in non-operating revenue of the current period	Amount included in other gains in the current period	Amount for writing down the costs and expenses in the current period	Other changes	Ending balance	Asset-related/income-related
Projects using government subsidies								
Annual Output of 1,000 High-horsepower Shifting Heavy-duty Wheeled Tractors	2,250,000.00	0.00	0.00	250,000.00	0.00	0.00	2,000,000.00	Asset-related
Green Technology Upgrading and Renovation Project of the Casting System	2,200,000.00	0.00	0.00	1,098,000.00	0.00	0.00	1,102,000.00	Asset-related
Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Project	1,575,000.00	0.00	0.00	270,000.00	0.00	0.00	1,305,000.00	Asset-related
2020 National New Material Production and Application Demonstration Platform Construction Project-agricultural Machinery Equipment Material Production and Application Demonstration Platform	1,156,770.86	0.00	0.00	91,391.50	0.00	0.00	1,065,379.36	Income-related
30-50 HP 3-cylinder Lightweight Diesel Engine	600,000.00	0.00	0.00	497,508.73	0.00	0.00	102,491.27	Income-related
Construction Funds for Zhang Jingmei "Heluo Craftsman" Studio R&D and Application Demonstration of Unmanned Operation Equipment for Wheat Plowing	0.00	100,000.00	0.00	0.00	0.00	0.00	100,000.00	Income-related
Research on Unmanned Operation Technology and Equipment Development of Tractor	0.00	840,000.00	0.00	0.00	0.00	0.00	840,000.00	Income-related
Integration and Application of Smart Cloud Management and Control System for Wheat Unmanned Farm	0.00	950,000.00	0.00	0.00	0.00	0.00	950,000.00	Income-related
R&D of Key Technologies and Assembly Creation for Power System and Intelligent Control Unit of Hybrid/Electric Agricultural Machinery	0.00	200,000.00	0.00	76,500.00	0.00	0.00	123,500.00	Income-related
Integration and Application Demonstration of New Power Tractor/ Self-propelled Plant Protection Machine	0.00	425,000.00	0.00	338.37	0.00	0.00	424,661.63	Income-related
Integration and Application Demonstration of New Power Tractor/ Self-propelled Plant Protection Machine	0.00	500,000.00	0.00	82,223.91	0.00	0.00	417,776.09	Income-related
Others	870,566.85	0.00	0.00	266,149.45	0.00	0.00	604,417.40	-
Total	121,762,517.70	3,015,000.00	144,000.00	10,916,896.07	-	-	113,716,621.63	-

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Capital stock

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase (+)/decrease (-) in the current period				Subtotal	Ending balance
		New share issued	Bonus issue	Shares converted from reserves	Others		
Total shares	1,123,645,275.00	0.00	0.00	0.00	0.00	0.00	1,123,645,275.00

41. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Share premium	2,408,231,745.23	0.00	0.00	2,408,231,745.23
Other capital reserves	247,618,250.77	0.00	0.00	247,618,250.77
Total	2,655,849,996.00	0.00	0.00	2,655,849,996.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive incomes

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred in the current period				Less: income tax expenses	Attributable to the parent company - net of income tax	After-tax amount attributable to minority shareholders	Ending balance
		Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the previous period and transferred to profit and loss in the current period	Less: Amount included in other comprehensive income in the previous period and transferred to retained income in the current period					
I. Other comprehensive income not to be reclassified into profit and loss									
Other comprehensive income that cannot be transferred to profit or loss under the equity method	-745,755.85	108,735.35	0.00	0.00	0.00	108,735.35	0.00	-637,020.50	
Changes in fair value of investments in equity instruments at FVTOCI	-69,708.37	108,735.35	0.00	0.00	0.00	108,735.35	0.00	39,026.98	
	-676,047.48	0.00	0.00	0.00	0.00	0.00	0.00	-676,047.48	
II. Other comprehensive income that will be reclassified into profit and loss									
Differences arising from translation of foreign currency financial statements	-5,107,788.44	5,167,596.82	0.00	0.00	0.00	3,960,978.97	1,206,617.85	-1,146,809.47	
	-5,107,788.44	5,167,596.82	0.00	0.00	0.00	3,960,978.97	1,206,617.85	-1,146,809.47	
Total other comprehensive incomes	-5,853,544.29	5,276,332.17	0.00	0.00	0.00	4,069,714.32	1,206,617.85	-1,783,829.97	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Work safety expenses	5,497,405.05	9,413,924.06	8,094,193.16	6,817,135.95

44. Surplus reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserves	594,662,064.89	0.00	0.00	594,662,064.89
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
Total	595,433,495.89	0.00	0.00	595,433,495.89

45. General risk provision

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
General risk provision	43,263,387.54	0.00	43,263,387.54	0.00

Note: The decrease in the current period is due to the liquidation and cancellation of YTO Finance, and the originally accrued general risk reserve is transferred to undistributed profits.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Retained earnings

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Ending balance in the previous period	1,540,248,936.64	1,086,069,085.52
Beginning adjustment amount	0.00	0.00
Beginning balance in the current period	1,540,248,936.64	1,086,069,085.52
Add: net profit attributable to owners of parent company in current period	754,144,938.68	681,050,957.24
Others (note)	43,263,387.54	0.00
Less: appropriation to statutory surplus reserves	0.00	93,937,712.30
Dividends payable on ordinary shares	257,343,686.35	132,933,393.82
Ending balance in the current period	2,080,313,576.51	1,540,248,936.64

Note: YTO Finance was liquidated and canceled in the current period, and the accrued general risk reserve is transferred to undistributed profits.

47. Operating revenues and costs

Unit: Yuan Currency: RMB

Item	Amount in the current period		Amount incurred in the previous period	
	Income	Cost	Revenue	Costs
Main business	7,210,504,562.43	6,071,201,097.03	6,505,986,146.91	5,455,437,565.29
Other business	32,413,980.18	24,069,482.15	44,740,367.88	28,296,304.24
Total	7,242,918,542.61	6,095,270,579.18	6,550,726,514.79	5,483,733,869.53

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Net interest income

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Interest Income	5,626,023.58	74,636,601.43
1. Inter-bank deposits	5,604,580.48	42,000,785.95
2. Deposits at central bank	17,576.03	2,113,712.62
3. Lendings to banks and other financial institutions	0.00	0.00
4. Loans and advances	3,867.07	26,939,131.45
Including: Personal loans and advances	3,867.07	9,109,362.98
Corporate Loans and Advances	0.00	16,848,594.19
Bills discounting	0.00	981,174.28
5. Financial assets purchased under agreements to resell	0.00	3,582,971.41
Including: interest income from impaired financial assets	0.00	0.00
II. Interest Expenses	99,838.97	10,371,808.42
1. Deposits from banks and other financial institutions	0.00	66,666.67
2. Absorption of deposits	99,838.97	10,219,151.75
3. Others	0.00	85,990.00
III. Net Interest Income	5,526,184.61	64,264,793.01

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Net income from fees and commissions

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Fee and commission income	0.00	4,968,165.35
1. Settlement and Liquidation Fees	0.00	12,039.66
2. Agency fees	0.00	0.00
3. Guarantee fees and commissions	0.00	55,681.65
4. Others	0.00	4,900,444.04
II. Fee and commission expenses	60,491.28	273,748.70
1. Expenses of procedure fees	60,491.28	273,748.70
2. Expenses of commissions	0.00	0.00
III. Net income from fees and commissions	-60,491.28	4,694,416.65

50. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Real estate tax	10,762,476.20	10,789,214.28
Stamp duty	7,686,774.94	5,411,864.72
Land use tax	3,954,538.08	3,954,538.07
Urban maintenance and construction tax	1,721,497.71	2,220,951.64
Educational surcharges	1,229,641.22	1,586,394.03
Vehicle and vessel use tax	22,082.86	16,523.45
Others	243,690.12	187,661.30
Total	25,620,701.13	24,167,147.49

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	38,922,661.70	37,821,319.41
Sales and Warranty Service Fees for Repair, Replacement, and Refund	37,135,763.60	13,550,285.02
Business travel expense	7,031,618.81	5,137,479.40
Advertising expenses	4,466,790.90	5,245,020.36
Rental expenses	696,396.96	519,879.60
Others	4,142,616.25	3,933,671.25
Total	92,395,848.22	66,207,655.04

52. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	80,889,228.38	75,970,907.73
Depreciation expenses	25,321,585.16	26,868,707.08
Amortization of intangible assets	15,072,655.01	14,612,826.77
Repair expenses	8,417,263.34	13,470,473.46
Rental expenses	8,400,413.01	8,358,897.44
Labor cost	4,166,123.39	4,347,548.20
Working funds for Party building	2,572,959.62	2,687,885.78
Business travel expense	1,955,014.24	762,786.99
Office expenses	1,487,981.32	1,176,816.92
Business entertainment expenses	1,471,359.79	984,927.83
Utility bills	1,088,848.14	992,716.97
Others	7,854,382.26	8,674,292.40
Total	158,697,813.66	158,908,787.57

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. R&D expenses

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	93,374,907.15	89,155,733.70
Material expenses	55,372,781.23	59,557,313.27
Depreciation expenses	19,917,710.34	22,569,835.06
Design expenses	665,877.41	1,647,655.97
Test and inspection expenses	346,181.19	208,977.81
Others	10,656,357.82	13,247,428.40
Total	180,333,815.14	186,386,944.21

54. Financial expenses

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	9,144,097.12	12,495,853.25
Less: interest income	29,872,258.61	1,431,615.26
Add: Net exchange gains or losses (gains to be listed with "-")	-10,216,424.46	-13,582,508.38
Others	860,744.67	308,060.85
Total	-30,083,841.28	-2,210,209.54

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Other incomes

(1) *Breakdown of other incomes*

Unit: Yuan Currency: RMB

Other sources of income	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies	11,713,210.93	12,873,277.10
Return of service charges of individual income tax	303,855.74	261,430.59
VAT additional deduction	126,020.95	252,912.35
Total	12,143,087.62	13,387,620.04

(2) *Breakdown of Government Subsidies*

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Asset-related/ income-related
High-power Non-road Diesel Engine Core Capacity Improvement of New Wheeled Tractors	2,450,000.00	2,450,000.00	Asset-related
Green Technology Upgrading and Renovation Project of the Casting System	2,418,181.82	2,418,181.82	Asset-related
Subsidies for Employment Stabilization	1,098,000.00	1,098,000.00	Asset-related
Key Product Test and Inspection Platform	731,716.85	0.00	Income-related
To Improve Independent R&D Capability	694,473.60	694,473.60	Asset-related
Application Project of New Wheeled Tractor Intelligent Manufacturing Model	671,015.34	671,015.34	Asset-related
30-50 HP 3-cylinder Lightweight Diesel Engine	540,909.10	540,909.10	Asset-related
	497,508.73	0.00	Income-related

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Other incomes (Continued)

(2) Breakdown of Government Subsidies (Continued)

Item	Amount incurred in the current period	Amount incurred in the previous period	Asset-related/ income-related
Subsidies for Modern Agricultural Equipment Intelligent Cockpit Digital Factory Project	428,571.42	428,571.42	Asset-related
Modern Agricultural Equipment Intelligent Cockpit Digital Factory Energy-saving and Environmental-friendly Diesel Engine Crankshaft Machining Production Line Project	291,666.66	291,666.66	Asset-related
G4 Diesel Engine Provincial Renovation Project (Phase I)	270,000.00	270,000.00	Asset-related
Annual Output of 1,000 High-horsepower Shifting Heavy-duty Wheeled Tractors	255,000.00	255,000.00	Asset-related
Research on Key Technologies of Exhaust After-treatment System Control and OBD of Agricultural Machinery	250,000.00	250,000.00	Asset-related
Funds for Organic Waste Gas Treatment	0.00	229,494.74	Income-related
Subsidies for Small and Medium-sized Enterprises to Explore International Markets	0.00	1,150,000.00	Income-related
Research on Key Technologies of Clean Combustion of Agricultural Diesel Engine	0.00	317,300.00	Income-related
Yang Hongzhe Skill Master Studio Engineering Demonstration of Agricultural Machinery Post-treatment System Meeting G4 Motor Vehicle Pollutant Emission Standards	0.00	112,772.44	Income-related
R&D of Large-scale Precision Sowing and Fertilization Robot System	0.00	88,991.16	Income-related
	0.00	69,544.50	Income-related
	0.00	60,851.54	Income-related

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Other incomes (Continued)

(2) Breakdown of Government Subsidies (Continued)

Item	Amount incurred in the current period	Amount incurred in the previous period	Asset-related/ income-related
Research on Testing Technology and System Development of Complete Tractor – Research on Quality Testing Technology for Manufacturing Process of Agricultural Machinery and Equipment	0.00	13,056.59	Income-related
Others	<u>1,116,167.41</u>	<u>1,463,448.19</u>	–
Total	<u>11,713,210.93</u>	<u>12,873,277.10</u>	–

56. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment incomes valued at equity method	27,363,498.87	4,501,370.69
Interest income from holding debt instruments at amortised cost	33,724,039.36	0.00
Investment income from disposal of financial assets held for trading	7,378,696.35	1,238,539.86
Investment income from disposal of long-term equity investments	0.00	27,356,702.28
others	<u>0.00</u>	<u>-270,941.51</u>
Total	<u>68,466,234.58</u>	<u>32,825,671.32</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Income from changes in fair value

Unit: Yuan Currency: RMB

Sources of income from changes in fair value	Amount incurred in the current period	Amount incurred in the previous period
Profit and loss due to changes in fair value of financial assets held for trading	26,573,546.12	-86,421,175.31

58. Credit impairment losses (loss to be listed with “-”)

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt loss for receivables	-15,101,606.37	-93,415,034.77
Impairment loss from entrusted loan	4,266,450.00	0.00
Impairment Loss on Loan Assets	0.00	18,949,630.47
Total	-10,835,156.37	-74,465,404.30

59. Asset impairment loss (loss to be listed with “-”)

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Inventory impairment loss	-4,955,879.09	-1,573,483.93
Impairment loss on advances to suppliers	33,437.96	-57,500.00
Total	-4,922,441.13	-1,630,983.93

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Incomes from assets disposal

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profits and losses in the current period
Gains or losses from disposal of fixed assets	<u>743,241.14</u>	<u>648,065.96</u>	<u>743,241.14</u>

61. Non-operating revenue

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profits and losses in the current period
Government subsidy unrelated to daily activities	144,000.00	144,000.00	144,000.00
Payables not to be paid	1,483,913.62	3,232,633.72	1,483,913.62
Income from breach indemnity	1,008,740.00	0.00	1,008,740.00
Others	<u>669,204.93</u>	<u>405,100.72</u>	<u>669,204.93</u>
Total	<u><u>3,305,858.55</u></u>	<u><u>3,781,734.44</u></u>	<u><u>3,305,858.55</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Non-operating revenue (Continued)

Breakdown of Government Subsidies

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Source and basis	Asset-related/income-related
Special Funds for the Urban Affordable Housing Project	144,000.00	144,000.00	Document of Luoyang Municipal Finance Bureau and Luoyang Municipal Commission of Housing and Urban-Rural Development: LCY [2014] No. 164	Asset-related

62. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period	Amount included in non-recurring profits and losses in the current period
Penalty expenditures	577,169.51	0.00	577,169.51
Overdue fine	2,965.06	1,154,598.87	2,965.06
Expenditure on Compensation	0.00	196,465.93	0.00
External donation	0.00	10,000.00	0.00
Others	44,603.59	381,307.43	44,603.59
Total	624,738.16	1,742,372.23	624,738.16

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Income tax expenses

(1) *Income tax expenses*

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income tax expense in the current year	56,090,677.37	75,650,425.15
Deferred tax expenses	432,866.18	-68,161,163.33
Total	56,523,543.55	7,489,261.82

(2) *Adjustment process of accounting profits and income tax expenses*

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period
Consolidated total profits in the current period	820,998,952.24
Income tax expense calculated in accordance with legal/applicable tax rate	123,149,842.84
Effect of different tax rates applicable to subsidiaries	-3,580,003.26
Impact of income tax in previous periods before adjustment	-15,763,807.87
Impact of non-taxable income	-2,873,438.54
Impact of non-deductible costs, expenses and losses	1,347,147.78
Effect of using deductible losses of unrecognized deferred income tax assets in the previous period	-57,829,417.44
Effect from deductible temporary balance or deductible losses of deferred tax assets unrecognized in the current period	30,076,358.18
Weighted Deduction of R&D Expenses and Other Expenses	-9,106,551.04
Others	-8,896,587.10
Income tax expenses	56,523,543.55

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Other comprehensive incomes

Refer to Note "VI. 42 Other comprehensive income" for details.

65. Items of cash flow statements

(1) Other cash received relating to operating activities

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest on Deposits received	27,386,455.05	1,431,615.26
Government subsidies received	3,811,314.86	9,295,966.67
Cash Received Related to Other Transactions	89,722,805.95	14,947,978.03
Total	120,920,575.86	25,675,559.96

(2) Other cash paid relating to operating activities

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Cash paid for selling, administrative and R&D expenses	50,026,802.79	62,962,136.35
Cash Paid Related to Other Transactions	10,457,611.37	66,300,290.07
Total	60,484,414.16	129,262,426.42

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Items of cash flow statements (Continued)

(3) *Other cash received relating to financing activities*

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Recovery of funds restricted by policy	0.00	7,883,193.22
Total	0.00	7,883,193.22

(4) *Other cash paid relating to financing activities*

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Lease payments	13,859,588.30	4,450,610.70
Total	13,859,588.30	4,450,610.70

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Supplementary information to consolidated cash flow statement

(1) *Supplementary information to consolidated cash flow statement*

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
1. Adjust net profit to cash flow from operating activities:		
Net profit	764,475,408.69	581,385,424.32
Add: provision for impairment of assets	4,922,441.13	1,630,983.93
Credit impairment losses	10,835,156.37	74,465,404.30
Depreciation of fixed assets	132,148,537.14	137,943,421.51
Depreciation of right-of-use assets	9,197,500.06	9,714,054.19
Amortization of intangible assets	16,601,934.44	16,042,102.43
Amortization of long-term unamortized expenses	12,329,960.12	11,622,948.34
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-743,241.14	-648,065.96
Losses from retirement of fixed assets (profits marked with "-")	542.40	0.00
Losses from changes in fair value (profits marked with "-")	-26,573,546.12	86,421,175.31
Financial expenses (profits marked with "-")	9,144,097.12	12,495,853.25
Investment losses (profits marked with "-")	-68,466,234.58	-32,825,671.32
Decrease on deferred tax assets (increase to be listed with "-")	-933,083.00	-53,899,017.99
Increase in deferred tax liabilities (decrease to be listed with "-")	1,365,949.18	-14,262,145.34
Decrease in inventory (increase marked with "-")	-3,965,828.02	833,253,093.85
Decrease in operating receivables (increase marked with "-")	-297,401,673.85	710,084,244.36
Increase in operating payables (decrease marked with "-")	391,406,219.59	902,359,445.56
Others	0.00	0.00
Net cash flows from operating activities	954,344,139.53	3,275,783,250.74
2. Major investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds due within one year	0.00	0.00
Fixed assets acquired under financial leases	0.00	0.00
3. Net changes in cash and cash equivalents:		
Ending balance of cash	2,239,572,429.19	5,126,484,279.03
Less: Beginning balance of cash	3,519,577,581.87	2,146,767,725.61
Add: Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-1,280,005,152.68	2,979,716,553.42

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Supplementary information to consolidated cash flow statement (Continued)

(2) Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash	2,239,572,429.19	3,519,577,581.87
Including: cash on hand	126,626.80	60,612.69
Bank deposit available for payments at any time	2,239,445,740.30	3,519,516,908.93
Other monetary funds available for payment at any time	62.09	60.25
Cash equivalents	0.00	0.00
Balance of cash and cash equivalents at the end of the period	2,239,572,429.19	3,519,577,581.87
Including: the parent company or subsidiaries within the group use restricted cash and cash equivalents	0.00	0.00

67. Assets with ownership or right of use restricted

Unit: Yuan Currency: RMB

Item	Ending book value	Reasons for restriction
Monetary fund	415,475,547.80	Security Deposit, etc.
Fixed assets	30,388,823.16	Loan mortgage
Intangible assets	14,652,892.88	Loan mortgage
Bills receivable	3,031,700.00	Note pledges
Receivables financing	21,430,000.00	Note pledges
Total	484,978,963.84	

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Net current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current assets	7,132,248,470.93	7,882,202,099.51
Less: Current Liabilities	6,916,010,518.43	6,127,858,550.57
Net Current Assets	<u>216,237,952.50</u>	<u>1,754,343,548.94</u>

69. Total assets minus current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Total assets	14,205,305,772.95	12,991,565,481.68
Less: Current Liabilities	6,916,010,518.43	6,127,858,550.57
Total assets minus current liabilities	<u>7,289,295,254.52</u>	<u>6,863,706,931.11</u>

70. Borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Principal of short-term borrowings	500,000,000.00	270,000,000.00
Principal of long-term loans	<u>0.00</u>	<u>49,580,000.00</u>
Total	<u>500,000,000.00</u>	<u>319,580,000.00</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

70. Borrowings (Continued)

(1) *Loan Analysis*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank borrowings	-	-
Need to repay within one year	500,000,000.00	270,200,000.00
Need to repay after one year	0.00	49,380,000.00
	<hr/>	<hr/>
Total	500,000,000.00	319,580,000.00
	<hr/> <hr/>	<hr/> <hr/>

(2) *Analysis of due date of borrowings*

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Borrowings	-	-
Within 1 year	500,000,000.00	270,200,000.00
1-2 years	0.00	4,200,000.00
2-5 years	0.00	45,180,000.00
	<hr/>	<hr/>
Total	500,000,000.00	319,580,000.00
	<hr/> <hr/>	<hr/> <hr/>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Monetary items in foreign currency

(1) Monetary items in foreign currency

Unit: Yuan

Item	Ending balance in foreign currency	Exchange rate	Ending balance in RMB (equivalent)
Monetary fund	–	–	182,321,403.29
Including: USD	19,474,702.27	7.2258	140,720,303.66
EUR	3,946,145.05	7.8771	31,084,179.17
HKD	10,939.19	0.9220	10,085.93
XOF	868,373,284.00	0.0120	10,420,479.41
ZAR	163,404.88	0.3864	63,139.65
BYR	8,109.64	2.8627	23,215.47
Accounts receivable	–	–	91,356,769.92
Including: USD	10,206,211.28	7.2258	73,748,041.47
EUR	100,835.17	7.8771	794,288.72
JPY	1,326,935.00	0.0501	66,479.44
AUD	486,820.81	4.7992	2,336,350.43
XOF	495,212,988.00	0.0120	5,942,555.86
ZAR	21,917,841.61	0.3864	8,469,054.00
Other receivables	–	–	1,047,697.67
Including: XOF	75,503,960.50	0.0120	906,047.53
ZAR	26,860.62	0.3864	10,378.94
BYR	45,855.73	2.8627	131,271.20
Non-current assets due within one year	–	–	433,925,974.99
Including: USD	43,098,403.23	7.2258	311,420,442.06
EUR	15,552,110.92	7.8771	122,505,532.93
Other current assets	–	–	41,673.33
Including: BYR	14,557.35	2.8627	41,673.33
Accounts payable	–	–	35,777,135.59
Including: USD	4,078,247.69	7.2258	29,468,602.16
EUR	706,460.12	7.8771	5,564,857.01
AUD	11,794.96	4.7992	56,606.37
XOF	51,292,151.00	0.0120	615,505.81
BYR	24,998.86	2.8627	71,564.24

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Monetary items in foreign currency (Continued)

(1) *Monetary items in foreign currency (Continued)*

Unit: Yuan

Item	Ending balance in foreign currency	Exchange rate	Ending balance in RMB (equivalent)
Other payables	–	–	279,830.00
Including: XOF	23,076,395.00	0.0120	276,916.74
BYR	1,017.66	2.8627	2,913.26
Employee compensation payable	–	–	123,807.77
Including: BYR	43,248.60	2.8627	123,807.77
Long-term payables	–	–	9,001,441.87
Including: XOF	750,120,156.00	0.0120	9,001,441.87
Non-current liabilities due within one year	–	–	368,607.12
Including: XOF	30,717,260.23	0.0120	368,607.12

Note: The above asset are presented at original value.

(2) *Oversea business entity*

Company name	Overseas Business Place	Bookkeeping currency	Selection basis of bookkeeping currency
Brilliance China Machinery Holdings Ltd.	Hong Kong	USD	Operating Environment and Main Settlement Currencies
Yitwo Argo Industrial	Ivory Coast	XOF	Operating Environment and Main Settlement Currencies
Cadfund Machinery Pty Ltd	Southern Africa	ZAR	Operating Environment and Main Settlement Currencies
YTO Belarus Technology Co., Ltd.	Belarus	BYR	Operating Environment and Main Settlement Currencies

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

72. Government subsidies

(1) *Basic information of government subsidies*

Unit: Yuan Currency: RMB

Category	Amount incurred in the current period	Item presented	Amount included in current profits and losses
Government subsidy recognized in deferred income	3,015,000.00	Deferred incomes	159,062.28
Government subsidy recognized in other income	796,314.86	Other incomes	796,314.86
Government subsidy recognized in non-operating income	0.00	Non-operating revenue	0.00
Total	3,811,314.86		955,377.14

(2) *Refund of government subsidies*

None.

73. Depreciation and amortization

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Depreciation of fixed assets	132,148,537.14	137,943,421.51
Amortization of intangible assets	16,601,934.44	16,042,102.43
Total	148,750,471.58	153,985,523.94

74. Reserves

According to the applicable laws of the People's Republic of China, the Group's available-for-distribution reserve on June 30, 2023, is RMB2,080,313,576.51, and the share premium of the capital reserve is RMB2,408,231,745.23.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business merger under different controls

None.

2. Business combination under common control

None.

3. Reversed takeover

None.

4. Disposal of subsidiaries

None.

5. Changes in consolidation scope for other reasons

To implement the financial regulatory requirements of “one enterprise group can only establish one finance company” in the Measures for the Implementation of Administrative Licensing Matters for Non-bank Financial Institutions by China Banking Regulatory Commission (CBRC Order No. 6 [2020]), with the approval of the General Meeting of Shareholders, the Company canceled and liquidated YTO Finance and submitted an application for dissolution to Henan Bureau of China Banking and Insurance Regulatory Commission.

On November 7, 2022, YTO Finance received the Reply of China Banking and Insurance Regulatory Commission on the Dissolution of YTO Group Finance CO., LTD. (YBJF [2022] No. 787), agreeing that YTO Finance stops all business activities and dissolves, and shall go through liquidation and cancellation procedures in accordance with relevant laws and regulations. On November 14, 2022, YTO Finance established a liquidation team. On May 2023, all the property of YTO Finance was distributed. On June 1, 2023, YTO Finance completed the industrial and commercial cancellation procedures.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of the Enterprise Group

Name of subsidiary	Principal place of business	Registration place	Business Nature	Shareholding proportion (%)		Way of acquisition
				Direct	Indirect	
Changtuo Agricultural Machinery Equipment Group Co., Ltd. (Note)	China	China	Tractor manufacturing	33.33	0.00	Business merger under different control
Luoyang Tractor Research Institute Co., Ltd.	China	China	Development and research of tractor products	51.00	0.00	Business combination under common control
YTO International Economic and Trade Co., Ltd.	China	China	Agricultural machinery sales	100.00	0.00	Business combination under common control
China-Africa Heavy Industry Investment Co., Ltd.	China	China	Agricultural machinery sales	55.00	0.00	Establishment
YTO (Luoyang) Flagauto-Body Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	Business combination under common control
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Ltd.	China	Bermuda Islands	Investment holding	90.10	0.00	Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd.	China	China	Agricultural machinery sales	70.00	30.00	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd.	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	Business combination under common control
YTO Belarus Technology Co., Ltd.	Belarus	Belarus	R&D	100.00	0.00	Business combination under common control

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Composition of the Enterprise Group (Continued)

Notes: According to the resolution of the first meeting of the sixth board of directors of the Company in 2012, the Company increased its capital by RMB94.25 million to Changtuo Company based on the net asset appraisal value of Changtuo Agricultural Machinery Equipment Group Co., Ltd. (hereinafter referred to as Changtuo Company) on March 31, 2012, and held 33.33% of the equity of Changtuo Company after the capital increase. According to the agreement between the Company and Sinomach, Sinomach entrusts the Company to independently exercise its voting rights, supervision and management rights, and other rights corresponding to 33.33% of the equity held by it in Changtuo Company, and the custody period ends on the date when Sinomach transfers the aforementioned rights to an irrelevant third party. During the custody period, Sinomach shall not unilaterally revoke the custody authorization. If Sinomach transfers its equity to a third party, it shall obtain written consent from the Company, and the Company shall have the preemptive right. Therefore, the Company obtained 66.66% of the voting rights and actual control rights of Changtuo Company

(2) Important non-wholly-owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding proportion of minority shareholders (%)	Profits and losses attributable to minority shareholders in current period	Dividends announced and distributed to minority shareholders in current period	Balance of non-controlling interests at the end of the period
Luoyang Tractor Research Institute Co., Ltd.	49.00	2,207,220.85	2,480,000.00	271,747,947.29
YTO (Luoyang) Diesel Engine Co., Ltd.	14.53	12,513,946.98	791,231.43	181,061,524.28

(3) Main financial information of important non-wholly-owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Current assets	Non-current assets	Ending balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Luoyang Tractor Research Institute Co., Ltd.	278,352,412.17	372,037,098.61	650,389,510.78	70,957,802.87	24,842,835.89	95,800,638.76
YTO (Luoyang) Diesel Engine Co., Ltd.	2,331,238,402.58	738,160,373.15	3,069,398,775.73	1,573,078,093.65	98,520,356.73	1,671,598,450.38

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Main financial information of important non-wholly-owned subsidiaries (Continued)

Name of subsidiary	Current assets	Non-current assets	Beginning balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Luoyang Tractor Research Institute Co., Ltd.	241,859,587.48	388,149,320.00	630,008,907.48	47,204,538.92	27,660,028.89	74,864,567.81
YTO (Luoyang) Diesel Engine Co., Ltd.	1,890,953,090.71	717,359,508.09	2,608,312,598.80	1,177,671,827.16	121,325,557.03	1,298,997,384.19

Name of subsidiary	Amount incurred in the current period			Cash flow from operating activities
	Revenue	Net profit	Total comprehensive income	
Luoyang Tractor Research Institute Co., Ltd.	95,640,534.34	4,504,532.35	4,504,532.35	-224,711,520.84
YTO (Luoyang) Diesel Engine Co., Ltd.	1,783,425,607.89	90,664,344.02	90,664,344.02	-526,504,243.00

Name of subsidiary	Amount incurred in the previous period			Cash flow from operating activities
	Revenue	Net profit	Total comprehensive income	
Luoyang Tractor Research Institute Co., Ltd.	88,442,219.99	3,389,434.35	2,148,228.24	16,063,487.81
YTO (Luoyang) Diesel Engine Co., Ltd.	1,302,218,579.23	-2,933,204.91	-2,933,204.91	169,975,975.58

(4) Major limitations on the use of enterprise group assets and payment of enterprise group debts

None.

(5) Financial support or other supports provided to the structural body within the combined financial statement

None.

2. Conditions of the owner's equity portion variation in the subsidiaries and the subsidiaries still being under control

None.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises

(1) Important joint ventures or associates

Unit: Yuan Currency: RMB

Name of joint venture or associate	Principal place of business	Registration place	Business Nature	Shareholding proportion (%)		Accounting methods for the investment in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Axle Co., Ltd.	China	China	Tractor Manufacturing	49.00	0.00	Equity method
Sinomach Finance Co., Ltd.	China	China	Financing	14.29	0.00	Equity method

(2) Key financial information for significant associates

Unit: Yuan Currency: RMB

	Ending balance/amount incurred in the current period	
	Sinomach Finance Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
Current assets	37,924,044,160.59	226,482,592.61
Non-current assets	<u>9,404,935,709.57</u>	<u>21,939,525.66</u>
Total assets	<u><u>47,328,979,870.16</u></u>	<u><u>248,422,118.27</u></u>
Current liabilities	42,308,665,047.56	69,062,044.34
Non-current liabilities	<u>936,469,820.34</u>	<u>0.00</u>
Total liabilities	<u><u>43,245,134,867.90</u></u>	<u><u>69,062,044.34</u></u>
Non-controlling interests	0.00	0.00
Shareholders' equity attributable to the parent company	4,083,845,002.26	179,360,073.93
Shares of net assets calculated as per the shareholding proportion	583,405,845.49	87,886,436.23
Adjustments	-7,404,462.81	-1,099,216.70
– Goodwill	0.00	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises (Continued)

(2) Key financial information for significant associates (Continued)

Unit: Yuan Currency: RMB

	Ending balance/amount incurred in the current period	
	Sinomach Finance Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
- Unrealized profit of internal transaction	0.00	-1,099,216.70
- Others	-7,404,462.81	0.00
Carrying amount of equity investments in associates	576,001,382.68	86,787,219.53
Fair value of equity investments in associates with public offer	0.00	0.00
Revenue	628,776,669.35	161,290,821.99
Financial Expenses	0.00	-1,545,931.56
Income tax expenses	38,829,920.21	0.00
Net profit	127,114,622.31	18,327,844.88
Net profit from discontinued operations	0.00	0.00
Other comprehensive incomes	1,226,283.25	0.00
Total comprehensive income	128,340,905.56	18,327,844.88
Dividends received from joint ventures in the current period	0.00	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises (Continued)

(2) *Key financial information for significant associates (Continued)*

Unit: Yuan Currency: RMB

	Beginning balance/amount incurred in the previous period	
	Sinomach Finance Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
Current assets	36,689,470,606.31	203,439,764.95
Non-current assets	<u>12,348,321,284.90</u>	<u>32,041,661.01</u>
 Total assets	 <u><u>49,037,791,891.21</u></u>	 <u><u>235,481,425.96</u></u>
 Current liabilities	 43,839,788,145.20	 70,850,136.40
Non-current liabilities	<u>1,240,570,500.78</u>	<u>0.00</u>
 Total liabilities	 <u><u>45,080,358,645.98</u></u>	 <u><u>70,850,136.40</u></u>
 Non-controlling interests	 0.00	 0.00
Shareholders' equity attributable to the parent company	 3,957,433,245.23	 164,631,289.56
Shares of net assets calculated as per the shareholding proportion	565,347,041.11	80,669,331.88
Adjustments	-7,404,462.81	-2,998,145.10
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	0.00	-2,998,145.10
– Others	-7,404,462.81	0.00
Carrying amount of equity investments in associates	557,942,578.30	77,671,186.78
Fair value of equity investments in associates with public offer	 <u><u>0.00</u></u>	 <u><u>0.00</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises (Continued)

(2) Key financial information for significant associates (Continued)

Unit: Yuan Currency: RMB

	Beginning balance/amount incurred in the previous period	
	Sinomach Finance Co., Ltd.	ZF YTO (Luoyang) Axle Co., Ltd.
Revenue	–	145,124,834.41
Financial Expenses	–	-1,267,793.52
Income tax expenses	–	0.00
Net profit	–	10,434,048.48
Net profit from discontinued operations	–	0.00
Other comprehensive incomes	–	0.00
Total comprehensive income	–	10,434,048.48
Dividends received from joint ventures in the current period	–	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises (Continued)

(3) *Summary of financial information of nonsignificant joint ventures and associates*

Unit: Yuan Currency: RMB

	Ending balance/ amount incurred in the current period	Beginning balance/ amount incurred in the previous period
Associated enterprise		
Total carrying amount of investment	470,082.61	362,320.92
Total amount of the following items at the shareholding percentage		
– Net profits	-161,820.72	-1,207,463.11
– Other comprehensive incomes	0.00	0.00
– Total comprehensive incomes	-161,820.72	-1,207,463.11

(4) *Significant restrictions of the ability to transfer funds from associates or joint ventures to the Group*

None

(5) *Excess losses incurred by joint ventures or associates*

Unit: Yuan Currency: RMB

Name of joint venture or associate	Accumulated unrecognized losses of previous years	Unrecognized losses in the current year	Accumulated unrecognized losses at the end of the current year
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.	1,290,496.11	259,211.86	1,549,707.97

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group faces various financial instrument risks in its daily activities, mainly including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk). The main financial instruments of the Group include monetary fund, equity investment, debt instruments at amortised cost, loans, accounts receivable, and accounts payable. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows:

The Board of Directors is responsible for the planning and establishment of the Group's risk management structure, the development of the Group's risk management policies and guidelines, and the monitoring of the implementation of risk management measures. The Group has developed risk management policies to identify and analyze the risks faced by the Group. These risk management policies specify specific risks, covering many aspects of market risk, credit risk, and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's operating activities to determine whether the risk management policies and systems are updated. The Group diversifies the risk of financial instruments through appropriate diversified investments and business combinations and reduces the risk of focusing on any single industry, specific region, or specific counterparty by developing appropriate risk management policies.

1. Risk management objectives and policies

The Group's risk management aims to achieve a proper balance between risk and benefit, to minimize the negative effect of risks on the business performance of the Group, and to maximize the interest of shareholders and other equity investors. Based on the objective of risk management, the basic strategy of the Group's risk management is to determine and analyze all risks faced by the Group, to set up an appropriate bottom line of risk standing and to manage risks, as well as to supervise all risks in a timely and reliable manner and control the risk into the limited scope.

(1) Credit risk

A credit risk is the risk of financial loss of the Group caused by the counterparty's failure to meet its obligations in the contract. The Group adopts the policy to trade with the counterparty with good credit and request securities when necessary, so as to remediate the financial loss when the counterparty is unable to fulfill its own obligation. The Group only trades with entities that are assessed to be investment grade or above. Rating information is provided by independent rating agencies, and if such information is not available, the Group will use other publicly available financial information and its own transaction records to rate key customers. The Group continuously monitors the exposure to risks and the credit ratings of many counterparties and continuously monitors the exposure to these credit risks. As of June 30, 2023, the maximum credit exposure to risks that may cause the Group's financial loss mainly comes from the risk of failure of customers or counterparties to perform on the due date. Specifically, it includes receivables and notes receivable. It is the Group's policy that all customers trading on credit terms must pass the credit review process. The Company evaluates clients' credit rating and sets the credit period based on their financial conditions, possibility of obtaining security from third party, credit record and other factors, such as current market situation. The Group will monitor the credit record of the customer periodically. For customers with poor credit record, measures such as written collection, shortening credit period or canceling the credit period will be adopted by the Group, to ensure the overall credit risk being in the controllable scope. The Group continuously monitors receivable balances and the board of directors believes that adequate provision has been made in the financial statements for uncollected receivables. In this regard, the board of directors believes that credit risk has been substantially reduced.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Credit risk (Continued)

The monetary funds held by the Group are mainly deposited in financial institutions such as state-owned holding banks and other large and medium-sized commercial banks. The Management believes that these commercial banks have high credit standing and asset status without significant credit risks and will not cause any significant losses due to the default of the other unit. The debtors of accounts receivable are a great many customers distributed in different industries and geographical areas. The Group continuously performs credit assessments on the accounts receivable of the debtors and purchases credit guarantee insurance when necessary. Because the counterparties of monetary funds and derivative financial instruments are banks with good reputation and high credit rating, the credit risk of these financial instruments is low. As of June 30, 2023, the accounts receivable of the Group's top five customers accounted for 16.25% (2022: 29.08%) of the Group's total accounts receivable, so the Group has no significant credit concentration risk. The Group's credit exposure to risks includes on-balance sheet items and off-balance sheet items involving credit risk. On the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit risk exposure.

(2) Liquidity risks

Unit: Yuan Currency: RMB

Item	Book amount	Ending balance			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities:	-	-	-	-	-
Notes payable	1,652,382,989.30	1,652,382,989.30	0.00	0.00	0.00
Accounts payable	3,256,745,626.83	3,256,745,626.83	0.00	0.00	0.00
Other payables	434,967,569.40	434,967,569.40	0.00	0.00	0.00
Other current liabilities	649,759,002.02	649,759,002.02	0.00	0.00	0.00
Short-term borrowings	500,381,388.90	500,381,388.90	0.00	0.00	0.00
Long-term borrowings	0.00	0.00	0.00	0.00	0.00
Non-current liabilities due within one year	15,005,273.08	15,005,273.08	0.00	0.00	0.00
Customer bank deposits and interbank deposits	0.00	0.00	0.00	0.00	0.00
Financial assets sold under agreements to repurchase	0.00	0.00	0.00	0.00	0.00
Long-term payables	9,001,441.87	0.00	9,001,441.87	0.00	0.00
Financial liabilities	6,518,243,291.40	6,509,241,849.53	9,001,441.87	0.00	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(2) Liquidity risks (Continued)

Unit: Yuan Currency: RMB

Item	Book amount	Within 1 year	Beginning balance		
			1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities:	-	-	-	-	-
Notes payable	1,829,411,578.37	1,829,411,578.37	0.00	0.00	0.00
Accounts payable	2,286,961,766.98	2,286,961,766.98	0.00	0.00	0.00
Other payables	338,162,726.80	338,162,726.80	0.00	0.00	0.00
Other current liabilities	374,987,097.17	374,987,097.17	0.00	0.00	0.00
Short-term borrowings	270,223,055.56	270,223,055.56	0.00	0.00	0.00
Long-term borrowings	49,380,000.00	0.00	4,200,000.00	45,180,000.00	0.00
Non-current liabilities due within one year	17,750,080.09	17,750,080.09	0.00	0.00	0.00
Customer bank deposits and interbank deposits	34,112,630.48	34,112,630.48	0.00	0.00	0.00
Financial assets sold under agreements to repurchase	0.00	0.00	0.00	0.00	0.00
Long-term payables	8,476,357.76	0.00	0.00	8,476,357.76	0.00
Financial liabilities	5,209,465,293.21	5,151,608,935.45	4,200,000.00	53,656,357.76	0.00

(3) Market risk

1) Exchange rate risk

The main business of the Group is conducted in China and settled in RMB. However, the recognized foreign currency assets and liabilities of the Group and future foreign currency transactions (currency of foreign currency assets and liabilities and foreign currency transactions is mainly USD, EUR, HKD, JPY, AUD, XOF, and ZAR) still have exchange rate risks. For this reason, the Group may avoid exchange rate risks by signing forward foreign exchange agreements or currency swap agreements.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Market risk (Continued)

1) Exchange rate risk (Continued)

As of June 30, 2023, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Group converted into RMB is listed as follows:

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original Currency	Converted into RMB	Original Currency	Converted into RMB
Monetary fund	-	182,321,403.29	-	160,133,842.91
USD	19,474,702.27	140,720,303.66	18,605,805.05	129,581,989.85
EUR	3,946,145.05	31,084,179.17	3,128,789.14	23,224,688.91
HKD	10,939.19	10,085.93	53,657.29	47,932.06
AUD	0.00	0.00	1,393.25	6,567.50
XOF	868,373,284.00	10,420,479.41	637,499,889.00	7,203,748.75
ZAR	163,404.88	63,139.65	136,749.69	56,245.15
BYR	8,109.64	23,215.47	4,592.16	12,670.69
Accounts receivable	-	91,356,769.92	-	93,888,998.65
USD	10,206,211.28	73,748,041.47	10,319,809.98	71,873,348.59
EUR	100,835.17	794,288.72	110,277.29	818,577.30
JPY	1,326,935.00	66,479.44		
AUD	486,820.81	2,336,350.43	486,820.81	2,294,775.93
XOF	495,212,988.00	5,942,555.86	874,998,989.00	9,887,488.58
ZAR	21,917,841.61	8,469,054.00	21,917,841.61	9,014,808.25
Other receivables	-	1,047,697.67	-	10,201,385.75
XOF	75,503,960.50	906,047.53	67,503,960.50	762,794.75
ZAR	26,860.62	10,378.94	22,819,632.23	9,385,714.74
BYR	45,855.73	131,271.20	19,163.62	52,876.26
Non-current assets due within one year	-	433,925,974.99	-	414,263,330.58
USD	43,098,403.23	311,420,442.06	43,098,403.23	300,163,139.14
EUR	15,552,110.92	122,505,532.93	15,371,376.61	114,100,191.44
Other current assets	-	41,673.33	-	24,802.34
BYR	14,557.35	41,673.33	8,988.96	24,802.34

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Market risk (Continued)

1) Exchange rate risk (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original Currency	Converted into RMB	Original Currency	Converted into RMB
Long-term receivables	-	0.00	-	1,341,572.71
EUR	0.00	0.00	180,734.31	1,341,572.71
Accounts payable	-	35,777,135.59	-	34,657,236.97
USD	4,078,247.69	29,468,602.16	4,126,134.66	28,736,877.45
EUR	706,460.12	5,564,857.01	706,460.12	5,243,982.82
AUD	11,794.96	56,606.37	11,794.96	55,599.08
XOF	51,292,151.00	615,505.81	48,696,601.00	550,271.59
BYR	24,998.86	71,564.24	25,553.07	70,506.03
Other payables	-	279,830.00	-	9,691,804.10
XOF	23,076,395.00	276,916.74	23,076,395.00	260,763.26
ZAR	0.00	0.00	22,792,771.61	9,374,666.96
BYR	1,017.66	2,913.26	20,431.24	56,373.88
Employee compensation payable	-	123,807.77	-	95,886.23
BYR	43,248.60	123,807.77	34,751.46	95,886.23
Long-term payables	-	9,001,441.87	-	8,476,357.76
XOF	750,120,156.00	9,001,441.87	750,120,156.00	8,476,357.76
Non-current liabilities due within one year	-	368,607.12	-	518,443.45
XOF	30,717,260.23	368,607.12	45,879,951.13	518,443.45

Note: The above asset are presented at original value.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) *Market risk (Continued)*

2) *Interest rate risk*

Interest rate risks faced by the Group are mainly incurred from bank borrowings. Due to financial liabilities with a floating interest rate, the Group faces cash flow interest rate risk; due to financial liabilities with a fixed interest rate, the Group faces fair value interest rate risk. The Group decides the relative proportion of the fixed interest rate and floating interest rate contracts in accordance with the current market environment.

The increase in interest rates will increase the cost of new interest-bearing debts and the Group's unpaid interest expense on interest-bearing debts calculated in floating interest rates, which will have a significant adverse effect on the Group's financial results. The management will duly make adjustments according to the latest market condition. These adjustments may reduce interest rate risk via interest rate swap.

3) *Price risk*

Price risk refers to the risk of fluctuations due to changes in market prices other than exchange rate risk and interest rate risk, mainly arising from changes in commodity prices, stock market indexes, equity instrument prices, and other risk variables.

2. Analysis on sensitivity

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period or shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

(1) *Foreign Exchange Risk Sensitivity Analysis*

Sensitivity analysis of foreign exchange risk assumes that all overseas net operating investment hedges and cash flow hedges are highly effective.

On the basis of the above assumptions, under the condition that other variables remain unchanged, the after-tax impact of possible reasonable changes in exchange rate on current profits and losses and equity is as follows:

As of June 30, 2023, for various financial assets and financial liabilities in USD and EUR, if RMB appreciates or depreciates by 10% against USD and EUR and other factors remain unchanged, the Group will gain or loss about RMB67,259,488.03 (about RMB62,131,020.55 on June 30, 2022). The amount of impairment provision is not considered in the above sensitivity analysis.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE

1. Ending balance of assets and liabilities measured at fair value

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	Level 1 measurement at fair value	Level 2 measurement at fair value	Level 3 measurement at fair value	
I. Continuous fair value measurement				
(I) Financial assets held for trading	0.00	0.00	1,506,156,279.45	1,506,156,279.45
1. Financial assets at FVTPL	0.00	0.00	654,340,979.45	654,340,979.45
(1) Debt instrument investments	0.00	0.00	654,340,979.45	654,340,979.45
(2) Equity instruments	0.00	0.00	0.00	0.00
(3) Derivative financial assets	0.00	0.00	0.00	0.00
2. Designated financial assets at FVTPL	0.00	0.00	851,815,300.00	851,815,300.00
(1) Debt instrument investments	0.00	0.00	0.00	0.00
(2) Equity instruments	0.00	0.00	851,815,300.00	851,815,300.00
(II) Investment in other equity instruments	0.00	0.00	3,513,464.70	3,513,464.70
(III) Receivables financing	0.00	0.00	275,777,260.58	275,777,260.58
Total assets continuously measured at fair value	0.00	0.00	1,785,447,004.73	1,785,447,004.73

2. Basis for determination of market prices for continuous and non-continuous level I measurement items at fair value

Financial instruments traded in an active market are stated at quoted market prices at the date of the financial statements. Quoted prices are considered active when they are available in real time or periodically from stock exchanges, dealers, economic, industry, pricing service providers, or regulatory agents, and they represent actual and regular market transactions on an arm's length basis.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Valuation techniques and qualitative and quantitative information about key parameters of items subject to continuous and non-continuous level 2 fair value measurement

The fair value of financial instruments not traded in an active market (e.g. OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data as much as possible and rely as little as possible on entity-specific estimates. A financial instrument is classified in level II if all significant inputs required to calculate its fair value are observable.

4. Valuation techniques and qualitative and quantitative information about important parameters of items subject to continuous and non-continuous level 3 fair value measurement

If one or more significant inputs are not based on observable market data, the financial instrument is classified as Level III. Specific methods used to measure financial instruments include:

- (1) Market list price or dealer list price of similar financial instruments.
- (2) The fair value of the interest rate adjustment contract is calculated by estimating the discount value of future cash flow according to the observable curve of the rate of return.
- (3) The fair value of forward foreign exchange contracts is calculated at the foreign exchange rate on the settlement date, and then discounted to the discounted value.
- (4) Other methods, such as discounted value cash flow analysis, are used to calculate the fair value of the remaining other financial instruments. For the equity instruments of financial assets held for trading held by the Company, the Company hired an assets appraisal institution to issue a valuation report. The valuation method of equity instruments in the valuation report adopts the market approach.

5. Information on adjustment between beginning carrying amount and ending carrying amount of items subject to continuous level 3 fair value measurement and sensitivity analysis of non-observable parameters

The above items of the Group measured by recurring fair value did not convert between levels in this period.

6. Items measured by recurring fair value convert between levels in the current period

The above items of the Group measured by recurring fair value did not convert between levels in this period.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

7. Change of valuation techniques incurred during the current period and the reasons thereof

The valuation techniques for fair value of financial instruments of the Group have not changed in this period.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Related party relationships

1. Controlling shareholder and ultimate controlling party

Unit: Yuan Currency: RMB

Name of controlling shareholder	Registration place	Business Nature	Registered capital (RMB10,000)	Shareholding proportion (%) to the Group	Proportion (%) of voting right to the Company
YTO Group Corporation	Luoyang City, Henan Province	Production and sales of various large, medium, and small tractors, engineering machinery, diesel engines, etc.	310,619.38	48.81	48.81

The ultimate controlling party is Sinomach, registered and operated in Beijing, with a business scope of: Dispatch of labor service personnel required for overseas projects; the contracting of large-scale complete equipment and engineering projects at home and abroad, organizing the research and development of major technical equipment in the industry and the production and sales of scientific research products; Sales of automobiles, sedans, and auto parts; The contracting of overseas projects and domestic international bidding projects; Import and export business; Going abroad to hold economic and trade exhibitions; Organizing domestic enterprises to go abroad to participate in and hold exhibitions; Hosting exhibitions; Conference services. The registered capital is RMB26 billion.

2. Subsidiaries

For details of subsidiaries, refer to contents of "VIII. 1. (1) Composition of the Group" in the Notes.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party relationships (Continued)

3. Joint ventures and associates

For details of important joint ventures or associated enterprises of the Company, please refer to contents of "VIII. 3. (1) Important joint ventures or associated enterprises" in the Notes.

The information of other joint ventures or associated enterprises which produced balance for conducting connected transactions with the Group in this period or in the earlier period is shown as follows:

Name of joint ventures or associates	Relationship with the Company	Remarks
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	Subsidiary of the Company and associate of the parent company of the Company	The controlling shareholder of the Company holds 10.57% of the shares
Luoyang Tractor Research Institute Co., Ltd.	Subsidiary of the Company and associate of the parent company of the Company	The controlling shareholder of the Company directly holds 49% of the shares
ZF YTO (Luoyang) Axle Co., Ltd.	Associate of the Company	–
Sinomach Finance Co., Ltd.	Associate of the Company	Controlled by the same controlling party
YTO (Luoyang) Like Automobile Co., Ltd.	Associate of controlling shareholders	–
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	Associate of controlling shareholders	–
Luoyang Dongfang Printing Co., Ltd.	Associate of controlling shareholders	–
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	Associate of controlling shareholders	–
YTO (Luoyang) Standard Parts Co., Ltd.	Associate of controlling shareholders	–
YTO (Luoyang) Xindongfang Automobile Co., Ltd.	Associate of controlling shareholders	–
Luoyang YTO Light Vehicle Co., Ltd.	Associate of controlling shareholders	–
Luoyang Fossett Environmental Protection Technology Co., Ltd.	Joint venture of controlling shareholders	–
Luoyang I&C Technology Consulting Co., Ltd.	Associate of subsidiaries of the Company	–

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party relationships (Continued)

3. Joint ventures and associates (Continued)

Note: According to the Main Board Rules of the Hong Kong Stock Exchange, companies in which the controlling shareholder of the Company holds 10% or more of the shares are associates of the controlling shareholder of the Company.

4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Beijing Materials Handling Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Machinery & Electric Technology Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Hardware & Tools Co., Ltd.	Controlled by the same ultimate controlling party
Zhengzhou Research Institute for Abrasives & Grinding Co., Ltd.	Controlled by the same ultimate controlling party
China Hi-Tech Off-road Vehicle Co., Ltd.	Controlled by the same ultimate controlling party
CHTC Jove Heavy Industry Co., Ltd.	Controlled by the same ultimate controlling party
Erzhong (Deyang) Heavy Equipment Co., Ltd.	Controlled by the same ultimate controlling party
Erzhong Deyang Energy Storage Technology Co., Ltd.	Controlled by the same ultimate controlling party
Guangzhou Sinomach Lubrication Technology Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	Controlled by the same ultimate controlling party
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	Controlled by the same ultimate controlling party
SCIVIC Engineering Corporation	Controlled by the same ultimate controlling party
Fifth Design and Research Institute of The Ministry of Machinery Industry	Controlled by the same ultimate controlling party
Kinte Materials Science and Technology Co., Ltd.	Controlled by the same ultimate controlling party
Xi'an Heavy Machinery Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Changsha Qidian Automotive Parts Co., Ltd.	Controlled by the same ultimate controlling party
Deyang Wanlu Transportation Service Co., Ltd. of China National Erzhong Group Co., Ltd.	Controlled by the same ultimate controlling party

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party relationships (Continued)

4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
China National Electric Apparatus Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Automotive Engineering Corporation	Controlled by the same ultimate controlling party
Zhongqi Shengjia (Tianjin) Property Management Co., Ltd.	Controlled by the same ultimate controlling party
SIPPR Engineering Group Co., Ltd.	Controlled by the same ultimate controlling party
Safety Sliding Contact Line Factory of SCIVIC Engineering Corporation	Controlled by the same ultimate controlling party
Sinomach Foundry and Metal Forming Co., Ltd.	Controlled by the same ultimate controlling party
China National Machine Tool Sales and Technical Service Corporation	Controlled by the same ultimate controlling party
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	Controlled by the same ultimate controlling party
CAMCE Logistics Co., Ltd.	Controlled by the same ultimate controlling party
CMEC General Machinery Import & Export Co., Ltd.	Controlled by the same ultimate controlling party
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	Controlled by the same ultimate controlling party
Fuyang Bearing Co., Ltd.	Controlled by the same ultimate controlling party
Nanchang Kaima Co., Ltd.	Controlled by the same ultimate controlling party
Guangzhou Qingtian Industrial Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Machinery & Electric Co., Ltd.	Controlled by the same ultimate controlling party
New Dayang Shipbuilding Co., Ltd.	Controlled by the same ultimate controlling party
China National Heavy Machinery Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Menoble Technology Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach Heavy Industry Changlin Co., Ltd.	Controlled by the same ultimate controlling party
JFMI Inspection & Testing Technology Co., Ltd.	Controlled by the same ultimate controlling party
Luoyang Bearing Research Institute Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach Capital Management Corporation	Controlled by the same ultimate controlling party
Beijing Prominion Publishing Co., Ltd.	Controlled by the same ultimate controlling party
Sinotest Equipment Co., Ltd.	Controlled by the same ultimate controlling party

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party relationships (Continued)

4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Chinese Academy of Agricultural Mechanization Sciences Group Co., Ltd.	Controlled by the same ultimate controlling party
Beijing Unite-Idea Advertising Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach-Hi Shanghai International Trade Co., Ltd.	Controlled by the same ultimate controlling party
SUMEC Textile and Light Industry Co., Ltd.	Controlled by the same ultimate controlling party
Xinjiang Zhongshou Agriculture & Animal Husbandry Machinery Co., Ltd.	Controlled by the same ultimate controlling party
Sinomach-Hi International Equipment Co., Ltd.	Controlled by the same ultimate controlling party
BMHRI Equipment Manufacturing (Beijing) Co., Ltd.	Controlled by the same ultimate controlling party
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Controlled by the same party
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	Controlled by the same party
YTO (Luoyang) Logistics Co., Ltd.	Controlled by the same party
YTO (Luoyang) Materials and Equipment Co., Ltd.	Controlled by the same party
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	Controlled by the same party
Luoyang Zhongshou Machinery Equipment Co.,Ltd.	Controlled by the same party
YTO (Luoyang) Special Vehicle Co., Ltd.	Controlled by the same party
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	Controlled by the same party
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	Controlled by the same party
Luoyang Tianhui Energy Engineering Co., Ltd.	Controlled by the same party
Luoyang Fossett Environmental Protection Technology Co., Ltd.	Controlled by the same party
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	Controlled by the same party
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	Controlled by the same party

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party relationships (Continued)

4. Other related parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Controlled by the same party
YTO (Heilongjiang) Dongfanghong Industry Park Co., Ltd.	Controlled by the same party
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	The bankruptcy liquidation of the former subsidiary of the Company is not included in the scope of consolidation
YTO (Luoyang) Harvesters Co., Ltd.	The bankruptcy liquidation of the former subsidiary of the Company is not included in the scope of consolidation
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	Others
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	Others
Sinomach Heavy Industry (Luoyang) Co., Ltd.	Others
YTO (Luoyang) Construction Machinery Co., Ltd.	Others

Other instructions:

- (1) Description of other related parties of the Company: The ultimate controller of the Company is Sinomach, so the subsidiaries controlled by Sinomach are all related parties of the Company. Only related parties with business relations with the Company are disclosed here.
- (2) Others refer to original subsidiaries that are not included in the scope of consolidation due to bankruptcy liquidation reasons of the ultimate controlling party and controlling shareholders of the Company.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions

1. Significant transactions between the Group and Sinomach and its subsidiaries

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Purchase of raw materials and parts	19,879,955.56	20,873,231.59
Sales of raw materials and parts	8,793,456.75	8,190,220.25
Interest income	16,364,234.02	0.00
Interest expenses	4,381,826.56	66,666.67
Expenditure of service charges	764,912.77	0.00
Subtotal	50,184,385.66	29,130,118.51

2. Significant transactions between the Group and YTO Group Corporation and its subsidiaries

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Purchase of raw materials and parts	251,956,267.17	349,888,705.85
Comprehensive service and transportation costs paid and payable	124,232,621.70	131,501,410.05
Sales of raw materials and parts	89,297,131.95	105,046,973.66
Power cost paid and payable	111,565,475.86	98,094,993.81
Payment of R&D expenses	9,880,378.85	10,694,539.94
R&D revenue	300,000.00	244,339.62
Interest income	0.00	15,761,483.89
Purchase of plant and equipment	1,571,503.03	8,974,855.90
Land rent paid and payable	5,507,149.08	4,526,223.51
Interest expenses	94,467.59	8,521,354.38
Rent paid and payable for plant & buildings, machinery and equipment	3,596,089.95	4,265,720.67
Revenue from plant & buildings and machinery equipment rent	2,240,799.90	2,334,884.28
Provision of technical and testing services	252,041.51	956,489.30
Income from service charges	0.00	67,335.73
Revenue from land lease	223,303.50	78,719.50
Total	600,717,230.09	740,958,030.09

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

3. *Related party transactions between the Group and joint ventures and associates
(including joint ventures and associates of Sinomach and YTO Group Corporation)*

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Purchase of raw materials and parts	179,651,248.04	193,705,913.43
Payment of R&D expenses	76,689,894.02	71,407,353.12
Sales of raw materials and parts	44,517,496.10	32,366,933.69
Lease income	3,313,766.16	3,326,977.18
Interest expenses	64,447.91	2,276.35
R&D revenue	571,796.20	8,849.56
Rent paid and payable	632,591.70	0.00
Provision of technical and testing services	79,209.00	266,265.51
Power cost paid and payable	52,589.94	0.00
Income from service charges	0.00	12.74
Total	305,573,039.07	301,084,581.58

Note: The related party transactions between the Group and Sinomach Finance Co., Ltd., an associate, have been disclosed in the significant transactions between the Group and Sinomach and its subsidiaries.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

4. Loans from/to related parties

Unit: Yuan Currency: RMB

Name of related party	Amount	Starting date	Expiry date	Remarks
Loans from related parties (principal)				
Sinomach	200,000,000.00	2022-10-27	2023-10-27	Entrusted loan
Subtotal	200,000,000.00	-	-	-
Loans from related parties (interest payable)				
Sinomach	223,055.56	-	-	Interest of entrusted loan
Subtotal	223,055.56	-	-	-
Loans to related parties				
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	25,000,000.00	2019-8-14	2020-8-13	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	20,000,000.00	2018-10-23	2019-10-23	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	20,000,000.00	2018-10-26	2019-10-26	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	19,000,000.00	2019-7-30	2020-7-29	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	14,000,000.00	2018-8-29	2019-8-29	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	13,000,000.00	2019-5-17	2020-5-16	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	11,000,000.00	2019-3-29	2020-3-28	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	9,000,000.00	2019-8-5	2020-8-4	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2018-11-9	2019-11-9	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2018-11-29	2019-11-29	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2019-1-29	2020-1-28	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	7,000,000.00	2019-2-2	2020-2-1	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	1,733,550.00	2019-2-11	2020-2-10	Entrusted loan
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	6,000,000.00	2019-2-15	2020-2-14	Entrusted loan
Subtotal	166,733,550.00	-	-	-

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

5. Related party leases

(1) As Lessor

Unit: Yuan Currency: RMB

Name of lessee	Type of asset leased	Leasing income recognized in the current period	Leasing income recognized in the previous period
ZF YTO (Luoyang) Axle Co., Ltd.	Land and buildings	3,294,312.28	3,294,312.28
ZF YTO (Luoyang) Axle Co., Ltd.	Machinery Equipment	19,453.88	19,453.89
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Machinery Equipment	514,373.16	779,664.62
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Land and buildings	719,035.02	719,035.01
YTO Group Corporation	Land and buildings	734,516.27	656,340.00
YTO Group Corporation	Machinery Equipment	32,650.76	16,394.57
YTO (Luoyang) Materials and Equipment Co., Ltd.	Land and buildings	447,463.41	240,565.00
YTO (Luoyang) Materials and Equipment Co., Ltd.	Machinery Equipment	14,599.28	0.00
Luoyang I&C Technology Consulting Co., Ltd.	Land and buildings	0.00	13,211.01
YTO (Luoyang) Logistics Co., Ltd.	Machinery Equipment	1,465.50	1,604.58
Total	-	5,777,869.56	5,740,580.96

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

5. Related party leases (Continued)

(2) As Lessee

Unit: Yuan Currency: RMB

Name of lessor	Type of asset leased	Rental expenses for simplified short-term leases and low-value asset leases	Variable lease payments not included in the measurement of lease liabilities	Rents paid	Increased right-of-use assets
YTO Group Corporation and its subsidiaries	-	-	-	-	-
YTO Group Corporation	Land and buildings	0.00	0.00	9,236,952.02	3,431,720.80
YTO Group Corporation	Machinery Equipment	0.00	0.00	609,291.58	0.00
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Land and buildings	86,880.00	0.00	86,880.00	0.00
YTO (Luoyang) Logistics Co., Ltd.	Land and buildings	13,500.00	0.00	13,500.00	0.00
Subtotal	-	-	-	9,946,623.60	3,431,720.80
Joint ventures and associated enterprises	-	-	-	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	Land and buildings	0.00	0.00	661,745.32	0.00
ZF YTO (Luoyang) Axle Co., Ltd.	Machinery Equipment	0.00	0.00	28,799.05	221,087.75
Subtotal	-	-	-	690,544.37	221,087.75
Total	-	-	-	10,637,167.97	3,652,808.55

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Remuneration of key senior management

Unit: 0,000 Yuan Currency: RMB

Project name	Amount incurred in the current period	Amount incurred in the previous period
Emoluments	3.10	10.90
Salaries and other benefits	382.90	521.06
Contribution to retirement fund plan	21.11	20.44
Total compensation	407.11	552.40

The compensations of key management personnel are as follows:

Personnel and position	Emoluments	Amount in the current period		Total
		Salaries and other benefits	Contribution to retirement fund plan	
Executive Directors	-	-	-	-
Liu Jiguo	-	28.82	1.64	30.46
Non-executive Director	-	-	-	-
Zhang Zhiyu	0.9	-	-	0.9
Fang Xianfa	-	-	-	-
Zhang Bin	-	-	-	-
Independent Non-executive Directors	-	-	-	-
Xue Lipin	1.1	-	-	1.1
Wang Shumao	1.1	-	-	1.1
Xu Liyou	-	-	-	-
Supervisor	-	-	-	-
Yang Yu	-	-	-	-
Gu Aiqin	-	-	-	-
Xiao Bin	-	27.26	1.64	28.9
Li Peng	-	108.73	1.64	110.37
Yang Kun	-	96.09	1.64	97.73

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Remuneration of key senior management (Continued)

The compensations of key management personnel are as follows: (Continued)

Personnel and position	Emoluments	Amount in the current period		Total
		Salaries and other benefits	Contribution to retirement fund plan	
Senior Management	-	-	-	-
Su Wensheng (Deputy General Manager)		20	1.64	21.64
Yu Lina (Deputy General Manager and concurrent Secretary of the Board of Directors)	0.00	20.5	1.64	22.14
Xue Wenpu (Deputy General Manager)	0.00	20.5	1.64	22.14
Wei Tao (Deputy General Manager)	0.00	21.5	1.64	23.14
Yang Guangjun (Deputy General Manager)	0.00	20	1.64	21.64
Kang Zhifeng (CFO)	0.00	19.5	6.35	25.85
Total	3.10	382.90	21.11	407.11

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Remuneration of key senior management (Continued)

The compensations of key management personnel are as follows: (Continued)

Personnel and position	Emoluments	Salaries and other benefits	Amount in the previous period Contribution to retirement fund plan	Total
Executive Directors	–	–	–	–
Liu Jiguo		23.66	1.53	25.19
Non-executive Director	–	–	–	–
Zhang Zhiyu				
Fang Xianfa				
Zhang Bin				
Independent Non-executive Directors	–	–	–	–
Xue Lipin	3.42			3.42
Wang Shumao				
Xu Liyou				
Supervisor	–	–	–	–
Yang Yu				
Gu Aiqin				
Xiao Bin		21.02	1.53	22.55
Li Peng		121.78	1.53	123.31
Yang Kun		111.98	1.53	113.51
Senior Management	–	–	–	–
Su Wensheng (Deputy General Manager)		19.46	1.53	20.99
Yu Lina (Deputy General Manager and concurrent Secretary of the Board of Directors)		19.46	1.53	20.99
Xue Wenpu (Deputy General Manager)		19.46	1.53	20.99
Wei Tao (Deputy General Manager)		18.61	1.53	20.14
Yang Guangjun (Deputy General Manager)		18.61	1.53	20.14
Kang Zhifeng (CFO)				

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Remuneration of key senior management (Continued)

The compensations of key management personnel are as follows: (Continued)

Personnel and position	Emoluments	Amount in the previous period		Total
		Salaries and other benefits	Contribution to retirement fund plan	
Other personnel	–	–	–	–
Li Xiaoyu (former Executive Director and Chairman)				
Li Hepeng (former Non-executive Director)	0.36			0.36
Xie Donggang (former Non-executive Director)	0.36			0.36
Zhou Honghai (former Non-executive Director)				
Ma Zihui (former Non-executive Director)				
Yang Minli (former Independent Non-Executive Director)	3.38			3.38
Wang Yuru (former Independent Non-Executive Director)	3.38			3.38
Tian Peng (former Supervisor)				
Wang Hongbin (former Employee Supervisor)		111.35	1.53	112.88
Wang Kejun (former Deputy General Manager)		19.46	1.53	20.99
Su Ye (former CFO)		16.21	3.61	19.82
Total	10.90	521.06	20.44	552.40

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties

1. Bank deposits

Unit: Yuan Currency: RMB

Related Party	Book value at the end of the period	Book value at the beginning of the period
Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)	-	-
Sinomach Finance Co., Ltd.	<u>1,921,620,626.51</u>	<u>1,968,212,255.21</u>

Note: The amount deposited by the Group in Sinomach Finance Co., Ltd. at the end of the period is RMB1,921,620,626.51, including current deposits of RMB1,526,138,859.03 and bank acceptance bill guarantee deposits of RMB395,481,767.48. The settled interest income in the current period is RMB16,364,234.02.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables

(1) Notes receivable and receivables financing

Unit: Yuan Currency: RMB

Related Party	Book value at the end of the period	Book value at the beginning of the period
Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)	–	–
SUMEC Machinery & Electric Co., Ltd.	1,161,364.00	3,292,230.00
Sinomach Heavy Industry Changlin Co., Ltd.	1,000,000.00	1,200,000.00
China National Heavy Machinery Research Institute Co., Ltd.	1,328,995.20	398,460.00
Guangzhou Qingtian Industrial Co., Ltd.	108,000.00	87,300.00
Menoble Technology Co., Ltd.	50,000.00	50,000.00
New Dayang Shipbuilding Co., Ltd.	0.00	12,000.00
China National Electric Apparatus Research Institute Co., Ltd.	174,000.00	0.00
Subtotal	3,822,359.20	5,039,990.00
Controlling shareholder	–	–
YTO Group Corporation	11,404,218.26	21,199,553.68
Subtotal	11,404,218.26	21,199,553.68
Subsidiaries of YTO Group Corporation	–	–
YTO (Luoyang) Logistics Co., Ltd.	42,493.00	142,239.00
Subtotal	42,493.00	142,239.00
Total	15,269,070.46	26,381,782.68

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables (Continued)

(2) Accounts receivable

Unit: Yuan Currency: RMB

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)	-	-	-	-
Sinomach Heavy Industry (Luoyang) Co., Ltd.	989,595.58	989,595.58	989,595.58	989,595.58
SUMEC Machinery & Electric Technology Co., Ltd.	929,303.00	9,293.03	844,894.90	8,448.95
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	671,288.80	671,288.80	682,159.05	682,159.05
Beijing Materials Handling Research Institute Co., Ltd.	135,000.00	20,250.00	627,082.00	11,011.64
SUMEC Hardware & Tools Co., Ltd.	180,000.00	90,000.00	180,000.00	90,000.00
Sinomach	600,000.00	6,000.00	0.00	0.00
Subtotal	<u>3,505,187.38</u>	<u>1,786,427.41</u>	<u>3,323,731.53</u>	<u>1,781,215.22</u>
Controlling shareholder	-	-	-	-
YTO Group Corporation	18,858,038.72	309,759.12	26,452,838.19	328,904.83
Subtotal	<u>18,858,038.72</u>	<u>309,759.12</u>	<u>26,452,838.19</u>	<u>328,904.83</u>
Subsidiaries of YTO Group Corporation	-	-	-	-
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	124,728.90	124,728.90	124,728.90	124,728.90
YTO (Luoyang) Materials and Equipment Co., Ltd.	13,983,222.41	139,832.23	11,288,878.30	112,888.78
YTO (Luoyang) Logistics Co., Ltd.	12,616,884.07	126,168.84	7,322,137.16	73,221.37
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	454,300.00	4,543.00	532,500.00	5,325.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables (Continued)

(2) Accounts receivable (Continued)

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	340,967.59	3,409.68	294,516.95	2,945.17
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	80,000.00	12,000.00	80,000.00	800.00
Subtotal	27,600,102.97	410,682.65	19,642,761.31	319,909.22
Joint ventures and associated enterprises	-	-	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	6,653,185.44	66,531.86	1,623,594.12	16,235.93
Subtotal	6,653,185.44	66,531.86	1,623,594.12	16,235.93
Original subsidiaries not included in consolidation	-	-	-	-
YTO (Luoyang) Harvesters Co., Ltd.	63,100,203.73	63,100,203.73	63,100,203.73	63,100,203.73
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	26,843,806.97	26,843,806.97	27,533,497.99	27,533,497.99
Subtotal	89,944,010.70	89,944,010.70	90,633,701.72	90,633,701.72
Total	146,560,525.21	92,517,411.74	141,676,626.87	93,079,966.92

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables (Continued)

(3) Prepayments

Unit: Yuan Currency: RMB

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)	-	-	-	-
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	57,300.00	0.00	276,661.00	0.00
Chinese Academy of Agricultural Mechanization Sciences Group Co., Ltd.	<u>3,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subtotal	<u>60,300.00</u>	<u>0.00</u>	<u>276,661.00</u>	<u>0.00</u>
Controlling shareholder	-	-	-	-
YTO Group Corporation	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subtotal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subsidiaries of YTO Group Corporation	-	-	-	-
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	1,900,000.00	0.00	1,900,000.00	0.00
YTO (Luoyang) Materials and Equipment Co., Ltd.	500.00	0.00	0.00	0.00
Luoyang Fossett Environmental Protection Technology Co., Ltd.	<u>41,400.00</u>	<u>0.00</u>	<u>41,400.00</u>	<u>0.00</u>
Subtotal	<u>1,941,900.00</u>	<u>0.00</u>	<u>1,941,400.00</u>	<u>0.00</u>
Total	<u><u>2,002,200.00</u></u>	<u><u>0.00</u></u>	<u><u>2,218,061.00</u></u>	<u><u>0.00</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables (Continued)

(4) Other current assets

Unit: Yuan Currency: RMB

Related Party	Ending balance	Beginning balance
Original subsidiaries not included in consolidation	-	-
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	<u>166,733,550.00</u>	<u>171,000,000.00</u>

(5) Other receivables

Unit: Yuan Currency: RMB

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Subsidiaries of Sinomach (excluding YTO Group Corporation and its subsidiaries)	-	-	-	-
YTO (Luoyang) Construction Machinery Co., Ltd.	96,314.00	96,314.00	96,314.00	96,314.00
Sinomach Heavy Industry (Luoyang) Construction Machinery Co., Ltd.	<u>83,893.00</u>	<u>83,893.00</u>	<u>83,893.00</u>	<u>83,893.00</u>
Subtotal	<u>180,207.00</u>	<u>180,207.00</u>	<u>180,207.00</u>	<u>180,207.00</u>
Controlling shareholder	-	-	-	-
YTO Group Corporation	<u>132,680.00</u>	<u>14,244.00</u>	<u>129,000.00</u>	<u>1,290.00</u>
Subtotal	<u>132,680.00</u>	<u>14,244.00</u>	<u>129,000.00</u>	<u>1,290.00</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables (Continued)

(5) Other receivables

Related Party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Subsidiaries of YTO Group Corporation	-	-	-	-
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	134.42	134.42	134.42	134.42
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	20,510.18	205.10	0.00	0.00
Subtotal	<u>20,644.60</u>	<u>339.52</u>	<u>134.42</u>	<u>134.42</u>
Joint ventures and associated enterprises	-	-	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	834,109.23	8,341.09
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	1,950,000.00	19,500.00	0.00	0.00
Subtotal	<u>1,950,000.00</u>	<u>19,500.00</u>	<u>834,109.23</u>	<u>8,341.09</u>
Accounts receivable of former subsidiaries not included in the scope of consolidation	-	-	-	-
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	80,188,112.00	80,188,112.00	82,240,000.00	82,240,000.00
Subtotal	<u>80,188,112.00</u>	<u>80,188,112.00</u>	<u>82,240,000.00</u>	<u>82,240,000.00</u>
Total	<u><u>82,471,643.60</u></u>	<u><u>80,402,402.52</u></u>	<u><u>83,383,450.65</u></u>	<u><u>82,429,972.51</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

2. Receivables (Continued)

(6) Right-of-use assets

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Controlling shareholder	-	-
YTO Group Corporation	<u>25,739,312.11</u>	<u>30,202,812.10</u>
Subtotal	<u>25,739,312.11</u>	<u>30,202,812.10</u>
Associates and joint ventures	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	<u>723,644.13</u>	<u>1,226,200.51</u>
Subtotal	<u>723,644.13</u>	<u>1,226,200.51</u>
Total	<u><u>26,462,956.24</u></u>	<u><u>31,429,012.61</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables

(1) Customer bank deposits and interbank deposits (principal)

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Controlling shareholder	–	–
YTO Group Corporation	<u>0.00</u>	<u>3,000,000.01</u>
Subtotal	<u>0.00</u>	<u>3,000,000.01</u>
YTO Group Corporation and its subsidiaries	–	–
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	0.00	12,000,000.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	0.00	10,000,000.00
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	<u>0.00</u>	<u>0.72</u>
Subtotal	<u>0.00</u>	<u>22,000,000.72</u>
Joint ventures and associated enterprises	–	–
Luoyang Tractor Research Institute Co., Ltd.	0.00	30,000,000.00
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.00	3,114.66
YTO (Luoyang) Like Automobile Co., Ltd.	0.00	18.66
Luoyang Dongfang Printing Co., Ltd.	<u>0.00</u>	<u>0.03</u>
Subtotal	<u>0.00</u>	<u>30,003,133.35</u>
Total	<u><u>0.00</u></u>	<u><u>55,003,134.08</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(2) Customer bank deposits and interbank deposits (interest payable)

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Controlling shareholder	-	-
YTO Group Corporation	<u>0.00</u>	<u>63,025.69</u>
Subtotal	<u>0.00</u>	<u>63,025.69</u>
YTO Group Corporation and its subsidiaries	-	-
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	0.00	346,375.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	0.00	198,437.50
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	0.00	1.61
YTO (Luoyang) Logistics Co., Ltd.	<u>0.00</u>	<u>0.38</u>
Subtotal	<u>0.00</u>	<u>544,814.49</u>
Joint ventures and associated enterprises	-	-
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	<u>0.00</u>	<u>0.36</u>
Subtotal	<u>0.00</u>	<u>0.36</u>
Total	<u><u>0.00</u></u>	<u><u>607,840.54</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(3) Accounts payable

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)	–	–
Automotive Engineering Corporation	7,159.03	2,378,675.13
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	0.00	1,254,800.12
Kinte Materials Science and Technology Co., Ltd.	1,219,554.99	621,309.93
China National Electric Apparatus Research Institute Co., Ltd.	0.00	579,000.00
SCIVIC Engineering Corporation	360,630.00	360,630.00
Erzhong Deyang Energy Storage Technology Co., Ltd.	189,000.00	189,000.00
Fifth Design and Research Institute of The Ministry of Machinery Industry	161,600.04	161,600.04
Deyang Wanlu Transportation Service Co., Ltd. of China National Erzhong Group Co., Ltd.	142,240.67	124,633.82
CMEC General Machinery Import & Export Co., Ltd.	0.00	120,230.00
Guangzhou Sinomach Lubrication Technology Co., Ltd.	773.51	103,345.51
China National Machine Tool Sales and Technical Service Corporation	99,492.94	99,492.94
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	683,317.56	60,660.60
Changsha Qidian Automotive Parts Co., Ltd.	29,642.77	29,642.77
Safety Sliding Contact Line Factory of SCIVIC Engineering Corporation	13,383.50	13,383.50
Erzhong (Deyang) Heavy Equipment Co., Ltd.	0.00	12,000.00
Zhongqi Shengjia (Tianjin) Property Management Co., Ltd.	228,648.84	10,148.84
Xi'an Heavy Machinery Research Institute Co., Ltd.	0.75	0.75
Subtotal	3,135,444.60	6,118,553.95

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(3) Accounts payable (Continued)

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Controlling shareholder	-	-
YTO Group Corporation	<u>80,866,549.13</u>	<u>40,061,164.14</u>
Subtotal	<u>80,866,549.13</u>	<u>40,061,164.14</u>
Subsidiaries of YTO Group Corporation	-	-
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	3,717,143.07	3,717,143.07
YTO (Luoyang) Logistics Co., Ltd.	36,913,707.98	29,734,783.59
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	9,769,985.65	7,829,037.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	2,304,776.00	5,114,526.00
Luoyang Tianhui Energy Engineering Co., Ltd.	1,690,033.29	2,359,805.41
YTO (Luoyang) Materials and Equipment Co., Ltd.	281,972.31	830,905.82
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	15,754.00	105,694.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	0.00	55,956.58
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	641.01	22,261.47
Luoyang Fossett Environmental Protection Technology Co., Ltd. (Headquarters)	<u>206,940.00</u>	<u>18,960.00</u>
Subtotal	<u>54,900,953.31</u>	<u>49,789,072.94</u>
Joint ventures and associated enterprises	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	20,015,858.45	11,518,607.40
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	2,456,478.13	1,797,680.14
Luoyang Dongfang Printing Co., Ltd.	495,361.08	627,795.17
YTO (Luoyang) Standard Parts Co., Ltd.	<u>4,263.96</u>	<u>4,263.96</u>
Subtotal	<u>22,971,961.62</u>	<u>13,948,346.67</u>
Total	<u><u>161,874,908.66</u></u>	<u><u>109,917,137.70</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(4) Contract liabilities

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)		
Sinomach Heavy Industry (Luoyang) Co., Ltd.	86.80	86.80
Subtotal	86.80	86.80
Controlling shareholder		
YTO Group Corporation	309,734.51	0.00
Subtotal	309,734.51	0.00
Subsidiaries of YTO Group Corporation		
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	6.84	6.84
Subtotal	6.84	6.84
Joint ventures and associated enterprises		
ZF YTO (Luoyang) Axle Co., Ltd.	3,313,766.15	0.00
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	2,415.09	143,362.83
Luoyang YTO Light Vehicle Co., Ltd.	12,831.86	12,831.86
Subtotal	3,329,013.10	156,194.69
Total	3,638,841.25	156,288.33

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(5) Other payables

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)	-	-
Sinomach	20,540,000.00	0.00
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	255,750.00	255,750.00
Beijing Prominion Publishing Co., Ltd.	100,000.00	0.00
Sinomach Heavy Industry (Changzhou) Excavator Co., Ltd.	50,000.00	0.00
Sinomach Precision Industry Co., Ltd. Zhengzhou Branch	0.00	200,000.00
Kinte Materials Science and Technology Co., Ltd.	150,000.00	150,000.00
Guangzhou Sinomach Lubrication Technology Co., Ltd.	100,000.00	100,000.00
CAMCE Logistics Co., Ltd.	100,000.00	100,000.00
CMEC General Machinery Import & Export Co., Ltd.	0.00	11,832.00
Subtotal	21,295,750.00	817,582.00
Controlling shareholder	-	-
YTO Group Corporation	150,051,909.51	150,555,844.79
Subtotal	150,051,909.51	150,555,844.79

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(5) Other payables (Continued)

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Subsidiaries of YTO Group Corporation	–	–
YTO (Luoyang) Logistics Co., Ltd.	611,000.00	612,000.00
Dongfanghong (Luoyang) Modern Life Service Co., Ltd.	22,676.00	140,796.00
YTO (Luoyang) Special Vehicle Co., Ltd.	0.00	63,803.68
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	0.00	56,227.72
Luoyang Tianhui Energy Engineering Co., Ltd.	1,000.00	29,500.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	0.00	10,000.00
YTO (Luoyang) Win Tools & Equipment Co., Ltd.	0.00	0.00
Subtotal	634,676.00	912,327.40
Joint ventures and associated enterprises	–	–
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	480,000.00	203,000.00
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	30,826.82
Luoyang Dongfang Printing Co., Ltd.	5,000.00	10,000.00
Luoyang I&C Technology Consulting Co., Ltd.	9,625.00	9,625.00
Subtotal	494,625.00	253,451.82
Total	172,476,960.51	152,539,206.01

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance of transactions with related parties (Continued)

3. Payables (Continued)

(6) Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Controlling shareholder	–	–
YTO Group Corporation	<u>13,277,279.32</u>	<u>15,146,369.65</u>
Subtotal	<u>13,277,279.32</u>	<u>15,146,369.65</u>
Associate and joint venture	–	–
ZF YTO (Luoyang) Axle Co., Ltd.	<u>723,644.13</u>	<u>1,226,200.51</u>
Subtotal	<u>723,644.13</u>	<u>1,226,200.51</u>
Sinomach and its subsidiaries (excluding YTO Group Corporation and its subsidiaries)	–	–
Sinomach Finance Co., Ltd.	<u>0.00</u>	<u>234,718.33</u>
Subtotal	<u>0.00</u>	<u>234,718.33</u>
Total	<u><u>14,000,923.45</u></u>	<u><u>16,607,288.49</u></u>

(7) Lease liabilities

Unit: Yuan Currency: RMB

Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Controlling shareholder	–	–
YTO Group Corporation	<u>12,465,390.90</u>	<u>15,056,442.45</u>
Total	<u><u>12,465,390.90</u></u>	<u><u>15,056,442.45</u></u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Commitments by related parties

None.

(V) Borrowings receivable from directors/director-related enterprises

1. *The Group does not have any director/director related enterprise borrowings receivable.*
2. *The Group does not have any director/director related enterprise borrowings for providing guarantee.*

XII. SHARE PAYMENT

None.

XIII. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

1. *Foreign investment contracts entered into that have not been performed or fully performed and related financial expenditures*

None.

2. *Signed large contracting contracts being performed or to be performed and financial influence*

None.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(I) Important commitments (Continued)

3. Signed leasing contract being performed or to be performed and its financial influence

(1) The minimum lease receipts in the future of the Group as the lessor of finance leases of agricultural machinery products are as follows:

Unit: Yuan Currency: RMB

Period	Amount in the current period	Amount in the previous period
Within 1 year	0.00	180,088,402.88
1-2 years	0.00	176,884,192.50
2 to 3 years	0.00	11,789,686.59
Over 3 years	0.00	0.00
Total	0.00	368,762,281.97

(2) As of 30 June 2023, the minimum rent payable in the future by the Group as the lessee for the irrevocable operating lease of plant & buildings and machinery equipment in the following periods is as follows:

Unit: Yuan Currency: RMB

Period	Amount in the current period	Amount in the previous period
Within 1 year	15,005,273.08	16,629,397.55
1-2 years	13,123,089.79	765,701.49
2 to 3 years	0.00	347,620.00
Over 3 years	0.00	0.00
Total	28,128,362.87	17,742,719.04

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(I) Important commitments (Continued)

3. *Signed leasing contract being performed or to be performed and its financial influence (Continued)*

(3) *As of 30 June 2023, the minimum rent receivable in the future by the Group as the lessor for the irrevocable operating lease of plant & buildings and machinery equipment is as follows:*

Period	Amount in the current period	Amount in the previous period
Within 1 year	13,076,595.41	10,524,094.78
1-2 years	3,071,538.44	12,299,158.48
2 to 3 years	1,833,922.00	1,658,897.69
Over 3 years	<u>4,955,076.00</u>	<u>3,332,623.86</u>
Total	<u>22,937,131.85</u>	<u>27,814,774.81</u>

As of June 30, 2023, the Group has no other significant commitment events that shall be disclosed but not yet disclosed except for the above-mentioned ones.

(II) Important contingencies existing at the balance sheet date

1. *Contingencies arising from pending actions or attributions and the financial impact thereof*

None.

2. *Contingencies arising from external debt guarantees and the financial impact thereof*

None.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(III) Issuance of letter of guarantee and letter of credit

Bank of deposit	Beneficiary	Amount	Starting date	Maturity
Bank of China Luoyang Chang'an Road Sub-branch	Department of Commerce of Henan Province	200,000.00	2009/11/20	Depending on the business
China Everbright Bank Co., Ltd. Beijing Branch	Sinolight International Holdings Corporation	130,131.48	2022/7/27	2023/7/31
Total	-	<u>330,131.48</u>	-	-

XIV. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no other significant events after the balance sheet date.

XV. OTHER SIGNIFICANT EVENTS

1. Discontinued operation

Unit: Yuan Currency: RMB

Item	Revenue	Costs	Total profits	Income tax expenses	Net profit	Profit from termination of operation attributable to owners of the parent company
YTO Group Finance CO., LTD.	<u>5,626,023.58</u>	<u>-63,286.31</u>	<u>5,689,309.89</u>	<u>-11,721,404.41</u>	<u>17,410,714.30</u>	<u>17,199,992.42</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment information

The Group determines the operating segments on the basis of the internal organizational structure, management requirements and internal reporting system. The operating segment of the Group refers to the component that meets all of the following conditions:

- 1) The component can generate incomes and incur expenses in daily activities;
- 2) The Management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;
- 3) Accounting information about the component such as financial situation, operating results and cash flow can be obtained.

(1) *Basis for determining reportable segments and accounting policies*

- 1) The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments;
- 2) The absolute amount of the segment profit (loss) of the segment accounts for 10% or more of the greater of the total profit of all profit segments or the total loss of all loss segments.

If the total revenue from external transactions of the operating segments of the reportable segments determined according to the above accounting policies accounts for less than 75% of the consolidated total revenue, the number of reportable segments shall be increased, and other operating segments that are not included as reportable segments shall be included in the scope of the reportable segments according to the following provisions until the proportion reaches 75%:

- 1) The operating segment that the management believes is useful for users of accounting information to disclose the information of the operating segment is determined as a reportable segment;
- 2) The operating segment is consolidated with one or more other operating segments that have similar economic characteristics and meet the conditions for consolidation of operating segments as a reportable segment.

The inter-segment transfer price is determined with reference to the market price, and the assets used jointly with each segment and related expenses are distributed among different segments based on the revenue proportion.

Factors considered by the Group in determining reportable segments and types of products and services of reportable segments.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment information (Continued)

(1) Basis for determining reportable segments and accounting policies (Continued)

The reportable segments of the Group are business units that provide different products and services. Since various businesses require different technologies and market strategies, the Group independently manages the production and operation activities of reportable segments and evaluates their operating results separately to decide to allocate resources to them and evaluate their performance.

The Group has three reportable segments: agricultural machinery segment, power machinery segment, and finance segment. The agricultural machinery segment is responsible for the production and sales of agricultural tractors and harvesters. The power machinery segment is mainly responsible for the production and sales of diesel engines. The finance segment is YTO Group Finance CO., LTD., a subsidiary of the Company and its main business is to handle entrusted loans and entrusted investment among member units, internal transfer settlement, absorption of deposits from member units and other businesses.

(2) Financial information of reportable segments in the current period

Unit: Yuan Currency: RMB

Item	agricultural machinery	Power machinery	Financial services	Offset	Total
I. Operating revenues	6,695,417,849.52	1,783,425,607.89	5,626,023.58	-1,235,924,914.80	7,248,544,566.19
Including: external transaction revenue	6,470,455,793.85	772,462,748.76	5,626,023.58	0.00	7,248,544,566.19
Intra-segment transaction revenue	224,962,055.67	1,010,962,859.13	0.00	-1,235,924,914.80	0.00
Asset impairment loss	-2,212,338.25	-3,864,800.63	0.00	1,154,697.75	-4,922,441.13
Credit impairment losses	-2,887,928.27	-5,437,307.61	384,946.90	-2,894,867.39	-10,835,156.37
Depreciation and amortization expenses	139,487,514.92	30,730,787.64	59,629.20	0.00	170,277,931.76
II. Total profit (total loss to be listed with "-")	952,761,412.47	85,664,301.59	15,957,173.06	-233,383,934.88	820,998,952.24
III. Income tax expenses	73,244,990.39	-5,000,042.43	-11,721,404.41	0.00	56,523,543.55
IV. Net profit (net loss to be listed with "-")	879,792,202.08	90,664,344.02	27,678,577.47	-233,659,714.88	764,475,408.69
V. Total assets	17,029,745,941.62	3,069,398,775.73	0.00	-5,893,838,944.40	14,205,305,772.95
VI. Total liabilities	9,956,810,509.07	1,671,598,450.38	0.00	-4,426,398,772.06	7,202,010,187.39
VII. Other important non-cash items	59,187,626.41	79,181,492.07	63,081.20	0.00	138,432,199.68
1. Other non-cash expenses excluding depreciation and amortization expenses	28,412,567.96	12,055,351.36	63,081.20	0.00	40,531,000.52
2. Capital expenditure	30,775,058.45	67,126,140.71	0.00	0.00	97,901,199.16

(3) Other instructions

None.

3. Other significant transactions and events affecting investors' decisions

None.

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) *Accounts receivable listed by bad debt accrual method*

Unit: Yuan Currency: RMB

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	1,789,186,503.28	100.00	165,106,443.22	-	1,624,080,060.06
Including: Ageing portfolio	1,788,196,907.70	99.94	164,116,847.64	9.18	1,624,080,060.06
Collateral and other risk exposure portfolios	<u>989,595.58</u>	<u>0.06</u>	<u>989,595.58</u>	<u>100.00</u>	<u>0.00</u>
Total	<u>1,789,186,503.28</u>	<u>100.00</u>	<u>165,106,443.22</u>	<u>-</u>	<u>1,624,080,060.06</u>

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	757,270,726.57	100.00	175,882,874.86	-	581,387,851.71
Including: Ageing portfolio	756,281,130.99	99.87	174,893,279.28	23.13	581,387,851.71
Collateral and other risk exposure portfolios	<u>989,595.58</u>	<u>0.13</u>	<u>989,595.58</u>	<u>100.00</u>	<u>0.00</u>
Total	<u>757,270,726.57</u>	<u>100.00</u>	<u>175,882,874.86</u>	<u>-</u>	<u>581,387,851.71</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) *Accounts receivable listed by bad debt accrual method (Continued)*

Provision for bad debts of accounts receivable accrued as per portfolio – ageing portfolio

Unit: Yuan Currency: RMB

Ageing	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	1,643,660,004.27	19,676,770.09	1.20
1-2 years	193,651.76	96,825.88	50.00
2-3 years	277,390.30	277,390.30	100.00
Over 3 years	144,065,861.37	144,065,861.37	100.00
Total	1,788,196,907.70	164,116,847.64	–

Provision for bad debts of accounts receivable accrued as per portfolio – collateral and other risk exposure portfolios

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Ending balance Provision for bad debts	Provision proportion (%)
Collateral and other risk exposure portfolios	989,595.58	989,595.58	100.00
Total	989,595.58	989,595.58	100.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(2) *Accounts receivable listed as per ageing*

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	1,643,660,004.27	610,911,170.12
1-2 years	193,651.76	488,878.71
2-3 years	1,035,732.63	1,111,066.26
Over 3 years	144,297,114.62	144,759,611.48
Subtotal	1,789,186,503.28	757,270,726.57
Less: provision for bad debts	165,106,443.22	175,882,874.86
Total	1,624,080,060.06	581,387,851.71

(3) *Provision for bad debts of accounts receivable in the current period*

Unit: Yuan Currency: RMB

Category	Beginning balance	Provision	Amount changed in the current year			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Ageing portfolio	174,893,279.28	-10,776,431.64	0.00	0.00	0.00	164,116,847.64
Collateral and other risk exposure portfolios	989,595.58	0.00	0.00	0.00	0.00	989,595.58
Total	175,882,874.86	-10,776,431.64	0.00	0.00	0.00	165,106,443.22

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(4) *No accounts receivable actually written off during the reporting period*

(5) *Accounts receivables from top five borrowers listed by ending balance*

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
Luoyang Changxing Agricultural Machinery Co., Ltd.	944,394,370.18	Within 1 year	52.78	9,443,943.71
YTO International Economic and Trade Co., Ltd.	436,144,740.55	Within 1 year	24.38	6,208,492.50
YTO (Luoyang) Diesel Engine Co., Ltd.	66,352,026.98	Within 1 year	3.71	663,520.26
YTO (Luoyang) Harvesters Co., Ltd.	63,100,203.73	Over 3 years	3.53	63,100,203.73
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	38,132,408.91	Over 3 years	2.13	38,132,408.91
Total	1,548,123,750.35	-	86.53	117,548,569.11

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	76,808,376.96	76,808,376.96
Other receivables	<u>122,357,649.48</u>	<u>125,116,240.95</u>
Total	<u>199,166,026.44</u>	<u>201,924,617.91</u>

Interest receivable

(1) Interest receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest of entrusted loan	6,603,593.63	5,639,356.07
Less: provision for bad debts	<u>6,603,593.63</u>	<u>5,639,356.07</u>
Total	<u>0.00</u>	<u>0.00</u>

(2) Important overdue interest

Unit: Yuan Currency: RMB

Entity	Ending balance	Overdue time	Overdue reason	Whether Impairment Occurs and Its Judgment Basis
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	<u>6,603,593.63</u>	<u>Over 3 years</u>	<u>Unable to repay</u>	<u>Impairment has been fully accrued</u>
Total	<u>6,603,593.63</u>	<u>/</u>	<u>/</u>	<u>/</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Interest receivable (Continued)

(3) *Provision for bad debts of interest receivable*

Unit: Yuan Currency: RMB

	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2023	0.00	5,639,356.07	0.00	5,639,356.07
Book value of interest receivable as at January 1, 2023 in the current period	-	-	-	-
- Be transferred to Stage II	0.00	0.00	0.00	0.00
- Be transferred to Stage III	0.00	0.00	0.00	0.00
- Be transferred back to Stage II	0.00	0.00	0.00	0.00
- Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current period	0.00	964,237.56	0.00	964,237.56
Reversal in the current period	0.00	0.00	0.00	0.00
Write-off in the current period	0.00	0.00	0.00	0.00
Verification in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as at June 30, 2023	0.00	6,603,593.63	0.00	6,603,593.63

Dividends receivable

(1) *Category of dividends receivable*

Unit: Yuan Currency: RMB

Project (or Investee)	Ending balance	Beginning balance
Brilliance China Machinery Holdings Ltd.	76,808,376.96	76,808,376.96
Total	76,808,376.96	76,808,376.96

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(2) Significant dividends receivable with ageing over 1 year

Unit: Yuan Currency: RMB

Investees	Ending balance	Ageing	Reason for non-recovery	Whether Impairment Occurs and Its Judgment Basis
Brilliance China Machinery Holdings Ltd.	76,808,376.96	Over 1 year	Payment procedures in progress	No
Total	76,808,376.96	/	/	/

Other receivables

(1) Other receivables classified as per nature

Unit: Yuan Currency: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Unit's transaction payments	137,538,838.60	134,672,695.27
Security deposits, pretty cash, margin, etc.	739,608.38	395,774.60
Others	11,141,624.03	10,994,542.40
Total	149,420,071.01	146,063,012.27

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(2) *Provision for bad debts of other receivables*

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I Expected credit losses for the next 12 months	Stage II Expected credit loss within the whole duration (no credit impairment occurs)	Stage III Expected credit loss within the whole duration (credit impairment has occurred)	Total
Balance on January 1, 2023	20,946,771.32	0.00	0.00	20,946,771.32
Book value of other receivables on January 1, 2023 in the current period	-	-	-	-
- Be transferred to Stage II	0.00	0.00	0.00	0.00
- Be transferred to Stage III	0.00	0.00	0.00	0.00
- Be transferred back to Stage II	0.00	0.00	0.00	0.00
- Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current period	6,115,650.21	0.00	0.00	6,115,650.21
Reversal in the current period	0.00	0.00	0.00	0.00
Write-off in the current period	0.00	0.00	0.00	0.00
Verification in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as at June 30, 2023	<u>27,062,421.53</u>	<u>0.00</u>	<u>0.00</u>	<u>27,062,421.53</u>

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(3) *Other receivables listed as per ageing*

Unit: Yuan Currency: RMB

Aging	Ending Balance
Within 1 year (including 1 year)	118,729,354.10
1-2 years	22,835,349.96
2-3 years	74,025.39
Over 3 years	7,781,341.56
Subtotal	149,420,071.01
Less: provision for bad debts	27,062,421.53
Total	122,357,649.48

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts*

Category	Book value		Ending balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	149,420,071.01	100.00	27,062,421.53	-	122,357,649.48
Including: Ageing portfolio	148,734,168.39	99.54	27,055,562.50	18.19	121,678,605.89
Low risk portfolio	685,902.62	0.46	6,859.03	1.00	679,043.59
Total	149,420,071.01	100.00	27,062,421.53	-	122,357,649.48

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(4) *Disclosure by category according to the calculation and accrual method of provision for bad debts (Continued)*

Category	Book value		Beginning balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by portfolio	146,063,012.27	100.00	20,946,771.32	-	125,116,240.95
Including: Ageing portfolio	146,030,212.27	99.98	20,946,443.32	14.34	125,083,768.95
Low risk portfolio	32,800.00	0.02	328.00	1.00	32,472.00
Total	146,063,012.27	100.00	20,946,771.32	-	125,116,240.95

1) Provision for bad debts of other receivables accrued as per portfolio—Ageing portfolio

Ageing	Ending balance		Provision proportion (%)
	Book value	Provision for bad debts	
Within 1 year	118,045,851.48	7,784,920.57	6.59
1-2 years	22,835,349.96	11,417,674.98	50.00
2-3 years	71,625.39	71,625.39	100.00
Over 3 years	7,781,341.56	7,781,341.56	100.00
Total	148,734,168.39	27,055,562.50	-

2) Provision for bad debts of other receivables accrued as per portfolio—Low-risk portfolio

Ageing	Ending balance		Provision proportion (%)
	Book value	Provision for bad debts	
Low-risk portfolio	685,902.62	6,859.03	1.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(5) *Bad debt provision of other receivables*

Unit: Yuan Currency: RMB

Category	Beginning balance	Change of amount in the current period			Others	Ending balance
		Provision	Recovered or transferred back	Charged or written off		
Ageing portfolio	20,946,443.32	6,109,119.18	0.00	0.00	0.00	27,055,562.50
Low risk portfolio	328.00	6,531.03	0.00	0.00	0.00	6,859.03
Total	20,946,771.32	6,115,650.21	0.00	0.00	0.00	27,062,421.53

(6) *No other receivables actually written off during the reporting period*

(7) *Other receivables from top five ending balances collected as per the borrowers*

Unit: Yuan Currency: RMB

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
YTO (Luoyang) Diesel Engine Co., Ltd.	Transaction payments	137,420,000.00	Within 2 years	91.97	18,549,600.00
Jiangsu Qingjiang Tractor Co., Ltd.	Transaction payments	3,315,484.00	Over 3 years	2.22	3,315,484.00
Luoyang Yuchuan Thermal Equipment Co., Ltd.	Transaction payments	1,700,919.92	Within 2 years	1.14	492,629.61
Luoyang Jiangyang Metal Components Co., Ltd.	Transaction payments	1,060,000.00	Over 3 years	0.71	1,060,000.00
Qingdao Shuangxing Casting Machinery Co., Ltd.	Deposit	233,000.00	Over 3 years	0.16	233,000.00
Total	–	143,729,403.92	–	96.20	23,650,713.61

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book value	Provision for Impairment	Carrying amount	Book value	Provision for Impairment	Carrying amount
Investment in subsidiaries	1,587,401,726.59	97,250,000.00	1,490,151,726.59	2,072,442,028.59	97,250,000.00	1,975,192,028.59
Investment in associates and joint ventures	661,861,029.31	0.00	661,861,029.31	634,479,686.98	0.00	634,479,686.98
Total	2,249,262,755.90	97,250,000.00	2,152,012,755.90	2,706,921,715.57	97,250,000.00	2,609,671,715.57

(1) Breakdown of subsidiaries

Unit: Yuan Currency: RMB

Investees	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Provision for impairment in the current period	Ending balance of impairment provision
Luoyang Changxing Agricultural Machinery Co., Ltd.	3,000,000.00	0.00	0.00	3,000,000.00	0.00	3,000,000.00
Yangdong Co., Ltd.	76,000,000.00	0.00	0.00	76,000,000.00	0.00	0.00
YTO (Luoyang) Diesel Engine Co., Ltd.	392,257,881.14	0.00	0.00	392,257,881.14	0.00	0.00
YTO (Luoyang) Flagauto-Body Co., Ltd.	77,192,767.62	0.00	0.00	77,192,767.62	0.00	0.00
YTO (Luoyang) Casting and Forging Co., Ltd.	300,391,996.60	0.00	0.00	300,391,996.60	0.00	0.00
YTO International Economic and Trade Co., Ltd.	75,668,335.13	0.00	0.00	75,668,335.13	0.00	0.00
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36	0.00	0.00	281,414,966.36	0.00	0.00
YTO (Luoyang) Hydraulic Transmission Co., Ltd.	152,989,481.32	0.00	0.00	152,989,481.32	0.00	0.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	94,250,000.00	0.00	0.00	94,250,000.00	0.00	94,250,000.00
China-Africa Heavy Industry Investment Co., Ltd.	55,022,000.00	0.00	0.00	55,022,000.00	0.00	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(1) Breakdown of subsidiaries (Continued)

Investees	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Provision for impairment in the current period	Ending balance of impairment provision
YTO Group Finance CO., LTD.	485,040,302.00	0.00	485,040,302.00	0.00	0.00	0.00
Brilliance China Machinery Holdings Ltd.	27,838,370.11	0.00	0.00	27,838,370.11	0.00	0.00
YTO Belarus Technology Co., Ltd.	51,375,928.31	0.00	0.00	51,375,928.31	0.00	0.00
Total	2,072,442,028.59	0.00	485,040,302.00	1,587,401,726.59	0.00	97,250,000.00

(2) Breakdown of associates

Unit: Yuan Currency: RMB

Investees	Beginning balance	Increase in investment	Negative investment	Increase/decrease in the current period		
				Profit or loss on investments recognized under the equity method	Other comprehensive income adjustments	Other changes in equity
I. Associates	-	-	-	-	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	76,537,108.68	0.00	0.00	9,322,537.95	0.00	0.00
Sinomach Finance Co., Ltd.	557,942,578.30	0.00	0.00	17,950,069.03	108,735.35	0.00
Total	634,479,686.98	0.00	0.00	27,272,606.98	108,735.35	0.00

Investees	Cash dividends or profits declared to pay	Accrual of provision for impairment	Increase/decrease in the current period		Ending balance	Ending balance of impairment provision
			Others	Others		
I. Associates	-	-	-	-	-	-
ZF YTO (Luoyang) Axle Co., Ltd.	0.00	0.00	0.00	0.00	85,859,646.63	0.00
Sinomach Finance Co., Ltd.	0.00	0.00	0.00	0.00	576,001,382.68	0.00
Total	0.00	0.00	0.00	0.00	661,861,029.31	0.00

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVI. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating revenues and costs

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Costs	Revenue	Costs
Main business	5,789,082,852.56	4,989,684,104.53	5,436,639,043.50	4,639,835,503.40
Other business	18,152,371.29	3,833,829.36	16,733,124.32	5,343,605.29
Total	5,807,235,223.85	4,993,517,933.89	5,453,372,167.82	4,645,179,108.69

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income calculated with the cost method	223,301,806.68	236,040,477.49
Long-term equity investment incomes calculated at equity method	27,272,606.98	4,336,752.69
Investment income from disposal of long-term equity investments	-12,033,667.69	613,537.86
Investment income from disposal of financial assets held for trading	7,297,863.02	1,219,434.15
Revenue from derecognition of financial assets at amortized cost	0.00	0.00
Investment income from holding debt instruments at amortized cost	33,724,039.36	0.00
Others	0.00	-258,158.18
Total	279,562,648.35	241,952,044.01

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVII. SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

1. Breakdown of non-recurring gains and losses in current period

Unit: Yuan Currency: RMB

Item	Amount in the current period	Notes
Gain or loss from disposal of non-current assets	743,241.14	–
Government subsidies included in the current profits and losses (exclusive of those which are closely related with the enterprise business or government subsidies granted according to national standard fixed rate or quantity)	11,857,210.93	–
In addition to the effective hedging business related to the normal business of the Company, profits and losses from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and debt instruments at FVTOCI.	22,340,900.00	–
Other non-operating income and expenses other than the above	2,537,120.39	–
Other losses and profits conforming to the definition of non-recurring gain or loss	303,855.74	–
Less: Effect of income tax	9,091,491.24	–
Effect on non-controlling interests (after-tax)	598,655.13	–
Total	28,092,181.83	–

Non-recurring profit or loss defined by the Group according to the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public—Extraordinary Profits and Losses*, non-recurring profit or loss listed in the said explanatory announcement as a recurring one by the Group are listed as follows.

Unit: Yuan Currency: RMB

Item	Amount	Reason
Income from structured deposits	11,611,342.47	Fund management bank of the Company

SECTION X FINANCIAL STATEMENTS (CONTINUED)

XVII. SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS (CONTINUED)

2. Return on equity and earnings per share

Profit during the Reporting Period	Weighted average return on equity (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the parent company	11.98	0.6712	0.6712
Net profit attributable to common shareholders of the parent company after deduction of non-recurring profit or loss	11.53	0.6462	0.6462

3. Discrepancy of Accounting Data under Different Accounting Standards

There is no difference between net profits and net assets in the financial report disclosed by the Group according to Hong Kong accounting standards and Chinese accounting standards

Chairman: **Liu Jiguo**

The date of approval by the Board for submission:
28 August 2023