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

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

(Stock Code: 0038)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025**

### **(Financial Highlights)**

<b>Total operating revenue:</b>	<b>RMB10,822,591,178.94</b>
<b>Net profit attributable to the equity holders of the parent company:</b>	<b>RMB811,953,460.29</b>
<b>Earnings per share attributable to the equity holders of the parent company:</b>	<b>RMB0.7226</b>

The board of directors (the “**Board**”) of First Tractor Company Limited\* (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2025 (the “**Reporting Period**” or the “**Year**”), which have been prepared in accordance with the China Accounting Standards for Business Enterprises, together with the comparative figures for the same period in 2024, as follows (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi (Unit: Yuan)).

# CONSOLIDATED BALANCE SHEET

31 December 2025

Prepared by: First Tractor Company Limited

*Unit: Yuan Currency: RMB*

<b>Item</b>	<i>Note</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Current assets:</b>			
Monetary Funds	<i>Note 1</i>	<b>1,911,543,550.84</b>	2,345,044,150.92
Lending to Banks and Other Financial Institutions		<b>0.00</b>	0.00
Trading financial assets		<b>946,000,000.00</b>	1,378,751,780.82
Derivative financial assets		<b>0.00</b>	0.00
Notes receivable		<b>43,549,626.18</b>	36,699,592.12
Accounts receivable	<i>Note 2</i>	<b>326,784,073.62</b>	302,269,723.59
Accounts receivable financing		<b>168,977,762.41</b>	162,000,234.88
Advances to suppliers		<b>255,713,675.86</b>	289,422,493.28
Other receivables		<b>66,734,313.70</b>	46,387,183.65
Including: Dividend receivable		<b>0.00</b>	0.00
Interest receivable		<b>0.00</b>	0.00
Buying back the sale of financial assets		<b>0.00</b>	0.00
Inventories		<b>1,147,694,571.50</b>	1,374,778,847.98
Contract assets		<b>0.00</b>	0.00
Assets classified as held for sale		<b>0.00</b>	0.00
Non-current assets due within one year		<b>2,969,552,248.90</b>	1,183,614,680.34
Other current assets		<b>410,852,732.73</b>	306,079,445.60
<b>Total current assets</b>		<b><u>8,247,402,555.74</u></b>	<b><u>6,487,671,852.68</u></b>

<b>Item</b>	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
<b>Non-current assets:</b>			
Loans and advances		<b>0.00</b>	0.00
Debt investment		<b>2,839,788,030.21</b>	3,261,453,492.49
Other debt investment		<b>0.00</b>	0.00
Long-term receivables		<b>0.00</b>	0.00
Long-term equity investments		<b>705,852,151.75</b>	686,959,090.74
Other equity instrument investment		<b>4,716,862.36</b>	4,456,280.38
Other non-current financial assets		<b>0.00</b>	0.00
Investment properties		<b>0.00</b>	0.00
Fixed assets		<b>2,129,797,255.04</b>	2,260,822,274.24
Construction in progress		<b>324,531,669.03</b>	147,682,578.79
Right-to-use assets		<b>26,810,495.19</b>	38,468,756.06
Intangible assets		<b>633,034,230.85</b>	676,329,157.44
Research and development expenses		<b>0.00</b>	0.00
Goodwill		<b>0.00</b>	0.00
Long-term deferred expenses		<b>44,090,049.49</b>	45,760,654.99
Deferred income tax assets		<b>141,514,116.62</b>	144,355,291.66
Other non-current assets		<b>0.00</b>	0.00
<b>Total non-current assets</b>		<b><u>6,850,134,860.54</u></b>	<u>7,266,287,576.79</u>
<b>Total assets</b>		<b><u><u>15,097,537,416.28</u></u></b>	<u><u>14,691,335,709.97</u></u>

<b>Item</b>	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
<b>Current liabilities:</b>			
Short-term loans		<b>0.00</b>	0.00
Loans from banks and other financial institutes		<b>0.00</b>	0.00
Trading financial liabilities		<b>0.00</b>	0.00
Derivative financial liabilities		<b>0.00</b>	0.00
Notes payable		<b>2,583,140,189.56</b>	2,537,943,251.97
Accounts payable	<i>Note 3</i>	<b>1,824,615,662.08</b>	2,157,202,989.34
Advance from customers		<b>77,051.52</b>	0.00
Contract liabilities		<b>566,066,122.26</b>	555,274,588.76
Sale of repurchase financial assets		<b>0.00</b>	0.00
Absorption of deposits and interbank deposits		<b>0.00</b>	0.00
Employee salary payable		<b>101,139,881.19</b>	103,956,392.97
Taxes payables		<b>25,455,101.09</b>	25,961,607.96
Other payables		<b>567,807,246.38</b>	493,332,826.35
Including: Interests payable		<b>1,922,870.72</b>	39,535,828.27
Dividends payable		<b>8,439,607.88</b>	8,439,607.87
Liabilities classified as held for sale		<b>0.00</b>	0.00
Non-current liabilities due within one year		<b>26,162,069.90</b>	225,596,509.07
Other current liabilities		<b>383,903,310.62</b>	398,801,587.69
<b>Total current liabilities</b>		<b><u>6,078,366,634.60</u></b>	<b><u>6,498,069,754.11</u></b>

<b>Item</b>	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
<b>Non-current liabilities:</b>			
Long-term loans		<b>424,723,098.79</b>	65,950,000.00
Bonds payable		<b>0.00</b>	0.00
Including: Preference shares		<b>0.00</b>	0.00
Perpetual bond		<b>0.00</b>	0.00
Lease liabilities		<b>2,547,279.10</b>	13,772,820.46
Long-term payables		<b>7,183,513.97</b>	7,246,381.79
Long-term employee salary payable		<b>18,526,825.11</b>	27,463,638.47
Estimated liabilities		<b>1,962,613.99</b>	1,962,613.99
Deferred income		<b>206,209,084.00</b>	174,930,894.21
Deferred income tax liabilities		<b>127,194,282.38</b>	123,667,945.42
Other non-current liabilities		<b>0.00</b>	0.00
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>788,346,697.34</b>	414,994,294.34
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>6,866,713,331.94</b>	6,913,064,048.45
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Item	<i>Note</i>	31 December 2025	31 December 2024
<b>Shareholder's equity</b>			
Share capital		<b>1,123,645,275.00</b>	1,123,645,275.00
Other equity instruments		<b>0.00</b>	0.00
Including: Preferred shares		<b>0.00</b>	0.00
Perpetual bond		<b>0.00</b>	0.00
Capital reserves		<b>2,655,849,996.00</b>	2,655,849,996.00
Less: Treasury shares		<b>0.00</b>	0.00
Other comprehensive income		<b>-8,070,289.08</b>	-13,151,228.80
Special reserves		<b>10,230,132.90</b>	9,145,661.53
Surplus reserves		<b>849,363,512.81</b>	784,242,879.53
General risk reserves		<b>0.00</b>	0.00
Retained earnings	<i>Note 4</i>	<b>3,029,686,803.68</b>	2,695,974,750.86
Total equity attributable to shareholders of the parent company		<b>7,660,705,431.31</b>	7,255,707,334.12
Minority interests		<b>570,118,653.03</b>	522,564,327.40
<b>Total shareholder's equity</b>		<b>8,230,824,084.34</b>	7,778,271,661.52
<b>Total liabilities and shareholder's equity</b>		<b>15,097,537,416.28</b>	14,691,335,709.97

# CONSOLIDATED INCOME STATEMENT

2025

Prepared by: First Tractor Company Limited

*Unit: Yuan Currency: RMB*

<b>Item</b>	<i>Note</i>	<b>Amount incurred this year</b>	Amount incurred last year
<b>1. Total operating revenue</b>		<b>10,822,591,178.94</b>	11,904,370,911.94
Including: Operating revenue		<b>10,822,591,178.94</b>	11,904,370,911.94
Interest income		<b>0.00</b>	0.00
Fees and commission income		<b>0.00</b>	0.00
<b>2. Total cost of operation</b>		<b>10,285,720,207.00</b>	11,177,392,535.23
Including: Operating costs		<b>9,183,170,444.95</b>	10,145,221,753.22
Interest expenses		<b>0.00</b>	0.00
Fees and commission expense		<b>0.00</b>	0.00
Taxes and surcharges		<b>45,956,705.32</b>	48,707,139.41
Selling expenses		<b>164,619,530.41</b>	156,461,228.98
Administrative expenses		<b>341,182,329.63</b>	354,693,536.41
Research and development expenses		<b>549,374,719.20</b>	516,377,794.17
Financial expenses		<b>1,416,477.49</b>	-44,068,916.96
Add: Other income		<b>162,964,653.53</b>	151,920,726.49
Investment income		<b>182,689,331.67</b>	172,346,555.92
Gain arising from the changes in fair value		<b>70,018,569.63</b>	27,395,502.26
Loss on impairment of credit		<b>-13,303,302.98</b>	-18,749,875.34
Loss on impairment of assets		<b>-22,151,245.20</b>	-19,031,607.32
Asset disposal income		<b>1,136,459.87</b>	5,487,433.08

Item	Note	Amount incurred this year	Amount incurred last year
<b>3. Operating profit</b>		<b>918,225,438.46</b>	1,046,347,111.80
Add: Non-operating income		21,236,553.75	5,906,114.68
Less: Non-operating expenses		3,179,998.99	475,559.14
<b>4. Total profit</b>		<b>936,281,993.22</b>	1,051,777,667.34
Less: Income tax expenses	Note 6	76,443,289.86	120,839,952.03
<b>5. Net profit</b>		<b>859,838,703.36</b>	930,937,715.31
Including: Net profit achieved by the merger of the merged party before the merger under the same control		<b>0.00</b>	0.00
(1) Classification according to the continuity of operation		—	—
Net profit from continuing operations		<b>859,838,703.36</b>	930,937,715.31
Net profit from discontinued operations		<b>0.00</b>	0.00
(2) Classification according to ownership		—	—
Net profit attributable to owners of the parent company		<b>811,953,460.29</b>	922,023,211.45
Profit or loss attributable to minority shareholders		<b>47,885,243.07</b>	8,914,503.86
<b>6. Net other comprehensive income after tax</b>		<b>6,105,161.55</b>	213,376.72
Net other comprehensive income after tax attributable to owners of the parent company		<b>4,649,371.22</b>	772,501.21
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		<b>-56,633.24</b>	193,079.23
1. Changes arising from re- measurement of the defined benefit plan		<b>0.00</b>	0.00
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		<b>-189,530.05</b>	56,260.71

Item	Note	Amount incurred this year	Amount incurred last year
3.	Changes in fair value of other equity instrument investments	132,896.81	136,818.52
4.	Changes in fair value of credit risk due to enterprise itself	0.00	0.00
(2)	Other comprehensive income that will be subsequently reclassified to profit and loss	4,706,004.46	579,421.98
1.	Other comprehensive income that can be reclassified into profit or loss under the equity method	0.00	0.00
2.	Changes in fair value of other debt investments	0.00	0.00
3.	The amount of financial assets reclassified into other comprehensive income	0.00	0.00
4.	Provision for credit impairment of other debt investment	0.00	0.00
5.	Cash flow hedging reserve (Effective part of hedging gains and losses from cash flows)	0.00	0.00
6.	Differences in translation of foreign currency financial statements	4,706,004.46	579,421.98
7.	Others	0.00	0.00
	<b>Net other comprehensive income after tax attributable to minority shareholders</b>	<b>1,455,790.33</b>	<b>-559,124.49</b>
<b>7.</b>	<b>Total comprehensive income</b>	<b>865,943,864.91</b>	<b>931,151,092.03</b>
	Total comprehensive income attributable to owners of the parent company	<b>816,602,831.51</b>	<b>922,795,712.66</b>
	Total comprehensive income attributable to minority shareholders	<b>49,341,033.40</b>	<b>8,355,379.37</b>
<b>8.</b>	<b>Earnings per share:</b>	<b>—</b>	<b>—</b>
(1)	Basic earnings per share	<b>0.7226</b>	0.8206
(2)	Diluted earnings per share	<b>0.7226</b>	0.8206

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. COMPANY INFORMATION

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

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

- Manufacture and sale of agricultural machinery
- Manufacture and sale of power machinery

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

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group are prepared on a going concern basis, based on actual transactions and events that have occurred, in accordance with the Accounting Standards for Business Enterprises and its application guidelines, interpretations and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"), the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports" (2023 Revision) and relevant regulations of the China Securities Regulatory Commission (hereinafter referred to as "the Commission"), and the relevant disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Stock Exchange of Hong Kong, and have been prepared on the basis of the accounting policies and accounting estimates set out in "4. Significant Accounting Policies and Accounting Estimates" in this note.

### **3. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES**

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

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

### **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **(1) Accounting period**

The accounting period is from 1 January to 31 December.

#### **(2) Reporting currency**

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

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

#### **(4) Accounting method for enterprise merger under common control and not under common control**

***1. When the terms, conditions and economic impact of transactions in a step-by-step enterprise merger process meet one or more of the following conditions, the multiple transactions shall be accounted for as a single transaction***

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

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

## **2. *Enterprise merger under common control***

The assets and liabilities acquired by the Company during enterprise merger shall be measured according to the book value of the assets and liabilities of the merged party, including the final controlling party's acquisition of the merged party, in the consolidated financial statements of the final controlling party. The difference between the net assets book value acquired in the merger and the book value of the combined consideration value (or the total value of the issued shares) should be adjusted by the equity premium in the capital surplus, if it is not enough, adjust retained earnings.

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

For an enterprise merger realised by multiple transactions which belong to a package transaction, considering these transactions as a control transaction when carrying out accounting method. In the case of non-package transactions, the difference between the initial investment cost of long-term equity investment and the book value of the new payment consideration with the sum of the book value of the new share price before the merger should be adjusted by adjusting capital surplus on the day of gaining control. If the capital stock is not enough to be reduced, the retained earnings will be adjusted. Accounting treatment would not be carried out for equity investment which measured by equity method or identification and measurement criteria for financial instruments before merger until disposing of the investment based on the same assets or liabilities that are directly disposed of with the invested unit. Changes in the owner's equity exclude net profit and loss, other comprehensive income and profit distribution would not be processed until the changes is transferred into the current profits and losses.

### **3. *Enterprise merger not under common control***

The purchase date refers to the date that the Company actually obtains the control right of the purchased party, that is, the date on which the purchased party's net assets are transferred or the date on which the control of the production and operation decision is transferred to the Company. The Company generally believes that the transfer of control is realised when the following conditions are met:

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

Assets paid and liabilities incurred or assumed as consideration for an enterprise merger are measured at fair value on the purchase date, with the difference between the fair value and their book value recognised in profit or loss for the current period.

When the cost of the merger is larger than the fair value share of the recognisable net assets obtained by the purchased party, the difference between these two is confirmed as the goodwill. When cost of the merger is less than the fair value of the recognisable net assets obtained by the purchase, the difference shall be recognised in profit and loss of the current period after the review.

### **4. *The costs of merger***

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

**(5) Accounting period**

**1. *Scope of the consolidation***

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

**2. *Consolidation procedures***

Based on the financial statements of the Company itself and each of its subsidiary, the Company prepares the consolidated financial statements based on other relevant information. The Company considers the entire enterprise group as an accounting entity when preparing the consolidated financial statements. In accordance with the relevant accounting standards of measurement and reporting requirements, unified accounting policies reflect the Group's overall financial status, operating results and cash flow.

The accounting policies and accounting period adopted by all subsidiaries included in the consolidated financial statements are consistent with those adopted by the Company. When the accounting policies adopted by the subsidiaries are inconsistent with those adopted by the Company, the necessary adjustment according to the Company's accounting policies and accounting period is needed when preparing consolidated financial statements.

The consolidated financial statements set off the internal transactions between the Company and its subsidiaries which affect the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated shareholders' equity change statement. Where the recognition of a transaction differs between the perspective of the Group's consolidated financial statements and that of the Company or its subsidiaries as an accounting entity, such transaction shall be adjusted from the perspective of the Group.

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

When the subsidiary was under the same control acquired through enterprise merger, the financial statements should be adjusted based on the book value of its assets and liabilities in the final control party's financial statements (including the goodwill caused by the final controlling party's acquisition of the subsidiary).

When the subsidiary was not under the same control acquired through enterprise merger, the financial statements should be adjusted based on fair value of the recognisable net assets at the purchase date.

**(6) Segment information**

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

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

1. The ‘agricultural machinery’ segment that engages in the research and development, manufacture and sale of tractors and relevant parts and component (excluding diesel engines);
2. The ‘power machinery’ segment that engages in the research and development, manufacture and sale of diesel engines.

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

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

**(7) Changes in accounting policies**

**1. *Changes in accounting policies***

No accounting policies were changed during the Reporting Period.

**2. *Changes in accounting estimates***

No accounting estimates were changed during the Reporting Period.

## 5. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Monetary funds

Items	Ending Balance	Beginning Balance
Cash on hand	<b>50,619.11</b>	98,797.95
Cash in bank	<b>80,945,017.06</b>	296,161,545.92
Other monetary funds	<b>161,329,804.40</b>	88,707,741.00
Deposit in financial company (Note)	<b>1,669,218,110.27</b>	1,960,076,066.05
Total	<b>1,911,543,550.84</b>	2,345,044,150.92
Including: Total amount deposited abroad	<b>17,650,295.38</b>	17,982,319.91

Note: Deposits placed with finance companies include deposits paid for acceptance bills processed by finance companies.

Including: Monetary funds restricted for use

Items	Ending Balance	Beginning Balance
Acceptance deposit	<b>577,850,895.83</b>	555,439,590.04
Other restricted funds	<b>200,000.00</b>	4,957,024.60
Total	<b>578,050,895.83</b>	560,396,614.64

### Note 2. Accounts receivables

#### 1. Disclosure of accounts receivable by aging analysis

The table below sets forth an aging analysis of accounts receivable recognised on the date of credit took place:

Aging	Ending Balance	Beginning Balance
Within 1 year (Including 1 year)	<b>332,507,663.64</b>	305,250,823.09
1-2 years	<b>12,874,987.85</b>	34,043,696.35
2-3 years	<b>30,206,796.91</b>	9,146,307.77
Over 3 years	<b>233,231,805.64</b>	235,613,644.16
Subtotal	<b>608,821,254.04</b>	584,054,471.37
Less: Provision for impairment	<b>282,037,180.42</b>	281,784,747.78
Total	<b>326,784,073.62</b>	302,269,723.59

**2. Disclosure by provision for bad debt**

Category	Book balance		Ending Balance		Book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Provision ratio (%)	
Bad debt provision on a portfolio basis	608,821,254.04	100.00	282,037,180.42	—	326,784,073.62
Including: Aging portfolio	452,464,810.07	74.32	229,961,894.12	50.82	222,502,915.95
Risk exposure					
portfolio such as					
collateral	156,356,443.97	25.68	52,075,286.30	33.31	104,281,157.67
Total	608,821,254.04	100.00	282,037,180.42	—	326,784,073.62

Continued:

Category	Book balance		Beginning Balance		Book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Provision ratio (%)	
Bad debt provision on a portfolio basis	584,054,471.37	100.00	281,784,747.78	—	302,269,723.59
Including: Aging portfolio	494,737,713.48	84.71	233,569,131.01	47.21	261,168,582.47
Risk exposure					
portfolio such as					
collateral	89,316,757.89	15.29	48,215,616.77	53.98	41,101,141.12
Total	584,054,471.37	100.00	281,784,747.78	—	302,269,723.59

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

(1) Aging portfolio

Aging	Book Balance	Ending Balance	
		Bad debt provision	Provision ratio (%)
Within 1 year			
(Including 1 year)	225,322,336.92	5,424,818.94	2.41
1-2 years	1,807,542.55	586,778.47	32.46
2-3 years	21,858,461.91	21,302,931.19	97.46
Over 3 years	203,476,468.69	202,647,365.52	99.59
Total	452,464,810.07	229,961,894.12	—

(2) *Risk exposure portfolio such as collateral*

Name of portfolio	Ending Balance	Bad debt provision	Provision ratio (%)
Risk exposure portfolio such as collateral	156,356,443.97	52,075,286.30	33.31

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

Category	Beginning Balance	Changes in the current year			Other (Note)	Ending Balance
		Provision	Recovery/ Reversal	Transfer or Write off		
Aging portfolio	233,569,131.01	8,662,306.82	0.00	11,542,503.95	-727,039.76	229,961,894.12
Risk exposure portfolio such as collateral	48,215,616.77	2,302,553.88	0.00	0.00	1,557,115.65	52,075,286.30
Total	281,784,747.78	10,964,860.70	0.00	11,542,503.95	830,075.89	282,037,180.42

Note: Other changes were mainly due to exchange rate changes.

**5. *Actual accounts receivable write-off in current Reporting Period***

Item	Amount of write off
Actual accounts receivable write-off	11,542,503.95

Of which: significant accounts receivables written off:

Unit name	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures adopted	From connected transactions or not
Client 4	Other	5,000,000.00	Not expected to be recovered	Company internal approval	No
Client 5	Loan	3,695,754.57	Not expected to be recovered	Company internal approval	No
Client 6	Loan	1,501,767.65	Not expected to be recovered	Company internal approval	No
Total	—	10,197,522.22	—	—	—

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

<b>Unit name</b>	<b>Ending Balance</b>	<b>Age</b>	<b>Percentage of ending balance of accounts receivable (%)</b>	<b>Bad debt provision</b>
Client 7	61,645,479.33	Over 5 years	10.13	61,645,479.33
Client 8	47,530,967.73	Within 1 year	7.81	1,307,101.61
Client 9	28,081,988.21	Within 1 year	4.61	564,249.28
Client 10	25,071,643.92	Over 5 years	4.12	25,071,643.92
Client 11	23,205,724.24	Within 1 year, 2-3 years	3.81	21,207,355.54
Total	185,535,803.43	—	30.48	109,795,829.68

### Note 3. Accounts payable

#### 1. Accounts payable presented by nature of items

<b>Item</b>	<b>Ending Balance</b>	<b>Opening Balance</b>
Purchase payment payable	<b>1,637,102,681.91</b>	1,920,764,575.69
Service fee payable	<b>164,288,264.99</b>	162,494,015.09
Purchase of construction equipment payable	<b>22,539,363.02</b>	73,646,836.84
Others	<b>685,352.16</b>	297,561.72
<b>Total</b>	<b>1,824,615,662.08</b>	2,157,202,989.34

#### 2. Accounts payable presented by aging analysis

The table below sets forth an aging analysis of accounts payable recognised on the date of debt took place:

<b>Item</b>	<b>Ending Balance</b>	<b>Opening Balance</b>
Within 1 year (Including 1 year)	<b>1,683,079,324.28</b>	1,959,507,179.50
1-2 years	<b>43,543,380.71</b>	71,709,848.62
2-3 years	<b>27,648,210.56</b>	37,342,728.77
Over 3 years	<b>70,344,746.53</b>	88,643,232.45
<b>Total</b>	<b>1,824,615,662.08</b>	2,157,202,989.34

#### 3. Accounts payable with significant amount aged over 1 year

<b>Unit name</b>	<b>Ending Balance</b>	<b>Reason for not paid or carrying forward</b>
Supplier 7	<b>26,838,015.05</b>	Unsettled

#### Note 4. Retained earnings

Item	Amount	Percentage of appropriation or distribution
Ending balance last year	2,695,974,750.86	—
Add: adjusted retained earnings at the beginning of the year	0.00	—
Beginning balance this year	2,695,974,750.86	—
Add: net profit for the current year attributable to owners of the parent company	811,953,460.29	—
Others	0.00	—
Less: statutory surplus reserves	65,120,633.28	10.00%
common stock dividends payable	412,689,205.69	—
Others (Note)	431,568.50	—
Ending balance this year	3,029,686,803.68	—

Note: The Company uses the equity method to account for its associate, SINOMACH Finance Co., Ltd., which transfers other comprehensive income that no profit or loss can be recognised to unallocated profits. In accordance with the relevant accounting provisions of the equity method, the Company simultaneously transfers the corresponding share of such other comprehensive income to unallocated profits, which will be presented in “others”.

#### Note 5. Depreciation and amortisation

Item	Amount incurred this year	Amount incurred last year
Depreciation of fixed assets	<b>253,872,572.71</b>	254,145,269.40
Amortisation of intangible assets	<b>35,977,974.34</b>	35,870,151.91
Total	<b>289,850,547.05</b>	290,015,421.31

#### Note 6. Income tax expenses

##### 1. Income tax expenses

Item	Amount incurred this year	Amount incurred last year
Current income tax expenses	<b>70,075,777.86</b>	114,190,940.20
Deferred income tax expense	<b>6,367,512.00</b>	6,649,011.83
Total	<b>76,443,289.86</b>	120,839,952.03

## 2 *The Adjustment Process of Accounting Profit and Income Tax Expenses*

<b>Item</b>	<b>Amount incurred this year</b>
Total consolidated profit of this year	936,281,993.22
Income tax expenses at applicable tax rates	140,442,298.98
The impact of different tax rates on subsidiaries	17,673,795.40
The impact of income tax on the period before adjustment	-558,427.35
The impact of income not subject to tax	-1,857,565.89
Loss and profit attributable to joint ventures and associates	-2,871,088.66
Non-deductible cost, expenses and loss impact	4,551,479.96
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the current year	-9,004,416.30
Extra deductions for research and development expenses	-62,188,213.88
The impact of using deductible losses of unrecognised deferred income tax assets in the previous period	-9,744,572.40
Income tax expenses	76,443,289.86

### Note 7. Net current assets

<b>Item</b>	<b>Ending Balance</b>	Opening Balance
Current assets	8,247,402,555.74	7,425,048,133.18
Less: current liabilities	6,078,366,634.60	6,498,069,754.11
Net current assets	2,169,035,921.14	926,978,379.07

### Note 8. Total assets less current liabilities

<b>Item</b>	<b>Ending Balance</b>	Opening Balance
Total assets	15,097,537,416.28	14,691,335,709.97
Less: current liabilities	6,078,366,634.60	6,498,069,754.11
Total assets less current liabilities	9,019,170,781.68	8,193,265,955.86

## Note 9. Segment information

Unit: yuan Currency: RMB

Item	Agricultural machinery	Power machinery	Elimination	Total
1. Total operating revenue	9,892,712,595.58	2,614,978,748.23	-1,685,100,164.87	10,822,591,178.94
Including: External transaction revenue	9,592,360,897.56	1,230,230,281.38	0.00	10,822,591,178.94
Revenue between segments	300,351,698.02	1,384,748,466.85	-1,685,100,164.87	0.00
Loss on impairment of asset	-10,214,420.60	-11,661,683.89	-275,140.71	-22,151,245.20
Loss on impairment of credit	3,064,789.20	-5,734,479.56	-10,633,612.62	-13,303,302.98
Depreciation and amortisation fee	249,133,174.72	84,240,391.98	2,890,991.75	336,264,558.45
2. Total profit (loss)	827,129,043.61	109,080,603.88	72,345.73	936,281,993.22
3. Income tax expenses	66,493,153.93	9,992,452.39	-42,316.46	76,443,289.86
4. Net profit (loss)	760,635,889.68	99,088,151.49	114,662.19	859,838,703.36
5. Total assets	12,264,688,038.20	3,380,726,521.77	-547,877,143.69	15,097,537,416.28
6. Total liabilities	6,151,433,035.55	1,846,991,877.41	-1,131,711,581.02	6,866,713,331.94

## Note 10. Net asset returns and earnings per share

Items	Current year
Net profit attributable to shareholders of parent company	811,953,460.29
Non-recurring profit and loss attributable to the parent company	104,278,925.93
Net profit attributable to shareholders of parent company after deducting non-recurring profit and loss	707,674,534.36
Weighted average number of common shares outstanding	1,123,645,275.00
Basic earnings per share (I) (before deducting non earnings)	0.7226
Basic earnings per share (II) (after deducting non earnings)	0.6298
Weighted average return on net assets (I) (before deducting non earnings)	10.86%
Weighted average return on net assets (II) (after deducting non earnings)	9.46%

## Note 11. Dividends

The 2025 profit distribution plan: The Company proposes a cash dividend of RMB1.9746 (tax inclusive) for every 10 ordinary shares to all shareholders based on the total share capital registered on record date for the implementation of the dividend distribution. As of 31 December 2025, the Company's total share capital was 1,123,645,275 shares, based on which the total proposed cash dividend amounts to RMB221.875 million (tax inclusive). The abovementioned profit distribution plan has been reviewed and approved at the third meeting of the tenth session of the Board of directors of the Company, and must be reviewed and approved at the Company's shareholders meeting before implementation. Save for the above, the Group does not have other discloseable material matter that was not disclosed under the post-balance sheet events.

## **THE BOARD’S DISCUSSION AND ANALYSIS ON THE COMPANY’S OPERATION PERFORMANCE DURING THE REPORTING PERIOD**

### **I. DESCRIPTION OF THE COMPANY’S PRINCIPAL BUSINESSES AND OPERATING MODELS PERFORMANCE DURING THE REPORTING PERIOD**

#### **(I) Principal Businesses**

The Company is a leading agricultural machinery and equipment manufacturing service provider in China, and is committed to strengthening and optimising the agricultural machinery industrial chain and actively exploring the integrated development path of intelligent agricultural machinery technology and smart agricultural technology, thus assisting customers in achieving “increased production, reduced losses, cut costs and enhanced efficiency”.

The Company focuses on the R&D and manufacturing of medium and large-sized tractors and their core components, accelerating the product upgrades towards high-end, intelligent and green technologies. It has continuously improved the intelligent functions such as intelligent cockpits, navigation systems, fully automated field management, precise operation and multi-dimensional operation monitoring and data collection, and has formed a series of core intelligent tractor products. We are committed to providing users with complete intelligent agricultural machinery solutions covering the entire agricultural production process, thus building a competitive advantage in the industry chain.

Based on intelligent agricultural equipment, the Company is accelerating its expansion into smart agriculture services sector, and actively exploring its collaboration with smart agriculture partners. Focusing on areas such as comprehensive agricultural information monitoring systems, smart agriculture management platforms and precision operation systems, it is committed to promoting the deep integration of intelligent agricultural machinery and smart agriculture, speeding up the development of our capabilities to provide scientific and efficient digital management solutions for agricultural production, and will continue to create greater value for our customers in the future.

The main products of the Company are as follows:

**1. *Tractor products***

The Company possesses a comprehensive portfolio of medium and large-sized wheeled and crawler tractor with power ranging from 25-450 horsepower. These products can be widely adapted to different operating scenarios including paddy fields, dry fields, orchards and hilly mountainous areas, fully meeting the diverse needs of agricultural production. The Company's tractors feature domestically leading chassis control technology, encompassing mechanical shifting, power shifting, and continuously variable transmission (CVT) technologies, leading the development of power shifting and CVT technologies in China's agricultural machinery industry. It also possesses advanced new energy hybrid powertrain technology, integrating the advantages of traditional fuel power and electric drive, resulting in high transmission efficiency and low energy consumption, providing a new solution for agricultural production. The product may be equipped with intelligent driving technology based on a high-precision navigation system, enabling remote automatic operation.

**2. *Diesel engine products***

The Company is committed to the R&D and manufacturing of high-performance off-road diesel engine products, with displacement ranges from 1.3L to 12L and power ranging from 10kW to 450kW. These products primarily support agricultural machinery such as tractors and harvesters, and can also provide support for engineering machinery, ships, generator sets, etc. Through efficient matching with main engine products, it demonstrates superior performance characterised by "stable quality, strong power and excellent durability" in various scenarios, heavy loads and high-intensity operations. To meet increasingly stringent carbon emission requirements in the future, the Company is dedicated to the development of high-efficiency hybrid engines and accelerating the industrialisation of hybrid powertrains.

### **3. *Core component products***

The Company possesses comprehensive self-developed and self-manufactured capabilities for core components, mainly including a complete agricultural machinery industry system with power components encompassing castings and forgings, gear transmission components, off-road axles, transmissions and cabs/coverings of agricultural machinery products. Through continuous breakthroughs in key core component technologies and improvements in intelligent manufacturing capabilities, the Company can fully guarantee the transformation and upgrading of its main products and superior product quality.

## **(II) Key Operation Modes**

### **1. *R&D Mode***

The Company adheres to the R&D mode that combines independent innovation with open collaboration. Supported by national-level innovation platforms, it has built an independent and controllable technological innovation system, focusing on high-end intelligent, green and efficient agricultural machinery equipment. It strengthens key core technologies breakthrough, promotes deep integration of industry-academia-research-application, and forms a full-chain innovation capability from technology R&D, to product innovation technology transfer, leading the high-quality development of China's agricultural machinery equipment.

In terms of independent innovation, the Company adopts a standardised R&D process to carry out its R&D activities, and its R&D projects are divided into strategic planning and market demand types. The Company's R&D centre focuses on the development of strategic planning products and technologies, systematically tackling core technologies such as power shifting, CVT, new energy and intelligent control, while subsidiaries and specialised factories concentrate on market-driven product development. Based on the mature products, the Company improves, refines and iterates the products according to the market demand to meet the differentiated needs of various market segments.

In terms of open collaboration, the Company actively expands domestic and international R&D resources with an open and inclusive attitude. In the domestic market, the Company collaborates deeply with universities and leading companies within the industry, fully utilising and integrating cutting-edge industry resources to accelerate the improvement of product technology and expedite the maturation process from R&D to market. At the international level, the Company collaborates with internationally renowned technical teams to advance product development and design, integrating with and meeting the standards and demands of the international agricultural machinery market.

## **2. *Procurement Mode***

The Company implements a procurement system of “strategic centralised procurement + flexible decentralised procurement”. For bulk general-purpose materials, centralised procurement and purchasing are implemented to leverage economies of scale; for differentiated needs, each operating unit is authorised to procure independently, balancing efficiency and flexibility.

In terms of supplier management, the Company implements closed-loop control from entry review and cooperation evaluation to optimisation and exit, adhering to openness, transparency, and collective decision-making to ensure that partners are legally compliant and fully qualified. In terms of cost control, the Company has established a market information analysis platform and uses strategies such as tiered procurement and price-locked stockpiling to mitigate price fluctuations; meanwhile, it promotes cost reduction at the design end, using value engineering and specification integration to optimise total procurement costs. The Company strictly adheres to compliance standards, signing integrity and quality assurance agreements with suppliers and implementing timely payments; it also focuses on enhancing supply chain resilience, relying on an information platform to achieve digital control of the entire procurement process, and building a safe, green, and efficient supply chain system.

### **3. *Production Mode***

The Company possesses intelligent manufacturing capabilities for flexible assembly lines of wheeled tractors and a core component manufacturing system. Its production capacity covers the entire product manufacturing process, including casting, forging, stamping, welding, painting, parts processing, heat treatment and final assembly. The Company has over ten automated assembly lines, over one hundred flexible and automated processing lines, and about one thousand CNC machining equipment. Through automated, flexible, information-based, and digitalised production processes, it can meet customised product needs of different users.

Meanwhile, driven by market demand, the Company implements a production method combining “order-based production + market forecasting”. Through lean production organisation from the strategic level to the execution level, it continuously improves the collaborative mechanism of “production, supply, sales and inventory”, and achieves balanced production during peak and off-peak seasons by leveraging monthly production and sales balancing. To respond swiftly to the market, the Company has established daily communication on production and sales information and full-process contract fulfillment management. By planning ahead for the reserve of main engines and components to meet seasonal demands such as spring planting, and relying on just-in-time production of main engines and logistics to drive efficient collaboration between internal and external supply chains, the Company ensures seamless connection from order collection, production scheduling, assembly and warehousing to logistics and shipment, thus allowing for agile response to customer needs while ensuring a stable delivery schedule and quality.

#### **4. *Sales Mode***

The Company's agricultural machinery products are mainly sold through distribution model and have now formed a marketing network covering 31 provinces, autonomous regions and municipalities nationwide, as well as overseas regions along the Belt and Road Initiative such as Central Asia, Latin America, Africa. Power machinery and component products mainly provide supporting services to main engine manufacturers, primarily through a direct sales model. Leveraging its product technology advantages, quality stability and efficient supply chain response capabilities, the Company has established long-term and stable cooperative relationships with downstream manufacturers.

The Company actively promotes the integrated development of host machine sales, service support and parts supply, with a view to enhancing distributors' overall service capabilities and providing customers with faster and more comprehensive technical support and after-sales services.

In terms of domestic sales, the Company implements a flexible policy for both cash-on-delivery and credit sales. For high-quality distributors with long-term stable cooperation and excellent credit standing, the Company grants corresponding credit limits and continuously optimises credit support plans through an annual dynamic evaluation and adjustment mechanism, taking into account key dimensions such as cooperation performance and financial status, to effectively protect the interests of both parties. To further empower distributors' channel expansion and end-user procurement needs, the Company has built a diversified financial support system and actively collaborates with various premium financial institutions to provide distributors and end-users with more abundant and convenient financial support options through financial service products, assisting in the mutual growth of channel ecosystem and the end-market.

In terms of overseas sales, the Company's export business covers more than 100 countries and regions worldwide. It has established corresponding distributor networks and after-sales service networks in major target markets, providing overseas users with full-process sales and after-sales services. The Company's overseas business primarily adopts a policy combining prepayments and partial credit sales. Through cooperation with China Export & Credit Insurance Corporation, differentiated credit lines are granted to overseas distributors with good creditworthiness, using a settlement method of "deposit + final payment". Credit insurance is also taken out on receivables to mitigate credit risk arising from sales on credit.

## **II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD**

### **(I) Continuously enhancing technological independent innovation capabilities**

The Company has been deeply engaged in the agricultural machinery industry for a long time, establishing a highly experienced R&D team. Years of technological and R&D investment have enabled the Company to hold independent intellectual property rights for core technologies including power shift and CVT, intelligent driving technology, and electronic control technology for the complete machine and components. This has enabled the Company to build the most complete agricultural equipment system nationwide, deeply adapting to the diversified and refined development requirements of agricultural production. The Company offers a variety of high-end intelligent tractors covering three technical routes: 220-450 horsepower, multi-speed power shift, CVT, and hybrid power. The performance and reliability of its products have reached international advanced levels, and has formed industry-leading technical strength in green energy saving, intelligent control, and adaptability to complex working conditions.

### **(II) Continuously upgrading intelligent manufacturing level**

The Company has established the most complete manufacturing system, from complete machine to core components in the domestic tractor industry. It possesses the in-house capability to manufacture core tractor components such as body, castings and forgings, engines, axles, and gears. This effectively improves the compatibility between components and complete machines, ensuring product quality and reliability, and providing strong support for product upgrades. In recent years, the Company has focused on cultivating new productivity, actively promoting intelligent manufacturing upgrades and green transformation, accelerating the application of cutting-edge technologies such as 5G, IoT, big data analysis, and large-scale models in the agricultural equipment industry, steadily implementing fixed asset construction projects, and strengthening its support capabilities for high-end intelligent tractors and core components. By practicing the concept of green industrial development and continuously exploring and innovating in intelligent manufacturing, the Company and its subsidiary YTO Diesel Engine were recognised a national-level green factories in 2025.

### **(III) Steadily improving product quality**

The Company always adheres to the management philosophy of “quality first”, and is guided by improving its quality system, standardising its operation, as well as developing its quality culture, thus deeply promoting comprehensive quality management. During the Reporting Period, the Company benchmarked against world-class standards, focusing on users and addressing prominent market quality issues, high failure rates and user needs. It continuously promoted quality improvement projects, persistently addressing quality problems and implementing targeted rectification measures. Consequently, product reliability steadily improved and product competitiveness was continuously enhanced. In 2025, the Company continued to receive quality awards from central enterprises and Henan Province, playing a leading role in the construction of a quality-strong nation and world-class enterprise.

### **(IV) Constantly improving marketing service capabilities and brand influence**

With its nationwide marketing channels and service network, the Company is able to respond quickly to market demands. As a famous national brand in the market, “Dongfanghong” enjoys an extensive customer base and a large number of loyal users. Guided by the principle of “creating greater value for customers,” the Company, empowered by digital transformation, has built an intelligent customer relationship management platform integrating marketing, service and management. This has significantly improved the speed and convenience of customer service response, effectively enhancing customer satisfaction and the brand influence of the enterprise. The Company actively conducts diversified brand advertising campaigns, including new media live broadcasts and participation in agricultural machinery exhibitions, to deepen its emotional connection with users, thus further enhancing the social influence of the “Dongfanghong” brand.

### **III. SITUATION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD**

The situation of China's agricultural machinery industry during the Reporting Period is as follows:

#### **(I) Weakened domestic market demand**

In 2025, domestic prices for staple grains and cash crops remained low, coupled with frequent extreme weather events, leading to a decline in farmers' profits from grain production. Meanwhile, the prices of agricultural inputs such as fertilisers and pesticides remained high for an extended period, further squeezing profit margins in agricultural production and significantly suppressing farmers' demand for agricultural machinery. In addition, the number of operators working across regions increased significantly, intensifying competition in the cross-regional machinery market and reducing operating profits, thus extending the investment payback period for tractors and further decreasing users' willingness to purchase machinery.

During the Reporting Period, the tractor industry continued its low-level operational trend. According to data from the National Bureau of Statistics, in 2025, tractor manufacturers nationwide above a certain scale produced a total of 465,200 tractors, representing a year-on-year decrease of 4.9%. Among which, the output of large tractors remained the same as the previous year, while the output of medium and small tractors showed a significant decline.

## **(II) Industry transformation and upgrading driven by policy and technology**

Amidst general market pressure, the structural adjustment characteristics of the tractor industry have become increasingly prominent. Sales of power shuttle intelligent tractors have bucked the trend, with large-scale, high-end, intelligent and green technology becoming the core development trends of the industry. At the policy level, the agricultural machinery purchase subsidy policy continues to deepen the “premium subsidies for premium machinery” and “entry and exit” orientation, providing higher subsidies for high-end intelligent tractors such as power-shifting/gear-shifting and CVT tractors, precisely guiding users to purchase large, efficient, and intelligent agricultural machinery. Meanwhile, policies such as large-scale land transfer and high-standard farmland construction jointly promote large-scale agricultural production, indirectly driving demand for high-horsepower agricultural machinery. At the technological level, the precise implementation of subsidy policies has forced enterprises to accelerate technological upgrades. Leading companies, relying on long-term R&D accumulation, have made continuous breakthroughs in core technologies such as power-shifting and CVT, breaking the long-term market monopoly of foreign products and effectively promoting technological progress and enhancing independent innovation capabilities in the industry.

## **(III) Intensified industry competition**

Currently, the agricultural machinery market has shifted from a phase of incremental growth to a phase of stock renewal and structural growth. The traditional tractor market is highly saturated, leading to intensified competition among enterprises. Numerous enterprises are trapped in a price war, severely compressing their profit margins. Meanwhile, emerging products are still in their developmental stage, with limited overall scale and no stable demand structure yet formed. At the same time, companies from the construction machinery and automotive sectors are entering the tractor market, gradually rising to prominence by leveraging their accumulated expertise in intelligent manufacturing, new energy, digital solutions and capital operations, further exacerbating the complexity and uncertainty of market competition.

#### **(IV) Outstanding performance in overseas markets**

In 2025, the accelerated pace of global agricultural modernisation drove steady growth in overall demand for agricultural machinery. The comprehensive strength of China's agricultural machinery industry improved constantly, with product technology level, environmental adaptability and reliability enhanced continuously, significantly boosting its competitiveness in overseas markets. Meanwhile, domestic enterprises accelerated the deployment of overseas channels and service networks, transforming from single-product export to localised operations, effectively improving international market responsiveness and product acceptance. These multiple factors combined to drive a substantial increase in China's agricultural machinery exports. According to data from the General Administration of Customs, China exported 185,500 tractors throughout the Year, representing a year-on-year increase of 20%.

#### **IV. DISCUSSION AND ANALYSIS ON THE OPERATIONS**

During the Reporting Period, in view of the overall downturn in the agricultural machinery industry, the Company proactively implemented measures and responded positively. While deepening its presence in domestic and international markets, it continuously strengthened its technological innovation capabilities, solidly promoted the cultivation of high-end manufacturing capabilities and digital transformation, deepened enterprise reform, and coordinated various tasks. Affected by the overall industry environment, the Company's cumulative sales of medium and large tractors reached 63,700 units and diesel engines reached 136,700 units during the Reporting Period, achieving an operating revenue of RMB10.823 billion and net profit attributable to shareholders of the parent company of RMB0.812 billion.

## **(I) Deepening domestic market cultivation and expanding sales volume**

In terms of tractor business, the Company focused on enhancing product competitiveness and seizing every market opportunity to expand sales. During the Reporting Period, the Company closely followed national policy guidance and launched its power shuttle products at the beginning of the Year. Through measures such as strengthening physical quality management, upgrading intelligent testing methods, enhancing scenario-based verification of new products, and optimising the quality of procured components, the Company built an efficient quality assurance system, further consolidating the leading advantage of its power shuttle series products and gaining widespread user recognition. The Company solidly promoted the construction of channels in weak regions, strengthened the dynamic management of channel performance, and continuously improved the overall efficiency of channel operations. Relying on the “Dongfanghong Service Cloud Platform”, the Company strengthened the information management and monitoring of the entire service process, promoted the construction of an integrated spare parts centre warehouse, and further improved customer service response speed. In addition, the Company deepened cooperation with major customers, provided customised cooperation solutions, and enhanced user loyalty continuously.

In terms of diesel engine business, the Company explored market potential and systematically promoted the development of modified diesel engine products and platform construction, focusing on the power needs of users in various fields such as agricultural machinery, construction machinery and generator sets. This successfully achieved precise compatibility with different customers’ main products. While consolidating existing markets and stabilising existing customers, the Company actively explored emerging markets, achieving sales growth in external markets. The Company achieved external sales of 80,000 diesel engines throughout the Year, representing a year-on-year increase of 3.5%.

## **(II) Strengthening international business capabilities**

The Company clearly defined its “15th Five-Year Plan” for overseas development, laying a top-level design for deep participation in international market competition. During the Reporting Period, the Company accelerated the layout of its global service network and steadily promoted localisation cooperation in key markets such as Central Asia and South America. Focusing on the personalised and differentiated needs of various countries, the Company continuously enriched its export product portfolio, enhancing the adaptability and competitiveness of its products in target markets. While promoting its products, the Company actively promoted the rejuvenation of the “Dongfanghong” brand and the high-end development of the “YTO” brand, continuously enhancing the international influence of the “YTO” brand. During the Reporting Period, the Company achieved significant results in joint overseas expansion of agricultural machinery and equipment by strengthening export collaboration with units under SINOMACH. In 2025, the export sales of tractors exceeded 10,000 units for the first time, representing a year-on-year increase of 41%.

## **(III) Adhering to innovation-driven development and constructing new competitive advantages**

The Company actively serves the national food security strategy, accelerates breakthroughs in core technologies and promotes the transformation and upgrading of the agricultural machinery equipment industry.

During the Reporting Period, the Company closely integrated product innovation with market demand, continuously deepened the R&D and maturation of key technology platforms such as CVT, all-power shift and hybrid power. It organised market verification of high-end intelligent tractors, rectified verification issues, and significantly improved product reliability, laying the foundation for the subsequent launch and serialisation of high-end products.

The Company actively expanded and improved its product platform for hilly and mountainous terrain, forming a series of products to address shortcomings in hilly and mountainous environments, including low-profile, high-clearance, tobacco field, and wheel-track interchangeable scenarios. Meanwhile, it further expanded the scope of field operation verification in typical hilly and mountainous areas in China, accelerating the large-scale application of such product series.

The Company accelerated the R&D and commercial application of hybrid, pure electric, and hydrogen-powered tractors, creating a “high-end intelligent + green and environmental-friendly” product matrix and leading the green and low-carbon transformation of agricultural machinery and equipment. Currently, the HB2204 hybrid tractor has achieved industrial application, and the HQ2204, as one of the first hydrogen-powered tractors in China, has entered the test vehicle verification stage.

#### **(IV) Comprehensively promoting digital and intelligent transformation and cultivating new growth drivers**

The Company focuses on “intelligent, green, and integration”, continuously increasing investment in high-end manufacturing, and launching the enhancement of intelligent multi-purpose tractor capabilities, improvement of medium-wheel tractor manufacturing capabilities, industrialization of non-road National V diesel engines, improvement of gear quality capabilities and intelligent factories project. This has effectively improved production efficiency, product consistency and process control, empowering high-end agricultural machinery manufacturing through digital and intelligent upgrades.

With an objective of building a modernised “digital and intelligent YTO”, the Company has achieved phased results in key areas such as integrated business and finance, the establishment of a marketing information system, exploration of AI applications, upgrades to vehicle-mounted IoT, independent and controllable transformation, and information security reinforcement. The Company has pioneered the launch of the “Intelligent Agricultural Machinery Repair Agent” in after-sales service scenarios and comprehensively promoted the “AI+” special action.

#### **(V) Deepening enterprise reform and stimulating new internal vitality**

During the Reporting Period, the Company initially completed the formulation of its “15th Five-Year Plan” strategic plan, clarifying its development direction and forming an action plan. The Company reshaped the headquarters’ functional positioning, clarified the division of responsibilities between “management” and “organisation”, and improved operational efficiency; optimised and adjusted the organizational structure to provide organisational support for new business development and marketing model transformation. Guided by technological innovation and performance contribution, the Company formulated a differentiated assessment mechanism of “one policy per factory” to improve the accuracy and effectiveness of incentives. In addition, the Company intensified its efforts to attract outstanding talent, with both the quantity and quality of recruits reaching new highs. During the Reporting Period, the Company’s first R&D outpost was inaugurated and put into operation, providing strong support for cultivating an industry-leading team. The Company continued to carry out lean cost management improvement initiatives to assist the Company in improving quality and efficiency.

### **V. THE COMPANY’S DISCUSSION AND ANALYSIS ON ITS FUTURE DEVELOPMENT**

#### **(I) Industry Landscape and Trends**

The domestic agricultural machinery market is currently in a critical phase of inventory renewal. Industry growth is no longer driven by new demand, but rather by the optimisation and improvement of existing products and the replacement and upgrading of high-end products. Looking ahead to 2026, the agricultural machinery industry will still face challenges such as the lack of significant recovery in staple and cash crop prices, insufficient effective demand, and intensified competition in the existing market. However, these challenges also present structural opportunities.

Firstly, the government continues to strengthen its emphasis on “agriculture, rural areas, and farmers”, with policies such as large-scale equipment upgrades and agricultural machinery purchase subsidies continue to provide stable support for the industry’s development. The Central Rural Work Conference clearly proposed “promoting the integration and efficiency improvement of high-quality land, seeds, machinery, and methods”. The No. 1 Central Document for 2026 proposes “accelerating the research and application of high-end intelligent agricultural machinery and equipment suitable for hilly and mountainous areas” and “developing new agricultural productivity according to local conditions and promoting the integration of AI with agricultural development”. The series of precise policies has pointed the way for agricultural mechanisation development in 2026. Secondly, domestically produced agricultural machinery has achieved significant breakthroughs in several key technologies. Intelligence and green will become new tracks for industrial upgrading. The integration of next-generation information technologies such as AI, big data, and IoT with agricultural machinery is accelerating. Pilotless and new energy agricultural machinery will enter a period of rapid development with technological progress and the release of demand. Thirdly, the accelerated transfer of land and the continuous improvement of agricultural scale operations have led to the vigorous development of agricultural socialised services. The main purchasers of machinery are shifting from traditional individual farmers to new business entities such as family farms, cooperatives, and agricultural service organisations. Market demand is shifting from single agricultural machinery products to complete equipment solutions. Meanwhile, the shortcomings in agricultural mechanisation in hilly and mountainous areas are in urgent need to be addressed, and differentiated and customised products will gain more market space.

In the process of industry transformation and upgrading, market competition has evolved from simple product competition to the systematic competition encompassing technology, ecology, supply chain, and comprehensive services. Leading enterprises with strong R&D capabilities and mature industrial chains can leverage their technological accumulation, scale effect, and brand channels to take the lead in promoting product iteration and high-end market layout, thereby seizing opportunities and further consolidating their industry position. At the same time, an increasing number of agricultural machinery companies are accelerating their expansion into overseas markets. The competitive arena has become globalised, and the export of agricultural machinery is becoming a new growth pole.

## **(II) Development Strategy of the Company**

Looking ahead to “15th Five-Year Plan”, YTO will focus on “building a world-class brand and creating a world-class enterprise”, enhancing its value creation capabilities, strengthening its core functions, and improving its core competitiveness. The Company will adhere to the strategic development approach of “innovation-driven, structure-optimised, quality– and efficiency-enhancing, and green development,” focusing on its major businesses, strengthening technological and business model innovation, enhancing the positive interaction between industry and capital, accelerating the development of new productive forces, actively cultivating strategic emerging businesses, continuously consolidating its leading position in the industry, accelerating the cultivation of new international competitive advantages, promoting the Company’s sustainable and healthy development, and building a “digitalised, ecological, and globalised YTO”.

## **(III) Operation Plan**

2026 marks the beginning of the “15th Five-Year Plan”. The Company will adhere to the theme of “seeking progress while maintaining stability, improving quality and efficiency”, accurately identifying changes, scientifically responding to changes, and proactively seeking transformation. Focusing on both domestic and international markets, the Company will diligently carry out a series of initiatives including market expansion, technological innovation, and reform to increase efficiency, striving to enhance its competitiveness, market share, and industry influence.

### **1. *Focus on expanding the domestic market and consolidating industry leadership***

First, the Company will fully implement “proactive” marketing, accelerate the construction of a three-dimensional service network, explore market opportunities, and respond efficiently to customer needs. Second, it will adhere to a market competition orientation, continuously develop excellent products that truly solve users’ pain points and lead market trends, and create differentiated advantages in product technology. Third, it will deepen our services for major clients, establish long-term and stable cooperative relationships, and enhance the stickiness and loyalty of major clients. Fourth, it will promote the deep integration of products, services and solutions to enhance brand influence.

**2. *Accelerate internationalisation and strengthen international service support***

First, the Company will accelerate the transformation of overseas marketing models, cultivate existing key markets and establish local teams, and increase development efforts in high-end markets such as North America and the European Union, striving to achieve sales breakthroughs as soon as possible. Second, it will deepen collaboration with sister units of SINOMACH to drive products globalisation, and jointly promote the internationalisation of agricultural machinery and equipment. Third, it will strengthen the distributor service system and the construction of an international talent team, explore the establishment of overseas service support centres, enhance comprehensive service capabilities, and provide strong support for international business expansion.

**3. *Strengthen technological innovation and enhance product competitiveness***

First, the Company will keep pace with the new demands of agricultural modernisation, improve product series, optimise regional product mix, and seize niche markets through configuration upgrades. Second, it will refine high-end intelligent products such as power shuttle and CVT, and promote the R&D verification and market application of high-end agricultural machinery products through project cooperation. Third, it will accelerate the strategic layout of new energy agricultural machinery products, and vigorously promote the development and commercial application of hybrid and pure electric tractors. In terms of diesel engine products, relying on the accumulation of “National IV” emission standards, the Company will conduct preliminary research on National V emission standards in advance, and continuously promote the low-carbon upgrading and iteration of products.

#### **4. *Building a modern industrial system and promoting industrial upgrading***

First, the Company will construct an intelligent digital factory of top industry standard to leverage manufacturing advantages in medium and large tractors, green diesel engines, high-quality covers, and high-precision gears. This will build an independent, controllable, safe, efficient, and competitive modern agricultural machinery industry system, ensuring product reliability, stability, and quality consistency. Second, it will actively deploy AI technology and promote the practical application of AI platforms and intelligent agent scenarios. It will accelerate the construction of an integrated international business order management platform to provide digital support for overseas operations.

#### **5. *Promote reform and innovation to boost enterprise vitality***

First, the Company will expand the business chain by integrating premium industry resources through OEM, cooperation, investment and M&A, enrich product series, and provide users with complete agricultural equipment solutions. Second, it will strengthen budget execution control, continuously promote the standardisation and refinement of lean cost management, optimise supply chain collaboration, and improve financial management. Third, it will deepen performance management reform, solidify the responsibility chain, promote concerted efforts across management levels, further improve organisational efficiency, and stimulate employee innovation. Fourth, it will launch a brand upgrade project, illustrate a vivid brand story, enhance the brand's contemporary and forward-looking nature, implement an international brand communication strategy, and accelerate the creation of a world-class brand.

## **(IV) Potential Risks**

### **1. *Risks of fluctuating market demands and intensified diversified competition***

The agricultural machinery industry is in a transitional phase, with market demand significantly volatile and uncertain due to a combination of cyclical, policy-driven, and structural factors. The competitive landscape is becoming increasingly complex and diverse, with intensified competition among traditional brands coupled with the influx of cross-industry enterprises, further exacerbating resource competition. In the long term, with the development of smart agriculture, user needs are upgrading towards integrated solutions, placing higher demands on the automation, intelligence, and informatisation levels of agricultural machinery. Enterprises unable to adapt to the needs of modern agricultural development will gradually lose their competitiveness.

The Company will closely monitor market and policy changes, dynamically optimise marketing strategies, upgrade channels and services, and consolidate its terminal competitiveness. Meanwhile, it will focus on product technology innovation, accelerate breakthroughs in core technologies such as power shift, CVT and new energy, improve its product portfolio tailored to hilly and mountainous terrains, and create a differentiated edge. Leveraging its comprehensive advantages in equipment and technology, the Company will integrate and utilise industry resources to enrich its full-spectrum product matrix and seize the initiative in the development of smart agriculture.

### **2. *Technology upgrade risks***

The trend towards large-scale, green, and intelligent tractor products is prominent. During the technology upgrade process, insufficient R&D investment, incorrect technology route selection, and excessively long R&D cycles may lead to missing development opportunities in the high-end and niche markets, potentially resulting in a loss of competitive advantage.

The Company will strengthen its research into customer needs and industry trends, and prudently select technology R&D directions. Meanwhile, it will continue to increase R&D investment, optimise R&D resource allocation, cultivate high-caliber R&D talent, enhance independent innovation capabilities, and accelerate the market application of new technologies and products to quickly respond to changes in market demand and maintain a competitive edge.

### **3. *International macroeconomic environment risks***

The global economic recovery still faces multiple uncertainties. Geopolitical conflicts, rising trade protectionism, and policy and regulatory changes in some countries and regions have brought certain uncertainties to the Company's international business expansion. Political instability and frequent exchange rate fluctuations in several countries may result in foreign exchange losses or payment risks, affecting the profitability of the Company's overseas business.

The Company will closely monitor changes in the international macroeconomic environment, strengthen policy research and risk assessment in major markets, and flexibly adjust its international business strategies. Through diversified market positioning, it will reduce reliance on a single market, deepen cooperation with local partners, build a robust overseas marketing and service network, and enhance its ability to respond to market risks. At the same time, it will actively utilise financial derivatives to effectively mitigate exchange rate fluctuation risks and ensure the steady development of its international business.

## VI. KEY OPERATIONAL PERFORMANCE DURING THE REPORTING PERIOD

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

*Unit: Yuan Currency: RMB*

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change (%)
Operating revenue	<b>10,822,591,178.94</b>	11,904,370,911.94	-9.09
Operating costs	<b>9,183,170,444.95</b>	10,145,221,753.22	-9.48
Selling expenses	<b>164,619,530.41</b>	156,461,228.98	5.21
Administrative expenses	<b>341,182,329.63</b>	354,693,536.41	-3.81
Financial expenses	<b>1,416,477.49</b>	-44,068,916.96	N/A
R&D expenses	<b>549,374,719.20</b>	516,377,794.17	6.39
Gain arising from changes in fair value (Losses listed as “-”)	<b>70,018,569.63</b>	27,395,502.26	155.58
Non-operating income	<b>21,236,553.75</b>	5,906,114.68	259.57
Income tax expenses	<b>76,443,289.86</b>	120,839,952.03	-36.74
Net cash flows from operating activities	<b>915,718,981.93</b>	1,216,115,552.21	-24.70
Net cash flow from investment activities	<b>-1,079,680,846.37</b>	-1,323,432,942.95	N/A
Net cash flows from financing activities	<b>-286,872,751.72</b>	-336,173,576.74	N/A

Reasons for changes in operating revenue and operating cost: mainly due to the year-on-year decline in sales of the Company’s leading products, and the year-on-year decrease in operating revenue and operating costs during the Reporting Period.

Reasons for changes in selling expenses: due to an increase of RMB8.16 million compared with the same period of the previous year, which was mainly due to the Company’s efforts to launch new products on the market, expand the market share of its leading products and brand influence, increase the level of product publicity and service guarantees, and the year-on-year increase in product publicity expenses.

Reasons for changes in administrative expenses: due to a decrease of RMB13.51 million compared with the same period of the previous year, which was mainly due to the decrease in fixed asset depreciation accrued during the Reporting Period.

Reasons for changes in financial expenses: due to an increase of RMB45.49 million compared with the same period of the previous year. On the one hand, due to the impact of macroeconomic policies during the Reporting Period, deposit interest rates continued to decline, resulting in a year-on-year decrease in interest income. On the other hand, due to the impact of exchange rate fluctuations, net exchange losses for the period increased compared to the same period of the previous year.

Reasons for changes in R&D expenses: due to an increase of RMB33.00 million compared with the same period of the previous year, which was mainly due to the acceleration of the Company's research and development in high-end agricultural machinery and equipment technologies, resulting in a year-on-year increase in R&D investment.

Reasons for changes in gains arising from changes in fair value: due to an increase of RMB42.62 million compared with the same period of the previous year, which was mainly due to changes in fair value of the trading financial assets held by the Company during the Reporting Period.

Reasons for changes in non-operating income: due to an increase of RMB15.33 million compared with the same period of the previous year, which was mainly due to the impact of the write-off of accounts payable that were no longer payable during the Reporting Period.

Reasons for changes in income tax expenses: due to a decrease of RMB44.40 million compared with the same period of the previous year, which was mainly due to the year-on-year decrease in the Company's profits during the Reporting Period and the year-on-year decrease in the provision for current income tax expenses.

## 2. Income and cost analysis

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

Unit: 0'000 Currency: RMB

#### Principal businesses by industry

By industry	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Equipment manufacturing industry	1,082,259	918,317	15.15	-9.09	-9.48	increased by 0.37 percentage point

#### Principal businesses by products

By products	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Agricultural machinery (tractor and component products)	989,271	850,378	14.04	-9.72	-10.20	increased by 0.46 percentage point
Power machinery (diesel engine products)	261,498	233,162	10.84	-10.71	-10.58	decreased by 0.12 percentage point
Inter-segment elimination	-168,510	-165,223	/	/	/	/
Total	<u>1,082,259</u>	<u>918,317</u>	<u>15.15</u>	<u>-9.09</u>	<u>-9.48</u>	increased by 0.37 percentage point

## Principal businesses by region

By region	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
In the PRC	963,171	814,039	15.48	-12.29	-12.87	increased by 0.56 percentage point
Outside the PRC	119,088	104,278	12.44	29.04	29.92	decreased by 0.59 percentage point

## Principal businesses by sales model

Sales model	Operating revenue	Operating costs	Gross profit Margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (%)
Distribution	827,486	698,942	15.53	-9.87	-9.44	decreased by 0.40 percentage point
Direct selling	254,773	219,375	13.89	-6.47	-9.62	increased by 3.00 percentage points

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

The comprehensive gross profit margin of the equipment manufacturing business during the Reporting Period was 15.15%, representing an increase of 0.37 percentage point as compared with the corresponding period of last year. It was mainly because in view of a complex internal and external economic situation and an increasingly competitive agricultural machinery industry environment, the Company has carried out in-depth cost control across the value chain, achieving significant results in cost reduction and efficiency improvement, thus offsetting the impact of increased promotional spending on gross profit margin.

The gross profit margin of the Company's agricultural machinery business was 14.04%, representing a year-on-year increase of 0.46 percentage point.

The gross profit margin of the Company's power machinery business was 10.84%, representing a year-on-year decrease of 0.12 percentage points.

## (2). Operating revenue

During the Reporting Period, the Company achieved operating revenue of RMB10.823 billion, representing a decrease of 9.09% compared to the same period last year, which was mainly due to a year-on-year decrease in the sales of the Company's leading products during the Reporting Period.

## (3). Cost analysis

Unit: 0'000 Currency: RMB

### By industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Equipment manufacturing industry	Material	970,973	89.61	1,095,292	90.69	-11.35
Equipment manufacturing industry	Labour	44,452	4.10	43,992	3.64	1.05
Equipment manufacturing industry	Production costs	68,115	6.29	68,447	5.67	-0.49

### By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Year-on-year change (%)
Agricultural machinery	Material	757,440	89.07	856,586	90.45	-11.57
Agricultural machinery	Labour	36,537	4.30	35,757	3.78	2.18
Agricultural machinery	Production costs	56,401	6.63	54,637	5.77	3.23
Power machinery	Material	213,533	91.58	238,706	91.54	-10.55
Power machinery	Labour	7,915	3.40	8,235	3.16	-3.89
Power machinery	Production costs	11,714	5.02	13,810	5.30	-15.18

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

Explanation on other situations on cost analysis:

As the consolidation of YTO Axle's financial statements only covered three months in the same period, and the consolidation of YTO Axle's full-year financial statements in the Reporting Period, agricultural machinery manufacturing costs and labor costs increased year-on-year.

### 3. Expenses

*Unit: Yuan Currency: RMB*

<b>Item</b>	<b>Amount for the Reporting Period</b>	<b>Amount for the corresponding period of last year</b>	<b>Change in amounts</b>	<b>Change (%)</b>
Selling expenses	<b>164,619,530.41</b>	156,461,228.98	8,158,301.43	5.21
Administrative expenses	<b>341,182,329.63</b>	354,693,536.41	-13,511,206.78	-3.81
Research and development expenses	<b>549,374,719.20</b>	516,377,794.17	32,996,925.03	6.39
Financial expenses	<b>1,416,477.49</b>	-44,068,916.96	45,485,394.45	N/A
<b>Total</b>	<b><u>1,056,593,056.73</u></b>	<u>983,463,642.6</u>	<u>73,129,414.13</u>	<u>7.44</u>

#### 4. Research and development investment

*Unit: Yuan Currency: RMB*

Research and development investment expensed for the Reporting Period	549,374,719.20
Research and development investment capitalised for the Reporting Period	0.00
Total research and development investment	549,374,719.20
Total research and development investment as a percentage of operating revenue (%)	5.08
Ratio of research and development investment capitalised (%)	0

#### 5. Cash Flow

*Unit: Yuan Currency: RMB*

Items	Amount for the Reporting Period	Amount for the corresponding period of last year	Change in amounts	Change (%)
Net cash flow generated from operating activities	<b>915,718,981.93</b>	1,216,115,552.21	-300,396,570.28	-24.70
Net cash flow generated from investing activities	<b>-1,079,680,846.37</b>	-1,323,432,942.95	243,752,096.58	N/A
Net cash flow generated from financing activities	<b>-286,872,751.72</b>	-336,173,576.74	49,300,825.02	N/A

Net cash flow from operating activities: a decrease in inflows of RMB300.40 million compared with the same period of the previous year, which was mainly due to the year-on-year decrease in the Company's sales revenue during the Reporting Period, resulted in the year-on-year decrease in net operating cash flow.

Net cash flow from investing activities: a decrease in outflow of RMB243.75 million compared to the same period of the previous year, which was mainly due to the year-on-year decrease in the Company's net investment in structured deposits and large-denomination certificates of deposit during the Reporting Period.

Net cash flow from financing activities: due to a decrease in outflow of RMB49.30 million compared to the same period of the previous year, which was mainly due to the combined effect of a year-on-year increase in the Company's net borrowings and year-on-year increase in cash payments for dividends during the Reporting Period.

## 6. Assets and Liabilities

*Unit: Yuan Currency: RMB*

Item	Balance at the end of the Reporting Period	Balance at the end of the Reporting Period as a percentage of total assets (%)	Balance at the end of the corresponding period of last year	Balance at the end of the corresponding period of last year as a percentage of total assets (%)	Year-on-year change (%)	Explanation
Trading financial assets	946,000,000.00	6.27	1,378,751,780.82	9.38	-31.39	The impact of the maturity of structured deposits during the Reporting Period.
Other receivables	66,734,313.70	0.44	46,387,183.65	0.32	43.86	During the Reporting Period, export tax rebates receivable increased.
Non-current assets due within one year	2,969,552,248.90	19.67	1,183,614,680.34	8.06	150.89	Reclassify large-denomination certificates of deposit maturing within one year based on their maturity dates.
Other current assets	410,852,732.73	2.72	306,079,445.60	2.08	34.23	The amount of time deposits purchased and held during the Reporting Period increased.
Construction in progress	324,531,669.03	2.15	147,682,578.79	1.01	119.75	Investment in construction projects increased during the Reporting Period.
Right-to-use assets	26,810,495.19	0.18	38,468,756.06	0.26	-30.31	Depreciation is provided on right-to-use assets, resulting in a decrease in net value.
Non-current liabilities due within one year	26,162,069.90	0.17	225,596,509.07	1.54	-88.40	Due to the repayment of long-term loans due within one year.
Long-term loans	424,723,098.79	2.81	65,950,000.00	0.45	544.01	New long-term loans during the Reporting Period.
Lease liabilities	2,547,279.10	0.02	13,772,820.46	0.09	-81.51	Due to the reclassification of rent payable within one year to non-current liabilities due within one year.
Long-term employee salary payable	18,526,825.11	0.12	27,463,638.47	0.19	-32.54	The reclassification of long-term employee salary payable due within one year to employee salary payable.
Other comprehensive income	-8,070,289.08	-0.05	-13,151,228.80	-0.09	N/A	The impact of foreign currency translation differences in financial statements.

**(1) Key financial ratios**

<b>Item</b>	<b>As at the end of the Reporting Period</b>	<b>As at the beginning of the Year</b>	<b>Year-on-year change</b>
Gearing ratio (%)	45.48	47.06	decreased by 1.58 percentage points
Current ratio	1.36	1.14	increased by 0.22
Quick ratio	1.17	0.93	increased by 0.24

*Note:* gearing ratio = total liabilities/total asset \* 100%

**(2) Loans**

Loans of the Company are mainly denominated in RMB. As of the end of the Reporting Period, loans (principal) of the Company due within one year amounted to RMB0.6820 million, and loans (principal) due over one year amounted to RMB424.7231 million.

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

As at the end of the Reporting Period, the Company's monetary funds of restricted ownership amounted to RMB578.0509 million, including bank's acceptance bill deposits of RMB577.8509 million, and other restricted funds of RMB0.20 million.

## **FOREIGN EXCHANGE RISK**

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

## **PRINCIPAL SOURCES AND USE OF FUNDS**

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

## **REMUNERATION POLICY**

The Company adheres to a goal-oriented approach and continuously improves construction of its incentive mechanism. First, it has improved the “one-company-one-policy” differentiated performance evaluation mechanism for the heads of its affiliated units, focusing on enhancing market competitiveness, R&D quality, strategic model development, and external expansion to further improve the accuracy of performance evaluation. Second, it has revised its total salary management measure, optimised and adjusted the salary base, increased the profit-sharing ratio, and formulated special incentive systems for R&D units and international business, increasing incentives for product R&D and export business to stimulate corporate vitality. Third, it has promoted the reform of the incentive mechanism for R&D personnel, increased incentives for technological innovation, enriched incentive methods, and fully mobilised the enthusiasm of R&D personnel.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Reporting Period and as of the end of this Reporting Period, the Company did not hold any treasury shares (including any treasury shares held or deposited in the CCASS), and neither the Company nor any of its subsidiaries repurchased, sold, or redeemed any of the Company’s listed shares (including the sale of any treasury shares).

## **CORPORATE GOVERNANCE REPORT**

During the Reporting Period, the Company has complied with the principles and code provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules of the Stock Exchange and has adopted the recommended best practices where applicable.

The Board of the Company consists of experienced and talented members who meet regularly to discuss matters affecting the operation of the Company. Through the functioning of the Board, it is sufficient to ensure a balance of rights and powers.

## **REQUIREMENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE**

In 2025, the Company prepared the 2025 Environmental, Social and Governance Report in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange, which will be published on the websites of the Company and the Stock Exchange in April 2026.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) in Appendix C3 to the Listing Rules of the Stock Exchange as its own code of conduct regarding securities transactions by the Directors. After making enquiries to, and as confirmed by all the Directors of the Company, no Director held shares of the Company. During the Reporting Period, all Directors of the Company strictly complied with the code of conduct in relation to the securities transactions by the Directors under the Model Code.

## CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

<b>Name</b>	<b>Position held</b>	<b>Change</b>	<b>Reason for change</b>
Zhao Weilin (appointed on 7 February 2025)	Chairman of the Board	Election	Work requirements
Sun Feng (appointed on 16 December 2025)	Director	Election	Transition
Li Peng (appointed on 16 December 2025)	Employee Supervisor	Election	Transition
Liu Bin (appointed on 28 October 2025)	Chief Financial Officer and Secretary to the Board	Appointment	Work requirements
Li Xiaoyu (resigned on 7 February 2025)	Chairman of the Board	Resignation	Work requirements
Miao Yu (resigned on 16 December 2025)	Director	Resignation	Transition
Xue Lipin (resigned on 9 April 2025)	Independent Director	Resignation	Work requirements
Yu Lina (resigned on 28 October 2025)	Deputy General Manager and Secretary to the Board	Resignation	Retirement
Xue Wenpu (resigned on 27 June 2025)	Deputy General Manager	Resignation	Work requirements

## **DIVIDEND**

In accordance with the profit distribution policy of the Articles of Association of the Company, the Board recommends the following profit distribution proposal for 2025: a cash dividend of RMB1.9746 (tax inclusive) for every 10 ordinary shares to all shareholders based on the total share capital registered on record date for the implementation of the dividend distribution. As of 31 December 2025, the Company's total share capital was 1,123,645,275 shares, based on which the total proposed cash dividend amounts to approximately RMB221.875 million (tax inclusive). There will be no capitalisation from capital reserves for the Year. The proposal is still subject to the approval of the shareholders at the 2025 annual general meeting of the Company. Subject to the aforementioned approval, the Company expects to pay the dividend on or before 31 August 2026.

## **SIGNIFICANT SUBSEQUENT EVENTS**

From 31 December 2025 up to the date of this announcement, the Board is not aware of any significant events that are required to be disclosed in accordance with the relevant rules other than those disclosed in this announcement.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT**

As at the date of this announcement, the audit committee under the tenth session of the Board of the Company has reviewed the Company's 2025 financial report prepared in accordance with the China Accounting Standards for Business Enterprises and the Company's 2025 internal control assessment report, in accordance with the requirements of the Stock Exchange and the Shanghai Stock Exchange.

The Auditor, ShineWing Certified Public Accountants LLP (Special General Partnership), agreed with the figures in this preliminary results announcement of the Group for the Year, which are consistent with the figures that will be contained in the 2025 Annual Report of the Company. The unqualified auditor's report will also be included in the 2025 Annual Report of the Company.

## DEFINITIONS

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

“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司)
“Group”	the Company and its controlled subsidiaries
“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
“subsidiary(ies)”	a subsidiary as defined under the Listing Rules of the Stock Exchange
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), the controlling shareholder of the Company
“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
“YTO Diesel Engine”	YTO (Luoyang) Diesel Engine Co., Ltd. (一拖(洛陽)柴油機有限公司), a wholly-owned subsidiary of the Company
“Auditor or Accountant”	the financial report auditor appointed by the Company, ShineWing Certified Public Accountants LLP (Special General Partnership) as the Company’s auditor for the year of 2025
“CSRC”	China Securities Regulatory Commission

“YTO Axle”	YTO (Luoyang) Axle Co., Ltd. (一拖(洛陽)車橋有限公司), a controlled subsidiary of the Company
“power shuttle”	using a hydraulic gear-shift clutch and/or brake to enable the tractor to change driving direction while operating under load
“power shift”	using a hydraulic gear-shift clutch and/or brake to enable the tractor to change gears while operating under load
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules of the Shanghai Stock Exchange”	the Rules Governing the Listing of Stocks on 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 of Hong Kong Limited (as amended from time to time)
“A Share(s)”	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, listed on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
“H Share(s)”	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars

“agricultural machinery”	various machinery used in crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products. The agricultural machinery business of the Company mainly involves the production, manufacturing and sales of tractor products and their components (excluding diesel engine)
“power machinery”	internal combustion engine that uses diesel as fuel. The power machinery business of the Company mainly involves the production, manufacturing and sales of off-road diesel engine products
“hi-powered wheeled tractor”	wheeled tractor with horsepower of 100 (inclusive) or above
“mid-powered wheeled tractor”	wheeled tractor with a power of 25 (inclusive) to 100
“crawler tractor”	tractor with crawler as walking device

By Order of the Board  
**FIRST TRACTOR COMPANY LIMITED\***  
**LIU Bin**  
*Joint Company Secretary*

Luoyang, the PRC  
26 March 2026

*As at the date of this announcement, the Board comprises Mr. Zhao Weilin (Chairman) and Mr. Wei Tao as executive Directors; Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Sun Feng as non-executive Directors; Mr. Wang Shumao, Mr. Xu Liyou and Ms. Wong Yee Man as independent non-executive Directors; and Mr. Li Peng as employee representative Director.*

\* *For identification purposes only*