



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)



2014
ANNUAL REPORT



IMPORTANT NOTICE

- I. The board of directors (the "Board") and board of supervisors (the "Board of Supervisors") of First Tractor Company Limited (the "Company"), and its directors (the "Directors"), supervisors (the "Supervisors") and senior management confirm that there are no false information, misleading statements or material omissions contained in this annual report (the "Annual Report"), and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. All Directors attended the Board meeting convened to consider the Annual Report.
- III. ShineWing Certified Public Accountants LLP issued the standard unqualified audit report to the Company.
- IV. Mr. Zhao Yanshui (the person in charge of the Company), Mr. Yao Weidong (the person in charge of the accounting function) and Ms. Zhou Juan (the person in charge of the Accounting Department and the accounting manager) have confirmed the truthfulness, accuracy and completeness of the financial statements in the Annual Report.
- V. Proposals of profit distribution or capitalization from capital reserves of the Company for the Reporting Period (the "Reporting Period") as considered by the Board

We propose a profit distribution plan for 2014 as follows: a cash dividend of RMB0.51 (tax inclusive) for every ten shares on the basis of a total share capital of 995,900,000 shares of the Company as at 31 December 2014. The Company does not propose any capitalization from capital reserves this year.

- VI. Statement for the Risks Involved in Forward-looking Statements

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

- VII. Any misappropriation of the Company's funds (not in the ordinary course of business) by the controlling shareholders or its associates?

No

- VIII. Any external guarantees in violation of any established decision-making procedures?

No

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MAJOR EVENTS OF FIRST TRACTOR IN 2014

January

- The Board of the Company elected Mr. Wang Erlong as the vice Chairman.
- The Company acquired the Technology and Material Center and the Calibration and Testing Center of YTO Group Corporation, the controlling shareholder, in order to enhance our ability in technology development and quality control.



March

- The Company completed the assets and business integration of YTO (Luoyang) Flag Auto-Body Company Limited and YTO (Luoyang) Foundry Company Limited, the wholly-owned subsidiaries of the Company.

April

- The first Dongfanghong Agricultural Mechanization Demonstration Park (東方紅農業機械化示範園) was established in Tongliao City, Inner Mongolia Autonomous Region.



- Mr. Xu Weilin ceased to be a staff representative Supervisor of the Company. Mr. Zhao Guozhong was appointed as a staff representative Supervisor.

May

- At the general meeting of the Company, Mr. Yu Zengbiao was approved as an independent non-executive Director, Mr. Wu Zongyan and Mr. Wang Kejun were approved as non-executive Directors.

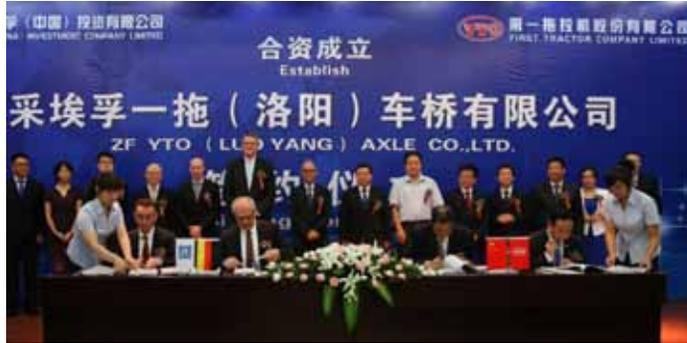
June

- The Board of the Company filled the vacancy and elected certain members of the special committees under the sixth session of the Board.

MAJOR EVENTS OF FIRST TRACTOR IN 2014 (continued)

July

- The Company completed the assets and business integration of YTO (Luoyang) Drive Axle Company Limited, a wholly-owned subsidiary of the Company.
- The Company completed the disposal of 73% equity interests of YTO (Luoyang) Zhongcheng Machinery Company Limited, a controlling subsidiary of the Company.
- Mr. Xu Weilin was elected as a Supervisor of the sixth session of the Board of Supervisors of the Company at the general meeting of the Company.
- The Company and ZF (China) Investment Co., Ltd. entered into a joint venture agreement in relation to the capital contribution for the establishment of ZF YTO (Luoyang) Axle Co., Ltd.



- The construction of the diesel engine crankshaft machining production line of the foundry factory under the Company was completed and put into production.



August

- The Company was rated as an "A Class Information Disclosure (Outstanding) Company for 2013 (2013年度信息披露A类(优秀类)公司)" by Shanghai Stock Exchange.

October

- The whole series of Dongfanghong LF series power shift transmission tractors was first exhibited at the 2014 China International Agricultural Machinery Exhibition (2014中國國際農業機械展覽會).



- The Company appointed ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for 2014.

MAJOR EVENTS OF FIRST TRACTOR IN 2014 (*continued*)

- **November** • The Company donated tractors to the organizations in the area hit by severe flood in Serbia.



- The Company received six awards including the “Top Ten Competitive Brands in Agricultural Machinery Industry (農業機械行業最具市場競爭力十佳品牌)” in the fifth session of the “Agricultural Cup (精耕杯)”, an assessment for agricultural machinery Industry. Mr. Wang Kejun, Director of the Company, was awarded the “Top Ten Attentive Persons for the Year in the Agricultural Machinery Industry (農機行業十大年度「用心人物」獎)”.



- **December** • The Company completed the transfer of 93.83% equity interest in Shanghai Qiangnong (Group) Company Limited.
 - BOL Financial Leasing Co.,Ltd., a joint venture initiated by the Company, was officially established and approved to operate.
 - ZF YTO (Luoyang) Axle Co., Ltd. was duly established.

DEFINITIONS AND SIGNIFICANT RISKS WARNING

1. DEFINITIONS

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

A Share	means	ordinary shares as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	means	various machinery used in the crop farming and animal husbandry, and the primary processing of agricultural and animal products
auditor	means	the financial report auditor appointed by the Company, ShineWing Certified Public Accountants LLP, as the Company's auditor for the year of 2014
BCM	means	Brilliance China Machinery Holdings Limited (華晨中國機械控股有限公司), a controlled subsidiary of the Company
BOL Financial Leasing	means	BOL Financial Leasing Co., Ltd. (洛銀金融租賃股份有限公司), an equity participating company of the Company
CAMACO	means	China-Africa Machinery Corp. (中非重工投資有限公司), a controlled subsidiary of the Company
CBRC	means	China Banking Regulatory Commission
Changtuo Company	means	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Changxing Company	means	Luoyang Changxing Agricultural Machinery Company Limited (洛陽長興農業機械有限公司), a controlled subsidiary of the Company
Company	means	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	means	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	means	tractor with the crawler as walking device
CSRC	means	China Securities Regulatory Commission
diesel engine	means	internal combustion engine that uses diesel as fuel
Group	means	the Company and its controlled subsidiaries
H Share	means	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	means	wheeled tractor with a power of 70 (inclusive) horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS AND SIGNIFICANT RISKS WARNING *(continued)*

Jiangyan Power	means	YTO (Jiangyan) Power Machinery Co., Ltd. (一拖(姜堰)動力機械有限公司), a controlled subsidiary of the Company
Listing Rules of the Shanghai Stock Exchange	means	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	means	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
low-powered wheeled tractor	means	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	means	wheeled tractor with a power of 25 (inclusive) to 70 horsepower
mining truck	means	non-road vehicle, mainly used to transport the earth-rock and ores, etc. relating to mine engineering
power machinery	means	diesel engine and fuel injection pump products, etc.
PRC	means	the People's Republic of China which, for the purpose of this Annual Report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Prospectus	means	the "Prospectus in connection with the Initial Public Offering of A Shares of First Tractor Company Limited" (《第一拖拉機股份有限公司首次公開發行A股股票招股說明書》) prepared under the relevant laws and regulations for the initial public offering of A Shares by the Company
SASAC	means	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Shanghai Dragon	means	Shanghai Dragon (Group) Company Limited (上海強農(集團)股份有限公司)
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
Sinomach	means	China National Machinery Industry Corporation (中國機械工業集團有限公司), the ultimate controlling shareholder of the Company
Stock Exchange subsidiary	means	the Stock Exchange of Hong Kong Limited
Tractors Research Company	means	a subsidiary as defined under the Listing Rules of the Stock Exchange
YTO	means	Luoyang Tractors Research Institute Co., Ltd. (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO (Xinjiang) Machinery	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Axle	means	YTO (Xinjiang) Dongfanghong Machinery Co., Ltd. (一拖(新疆)東方紅裝備機械有限公司), a wholly owned subsidiary of the Company
YTO Diesel	means	YTO (Luoyang) Drive Axle Company Limited (一拖(洛陽)車橋有限公司), a wholly owned subsidiary of the Company
	means	YTO (Luoyang) Diesel Engine Co., Ltd. (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company

DEFINITIONS AND SIGNIFICANT RISKS WARNING (*continued*)

YTO Flag	means	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly owned subsidiary of the Company
YTO Foundry	means	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), a wholly owned subsidiary of the Company
YTO Forklift	means	YTO (Luoyang) Forklift Truck Company Limited (一拖(洛陽)叉車有限公司), a wholly owned subsidiary of the Company
YTO Finance	means	China YTO Group Finance Company Limited (中國一拖集團財務有限公司), a controlled subsidiary of the Company
YTO France	means	YTO France SAS, a wholly owned subsidiary of the Company
YTO Injection Pump	means	YTO (Luoyang) Fuel Injection Pump Co., Ltd. (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company
YTO International	means	YTO International Economy and Trade Co. Ltd. (一拖國際經濟貿易有限公司), a wholly owned subsidiary of the Company
YTO Power Machinery	means	YTO (Luoyang) Power Machinery Company Limited (一拖(洛陽)動力機械有限公司), a wholly owned subsidiary of YTO Diesel
YTO Shentong	means	YTO (Luoyang) Shentong Construction Machinery Co., Ltd. (一拖(洛陽)神通工程機械有限公司), a wholly owned subsidiary of the Company
YTO Transportation	means	YTO (Luoyang) Transportation Machinery Co., Ltd. (一拖(洛陽)搬運機械有限公司), a controlled subsidiary of the Company
ZF YTO Axle	means	ZF YTO (Luoyang) Axle Co., Ltd. (采埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company
Zhongcheng Company	means	YTO (Luoyang) Zhongcheng Machinery Company Limited (一拖(洛陽)中成機械有限公司)

2. SIGNIFICANT RISKS WARNING

Please refer to the potential risk factors and strategies in “the Board’s Discussion and Analysis on the Company’s Further Development” in Section V, “Report of the Board”.

COMPANY PROFILE

1. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉機股份有限公司
Short name in Chinese	一拖股份
English name of the Company	First Tractor Company Limited
Legal representative of the Company	Mr. Zhao Yanshui

2. CONTACT PERSONS AND METHODS

	Secretary to the Board	Representative of securities affairs
Name	Ms. Yu Lina	Ms. Wei Yajun
Contact address	No. 154 Jianshe Road, Luoyang, Henan Province, PRC	No. 154 Jianshe Road, Luoyang, Henan Province, PRC
Telephone	(86 379) 6496 7038	(86 379) 6497 0213
Facsimile	(86 379) 6496 7438	(86 379) 6496 7438
E-mail	yulina@ytogroup.com	weiyajun027@163.com

3. BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, PRC
Postal code of the registered address of the Company	471004
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, PRC
Postal code of the office address	471004
Company's website	http://www.first-tractor.com.cn
E-mail	msc0038@ytogroup.com

4. INFORMATION DISCLOSURE AND THE PLACE FOR DOCUMENTS INSPECTION

Name of newspapers designated for dissemination of information	"China Securities Journal" and "Shanghai Securities News"
Website for publication of annual report of A Shares as designated by the CSRC	www.sse.com.cn
Website for publication of Annual Report as designated by the Stock Exchange	www.hkex.com.hk
Place for inspection of the annual report (Report of A Shares)	Office of the Board of the Company
Place for inspection of the Annual Report (Report of H Shares)	Li & Partners, 22/F, World-Wide House, Central, Hong Kong

5. BASIC INFORMATION OF THE COMPANY'S SHARES

Type	Stock exchanges for listing	Abbreviated name of shares	Stock code
A Share	Shanghai Stock Exchange	一拖股份	601038
H Share	Stock Exchange	First Tractor	0038

6. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Basic information

There is no change in the registration of the Company during the Reporting Period.

(II) Index of information related to the first registration of the Company

For details regarding the first registration of the Company, please refer to the Prospectus.

(III) Changes in principal businesses since the listing of the Company

There has been no change in the principal businesses of the Company since its listing.

(IV) Changes in controlling shareholders since the listing of the Company

There has been no change in the controlling shareholders of the Company since its listing.

7. OTHER RELATED INFORMATION

Auditor of the Company	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC
	Names of the signing accountants	Ma Chuanjun (馬傳軍), Song Gang (宋剛)
Sponsor providing on-going supervision and guidance during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	North Tower, Excellence Times Square II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, PRC
	Names of the signing sponsor representatives	Yu Hui (余暉), Yu Junli (于軍驪)
	On-going supervision period	8 August 2012 to 31 December 2014

ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY

1. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LATEST THREE YEARS AT THE END OF THE REPORTING PERIOD

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key Accounting Data	2014	2013	2013	Year-on-year	2012
		(After Adjustment)	(Before Adjustment)	increase/decrease (%)	
Operating revenue	8,929,316,050.68	10,985,440,654.79	10,965,436,727.36	-18.7	11,421,299,427.64
Net profit attributable to shareholders of the Company	167,698,247.35	227,084,951.73	221,949,807.88	-26.2	324,963,768.28
Net profit attributable to shareholders of the Company after deduction of non-recurring items	-21,999,386.97	152,798,652.61	150,006,098.21	-114.4	277,531,139.16
Net cash flows from operating activities	74,866,397.52	-141,519,826.21	-131,904,552.83	N/A	491,563,133.80

	As at the	As at the	As at the	Increase/Decrease	As at
	end of 2014	end of 2013	end of 2013	as at the end of the Reporting Period compared with the end of last year (%)	the end of 2012
		(After Adjustment)	(Before Adjustment)		
Net assets attributable to shareholders of the Company	4,593,468,033.54	4,503,113,206.30	4,473,895,897.45	2.0	4,417,082,096.96
Total assets	12,355,694,645.67	11,699,276,392.53	11,668,342,025.93	5.6	10,988,372,877.71

Note: The acquisition of the assets and businesses of the technology and materials research centre and the calibration and testing centre from YTO by the Company in 2014 constituted business combination under common control, retrospective adjustments were made to the accounting data and financial indicators; figures in 2012 were not restated.

ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY *(continued)*

(II) Major Financial Indicators

Unit: Yuan Currency: RMB

Major financial indicators	2014	2013 <i>(After Adjustment)</i>	2013 <i>(Before Adjustment)</i>	Year-on-year	2012
				increase/decrease <i>(%)</i>	
Basic earnings per share <i>(RMB/share)</i>	0.1684	0.2280	0.2229	-26.1	0.3627
Diluted earnings per share <i>(RMB/share)</i>	0.1684	0.2280	0.2229	-26.1	0.3627
Basic earnings per share after deduction of non-recurring items <i>(RMB/share)</i>	-0.0221	0.1534	0.1506	-114.4	0.3098
				Decreased by 1.39	
Weighted average return on net assets <i>(%)</i>	3.68	5.07	5.00	percentage points	8.50
				Decreased by 3.89	
Weighted average return on net assets after deduction of non-recurring items <i>(%)</i>	-0.48	3.41	3.38	percentage points	7.26

2. DIFFERENCES BETWEEN THE PRC ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS

(I) Explanation for the differences between the PRC Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”):

In light of the fact that the PRC Accounting Standards for Business Enterprises and HKFRSs are equally effective, it is accepted by the Hong Kong Securities and Futures Commission and the Stock Exchange that companies incorporated in the Mainland of the PRC and listed in Hong Kong can prepare their financial statements under the PRC Accounting Standards for Business Enterprises and the financial statements can be audited by qualified PRC Mainland accounting firms. On 31 October 2014, after obtaining the approval at the 2014 second extraordinary general meeting of the Company, the Company will no longer prepare the financial statements in accordance with both the PRC Accounting Standards for Business Enterprises and HKFRSs commencing from the year of 2014, and will only provide the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises to shareholders of A Shares and H Shares of the Company.

ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY *(continued)*

3. NON-RECURRING ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring Items	Amounts in 2014	Amounts in 2013 <i>(after adjustment)</i>	Amounts in 2012
Gain or loss from disposal of non-current assets	160,576,609.27	-2,892,692.78	1,721,793.16
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with national policies and continuously received in certain standard amounts and quantities)	27,077,645.98	20,920,608.99	34,151,562.98
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and jointly controlled entities		84,459,812.32	
Profit or loss from debt restructuring	1,741,068.71	1,401,074.99	-180,428.28
Corporate restructuring costs, such as employee relocation expenses and integration costs	-36,041,618.25		
Net profit or loss for current period from subsidiaries arising from business combination involving entities under common control from the beginning of the period to the date of combination	-1,266,667.02	1,707,114.89	10,936,534.73
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, except effective hedging business related to the Company's normal operations	16,208,980.55	5,845,129.15	14,363,696.04
Non-operating income and expenses other than those stated above	17,020,695.73	4,712,149.16	7,278,374.87
Other profit and loss items falling within the definition of extraordinary profit and loss	51,600,103.86		
Impact on minority interests	-7,190,659.67	-11,604,673.34	-10,284,977.11
Effect of income tax	-40,028,524.84	-30,262,224.26	-10,553,927.27
Total	<u>189,697,634.32</u>	<u>74,286,299.12</u>	<u>47,432,629.12</u>

4. ITEMS UNDER FAIR VALUE MEASUREMENT

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Change for the current period	Amount affecting profit for the current period
Change in fair value of financial assets credit to profit or loss (exclusive of derivative financial assets)	359,095,259.97	354,360,150.44	-4,735,109.53	31,658,823.71
Available-for-sale financial assets	56,737,271.60	97,806,400.00	41,069,128.40	25,005,131.56
Total	<u>415,832,531.57</u>	<u>452,166,550.44</u>	<u>36,334,018.87</u>	<u>56,663,955.27</u>

ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY *(continued)*

5. FINANCIAL SUMMARY FOR THE PREVIOUS 5 YEARS OF THE COMPANY

1. Consolidated results

Unit: 0'000 Currency: RMB

Items	2014	For the year ended 31 December			
		2013 <i>(Restated)</i>	2012	2011	2010
Total operating revenue	902,698	1,105,784	1,150,804	1,170,267	1,026,583
Total profit	21,189	33,910	46,149	59,923	64,614
Income tax expense	4,766	7,223	7,110	8,494	8,409
Net profit	16,423	26,687	39,039	51,429	56,205
Net profit attributable to shareholders of the Company	16,770	22,709	32,497	44,005	54,267
Profit or loss attributable to minority shareholders	-347	3,978	6,542	7,424	1,938

2. Assets, liabilities and shareholders equity

Unit: 0'000 Currency: RMB

Items	2014	For the year ended 31 December			
		2013 <i>(Restated)</i>	2012	2011	2010
Total assets	1,235,569	1,169,928	1,098,837	945,261	834,170
Total liabilities	703,487	644,176	604,580	550,014	479,767
Total shareholders equity	532,082	525,752	494,257	395,247	354,403
Total amount attributable to shareholders equity of the Company	459,347	450,311	441,708	341,457	315,178
Minority shareholders interests	72,735	75,441	52,549	53,790	39,225

Financial summary for the previous 5 years of the Company contains financial data prepared under the PRC Accounting Standards for Business Enterprises.

REPORT OF THE CHAIRMAN OF THE BOARD

Zhao Yanshui
Chairman



BUSINESS REVIEW

In 2014, the domestic and overseas economic situations of the PRC was complex and the downturn pressure of the domestic economy continued to increase. Greater adjustments were seen in agricultural machinery industry after its continuous rapid development. The Company encountered significant challenges in its operations as the markets of agricultural machinery in tilling, planting and harvesting sectors relating to the three major grains, such as tractors, wheat and paddy rice harvesters, decreased with different degrees.

Under such circumstances, sales volume of hi-powered and mid-powered wheeled tractors and power machinery products of the Company decreased as compared with the same period of last year with different degrees. Under the difficulties in the market conditions, the Company affirmed its strategic objectives and insisted on innovation drives. It actively adopted various measures to continue to promote transformation, upgrade and product structure adjustment. During the Reporting Period, market shares of the Company's hi-powered and mid-powered wheeled tractors increased although the sales declined. Significant progress was made to the technological upgrade of the hi-powered and mid-powered wheeled tractors. The products of power shift transmission tractors preliminarily formed a series with breakthrough in sales volume. The Company completed the listing preparation for national III diesel engines of hi-powered and mid-powered wheeled tractors. The commercialization progress of heavy-duty diesel engines continued and significant progress was made in structural adjustment of the Company's main products. By forming a joint venture of axle business with a German Company, ZF Friedrichshafen AG, the Company launched deeper cooperation with an international leading corporation in the research, development and production of core parts of tractors.

REPORT OF THE CHAIRMAN OF THE BOARD *(continued)*

Under the mindset of “focusing on the core areas for stronger businesses”, the Company made significant progress in major projects construction and resources integration during the year. The project of promotion in core capacity of new hi-powered wheeled tractor and Phase II of the construction of heavy-duty diesel engines were in orderly advancement; the ability in technology research and development and quality control of the Company was strengthened by acquiring the Technology and Material Research Institute and Calibration and Testing Center from YTO; internal resources integration for body panels and castings businesses, etc. achieved significant results in lowering transaction cost and strengthening business synergy of the Company; disposal of non-core ineffective assets such as Shanghai Dragon increased the revenue of the Company and also provided capital support to major business development.

During the Reporting Period, the Company strived to improve the structure of the Board and continued to promote compliance operations. While achieving sustainable development, the Company concurrently attached great importance to implementation of a stable dividend distribution policy and valued reasonable return for investors. Meanwhile, it also focused on information disclosure and continued to strengthen the investors relationship management, and was rated as the “2013 A Class Information Disclosure (Outstanding) Company (2013年度信息披露A類(優秀類)公司)” by Shanghai Stock Exchange in August 2014.

Reviewing the works in the previous year, despite the Company has achievement in structural adjustment and transformation and upgrade, due to the decline in sales of the main products of the Company, new products were insufficient yet to support the sales of the Company and production bases outside Luoyang were still in construction period, the operating results of the Company saw a larger year on year decline.

PROSPECTS

From the prospective of the external environment, the growth of the agricultural machinery industry will further slow down, shift in growth momentum, change in development mode and advancement in competition become new normal of the industry development. The momentum of the industry development is shifting from policy-driven mode to consumption-driven mode. The development of the agricultural machinery industry is also changing from policy resources oriented mode to innovation-driven and brand operations mode. Meanwhile, industry competition changes from price and product competition to higher level competition including commercial model competition and customer value creation competition. From the prospective of the internal status, with significant progress in technological upgrade of the Company's main products, the Company will take first mover advantages in market competition in the future. In the meantime, there is still pressure in sales growth of the Company's main products. More time is required for the effect of technological improvement projects to take place. In 2015, the Company will still be in the key period of transformation and upgrade and an acceleration period which challenges need to be overcome and problems need to be resolved.

REPORT OF THE CHAIRMAN OF THE BOARD *(continued)*

The Company will actively adapt to the new normal of the development of economy and the industry under the current situation; strengthen the strategy of “focusing on the core areas for stronger businesses”; put development of the primary business at the top priority; enhance market expansion; consolidate and improve market competition advantages; endeavor to increase the contribution of new products; actively nurture new business; meanwhile, pay more efforts to improve the operation quality of production bases outside Luoyang and exit from assets with low or no efficiency; deepen system and mechanism reform, steadily carry out capital operation; focus on improving the quality and efficiency in development; coordinate development by maintaining growth, risk control and structure adjustment and promoting upgrade; strengthen corporate renovation and drive by innovation; and promote growth with quality, in order to enable the Company to go through difficult stage smoothly and strive for maintaining stable business development.

I would like to take this opportunity to express my sincere respect and gratitude on behalf of the Board to all shareholders, clients and the general public for their care and support to the development of the Company, as well as all of our staff for their hard work and dedication contributing to the development of the Company.

Zhao Yanshui
Chairman

REPORT OF THE BOARD

I. THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS DURING THE REPORTING PERIOD

In 2014, agricultural machinery industry ended its several-year-long fast growth. The market of tractors, wheat and paddy rice harvesters, and seeders decreased with different degrees. According to the data of the National Bureau of Statistics of the PRC, in 2014, enterprises with main business in agricultural machinery and with scale to a certain extent in the PRC recorded a revenue of RMB418,065 billion from principal business, representing a year on year increase of 8.79% but the growth rate is approximately 7.52 percentage points lower than 2013.

According to the statistics data of the Association of Agricultural Machinery Industry of China in relation to the sales of products of main enterprises in the tractors industry, 309,000 units of hi-powered and mid-powered tractors were sold in 2014, representing a year-on-year decrease of 17.1%, among which, sales of hi-powered wheeled tractors decreased by 12.8%; and mid-powered wheeled tractors decreased by 19.3%.

Under severe situation that the tractors market generally declined, the Company faced unprecedented pressure. Sales of all main products decreased with different degrees. In 2014, the Company recorded operating revenue of RMB8.929 billion, representing a year-on-year decrease of 18.7%; net profit attributable to the shareholders of the Company of RMB167.6982 million, representing a year-on-year decrease of 26.2%.

Agricultural Machinery Business

During the Reporting Period, the Company actively adapted to changes in market demand and implemented product structure adjustment. The Company focused on new demand of major competitive markets by launching promotional sales plan on targeted products to effectively consolidate market shares in major markets. The commercialization and promotion of high-end products accelerated, new generation of Dongfanhong powershift tractors batch sales achieved breakthrough.

During the Reporting Period, sales of hi-powered wheeled tractors of the Company were 33,634 units, representing a year-on-year decrease of 9.9% which was however better than the decrease in industry by 2.9 percentage points, among which, sales of hi-powered wheeled tractors with a power above 100 horsepower increased by 10.6% against the decrease in the industry; sales of mid-powered wheeled tractors were 40,073 units, representing a year-on-year decrease of 18% which was a bit better than the industry level. The market shares of hi-powered wheeled and mid-powered wheeled tractors of the Company still ranked first in the industry. Market demand of crawler tractors and low-powered wheeled tractors continued to shrink with sales of 577 units and 7,753 units respectively, representing a year-on-year decrease of 46.87% and 58.6% respectively.

REPORT OF THE BOARD *(continued)*

The export of hi-powered wheeled and mid-powered wheeled tractors of the Company was 2,195 units in aggregate, representing a year-on-year decrease of 47.1%, because some of the overseas project orders of the Company have not entered the execution period.

Power Machinery Business

During the Reporting Period, due to sales decline in industry of tractors and harvesters of power machinery sector, accumulated sales of all diesel engines of the Company were 157,126 units, representing a year-on-year decrease of 13.4%, among which, external sales were 110,297 units, representing a year-on-year decrease of 5.4%. Meanwhile, the Company completed the listing preparation for national III diesel engines of hi-powered and mid-powered wheeled tractors.

Other Business

During the Reporting Period, facing unfavorable situation of downturn of coal market and basic infrastructure development, the Company continued to shrink and adjust mining trucks and forklifts business, focusing on recovery of receivables, regulating and improving business process, in order to reduce business risks and enhance the operating abilities of relevant units. Sales of mining trucks and forklifts decreased by 15.49% and 6.78% respectively as compared with the same period of last year.

During the Reporting Period, the Company participated in establishing BOL Financial Leasing and will effectively coordinate with YTO Finance, in order to further enrich financial service products and ways of service and enhance the promotion and sales of high-end agricultural equipment products. YTO Finance actively expanded upstream and downstream businesses of the Company and promoted the sales of Company's products while increasing YTO Finance's return on capital through providing financial instruments such as e-banking acceptance bills and commercial acceptance bills.

REPORT OF THE BOARD *(continued)*

(I) Analysis of principal businesses

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

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of the previous year	Changes (%)
Operating revenue	8,929,316,050.68	10,985,440,654.79	-18.72
Operating costs	7,457,744,855.37	9,244,069,520.10	-19.32
Selling costs	393,300,666.51	374,371,900.53	5.06
Administrative expenses	973,938,133.86	924,121,591.05	5.39
Finance costs	89,732,342.21	127,836,040.62	-29.81
Loss in asset impairment	166,499,011.38	152,715,436.64	9.03
Revenue from investment	108,929,271.92	38,986,561.99	179.40
Revenue from non-operating activities	211,836,734.97	114,905,778.06	84.36
Income tax expenses	47,668,186.23	72,229,037.79	-34.00
Net cash generated from operating activities	74,866,397.52	-141,519,826.21	N/A
Net cash generated from investing activities	-651,099,306.24	-516,207,345.98	N/A
Net cash generated from financing activities	707,727,024.91	655,454,430.91	7.98
Research and development expenses	405,569,602.90	408,486,411.72	-0.71

Loss in asset impairment: Loss in asset impairment increased by 9.03% as compared with the same period last year, mainly due to the impact of delay in settlement of subsidy for agricultural machinery and an increase in aging accounts receivable, leading to an increase in the provision for bad debts.

Revenue from investment: Revenue from investment increased by 179.40% as compared with the same period last year, mainly attributable to the revenue gained in disposal of the equity interest in subsidiary by the Company.

Revenue from non-operating activities: Revenue from non-operating activities increased by 84.36% as compared with the same period last year, mainly attributable to the relatively higher revenue gained in the sales of non-current assets by the Company.

Income tax expenses: Income tax expenses decreased by 34% as compared with the same period last year, mainly due to the decrease in operating revenue of the Company.

REPORT OF THE BOARD *(continued)*

2. Revenue

(1) Analysis of factors leading to changes in revenue

During the Reporting Period, the Company recorded operating revenue of RMB8,929,316,100, representing a year-on-year decrease of 18.72%, which was mainly due to the decrease in the sales of the Company's agricultural machinery products.

(2) Analysis of factors affecting the revenue of the Company from sales of products which has a principal business of physical goods sales

Agricultural machinery products: the Company sold 82,037 units of tractors of different types during the year, representing a year-on-year decrease of 22.63%. During the Reporting Period, the operating revenue of agricultural machinery product amounted to RMB7.37696 billion, representing a year-on-year decrease of 18.74%. Revenue from agricultural machinery accounted for 82.62% of the operating revenue of the Company.

Power machinery products: the Company sold 110,297 units of diesel engine products of different types externally during the year, representing a year-on-year decrease of 5.40%. During the Reporting Period, the operating revenue of power machinery product amounted to RMB1.44371 billion, representing a year-on-year decrease of 17.85%. Revenue from power machinery accounted for 16.17% of the operating revenue of the Company.

Other machinery products: the operating revenue from sales of mining track and forklift products of the Company amounted to RMB108.40 million, representing a year-on-year decrease of 27.62%. Revenue of other machinery accounted for 1.21% of the operating revenue of the Company.

(3) Major Customers

During the Reporting Period, the sales to the top five customers of the Company accounted for 8.64% of the total sales of the Company.

REPORT OF THE BOARD (continued)

3. Costs

(1) Cost Analysis

Unit: 0'000 Currency: RMB

Classified by industry

By industry	Cost constituent	For the period	Share of total costs for the period (%)	For the same period last year (adjusted)	Share of total costs for the same period last year (%)	Changes compared with the same period last year (%)
Equipment manufacturing	Material	755,113.49	87.46	946,389.80	89.87	-20.21
	Labour	49,596.00	5.74	52,487.00	4.98	-5.51
	Production costs	58,657.00	6.79	54,214.00	5.15	8.20
Total		863,366.49	100	1,053,090.80	100	-18.02

Classified by products

By products	Cost constituent	For the period	Share of total costs for the period (%)	For the same period last year (adjusted)	Share of total costs for the same period last year (%)	Changes compared with the same period last year (%)
Agricultural machinery	Material	601,835	89.00	778,118	91.43	-22.66
	Labour	35,522	5.25	37,102	4.36	-4.26
	Production costs	38,896	5.75	35,800	4.21	8.65
Power machinery	Material	139,753	82.65	155,158	84.05	-9.93
	Labour	11,818	6.99	12,596	6.82	-6.18
	Production costs	17,510	10.36	16,853	9.13	3.90
Other machinery	Material	13,526	75.01	13,114	75.09	3.14
	Labour	2,256	12.51	2,789	15.97	-19.11
	Production costs	2,251	12.48	1,561	8.94	44.20

Note: Data in the table is the amount before inter-segment eliminations.

REPORT OF THE BOARD *(continued)*

The total cost of materials decreased by 20.21%, mainly attributable to the decline in price of the raw material market during the Reporting Period.

The total labour cost decreased by 5.51%, mainly due to the fact that the Company reasonably controlled the total labour cost by cutting down the number of employees.

The total production cost increased by 8.20%, mainly attributable to the increase in depreciation as the projects in progress invested by the Company in the recent years gradually completed construction and transferred to fixed assets, as well as the increase in repair and maintenance of old equipment, etc.

(2) Major Suppliers

During the Reporting Period, the top five suppliers of the Company accounted for 12.23% of the total purchases of the Company.

4. Expenses

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of the previous Year	Change amount	Change (%)
Selling expenses	393,300,666.51	374,371,900.53	18,928,765.98	5.06
Administrative expenses	973,938,133.86	924,121,591.05	49,816,542.81	5.39
Finance costs	89,732,342.21	127,836,040.62	-38,103,698.41	-29.81

During the Reporting Period, the expenses of the Company amounted to RMB1,456,970,000, representing a year-on-year increase of RMB30,640,000 or 2.15%.

The selling expenses increased slightly, mainly due to the change in the sales policy of the Company resulting in that the transportation cost and its relevant cost of certain agricultural machinery products were assumed by the Company, leading to an increase in the transportation expense.

The administrative expenses increased slightly, mainly attributable to factors such as the Company's proposed transfer of its equity interests in YTO Forklift, its wholly-owned subsidiary, and the provision for dismissal welfare for the period upon terminating labour relation with employees.

The finance costs decreased significantly as compared with the same period of last year. The main reason was that the Company, with its loan amount recording a year-on-year increase, adopted various measures to proactively reduce capital cost and effectively mitigate the foreign exchange loss.

REPORT OF THE BOARD *(continued)*

5. Research and Development Costs

(1) Table of research and development costs

Unit: Yuan Currency: RMB

Research and development costs expensed during the Reporting Period	405,569,602.90
Research and development costs capitalized during the Reporting Period	0
Total research and development costs	405,569,602.90
Total research and development costs as a percentage of net assets (%)	7.62
Total research and development costs as a percentage of operating revenue (%)	4.54

(2) Explanations

During the Reporting Period, the research and development costs amounted to RMB405,569,602.90, basically maintaining at the same level as that of the same period of last year. Such costs were mainly used for the research and development of tractor and power machinery related products, so as to enhance technology level of the Company's principal products and consolidate and improve the competitiveness of its products.

6. Cash Flows

Unit: Yuan Currency: RMB

Item	For the Reporting Period	For the corresponding period of the previous Year	Change amount	Change (%)
Net cash flow from operating activities	74,866,397.52	-141,519,826.21	216,386,223.73	N/A
Net cash flow from investment activities	-651,099,306.24	-516,207,345.98	-134,891,960.26	N/A
Net cash flow from financing activities	707,727,024.91	655,454,430.91	52,272,594.00	7.98

REPORT OF THE BOARD *(continued)*

Net cash flow from operating activities recorded a year-on-year decrease in outflow of RMB216,386,200, mainly attributable to the adjustment to the sales policy during the period resulting in the increase in amount recovered from dealers.

Net cash flow from investment activities recorded a year-on-year increase in outflow of RMB134,892,000, mainly attributable to the increase in the fixed assets acquired and constructed during the period as compared to that of the same period of last year.

(II) Analysis of industry, products or regional operation

1. Principal Businesses by Industry and by Product

Unit: 0'000 Currency: RMB

Principal businesses by industry

By industry	Operating revenue	Operating cost	Profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year
Equipment manufacturing	892,931.60	745,774.49	16.48	-18.72	-19.00	Increased by 0.63 percentage point

Note: Information in the above table is the amount after inter-segment eliminations.

REPORT OF THE BOARD *(continued)*

Principal businesses by products

By products	Operating revenue	Operating cost	Profit margin (%)	Increase/ decrease in operating revenue over last year (%)	Increase/ decrease in operating cost over last year (%)	Increase/ decrease in profit margin over last year
Agricultural machinery	789,374.32	676,252.71	14.33	-20.20	-21.00	Increased by 0.36 percentage point
Power machinery	206,723.88	169,080.54	18.21	-7.30	-8.00	Increased by 0.99 percentage point
Other machinery	17,314.40	18,033.24	-4.15	-2.30	3.00	Decreased by 5.61 percentage point
Inter-segment eliminations	-120,481.00	-117,592.00	N/A	N/A	N/A	N/A
Total	892,931.60	745,774.49	16.48	-18.72	-19.00	Increased by 0.63 percentage point

2. Principal Businesses by Geographical Location

Unit: Yuan Currency: RMB

Geographical location	Operating revenue	Increase/ decrease in revenue of principal business compared over last year (%)
Domestic	8,481,144,227.23	-16.72
Overseas	448,171,823.45	-44.07

REPORT OF THE BOARD *(continued)*

(III) Analysis of asset and liability

1. Analysis on assets and liabilities

As at the end of the Reporting Period, total assets of the Company amounted to RMB12.35569 billion, increased by 5.61% as compared with the beginning of the period, total liability amounted to RMB7.03487 billion, increased by 9.21% as compared with the beginning of the period, mainly due to an increase in short-term borrowing by 462.35%.

Unit: Yuan Currency: RMB

Items	As at the end of the period	Share	As at the end of the previous period	Share	Changes as at the end of the period over the end of the previous period (%)
		of total assets as at the end of the period (%)		of total assets as at the end of the previous period (%)	
Prepayments	292,088,912.74	2.36	194,539,070.95	1.66	50.14
Interests receivable	133,472.22	0.00	0.00	0.00	N/A
Other receivables	228,490,379.91	1.85	67,666,099.64	0.58	237.67
Other current assets	56,383,561.23	0.46	0.00	0.00	N/A
Issue of entrusted loans and advances	1,362,361,447.55	11.03	725,322,825.23	6.20	87.83
Available-for-sale financial assets	285,935,741.41	2.31	137,580,990.01	1.18	107.83
Held-to-maturity investments	0.00	0.00	25,601,874.77	0.22	-100.00
Long-term equity investments	65,849,170.84	0.53	9,184,641.20	0.08	616.95
Investment properties	0.00	0.00	31,160,041.52	0.27	-100.00
Construction in progress	642,813,215.87	5.20	424,579,666.44	3.63	51.40
Long-term deferred expenses	23,378,553.87	0.19	16,919,867.57	0.14	38.17
Short-term borrowing	1,644,532,646.15	13.31	292,437,410.89	2.50	462.35
Bills payable	916,374,670.17	7.42	654,769,401.01	5.60	39.95
Trade payables	1,350,582,485.03	10.93	2,095,124,850.72	17.91	-35.54
Non-current liabilities due					
within one year	30,055,745.54	0.24	301,018,000.00	2.57	-90.02
Other current liabilities	53,243,515.75	0.43	87,951,003.54	0.75	-39.46
Long-term borrowing	46,597,500.00	0.38	84,189,000.00	0.72	-44.65
Other comprehensive income	16,295,741.20	0.13	-2,990,577.79	-0.03	N/A

REPORT OF THE BOARD *(continued)*

1. Prepayments increased by 50.14% as compared with the beginning of the period, mainly due to the increase in the prepayments for external procurement.
2. Interests receivable increased by RMB130,000 as compared with the beginning of the period, mainly due to the increase in interests receivable by YTO Finance.
3. Other receivables increased by 237.67% as compared with the beginning of the period, mainly due to the fact that the receivables from disposal of intangible assets of axle business during the Reporting Period were not yet due to be repaid according to the agreement.
4. Other current assets increased by RMB56,380,000 as compared with the beginning of the period, mainly due to the purchase of structural deposits by the Company during the Reporting Period.
5. Issue of entrusted loans and advances increased by 87.83% as compared with the beginning of the period, mainly due to the increase in purchase of transfer discount bills as compared with last year.
6. Available-for-sale financial assets increased by 107.83% as compared with the beginning of the period, mainly due to the additional investment in BOL Financial Leasing by the Company during the period.
7. Held-to-maturity investments decreased by 100% as compared with the beginning of the period, mainly due to the disposal of financing bonds of the Company.
8. Long-term equity investments increased by 616.95% as compared with the beginning of the period, mainly due to the increase in investments in associated companies by the Company during the period.
9. Investment properties decreased by 100% as compared with the beginning of the period, mainly due to reclassification of investment properties of Shanghai Dragon (Group) Company Limited which is no longer incorporated resulting from disposal of equity interests in Shanghai Dragon.
10. Construction in progress increased by 51.40% as compared with the beginning of the period, mainly due to the increase in investments in technology advancement made by the Company.
11. Long-term deferred expenses increased by 38.17% as compared with the beginning of the period, mainly due to the increase in purchase of mold of the Company which were to be deferred during the period.

REPORT OF THE BOARD *(continued)*

12. Short-term borrowing increased by 462.35% as compared with the beginning of the period, mainly due to the increase in borrowing and financing.
13. Bills payables increased by 39.95% as compared with the beginning of the period, mainly due to the increase in bill use in procurement by the Company.
14. Trade payables decreased by 35.54% as compared with the beginning of the period, mainly due to the payment of procurement amount in the beginning of the period by the Company.
15. Non-current liabilities due within one year decreased by 90.02% as compared with the beginning of the period, mainly due to the repayment of long-term borrowing of the Company.
16. Other current liabilities decreased by 39.46% as compared with the beginning of the period, mainly due to the decrease in provision made by the Company during the Reporting Period.
17. Long-term borrowing decreased by 44.65% as compared with the beginning of the period, mainly due to reclassification of part of long-term borrowing due within one year to other non-current liabilities due within one year.
18. Other comprehensive income increased by RMB19,290,000 as compared with the beginning of the period, mainly due to increase in fair value of available-for-sale financial assets held by the Company.

2. Indicators of Financial Ratio

Items	At the end of the period	At the beginning of the period	Year-on-year increase
Gearing ratio (%)	56.94	55.06	Increased by 1.88 percentage point
Current ratio (%)	117.45	142.56	Decreased by 25.11 percentage point
Quick ratio (%)	90.02	104.46	Decreased by 14.44 percentage point

At the end of the Reporting Period, the gearing ratio of the Company increased by 1.88 percentage points compared to the beginning of the Reporting Period, which was basically in flat. The current ratio at the end of the Reporting Period dropped by 25.11 percentage point compared to the beginning of the Reporting Period and the quick ratio fell by 14.44 percentage point compared to the beginning of the Reporting Period, mainly due to a significant increase of short-term loans of the Company at the end of the Reporting Period.

REPORT OF THE BOARD *(continued)*

3. Bank Loans

As at the end of the Reporting Period, bank loans due within one year of the Company amounted to RMB1.6631716 billion, in which loans in foreign currency amounted to RMB1.2926689 billion; bank loans due over one year amounted to RMB46.5975 million. Loans of the Company held in cash or cash equivalent was mainly in RMB or USD currency units and the fixed lending rate loans amounted to RMB1.0425808 billion. The Company has good credit rank and domestic and overseas financing ability.

4. Charged Assets

At the end of the Reporting Period, land use rights amounting to RMB100.0981 million (the amount at the beginning of the Reporting Period was RMB153.9360 million) were charged and bills receivable amounting to RMB300.5028 million (the amount at the beginning of the Reporting Period was RMB142.6550 million) was pledged by the Group to obtain a loan of RMB370.5028 from financial institution.

At the end of the Reporting Period, bills receivable amounting to RMB210.8327 million and deposits amounting to RMB164.7016 million were pledged for bills issued by financial institution amounting to about RMB916.3747 million (the amount at the beginning of the Reporting Period was RMB654.281 million).

5. Explanation of the related situation of the assets measured at fair value and the changes in measurement of major assets

Unit: Yuan Currency: RMB

Items	At the beginning of the period	Profit or loss from the changes in fair value in the period	Accumulated changes in fair value included in equity	Impairment Provision in the period	At the end of the period
Financial assets					
1. Financial assets at fair value, changes of which credited to profit or loss (excluding derivative financial assets)	359,095,259.97	8,113,671.48			354,360,150.44
2. Available-for-sale financial assets	56,737,271.60		35,094,500.00		97,806,400.00
Total	415,832,531.57	8,113,671.48	35,094,500.00	0.00	452,166,550.44

REPORT OF THE BOARD *(continued)*

(IV) ANALYSIS OF CORE COMPETITIVENESS

The Company possesses leading resources and capability for technology research and development in the industry and the most comprehensive core manufacturing ability and advance manufacturing system in the PRC with sound marketing and service network and “Dongfanghong” brand, the most influential brand in the PRC. During the Reporting Period, the core competitiveness of the Company had no material change.

(V) ANALYSIS OF INVESTMENTS

1. Overall Analysis of External Equity Investments

During the Reporting Period, the Company has completed external equity investments of total amount of RMB57,150,000, increased by RMB55,950,000 as compared with the same period of the last year. The basic information on the investee companies are as follows:

Unit: 0'000 Currency: RMB

Name of the investee companies	Investment amount	Principal business	Shareholding percentage in the investee company
ZF YTO Axle Co., Ltd.	5,715	Development, application, manufacture and sales of agricultural machinery drive axles	49%
Total	<u>5,715</u>	/	/

During the Reporting Period, the Company made investment in ZF YTO Axle Co., Ltd for approximately RMB57,150,000. As at the date of this report, the Company had completed its investment.

REPORT OF THE BOARD *(continued)*

(1) Investment in securities

Currency: RMB

Number	Security type	Security code	Short name of the security	Initial investment		Closing book value	Percentage of total closing security investment	Profit/loss during the Reporting Period
				amount	Shares held			
				(RMB)	(share)	(RMB)	(%)	(RMB)
1	Shares	601818	CEB	4,299,100.00	1,260,000	6,148,800.00	37.13	3,013,920.00
2	Shares	HK.1140	OP Fin Inv	1,952,328.00	4,840,000	3,706,069.41	28.35	1,422,289.78
3	Shares	HK.0566	Hanergy TFP	302,432.22	600,000	1,330,926.35	10.18	956,751.33
4	Shares	HK.2208	Goldwind	565,856.00	93,800	892,990.01	6.83	378,175.70
5	Shares	HK.0727	Crownicorp	416,829.31	820,000	724,983.84	5.55	611,705.12
6	Shares	HK.0152	Shenzhen int'l	452,843.00	62,631	562,636.70	4.30	201,295.11
7	Shares	HK.0042	NE Electric	311,479.00	200,000	292,077.55	2.23	185,289.26
8	Shares	HK.2308	EVOC	186,121.00	276,000	224,410.29	1.72	92,464.65
9	Shares	HK.0585	Imagi int'l	309,467.00	1,000,000	139,723.58	1.07	68,677.69
10	Shares	HK.0235	China Strategic	281,712.76	1,260,000	114,383.88	0.88	20,887.49
Other securities investment held at the end of the Reporting Period				869,073.71	/	223,148.83	1.76	-19,982.05
Gain/loss in securities investment sold during the Reporting Period				/	/	/	/	-2,072,806.22
Total				<u>9,947,242.00</u>	<u>/</u>	<u>14,360,150.44</u>	<u>100</u>	<u>4,858,667.86</u>

REPORT OF THE BOARD *(continued)*

(2) Equity interests in other listed companies

Unit: Yuan Currency: RMB

Security code	Short name of the security	Initial investment cost	Shareholding percentage in the company (%)	Closing book value	Profit/loss during the Reporting Period	Changes in equity interests during the Reporting Period	Accounting item	Sources of shares
601328	Bank of Communications	15,680,000.00	0.10	59,840,000.00	2,288,000.00	26,048,000.00	Available-for-sale financial asset	Purchase
601818	CEB	24,118,000.00	0.02	37,966,400.00	1,338,160.00	12,953,700.00	Available-for-sale financial asset	Purchase
Total		<u>39,798,000.00</u>	/	<u>97,806,400.00</u>	<u>3,626,160.00</u>	<u>39,001,700.00</u>	/	/

(3) Equity interests in non-listed financial enterprises

Unit: Yuan Currency: RMB

Name of the investee	Initial investment amount (RMB)	Shares held (share)	Shareholding percentage in the Company (%)	Closing book value (RMB)	Profit/loss during the Reporting Period (RMB)	Changes in equity interests during the Reporting Period (RMB)	Accounting item	Sources of shares
Bank of Luoyang Co., Ltd.	78,129,341.41	107,480,000	4.89	78,129,341.41	21,496,000.00	0.00	Available-for-sale financial asset	Purchase
BOL Financial Leasing	110,000,000.00	110,000,000	18.34	110,000,000.00	0.00	0.00	Available-for-sale financial asset	Investment
Total	<u>188,129,341.41</u>	<u>217,480,000</u>	/	<u>188,129,341.41</u>	<u>21,496,000.00</u>	0.00	/	/

REPORT OF THE BOARD *(continued)*

(4) Trading of shares of other listed companies

Unit: Yuan Currency: RMB

Stock name	Opening amount <i>(share)</i>	Purchase of shares during the Reporting Period <i>(share)</i>	Amount of capital utilized <i>(RMB)</i>	Sales of shares during the Reporting Period <i>(share)</i>	Closing amount <i>(share)</i>	Investment income generated <i>(RMB)</i>
Sinovel Wind	718,000	0	0.00	718,000	0	-2,225,491.62
China Wafer Level CSP	0	1,000	19,160.00	1,000	0	8,379.74
Ellington Electronics	0	1,000	15,310.00	1,000	0	6,699.71
King's Luck	0	1,000	16,930.00	1,000	0	7,405.52
Hainan Mining	0	1,000	10,340.00	1,000	0	4,522.60
China Strategic Holdings	840,000	420,000	26,599.78	0	1,260,000	35,656.96
South East Group	300,000	0	0.00	300,000	0	5,801.56

Investment gain from sale of subscribed new shares amounted to RMB27,007.57 during the Reporting Period.

REPORT OF THE BOARD *(continued)*

2. Entrusted Assets Management and Investments in Derivatives by Non-financial Companies

(1) Overall entrusted assets management

Unit: Yuan Currency: RMB

Name of the partner	Product categories of entrusted assets	Amount of entrusted assets	Commencement		Calculation method of remuneration	Estimated returns	Actual principal recovered	Actual revenue earned	Amount provided		Whether a connected transaction	Whether involved in litigation	Sources of fund and specify whether from the funds raised	Connected relationship
			date of the entrusted assets management	Expiry date of entrusted assets management					Whether legally obtained	for impairment				
Luoyang Jinghua Branch of Bank of Communications (交通銀行 洛陽景華支行)	Principal preservation short term wealth management	100,000,000.00	2014-5-9	2014-6-19	As agreed on contract	584,109.59	100,000,000.00	584,109.59	Yes	0	No	No	Not from the funds raised	Nil
Luoyang Jinghua Branch of Bank of Communications (交通銀行 洛陽景華支行)	Principal preservation short term wealth management	100,000,000.00	2014-1-29	2014-5-5	As agreed on contract	1,578,082.19	100,000,000.00	1,578,082.19	Yes	0	No	No	Not from the funds raised	Nil
Luoyang Jinghua Branch of Bank of Communications (交通銀行 洛陽景華支行)	Principal preservation short term wealth management	200,000,000.00	2014-9-3	2014-12-2	As agreed on contract	2,613,698.63	200,000,000.00	2,613,698.63	Yes	0	No	No	Not from the funds raised	Nil
Luoyang Jinghua Branch of Bank of Communications (交通銀行 洛陽景華支行)	Principal preservation short term wealth management	100,000,000.00	2014-6-27	2014-8-15	As agreed on contract	691,369.86	100,000,000.00	691,369.86	Yes	0	No	No	Not from the funds raised	Nil
Luoyang Jinghua Branch of Bank of Communications (交通銀行 洛陽景華支行)	Principal preservation short term wealth management	100,000,000.00	2014-5-12	2014-6-20	As agreed on contract	555,616.44	100,000,000.00	555,616.44	Yes	0	No	No	Not from the funds raised	Nil
Wenhus Road Branch of Zhengzhou of China Merchants Bank Co.,Ltd (招商銀行股份有限公司 鄭州分行文化路支行)	Principal preservation short term wealth management	20,000,000.00	2014-9-4	2014-10-17	As agreed on contract	91,900.00	20,000,000.00	91,900.00	Yes	0	No	No	Not from the funds raised	Nil
Luoyang Jinghua Branch of Bank of Communications (交通銀行 洛陽景華支行)	Principal preservation short term wealth management	100,000,000.00	2014-6-30	2014-8-15	As agreed on contract	649,041.10	100,000,000.00	649,041.10	Yes	0	No	No	Not from the funds raised	Nil
Luoyang Huashan Branch of ICBC (中國工商銀行股份有限公司 洛陽華山支行)	Principal preservation short term wealth management	80,000,000.00	2014-5-23	2014-8-15	As agreed on contract	987,397.26	80,000,000.00	987,397.26	Yes	0	No	No	Not from the funds raised	Nil
Total	/	800,000,000.00	/	/	/	7,751,215.07	800,000,000.00	7,751,215.07	/	0	/	/	/	/

Cumulative amount of principal and revenue overdue (RMB)

0.00

REPORT OF THE BOARD *(continued)*

(2) Entrusted loans

Unit: Yuan Currency: RMB

Name of borrower	Amount of entrusted loan	Term of the loan	Interest rate of the loan	Uses of the loan	Security or guarantor	Whether overdue	Whether Connected transaction	Whether term extended	Whether involved in any litigation	Sources of fund and specify whether from the funds raised		Expected rate of return	Gain/loss
										Whether involved in any litigation	Whether from the funds raised		
YTO Transportation	4,000,000.00	One year	7.80%	Production and operation	Secured by assets	No	No	No	No	No	controlled subsidiary	7.80%	Gain
YTO Shentong	40,000,000.00	One year	7.80%	Production and operation	Secured by assets	No	No	No	No	No	wholly owned subsidiary	7.80%	Gain
YTO Shentong	20,000,000.00	One year	7.80%	Production and operation	Secured by assets	No	No	No	No	No	wholly owned subsidiary	7.80%	Gain
YTO Forklift	5,000,000.00	One year	7.80%	Production and operation	Secured by assets	No	No	No	No	No	wholly owned subsidiary	7.80%	Gain
YTO Forklift	3,000,000.00	One year	7.80%	Production and operation	Secured by assets	No	No	No	No	No	wholly owned subsidiary	7.80%	Gain
YTO Shentong	40,000,000.00	One year	7.80%	Production and operation	Secured by assets	No	No	No	No	No	wholly owned subsidiary	7.80%	Gain
YTO Forklift	20,000,000.00	Half year	7.28%	Production and operation	Secured by assets	No	No	No	No	No	wholly owned subsidiary	7.28%	Gain

REPORT OF THE BOARD *(continued)*

(3) Other investment, assets management and investments in derivatives

Unit: Yuan Currency: RMB

Type of investment	Source of funds	Signing party	Amount of investment	Term	Product type	Expected revenue	Investment gain	Whether involved in any litigation
Trust	Internal resources	Zhongyuan Trust	100,000,000.00	249 days	Single Trust	6,916,666.66	/	No
Trust	Internal resources	Zhongyuan Trust	50,000,000.00	342 days	Collective Trust	4,939,240.87	3,189,240.87	No
Trust	Internal resources	Zhongyuan Trust	40,000,000.00	230 days	Collective Trust	2,693,196.34	1,304,863.01	No
Trust	Internal resources	Zhongyuan Trust	100,000,000.00	186 days	Single Trust	5,166,666.66	1,222,222.22	No
Trust	Internal resources	Zhongyuan Trust	50,000,000.00	644 days	Collective Trust	8,380,821.92	2,467,361.12	No

3. Use of proceeds from the fund raised

(1) Overall status of use of proceeds from the fund raised

Unit: 0'000 Currency: RMB

Year of fundraising	Fundraising method	Total proceeds	Total amount used in this year	Amount used on an accumulative basis	Total unutilized amount	Use of the unutilized proceeds
2012	Initial public offering	81,000.00	19,111.68	65,014.81	12,358.50	Proceeds deposited in the designated bank account.
2013	Corporate bonds	150,000.00	—	150,000.00	—	—
Total	/	231,000.00	19,111.68	215,014.81	12,358.50	/

Explanation of the overall status of use of proceeds from the fund raised

For the details of deposit and uses of proceeds from the fund raised of the Company during the Reporting Period, please refer to the "Special report on the deposit and actual use of raised proceeds of the Company".

REPORT OF THE BOARD *(continued)*

(2) Situations of the projects intended to be financed by the raised proceeds

Unit: 0'000 Currency: RMB

Project name	Any changes to the project during the Reporting Period	Intended investment amount of proceeds	Investment in this year	Accumulative investment amount	Whether in line with the schedule	Progress of the project	Expected return	Return generation	Explanation on failure to be on schedule and return	Reason for change and explanation on change procedures
Hi-powered agricultural diesel engines project	No	26,000.00	0	26,000.00	Yes	Under construction	/	/	/	
The project on establishment of agricultural assembly station(s) in Xinjiang	No	11,000.00	2,571.14	7,101.67	Yes	Basically completed	/	/	/	
The project on enhancement of the core capability of new wheeled tractors	No	30,000.00	11,754.11	26,705.18	No	Under construction	/	/	Due to delay in provision of goods by manufacturer importing equipment	
The project on capacity-enhancement and upgrade and improvement of the fuel injection system products	No	10,373.31	4,786.43	5,207.96	Yes	Under construction	/	/	/	
Total	/	77,373.31	19,111.68	65,014.81	/	/	/	/	/	

Explanation of the use of proceeds by the projects intended to be financed by the raised proceeds

For the details please refer to the "Special report on the deposit and actual use of raised proceeds of the Company in 2014"

(3) Changes in project intended to be financed by raised proceeds

During the Reporting period, the Company did not change the condition of proceeds-financed projects.

REPORT OF THE BOARD *(continued)*

4. Analysis of Major Subsidiaries and Equity Participating Companies

(1) Information on major subsidiaries

Unit: 0'000 Currency: RMB, unless otherwise specified

Name of Companies	Registered capital	Principal business	For the year ended 31 December 2014		Recognition in the Reporting Period	
			Total assets	Net assets	Operating revenue	Net profit
YTO Finance	50,000	Provision of financial services	378,955	70,777	13,252	6,318
YTO Diesel	USD1,600	Manufacture and sale of engines	142,438	77,426	167,869	7,497
Jiangyan Power	20,000	Manufacture and sale of multi-bore diesel engines and small castings	50,653	26,415	37,565	-980
YTO Injection Pump	16,192	Manufacture and sale of fuel injection products	32,318	22,915	19,708	327
YTO Flag	12,000	Manufacture and sale of cover, structure and parts of car and agricultural machineries	34,334	25,474	30,265	1,091
Tractors Research Company	44,500	Development and research of tractor product	67,298	61,557	17,116	1,198
YTO International	6,600	Sale of agricultural machineries	41,073	7,364	32,221	987
YTO France	EUR3,460	Manufacture and sale of agricultural machinery components	25,967	9,316	15,111	-5,209
YTO Foundry	16,883	Processing and marketing of casting, rough and semi-finished products and finished products	24,618	17,557	23,499	1,240
YTO Axle	5,000	Production and sale of agricultural machinery bridge box	25,541	25,384	30,324	2,267
Changtuo Company	28,200	Manufacture and sale of agricultural machineries and parts	26,015	14,442	6,639	-3,499
YTO Shentong	5,300	Manufacturing and sale of mining trucks and other agricultural machinery products	18,300	-15,054	5,550	-10,184
Changxing Company	300	Sales of products including agricultural machineries and parts and diesel engines	75,617	-7,801	426,081	-11,145

REPORT OF THE BOARD *(continued)*

(2) Acquisition and disposal of subsidiaries during the period

During the Reporting Period, the Company transferred its 73% equity interests in Zhongcheng Company to YTO through public tender. Transfer of such equity interests were completed during the Reporting Period and Zhongcheng Company ceased to be included in the consolidated statement of the Company.

During the Reporting Period, the Company transferred its 93.83% equity interests in Shanghai Dragon to Shanghai Shenrun Investment Management Co., Ltd. (上海莘潤投資管理有限公司) through public tender. Transfer of such equity interests were completed during the Reporting Period and Shanghai Dragon ceased to be included in the consolidated statement of the Company.

(3) Subsidiaries contributing more than 10% to the Company's net profit

Unit: 0'000 Currency: RMB

Number	Name of companies	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Diesel	167,869	8,055	7,497
2	YTO Finance	13,252	9,088	6,318
3	YTO Axle	30,324	2,974	2,267
4	Changtuo Company	6,639	-3,584	-3,499
5	YTO Forklift	4,715	-4,721	-3,850
6	YTO France	15,111	-6,533	-5,209
7	YTO Shentong	5,550	-10,218	-10,184
8	Changxing Company	426,081	-11,513	-11,145

REPORT OF THE BOARD *(continued)*

(4) Analysis on subsidiaries with over 30% change in their operating business

Jiangyan Power: Affected by certain factors such as policies and industries, the operating revenue during the Reporting Period amounted to RMB375.65 million, representing a year-on-year decrease of 14.55%. The Company obtained a relatively greater revenue due to the merger of Yangdong Company but there was no special event during the Reporting Period so the total profit was RMB-11.69 million, representing a year-on-year decrease of 113.13%.

YTO Flag: During the Reporting Period, the Company combined part of the assets and business of YTO Flag into the operation of the Company. During the Reporting Period, the operating revenue was RMB302.65 million, representing a year-on-year decrease of 53.35%, and the total profit was RMB12.18 million, representing a year-on-year decrease of 61.57%.

YTO Foundry: During the Reporting Period, the Company combined part of the assets and business of YTO Foundry into the operation of the Company. During the Reporting Period, the operating revenue was RMB234.99 million, representing a year-on-year decrease of 68.48%, and the total profit was RMB12.4 million, representing a year-on-year decrease of 176.15%.

YTO Axle: During the Reporting Period, the Company combined part of the assets and business of YTO Axle into the operation of the Company. During the Reporting Period, the operating revenue was RMB303.24 million, representing a year-on-year decrease of 38.72%, and the total profit was RMB29.39 million, representing a year-on-year decrease of 45.61%.

YTO Changxing: During the Reporting Period, affected by the increase of aging accounts receivable, a significant increase in the provision of year-on-year asset impairment and loss was recorded. During the Reporting Period, the operating revenue was RMB4.26081 billion, representing a year-on-year decrease of 21.31%, and the total profit was RMB-115.19 million, representing a year-on-year decrease of RMB115.75 million.

YTO Shentong: The operating revenue was RMB55.50 million, representing a year-on-year decrease of 2.28%; during the Reporting Period, as an increase of risks for loss of trade receivables was expected as well as a year-on-year increase of provisions for bad debt, the total profit was RMB-101.84 million, representing a year-on-year decrease of 35.49%.

YTO Injection Pump: Affected by the environment of the industry, a decrease of sales was recorded during the Reporting Period. In the meantime, affected by the structure of products, during the Reporting Period, the operating revenue was RMB197.08 million, representing a year-on-year decrease of 14.27%, and the total profit was RMB2.28 million, representing a year-on-year decrease of 66.04%.

REPORT OF THE BOARD (*continued*)

CAMACO: During the Reporting Period, orders for exportation decreased as compared to the corresponding period last year. During the Reporting Period, the operating revenue was RMB83.17 million, and large orders from foreign governments in the corresponding period last year, representing a year-on-year decrease of 75.51% of the revenue, and the total profit was RMB4.40 million, representing a year-on-year decrease of 84.67%.

YTO International: During the Reporting Period, effective measures were adopted to avoid and defend against exchange rate risks, and thus, loss in exchange was greatly reduced. During the Reporting Period, the operating revenue was RMB322.21 million, representing a year-on-year decrease of 1.48%, and the total profit was RMB8.91 million, representing a year-on-year increase of RMB16.71 million.

YTO Forklift: The Company proposed to transfer the shareholding in YTO Forklift, and prepared relatively large provision of termination benefits upon termination of employment with employees. The operating revenue was RMB-38.50 million, representing a year-on-year decrease of RMB26.92 million.

(VI) OTHER

1. Foreign Exchange Risk

The business of the Group is mainly situated in the PRC. Since most of the transactions are settled in RMB, the Group does not have to handle massive foreign exchange risk. The foreign exchange risk of the Group is mainly related to the USD, HKD, Euro, Japanese Yen, Australian dollars, West African CFA franc and South African Rand. Foreign exchange risk induced by assets and liabilities of such currency balance may affect the operating results of the Group. The Group is actively following up on the impact of change in currency exchange rates on the Group to reduce foreign exchange risk.

2. Contingent liabilities

Save for guarantees, as of 31 December 2014, the Company had no other material contingent liabilities. For the guarantees of the Company during the Reporting Period, please refer to "Significant Events", Section VI of the Report for details.

3. Principal sources and the use of capital

The main sources of funding of the Company were receipts from product sales, bank borrowings and prepayments from customers; the fund was mainly used for the projects relating to operating and investment activities of the Company.

REPORT OF THE BOARD *(continued)*

II. THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Competition Dynamics and Development Trend of the Industry

Competition dynamics of the industry

Due to the changes of various factors such as land policy, major consumer, product performances and prices, the rigid demand for agricultural machinery will be weakened, while the demand for high-end products will increase. The Research and Development ability will become the crux of the competition. As the market consumption becomes rational, and the understanding to the brand's product quality, technicality and service warranty deepens, branding competition will become the key in market competition. Moreover, the competition standard in agricultural machinery market has been raised by the continuous expansion of the productivity of domestic corporates, global top agricultural machinery company entering the market and the involvement of non-agricultural-machinery industries and financial capital market. As the competition quality is advancing, the agricultural machinery's industry structure will also be upgraded.

Development trend of the industry

The pace of growth of agricultural machinery industry declined generally and in a faster pace in 2014, and it will be the "new norm" of the agricultural machinery industry in the coming few years. It is expected that in the following few years, the promotion of transformation and upgrade of agricultural machinery, and its modernization will be the key issues of the agricultural machinery industry in China. The focus of development of the agricultural machinery industry will be changed from rapid growth to improvement and enhancement of the quality of the industry and enhancement of its technical and innovative ability, international competitiveness and sustainability. The driving force will also be changed from factors and investment to innovation. Under the "new norm", the demand in agricultural machinery industry, in particular the tractor market will enter the period of inventories from the period of quantity growth. It is expected that the growth will remain low in the coming few years.

In 2015, due to structure adjustment and deepening market transformation in the agricultural machinery market, the demand in tractor industry market is expected to be driven by inventories adjustment rather than growth in quantity. The trend of power upgrade of hi-powered and mid-powered tractors will continue to develop. The upgrade of tractors' transmission system from traditional clutch shift transmission to synchronizer, powershift transmission and full hydrostatic transmission technology will be accelerated along with upgrade in users' demand. Comfortable, high efficiency and energy saving powershift products will be popular among users. Affecting by various factors such as agricultural demand, planting structure and terrain constraint, the development of mid-powered tractor with specific functions will accelerate.

REPORT OF THE BOARD *(continued)*

(II) Development strategy of the Company

Through implementing the strategic mindset of focusing on the core areas for stronger businesses, the Company will focus on core resources, core business and core markets, in order to enhance independent innovation ability, marketing ability, talents retaining ability and international operation ability. The Company will continuously enhance its operation capabilities. The Company intends to strengthen its sales of tractors and facilities, the business of diesel engines, the golden supply chain system of parts and components and both the domestic and overseas markets. Meanwhile, we will take full advantage of the resources of capital market platform and effectively consolidate relevant resources to create overall industrial chain competitiveness. We are committed in becoming the leading global supplier in the field of agricultural equipment.

(III) Operation plan

In 2015, with adaptation to the market change and new characters of industrial competition, the Company will vigorously promote the domestic marketing capability and the expansion of international key markets, continuously carry forward the transformation and upgrading of the products and commercial progress of new products. The Company will focus on the implementation of brand's operation, strengthen and promote the competitive advantage in market. The Company will deepen the advancement of management ability, effectively reduce the operational risk, substantially raise the quality of economic operation and profitability of the enterprise so as to strive to achieve the hi-powered and mid-powered tractors' selling volume of 90,000 units and diesel engine's selling volume of 171,700 units in 2015, representing an increase in sales target of 22% and 9% respectively as compared with 2014, and maintain the sustainable and healthy development.

(IV) Capital required for maintaining existing business and completing investment project under construction

In 2014, the Company supplemented the liquid capital through overseas bank financing. In 2015, the Company will, based on the production operating plan and investment plan, ensure demand for operating capital through methods including the two financial platforms in overseas and domestic financial institutions and bills financing, speeding up capital turnover rate and reasonable arrangement for capital use plan, etc.

REPORT OF THE BOARD *(continued)*

(V) Potential risks

Risks relating to the Research and Development products and technical updating

Led by the land transfer and tractors purchase policy and due to an increase in the significance of major end customers such as cooperatives, family farms and key users of agricultural machineries, there is a relatively greater change in the demand structure of the tractors industry, a relatively clear trend for product upgrade and thus a relatively higher demand for an upgrade in the products of the Company. If the Research and Development of new products and technical update of the Company cannot adapt to the changes in market demand, it may affect the Company's current advantages position in the domestic tractors industry. The Company will enhance the market-led continuous innovation, accurately ascertain users demand and promote with high standard in areas such as Research and Development in products, technology and quality management in order to realize a transformation to a higher level enterprise in the value chain.

Risks relating to the intensified industrial competition

The prosperity of the domestic agricultural machineries market attracts the participation of various international and cross-industry enterprises in the market. They change the competition concept of the original market and at the same time affect the Company in areas such as product sales, market shares and human resources management due to the intensified market competition. The Company will enhance its ability to resist risks by measures including enhancement in Research and Development ability in products, improvement in product adaptability and enhancement on the incentives mechanism.

Risks relating to finance lease and sales

In order to release the capital pressure faced by dealers and users and promote the sales of products, the Company adopted the finance sales methods including finance lease and buyer's credit in respect of the sales of mining trucks and hi-powered and mid-powered tractors in recent years. Despite the necessary risk management measures adopted by the Company, the Company may have to bear relevant risk due to change in industry environment and breach of contracts by customers.

REPORT OF THE BOARD *(continued)*

III. PLANS FOR DISTRIBUTION OF PROFIT OR CONVERSION OF RESERVE INTO CAPITAL

(I) Formulation and implementation of or adjustment to cash dividend policy

During the Reporting Period, there was no material adjustment to the cash dividend policy of the Company. In October 2014, the Company's general meetings approved the resolution in relation to the amendment to the Articles of Association, of which the Company's financial statement will be prepared in accordance with only the PRC Accounting Standards for Business Enterprises rather than both the PRC Accounting Standards for Business Enterprises and the international accounting standards (or the accounting standards of the Company's listing place). Accordingly, the regulation in the Articles of Association of the Company in relation to cash distribution has been amended from "The annual profits distributed by the Company by way of cash shall not be less than 25% of the profit available for distribution for the year (the lower of those in the financial statements under the PRC accounting standards and the international accounting standards)" to "The annual profits distributed by the Company by way of cash shall not be less than 25% of the profit available for distribution for the year".

(II) Cash distribution or conversion of capital reserve into share capital and profit distribution by the Company in the last three years

Unit: Yuan Currency: RMB

Year	Number of bonus shares for every 10 shares <i>(share)</i>	Dividend for every 10 shares <i>(tax inclusive)</i>	Number of conversion shares for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit attributable to the shareholders of the Company as shown in the consolidated financial statements of the Company for the relevant year	Percentage of net profit attributable to the shareholders of the Company as shown in the consolidated financial statements of the Company <i>(%)</i>
2014	0	0.51	0	50,790,900	167,698,247.35	30.29
2013	0	0.60	0	59,754,000	221,949,807.88	26.92
2012	0	1.00	0	99,590,000	349,058,312.10	28.53

REPORT OF THE BOARD *(continued)*

IV. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Work on social responsibility

For the detailed work of the Company on fulfillment of social responsibility, please refer to the “Social Responsibility Report of First Tractor Company Limited in 2014” as published at the website of Shanghai Stock Exchange.

(II) Explanation on environmental protection for listed companies and its subsidiaries classified as involving in heavy pollution industries by the Ministry of Environmental Protection of the PRC

The Company was not classified as a listed company involving in any heavy pollution industries by the Ministry of Environmental Protection of the PRC.

SIGNIFICANT EVENTS

1. BANKRUPTCY REORGANIZATION MATTERS

The Company had no bankruptcy reorganization matters during the Reporting Period.

2. ASSETS TRANSACTIONS AND CORPORATE MERGERS MATTERS

(I) Acquisition, disposal of assets and corporate mergers which have been published in provisional announcements and without changes for subsequent implementation

Summary and type of event	Index for details
<p>On 20 January 2014, as considered and approved in the ninth meeting of the six session of the Board of the Company, the Company and YTO entered into the Transfer Agreement in respect of the technology and material center and calibration and testing center between YTO Group Corporation and First Tractor Company Limited, to purchase certain assets and liabilities of the technology and material center and calibration and testing center of YTO according to the asset appraised values. As at the end of the Reporting Period, the transfer consideration has been fully paid pursuant to the agreement, and the asset delivery has been completed.</p>	<p>For details, please refer to the Connected Transaction Announcement on Acquisition of Assets and Business published by the Company on 22 January 2014 on the website of the Shanghai Stock Exchange and in the Shanghai Securities News and the China Securities Journal.</p>
<p>On 20 January 2014, as considered and approved by the ninth meeting of the sixth session of the Board of the Company, the Company disposed the 73% equity interest in Zhongcheng Company (中成公司) through public tender procedures, and in addition, disposed certain physical assets to the transferee according to the appraised value. Finally, YTO won in the public tender and signed an Equity Interests and Assets Transfer Agreement with the Company. As at the end of the Reporting Period, the equity and asset delivery has been completed.</p>	<p>For details, please refer to the Announcement on Disposal of Equity Interest in Controlled Subsidiary through Public Tender and the Announcement on Connected Transaction of Disposal of Controlled Subsidiary through Public Tender published by the Company on 22 March 2014 and 6 May 2014 respectively on the website of the Shanghai Stock Exchange, and in the Shanghai Securities News and the China Securities Journal.</p>

SIGNIFICANT EVENTS *(continued)*

Summary and type of event

Index for details

On 18 July 2014, as considered and approved by the fourteenth meeting of the sixth session of the Board of the Company, the Company disposed the intangible assets to ZF YTO Axle Co., Ltd according to the asset appraised values and signed the Assets Transfer Agreement with ZF YTO Axle Co., Ltd. As at the end of the Reporting Period, the assets delivery has been completed.

For details, please refer to the Announcement on Resolutions of the Fourteenth Meeting of the Sixth Session of the Board of the Company, the Announcement on Connected Transaction in relation to Disposal of Intangible Assets and the Supplementary Announcement on Connected Transaction in relation to Disposal of Intangible Assets published by the Company on 19 July 2014, 13 January 2015 and 14 January 2015 respectively on the website of the Shanghai Stock Exchange and in the Shanghai Securities News and the China Securities Journal.

On 26 August 2014, as considered and approved by the fifteenth meeting of the sixth session of the Board of the Company, the Company disposed 93.83% equity interest of Qiangnong Company (強農公司) through public tender procedures. Shanghai Shenrun Investment Management Co., Ltd. (上海莘潤投資管理有限公司) won in the public tender and signed an Equity Interests Transfer Agreement with the Company. As at the date of this report, the equity delivery has been completed.

For details, please refer to the Announcement on Disposal of Equity Interest in Controlled Subsidiary through Public Tender and the Announcement on Progress of Disposal of Equity Interest in Controlled Subsidiary through Public Tender published by the Company on 26 August 2014 and 25 November 2014 respectively on the website of the Shanghai Stock Exchange, and in the Shanghai Securities News and the China Securities Journal.

On 5 December 2014, as considered and approved by the eighteenth meeting of the sixth session of the Board of the Company, the Company disposed 100% equity interest of YTO Forklift through public tender procedures. As at the date of this report, the equity transfer is still in the process of seeking transferees through public tender procedures.

For details, please refer to the Announcement on Disposal of Equity Interest in Controlled Subsidiary through Public Tender published by the Company on 31 December 2014 on the website of the Shanghai Stock Exchange, and in the Shanghai Securities News and the China Securities Journal.

SIGNIFICANT EVENTS *(continued)*

3. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to ordinary and usual operations

1. Matters which have been disclosed in the provisional announcements and which have further development or changes

Unit: RMB'000 Currency: RMB

Connected Counterparty	Connected Relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for 2014	Actual amount of the connected transaction from January to December 2014	Percentage in the total amount of the same type of transactions (%)
YTO	Controlling shareholder of the Company	Purchase of goods from YTO by the Company	the applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up	145,000	37,616	5
YTO	Controlling shareholder of the Company	Provision of certain welfare, storage, transportation, consumption services, administrative services for retired employees, etc. to the Company and its subsidiaries by YTO	the applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up	25,400	22,888	94
YTO	Controlling shareholder of the Company	Provision of energy and related services to the Company and its subsidiaries by YTO	the applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up	29,000	17,322	99
YTO	Controlling shareholder of the Company	Sale of goods by the Company to YTO	the applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up	27,500	11,345	1.3
YTO	Controlling shareholder of the Company	Lease of properties by YTO to the Company and its subsidiaries	Market price; if there is no comparable market price, the rent to be determined based on the annual depreciation expenses and the management fee which was not more than 5% of the net book value of the relevant premises and the relevant taxes	1,200	860	91

SIGNIFICANT EVENTS *(continued)*

Connected Counterparty	Connected Relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for 2014	Actual amount of the connected transaction from January to December 2014	Percentage in the total amount of the same type of transactions (%)
YTO	Controlling shareholder of the Company	Lease of lands by YTO to the Company and its subsidiaries	Market price; if there is no comparable market price, the rent to be determined based on the annual depreciation expenses and the management fee which was not more than 5% of the net book value of the relevant premises and the relevant taxes	1,650	1,158	100
Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and other technology services by Tractors Research Company to the Company	the applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up	11,000	9,703	100
YTO	Controlling shareholder of the Company	Provision of deposit services by YTO Finance to YTO	a) the rate prescribed by CBRC or the People's Bank of China ("PBOC"); b) if there is no rate prescribed by CBRC or PBOC, the rate charged in the same industry in the PRC for comparable transactions; c) if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry,, then the services fees will be determined under arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by an independent third party in the same industry for the same or similar services	120,000	86,536	38
YTO	Controlling shareholder of the Company	Provision of loan services by YTO Finance to YTO	a) the rate prescribed by CBRC or the People's Bank of China ("PBOC"); b) if there is no rate prescribed by CBRC or PBOC, the rate charged in the same industry in the PRC for comparable transactions; c) if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then the services fees will be determined under arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by an independent third party in the same industry for the same or similar services	69,000	68,934	52

SIGNIFICANT EVENTS *(continued)*

Connected Counterparty	Connected Relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for 2014	Actual amount of the connected transaction from January to December 2014	Percentage in the total amount of the same type of transactions (%)
YTO	Controlling shareholder of the Company	Provision of loan bills acceptance services by YTO Finance to YTO	a) the rate prescribed by CBRC or the People's Bank of China ("PBOC"); b) if there is no rate prescribed by CBRC or PBOC, the rate charged in the same industry in the PRC for comparable transactions; c) if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then the services fees will be determined under arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by an independent third party in the same industry for the same or similar services	40,000	16,757	23
YTO	Controlling shareholder of the Company	Provision of bills discounting services by YTO Finance to YTO	a) the rate prescribed by CBRC or the People's Bank of China ("PBOC"); b) if there is no rate prescribed by CBRC or PBOC, the rate charged in the same industry in the PRC for comparable transactions; c) if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then the services fees will be determined under arm's length negotiations between YTO Finance and YTO, with reference to the fair price offered by an independent third party in the same industry for the same or similar services	46,000	18,178	27

Note: As considered and approved in the second extraordinary general meeting of the Company in 2014, the cap amount for the connected transaction of the Company on sales of goods to YTO was adjusted from RMB135 million to RMB275 million.

SIGNIFICANT EVENTS *(continued)*

2. Matters not disclosed in the provisional announcements

Unit: RMB0'000

Connected Counterparty	Connected Relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap of the connected transaction for 2014	Actual amount of the connected transaction from January to December 2014
YTO	Controlling shareholder of the Company	Lease of properties to the Company and its subsidiaries	the PRC State government guidance price; the price of the non-connected transactions between the lessor and the third parties independent from the connected party; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	300	194.37
YTO	Controlling shareholder of the Company	Lease of land to the Company and its subsidiaries	the PRC State government guidance price; the price of the non-connected transactions between the lessor and the third parties independent from the connected party; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	200	126.15
YTO	Controlling shareholder of the Company	Provision of process and technical service to YTO	the PRC State government guidance price; the price of the non-connected transactions between the Arts and Material Institute and the third parties independent from the connected party; the price of the reasonable cost of the service provided by the Arts and Material Institute of the Company with the addition of gross margin of the comparable non-connected transactions; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	300	131.85
YTO	Controlling shareholder of the Company	Provision of calibration and testing service to YTO	the PRC State government guidance price; the price of the non-connected transactions between the Measurement and Detection Centre of the Company and the third parties independent from the connected party; the price of the reasonable cost of the service provided by the Measurement and Detection Centre of the Company with the addition of gross margin of the comparable non-connected transactions; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	150	70.31

Note: In accordance with relevant provisions under the listing rules of the Shanghai Stock Exchange and the Stock Exchange, the pricing principles of the above connected transactions are in line with the relevant provisions under the listing rules and the amounts do not exceed the discloseable standard amount.

SIGNIFICANT EVENTS (continued)

(II) Connected transactions relating to assets acquisition or disposal

1. Matters which have been disclosed in the provisional announcements and without development changes for subsequent implementation

Summary and type of event

Index for details

On 20 January 2014, as considered and approved in the ninth meeting of the six session of the Board of the Company, the Company and YTO entered in to the Transfer Agreement in respect of the technology and material center and calibration and testing center between YTO Group Corporation and First Tractor Company Limited, in relation to purchase certain assets and liabilities of the technology and material center and calibration and testing center of YTO according to the asset appraised values. As at the date of this report, the transfer consideration has been fully paid pursuant to the agreement, and the asset delivery has been completed.

For details, please refer to the Connected Transaction Announcement on Acquisition of Assets and Business published by the Company on 22 January 2014 on the website of the Shanghai Stock Exchange, and in the Shanghai Securities News and the China Securities Journal.

On 20 January 2014, as considered and approved by the ninth meeting of the sixth session of the Board of the Company, the Company disposed the 73% equity interest in Zhongcheng Company (中成公司) through public tender procedures, in addition to disposal of certain physical assets to the transferee according to the appraised value. As YTO, the controlling shareholder of the Company obtained the 73% equity interests in Zhongcheng Company through public bid in China Beijing Equity Exchange, therefore, the equity transfer transaction constitutes a connected transaction. As at the date of this annual report, the equity and assets transfer has been completed.

For details, please refer to the Announcement on Disposal of Equity Interest in Controlled Subsidiary through Public Tender and the Announcement on Connected Transaction of Disposal of Controlled Subsidiary through Public Tender published by the Company on 22 March 2014 and 6 May 2014 respectively on the website of the Shanghai Stock Exchange, and in the Shanghai Securities News and the China Securities Journal.

On 18 July 2014, as considered and approved by the fourteenth meeting of the sixth session of the Board of the Company, the Company disposed intangible assets to ZF YTO Axle Co., Ltd according to the appraised value. Due to the senior management of the Company was the president of ZF YTO Axle Co., Ltd, the disposal of intangible assets by the Company constituted a discloseable connected transaction pursuant to the listing rules of the Shanghai Stock Exchange and the listing rules of Stock Exchange. As at the end of the Reporting Period, the assets delivery has been completed.

For details, please refer to the Announcement on Resolutions of the Fourteenth Meeting of the Sixth Session of the Board of the Company, the Announcement on Connected Transaction in relation to Disposal of Intangible Assets and the Supplementary Announcement on Connected Transaction in relation to Disposal of Intangible Assets published by the Company on 19 July 2014, 13 January 2015 and 14 January 2015 respectively on the website of the Shanghai Stock Exchange and in the Shanghai Securities News and the China Securities Journal.

SIGNIFICANT EVENTS *(continued)*

(III) OTHER

1. Having reviewed the records and data of the aforesaid continuing connected transactions, the independent non-executive Directors confirmed as follows:

the above continuing connected transactions were entered into in the ordinary and usual course of business of the Group;

the above continuing connected transactions were entered into on normal commercial terms (where applicable, as compared with transactions of similar nature carried out by similar entities in the PRC or, if no available transactions for comparison, on terms no less favourable than those offered by independent third parties of the Group); and

the above continuing connected transactions were conducted on terms of the agreements governing the relevant transactions, which are fair and reasonable and in the interests of the Company's shareholders as a whole.

2. Confirmation of Connected Transactions by auditors

Having reviewed the aforesaid continuing connected transactions during the Reporting Period, the auditors of the Company have sent a letter to the Board confirming that the aforesaid continuing connected transactions:

had obtained the approval of the Board;

was conducted in accordance with the pricing policy of the Group and the terms of the relevant agreements; and

did not exceed the cap amounts as disclosed in the relevant announcements (if applicable, as approved by the independent shareholders of the Company) at any time during the Reporting Period.

3. Confirmation of Connected Transactions by Directors

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

SIGNIFICANT EVENTS (continued)

4. Confirmation by the Company in relation to disclosure requirement

The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

4. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Custody, contracting and lease matters

(1) Custody

Pursuant to the agreement between the Company and Sinomach, Sinomach entrusted the Company to independently exercise the voting rights, supervision and management rights and other rights of the 33.33% equity interests in Changtuo Company held by it. During the Reporting Period, given that the production and operation of Changtuo Company is still at a loss, the management of the Company with due consideration, is of the view that the equity custody satisfies the Company's control over Changtuo Company, and the Company will select a good chance to start the transfer of equity interests after the business of Changtuo Company becomes stable.

(2) Guarantees

Unit: RMB0'000

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)

Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee		Whether discharged	Whether overdue	Amount of overdue guarantee	Whether any counter-party guarantee	Whether Connected	
				(Date of agreement)	Type of guarantee					party guarantee	Connected relationship
The Company	Company headquarter	Business dealers of Quanchengtong (全程通)	6,230	2014.10.13	Guarantee with joint liability	No	No	/	Yes	No	/
The Company	Company headquarter	Business dealers of Nongjiwang (農機網)	1,290	2014.6.27	Guarantee with joint liability	No	No	/	Yes	No	/
The Company	Company headquarter	Business dealers of Dianpiaotong (電票通)	10,723	2014.6.27	Guarantee with joint liability	No	No	/	Yes	No	/
The Company	Company headquarter	Credit business customer of agricultural machinery purchaser	249	2014.4.15	Guarantee with joint liability	No	No	/	Yes	No	/
The Company	Company headquarter	Credit business customer of mining truck purchaser	148	2012.1.29	Guarantee with joint liability	No	No	/	Yes	No	/

SIGNIFICANT EVENTS *(continued)*

Total amount of the guarantees provided by the Company during the Reporting Period (excluding guarantees provided for its subsidiaries)	62,829
Total outstanding amount as at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)	18,640

Guarantees provided by the Company for its subsidiaries

Total amount of the guarantees provided by the Company to its subsidiaries during the Reporting Period	22,380.84
Total outstanding amount of the guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	18,380.84

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

Total amount of guarantees (A+B)	37,020.84
Percentage of the total amount of guarantees to the net assets of the Company (%)	8.07
Of which:	
Amount of guarantees provided for its shareholders, de facto controller and connected parties (C)	0
Amount of guarantees directly or indirectly provided for parties with a gearing ratio exceeding 70% (D)	25,040
The portion of total amount of guarantee in excess of 50% of net assets (E)	0
Total amount of the above three categories of guarantees (C+D+E)	25,040

SIGNIFICANT EVENTS *(continued)*

5. FULFILLMENT OF UNDERTAKINGS

(I) Undertakings made by the Company, shareholder holding 5% or more of the Company's shares, controlling shareholder and ultimate controller during or subsisting to the Reporting Period

Background	Type	Party making the undertaking	Content	Explanation on performance
Undertaking related to the initial public offering	Solutions to business competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Farming Implements Company Limited no longer engages in the purchase, assembly and sales of farming implements products other than the supporting sale of the farming implements products which have been purchased or ordered. The Company and all its controlled subsidiaries shall not engage in the processing, production or assembly of farming implements, except the supporting sales and relevant procurement.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Solutions to business competition	YTO	YTO will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operations. In addition, where YTO or other enterprises controlled by it may bring unfair impact on the Company in respect of market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Solutions to business competition	Sinomach	Sinomach will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operations. In addition, where Sinomach or other enterprises controlled by it may bring unfair impact on the Company in respect of market share, business opportunity and resources allocation, Sinomach will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Restriction on trade of shares	Sinomach	Within 36 months after the date of initial public offering, listing and trading of A shares of the Company, Sinomach will not transfer or engage others to manage the shares of the Company directly and indirectly held by Sinomach before the initial public offering of shares of the Company, nor allow the Company to repurchase such shares.	Honoring commitment and normal performance

SIGNIFICANT EVENTS *(continued)*

Background	Type	Party making the undertaking	Content	Explanation on performance
Undertaking related to the initial public offering	Restriction on trade of shares	YTO	Within 36 months after the date of initial public offering, listing and trading of A shares of the Company, YTO will not transfer or engage others to manage the shares of the Company directly and indirectly held by YTO before the initial public offering of shares of the Company, nor allow the Company to repurchase such shares.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Size of deposit and loan	YTO	On 16 August 2010, YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual cap of loan obtained by YTO and its subsidiaries (excluding the Company) from YTO Finance. YTO further undertook that, on the basis of the aforesaid Deposit Agreement and Loan Agreement and cap amount of connected transactions, the loan of YTO and its subsidiaries (excluding the Company) obtained from YTO Finance will be less than their deposits placed with YTO Finance, and ensured the safety of its subsidiaries' loans through various measures.	Honoring commitment and normal performance
Undertaking related to the initial public offering	Enhancement on asset integrity	YTO	As to the patents related to the products of the Company and its subsidiaries which are in the process of application, YTO undertook to transfer the relevant 50 patents to the Company at nil consideration upon completion of the applications. Except for the aforesaid patents which are in the process of application, YTO will no longer apply for patents related to the products of the Company and its subsidiaries in its own name. YTO will transfer to the Company at nil consideration any such new technologies related to the products of the Company and its subsidiaries that may be developed by YTO after issuance date of the undertaking letter, and patents in respect of such technologies will be applied directly in the name of the Company.	Honoring commitment and normal performance

SIGNIFICANT EVENTS *(continued)*

6. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

Unit: RMB0'000

Any change in accounting firm engaged	Yes	
	Former appointment	Recent appointment
Name of domestic auditors	Baker Tilly China Certified Public Accountants	ShineWing Certified Public Accountants LLP
Remuneration of domestic auditors	0	142
Term of domestic auditors	5 years	1 year
Name of overseas auditors	Baker Tilly Hong Kong Limited	/
Remuneration of overseas auditors	0	/
Term of overseas auditors	5 years	/
	Name	Remuneration
Internal control auditor	ShineWing Certified Public Accountants LLP	40

Appointment or dismissal of accounting firm

As approved by the annual general meeting in 2013, the Company appointed Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited as the domestic and overseas auditors of the Company for the year 2014 respectively, and appointed Baker Tilly China Certified Public Accountants as the auditor for internal control of the Company for the year 2014.

As the Securities and Futures Commission and the Stock Exchange have accepted that the Hong Kong listed companies could choose to adopt the PRC Accounting Standards for Business Enterprises to prepare the financial statements and to appoint the qualified PRC Mainland accountants to conduct the audit work. On 31 October 2014, as considered and approved by the second extraordinary general meeting of the Company for the year 2014, the Company appointed the qualified ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2014, and authorized the Board to determine the remuneration of the auditor.

7. PUNISHMENT ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDER HOLDING 5% OR MORE OF THE SHARES, DE FACTO CONTROLLER AND ACQUIRING PARTY AND THE RECTIFICATION THEREOF

During the Reporting Period, neither the Company nor its Directors, Supervisors, senior management, shareholder holding 5% or more of the shares or de facto controller was subject to any punishment.

SIGNIFICANT EVENTS (continued)

8. RISKS OF SUSPENSION OF LISTING AND DELISTING

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

9. IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS ON CONSOLIDATED FINANCIAL STATEMENTS

(1) Impacts of changes in standard for long-term equity investment on consolidated financial statements (I)

Unit: RMB

Investee	Basic information on transaction	31 December 2013			
		Equity attributable to shareholders of the Company as at 1 January 2013 (+/-)	Long-term equity Investments (+/-)	Equity attributable to owners of the Company (+/-)	
Bank of LuoYang Co.,Ltd.			-78,129,341.41	78,129,341.41	—
Marine Biotechnology Co., Ltd. (海洋生物科技有限公司)			-0.00	0.00	
Beijing Zhongnongwang Technology Co., Ltd. (北京中農網科技有限公司)			-0.00	0.00	
Yituo (Luoyang) Dongfanghong Tyre Company Limited			-800,000.00	800,000.00	
Luoyang Bofeng Bearing Co., Ltd. (洛陽博豐軸承有限公司)			-0.00	0.00	
Nanyang Xiangrui Agricultural Machinery Co., Ltd. (南陽祥瑞農業裝備有限公司)			-1,400,000.00	1,400,000.00	
Shenyin Wanguo Securities Holdings Company Limited (申銀萬國證券股份有限公司)			-500,000.00	500,000.00	
Baoding Investments Holdings Company Limited (寶鼎投資股份有限公司)			-14,377.00	14,377.00	
Total			<u>-80,843,718.41</u>	<u>80,843,718.41</u>	—

Explanation on impacts of changes in standard for long-term equity investment on consolidated financial statements (I)

SIGNIFICANT EVENTS *(continued)*

The Company had made provision for all the investments in Marine Biotechnology Co., Ltd. (海洋生物科技有限公司), Beijing Zhongnongwang Technology Co., Ltd. (北京中農網科技有限公司) and Luoyang Bofeng Bearing Co., Ltd. (洛陽博豐軸承有限公司).

(2) Impacts of other changes in standards

According to the "Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements (《企業會計準則第30號 — 財務報表列報》) as revised in 2014, the Company adjusted the change in fair value of available-for-sale financial assets from capital reserve to other comprehensive income. The retrospective application was adopted in respect of the changes in accounting policies by the Company. The items have been restated in the comparative financial statements for 2014. On 31 December 2013, the capital reserve was decreased by RMB13,012,917.24 and other comprehensive income was increased by RMB13,012,917.24 in the balance sheet and statement of changes in equity. There was no impact on the equity attributable to shareholders of the Company.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

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

2. Explanation on changes in shares

During the Reporting Period, there was no change in the number of shares of the Company.

(II) Changes in shares subject to selling restrictions

Unit: share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions in the year	Number of new shares subject to selling restrictions in the year	Number of shares subject to selling restrictions at the end of the year	Reasons for selling restrictions	Date of release from selling restrictions
YTO	443,910,000	0	0	443,910,000	Initial public offering	2015.08.08
Total	443,910,000	0	0	443,910,000	/	/

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

2. ISSUANCE AND LISTING OF SECURITIES

(I) Each issuance of securities during the latest three years ended the end of the Reporting Period

Unit: Share Currency: RMB

Types of shares and derivative securities	Date of issue	Issue price (or interest rate)	Issue number	Date of listing	Number of shares approved for listing and trading	Closing date of transactions
Ordinary shares						
A share	2012.07.27	RMB5.4/share	150,000,000	2012.08.08	150,000,000	Nil
Convertible corporate bonds, bonds with detachable warrants and corporate bonds						
Tranche I of corporate bonds	2013.03.04	4.8%	800,000,000	2013.04.02	800,000,000	
Tranche II of corporate bonds	2013.05.30	4.5%	700,000,000	2013.06.26	700,000,000	

(II) Changes in number of the shares and shareholding structure of the Company and changes in the asset and liability structure of the Company

During the Reporting Period, the number of shares and shareholding structures of the Company had no change.

3. SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period (shareholder)	29,014 (28,619 holders of A Shares; 395 holders of H Shares)
Total number of shareholders as at the end of the fifth trading day before the date of the annual report (shareholder)	32,208 (31,814 holders of A Shares; 394 holders of H Shares)
Total number of preference shareholders with redeemed voting rights as at the end of the Reporting Period (shareholder)	N/A
Total number of preference shareholders with redeemed voting rights as at the end of the fifth trading day before the disclosure date of the annual report	N/A

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (continued)

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

Unit: share

Shareholdings of the top ten shareholders

Name of shareholders	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Number of shares pledged or frozen Nature of shares	Nature of shareholder
YTO	0	443,910,000	44.57	443,910,000	Nil	State-owned legal-person
HKSCC Nominees Limited	-18,000	398,205,398	39.98	0	Unknown	Overseas legal person
China Construction Bank Corporation Limited -Yinhua High-end Manufacturing Flexible Configuration Hybrid Securities Investment Fund (中國建設銀行股份 有限公司 — 銀華高端製造業靈活配置 混合型證券投資基金)	3,472,809	3,472,809	0.35	0	Unknown	Others
Lin Shuangyu (林霜雨)	2,129,282	2,129,282	0.21	0	Unknown	Domestic natural person
Fullgoal Fund Company (富國基金公司) — CCBC — Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司)	2,000,000	2,000,000	0.20	0	Unknown	Others
National Council for Social Security Fund of the PRC Package No. 118 (全國社保基金一一八組合)	1,999,974	1,999,974	0.20	0	Unknown	Others
Agricultural Bank of China Limited — Yinhua Domestic Need Optimal Share Type Securities Investment Fund (中國農業銀行股份有限公司 — 銀華內 需精選股票型證券投資基金)	1,499,901	1,499,901	0.15	0	Unknown	Others
Luo Xiuzhen (羅秀珍)	-14,968	1,066,383	0.11	0	Unknown	Domestic natural person
LIU HON NAM	0	726,000	0.07	0	Unknown	Overseas natural person
Li Zhiyong (李志勇)	661,500	661,500	0.07	0	Unknown	Domestic natural person

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

Shareholdings of the top ten shareholders of non-restricted circulating shares

Name of shareholders	Number of non-restricted circulating shares held	Number and class of share	
		Class	Number
HKSCC Nominees Limited	398,205,398	Overseas listed foreign shares	398,205,398
China Construction Bank Corporation Limited — Yinhua High-end Manufacturing Flexible Configuration Hybrid Securities Investment Fund (中國建設銀行股份有限公司 — 銀華高端製造業靈活配置混合型證券投資基金)	3,472,809	Ordinary shares denominated in RMB	3,472,809
Lin Shuangyu (林霜雨)	2,129,282	Ordinary shares denominated in RMB	2,129,282
Fullgoal Fund Company (富國基金公司) — CCBC — Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司)	2,000,000	Ordinary shares denominated in RMB	2,000,000
National Council for Social Security Fund of the PRC Package No. 118 (全國社保基金一一八組合)	1,999,974	Ordinary shares denominated in RMB	1,999,974
Agricultural Bank of China Limited — Yinhua Domestic Need Optimal Share Type Securities Investment Fund (中國農業銀行股份有限公司 — 銀華內需精選股票型證券投資基金)	1,499,901	Ordinary shares denominated in RMB	1,499,901
Luo Xiuzhen (羅秀珍)	1,066,383	Ordinary shares denominated in RMB	1,066,383
LIU HON NAM	726,000	Overseas listed foreign shares	726,000
Li Zhiyong (李志勇)	661,500	Ordinary shares denominated in RMB	661,500
Ding Zuwu (丁祖武)	659,600	Ordinary shares denominated in RMB	659,600

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

Name of shareholders	Number of non-restricted circulating shares held	Number and class of share	
		Class	Number
Connections parties acting in concert among the aforesaid shareholders	Of the top 10 shareholders and top 10 shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert (as defined in the Administrative Measures on Acquisitions by Listed Companies) with, any of other shareholders. The Company is not aware of any connected relationship among the aforesaid shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.		
Explanations on preference shareholders with voting rights restored and number of shares held thereby	N/A		

Note: According to the register of shareholders provided by the HKSCC Nominees Limited, the H shares held by it are held on behalf of various customers.

Shareholdings of the top ten holders of shares subject to selling restrictions and the terms of the selling restrictions

Unit: share

No.	Name of holders of shares subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading		Selling restrictions
			Expiry date of selling restrictions	No. of additional shares available for listing and trading	
1	YTO	443,910,000	2015.08.08	443,910,000	A lock-up period of 36 months after the listing
	Connections parties acting in concert among the aforesaid shareholders	N/A			

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

(III) Substantial shareholders' interests and short positions disclosed in accordance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")

As at 31 December 2014, the following shareholders of the Company (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number of shares interested ¹	Percentage of	Percentage of	Type of share
			the relevant issued class of share capital (%)	the total issued share capital of the Company (%)	
YTO ²	Beneficial owner	443,910,000(L)	74.74(L)	44.57(L)	A Share
The Capital Group Companies, Inc	Interests of controlled corporations	36,062,000(L)	8.97(L)	3.62(L)	H Share
UBS AG ³	Beneficial owner/security interest in shares/	28,164,723(L)	7.01(L)	2.83(L)	H Share
	interests of controlled corporations	10,516,482(S)	2.62(S)	1.06(S)	

Note 1: (L) — Long position, (S) — Short position, (P) — Lending pool

Note 2: Sinomach is the controlling shareholder of YTO. Sinomach is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 443,910,000 A Shares of the Company.

Note 3: UBS Group AG is the controlling shareholder of UBS AG. UBS Group AG is deemed to have the same interest in the Company as those owned by UBS AG by virtue of the SFO, holding 28,164,723 shares of long position and 10,516,482 shares of short position in H shares of the Company.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

4. CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(I) Controlling shareholder

1. Corporate shareholder

Unit: RMB

Name	YTO
Person in charge or legal representative	Zhao Yanshui
Date of establishment	6 May 1997
Organization code	16995805
Registered capital	3,174,949,000
Principal business	Agricultural machinery, power machinery, vehicles and components
Future development strategy	To focus on agricultural equipment manufacturing and manufacturing service industries, achieve product development objectives and capital appreciation by means of capital management, promote the sustainable and healthy development of the Company and become a leading enterprise in the PRC, and an international well-known and first-class equipment manufacturing enterprise.
Equities interests (either controlling or participating) held in other Chinese and overseas listed companies during the Reporting Period	Nil

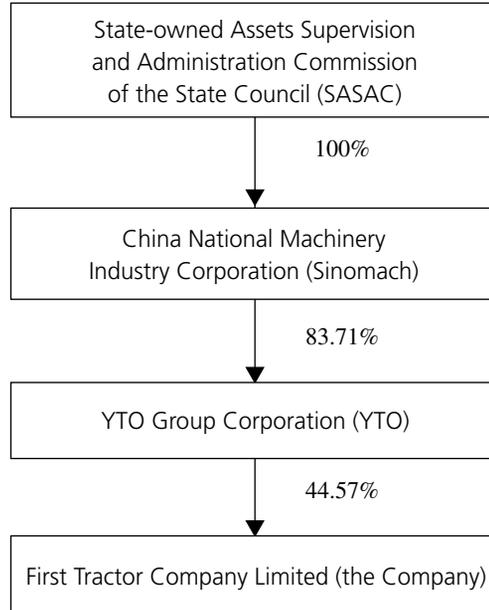
2. Index and date on changes in controlling shareholder during the Reporting Period

There was no change in the controlling shareholder of the Company during the Reporting Period.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

(II) Ultimate controller

1. Block diagram of property right and controlling relationship between the Company and the ultimate controller



Note: As at the end of the Reporting Period, the shareholding percentage of YTO held by Sinomach was 82.02%. the block diagram above was the shareholding percentage of YTO held by Sinomach as at the date of this report.

5. PRE-EMPTIVE RIGHTS

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

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS *(continued)*

VI. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

VII. PUBLIC FLOAT

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

VIII. TAX CONCESSIONS

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

PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1. CHANGE IN SHAREHOLDINGS AND REMUNERATION

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

Unit: share

Name	Position (note)	Gender	Age	Start and end dates of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held during the year	Reason of change	Total remuneration (before tax) received from the Company during the Reporting Period (RMB0'000, RMB unless otherwise specified)	Remuneration (before tax) received from shareholder entities during the Reporting Period (RMB0'000)
Zhao Yanshui	Chairman, executive Director and General Manager	Male	51	2012.12.20-2015.12.19	0	0	0	None	0	85.66
Wang Erlong	Vice Chairman and non-executive Director	Male	50	2013.12.30-2015.12.19	0	0	0	None	0	44.56
Yan Linjiao	Non-executive Director	Male	59	2012.12.20-2015.12.19	0	0	0	None	0	85.31
Wu Zongyan	Non-executive Director	Male	57	2014.5.29-2015.12.19	0	0	0	None	0	67.56
Wang Kejun	Non-executive Director	Male	50	2014.5.29-2015.12.19	0	0	0	None	0	70.23
Guo Zhiqiang	Non-executive Director	Male	58	2012.12.20-2015.12.19	0	0	0	None	0	64.85
Liu Jiguo	Non-executive Director	Male	50	2012.12.20-2015.12.19	0	0	0	None	0	66.64
Wu Yong	Executive Director	Male	49	2012.12.20-2015.12.19	0	0	0	None	58.02	0
Hong Xianguo	Independent non-executive Director	Male	51	2012.12.20-2015.12.19	0	0	0	None	6.3	0
Xing Min	Independent non-executive Director	Male	61	2012.12.20-2015.12.19	0	0	0	None	6.4	0
Wu Tak Lung	Independent non-executive Director	Male	49	2012.12.20-2015.12.19	10,000	10,000	0	None	6.2	0
Yu Zengbiao	Independent non-executive Director	Male	60	2014.5.29-2015.12.19	0	0	0	None	3.7	0
Li Pingan	Chairman of the Board of Supervisors	Male	50	2012.12.20-2015.12.19	0	0	0	None	0	43.45
Xu Weilin	Supervisor	Male	52	2014.7.7-2015.12.19	0	0	0	None	11.82	7.77
Wang Jianjun	Staff Representative Supervisor	Male	38	2012.12.20-2015.12.19	0	0	0	None	27.60	0
Zhao Guozhong	Staff Representative Supervisor	Male	55	2014.4.17-2015.12.19	0	0	0	None	29.43	0
Wang Yong	Supervisor	Male	46	2012.12.20-2015.12.19	0	0	0	None	5.4	0
Huang Ping	Supervisor	Male	46	2012.12.20-2015.12.19	0	0	0	None	5.4	0

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (continued)

Name	Position (note)	Gender	Age	Start and end dates of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held during the year	Reason of change	Total remuneration (before tax) received from the Company during the Reporting Period (RMB'000, RMB unless otherwise specified)	Remuneration (before tax) received from shareholder entities during the Reporting Period (RMB'000)
Lian Guoqing	Executive Deputy General Manager	Male	58	2012.12.20-2015.12.19	0	0	0	None	59.52	0
Liu Yao	Deputy General Manager	Male	55	2012.12.20-2015.12.19	0	0	0	None	RMB27.28 EUR14.38	0
Hou Zhiping	Deputy General Manager	Male	57	2012.12.20-2015.12.19	0	0	0	None	46.63	0
Yao Weidong	Chief accountant	Male	48	2012.12.20-2015.12.19	0	0	0	None	49.60	0
Zhu Weijiang	Deputy General Manager	Male	43	2012.12.20-2015.12.19	0	0	0	None	49.60	0
Su Wensheng	Deputy General Manager	Male	46	2012.12.20-2015.12.19	0	0	0	None	46.63	0
Song Yuping	Deputy General Manager	Male	50	2012.12.20-2015.12.19	0	0	0	None	46.63	0
Yu Lina	Secretary to the Board and Investor Relationship Manager	Female	44	2012.12.20-2015.12.19	0	0	0	None	46.63	0
Total	/	/	/	/	10,000	10,000	0	/	RMB532.79 EUR14.38	536.03

Note: Remuneration received from the Company includes remuneration received from subsidiaries of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

(II) Change in shareholdings of retired Directors, Supervisors and senior management and their remuneration

Name	Position	Gender	Age	Start and end dates of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held during the year	Reason of change	Total remuneration (before tax) received from the Company during the Reporting Period (RMB'000)	Total remuneration (before tax) received from shareholder entities during the Reporting Period (RMB'000)
Su Weike	Former Vice Chairman and non-executive Director	Male	52	2012.12.20-2014.1.10	0	0	0	None	0	/
Qu Dawei	Former Non-executive Director	Male	49	2012.12.20-2014.1.10	0	0	0	None	0	/
Zhang Qijusheng	Former Independent non-executive Director	Male	46	2012.12.20-2014.5.29	0	0	0	None	2.8	/
Xu Shidong	Former Supervisor	Male	40	2012.12.20-2014.6.17	0	0	0	None	0	/
Xu Weilin	Former Staff Representative Supervisor	Male	52	2012.12.20-2014.4.17	0	0	0	None	0	/

(III) Major work experience and appointments for the past five years of incumbent and resigned Directors, Supervisors and senior management during the Reporting Period

1. Incumbent and resigned Directors of the Company during the Reporting Period

Mr. Zhao Yanshui is now the Chairman, executive Director, General Manager, chairman of the Strategy & Investment Committee and member of the Nomination Committee under the Board. Mr. Zhao served as a Director of the Company from June 2009 to November 2010. Mr. Zhao has been serving as the Chairman of the Company since November 2010, the General Manager of the Company since December 2012 and as the chairman of YTO since June 2011. Mr. Zhao is currently the chairman of CAMACO and deputy governor of the Association of Agricultural Machinery Industry of China.

Mr. Wang Erlong is now the Vice Chairman and non-executive Director, member of the Strategy & Investment Committee under the Board of the Company. Mr. Wang was the financial manager and deputy general manager of China Automotive Industry Import and Export Corporation (中國汽車工業進出口總公司) from August 2006 to October 2012. He has been serving as the financial controller and deputy general manager of YTO since October 2012. He has been serving as the party secretary, financial controller and deputy general manager of YTO since December 2013. He is concurrently a director of Sinomach Finance Co., Ltd. (國機財務有限責任公司) and the chairman of YTO Finance.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

Mr. Yan Linjiao is now the non-executive Director of the Company, member of the Audit Committee and the Strategy & Investment Committee under the Board. Mr. Yan has been serving as a director of YTO since August 2007 and a director and a general manager of YTO since July 2011. He is concurrently serving as a director of Luoyang Bearing Science & Technology Co., Ltd. (洛陽軸研科技股份有限公司) and a director of China Sinomach Heavy Industry Corporation Limited (中國國機重工集團有限公司) and Sinomach Jinggong Company Limited (國機精工有限公司).

Mr. Wu Zongyan is now the Director and a member of the Remuneration Committee under the Board of the Company. Mr. Wu served as the chairman, a general manager and the party secretary of Luoyang Bearing Science & Technology Co., Ltd. (洛陽軸研科技股份有限公司) from September 2010 to October 2012. He served as the chairman and deputy party secretary of Luoyang Bearing Science & Technology Co., Ltd. (洛陽軸研科技股份有限公司) from October 2012 to January 2014. Mr. Wu has been serving as the vice chairman of YTO since January 2014.

Mr. Wang Kejun is now the non-executive Director of the Company. Mr. Wang has been serving as the vice general manager of YTO since 2006. Mr. Wang is concurrently serving as the chairman of YTO (Heilongjiang) Dongfanghong Industrial Park Company Limited (一拖(黑龍江)東方紅工業園有限公司) and YTO Heilongjiang Agricultural Machinery Company Limited (一拖黑龍江農業裝備有限公司).

Mr. Guo Zhiqiang is now the non-executive Director of the Company. He has been a deputy general manager of YTO since December 2007. Mr. Guo is concurrently serving as the chairman of YTO Shenyang Tractor Company Limited (一拖瀋陽拖拉機有限公司).

Mr. Liu Jiguo is now the non-executive Director of the Company. Mr. Liu was an assistant to the general manager of YTO and the deputy general manager of the Company from June 2009 to December 2010, and the general manager of the Company from December 2010 to November 2012. Mr. Liu has been serving as the deputy general manager of YTO since November 2012. Mr. Liu is concurrently a director of YTO (Heilongjiang) Dongfanghong Industrial Park Company Limited (一拖(黑龍江)東方紅工業園有限公司), the chairman of YTO (Luoyang) Logistics Company Limited (一拖(洛陽)物流有限公司) and YTO (Luoyang) Huide Equipment Company Limited (一拖(洛陽)匯德工裝有限公司) and an executive director of Zhongcheng Company (中成公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

Mr. Wu Yong is now the executive Director of the Company, member of the Remuneration Committee under the Board, and the party secretary and secretary to the disciplinary committee of the Company. Mr. Wu was a member of the party committee and assistant to the party secretary of YTO from October 2011 to September 2012. Mr. Wu has been serving as the party secretary and secretary to the disciplinary committee of the Company since October 2011. He has been a deputy general manager of YTO since September 2012. Mr. Wu is currently an executive director of YTO Flag.

Mr. Hong Xianguo is now the independent non-executive Director of the Company, chairman of the Nomination Committee and the Remuneration Committee under the Board, the executive vice chairman and secretary-general of China Association of Agricultural Machinery Manufacturers (中國農業機械工業協會), the vice chairman of China Agricultural Mechanization Association (中國農業機械化協會), the associate manager of Technical Committee on Standardization of Agricultural Machinery of China (中國農業機械標準化技術委員會), a consultant to the Technical Committee on Standardization of Tractors of China (中國拖拉機標準化技術委員會) and a member of the leading group for safety production under the Ministry of Industry and Information Technology (工業和信息化部) of the PRC. Mr. Hong was the vice chairman and secretary-general of China Association of Agricultural Machinery Manufacturers (中國農業機械工業協會) from May 2006 to December 2011. He has been serving as the executive vice chairman and secretary-general of China Association of Agricultural Machinery Manufacturers (中國農業機械工業協會) since December 2011.

Mr. Xing Min is now the independent non-executive Director of the Company, a member of the Strategy & Investment Committee, Nomination Committee and the Remuneration Committee under the Board. Since 2008, he has been serving as the deputy president and secretary-general of China Internal Combustion Engine Industry Association (中國內燃機工業協會). He is also an independent director of Jiangsu Yunyi Electric Company Limited (江蘇雲意電氣股份有限公司), Wuxi Weifu High-technology Company Limited (無錫威孚高科技集團股份有限公司) and Jinan Qingqi Motorcycle Company Limited (濟南輕騎摩托車股份有限公司).

Mr. Wu Tak Lung is now the independent non-executive Director of the Company, a member of the Remuneration Committee and the Chairman of Audit Committee under the Board. He is a member of Hong Kong Institute of Certified Public Accountants and a senior member of Hong Kong Securities and Investment Institute, and the United Kingdom Association of Chartered Certified Accountants, and a senior member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. He concurrently acts as an independent non-executive director of Beijing Media Co., Ltd. (北青傳媒股份有限公司), APU Group Holding Company Limited (奧普集團控股有限公司), China Machinery Engineering Corporation (中國機械設備工程股份有限公司) and Sinomax Group Limited (盛諾集團有限公司) which are listed on the Stock Exchange.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

Mr. Yu Zengbiao is now the independent non-executive Director and a member of the Audit Committee under the Board of the Company. Since 1999, Mr. Yu has been serving as a professor and a doctoral supervisor of Tsinghua University. Concurrently, he is an independent director of the Bank of Kunlun Co. Ltd. (昆侖銀行股份有限公司) and Zhencai Stationery Co., Ltd. (真彩文具股份有限公司).

Mr. Su Weike was the vice chairman, non-executive Director, a member of the Strategy & Investment Committee under the Board of the Company. Mr. Su is now serving as the assistant to the general manager and the head of the party work department of Sinomach. He was appointed as the vice chairman of the Company in June 2011 and resigned in January 2014.

Mr. Qu Dawei was the non-executive Director of the Company. He is now the deputy general manager of China Erzhong Group (Deyang) Heavy Equipment Co., Ltd. (二重集團(德陽)重型裝備股份有限公司). He was appointed as the Director of the Company in July 2009 and resigned in January 2014.

Mr. Zhang Qiusheng was the independent non-executive Director, a member of the Strategy & Investment Committee and the chairman of the Audit Committee under the Board of the Company. Mr. Zhang is currently the Dean of School of Economics and Management of Beijing Jiaotong University and a manager of the China Mergers and Acquisitions Research Centre (中國企業兼併重組研究中心). Mr. Zhang was appointed as an independent non-executive Director of the Company in August 2010 and resigned in May 2014.

2. Incumbent and resigned Supervisors of the Company during the Reporting Period

Mr. Li Pingan is now the chairman of the Board of Supervisors, and the chief legal advisor and deputy secretary to the disciplinary committee of YTO. Mr. Li served at YTO as head of the legal affairs department and staff representative supervisor from June 2009 to April 2011. He has been serving as the chief legal advisor and staff representative supervisor of YTO since April 2011. Mr. Li is concurrently the chairman of the supervisory committee of Luoyang Business Daily Company Limited (洛陽商報有限責任公司).

Mr. Wang Jianjun is now a staff representative Supervisor and the party secretary of the procurement centre of the Company. Mr. Wang was the party secretary and the chairman of the Labour Union of No. 4 Assembly factory of the Company from August 2007 to April 2013. Mr. Wang has been serving as the party secretary of the procurement centre of the Company since April 2013.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

Mr. Zhao Guozhong is now a Staff Representative Supervisor of the Company and a secretary to the party committee of YTO Diesel. Mr. Zhao served as the secretary to the party committee and a deputy general manager of YTO Axle from October 2012 to March 2014. Since March 2014, he has been serving as the secretary to the party committee of YTO Diesel.

Mr. Xu Weilin is now a Supervisor of the Company, and the deputy secretary to the disciplinary committee of YTO. Mr. Xu served as the factory manager, party secretary and secretary to the disciplinary committee of the No. 1 assembly factory of the Company from July 2012 to April 2014, and has been the deputy secretary to the disciplinary committee of YTO since April 2014.

Mr. Wang Yong is now a Supervisor of the Company; the head, professor and instructor of doctorate students of Institute of Commercial Law of School of Civil Commercial and Economic Law of China University of Political Science and Law; and a part-time professor of China Academy of Governance. He is also a council member of China Commercial Law Institute, a council member of China Securities Law Institute, a member of Caixin Media Advisory Committee (財新傳媒諮詢委員會) and a lawyer at Beijing Longan Law Firm (北京隆安律師事務所律師). Mr. Wang is concurrently an independent director of SG Micro (Beijing) Company Limited (聖邦微電子(北京)股份有限公司), Zhejiang Xingxing Firststar Panel Technology Company Limited (浙江星星瑞金科技股份有限公司), Beijing ZZNode Technology Company Limited (北京直真科技股份有限公司), Thundersoft Software Technology (Beijing) Company Limited (中科創達軟件科技(北京)有限公司) and Beijing Xinwei Telecom Company Limited (北京信威通訊技術股份有限公司).

Mr. Huang Ping, a Certified Public Accountant of the PRC, is now a Supervisor of the Company and the partner of Zhonglian Certified Public Accountants of Zhonglian Holdings Group (中聯控股集團中聯會計師事務所). Mr. Huang is concurrently an independent non-executive director of Luoyang Glass Company Limited (洛陽玻璃股份有限公司).

Mr. Xu Shidong was formerly a Supervisor of the Company and resigned in April 2014. During March 2011 to June 2014, Mr. Xu served as the head of the finance department of YTO. He is now the chief financial controller of Luoyang Bearing Science & Technology Company Limited (洛陽軸研科技股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (*continued*)

3. Biographies of senior management

Mr. Zhao Yanshui is now the general manager of the Company. For his biography, please refer to this section, the “Incumbent and resigned Directors of the Company during the Reporting Period” section.

Mr. Lian Guoqin is now the executive deputy general manager of the Company. During January 2010 to December 2012, Mr. Lin served as a deputy general manager of the Company and a general manager of the Agricultural Equipment Division of YTO. Since December 2012, he has been serving as a standing deputy general manager of the Company. Mr. Lin is concurrently an executive director of YTO International, Changhong Trading (洛陽長宏工貿有限公司) and YTO Axle, and the chairman of YTO (Luoyang) Harvesting Machinery Co., Ltd. (一拖(洛陽)收穫機械有限公司).

Mr. Liu Yao, deputy general manager of the Company. Mr. Liu served as the chief technologist of the Company from December 2009 to December 2012. He has been serving as the deputy general manager of the Company since December 2012. Mr. Liu is currently a chairman of YTO France.

Mr. Hou Zhiping, deputy general manager of the Company. Mr. Hou served as the head of the planning and development department of the Company from January 2010 to January 2011, and assistant to the general manager of the Company from January 2011 to December 2012. He has been a deputy general manager of the Company since December 2012. Mr. Hao is concurrently an executive director of YTO Shunxing (Luoyang) Spare Parts Co., Ltd. (一拖(洛陽)順興零部件有限責任公司), the chairman of Changtuo Company, a director and general manager of YTO Heilongjiang Agricultural Machinery Co., Ltd. (一拖黑龍江農業裝備有限公司) and a director of YTO Shentong.

Mr. Yao Weidong, chief accountant of the Company. He was the head of the finance department of the Company from August 2007 to January 2011, and the deputy chief accountant and the head of the finance department of the Company from January 2011 to December 2012. He has been serving as chief accountant of the Company since December 2012. Mr. Yao is concurrently an executive Director of YTO Forklift and YTO Transportation, the chairman of YTO Shentong, a director of BCM, the chairman of supervisory committee of YTO Finance, a supervisor of YTO International, Luoyang Changhong Trading Co., Ltd. (洛陽長宏工貿有限公司), Luoyang Changxing Agricultural Machinery Co., Ltd. (洛陽長興農業機械有限公司), YTO (Xinjiang) Machinery, Jiangyan Power, and YTO (Luoyang) Harvesting Machinery Co., Ltd. (一拖(洛陽)收穫機械有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

Mr. Zhu Weijiang, deputy general manager of the Company. Mr. Zhu was the assistant to general manager of the Company and the general manager of the marketing centre of the agricultural equipment division of the Company from January 2010 to October 2011 and the assistant to general manager of the Company from October 2011 to December 2012. He has been the deputy general manager of the Company since December 2012. Mr. Zhu is concurrently an executive Director of YTO (Xinjiang) Machinery and Luoyang Changxing Agricultural Machinery Co., Ltd. (洛陽長興農業機械有限公司) and a director of YTO Finance and CAMACO.

Mr. Su Wensheng, deputy general manager of the Company. Mr. Su served as the factory manager of the No. 3 assembly factory of the Company from September 2008 to October 2011, and as the assistant to general manager of the Company and the factory manager of the No. 3 assembly factory of the Company from October 2011 to December 2012. He has been the deputy general manager of the Company since December 2012. Mr. Su is concurrently the Chairman of ZF YTO Axle, a Director of Changtuo Company, and an executive Director of YTO (Luoyang) Lubricants Co., Ltd. (一拖(洛陽)潤滑油有限公司).

Mr. Song Yuping, deputy general manager of the Company. Mr. Song served as the factory manager of the No. 4 assembly factory of the Company from August 2007 to October 2011, and as the assistant to general manager of the Company and the factory manager of the No. 4 assembly factory of the Company from October 2011 to December 2012. He has been serving as the assistant to general manager of the Company since December 2012. Mr. Song is concurrently the chairman of Diesel Engine Company and a director of Tractors Research Company.

Ms. Yu Lina, Secretary to the Board and the investor relationship manager of the Company. She has been serving at the Company as the Secretary to the Board since July 2006 and as the investor relationship manager since December 2012. Ms. Yu is concurrently a director of YTO Shentong and BCM, and a supervisor of YTO Flag.

2. POSITIONS HELD BY INCUMBENT OR RETIRED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

(I) Positions in shareholder entities

Please refer to this section, "Major work experience and appointments for the past five years of incumbent and resigned Directors, Supervisors and senior management during the Reporting Period".

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

(II) Positions in other entities

Please refer to this section, "Major work experience and appointments for the past five years of incumbent and resigned Directors, Supervisors and senior management during the Reporting Period".

3. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Decision making process for remuneration of Directors

The remuneration packages are proposed by the Remuneration Committee under the Board and, after having been considered and approved by the Board, submitted for shareholders' approval at a general meeting. The Remuneration and Appraisal Committee under the Board of the Company set out the "Interim Measures on Medium to Long-Term Incentives for Remuneration and Performance Management of Executives" and submitted it to the Board for approval. The annual remuneration of senior management of the Company was determined in accordance with "Interim Measures on Medium to Long-Term Incentives for Remuneration and Performance Management of Executives".

Basis for determining the remuneration of Directors

The remuneration packages of Directors, Supervisors and senior management members are determined based on remuneration standard of the industry and with reference to the Company's remuneration system and operating results for current year.

Remuneration payable to Directors

During the Reporting Period, the Company paid RMB5.3559 million and EURO.1438 million (including the remuneration of Directors and Supervisors resigned or retired in the Reporting Period) to its Directors, Supervisors and senior management members.

Total remuneration received by all incumbent Directors

RMB5.3279 million and EURO.1438 million

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

4. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY

Name	Position	Change	Reason of change
Su Weike	Director and vice chairman	Resigned	Resignation for work changes
Qu Dawei	Director	Resigned	Resignation for work changes
Zhang Qiusheng	Independent Director	Resigned	Resigned
Wu Zongyan	Director	Appointed	To fill the casual vacancy at the general meeting
Wang Kejun	Director	Appointed	To fill the casual vacancy at the general meeting
Yu Zengbiao	Independent Director	Appointed	To fill the casual vacancy at the general meeting
Xu Weilin	Staff Representative Supervisor	Resigned	Resignation for work changes
Xu Shidong	Supervisor	Resigned	Resignation for work changes
Zhao Guozhong	Staff Representative Supervisor	Appointed	To fill the casual vacancy at the staff representative meeting
Xu Weilin	Supervisor	Appointed	To fill the casual vacancy at the general meeting

5. CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL OF THE COMPANY

During the Reporting Period, the Company's core technical team or key technical personnel (other than Directors, Supervisor and senior management members) that was of significant importance to the Company's core competitiveness was stable and remained unchanged.

6. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (continued)

7. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests considered or deemed to be held by such Directors, Supervisors and chief executives under provisions such as the SFO), or as recorded in the register required to be kept by the Company under section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

Name	The Company/ associated corporation	Capacity	Number and class of securities	Percentage of relevant class of issued share capital (%)	Percentage of total issued share capital (%)
Wu Tak Lung	The Company	Beneficial owner	10,000 H Shares Long position	0.0025	0.0010

8. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

9. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

During the Reporting Period and as at the date of this Annual Report, save as disclosed herein, none of the Directors or Supervisors had any direct or indirect material interest in any contract of significance to the business of the Company to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

10. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of existing employees of the parent company	8,107
Number of existing employees of major subsidiaries	4,998
Total existing employees	13,105
Number of retired employees who are pensioned by the parent company and its major subsidiaries	14,825

Staff composition

Category	Number of persons
Production staff	8,346
Sales staff	1,002
Technical staff	1,587
Administrative staff	1,914
Executive staff	256
Total	13,105

Educational Background

Education level	Number of persons
Postgraduate and above	274
Graduate	2,256
Diploma	2,502
Below diploma	8,073
Total	13,105

(II) Remuneration policy

According to its actual situation, the Company implemented a basic salary system based on the post wage with increasing portion allocated to “strategic human resources” and “core human resources”.

The emphasis was shifted from “distribution according to work” to “organic combination of distribution based on production factors and distribution according to work”. For personnel of different types, the Company based on their work nature formulated their respective distribution pattern including annual salary system, merit-based salary system, piece-rate system, time-rate system, commission-rated system and negotiated salary system, which motivated the initiative of personnel from different positions and therefore supported the sustainable development of the enterprise.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

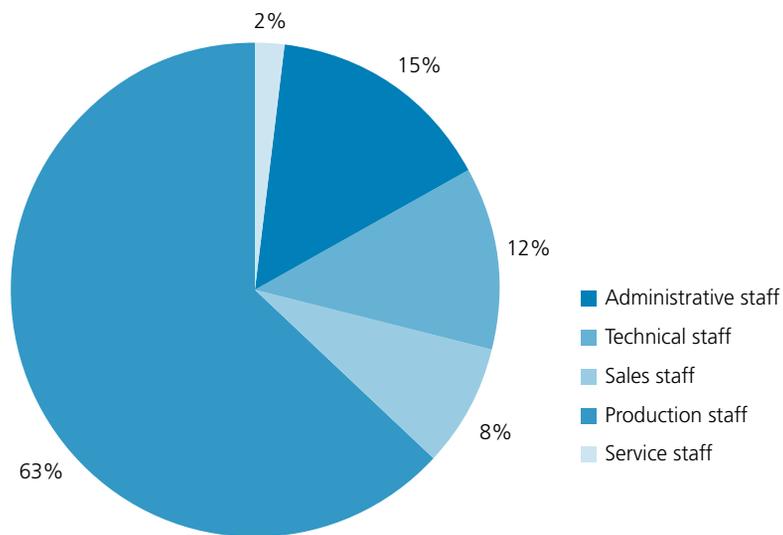
The Company set up the medium and long-term incentive policy for the person in charge of subordinate units and implemented multi-channel incentive policy in the meantime. Positions shall be set for the professional technical personnel of chief expert, first-degree expert, second-degree expert, chief technician, person-in-charge and manager, and their performance will be reviewed quarterly and annually to realize their remuneration in a timely manner. Through further refining the incentive system, the basis for the promotion of administrative and professional positions can be provided. The employees are fully motivated and innovated, giving strong personnel support to the development of the Company.

(III) Training plan

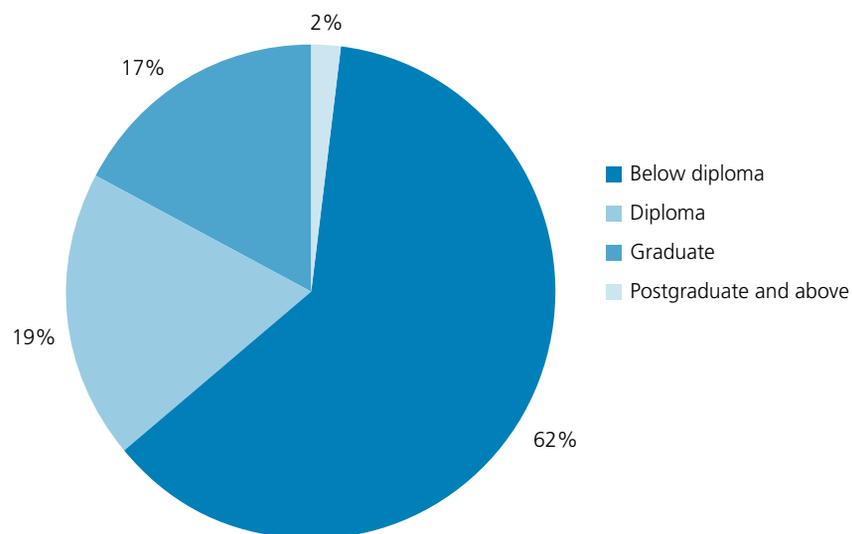
The Company planned multi-tier, cross-system trainings to train the capacity and the quality of the staff, aiming to qualify them for their positions and the Company's development. During the Reporting Period, the Company organized a total of 1,462 various training courses including performance evaluation criteria and case studies of marketing system, financial budget and the whole process of cost management, craft work procedures, and procurement platform for audit, etc. for 36,210 persons.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(continued)*

(IV) Composition of professionals chart



(V) Educational level chart



(VI) Labour outsourcing

There is no labour outsourcing during the Reporting Period.

CORPORATE GOVERNANCE OF THE COMPANY

1. CORPORATE GOVERNANCE OF THE COMPANY AND EXPLANATION ON THE INSIDERS REGISTRATION AND MANAGEMENT SYSTEM

During the reporting period, the Company strictly follows the requirements of the PRC “Company Law”, “Securities Law”, “Code of Corporate Governance for Listed Companies”, “Rules Governing the Listing of Stocks on Shanghai Stock Exchange” and other laws, regulations, regulatory documents and the Articles of Association, continuously improves the Company’s corporate governance structure, strengthens its internal control system, proactively commences management on investors relationship and strives for a balanced development between the interests of the Company and its shareholders. The corporate governance of the Company is in line with the requirements for the governance of listing companies of the CSRC.

During the Reporting Period, the establishment of the corporate governance system of the Company and the operation of the three committees are as follows:

1. According to relevant requirements of the CSRC, the Company formulated the “Administrative Measures on Shares Held by Directors, Supervisors and Senior Management and Its Change” and made amendments to the Articles of Association and the “Rules of Procedures for the Supervisory Committee” based on the actual operation of the three committees, which further improved the corporate governance system of the Company. To sum up the works on information disclosure since listing, the Company has specially made some amendments to its “Administrative Measures on Information Disclosure” and perfected the reporting process of significant internal information and the preparation requirements and disclosure procedure for interim reports in order to avoid compliance risks on information disclosure.
2. During the Reporting Period, the Company convened 3 general meetings. The convening procedure for general meetings fully complied with the requirements as set out in the Articles of Association and the “Procedural Rules for General Meetings”, which ensures the equal status enjoyed by all the shareholders of the Company, especially medium and minority shareholders, and all shareholders shall be entitled to fully exercise their own rights.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

The controlling shareholders exercised their rights at general meetings as capital contributors by virtue of the law and there were no conducts which went beyond the authority granted at the general meeting of the Company that interrupted the operation decisions and activities of the Company directly or indirectly. During the Reporting Period, there were no conducts by the controlling shareholders of the Company which infringed and damaged the interests of the listed company and other shareholders by their special status.

Resolutions on connected transactions at general meetings of the Company are considered strictly in accordance with the stipulated procedure and the connected shareholders shall abstain from voting to ensure the relevant connected transactions are being considered in an open, fair and reasonable way.

3. During the Reporting Period, timely adjustments were made to the composition of the Board, the Supervisory Committee and the Board committees according to requirements stipulated due to job reallocation of individual director and supervisor of the Company. The Board and the Supervisory Committee strictly follow the requirements as stipulated in the PRC Company Law and the Articles of Association in the process of election of new Directors and Supervisors to fill the casual vacancy.

During the Reporting Period, the Company strictly follows the stipulated procedure and the requirements as set out in the "Procedural Rules for the Board" and the "Procedural Rules for the Supervisory Committee" in organizing and convening meetings of the Board and the Supervisory Committee. All Directors and Supervisors of the Company are familiar with the relevant laws and regulations and understand their responsibilities, rights and obligations, which not only allow them to attend relevant meeting with a positive attitude and adequately and precisely express their views on resolutions discussed but also insist on acting responsibly for all shareholders so as to protect the interests of all shareholders and perform due diligence in their duties.

4. During the Reporting Period, the Company strictly implemented the management system for inside information and insiders. As such, insider information are discussed, transmitted, reviewed and disclosed in a standardized and legal manner and were prudently and properly kept confidential. No insiders was benefited illegally in the course of transactions with inside information and in turn damaged the interests of the Company and all shareholders.

CORPORATE GOVERNANCE OF THE COMPANY (continued)

2. GENERAL MEETINGS

Session of meeting	Date	Resolutions at the meeting	Results	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results
2013 Annual General Meeting	2014.05.29	1. The report of the Board for the year 2013; 2. The report of the Board of Supervisors for the year 2013; 3. The audited financial report of the Company for the year 2013; 4. The profit distribution proposal of the Company in respect of the year 2013; 5. The reappointment of Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited as the PRC and Hong Kong auditors of the Company respectively for the year 2014, and the authorization to the Board to decide their remunerations in the total amount of no more than RMB2,500,000; 6. The reappointment of Baker Tilly China Certified Public Accountants as the internal control auditor of the Company for 2014 with an audit fee of RMB480,000; 7. The Resolution in relation to Provisions of Guarantees to "Dong Fanghong" under the Commercial Loan Business; 8. The Resolution in relation to Provisions of Guarantees in favor of the Subsidiaries of the Company, YTO (Luoyang) Shentong Construction Machinery Company Limited, YTO (Luoyang) Transportation Machinery Co., Ltd. and YTO (Luoyang) Forklift Co., Limited; 9. The Resolution in relation to the Approval on the Amendments to the "Procedural Rules for the Board of Supervisors" of the Company; 10. The Resolution in relation to the Election of Mr. Yu Zengbiao as independent non-executive Director of the Sixth Session of the Board of the Company, for a term from 29 May 2014 to 19 December 2015; 11. The Resolution in relation to the Election of non-executive Directors of the Sixth Session of the Board of the Company; 11.1 The election of Mr. Wu Zhongyan as non-executive Director of the sixth session of the Board of the Company for a term from 29 May 2014 to 19 December 2015; 11.2 The election of Mr. Wang Kejun as non-executive Director of the sixth session of the Board of the Company for a term from 29 May 2014 to 19 December 2015; 12. The Resolution in relation to Amendments to the Articles of Association of the Company.	All passed	www.sse.com.cn (the website of the Shanghai Stock Exchange); www.hkex.com (the website of the Stock Exchange)	2014.5.30
2014 First Extraordinary General Meeting	2014.07.07	1. The Resolution in relation to the Provision of Guarantees for Financing and Leasing Mining Truck Products Lessees and Credit Business of the Buyer; 2. The Resolution to relation to the Election of Mr. Xu Weilin as Supervisor of the sixth session of the Board of Supervisors of the Company.	All passed	www.sse.com.cn (the website of the Shanghai Stock Exchange); www.hkex.com (the website of the Stock Exchange)	2014.7.8
2014 Second Extraordinary General Meeting	2014.10.31	1. The Resolution in relation to the Change of Financial Auditor of the Company for 2014; 2. The Resolution in relation to the Change of Internal Auditor of the Company for 2014; 3. The authorization to the Board of the Company to purchase director liability insurance of RMB30 million for the Directors, Supervisors and senior management officers of the Company; 4. The Resolution in relation to Adjustments to the Cap of Daily Connected Transactions for Goods Sold for 2014 and 2015; 5. The Resolution in relation to the Amendments to the Articles of Association of the Company.	All passed	www.sse.com.cn (the website of the Shanghai Stock Exchange); www.hkex.com (the website of the Stock Exchange)	2014.11.1

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

3. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name	Independent Director	Attendance at Board meetings					Attendance at general meetings	
		Required attendance for the year	Attendance by physical presence	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings	(Actual attendance/ deemed attendance)
Zhao Yanshui	No	10	2	8	0	0	No	2/3
Wang Erlong	No	10	2	8	0	0	No	3/3
Yan Linjiao	No	10	2	8	0	0	No	3/3
Wu Zongyan	No	6	1	5	0	0	No	2/2
Wang Kejun	No	6	1	5	0	0	No	0/2
Guo Zhiqiang	No	10	2	8	0	0	No	1/3
Liu Jiguo	No	10	2	8	0	0	No	3/3
Wu Yong	No	10	1	8	1	0	No	3/3
Hong Xianguo	Yes	10	1	8	1	0	No	0/3
Xing Min	Yes	10	2	8	0	0	No	0/3
Wu Tak Lung	Yes	10	2	8	0	0	No	1/3
Yu Zengbiao	Yes	6	1	5	0	0	No	0/2

Description of absence from two consecutive Board meetings

During the Reporting Period, none of the Directors of the Company were absent from two consecutive Board meetings.

Number of Board meetings convened during the year	10
Among which: number of physical meetings	2
Number of meetings held by means of telecommunication	8
Number of meetings convened on site and with the use of telecommunication	0

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

During the Reporting Period, none of the independent Directors of the Company raised any objection to resolutions proposed at Board meetings or other meetings of the Company held during the year.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

4. IMPORTANT OPINIONS AND SUGGESTIONS PUT FORWARD BY THE BOARD COMMITTEES IN THEIR PERFORMANCE OF DUTIES IN THE REPORTING PERIOD

There are four specialized committees, namely the Strategy & Investment Committee, Audit Committee, Nomination Committee and Remuneration Committee, under the Board. All members of each of the committee took into account of each Director's professional background and experience and the composition requirements set out in the "Code of Corporate Governance for Listed Companies" of the CSRC and the "Code on Corporate Governance" of the Stock Exchange. Among which, the Remuneration Committee, Audit Committee and Nomination Committee are mostly chaired by independent non-executive Directors who constitute a majority of each of these committees. During the Reporting Period, there were certain changes in the members of the Remuneration Committee, Strategy & Investment Committee and Audit Committee except the Nomination Committee due to change in Directors.

1. Remuneration Committee

Pursuant to the requirements of the "Implementation Rules for the Remuneration Committee of the Board", the Remuneration Committee under the Board consists of five Directors. During the Reporting Period, the Board appointed Mr. Wu Zongyan, an non-executive Director, to fill the casual vacancy of the Remuneration Committee. Other members of the Remuneration Committee are Mr. Hong Xianguo (independent non-executive Director and the chairman of the Remuneration Committee), and Mr. Xing Min (independent non-executive Director), Mr. Wu Tak Lung (independent non-executive Director) and Mr. Wu Yong (executive Director).

Duties and operation of the Remuneration Committee are:

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

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

Details of the Directors' remuneration are set out in Section IX of this report, "Directors, Supervisors and senior management and employees".

During the Reporting Period, one meeting was held by the Remuneration Committee of the sixth session of the Board on 15 August 2014 and the remuneration and performance appraisal on the senior management members of the Company for 2013 was considered and approved.

(2) Nomination Committee

The Nomination Committee under the sixth session of the Board consists of three Directors. Mr. Hong Xianguo (independent non-executive Director) is the chairman of the Nomination Committee, and Mr. Xing Min (independent non-executive Director) and Mr. Zhao Yanshui (executive Director) are members of the Nomination Committee.

Duties and operation of the Nomination Committee are:

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

During the Reporting Period, the Nomination Committee under the sixth session of the Board convened two meetings on 26 February 2014 and 25 March 2014 with full attendance of committee members. The meeting considered the recommendation of Mr. Wu Zongyan and Mr. Wang Kejun as non-executive Directors of the Company and Mr. Yu Zengbiao as independent non-executive Director of the Company. The aforesaid matters were also submitted to the Board as well as general meetings for approval in accordance with approval authority.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

(3) **Audit Committee**

The Audit Committee under the sixth session of the Board of the Company consists of 3 Directors. During the Reporting Period, due to the resignation of Mr. Zhang Qiusheng as an independent non-executive Director and the chairman of the Audit Committee of the Company, Mr. Yu Zengbiao was approved by the Board to be elected as a member of the Audit Committee to fill the causal vacancy and Mr. Wu Tak Lung (independent non-executive Director) was appointed as the chairman of the Audit Committee, and Mr. Yan Linjiao (non-executive Director) is another committee member. Among the members of the Audit Committee, Mr. Wu Tak Lung is qualified as an accountant and is a member of the Hong Kong Institute of Certified Public Accountants while Mr. Yu Zengbiao is an Accounting teacher in high schools and is specialized in the research on management accounting. The composition of the Audit Committee under the Board is in compliance with the provisions under Rule 3.21 of the Listing Rules.

Duties and operation of the Audit Committee are:

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

During the Reporting Period, the Audit Committee under the Board convened six meetings, details are set out below:

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

Session of meeting	Date	Resolutions	Results
First meeting for 2014	2014.1.10	<ol style="list-style-type: none"> Overall arrangement for the preparation of the annual report of the Company for 2013 Audit work on the financial reports of the Company for 2013 	All passed
Second meeting for 2014	2014.3.26	<ol style="list-style-type: none"> The annual report and financial report of the Company for 2013 The internal control evaluation report and internal control auditor report of the Company The appointment of internal control auditor for 2014 by the Company and the remuneration thereof The appointment of overseas and PRC auditors for 2014 by the Company and the remuneration thereof The execution of connected transactions of the Company for 2013 The duty performance report of the Audit Committee under the sixth session of the Board for 2013 	
Third meeting for 2014	2014.4.25	The first quarterly report of the Company for 2014	
Fourth meeting for 2014	2014.8.19	<ol style="list-style-type: none"> The interim report of the Company for 2014 The execution of connected transactions for the first half of 2014 The re-appointment of internal control auditor for 2014 by the Company and the remuneration thereof The re-appointment of auditor on financial reports for 2014 by the Company and the remuneration thereof 	
Fifth meeting for 2014	2014.9.23	Resolution on the adjustment to the cap of daily connected transactions for goods sold for 2014 and 2015	
Sixth meeting for 2014	2014.10.24	The third quarterly report of the Company for 2014	

The Audit Committee under the sixth session of the Board has reviewed the Company's 2014 financial reports prepared in accordance with the PRC Accounting Standards for Business Enterprises.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

(4) Strategy & Investment Committee

The Strategy & Investment Committee under the sixth session of the Board consists of 5 Directors. During the Reporting Period, due to the resignation of Mr. Su Weike and Mr. Zhang Qiusheng as members of the Strategy & Investment Committee, the composition of the Strategy & Investment Committee as considered and approved by the Board of the Company to fill the casual vacancy comprised of: Mr. Zhao Yanshui (executive Director and Chairman of the Board) serves as the chairman, and Mr. Wang Erlong (non-executive Director), Mr. Yan Linjiao (non-executive Director), Mr. Wu Zongyan (non-executive Director) and Mr. Xing Min (independent non-executive Director) as members.

Duties and operation of the Strategy & Investment Committee are:

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

During the Reporting Period, the Strategy & Investment Committee under the sixth session of the Board convened two meetings on 8 May 2014 and 28 November 2014 respectively, all members attended the meeting. The meetings considered and approved the Company's participation in the shareholding and the establishment of BOL Financial Leasing and the transfer of the equity interest in YTO Forklift respectively.

5. DESCRIPTION OF THE BOARD OF SUPERVISORS ON THE RISKS IN THE COMPANY

The Board of Supervisors has no objection to the supervised matters during the Reporting Period, please refer to Section XII headed "REPORT OF THE BOARD OF SUPERVISORS" for the major work of the Board of Supervisors during the Reporting Period.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

6. DESCRIPTION OF THE INABILITY TO MAINTAIN INDEPENDENCE AND SELF-OPERATION OF THE COMPANY IN THE RESPECT OF BUSINESS, STAFF, ASSETS, INSTITUTIONS AND FINANCE, ETC. WITH THE CONTROLLING SHAREHOLDERS

The Company possesses a fully independent business system and ability of self-operation in the market. It is independent of the controlling shareholders in the respect of business, staff, assets, institutions and finance.

7. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM

The “Provisional Measures on Remuneration Incentive Management and Medium to Long Term Incentives for Managers of the Company” approved by the Board separates the appraisal of the senior management into two parts: annual remuneration management and medium to long term incentives. During the Reporting Period, the Remuneration committee under the Board will determine the evaluation results of the annual remuneration of the senior management and the medium to long term incentives according to the “Provisional Measures on Remuneration Incentive Management and Medium to Long Term Incentives for Managers of the Company” and based on the Company’s budget, KPI indicators, major works and completion results of the operating indicators of division of labours in units.

8. CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strictly complied with the principles and most code provisions under the “Corporate Governance Practice Code and Corporate Governance Report” (the “Code”) as set out in Appendix 14 to the Listing Rules of Hong Kong. Currently, the Company has deviated from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

(I) SECURITIES TRANSACTIONS BY DIRECTORS

After making enquiries to, and as confirmed by all Directors of the Company, Mr. Wu Tak Lung, an independent non-executive Director of the Company, holds 10,000 H shares of the Company. During the Reporting Period, all Directors of the Company have strictly complied with the code of conduct in relation to the securities transactions by Directors under the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix 10 to the Listing Rules.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

(II) DIRECTORS AND THE BOARD OF DIRECTORS

1. Directors

In January 2014, Mr. Su Weike, the non-executive Director of the Company resigned as the vice Chairman of the Board, non-executive Director and a member of the Strategy & Investment Committee under the Board and Mr. Qu Dawei resigned as the non-executive Director of the Company. On 29 May 2014, Mr. Zhang Qiusheng resigned as an independent Director of the Company, chairman of the Audit Committee and member of the Strategy & Investment Committee of the Company. On 29 May 2014, at the annual general meeting of the Company for the year 2013, the election of Mr. Wu Zongyan and Mr. Wang Kejun as non-executive Directors of the sixth session of the Board of the Company and the election of Mr. Yu Zengbiao as an independent non-executive Directors of the Company were approved. As of the date of this report, the sixth session of the Board of the Company consists of 12 members, which is in line with the quorum as stipulated in the Articles of Association of the Company.

The biographical details of Directors are set out in Section VIII headed “Directors, Supervisors, Senior Management and Employees” in this Annual Report. The Company has received the annual confirmation letter issued by each of the four independent non-executive Directors, namely Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao, in respect of their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are qualified independent persons and comply with the requirements on independence as set out in Rule 3.13 of the Listing Rules of the Stock Exchange.

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

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

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

During the Reporting Period, the Company continues to organize the Directors, Supervisors and senior management to participate in the training and lecture on corporate governance, information disclosure and operation management for the purpose of enhancing corporate operation and management level and ensuring the standardized operation of the Company. Mr. Wang Erlong, Mr. Yan Linjiao, Mr. Wu Zongyan, Mr. Wang Kejun, Mr. Guo Zhiqiang, Mr. Liu Jiguo and Mr. Wu Yong, being Directors, Mr. Li Pingan, being the chairman of the Board of Supervisors and Mr. Xu Weilin, Mr. Wang Jianjun, Mr. Zhao Guozhong, Mr. Wang Yong, Mr. Huang Ping, being Supervisors, Mr. Lian Guoqing, being the standing deputy general manager and Mr. Zhu Weijiang, Mr. Liu Yao, Mr. Song Yuping, Mr. Su Wensheng and Mr. Hou Zhiping, being the deputy general manager also participated in the training session on for directors, supervisors and senior management of listed companies organized by Henan securities regulatory bureau. Through such learning opportunity, the above said personnel got familiarized with the information disclosure and delisting system for listing companies and the standard conduct for directors of listing companies to perform their duties.

Meanwhile, by preparing the “Directors Correspondence”, the Company sends the links of announcements of the Company to all of its Directors, Supervisors and senior management in a timely manner in order to provide them with the latest operation updates and public information for them to rely on in making better judgments and decisions on the Company's affairs.

2. The Board of Directors

The Board undertakes the leadership role and supervises the business and operation of the Company. Under the leadership of the Chairman, the Board is responsible for formulating and reviewing the Company's development strategies and operating strategies, preparing annual budgets and final accounting schemes and annual business plans, proposing dividend plans, monitoring the management pursuant to the relevant laws and regulations, rules and Articles of Association of the Company. The management of the Company is led by the general manager of the Company and he is responsible for supervising the Company's daily business operation, policy planning and implementation as well as being held accountable to the Board in respect of the operation and business of the Company. The general manager keeps in contact with all Directors and ensures Directors' timely understanding of the information in relation to the operating activities of the Group. The Articles of Association, the “Procedural Rules for the Board” and the “Working Rules of General Managers” of the Company as considered and approved at the general meeting has clarified the terms of reference of the Board and the management.

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

During the Reporting Period, the Company has made some revisions to some contents in the Articles of Association of the Company in accordance with the requirements of the SFC and based on the actual situation of the proposed change in financial auditor.

During the Reporting Period, the Board convened a total of 10 meetings (including the meetings of the Board held by way of telecommunication), including 4 regular meetings.

(III) CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. Zhao Yanshui acts as the Chairman of the Board and the general manager of the Company. The Board of the Company is composed of highly experienced and talented members and meetings are held regularly to discuss issues that may affect the operations of the Company. The operation of the Board is sufficient to ensure the balance of powers and duties. The Board considers that such structure would not affect the balance of power and duties between the Board and the management. The Board is full of confidence in Mr. Zhao and believes that the current appointment of him as the Chairman and General Manager will be beneficial for the business development of the Company.

(IV) NON-EXECUTIVE DIRECTORS (INCLUDING INDEPENDENT NON-EXECUTIVE DIRECTORS)

The terms of office of the non-executive Directors, Mr. Wang Erlong, Mr. Yan Linjiao, Mr. Wu Zongyan, Mr. Wang Kejun, Mr. Guo Zhiqiang, and Mr. Liu Jiguo, and those of the independent non-executive Directors, Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao, will end at the conclusion of the sixth session of the Board of the Company on 19 December 2015.

All the above 10 non-executive/ independent non-executive Directors possess proper experience and professional qualifications required to perform the duties of Directors. In particular, independent non-executive Director Mr. Hong Xianguo is a senior expert in agricultural machinery industry; independent non-executive Director Mr. Xing Min is a senior expert in combustion engine industry; and independent non-executive Director Mr. Wu Tak Lung has extensive experience in finance, financial affairs and investments; independent non-executive Director Mr. Yu Zengbiao is a senior expert in terms of finance and accounting.

(V) BOARD DIVERSITY POLICY

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

CORPORATE GOVERNANCE OF THE COMPANY *(continued)*

The sixth session of the Board has diversified feature, its members' age range is between 40 and 60, with backgrounds of accounting experts, industry experts in agriculture machinery, power machinery and experienced persons in the fields of finance and investment, their knowledge structure and expertise are professional and mutually complementary to the overall structure of the Board. A diversified Board provides guarantee and support for the scientific decision-making of the Board.

(VI) AUDITORS' REMUNERATION

Please refer to "APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM" under Section VI headed "SIGNIFICANT EVENTS".

(VII) INTERNAL CONTROL

Please refer to Section XI headed "INTERNAL CONTROL".

(VIII) INVESTOR RELATIONS

The Company focused on information disclosure in order to enhance the investor relations management. Apart from the announcement disclosed on the Company on the website of exchanges and designated media in accordance with the requirements, the Company construed an investor relationship column on the Company website to publish announcement and important news in a timely manner; during the reporting report, the Company convened and held the general meetings in strict compliance with the requirements of articles of association and rules of procedures of the general meeting, and set up Q&A session for shareholders in the agenda and pursuant to the supervision requirements, held network voting to provide convenience for minority shareholders in connection with their voting.

The Company actively organised management roadshows after the announcement of annual results, to answer to the enquiries of investors; gave response to the request of investors' visits and made reasonable arrangement, carried out over 20 one-to-one or one-to-all teleconferences with domestic and overseas investors in the year, received multi group of visits by the institutional fund managers and analysts; the Company effectively utilise various investors' communication platform. Through organizing online results briefings, SSE e-interaction platform, participating in Honesty Sunshine Tour Events (誠信陽光行活動) by the Association of Listed Companies in Henan Province, etc., the information of the Company has been delivered to the investors.

INTERNAL CONTROL

1. RESPONSIBILITY STATEMENT ON INTERNAL CONTROL AND ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

For details, please see “2014 Internal Control Evaluation Report of First Tractor Company Limited”.

Internal control self-evaluation report disclosed? Yes

2. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

For details, please see “2014 Internal Control Audit Report of First Tractor Company Limited”.

Internal Control Audit Report disclosed? Yes

3. DESCRIPTION ON THE SYSTEM OF ACCOUNTABILITY FOR SIGNIFICANT MISTAKES IN ANNUAL REPORT AND ITS IMPLEMENTATION

During the Reporting Period, no significant disclosure mistakes in annual report were found.

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Company performed its duties with due diligence pursuant to the requirements of the laws, regulations and systems of the Company Law of the PRC, the Articles of Association and the Rules of Procedure for the Board of Supervisors of the Company. It supervised production, operation and financial position of the Company and the performance of duties of the Directors and senior management to promote the standardized operation of the Company and safeguard the interests of the Company and its shareholders.

I. MEETINGS OF THE BOARD OF SUPERVISORS IN 2014

In 2014, the Board of Supervisors of the Company convened four meetings and all Supervisors attended all meetings and expressed their opinions pursuant to the Articles of Association and the Rules of Procedure for the Board of Supervisors of the Company. Details of the meetings are as follows:

1. **The eighth meeting of the sixth session of the Board of Supervisors on 27 March 2014**

The meeting was convened by way of on-site meeting. All Supervisors attended the meeting, and considered and approved the resolutions in relation to the 2013 annual report and annual report summary, 2013 financial report, 2013 dividend distribution proposal, 2013 social responsibility report, 2013 internal control self-evaluation report, special report on raised capital deposits and actual use and resolution on using part of the temporarily spare proceeds to supplement working capital, amendments to the Rules of Procedure for the Board of Supervisors and listened to the 2013 work report on investors relation management. (For details, please refer to the announcement on resolutions of the Board of Supervisors on the website of Shanghai Stock Exchange, "China Securities Journal" and "Shanghai Securities News" dated 28 March 2014)

2. **The ninth meeting of the sixth session of the Board of Supervisors on 28 April 2014**

The meeting was convened by way of telecommunication. All Supervisors attended the meeting, and considered and approved the "2014 first quarterly report of the Company".

3. **The tenth meeting of the sixth session of the Board of Supervisors on 26 August 2014**

The meeting was convened by way of on-site meeting. All Supervisors attended the meeting, and considered and approved the 2014 interim report of the Company, special report on deposits and actual use of the raised capital for the first half of 2014 and the resolution on use of part of idle proceeds to manage cash by the Company. (For details, please refer to the announcement on resolutions of the Board of Supervisors on the website of Shanghai Stock Exchange, "China Securities Journal" and "Shanghai Securities News" dated 27 August 2014)

REPORT OF THE BOARD OF SUPERVISORS *(continued)*

4. The eleventh meeting of the sixth session of the Board of Supervisors on 28 October 2014

The meeting was convened by way of telecommunication. All Supervisors attended the meeting, and considered and approved the “2014 third quarterly report of the Company” and the resolution in relation to the implementation of the newly issued relevant PRC Accounting Standards for Business Enterprises. (For details, please refer to the announcement on resolutions of the Board of Supervisors on the website of Shanghai Stock Exchange, “China Securities Journal” and “Shanghai Securities News” dated 29 October 2014)

II. SIT-IN THE BOARD OF DIRECTORS AND SHAREHOLDERS’ MEETINGS

In 2014, the Supervisors of the Company sit in the on-site meetings of the Board convened by the Company, and reviewed the resolutions materials for the Board meetings convened by way of telecommunication by the Company. Some of the Supervisors of the Company attended all shareholders’ meetings convened by the Company during the year.

III. WORK OF THE BOARD OF SUPERVISORS OF THE COMPANY IN 2014

(1) Amendments to the Rules of Procedure for the Board of Supervisors

At the beginning of 2014, the eighth meeting of the sixth session of the Board of Supervisors approved the resolution on amendments to the Rules of Procedure for the Board of Supervisors in order to provide further guidance on the operation of the Board of Supervisors and to adapt to the need in the actual operation of the Board of Supervisors. The amendments further clarified the duties of the Board of Supervisors to review on regular reports of the Company and issue written review opinions issued thereon; supervise on investor relations management of the Company; and increase the number of meetings to be convened and voting methods of the Board of Supervisors etc. On May 2014, the 2013 annual general meeting of the Company considered and approved the amendments to the Rules of Procedure for the Board of Supervisors.

(2) The adjustment of the composition of the Board of Supervisors

During the Reporting Period, one Supervisor and one staff representative Supervisor resigned as the Supervisors of the Company due to job reallocation. Pursuant to the Articles of Association of the Company, as elected in the general meeting and the staff representative committee of the Company, a Supervisor and a staff representative Supervisor were timely appointed, the number of members and composition of the Board of Supervisors were in compliance with the requirements of the Company Law of the PRC and the Articles of Association of the Company.

REPORT OF THE BOARD OF SUPERVISORS *(continued)*

(3) The supervision on the relevant matters of the Company

1. Supervision on the legal operation of the Company

In 2014, the Board of Supervisors conducted necessary and effective supervision on the matters relating to production and operation, financial position and internal control. The Board of Supervisors believed that the procedure of decision-making was strictly in compliance with the relevant requirements of the laws and regulations of the PRC and the Articles of Association and systems of the Company during the Reporting Period. The governance and operation of the Company were up to standard. The Directors, senior management of the Company performed their duties and exercise their functions in due diligence. No violation of laws, regulation, the Articles of Association or damage to the interests of the Company and investors was found.

2. Review of the financial position of the Company

During the Reporting Period, the Board of Supervisors maintained communication with the management, listened to the work report from the financial officer, audited the financial report and reviewed audit report issued by the accounting firms to carefully perform the supervision and checking on the financial position and finance management work of the Company. The 2014 financial report has been audited by ShineWing Certified Public Accountants in accordance with the PRC Accounting Standards for Business Enterprises, which issued an unqualified audit report. The Board of Supervisors was of the view that the finance and internal control system were sound, and accounting and financial management system were effectively implemented. There was no material omission of information and false statements in the Company's 2014 Annual Report. It truly and accurately reflected the financial position and operating results of the Company. During the Reporting Period, the Board of Supervisors did not aware of any breach of confidentiality requirements on the part of the persons involved in the preparation and consideration of the 2014 Annual Report.

3. Consideration and approval of use of proceeds of the Company

During the Reporting Period, the consideration, approval and disclosure procedure of the raised capital deposited into the special raised capital account, the use of part of idle proceeds to replenish working capital and the use of part of idle proceeds to manage cash were in compliance with the requirements of regulatory bodies and rules of the Company on the use and management of the proceeds.

REPORT OF THE BOARD OF SUPERVISORS *(continued)*

4. Supervision on approval and implementation of connected transactions

After examination on connected transactions of the Company during the Reporting Period, the Board of Supervisors was of the opinion that daily connected transactions between the Company and connected parties and the connected transactions involved in asset transfer and equity transfer were carried out pursuant to the actual needs of the production and operation of the Company with fair and reasonable pricing. The approval procedure by the Directors was in compliance with the requirements of the laws, regulations and the Articles of Association and did not damage to the interests of the Company and the Shareholders.

5. Opinions on self-evaluation report on internal control of the Company

The Board of Supervisors reviewed the internal control system of the Company, manual of the self-evaluation report on internal control and the relevant work sheets. The Board of Supervisors was of the view that the Company has set up sound internal control structure and internal control system, thereby effectively implementing all systems and improving continuously in the implementation. The internal audit department and personnel of the Company were established to ensure the implementation of major activities of internal control and adequate and effective supervision of the Company. The 2014 evaluation report on internal control issued by the Company gave a true and objective picture of the establishment and implementation of the internal control of the Company. There was no objection to the evaluation report on internal control of the Company.

6. Supervision over the investor relation management of the Company during the Reporting Period

The Board of Supervisors supervised the implementation of the working system on Investor Relationship Management in 2014. In 2014, the Company carried out regular reports, preparation and publication of interim announcements, on the foundation of investors communication disclosure, communicated with investors through management roadshows, general meetings and analyst meetings, which enabled the investors to be informed of the operation and management information of the Company. The investor relation work of the Company in 2014 was in compliance with the requirements of Working System on Investor Relationship Management.

In 2015, the Board of Supervisors of the Company will continue to perform supervisory duties in a more conscientious working attitude pursuant to the relevant laws and regulations including the Company Law and the Securities Law of the PRC, and the requirements of the Articles of Association and the Rules of Procedure for the Board of Supervisors of the Company, so as to enhance the supervisory effect, further promote the standardised operation of the Company and safeguard the interest of the Company's shareholders.

SUPPLEMENTARY INFORMATION

1. FINANCIAL CONGLOMERATE

Pursuant to paragraphs 35 and 36 of Appendix 16 to the Listing Rules of the Stock Exchange, the Group is regarded as a “Financial Conglomerate” as one or more of the percentage ratios of its financial business exceeds 5%. The following details are the supplementary information of the Group’s financial business, which forms part of the audited financial statements.

2. FINANCIAL BUSINESS

During the Reporting Period, all the Group’s financial businesses were conducted in the PRC. The Group’s financial businesses are primarily undertaken by YTO Finance, a controlled subsidiary of the Company. The principal financial businesses of YTO Finance include provision of finance and fund raising advisory, credit verification and related consultancy and agency services to member companies; assistance to member companies in payment and receipt of transaction proceeds; provision of insurance agency services upon approval; provision of guarantees for member companies; dealing with entrusted loans and entrusted investments among its member companies; provision of bills acceptance and discounting services to its member companies; provision of intra-group transfer, settlement services and design of the corresponding settlement and liquidation to its member companies; provision of deposit services to its member companies; provision of loans and financial leasing to its member companies; provision of inter-industry loans; issuance of finance company bonds upon approval; underwriting of corporate bonds of its member companies; making equity investments in financial institutions; investment in negotiable securities; and provisions of consumers’ credit, buyer’s credit and finance lease in respect of the products of its member companies.

A Risk Management Committee was established under the board of directors of YTO Finance to avert financial risk and so did the Auditing Department under it to inspect the company’s operations (either periodical or non-periodical) and to issue independent audit report and be accountable to the board of directors. Under the management of YTO Finance, the Internal Control Committee, Assets-Liabilities Management Committee, Credit Review Committee and Investment Audit Committee were established to manage and control YTO Finance’s internal control, assets and liabilities structure, different credit and investment businesses. YTO Finance also established a Risk Control Department to manage its corporate system and risk resistance and control.

III. RISK MANAGEMENT

Credit risk

Credit risk is the risk that a customer or counterparty is unable to meet its contractual obligation in connection with the credit business of YTO Finance when it falls due.

YTO Finance has adhered to a prudent business approach in conducting its credit business and has established a set of strict credit granting criteria and approving system to control and manage credit risks. Given top priority on risk control, the Loan Approval Committee formulated credit policies and determined the cap of facilities to ensure that each credit transaction is subject to a comprehensive consideration and approval. The credit department of YTO Finance strictly implemented loan systems and business procedures such as Administration Measures for Loans and Procedures for Loan Business to minimize credit risk. The auditing department of YTO Finance supervised the implementation of the loans approving system and post-credit inspection system in accordance with the requirements of risk control and ensured collection of loans on maturity, so as to avoid credit risk.

Market risk

Market risk is the risk of potential gain or loss from holding a financial instrument or business (including in-balance and off-balance sheets) as a result of changes in interest rates, stock prices, commodity prices and governmental policies.

YTO Finance is mainly exposed to interest rate risk in market risk.

The interest rate risk of YTO Finance arises from the re-pricing risk of its deposit and loan businesses, which is also known as maturity mismatching risk due to the different maturity profile of the assets and liabilities of the Company. As a result of the mismatch in re-pricing, the revenue or intrinsic economic value of YTO Finance will vary with the interest rate. The Risk Management Committee of YTO Finance, which is responsible for the comprehensive ongoing monitoring of the market risk arising from changes in interest rate, will evaluate on a regular basis the sensitivity and re-pricing gap of interest rate among different terms as well as the influence of changes in interest rate on the net interest income and economic value of the Company under different interest scenarios, so as to reduce the potential adverse impact of changes in interest rate on the net interest income and economic value.

SUPPLEMENTARY INFORMATION *(continued)*

Liquidity risk

Liquidity risk (also known as payment risk) is the risk that YTO Finance is unable to arrange for financing to reduce liabilities or increase assets, which in turn affects YTO Finance's profitability or causes difficulties for settlement.

Closely monitoring the composition and condition of its assets, the Assets-Liabilities Management Committee of YTO Finance carried out analysis and assessment on the liquidity and paying ability of the assets of YTO Finance based on the assets-liabilities benchmarks fixed by CBRC, thereby setting out or adjusting the corresponding operating policies to maximize the Company's interests on the basis of payment guarantee. During the Reporting Period, YTO Finance strictly followed established management rules and business procedures, regularly convened meetings for the Assets-Liabilities Committee, supervised the asset liquidity and ensured that the level of liquidity ratio is not less than 25%.

Compliance risk

Compliance risk is the risk that a company may be subject to legal sanction or regulatory punishment or incur material financial loss or reputation loss due to its failure to comply with laws, rules and standards.

Through establishing a strong compliance culture, an effective compliance risk management system, accountability system for compliance risk management, signing a letter of objectives and responsibilities and establishing the position of legal consultant, YTO Finance effectively prevented the compliance risk.

During the Reporting Period, the CBRC Luoyang Branch made preliminary review and CBRC made final review to YTO Finance. The results of the risk assessment and the classified regulatory assessment were second grade (Good).

As at 31 December 2014, YTO Finance's capital adequacy ratio was 23.93% while continuously keeping no distressed assets; excess reserve ratio was 4.6%; liquidity ratio was 106.28%; self-owned fixed assets investment ratio was 0.54%; investment ratio was 51.20%; loan-loss reserve adequacy ratio exceeded 100%; non-performing loan ratio was 0; and distressed assets ratio was 0; its assets were of high quality; it had adequate capital and strong asset liquidity, with liquidity ratio and excess reserve ratio far exceeding regulatory indicators; and in 2014, it has made a provision of RMB39,600,000 against loan losses, further enhancing its capacity to withstand bad-debt losses.

FINANCIAL STATEMENT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

AUDITOR'S REPORT

XYZH/2014A4034-1

To the Board of Directors of First Tractor Company Limited

We have audited the accompanying financial statements of First Tractor Company Limited (hereafter referred to as the "Company"), which comprise the consolidated and the Company's balance sheet as at 31 December 2014, and the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement, the consolidated and the Company's statement of changes in equity for the year then ended, and notes to these financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of these financial statements. These responsibilities include: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Chinese Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

FINANCIAL STATEMENT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(continued)*

3. OPINION

In our opinion, the financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the Company's financial position as at 31 December 2014, and of the consolidated and the Company's financial performance and cash flows for the year ended at 31 December 2014.

ShineWing Certified Public Accountants

Chinese Certified Public Accountant: **Ma Chuanjun**

Chinese Certified Public Accountant: **Song Gang**

Beijing, China

30th March 2015

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Current assets			
Cash and cash equivalents	1	1,998,159,516.29	1,883,479,523.60
Settlement reserves for balance		—	—
Loans to banks and other financial institutions		—	—
Financial assets at fair value through profit or loss	2	354,360,150.44	359,095,259.97
Derivative financial assets		—	—
Notes receivable	3	940,748,139.33	1,269,899,186.51
Accounts receivable	4	879,355,043.69	1,067,488,278.19
Advances to suppliers	5	292,088,912.74	194,539,070.95
Premium receivables		—	—
Reinsurance receivables		—	—
Reinsurance contract reserves receivable		—	—
Interest receivable	6	133,472.22	—
Dividend receivable		—	—
Other receivables	7	228,490,379.91	67,666,099.64
Financial assets purchased with agreement to re-sale		—	—
Inventories	8	1,447,426,253.97	1,766,268,480.42
Assets classified as held for sale		—	—
Non-current assets due within one year		—	—
Other current assets	10	56,383,561.23	—
Total current assets		6,197,145,429.82	6,608,435,899.28
Non-current assets			
Loans and advances to customers	9	1,362,361,447.55	725,322,825.23
Available-for-sale financial assets	11	285,935,741.41	137,580,990.01
Held-to-maturity investments	12	—	25,601,874.77
Long-term receivables		—	—
Long-term equity investments	13	65,849,170.84	9,184,641.20
Investment properties	14	—	31,160,041.52
Fixed assets	15	2,738,916,218.10	2,685,745,048.61
Construction in progress	16	642,813,215.87	424,579,666.44
Construction materials		—	—
Disposal of fixed assets		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets	17	947,153,734.35	958,395,440.46
Research and development expenses	18	—	—
Goodwill	19	—	—
Long-term prepayments	20	23,378,553.87	16,919,867.57
Deferred tax assets	21	92,141,133.86	76,350,097.44
Other non-current assets		—	—
Total non-current assets		6,158,549,215.85	5,090,840,493.25
Total assets		12,355,694,645.67	11,699,276,392.53

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	22	1,644,532,646.15	292,437,410.89
Borrowings from central bank		—	—
Receipts of deposits and deposits from other banks	23	576,246,341.28	565,022,287.05
Loans from other banks	24	350,000,000.00	350,000,000.00
Financial liabilities at fair value through profit or loss		—	—
Derivative financial liabilities		—	—
Notes payable	25	916,374,670.17	654,769,401.01
Accounts payable	26	1,350,582,485.03	2,095,124,850.72
Advance from customers	27	266,897,178.83	260,683,445.11
Funds from selling out and repurchasing financial assets		—	—
Fee and commission payable		—	—
Employee benefits payable	28	100,709,706.51	111,379,298.46
Taxes payables	29	-326,702,397.31	-351,328,558.11
Interests payable	30	57,516,420.08	55,028,515.34
Dividends payable		—	—
Other payables	31	256,876,518.96	213,375,326.11
Reinsurance accounts payables		—	—
Reserves for insurance contracts		—	—
Brokerage for trading securities		—	—
Brokerage for consigning securities		—	—
Liabilities classified as held for sale		—	—
Non-current liabilities due within one year	32	30,055,745.54	301,018,000.00
Other current liabilities	33	53,243,515.75	87,951,003.54
Total current liabilities		5,276,332,830.99	4,635,460,980.12
Non-current liabilities			
Long-term loans	34	46,597,500.00	84,189,000.00
Bonds payable	35	1,491,971,739.19	1,489,772,818.57
Including: Preference shares		—	—
Perpetual bond		—	—
Long-term payables		—	—
Long-term employee salary payable		—	—
Special payables		—	—
Provisions		—	—
Deferred income	36	174,628,692.16	182,418,508.05
Deferred tax liabilities	21	45,336,983.15	49,917,073.21
Other non-current liabilities		—	—
Total non-current liabilities		1,758,534,914.50	1,806,297,399.83
Total liabilities		7,034,867,745.49	6,441,758,379.95

CONSOLIDATED BALANCE SHEET *(continued)*

As at 31 December 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Shareholder's equity			
Share capital	37	995,900,000.00	995,900,000.00
Other equity instruments		—	—
Including: Preferred shares		—	—
Perpetual bond		—	—
Capital reserves	38	2,124,246,289.70	2,161,122,028.80
Less: Treasury shares		—	—
Other comprehensive income	39	16,295,741.20	-2,990,577.79
Special reserves	40	—	—
Surplus reserves	41	368,972,848.56	326,747,339.47
General risk reserves	42	7,683,706.66	7,097,463.55
Retained earnings	43	1,080,369,447.42	1,015,236,952.27
Total equity attributable to shareholders of the Company		4,593,468,033.54	4,503,113,206.30
Non-controlling interests	44	727,358,866.64	754,404,806.28
Total shareholder's equity		5,320,826,900.18	5,257,518,012.58
Total liabilities and shareholder's equity		12,355,694,645.67	11,699,276,392.53

Legal Representative:
Zhao Yanshai

Accounting Director:
Yao Weidong

Accounting Manager:
Zhou Juan

BALANCE SHEET

As at 31 December 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
Current assets			
Cash and cash equivalents	1	1,545,998,376.10	1,091,180,747.25
Financial assets at fair value through profit and loss		—	—
Derivative financial assets		—	—
Notes receivable	2	320,864,230.37	417,754,765.39
Accounts receivable	3	864,908,505.18	1,108,271,652.69
Advances to suppliers	4	287,933,932.64	122,883,981.86
Interests receivable	5	5,279,014.53	—
Dividends receivable	6	20,694,898.90	—
Other receivables	7	201,047,271.43	43,372,760.70
Inventories	8	581,750,569.91	627,996,230.25
Assets classified as held for sale		—	—
Non-current assets due within one year		—	—
Other current assets	9	182,037,351.92	107,017,010.00
Total current assets		4,010,514,150.98	3,518,477,148.14
Non-current assets:			
Available-for-sale financial assets		169,840,000.00	35,992,000.00
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	10	2,971,115,370.22	2,902,526,436.13
Investment properties		—	—
Fixed assets	11	1,445,442,696.02	1,102,175,206.12
Construction in progress	12	446,998,550.61	224,241,167.99
Construction materials		—	—
Disposal of fixed assets		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets	13	584,435,134.44	479,416,911.19
Research and development expenses	14	—	—
Goodwill		—	—
Long-term prepayments	15	18,915,585.93	—
Deferred tax assets	16	7,100,975.68	5,032,911.39
Other non-current assets		—	—
Total non-current assets		5,643,848,312.90	4,749,384,632.82
Total assets		9,654,362,463.88	8,267,861,780.96

BALANCE SHEET (continued)

As at 31 December 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	17	1,528,219,200.00	451,145,119.87
Financial liabilities at fair value through profit or loss		—	—
Derivative financial liabilities		—	—
Notes payable	18	824,335,790.27	385,179,704.45
Accounts payable	19	907,428,178.52	1,351,037,684.61
Advance from customers		138,590,676.64	15,085,814.01
Employee benefits payable	20	30,822,241.98	33,645,648.89
Taxes payable	21	-289,463,168.86	-317,474,985.81
Interests payable	22	56,724,301.01	50,326,849.36
Dividends payables		—	—
Other payables	23	175,113,885.41	30,694,393.07
Liabilities classified as held for sale		—	—
Non-current liabilities due within one year	24	25,513,000.00	300,000,000.00
Other current liabilities	25	8,280,760.00	20,846,726.00
Total current liabilities		<u>3,405,564,864.97</u>	<u>2,320,486,954.45</u>
Non-current liabilities:			
Long-term loans	26	46,597,500.00	84,189,000.00
Bonds payable	27	1,491,971,739.19	1,489,772,818.57
Including: Preferred shares		—	—
Perpetual bond		—	—
Long-term payables		—	—
Long-term employee salary payable		—	—
Special payables		—	—
Provisions		—	—
Deferred income	28	126,198,362.41	141,056,362.41
Deferred tax liabilities	16	6,624,000.00	2,716,800.00
Other non-current liabilities		—	—
Total non-current liabilities		<u>1,671,391,601.60</u>	<u>1,717,734,980.98</u>
Total liabilities		<u>5,076,956,466.57</u>	<u>4,038,221,935.43</u>

BALANCE SHEET (continued)

As at 31 December 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
Shareholder's equity			
Share capital	29	995,900,000.00	995,900,000.00
Other equity instruments		—	—
Including: Preference shares		—	—
Perpetual bond		—	—
Capital reserves	30	2,018,025,662.91	2,054,901,402.01
Less: Treasury shares		—	—
Other comprehensive income	31	37,536,000.00	15,395,200.00
Special reserves	32	—	—
Surplus reserves	33	294,479,564.73	252,254,055.64
Retained earnings	34	1,231,464,769.67	911,189,187.88
Total shareholder's equity		4,577,405,997.31	4,229,639,845.53
Total liabilities and shareholder's equity		9,654,362,463.88	8,267,861,780.96

Legal Representative:
Zhao Yanshai

Accounting Director:
Yao Weidong

Accounting Manager:
Zhou Juan

CONSOLIDATED INCOME STATEMENT

For the year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Current year	Last year
1. Total operating revenue		9,026,978,821.14	11,057,843,491.06
Including: Operating revenue	48	8,929,316,050.68	10,985,440,654.79
Interest income	49	97,253,173.58	70,716,708.55
Earned insurance premiums	50	—	—
Fees and commission income		409,596.88	1,686,127.72
2. Total cost of operation		9,138,543,652.57	10,867,008,869.10
Including: Cost of operation	48	7,457,744,855.37	9,244,069,520.10
Interest expenses	49	29,170,550.21	14,375,399.37
Fees and commission expense	50	455,137.26	222,557.94
Refunded premiums		—	—
Net amount of compensation payout		—	—
Net amount of reserves for reinsurance contract		—	—
Policy dividend payment		—	—
Reinsurance expenses		—	—
Business taxes and surcharges	51	27,702,955.77	29,296,422.85
Selling and distribution expenses	52	393,300,666.51	374,371,900.53
Administrative expenses	53	973,938,133.86	924,121,591.05
Financial expenses	54	89,732,342.21	127,836,040.62
Impairment losses	55	166,499,011.38	152,715,436.64
Add: Gain arising from the changes in fair value (loss listed with “-”)	56	8,113,671.48	676,257.27
Investment income (Loss listed with “-”)	57	108,929,271.92	38,986,561.99
Including: income from investments in associates and joint ventures (Loss listed with “-”)		238,416.56	903,575.37
Exchange gain (Loss listed with “-”)		—	—
3. Operating profit (Loss listed with “-”)		5,478,111.97	230,497,441.22
Add: Non-operating income	58	211,836,734.97	114,905,778.06
Including: Gain from disposal of non-current assets		162,319,571.87	1,514,381.87
Less: Non-operating expenses	59	5,420,715.28	6,304,825.38
Including: Loss on disposal of non-current assets		1,742,962.60	4,407,074.65
4. Gross profit (Loss listed with “-”)		211,894,131.66	339,098,393.90
Less: Income tax expenses	60	47,668,186.23	72,229,037.79
5. Net profit (Net loss listed with “-”)		164,225,945.43	266,869,356.11
Net profit attributable to shareholders of the company		167,698,247.35	227,084,951.73
Non-controlling interest		-3,472,301.92	39,784,404.38

CONSOLIDATED INCOME STATEMENT (continued)

For the year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Current year	Last year
6. Net other comprehensive income after tax		18,801,873.15	15,597,967.42
Net other comprehensive income after tax attributable to owners of the company		19,286,318.99	16,402,201.94
(1) Other comprehensive income that can not reclassified to profit and loss in subsequent periods		—	—
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		—	—
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		—	—
(2) Other comprehensive income subsequently reclassified to profit and loss		19,286,318.99	16,402,201.94
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		—	—
2. Gains and losses from changes in fair value of available-for-sale financial assets		34,160,499.37	4,960,623.83
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		—	—
4. Effective part of hedging gains and losses from cash flows		—	—
5. Exchange differences from translation of foreign currencies		-14,874,180.38	11,441,578.11
6. Others		—	—
Net other comprehensive income after tax attributable to non-controlling shareholders		-484,445.84	-804,234.52
7. Total comprehensive income		183,027,818.58	282,467,323.53
Total comprehensive income attributable to shareholders of the company		186,984,566.34	243,487,153.67
Total comprehensive income attributable to non-controlling shareholders		-3,956,747.76	38,980,169.86
8. Earnings per share:			
(1) Basic earnings per share (RMB/share)		0.1684	0.2280
(2) Diluted earnings per share (RMB/share)		0.1684	0.2280

Where there was business combination under common control during the year, the realised net profit of the acquiree before business combination was RMB-1,266,667.02. The realized net profit of acquiree for last year was RMB5,135,143.85.

Legal Representative:
Zhao Yanshai

Accounting Director:
Yao Weidong

Accounting Manager:
Zhou Juan

INCOME STATEMENT

For the year 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Current year	Last year
1. Operating revenue	38	6,580,375,503.53	7,240,747,061.71
Less: Cost of operation	38	5,810,930,049.16	6,448,921,616.46
Business taxes and surcharges	39	986,877.60	1,527,519.73
Selling and distribution expenses	40	32,551,613.88	31,952,582.33
Administrative expenses	41	587,003,461.16	478,701,297.69
Financial expenses	42	70,355,282.45	59,840,011.23
Impairment losses	43	1,251,965.49	11,918,217.15
Add: Gain arising from the changes in fair value (Loss listed with “-”)		—	—
Investment income (Loss listed with “-”)	44	191,746,829.83	34,036,306.65
Including: Gain from investments in associates and joint ventures (Loss listed with “-”)		-102,035.92	-7,506.80
2. Operating profit (Loss listed with “-”)		269,043,083.62	241,922,123.77
Add: Non-operating income	45	175,867,897.60	24,763,258.12
Including: Gain from disposal of non-current assets		162,074,545.02	10,565,554.73
Less: Non-operating expenses	46	1,412,346.42	1,040,513.75
Including: Gain from disposal of non-current assets		662,003.34	961,701.30
3. Gross profit (Loss listed with “-”)		443,498,634.80	265,644,868.14
Less: Income tax expenses	47	21,243,543.92	21,815,996.74
4. Net profit (Net loss listed with “-”)		422,255,090.88	243,828,871.40

INCOME STATEMENT (continued)

For the year 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Current year	Last year
5. Net other comprehensive income after tax		22,140,800.00	-8,228,000.00
(1) Other comprehensive income not reclassified to profit and loss in subsequent periods		—	—
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		—	—
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		—	—
(2) Other comprehensive income subsequently reclassified to profit and loss		22,140,800.00	-8,228,000.00
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		—	—
2. Gains and losses from changes in fair value of available-for-sale financial assets		22,140,800.00	-8,228,000.00
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		—	—
4. Effective part of hedging gains and losses from cash flows		—	—
5. Exchange differences from retranslation of financial statements		—	—
6. Others		—	—
6. Total comprehensive income		444,395,890.88	235,600,871.40

Legal Representative:

Zhao Yanshai

Accounting Director:

Yao Weidong

Accounting Manager:

Zhou Juan

CONSOLIDATED CASH FLOW STATEMENT

For the Year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Current year	Last year
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		9,774,840,619.81	11,676,479,396.64
Net increase in deposits from customers and deposits from other banks		11,224,054.23	-481,618,384.79
Net increase in loans from central bank		—	—
Net increase in loans from other financial institutions		—	-10,000,000.00
Cash receipts of premium of direct insurance contracts		—	—
Net cash received from reinsurance contracts		—	—
Net increase in deposits from insurance policy holders and investment		—	—
Net increase in disposal of financial assets at fair value through profit and loss		—	—
Cash receipts of interest, fees and commission		98,145,636.78	71,786,497.73
Net increase in placement from banks and other financial institution		—	—
Net increase in sales and repurchase operations		—	—
Cash received from taxes refund		44,425,394.37	44,276,669.02
Cash received relating to other operating activities	67	174,549,186.45	95,901,916.31
Sub-total of cash inflows from operating activities		10,103,184,891.64	11,396,826,094.91
Cash paid for goods and services		7,412,911,085.98	9,156,759,760.48
Net increase in loans and disbursement to customers		485,178,865.72	-170,139,478.47
Net increase in deposit with central bank and inter-banks		-1,197,623.57	-71,629,581.09
Cash paid for claims of direct insurance contracts		—	—
Cash paid for interest, fee and commission		32,116,165.19	13,507,698.08
Cash paid for dividends of insurance policies		—	—
Cash paid to and on behalf of employees		1,158,039,580.57	1,120,466,638.48
Payments of taxes and surcharges		236,460,204.54	310,870,622.93
Cash paid relating to other operating activities	67	704,810,215.69	1,178,510,260.71
Sub-total of cash outflows from operating activities		10,028,318,494.12	11,538,345,921.12
Net cash flows from operating activities		74,866,397.52	-141,519,826.21

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the Year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Current year	Last year
2. Cash flows from investment activities:			
Cash received from return of investments		37,038,420.87	168,625,736.39
Cash received from investments income		66,621,516.71	19,625,262.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,401,219.56	10,381,432.69
Net cash received from disposal of subsidiaries and other business units		68,053,939.41	—
Cash received relating to other investing activities	67	22,900,000.00	27,400,000.00
Sub-total of cash inflows from investing activities		203,015,096.55	226,032,431.29
Cash paid to acquire fixed assets, intangible assets and other long-term assets		656,813,797.60	474,532,831.18
Cash paid for investments		160,045,020.43	139,661,178.61
Net increase in pledged deposits		—	—
Net cash paid to acquire subsidiaries and other business units		37,255,584.76	128,045,767.48
Cash paid relating to other investing activities		—	—
Sub-total of cash outflow from investing activities		854,114,402.79	742,239,777.27
Net cash flows from investing activities		-651,099,306.24	-516,207,345.98

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the Year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note VI	Current year	Last year
3. Cash flows from financing activities			
Cash received from investment absorption		—	50,960,000.00
Including: Cash received by subsidiaries from investment absorption of minority interest		—	50,960,000.00
Cash received from loans granted		1,852,805,450.91	1,900,913,867.94
Cash received from issue of bonds		—	—
Cash received relating to other financing activities		—	—
Sub-total of cash inflows from financing activities		1,852,805,450.91	1,951,873,867.94
Cash paid for settlement of borrowings		954,796,539.87	970,949,260.00
Cash paid for dividends, profits appropriation or payments of interest		190,281,886.13	323,575,648.73
Including: Dividends and profits paid to minority interests		17,856,905.60	27,947,189.75
Cash paid relating to other financing activities	67	—	1,894,528.30
Sub-total of cash outflows from financing activities		1,145,078,426.00	1,296,419,437.03
Net cash flows from financing activities		707,727,024.91	655,454,430.91
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
		571,093.95	-6,593,547.62
5. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents at the beginning of the year		1,617,836,958.07	1,626,703,246.97
6. Cash and cash equivalents at the end of the year			
		1,749,902,168.21	1,617,836,958.07

Legal Representative:
Zhao Yanshai

Accounting Director:
Yao Weidong

Accounting Manager:
Zhou Juan

CASH FLOW STATEMENT

For the Year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Current year	Last year
1. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		7,223,498,121.92	7,485,152,360.09
Cash received from taxes refund		4,791,902.28	2,793,168.68
Cash received relating to other operating activities	52	88,837,537.67	81,744,252.76
Sub-total of cash inflows from operating activities		7,317,127,561.87	7,569,689,781.53
Cash paid for goods and services		5,683,486,827.95	6,476,045,554.84
Cash paid to and on behalf of employees		568,893,895.23	382,473,623.97
Payments of taxes and surcharges		35,963,790.90	57,122,277.45
Cash paid relating to other operating activities	52	697,446,582.73	551,906,066.73
Sub-total of cash outflows from operating activities		6,985,791,096.81	7,467,547,522.99
Net cash flows from operating activities		331,336,465.06	102,142,258.54
2. Cash flows from investing activities			
Cash received from return of investments		107,000,102.20	335,210,000.00
Cash received from investments income		125,831,971.20	128,049,815.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,996,819.17	2,093,326.92
Net cash received from disposal of subsidiaries and other business units		101,555,369.62	—
Cash received relating to other investing activities	52	38,547,954.93	2,700,000.00
Sub-total of cash inflows from investing activities		380,932,217.12	468,053,142.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets		406,810,035.25	222,243,377.59
Cash paid for investments		332,000,000.00	1,052,213,557.48
Net cash paid to acquire subsidiaries and other business units		37,255,584.76	—
Cash paid relating to other investing activities		—	—
Sub-total of cash outflows from investing activities		776,065,620.01	1,274,456,935.07
Net cash flows from investing activities		-395,133,402.89	-806,403,792.77

CASH FLOW STATEMENT *(continued)*

For the Year of 2014

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note XVI	Current year	Last year
3. Cash flows from financing activities			
Cash received from investment absorption		—	—
Cash received from loans granted		3,342,997,040.00	3,300,215,807.94
Cash received relating to other financing activities		—	—
Sub-total of cash inflows from financing activities		3,342,997,040.00	3,300,215,807.94
Cash paid for settlement of borrowings		2,674,696,539.87	2,478,000,000.00
Cash paid for dividends, profits appropriation or payments of interest		163,934,713.69	134,293,067.78
Cash paid relating to other financing activities	52	—	1,894,528.30
Sub-total of cash outflows from financing activities		2,838,631,253.56	2,614,187,596.08
Net cash flows from financing activities		504,365,786.44	686,028,211.86
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
		-6,001.58	-7,009.71
5. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents at the beginning of the year		440,562,847.03	-18,240,332.08
		958,278,308.01	976,518,640.09
6. Cash and cash equivalents at the end of the year			
		1,398,841,155.04	958,278,308.01

Legal Representative:

Zhao Yanshai

Accounting Director:

Yao Weidong

Accounting Manager:

Zhou Juan

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year 2014

Unit: RMB

Prepared by: First Tractor Company Limited

Item	Current Year										Total shareholders equity		
	Equity attributable to shareholders of the company												
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves		Retained earnings	Non-controlling interests
1. Ending balance of last year	995,900,000.00	-	-	-	2,161,122,028.80	-	-2,990,577.79	-	326,747,339.47	7,097,463.55	1,015,236,952.27	754,404,806.28	5,257,518,012.58
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Beginning balance of current year	995,900,000.00	-	-	-	2,161,122,028.80	-	-2,990,577.79	-	326,747,339.47	7,097,463.55	1,015,236,952.27	754,404,806.28	5,257,518,012.58
3. Increase/Decrease for the year (Decrease listed with "-")	-	-	-	-	-36,875,739.10	-	19,286,318.99	-	42,225,509.09	586,243.11	65,132,495.15	-27,045,939.64	63,308,887.60
(1) Total comprehensive income	-	-	-	-	-	-	19,286,318.99	-	-	-	167,898,247.35	-3,956,747.76	183,027,816.58
(2) Contribution and withdrawal of capital by shareholders	-	-	-	-	-36,875,739.10	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Equity contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-36,875,739.10	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	42,225,509.09	586,243.11	-102,565,752.20	-5,232,286.28	-42,108,025.38
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	42,225,509.09	586,243.11	-102,565,752.20	-17,856,905.60	-77,610,905.60
2. Appropriation to general risks reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to equity holders (or shareholders)	-	-	-	-	-	-	-	-	-	586,243.11	-586,243.11	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-59,754,000.00	-17,856,905.60	-77,610,905.60
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current year write-off	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Ending balance of current year	995,900,000.00	-	-	-	2,124,246,289.70	-	16,295,744.20	-	366,972,848.56	7,683,706.66	1,080,369,447.42	727,358,866.64	5,320,826,900.18

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY *(continued)*

For the Year 2014

Unit: RMB

Prepared by: First Tractor Company Limited

Item	Equity attributable to the shareholders of the company										Total shareholders equity		
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves		Retained earnings	Non-controlling interests
1. Ending balance of last year	995,900,000.00	—	—	—	2,240,319,063.08	—	-27,445,073.14	—	302,877,966.71	6,570,097.24	898,860,043.07	525,487,204.59	4,942,569,301.55
Add: Changes in accounting policies	—	—	—	—	-8,052,293.41	—	8,052,293.41	—	—	—	—	—	—
Correction of prior periods errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	8,650,338.60	—	—	—	—	—	13,278,696.54	—	21,929,035.14
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Beginning balance of current year	995,900,000.00	—	—	—	2,240,917,108.27	—	-19,392,779.73	—	302,877,966.71	6,570,097.24	912,138,739.61	525,487,204.59	4,964,498,336.69
3. Increase/Decrease for the year (Decrease listed with "-")	—	—	—	—	-79,795,079.47	—	16,402,201.94	—	23,869,372.76	527,366.31	103,098,212.66	228,917,601.69	293,019,675.89
(1) Total comprehensive income	—	—	—	—	—	—	16,402,201.94	—	—	—	227,084,951.73	38,980,169.86	282,467,323.53
(2) Contribution and withdrawal of capital by shareholders	—	—	—	—	-79,795,079.47	—	—	—	—	—	—	193,324,131.83	113,529,052.36
1. Ordinary shares contributed by shareholders	—	—	—	—	—	—	—	—	—	—	—	221,986,740.63	221,986,740.63
2. Equity contributed by holders of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Share-based payments	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(3) Profit appropriations	—	—	—	—	-79,795,079.47	—	—	—	23,869,372.76	527,366.31	-123,986,739.07	-28,662,608.80	-108,457,668.27
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	23,869,372.76	527,366.31	-23,869,372.76	-3,386,700.00	-102,976,700.00
2. Appropriation to general risks reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Appropriation to equity holders (or shareholders)	—	—	—	—	—	—	—	—	—	—	—	-3,386,700.00	-102,976,700.00
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(4) Transfer	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(5) Special reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Current year appropriation	—	—	—	—	—	—	—	—	—	—	—	—	17,771,424.47
2. Current year write-off	—	—	—	—	—	—	—	—	—	—	—	—	-17,771,424.47
(6) Others	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Ending balance of current year	995,900,000.00	—	—	—	2,161,122,028.80	—	-2,990,577.79	—	326,747,339.47	7,097,463.55	1,015,236,952.27	754,404,806.28	5,257,518,012.58

Legal Representative:

Zhao Yanshai

Accounting Director:

Yao Weidong

Accounting Manager:

Zhou Juan

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Year 2014

Unit: RMB

Prepared by: First Tractor Company Limited

Item	Current Year							Total shareholders equity			
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Less: Treasury shares	Other comprehensive income		Special reserves	Surplus reserves	Retained earnings
1. Ending balance of last year	995,900,000.00	-	-	-	2,054,901,402.01	-	15,395,200.00	-	252,254,055.64	911,189,187.88	4,229,639,845.53
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
2. Beginning balance of current year	995,900,000.00	-	-	-	2,054,901,402.01	-	15,395,200.00	-	252,254,055.64	911,189,187.88	4,229,639,845.53
3. Increase/Decrease for the year (Decrease listed with "-")											
(1) Total comprehensive income	-	-	-	-	-36,875,739.10	-	22,140,800.00	-	42,225,509.09	320,275,581.79	347,766,151.78
(2) Contribution and withdrawal of capital by shareholders	-	-	-	-	-36,875,739.10	-	22,140,800.00	-	-	422,255,090.88	444,395,890.88
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-36,875,739.10
2. Equity contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognized in equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-36,875,739.10	-	-	-	-	-	-36,875,739.10
(3) Profit appropriations	-	-	-	-	-	-	-	-	42,225,509.09	-101,979,509.09	-59,754,000.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	42,225,509.09	-42,225,509.09	-
2. Appropriation to equity holders (or shareholders)	-	-	-	-	-	-	-	-	-	-59,754,000.00	-59,754,000.00
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	12,418,075.36	-	-	12,418,075.36
1. Current year appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current year write-off	-	-	-	-	-	-	-	-12,418,075.36	-	-	-12,418,075.36
(6) Others	-	-	-	-	-	-	-	-	-	-	-
4. Ending balance of current year	995,900,000.00	-	-	-	2,018,025,662.91	-	37,536,000.00	-	294,479,564.73	1,231,464,769.67	4,577,405,997.31

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (continued)

For the Year 2014

Item	Last Year										
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders equity
1. Ending balance of last year	995,900,000.00	—	—	—	2,106,468,832.16	—	—	—	228,384,682.88	777,540,992.70	4,108,294,507.74
Add: Changes in accounting policies	—	—	—	—	-23,623,200.00	—	23,623,200.00	—	—	—	—
Correction of prior periods errors	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	8,650,338.60	—	—	—	—	13,278,696.54	21,929,035.14
2. Beginning balance of current year	995,900,000.00	—	—	—	2,091,495,970.76	—	23,623,200.00	—	228,384,682.88	790,819,689.24	4,130,223,542.88
3. Increase/Decrease for the year (Decrease listed with "-")	—	—	—	—	-36,594,568.75	—	-8,228,000.00	—	23,869,372.76	120,369,498.64	99,416,302.65
(1) Total comprehensive income	—	—	—	—	—	—	-8,228,000.00	—	—	243,838,871.40	235,600,871.40
(2) Contribution and withdrawal of capital by shareholders	—	—	—	—	-36,594,568.75	—	—	—	—	—	-36,594,568.75
1. Ordinary shares contributed by shareholders	—	—	—	—	—	—	—	—	—	—	—
2. Equity contributed by holders of other equity instruments	—	—	—	—	—	—	—	—	—	—	—
3. Share-based payments recognized in equity	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	-36,594,568.75	—	—	—	—	—	-36,594,568.75
(3) Profit appropriations	—	—	—	—	—	—	—	—	23,869,372.76	-123,459,372.76	-99,590,000.00
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	23,869,372.76	-23,869,372.76	—
2. Appropriation to equity holders (or shareholders)	—	—	—	—	—	—	—	—	—	-99,590,000.00	-99,590,000.00
3. Others	—	—	—	—	—	—	—	—	—	—	—
(4) Transfer	—	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—
(5) Special reserves	—	—	—	—	—	—	—	8,146,800.18	—	—	8,146,800.18
1. Current year appropriation	—	—	—	—	—	—	—	8,146,800.18	—	—	8,146,800.18
2. Current year write-off	—	—	—	—	—	—	—	-8,146,800.18	—	—	-8,146,800.18
(6) Others	—	—	—	—	—	—	—	—	—	—	—
4. Ending balance of current year	995,900,000.00	—	—	—	2,054,901,402.01	—	15,395,200.00	—	252,254,055.64	911,189,187.88	4,229,639,845.53

Legal Representative:
Zhao Yanshai

Accounting Director:
Yao Weidong

Accounting Manager:
Zhou Juan

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

I. GENERAL INFORMATION

First Tractor Company Limited (the “Company”) is a limited company located at People Republic of China and established on 8 May 1997. The Company took over the principle business on tractors’ manufacturing and corresponding assets and liabilities of YTO Group Corporation (the “Group”), with the net assets of RMB636,346,000 equivalent to 450,000,000 state-owned corporation shares held by the Company, according to the reorganization plan effective from 31 December 1996. Thereafter, the Company issues 335,000,000 H shares (par value: RMB1) under approval and it resulted in the increase of the Company’s registered and paid-up share capital to RMB785,000,000. The Company has been listed in Hong Kong Exchanges and Clearing Limited (“HKEx”) since 23 June 1997. On 24 October 2007 the Company issued and sold 60,900,000 H shares with the price of HKD3.95/share, which increased the Company’s registered and paid-up share capital to RMB845,900,000.

According to Permission No.736-2012 by China Securities Regulatory Commission, the Company was granted to publicly issue RMB common stocks not exceeding 150,000,000 shares which equals to the actual issuance, with the price of RMB5.40/share in 27 July 2012. Total proceed from the issuance of shares was received by the Company on 1 August 2012. The Company was listed and started to trade in Shanghai Stocks Exchange on 8 August 2012. The Company’s registered and paid-up share capital had increased to RMB995,900,000.

Registration number for the license of the business corporation is 410000400013049. Registered location is 154 Construction Road, Luoyang Henan Province. Legal representative is Zhao Yanshui. The Company is in agricultural machinery manufacturing industry; its business scope mainly includes manufacturing and selling of agricultural machineries, diesel engines, other machineries and operating the business of finance company.

The controlling shareholder of the Company is YTO Group Corporation and the ultimate controlling party of the Company is China National Machinery Industry Corporation (the “SinoMach”). Both companies are established in China.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

II. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements include First Tractor Company Limited, YTO (Luoyang) Diesel Engine Co., Ltd., Luoyang Changxing Agricultural Machinery Co., Ltd., YTO Finance Company Limited, and other companies in total of 30 companies. As the result from shares external transfer, this year's consolidation, comparing to last year, does not include Shanghai Dragon (Group) Co., Ltd., Shanghai Qiangnong (Group) Agricultural Machinery Co., Ltd., Shanghai Qiannong Agricultural Machinery Product and Parts Co., Ltd., and YTO (Luoyang) Zhongcheng Machinery Co., Ltd. Another change on consolidation scope was resulted from Luoyang Tuoqi Engineering Vehicle Technology Co., Ltd. taking over Luoyang Xinyan Mechanic Materials Co., Ltd. Refer to VII. Changes on Consolidation Scope for details.

III. BASIS OF PREPARATION OF FINANCIAL STATEMENT

1. Basis of preparation of financial statement

Based on the going-concern assumption and transactions and events actually incurred, the consolidated financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises by the Ministry of Finance of the PRC, NO. 15 Information Disclosures Regulations for Companies that Offering Shares in Public — General Rules of Preparing Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Exchange and Companies Ordinance, and IV Significant Accounting Policies and Accounting Estimates of this Notes.

2. Going Concern

With the recent history of generating profit from operation and the financial support, consideration of financial statements being prepared on going concerns is reasonable and in conformity with the Company's actual operation.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. **Disclaimer on the compliance with accounting standards for business enterprises**

The financial statements have been prepared by the Company in accordance with the Accounting Standards for Business Enterprises (ASBEs), and truly and fairly present the Group and the Company's financial position, operating results, and cash flows as at 31 December 2014.

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

2. **Accounting period**

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

3. **Operating Cycle**

Operating cycle of the Group is twelve months

4. **Reporting currency**

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

5. Business combination under common and un-common control

The Group, as the acquirer, recognises acquired assets and liabilities under common control at their carrying amounts in consolidated financial statements of the ultimate shareholder on the acquisition date. The difference between the carrying amount of the net assets obtained and the amount of consideration paid for the combinations adjusted to capital reserves (capital premium). If the balance of capital reserves (capital premium) is insufficient, any excess is adjusted against retained earnings.

Identifiable assets, liabilities and contingencies acquired through business combination under un-common control are recognised at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, fair value of non-cash assets, liabilities issued or assumed, equity securities issued on the date of acquisition, and other direct expenses incurred in order to obtain the control over acquiree. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, the acquirer shall recognise the remaining difference as non-operating income in the current profit or loss.

6. Preparation of consolidated financial statements

The Group's consolidation scope includes all subsidiaries.

When accounting policy and accounting period that subsidiaries adopt are not in accordance with the ones of the Company, subsidiaries' financial statements should be adjusted based on the Company's accounting policy and accounting period when preparing consolidated financial statements.

All significant inter-company balances, transactions and unrealized profits are eliminated when consolidation statements are prepared. Shareholders' equity of subsidiaries not attributable to the parent, net profit and loss, other comprehensive income and the comprehensive income that is attributable to minority interest shall be disclosed as non-controlling shareholders' equity, non-controlling shareholders' profit or loss, other comprehensive income attributable to non-controlling shareholders and total comprehensive income attributable to non-controlling shareholders in consolidation income statements.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6. Preparation of consolidated financial statements *(Continued)*

For subsidiary acquired through business combination under common control, its operating results and cash flow shall be consolidated from the beginning of the period that the Group acquires its control. Adjustments to prior period during the preparation of consolidated financial statements are considered to exist in the reporting entity after combination since the ultimate control was obtained.

For subsidiaries acquired through business combination not under common control, its operating results and cash flow shall be consolidated from the date that the Group obtain the control. Adjustments to subsidiary shall be made based on fair value of identifiable assets, liabilities and contingent liabilities on acquisition date when preparing consolidated financial statements.

7. Category on joint arrangement and accounting treatment on joint operations

The Group's joint arrangement includes joint operations and joint venture entities. For joint operations the Group, as the joint operator, recognises assets and liabilities solely held and owed by the Group, recognises assets and liabilities jointly owned proportionally, and recognises income and expenses solely or proportionally based on agreements. Only profit or loss attributable to other joint operators shall be recognised in transactions which purchase and sale occurred with joint operator but not classified as trading transactions.

8. Cash and cash equivalents

Cash in the cash flow statement indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are held less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9. Foreign exchange translation for financial statements

(1) Transactions involving foreign currencies

Foreign currency transactions are translated into RMB at the spot exchange rate on the date of the transaction.

The monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance date. However, the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into current profit and loss. For non-monetary items measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognised is applied and the amount in RMB is consistent. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognised is applied and the exchange difference is accounted into current profit and loss as a result of fair value change, or recognised as other comprehensive income and charged into capital reserves.

(2) Foreign currency translation of financial statements

The asset and liability items in the balance sheets are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for retained earnings, are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate during the accounting period. The difference arisen from the above translation's are presented separately under other comprehensive income. Foreign currency cash flow is translated using the average exchange rate during the accounting period. The impact of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial assets and liabilities

The Group recognises a financial asset or liability when it enters a financial instrument contract.

(1) Financial assets

1) The classification, recognition and measurement of financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables and available-for-sale financial assets, according to the purposes of investments and their economic substance.

Financial assets at fair value through profit or loss include trading financial assets and the financial assets designated as, when initially recognized, the financial assets measured at fair value and its movement recorded through profit and loss.

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments for which management has both positive intention and ability to hold to maturity. Held to maturity investment is subsequently measured under amortized costs. Its amortization, impairment, and gain or loss from derecognition is recognized as profit or loss of the current year.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial assets and liabilities *(Continued)*

(1) Financial assets *(Continued)*

2) Transfer of financial assets

A financial asset is derecognised when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognises such financial asset to the extent of its continuous involvement and recognises the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for de-recognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial assets and liabilities *(Continued)*

(1) Financial assets *(Continued)*

3) Test of impairment on financial assets and relevant accounting treatments

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is accrued when there is objective evidence that a financial asset is impaired.

Available-for-sale stock investments on the balance sheet date are measured with the fair value by the Group. If the decrease of fair value is equal or over 50% of the decrease in cost or on the balance sheet date, the fair value has continuously decrease over 12 months, accumulated impairment will be recognized, by the Group, with the amount equal to the difference between the cost and ending fair value it is satisfied one of the following conditions, the investment of available-for-sale equity instruments is impaired, the provision of impairment is provided based on the amount which the fair value is lower than the cost, and recorded into the current profit and loss account: 1) on the balance sheet date, the fair value has decreased dramatically, the decrease of fair value is equal or over 50% of the decrease in cost.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is accrued for the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit and loss for the period.

When impairment incurred in available for sale financial assets, the accumulated losses in fair value that was previously directly recorded in shareholder's equity are transferred out and recognised as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognised, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previous recognised impairment loss is reversed into profit or loss for the period. For equity investments classified as available-for-sale equity on which impairment loss has been recognised, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial assets and liabilities *(Continued)*

(2) Financial liabilities

1) The classification, recognition and measurement of financial liability

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other liabilities are subsequently measured at residual cost using the effective interest rate method.

2) De-recognition of financial liability

The portion financial liability or obligation is derecognised when its underlying present obligations (or part of those obligations) are discharged. Existing financial liability is derecognised and new financial liability is recognised when the Company enters an agreement with its debtor to replace existing liability with a new financial liability and the contractual terms on new financial liability are different with the existing one. An existing financial liability is fully or partially de-recognised and a new financial liability is recognised when the Company significantly amends all or part of contractual terms on existing financial liability. The difference between consideration paid and the carrying amount of de-recognised financial liability is recorded as current profit or loss.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10. Financial assets and liabilities *(Continued)*

(2) Financial liabilities *(Continued)*

3) Determine the fair value of financial assets and financial liabilities

Fair values on the Group's financial assets and liabilities are determined by prices existed in major markets. Where there is no major market, the most beneficial market prices together with then available and sufficient data and other evaluation technology supporting information are used to determine fair values of financial assets and liabilities.

Input data for determining fair values has three levels, the first level is the available unadjusted price for a same asset or liability on the date of evaluation in an active market; the second level is the direct or indirect visible input data related to the same asset or liability apart from data in the first level; the third level is the invisible input data related to the same asset or liability.

Input data in the first layer has the first priority and the third layer is the last to consider by the Group. The lowest layer that has significant impact on the overall fair value evaluation determines which layer this fair value evaluation result shall belong to.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

11. Provision on accounts receivables

Receivables include accounts receivable, other receivables, advances to suppliers etc. The Group's accounts receivable arise from selling goods and rendering services. The Group initially recognise account receivables in accordance to the selling price stated in the contract signed or the amount negotiated with buyers.

The Group recognises bad debts when the following conditions are met: the debtors are dissolved, bankrupt, insolvent, in significant deficiency in cash flows or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or there are conclusive evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the balance sheet date, receivables are assessed for impairment on individual or portfolio basis. Provision for bad debts is recognised in the profit or loss for the period. When there are objective evidences indicating the receivable are considered not recoverable, it is written off against the allowance account in accordance with the approval procedures of the Group.

Individual and portfolio methods are applied to estimate impairment loss on accounts receivable.

(1) Accounts receivable that are individually insignificant but are accrued separately for bad debts

The basis or standard for determining the significant level of individual receivable	Consider individual receivables above RMB5 million as significant amount
Provision-making Method on individual receivables above significant level	The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Provision on accounts receivables (Continued)

(2) **Receivables that are accrued for bad debts on credit risk portfolio basis**

Basis for determination of portfolio (aging, percentage of balance, and others)

Aging Accrued for bad debts based on the aging of receivables

Deposit and petty cash Do not accrue for bad debts

a) **Percentage of bad debts provision according to aging analysis is as follows:**

Aging	Accounts Receivable (%)	Other Receivables (%)
Within 1 year	1-15	1-15
1-2 years	50	50
2-3 years	100	100
Over 3 years	100	100

(3) **Accounts receivable that are individually insignificant but are accrued for bad debts separately**

Reason for accruing bad debts individually Individual receivables below significant level whereby the combined method does not reflect its risk characteristics

Method for provision of bad debts Provision for bad debts is accrued using the difference between the present value of future cash flows and the book value of receivables

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12. Inventories

The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process, finished goods, and projects costs etc.

The Group maintains a perpetual inventory system. Inventories are recorded at actual cost of purchase. Cost is calculated using weighted average method when the inventories are issued or consumed. Low value consumables and packaging material are amortised by one-time write off.

Net realisable value of finished goods, work in progress, or held-for-sale raw materials are determined by their estimated selling price less estimated selling expenses and related taxes. Net realisable value for raw material held for production are determined by the estimated selling price of finished goods less the estimated cost to completion, selling expenses and taxes.

13. Long-term equity investments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

13. Long-term equity investments *(Continued)*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

13. Long-term equity investments *(Continued)*

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

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

The carrying amount of long-term investment subsequently accounted on the equity method shall be adjusted to increase or decrease according to the movement of owner's equity of the investee. In determining the share of net profit from the investee, according to the Group's accounting policies and accounting period, adjustments shall be made towards the net profit based on fair values of all identifiable assets at the time of acquisition after eliminating proportioned profit or loss attributable to the investor resulted from intergroup transactions between joint venture and associates, before recognising net profit from the investee.

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

For remaining share holding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for sale financial assets. The difference between fair value and the carrying value of remaining share holding on the date loss of control shall be included in the investment profit or loss for such period. Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method; it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

13. Long-term equity investments *(Continued)*

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining share holding which can apply common control or imposes significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting method for each transaction will be treated as disposing subsidiary and loss of control. However, difference between each disposal price before loss of control and the carrying value of the long-term investment of the equity disposed, shall be recognized as comprehensive income, and shall be transfer to profit or loss for the current period upon loss of control.

14. Investment properties

The investment properties of the Group include land use rights leased out, land use rights held for sale after appreciation and leased buildings. Investment properties of the Group are subsequently measured using cost model.

Investment properties are depreciated or amortised on straight line method. The estimated useful life, residual percentage, and annual depreciation (amortization) rates are in consistent with the ones adopted in fixed assets.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets

Fixed assets are tangible assets, having useful life over one accounting year, which are held for the production of goods and/or the rendering of services, leasing to others, or for operating purposes.

Fixed asset is recognised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Fixed assets consist of buildings, machinery, transportation equipment, electric devices, office equipment, other equipments, and land recognized individually.

Apart from those fixed assets that are fully depreciated but still in use, as well as land separately recognised, the Group depreciates all fixed assets under composite life method.

Useful life, estimated residual value, depreciation rate of the fixed assets under the Group's classification are as the following:

Classification	Useful life (year)	The rate of	Depreciation rate (%)
		estimated residual value (%)	
Land	Long-term	—	—
Building	10-30	5-10	3.00-9.50
Machinery	10-14	5-10	6.40-9.50
Transportation equipment	8-12	5-10	7.50-11.90
Electric equipment	5-8	5-10	11.30-19.00
Office equipment	5-8	5-10	11.30-19.00
Others	5-14	5-10	6.40-19.00

The Group assesses the useful life, the depreciation rate and the method of depreciation for fixed assets at the end of each year. If any changes occur, they will be treated as changes on accounting estimates.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

16. Construction in progress

Construction in progress is transferred to the fixed assets on the date the asset is ready for its intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The estimated cost of the asset is adjusted to reflect its actual cost when the construction settlement procedure is completed. However, no adjustment is necessary for the depreciation or amortization that is previously accrued.

17. Borrowing cost

Borrowing costs directly attributed to purchasing or constructing fixed assets, investment properties and inventories that are ready for use or sale for the period of more than one year shall be capitalised when expenditures and borrowing cost have occurred and purchasing or constructing activities making assets available for use or sale already commenced. When assets that are eligible for capitalisation reach the condition of ready for use or sale, no more borrowing cost will be capitalized. Subsequent borrowing costs are accounted in current period profit or loss. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of an eligible asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months. The suspension ceases when the acquisition, construction or production activities are resumed.

For specific borrowings obtained for the acquisition of eligible assets, the amount of borrowing costs to be capitalised is the interest expenses actually incurred during the period of capitalisation deducting any interest income earned from depositing the unused borrowings in the banks or any investment income arising from temporary investment of those borrowings. For general borrowings obtained for the acquisition of eligible assets, the amount of borrowing cost to be capitalised is determined by applying the weighted average of the excess amount of cumulative capital expenditures on the assets over the amount of specific borrowings multiplies capitalisation ratio on general borrowings that has been reached. Capitalisation ratio is calculated based on the weighted average interest rate on general borrowings.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

18. Intangible assets

The intangible assets of the Group include the land use right, patent technology, non-patent technology, software, and trade mark. Intangible assets are measured at their actual cost when acquired. The cost of purchased intangible assets is the actual purchase price and other necessary expenditures on purchase. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

Land-use rights are amortised evenly over the lease terms from the date of transferred. Patents, technologies and other intangible assets are amortised over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Assessment on useful life and amortisation for those assets that have limited useful lives takes place at the end of each year. In case of changes on method exists, adjustment to accounting estimates shall be made accordingly.

The right to use on trade mark and the production permission have indefinite useful life. Evaluation of the useful life is based on the trend of market and competition, service cycle of products, and long-term management and development strategy. The basis indicates that the right to use on trade mark and the production permission will generate net cash flow during long-term period without definite time limit. Therefore, term within which the right and permission will economically benefit the Group is unpredictable. The useful life is indefinite.

Research and development expenditures of the Group is classified into expenditure on the researching phase and expenditure on the development phase depends on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. The expenditures in research phase are accounted into current profit and loss. The expenditures in development phase are recognised as intangible assets if they meet the following conditions:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) The management has the intention to complete the intangible asset for use or sale;
- (3) In terms of bringing economic benefits, there is evidence showing that the products produced using the intangible asset has a market or the intangible asset itself has a market; intangible assets used internally show signs of useable;

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

18. Intangible assets *(Continued)*

- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed is not recognised as an asset in subsequent period. Capitalised expenditure on the development phase is presented in the balance sheet as development expenditure and transfer to intangible assets when they are ready for intended use.

19. Impairment on long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment properties measured under cost modelling, fixed assets, construction in progress, and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, it will be tested for impairment by the Group. Goodwill and intangible assets with indefinite useful life are tested for impairment every year end regardless of whether indication for impairment exists.

If the recoverable amount of an asset is less than its carrying amount, the difference is accounted as provision for impairment and recognised as an impairment loss. Above impairment loss is not allowed to be reversed at subsequent accounting period once it has been recognised. Recoverable amount of assets means the difference between the net amount of asset's fair value less disposal cost and the present value of predicted cash flows that are generated by the assets in the future.

Indications of impairment are as the following:

1. During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
2. Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
3. Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

19. Impairment on long-term assets *(Continued)*

4. Evidence is available of obsolescence or physical damage of an asset;
5. Assets has or will become idle and discontinued and the plan to dispose of an asset before the previously expected date;
6. Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. For example, net cash flow or operating profit (loss) generated by assets is significantly lower (higher) than the expected amount etc.;
7. Other matters indicating that impairment of assets might have taken place.

20. Long-term prepayments

Long-term prepayments are expenditures that have been incurred but shall be amortised over the current period and subsequent periods of more than one year. The expenditures are amortised evenly over the estimated beneficial period and disclosed at the net amount of actual expenditure after accumulated amortisation. If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortised balance is then transferred to profit or loss for the period. The Group's long-term prepayments include leasing, amortization on moulds, and so on.

21. Employee benefits

Employee's benefits include short-term remuneration, post-employment benefits, layoff benefits and other long-term benefits.

Short-term remuneration includes salary, bonus, allowance, welfare, and the social security include medical, injury, and birth insurance, housing fund, labour union, staff education, short-period paid leave, short-term profit sharing plan, non-monetary benefit, and other short-term employees benefit. It shall be recognised as liabilities during the accounting period when the employee renders services to the Group and allocated to related cost of assets and expense based on different beneficiaries.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Employee benefits *(Continued)*

Post employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services' from employees, except for the short-term compensation and employee benefits. Post employment benefits including the endowment insurance, pension, unemployment insurance, retirement benefits and other post employment benefits, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

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

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. Termination benefit treatment is applied before actual retirement date, and post employment benefit treatment is applied after actual retirement date for the employee when she/he meets the followings: cannot render service to the Group and economically benefit the Group even though the employment contract is not yet relieved; is promised, by the Group, to receive economic compensation with the substance of termination benefit, such as "early retirement".

The compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the Current Year at the earlier of the following dates: 1. when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; 2. when the Group recognize and pay the related costs for a restructuring of termination benefits.

For the termination benefits that are not expected to be paid within the subsequent 12 months following the balance sheet date and the termination plan that completes the substantive termination within one year but pays off the related amount within over one year, the amount of termination benefit will be discounted with the most appropriate discount rate adopted by the Group and then recognized as profit or loss.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21. Employee benefits *(Continued)*

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

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

22. Contingent liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group shall recognise contingent liabilities: the assumed responsibilities are current liability; the fulfilment of obligations will cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

Estimated liabilities are recognised at the most appropriate estimation of obligations by considering related risks, uncertainties and time value of money etc. If the effect by time value of money is significant, the most appropriate estimation will be discounted into present value. As time goes on, the book value of estimated liabilities is increased by the discount reduction; the increased amount is recognised as interest expense.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

23. Revenue recognition

The revenue of the Group is mainly derived from selling goods, rendering services and allowing the use by others of company's assets. The criteria of reorganization are as follows:

(1) The revenue from sales of goods

Sales of goods are recognised when the significant risks and rewards of the ownership of commodities are transferred to customers; the Group has no longer retained continuous management rights generally associated with the ownerships; the Group has no longer effective control over the commodities sold; the amount of revenue can be reliably measured; it is very likely that the economic benefits will flow to the Company; and the related costs that has incurred or will be incurred can be reliably measured.

(2) The revenue from rendering service

The revenue from rendering service will be recognized when the total income and cost of service can be measured reliable, relative economic benefits likely flow into the Group, and the percentage of completion of the service can be measured reliably. As at the balance sheet date, the amount of rendering could be reliably measured, is recognized at percentage of completion, which is determined by the completed actual divided by total costs.

The amount of rendering could not be reliably measured, is subject to estimated revenue generated from incurred costs, carry forward same amount into labour costs. If the amount of rendering could not be reliably measured, the incurred costs could not generate future benefit; the costs are accounts to current profits and losses, not recognized as services revenue.

(3) The revenue from transfer of asset use right

The revenue from the property alienation, including interests income and royalty fee, will be recognized on the contract date by the contract method, when the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

24. Government subsidy

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor.

Where a government grant is in the form of a monetary asset, it is measured at the amount received. Where a government grant is made on the basis of a fixed amount or strong evidence showing such grant is expected to receive and relevant government finance supporting policies are met, it is measured at the amount receivable. Where a government grant is in the form of a non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1.

The Group classifies government subsidies as grants pertinent to assets and grants pertinent to incomes. The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life. The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses are directly recognized in profit or loss.

25. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred liabilities of the Group are recognised based on the differences (temporary differences) between tax bases of assets and liabilities and respective carrying amount. Deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are recognised as deferred tax assets. The temporary difference of initial recognition of goodwill shall not be recognised as deferred tax liabilities. The temporary difference caused by the initial recognition of assets and liabilities from non-enterprise combination, which is not influence profits and tax payables, shall not be recognised as deferred tax asset and liabilities. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

26. Lease

Leases are classified as finance leases and operating leases at the date of inception. Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. Operating leases are leases other than finance leases. The leases of the Group are operating leases.

The Group, as a lessee to a financing lease, recognises the assets under finance lease at the lower of the fair value at the inception of the lease and the present value of minimum lease payment. The corresponding liability is recorded as long-term payable at the amount of minimum lease payments. The difference is recorded as unrecognised finance lease charge.

The Group, as a lessee to an operating lease, recognises lease payment on a straight-line basis over the terms of the lease and records as a cost of an assets or an expense for the period.

27. Safety production cost

The Group draws safety production cost, records it to the cost of related products or in the profit or loss and transferred to special reserve based on Caiqi [2012] No.16 Management of Drawing and Using Safety Production Cost issued by the Ministry of Finance and State Administration of Work Safety on 14 February 2012. The Group shall directly reduce special reserve if the safety production cost is belonging to expense. If fixed asset is arose in using safety production cost, all expenditures are recorded in construction in progress and recognized as fixed asset when the safety project is finished and ready for its intended use; meanwhile, the Group shall reduce special reserve based on the cost of the fixed asset and recognize the accumulated depreciation in the same amount. No more deprecation is available for this fixed asset in the following periods.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

28. Segment information

The Group determines the operating segments on the basis of internal structure, management requirements and internal reporting system and adopts these operating segments as the basis for reporting segments for disclosure purposes. An operating segment is a component of the Group that satisfies all of the following conditions: it is able to earn revenue and incur expenses from ordinary business activities; its operating results are regularly reviewed by the Group's management for making decision about resources to be allocated to the segment and to assess its performance; and for which the financial information on the financial position, operating results and cash flow of these components is available to the Group. Two or more operating segments can be aggregated into one single operating segment if they have similar economic characteristic and satisfy certain conditions.

Transfer price between segments shall be considered on arms length. Joint cost, except for those are unable to allocate reasonably, shall be allocated among segments based on ratio of income derived.

29. Discontinued operation

Discontinued operation is a component of the Group that either has been disposed of or is classified as held-for-sale, and can be distinguished from other components within the Group in the business operations and in the preparation of financial statements. The component will be wholly or partly disposed of according to the plan of the Group.

A component is classified as held-for-sale when all of the following conditions are satisfied: the Group has made a resolution on disposal of the component; an irrevocable contract with the transferee has been signed; and the transfer will be completed within one year.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Changes and reasons	Approval	Notes
<p>The Ministry of Finance issued Accounting Standards for Enterprises No. 39 Measurement of Fair Value, No. 40 Arrangement of Joint Ventures, No. 41 Disclosure of Equity in Other Entities; and amended Accounting Standards for Enterprises No.30 Financial Statement Presentation, No.9 Employee Benefits, No.33 Consolidated Financial Statement, No.2 Long-term Equity Investment, No. 37 Presentation of Financial Instruments as well as Basic Standard between January and July 2014. The above nine accounting standards shall be implemented from 1 July 2014 except for amended Accounting Standards for Enterprise No. 37 Presentation of Financial Instruments and Basic Standard. Basic Standard shall be implemented from 23 July 2014 and Accounting Standards for Enterprise No. 37 Presentation of Financial Instruments shall be implemented for the financial statements prepared for the year of 2014 and the subsequent period. The Group made transitional adjustments and other required changes in preparing financial statements for the year of 2014 to reflect adoption of the above nine accounting standards.</p>	<p>Relevant changes of accounting policies have been approved at the seventeenth meeting of the sixth session of the Board of the Company.</p>	<p>Explanation 1-2</p>

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

30. Changes in significant accounting policies and accounting estimates *(Continued)*

(1) Changes in significant accounting policies *(Continued)*

Explanation 1: As for the equity investments where the Group has no joint control or significant influence over the investee and there is no quotation in active market and the fair value cannot be reliably measured, these equity investments are recognized as long-term equity investments and measured using cost method by the Group before the year of 2014. According to amended Accounting Standards for Enterprises No. 2 Long-term Equity Investment, Accounting Standards for Enterprises No. 22 Recognition and Measurement of Financial Instrument shall be applied to these above equity investments. As for the above changes in accounting policies, the Group made retrospective adjustments and restated comparatives. Long-term equity investment was reduced by RMB80,843,718.41; financial asset available for sale was increased by RMB80,843,718.41. No changes made to total asset in the balance sheet as at 31 December 2013.

Explanation 2: The Group recorded movement in fair value of financial assets available for sale in capital reserve before the year of 2014. According to amended Accounting Standards for Enterprises No. 30 — Financial Statement Presentation, the above equity shall be transferred from capital reserve to other comprehensive income. As for the above changes in accounting policies, the Group made retrospective adjustments and restated comparatives. Capital reserve was reduced by RMB13,012,917.24 on balance sheet and changes in shareholders' equity; other comprehensive income was increased by RMB13,012,917.24. No changes made to shareholder's equity attributable to the parent company in statement of changes in shareholder's equity for the year of 2013.

(2) Changes in significant accounting estimates

None

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

V. TAXATION

1. Value added tax (VAT)

VAT rate of 13% is applied to purchase and sale of water, heat, gas, agricultural machinery (whole machine), etc.

VAT rate of 17% is applied to other purchases and sales.

During the period from 1 January to 31 December 2014, Luoyang Tractor Research Institute Co., Ltd., as the transformed scientific research institute, was exempted from import tariffs and VAT for importing reasonable quantities of technical research products that cannot be locally manufactured or whose performance cannot meet the needs according to Ling [2011] No.63 *Decisions on amending "Interim Provision of Exemption from Import Tax for Products for Development of Science and Technology" and "Provision of Exemption from Import Tax for Products for Scientific Research and Education"* issued by the Ministry of Finance, the General Administration of Customs and State Administration of Taxation.

During the period from 1 January to 31 December 2014, Luoyang Tractor Research Institute Co., Ltd., as the transformed scientific research institute, got full VAT refund on purchase of domestic equipment according to Caishui [2011] No.88 *Notice of Continuing Implementing Tax Policies for the Purchase of Equipment by Research and Development Institutes from Ministry of Finance, Ministry of Commerce, General Administration of Customs and State Administration of Taxation.*

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to Caishui [2013] No.106 *Notice of Adding Railway Transport and Postal Industry to Pilot of Levying Business Tax instead of VAT.*

Luoyang Changhong Trading Co., Ltd. and Luoyang Changxing Agriculture Machinery Co., Ltd., subsidiaries of the Company, are exempted from VAT on sale of agricultural machinery according to Caishui [2001] No.113 *Notice of Exemption from VAT for Agricultural Production Issued by Ministry of Finance and State Administration of Taxation.*

Since the Company's subsidiaries, Cadfund Machinery (SA) (Pty) Ltd, YTO France SAS and YITWO Agro-Industrial, were registered overseas, the local tax rate is applied for VAT purpose.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

V. TAXATION *(CONTINUED)*

2. Business tax

As for the revenue from service fee and etc, the business tax is calculated on 5% of the taxable income. According to Caishui [2013] No. 37 *Notice of Tax Policies of Developing Pilot for Replacing Business Tax with VAT in Transport Industry and Part of Modern Service Industry* issued by the Ministry of Finance and the State Administration of Taxation on 24 May 2013, 6% VAT rate shall be applied to those revenue originally triggered to business tax and commenced to calculate and pay VAT as the result of 'Business to VAT Transfer' from 1 August 2013.

3. Urban construction & maintenance tax

Urban construction & maintenance tax is calculated at 7% of the actual payment on turnover tax.

4. Education surcharges

Educational surcharges are calculated at 3% of the actual payment on turnover tax. The Company and its domestic subsidiaries also pays local educational surcharges based on 2% of the actual payment on turnover tax.

5. Corporate income tax

As approved by the Science and Technology Department and the Finance Department of Henan Province, the State Administration of Taxation and the local tax bureau, the Company and its subsidiaries, YTO Diesel Engine Co., Ltd., Tractors Research Company, Luoyang Xiyuan Vehicles and Power Inspection Institute Co., Ltd. and YTO Flag Auto-body Company Limited are entitled to the 15% preferential income tax rate for new and high tech enterprises according to Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

Since the Company's subsidiaries, Cadfund Machinery (SA) (Pty) Ltd, YTO France SAS and YITWO Agro-Industrial, were registered overseas, the local tax rate is applied for income tax purposes.

The other subsidiaries of the Company are entitled to the 25% corporate income tax.

6. Property tax

The applicable tax rate is 1.2% when the tax base is 70% of the property's original cost. The applicable tax rate is 12% when the tax base is the rental income.

7. Other taxes

Other taxes shall be paid in accordance with relevant provisions of the country.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS

Following disclosed financial Statement data, except for otherwise indicated, "Beginning balance" refers to 1 January 2014, "Ending balance" refers to 31 December 2014, "Current period" refers to the period from 1 January 2014 to 31 December, 2014, "Last period" refers to the period from 1 January 2013 to 31 December, 2013, and the currency unit is RMB.

1. Cash and cash equivalents

Items	Ending balance	Beginning balance
Cash on hand	1,225,011.51	1,743,738.88
Cash in bank	1,824,370,871.38	1,677,940,462.29
Other	172,563,633.40	203,795,322.43
Total	1,998,159,516.29	1,883,479,523.60
Including: Total amount deposited abroad	173,871,582.28	105,455,593.69

Notes: At the end of 31 December 2014, the restricted cash includes statutory reserve of RMB83,555,719.49 at central bank (Last period: RMB85,366,519.69), security deposit on acceptance notes of RMB161,476,511.50 (Last period: RMB129,914,673.72), and other security deposit of RMB3,225,117.09 (Last period: 50,361,372.12).

2. Financial assets at fair value through profit or loss

(1) Classification of financial assets held for trading

Items	Ending balance	Beginning balance
Financial assets held for trading	14,360,150.44	11,095,259.97
Include: Investments in debt instruments	0.00	2,000,000.00
Investments in equity instrument	14,360,150.44	9,095,259.97
Derivative financial assets	0.00	0.00
Financial assets designated as at fair value through profit or loss	340,000,000.00	348,000,000.00
Include: Investments in debt instruments	0.00	0.00
Investments in equity instrument	0.00	0.00
Entrust	340,000,000.00	348,000,000.00
Total	354,360,150.44	359,095,259.97

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2. Financial assets at fair value through profit or loss *(Continued)*

(2) Analysis of financial assets held for trading

<u>Items</u>	<u>Ending fair value</u>	<u>Beginning fair value</u>
Listed		
China (except for Hong Kong)	6,148,800.00	6,052,108.40
Hong Kong	8,211,350.44	5,043,151.57
Others	0.00	0.00
Subtotal	<u>14,360,150.44</u>	<u>11,095,259.97</u>
Unlisted	<u>340,000,000.00</u>	<u>348,000,000.00</u>
Total	<u><u>354,360,150.44</u></u>	<u><u>359,095,259.97</u></u>

Notes: The market value of listed investments is RMB14,360,150.44 at the end of the year.

3. Notes receivable

(1) Category

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Bank acceptance notes	928,490,389.33	1,249,771,182.51
Commercial acceptance bill	<u>12,257,750.00</u>	<u>20,128,004.00</u>
Total	<u><u>940,748,139.33</u></u>	<u><u>1,269,899,186.51</u></u>

(2) Notes receivable pledged at the end of the year

<u>Items</u>	<u>Amount pledged at the end of the year</u>
Bank acceptance notes	<u><u>210,832,741.74</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable (Continued)

(3) Notes receivable endorsed or discounted but not yet due at the end of the year

Items	De-recognized at the end of the year	Continuing recognized at the end of the year
Bank acceptance notes	1,590,520,838.16	0.00
Commercial acceptance bill	39,090,608.77	0.00
Total	1,629,611,446.93	0.00

(4) There is no note receivable being transferred to account receivable because of the inability to fulfil the contract by the issuers.

4. Accounts receivable

Items	Ending balance	Beginning balance
Accounts receivable	1,270,883,492.72	1,310,403,882.11
Less: Provision for bad debts	391,528,449.03	242,915,603.92
Net amount	879,355,043.69	1,067,488,278.19

(1) Aging analysis

Items	Ending balance	Beginning balance
Within 1 year	692,243,522.17	1,007,666,910.70
1-2 years	173,347,290.36	59,486,867.49
2-3 years	13,718,015.86	80,000.00
Over 3 years	46,215.30	254,500.00
Net amount	879,355,043.69	1,067,488,278.19

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Classification by risks

Category	Ending balance				
	Book value		Bad debts		Book value
	Amount	Percentage	Amount	Percentage	
	%		%		
Individually significant and provided for bad debts on individual basis	165,722,986.41	13.04	99,195,014.05	59.86	66,527,972.36
Provided for bad debts on portfolio basis	1,097,253,075.26	86.34	291,472,051.63	26.56	805,781,023.63
Individually insignificant but provided for bad debts on individual basis	7,907,431.05	0.62	861,383.35	10.89	7,046,047.70
Total	1,270,883,492.72	100.00	391,528,449.03	—	879,355,043.69

Category	Beginning balance				
	Book value		Bad debts		Book value
	Amount	Percentage	Amount	Percentage	
	%		%		
Individually significant and provided for bad debts on individual basis	225,710,564.11	17.22	43,436,513.00	19.24	182,274,051.11
Provided for bad debts on portfolio basis	1,076,624,992.22	82.16	199,040,338.26	18.49	877,584,653.96
Individually insignificant but provided for bad debts on individual basis	8,068,325.78	0.62	438,752.66	5.44	7,629,573.12
Total	1,310,403,882.11	100.00	242,915,603.92	—	1,067,488,278.19

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Classification by risks (Continued)

1) Accounts receivable that are individually significant and provided for bad debts on individual basis

Company name	Book balance	Amount of bad debts	Provision proportion (%)	Reasons for provision
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd.	59,972,820.17	56,055,182.15	93.47	Note
Tumoteyouqi Santian Mining Co., Ltd	36,473,653.71	6,168,486.14	16.91	Note
Shanxi Linfeng Engineering Machinery Co., Ltd.	22,359,766.53	21,315,680.12	95.33	Note
Tumoteyouqi Sidaogou Mining Co., Ltd.	24,248,280.18	2,188,154.67	9.02	Note
Luoyang Jinjun Industry and Trade Co., Ltd.	7,313,461.65	5,756,788.11	78.71	Note
Shanxi Dongyuan Auto Sales Co., Ltd.	7,903,452.20	7,267,209.97	91.95	Note
Haixi Bo'ao Engineering Co., Ltd.	7,451,551.97	443,512.89	5.95	Note
Total	165,722,986.41	99,195,014.05	—	—

Note: Based on the nature of the business, customers with similar credit risk are classified to a special group to determine the provision for bad debt based on the loss rate after assessment.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

4. Accounts receivable *(Continued)*

(2) Classification by risks *(Continued)*

2) Accounts receivable that are provided for bad debts by aging analysis

Age	Accounts receivable	Ending balance Provision for bad debts	Provision proportion (%)
Within 1 year	739,101,711.86	54,715,202.01	7.40
1-2 years	242,789,027.56	121,394,513.78	50.00
2-3 years	47,149,311.02	47,149,311.02	100.00
Over 3 years	68,213,024.82	68,213,024.82	100.00
Total	<u>1,097,253,075.26</u>	<u>291,472,051.63</u>	—

(3) Accounts receivable written off during the year

Items	Amount
Written off	<u>283,980.40</u>

Significant accounts receivable written off:

Company Name	Nature of accounts receivable	Amount written off	Reasons for written off	Written off procedures performed	Whether arising from related party transactions
Australian Super Hoist Plus Pty Ltd.	Payment for goods	279,401.40	Unrecoverable for remaining balances after receiving insurance compensation	Board Meeting resolution	No
Linyi Ouyada Tractor Co., Ltd.	Payment for goods	4,579.00	Cancellation of business	General Meeting resolution	No
Total		<u>283,980.40</u>	—	—	—

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(4) Top five debtors at the year end

Company Name	Relationship	Ending Balance	Age	Proportion in closing balance (%)
Liaoning Dongsheng Mechanized Equipment Co., Ltd	Non-related party	87,160,914.78	Within 1 year: RMB1,547,110.4, 1-2 years: RMB85,613,804.38	6.86
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd.	Non-related party	59,972,820.17	Within 1 year: RMB564,158.39, 1-2 years: RMB59,408,661.78	4.72
Wulumuqi Shifeng Agricultural Machinery Co., Ltd.	Non-related party	56,174,677.42	Within 1 year: RMB45,821,264, 1-2 years: RMB10,353,413.42	4.42
Tumoteyouqi Santian Mining Co., Ltd	Non-related party	36,473,653.71	Within 1 year: RMB1,209,055.83, 1-2 years: RMB31,409,772.83, 2-3 years: RMB3,854,825.05	2.87
Fujin Haoran Agricultural Machinery Sales Co., Ltd.	Non-related party	31,746,039.92	Within 1 year	2.50
Total	—	<u>271,528,106.00</u>	—	<u>21.37</u>

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers

(1) Aging Analysis

Items	Ending balance		Beginning balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	262,375,404.56	89.83	159,887,124.19	82.19
1-2 years	5,857,870.72	2.00	12,799,910.22	6.58
2 -3 years	8,693,433.51	2.98	3,753,224.45	1.93
Over 3 years	15,162,203.95	5.19	18,098,812.09	9.30
Total	<u>292,088,912.74</u>	<u>100.00</u>	<u>194,539,070.95</u>	<u>100.00</u>

Advanced payment of RMB13,709,716.79 made by subsidiary YTO International Economic & Trade Co., Ltd. to YTO Huizhou Bicycle Co., Ltd was aged over one year, and has not been settled due to incompleteness of the transaction.

(2) Top five advances to suppliers at the year end

Company name	Ending Balance	Age	Proportion in closing balance (%)
Xuzhou Xugong Tire Co., Ltd.	79,999,946.10	Within 1 year	27.39
Hebei Longfeng Shan Casting Industry Co., Ltd.	41,208,795.40	Within 1 year	14.11
Findton International Limited	16,025,043.03	Within 1 year	5.49
Cineti Clandis Limited	13,903,406.65	Within 1 year	4.76
YTO (Huizhou) Bicycle Co., Ltd.	<u>13,709,716.79</u>	1-2 yrs 900,000; 2-3 yrs 7,488; 4-5 yrs 12,802,228.79	<u>4.69</u>
Total	<u>164,846,907.97</u>	—	<u>56.44</u>

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Interests receivable

(1) Categories

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Fixed term deposit	<u>133,472.22</u>	<u>0.00</u>

(2) There is no significant overdue interest at the end of the year.

7. Other receivables

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Other receivables	<u>240,583,624.80</u>	80,612,840.20
Less: Provision for bad debts	<u>12,093,244.89</u>	<u>12,946,740.56</u>
Net amount	<u>228,490,379.91</u>	<u>67,666,099.64</u>

(1) Aging analysis

<u>Age</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Within 1 year	<u>218,598,912.87</u>	61,836,140.97
1-2 years	<u>2,930,430.15</u>	3,074,342.01
2-3 years	<u>2,865,953.19</u>	434,747.78
Over 3 years	<u>4,095,083.70</u>	<u>2,320,868.88</u>
Net amount	<u>228,490,379.91</u>	<u>67,666,099.64</u>

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Classifications

Items	Ending balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Percentage	
		%		%	
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis	240,583,624.80	100.00	12,093,244.89	5.03	228,490,379.91
Other receivables that are individually insignificant but are individually provided for bad debts	0.00	0.00	0.00	0.00	0.00
Total	240,583,624.80	100.00	12,093,244.89	—	228,490,379.91

Items	Beginning balance				Carrying amount
	Book balance		Provision for bad debts		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
		(%)		(%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis	80,612,840.20	100.00	12,946,740.56	16.06	67,666,099.64
Other receivables that are individually insignificant but are individually provided for bad debts	0.00	0.00	0.00	0.00	0.00
Total	80,612,840.20	100.00	12,946,740.56	—	67,666,099.64

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Classifications (Continued)

Provided for bad debts by aging analysis

Items	Ending balance		Percentage (%)
	Amount	Bad debts	
Within 1 year	218,829,847.60	230,934.73	0.11
1-2 years	3,377,665.78	447,235.63	13.24
2-3 years	2,870,953.19	5,000.00	0.17
Over 3 years	15,505,158.23	11,410,074.53	73.59
Total	240,583,624.80	12,093,244.89	—

(3) Classifications by nature

Nature & content	Ending balance	Beginning balance
Receivables and payables	209,922,919.15	45,506,265.54
Guarantee deposit, petty cash	4,801,363.19	14,421,592.78
Receivables from asset transfer	5,664,401.72	2,721,250.73
Social insurance withheld for further payment	2,604,086.50	1,685,951.92
Others	5,497,609.35	3,331,038.67
Total	228,490,379.91	67,666,099.64

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

7. Other receivables *(Continued)*

(4) Top five other debtors

Company name	Nature & content	Amount	Age	Proportion in other receivables (%)	Ending balance of bad debts provision
YTO (Luoyang) Drive Axle Co., Ltd	Receivables and payables	165,120,652.00	Within 1 year	68.63	0.00
National Tax Bureau of Luoyang Jianxi district	Tax refund on exports	13,936,468.90	Within 1 year	5.79	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	Receivables and payables	2,051,505.85	Within 1 year	0.85	0.00
Shanxi Heavy-Duty Truck Co., Ltd.	Guarantee deposit	2,001,000.00	Within 1 year	0.83	0.00
Luoyang Jiangyang Hardware Co., Ltd.	Rent expenses	530,000.00	Within 1 year	0.22	0.00
Total	—	<u>183,639,626.75</u>	—	<u>76.32</u>	<u>0.00</u>

Note: See Note XV.1. Matters of joint venture for receivable due from ZF YTO (Luoyang) Drive Axle Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

(1) Categories

Items	Ending balance			Beginning balance		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Raw materials	529,119,196.09	39,685,264.31	489,433,931.78	479,852,252.60	32,015,619.51	447,836,633.09
Work in progress	369,581,970.81	16,892,562.44	352,689,408.37	462,537,785.63	18,052,020.91	444,485,764.72
Finished goods	626,856,803.24	33,450,492.97	593,406,310.27	888,509,094.06	33,872,041.88	854,637,052.18
Turnover materials	12,599,084.39	733,421.05	11,865,663.34	20,805,925.20	1,496,894.77	19,309,030.43
Others	30,940.21	0.00	30,940.21	0.00	0.00	0.00
Total	1,538,187,994.74	90,761,740.77	1,447,426,253.97	1,851,705,057.49	85,436,577.07	1,766,268,480.42

(2) Provision for the inventory decline in value

Items	Increase in this year			Decrease in this year		Ending balance
	Beginning balance	Provision	Others	Reversal	Other transfer out	
Raw materials	32,015,619.51	8,499,214.45	0.00	0.00	829,569.65	39,685,264.31
Work in progress	18,052,020.91	0.00	0.00	285,564.19	873,894.28	16,892,562.44
Finished goods	33,872,041.88	6,739,003.20	0.00	0.00	7,160,552.11	33,450,492.97
Turnover materials	1,496,894.77	0.00	0.00	763,473.72	0.00	733,421.05
Others	0.00	0.00	0.00	0.00	0.00	0.00
Total	85,436,577.07	15,238,217.65	0.00	1,049,037.91	8,864,016.04	90,761,740.77

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

8. Inventories *(Continued)*

(3) Inventory decline in value provision

Items	Basis for recognition of net realizable value	Reasons for reversal
Raw materials	Closing market price minus expected costs incurred	No reversal in current year
Work in progress	Closing market price minus expected costs incurred	Sold
Finished goods	Closing market price minus expected costs incurred	No reversal in current year
Turnover materials	Closing market price minus expected costs incurred	Sold
Others	Closing market price minus expected costs incurred	No reversal in current year
Total	—	—

9. Loans and advances from customers

(1) Distribution of loans and advances by individual and corporate

Items	Ending balance	Beginning balance
Individuals	5,198,656.49	14,348,995.70
Credit cards	0.00	0.00
Property mortgages	181,788.67	244,710.50
Others	5,016,867.82	14,104,285.20
Corporate customers	1,377,830,189.22	724,571,337.28
Loans	410,680,000.00	502,861,106.25
Discounting of notes	967,150,189.22	221,710,231.03
Others	0.00	0.00
Total of loans and advances	1,383,028,845.71	738,920,332.98
Less: Provision for losses	20,667,398.16	13,597,507.75
Including: Provision made on individual basis	0.00	0.00
Provision made on portfolio basis	20,667,398.16	13,597,507.75
Total carrying value of loans and advances	1,362,361,447.55	725,322,825.23

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Loans and advances from customers (Continued)

(2) Distribution of loans and advances by industry sectors

Distribution of industry	Ending balance	Proportion (%)	Beginning balance	Proportion (%)
Machinery manufacturing	1,377,830,189.22	99.62	724,571,337.28	98.06
Individuals	5,198,656.49	0.38	14,348,995.70	1.94
Total loans and advances	1,383,028,845.71	100.00	738,920,332.98	100.00
Less: Provision for losses	20,667,398.16	1.49	13,597,507.75	1.84
Including: Provision made on individual basis	0.00	0.00	0.00	0.00
Provision made on portfolio basis	20,667,398.16	1.49	13,597,507.75	1.84
Total carrying value of loans and advances	1,362,361,447.55	98.51	725,322,825.23	98.16

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

9. Loans and advances from customers *(Continued)*

(3) Distribution of loans and advances by geographic location

Location	Ending balance	Proportion (%)	Beginning balance	Proportion (%)
Northeast China	10,000,000.00	0.72	0.00	0.00
Central China	1,373,028,845.71	99.28	738,920,332.98	100.00
Total loans and advances	1,383,028,845.71	100.00	738,920,332.98	100.00
Less: Provision for losses	20,667,398.16	1.49	13,597,507.75	1.84
Including: Provision made on individual basis	0.00	0.00	0.00	0.00
Provision made on portfolio basis	20,667,398.16	1.49	13,597,507.75	1.84
Total carrying value of loans and advances	1,362,361,447.55	98.51	725,322,825.23	98.16

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Loans and advances from customers (Continued)

(4) Distribution of loans and advances by type of credit enhancements

Item	Ending balance	Beginning balance
Credit	312,520,000.00	376,000,000.00
Guaranteed	83,360,000.00	120,900,000.00
Secured by collateral	987,148,845.71	242,020,332.98
Including: Mortgages	5,198,656.49	16,244,710.50
Pledged	981,950,189.22	225,775,622.48
Total loans and advances	1,383,028,845.71	738,920,332.98
Less: Provision for losses	20,667,398.16	13,597,507.75
Including: Provision made on individual basis	0.00	0.00
Provision made on portfolio basis	20,667,398.16	13,597,507.75
Total carrying value of loans and advances	1,362,361,447.55	725,322,825.23

(5) Provision for losses on loans

Item	Current year		Last year	
	Individual	Portfolio	Individual	Portfolio
Beginning balance	0.00	13,597,507.75	0.00	16,988,148.65
Current year provision	0.00	7,069,890.41	0.00	-3,390,640.90
Ending balance	0.00	20,667,398.16	0.00	13,597,507.75

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Other current assets

Item	Ending balance	Beginning balance
Prepaid expenses	101,018.59	0.00
Structured deposit	50,000,000.00	0.00
Prepaid corporate income tax	6,282,542.64	0.00
Total	56,383,561.23	0.00

Note: On 26 November, the Company and Shanghai Pudong Development Bank (Luoyang Longmen Branch) entered into Liduoduo Structural Deposit Product Contract to buy the 2014 JG816 batch of Liduoduo Structural Deposit, from SPDB, valued at RMB50 million, with the 4.3% annual rate of return. Effective date of return is 28 November, 2014, and expired date is 2 March 2015. The product is belongs to return guaranteed product, and principal and interest is expected to be paid off upon expiration.

11. Available-for-sale financial assets

(1) Available-for-sale financial assets

Items	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Debt instruments	0.00	0.00	0.00	0.00	0.00	0.00
Equity instruments	97,806,400.00	0.00	97,806,400.00	66,806,900.00	10,069,628.40	56,737,271.60
Measured at fair value	97,806,400.00	0.00	97,806,400.00	66,806,900.00	10,069,628.40	56,737,271.60
Measured at cost	0.00	0.00	0.00	0.00	0.00	0.00
Others	198,830,843.41	10,701,502.00	188,129,341.41	89,898,518.41	9,054,800.00	80,843,718.41
Total	296,637,243.41	10,701,502.00	285,935,741.41	156,705,418.41	19,124,428.40	137,580,990.01

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Available-for-sale financial assets (Continued)

(2) Analysis of available-for-sale financial assets

Items	Ending balance	Beginning balance
Listed	97,806,400.00	56,737,271.60
China (except for Hong Kong)	97,806,400.00	56,737,271.60
Hong Kong	0.00	0.00
Other areas	0.00	0.00
Subtotal	0.00	0.00
Unlisted	188,129,341.41	80,843,718.41
Total	285,935,741.41	137,580,990.01

(3) Available-for-sale assets measured on fair value

Items	Equity instruments	Debt instruments	Others	Total
Cost of equity instruments	39,798,000.00	0.00	0.00	39,798,000.00
Fair value	97,806,400.00	0.00	0.00	97,806,400.00
Accumulated other comprehensive income from changes on fair value	58,008,400.00	0.00	0.00	58,008,400.00
Impairment amount	0.00	0.00	0.00	0.00

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Available-for-sale financial assets (Continued)

(4) Available-for-sale assets measured on cost

Company being invested	Book balance			Provision for impairment				Ending balance	Proportion of shares (%)	Cash dividends in current year
	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease			
Beijing Zhongnongwang Technology Co., Ltd.	2,122,800.00	0.00	0.00	2,122,800.00	2,122,800.00	0.00	0.00	2,122,800.00	15.00	0.00
Nanyang Xiangrui Agricultural Equipment Co., Ltd.	1,400,000.00	0.00	0.00	1,400,000.00	0.00	1,400,000.00	0.00	1,400,000.00	7.00	0.00
YTO (Luoyang) Dongfanghong Tire Co. Note 2	800,000.00	0.00	0.00	800,000.00	0.00	800,000.00	0.00	800,000.00	3.11	0.00
Luoyin Financial Leasing Co., Ltd.	0.00	110,000,000.00	0.00	110,000,000.00	0.00	0.00	0.00	0.00	18.34	0.00
Bank of Luoyang	78,129,341.41	0.00	0.00	78,129,341.41	0.00	0.00	0.00	0.00	4.89	21,496,000.00
Marine Biotechnology Co., Ltd. Note 1	2,132,000.00	0.00	553,298.00	1,578,702.00	2,132,000.00	0.00	553,298.00	1,578,702.00	20.00	0.00
Luoyang Bofeng Bearing Co., Ltd. Note 2	4,800,000.00	0.00	0.00	4,800,000.00	4,800,000.00	0.00	0.00	4,800,000.00	16.00	0.00
Shenyin & Wanguo Securities	500,000.00	0.00	500,000.00	0.00	0.00	0.00	0.00	0.00	0.0060	0.00
Shanghai Baoding Equity Investment Co., Ltd.	14,377.00	0.00	14,377.00	0.00	0.00	0.00	0.00	0.00	0.0198	0.00
Total	89,898,518.41	110,000,000.00	1,067,675.00	198,830,843.41	9,054,800.00	2,200,000.00	553,298.00	10,701,502.00	—	21,496,000.00

Note 1: Beijing Zhongnongwang Technology Co., Ltd. and Marine Biotechnology Co., Ltd. have been in the status of discontinued operations. The Company is no longer involved in the operation and liquidation of the above companies and draw assigned staff back. Full impairment has been provided for investments in above companies.

Note 2: Full impairment has been made on investments in Nanyang Xiangrui Agricultural Equipment Co., Ltd., YTO (Luoyang) Dongfanghong Tire Co. and Luoyang Bofeng Bearing Co., Ltd., for their poor management performance.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Available-for-sale financial assets (Continued)

(5) Provision for impairment of available-for-sale financial assets

Classification	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Beginning balance of provision for impairment	10,069,628.40	0.00	9,054,800.00	19,124,428.40
Increase	0.00	0.00	2,200,000.00	2,200,000.00
Including: transfer from other comprehensive income	0.00	0.00	0.00	0.00
Decrease	10,069,628.40	0.00	553,298.00	10,622,926.40
Including: reversal from the raise of fair value	0.00	0.00	—	0.00
Ending balance for impairment	0.00	0.00	10,701,502.00	10,701,502.00

12. Held-to-maturity investments

(1) Details

Items	Ending balance	Beginning balance
Short-term financing bonds	0.00	25,601,874.77

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

(1) Category of long-term equity investments

Company being invested	Beginning balance	Additional investment	Investment being reduced	Changes during the year						Ending balance	Ending balance of provision for impairment
				Investment profit/loss recognition based on equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit	Provision for impairment	Other		
1. Investments in subsidiaries	16,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,200,000.00	16,200,000.00
YTO (Shenyang) Co., Ltd. Note 1	16,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,200,000.00	16,200,000.00
2. Investments in associates	16,189,156.85	57,155,113.08	0.00	-490,583.44	0.00	0.00	0.00	0.00	0.00	72,853,686.49	7,004,515.65
ZF & YTO (Luoyang) Drive Axle Co., Ltd. Note 2	0.00	57,155,113.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,155,113.08	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	1,192,493.20	0.00	0.00	-102,035.92	0.00	0.00	0.00	0.00	0.00	1,090,457.28	0.00
Luoyang Fusaite Auto Ltd. Note 1	7,004,515.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,004,515.65	7,004,515.65
Luoyang I&C Technology Consulting Co., Ltd.	208,904.86	0.00	0.00	-31,500.51	0.00	0.00	0.00	0.00	0.00	177,404.35	0.00
Luoyang Yongwei Machinery Co., Ltd.	7,783,243.14	0.00	0.00	-357,047.01	0.00	0.00	0.00	0.00	0.00	7,426,196.13	0.00
Total	32,389,156.85	57,155,113.08	0.00	-490,583.44	0.00	0.00	0.00	0.00	0.00	89,053,686.49	23,204,515.65

Note 1: YTO (Shenyang) Co., Ltd and Luoyang Fusaite Auto Ltd. have been in the status of discontinued operations. The company is no longer involved in the operation and liquidation of the above companies and draw assigned staff back. Full impairment has been provided for investments in above companies.

Note 2: See Note XV.1. Matters of joint venture for the details of ZF YTO (Luoyang) Drive Axle Co., Ltd.

(2) Analysis of long-term equity investments

Items	Ending balance	Beginning balance
Listed	0.00	0.00
China (except Hong Kong)	0.00	0.00
Hong Kong	0.00	0.00
Others	0.00	0.00
Subtotal	0.00	0.00
Unlisted	65,849,170.84	9,184,641.20
Total	65,849,170.84	9,184,641.20

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties

(1) Investment properties are measured at cost

Item	Buildings	Land use rights	Total
<1> Original cost		0.00	0.00
1. Beginning balance	36,821,976.00	0.00	36,821,976.00
2. Increase	0.00	0.00	0.00
(1) Purchase	0.00	0.00	0.00
(2) Transferred from inventories/fixed assets/construction in progress	0.00	0.00	0.00
(3) Business combination	0.00	0.00	0.00
3. Decrease	36,821,976.00	0.00	36,821,976.00
(1) Disposal	36,821,976.00	0.00	36,821,976.00
(2) Other transfer out	0.00	0.00	0.00
4. Ending Balance	0.00	0.00	0.00
<2> Accumulated depreciation		0.00	0.00
1. Beginning balance	5,661,934.48	0.00	5,661,934.48
2. Increase	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00
3. Decrease	5,661,934.48	0.00	5,661,934.48
(1) Disposal	5,661,934.48	0.00	5,661,934.48
(2) Other transfer out	0.00	0.00	0.00
4. Ending Balance	0.00	0.00	0.00
<3> Impairment of assets		0.00	0.00
1. Beginning balance	0.00	0.00	0.00
2. Increase	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00
3. Decrease	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00
(2) Other transfer out	0.00	0.00	0.00
4. Ending Balance	0.00	0.00	0.00
<4> Book value		0.00	0.00
1. Ending balance	0.00	0.00	0.00
2. Beginning balance	31,160,041.52	0.00	31,160,041.52

Notes: Current year depreciation and amortization on investment properties is RMB0.00. (Last year: RMB1,350,530.40)

The decrease in current year was resulted from the external transfer of subsidiary Shanghai Qiangnong (Group) Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties (Continued)

(2) The analysis of location and investment period:

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Located in the territory of China	0.00	31,160,041.52
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	31,160,041.52
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	0.00	31,160,041.52

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

(1) Breakdown

Items	Land	Buildings	Machinery	Transportation equipment	Electrical and Office equipment	Other equipment	Total
<1> Original cost							
1. Beginning balance	8,696,723.68	1,796,652,339.28	3,203,221,569.84	58,370,877.52	125,340,079.03	11,144,678.37	5,203,426,267.72
2. Increase	0.00	122,037,587.56	247,592,309.56	3,395,438.16	3,815,970.15	1,517,854.43	378,359,159.86
(1) Purchase	0.00	8,751,870.67	28,338,896.37	1,483,854.38	1,729,089.98	1,502,580.96	41,806,292.36
(2) Transferred from construction in progress	0.00	112,903,169.89	218,262,968.08	1,911,583.78	2,083,298.53	15,273.47	335,176,293.75
(3) Others	0.00	382,547.00	990,445.11	0.00	3,581.64	0.00	1,376,573.75
3. Decrease	995,088.88	4,488,165.68	129,368,364.63	5,242,168.60	4,695,511.23	461,404.61	145,250,703.63
(1) Disposal	0.00	3,727,713.34	116,357,663.04	4,903,596.55	4,681,122.80	443,980.61	130,114,076.34
(2) Others	995,088.88	760,452.34	13,010,701.59	338,572.05	14,388.43	17,424.00	15,136,627.29
4. Ending balance	7,701,634.80	1,914,201,761.16	3,321,445,514.77	56,524,147.08	124,460,537.95	12,201,128.19	5,436,534,723.95
<2> Accumulated depreciation							
1. Beginning balance	0.00	660,807,857.38	1,749,377,156.18	26,632,049.55	56,146,496.79	6,202,686.36	2,499,166,246.26
2. Increase	0.00	59,569,637.51	188,191,876.74	5,469,453.49	9,416,412.71	1,335,431.46	263,982,811.91
(1) Provision	0.00	59,569,637.51	188,191,876.74	5,469,453.49	9,416,412.71	1,335,431.46	263,982,811.91
3. Decrease	0.00	3,499,420.80	73,786,436.62	3,068,961.54	3,806,059.32	434,638.89	84,595,517.17
(1) Disposal	0.00	3,156,044.97	64,276,989.02	2,849,481.17	3,763,001.49	419,301.45	74,464,818.10
(2) Others	0.00	343,375.83	9,509,447.60	219,480.37	43,057.83	15,337.44	10,130,699.07
4. Ending balance	0.00	716,878,074.09	1,863,782,596.30	29,032,541.50	61,756,850.18	7,103,478.93	2,678,553,541.00
<3> Impairment of assets							
1. Beginning balance	0.00	1,500.00	18,279,341.73	11,663.13	14,618.31	207,849.68	18,514,972.85
2. Increase	0.00	0.00	549,992.00	0.00	0.00	0.00	549,992.00
(1) Provision	0.00	0.00	549,992.00	0.00	0.00	0.00	549,992.00
3. Decrease	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	1,500.00	18,829,333.73	11,663.13	14,618.31	207,849.68	19,064,964.85
<4> Book value							
1. Ending balance	7,701,634.80	1,197,322,187.07	1,438,833,584.74	27,479,942.45	62,689,069.46	4,889,799.58	2,738,916,218.10
2. Beginning balance	8,696,723.68	1,135,842,981.90	1,435,565,071.93	31,727,164.84	69,178,963.93	4,734,142.33	2,685,745,048.61

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

15. Fixed assets *(Continued)*

(1) Breakdown *(Continued)*

Notes: Current period depreciation was RMB263,982,811.91 (last year: RMB228,499,554.36 Yuan). Addition on fixed assets includes RMB335,176,293.75 transferred from construction in progress. The profit on sale of fixed asset in the current year is RMB4,802,409.27. The original cost of fixed assets that has been fully depreciated but still in use is RMB983,762,174.38.

See Note VI.69 for the pledged of fixed assets.

(2) The analysis of location and investment period:

Items	Ending balance	Beginning balance
Located in the territory of China	1,197,322,187.07	1,135,842,981.90
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	1,197,322,187.07	1,135,842,981.90
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	<u>1,197,322,187.07</u>	<u>1,135,842,981.90</u>

At the end of the year, fixed assets with carrying amount of RMB33,698,529.75 (original cost: RMB47,903,331.66) was leased out assets through operating leases. (Beginning balance of carrying amount: RMB5,152,602.24, beginning balance of original cost: RMB18,010,633.37). Details are as follows:

Items	Book value
Buildings	27,500,882.30
Machinery	<u>6,197,647.45</u>
Total	<u>33,698,529.75</u>

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(3) Fixed assets in the process of receiving title certificates

Fixed assets with a carrying amount of RMB37,920,767.99 are newly purchased during this year (Last year: RMB32,408,050.74); the formalities of property rights transfer are still in progress. Since transferring process stated above is based on relevant legal agreements, the Board of Directors believes that there are no actual legal uncertainties which could materially affect the title transfer or use rights of those buildings; and no significant affection on the normal operations of the business. Therefore neither provision for impairment was not recorded, nor significant additional cost would incurred.

Items	Book value	Reason
YTO Industrial Park staff dining hall three-layer frame	6,653,046.07	In progress and expected to finalise in December 2015
Subsidiary Fulaige Zhengzhou Branch Main Factory House and Office Building	14,200,536.02	Land title was obtained in April 2014. Administration Committee of Economic Development Zone and Seahorse Company required the construction to commence before the application of relevant formalities to be started. The application of planning permit of construction project is in progress. Bidding file, construction permit, fire file, quality testing and project completion acceptance which shall all be applied after receiving the planning permit of construction project. And the property ownership certificate is expected to be obtained.
Subsidiary transportation machinery plant and office building	17,067,185.90	The land was bought from Cijian Town People's Government Xin'an County in August 2004. According to the agreement signed by both parties, land transfer fee, certificate fee and relevant taxes should all be included in the total price. However during the application process for property ownership certificate, the developer refused to pay the taxes for deed and farmland occupation. With the unsuccessful negotiation with the developer, the entity cannot afford such a huge amount of taxes because of the consecutive business losses suffered in the recent years. Therefore, the property ownership certificate application is still in progress.
Total	<u>37,920,767.99</u>	—

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

(1) Breakdown

Items	Ending balance			Beginning balance		
	Closing balance	Provision for impairment	Book value	Closing balance	Provision for impairment	Book value
Core capacity upgrading project on new wheeled tractor	147,522,531.79	0.00	147,522,531.79	64,920,021.29	0.00	64,920,021.29
Agricultural high-power diesel engine project	119,741,781.66	0.00	119,741,781.66	54,025,233.86	0.00	54,025,233.86
New giant parts workshop of No. 3 Assembling Factory	52,511,937.03	0.00	52,511,937.03	0.00	0.00	0.00
Enhancement of R&D capabilities for technology center	34,026,886.18	0.00	34,026,886.18	41,868,837.48	0.00	41,868,837.48
Cylinder old line reconstruction project	33,989,624.98	0.00	33,989,624.98	32,528,800.00	0.00	32,528,800.00
Xinjiang large wheeled tractor infrastructure project II	22,969,269.43	0.00	22,969,269.43	0.00	0.00	0.00
100 thousand new diesel engine project	20,647,095.59	0.00	20,647,095.59	25,366,855.60	0.00	25,366,855.60
EPC project	15,041,213.76	0.00	15,041,213.76	0.00	0.00	0.00
Forged crankshaft machining line project	13,540,080.94	0.00	13,540,080.94	47,682,142.92	0.00	47,682,142.92
Capacity expansion and reconstruction project for gear type line of diesel subsidiary	11,774,699.74	0.00	11,774,699.74	11,263,326.57	0.00	11,263,326.57
Construction in progress in France	10,943,799.83	0.00	10,943,799.83	5,453,116.76	0.00	5,453,116.76
EPC molding line	7,801,162.17	0.00	7,801,162.17	2,186,500.00	0.00	2,186,500.00
IF furnace reconstruction project	6,914,101.32	0.00	6,914,101.32	0.00	0.00	0.00
KW molding line transformation system project	6,910,533.35	0.00	6,910,533.35	0.00	0.00	0.00
Technology improvement project to promote the qualities for P-type injector, P-type injector pump	6,406,878.69	0.00	6,406,878.69	1,519,006.87	0.00	1,519,006.87
Enhancement of the heat treatment	6,207,418.13	0.00	6,207,418.13	5,674,405.84		5,674,405.84
Green technology upgrade project for casting system	5,918,904.27	0.00	5,918,904.27	0.00	0.00	0.00
EPC production line	5,003,202.41	0.00	5,003,202.41	4,248,209.47	0.00	4,248,209.47
KW line and cleanup system transformation	4,782,564.25	0.00	4,782,564.25	0.00	0.00	0.00
IF induction furnace	4,722,338.96	0.00	4,722,338.96	7,166,158.78	0.00	7,166,158.78
Command exhibition center project	3,896,957.02	0.00	3,896,957.02	348,735.85	0.00	348,735.85
Equipment for wrapping up Xikuo	3,712,700.87	0.00	3,712,700.87	2,845,230.78	0.00	2,845,230.78
EGR production line	3,617,461.56	0.00	3,617,461.56	0.00	0.00	0.00
Auto parts industrial park project	3,616,375.36	0.00	3,616,375.36	1,121,316.93	0.00	1,121,316.93

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(1) Breakdown (Continued)

Items	Ending balance			Beginning balance		
	Closing balance	Provision for impairment	Book value	Closing balance	Provision for impairment	Book value
400 and LF904 fender welding automatic production line	3,217,948.72	0.00	3,217,948.72	0.00	0.00	0.00
Project of wrapping up Xikuo	3,178,102.58	0.00	3,178,102.58	0.00	0.00	0.00
Cooling road expansion project	3,011,038.45	0.00	3,011,038.45	0.00	0.00	0.00
Electrophoresis line	2,611,192.96	0.00	2,611,192.96	1,354,833.98	0.00	1,354,833.98
Plant foundation	2,224,411.39	0.00	2,224,411.39	2,227,270.39	0.00	2,227,270.39
Environmental protection facilities upgrading precipitators	2,104,741.88	0.00	2,104,741.88	531,094.00	0.00	531,094.00
Logistics service building and dismantling room project	2,076,315.45	0.00	2,076,315.45	9,000.00	0.00	9,000.00
Main journal connecting rod grinding machine project	1,972,495.72	0.00	1,972,495.72	0.00	0.00	0.00
Large reaming machine production line project	1,760,000.00	0.00	1,760,000.00	0.00	0.00	0.00
Digital technology in non-axis machining of cylinder production trial	1,752,136.79	0.00	1,752,136.79	0.00	0.00	0.00
4,000 ton forging press overhaul project	1,682,461.55	0.00	1,682,461.55	0.00	0.00	0.00
Industrial park large wheel tractor project	1,250,000.00	0.00	1,250,000.00	9,662,573.82	0.00	9,662,573.82
Others	72,286,828.29	8,533,977.20	63,752,851.09	111,110,972.45	8,533,977.20	102,576,995.25
Total	651,347,193.07	8,533,977.20	642,813,215.87	433,113,643.64	8,533,977.20	424,579,666.44

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(2) Significant changes of construction in progress

Project name	Beginning balance	Increase	Decrease		Ending balance
			Transferred to fixed assets	Others	
Core capacity upgrading project on new wheeled tractor	64,920,021.29	122,671,148.93	40,068,638.43	0.00	147,522,531.79
Agricultural high-power diesel engine project	54,025,233.86	68,933,682.41	3,217,134.61	0.00	119,741,781.66
New giant parts workshop of No. 3 Assembling Factory	0.00	52,511,937.03	0.00	0.00	52,511,937.03
Enhancement of R&D capabilities for technology center	41,868,837.48	50,134,058.37	57,976,009.67	0.00	34,026,886.18
Cylinder old line reconstruction project	32,528,800.00	4,654,842.07	3,194,017.09	0.00	33,989,624.98
Xinjiang large wheeled tractor infrastructure project II	0.00	22,969,269.43	0.00	0.00	22,969,269.43
100 thousand new diesel engine project	25,366,855.60	8,647,778.32	13,367,538.33	0.00	20,647,095.59
EPC project	0.00	15,041,213.76	0.00	0.00	15,041,213.76
Forged crankshaft machining line project	47,682,142.92	52,185,015.26	86,327,077.24	0.00	13,540,080.94
Capacity expansion and reconstruction project for gear type line of Diesel Corporations	11,263,326.57	5,689,443.96	5,178,070.79	0.00	11,774,699.74
Construction in progress in France	5,453,116.76	5,490,683.07	0.00	0.00	10,943,799.83
EPC molding line	2,186,500.00	5,614,662.17	0.00	0.00	7,801,162.17
IF furnace reconstruction project	0.00	6,914,101.32	0.00	0.00	6,914,101.32
KW molding line transformation system project	0.00	7,567,441.07	656,907.72	0.00	6,910,533.35
Technology improvement project for promoting qualities for P-type injector, P-type injector pump	1,519,006.87	12,173,290.74	7,285,418.92	0.00	6,406,878.69
Enhancement of the heat treatment	5,674,405.84	2,655,832.82	2,122,820.53	0.00	6,207,418.13
Green technology upgrade project for casting system	0.00	5,918,904.27	0.00	0.00	5,918,904.27
EPC production line	4,248,209.47	754,992.94	0.00	0.00	5,003,202.41
KW line and cleanup system transformation	0.00	4,782,564.25	0.00	0.00	4,782,564.25
Command exhibition center project	348,735.85	3,548,221.17	0.00	0.00	3,896,957.02
Equipment for wrapping up Xikuo	2,845,230.78	2,269,150.43	1,401,680.34	0.00	3,712,700.87
EGR production line	0.00	3,617,461.56	0.00	0.00	3,617,461.56

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(2) Significant changes of construction in progress (Continued)

Project name	Beginning balance	Increase	Decrease		Ending balance
			Transferred to fixed assets	Others	
Auto parts industrial park project	1,121,316.93	3,835,231.69	1,340,173.26	0.00	3,616,375.36
400 and LF904 fender welding automatic production line	0.00	3,217,948.72	0.00	0.00	3,217,948.72
Project of wrapping up Xikuo	0.00	4,305,089.47	1,126,986.89	0.00	3,178,102.58
Cooling road expansion project	0.00	3,011,038.45	0.00	0.00	3,011,038.45
Electrophoresis line	1,354,833.98	1,256,358.98	0.00	0.00	2,611,192.96
Environmental protection facilities upgrading precipitators	531,094.00	1,573,647.88	0.00	0.00	2,104,741.88
Logistics service building and dismounting room project	9,000.00	2,067,315.45	0.00	0.00	2,076,315.45
Main journal connecting rod grinding machine project	0.00	1,972,495.72	0.00	0.00	1,972,495.72
Large reaming machine production line project	0.00	1,760,000.00	0.00	0.00	1,760,000.00
Digital technology in non-axis machining of cylinder production trial	0.00	1,752,136.79	0.00	0.00	1,752,136.79
4,000 ton forging press overhaul project	0.00	1,682,461.55	0.00	0.00	1,682,461.55
Industrial park large wheel tractor project	9,662,573.82	1,250,000.00	9,662,573.82	0.00	1,250,000.00
Others	120,504,401.62	60,980,423.13	102,251,246.11	0.00	79,233,578.64
Total	433,113,643.64	553,409,843.18	335,176,293.75	0.00	651,347,193.07

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

16. Construction in progress *(Continued)*

(2) Significant changes of construction in progress *(Continued)*

Project name	Budget	Percentage of actual project investment to budget (%)	Rate of progress (%)	Accumulated capitalization of interest	Including: capitalization of interest in this year	Interest capitalization rate in this year (%)	Sources of funds
Core capacity upgrading project on new wheeled tractor	160,000,000.00	80.00	80.00	0.00	0.00	0.00	raising fund
Agricultural high-power diesel engine project	65,000,000.00	70.00	70.00	12,829,031.02	0.00	4.404-6.9	raising fund
New giant parts workshop of No. 3 Assembling Factor	50,000,000.00	70.00	70.00	0.00	0.00	0.00	raising fund
Enhancement of R&D capabilities for technology center	296,000,000.00	31.08	31.08	0.00	0.00	0.00	self funding
Cylinder old line reconstruction project	38,050,000.00	98.00	98.00	0.00	0.00	0.00	self funding
Xinjiang large wheeled tractor infrastructure project II	45,000,000.00	78.00	78.00	0.00	0.00	0.00	raising fund
100 thousand new diesel engine project	390,000,000.00	24.00	24.00	0.00	0.00	0.00	self funding
EPC project	29,773,300.00	51.00	51.00	0.00	0.00	0.00	self funding
Forged crankshaft machining line project	58,000,000.00	80.00	80.00	819,901.92	0.00	4.404-6.9	self funding
Capacity expansion and reconstruction project for gear type line of Diesel Corporations	43,709,000.00	6.00	64.00	0.00	0.00	0.00	self funding
Construction in progress in France	11,000,000.00	99.00	99.00	0.00	0.00	0.00	self funding
EPC molding line	8,185,000.00	95.00	95.00	0.00	0.00	0.00	self funding
KW molding line transformation system project	7,982,000.00	87.00	87.00	0.00	0.00	0.00	self funding
Technology improvement project for promoting qualities for P-type injector, P-type injector pump	126,000,000.00	12.00	12.00	0.00	0.00	0.00	raising fund
Enhancement of the heat treatment	3,220,000.00	80.00	80.00	0.00	0.00	0.00	self funding
Green technology upgrade project for casting system	9,400,000.00	63.00	63.00	0.00	0.00	0.00	self funding
EPC production line	6,000,000.00	83.00	83.00	0.00	0.00	0.00	self funding
KW line and cleanup system transformation	7,950,000.00	60.00	60.00	0.00	0.00	0.00	self funding
IF induction furnace	52,200,000.00	9.00	9.00	0.00	0.00	0.00	self funding
Command exhibition center project	3,980,000.00	80.00	80.00	0.00	0.00	0.00	self funding
Equipment for wrapping up Xikuo	4,750,000.00	78.00	78.00	0.00	0.00	0.00	self funding

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(2) Significant changes of construction in progress (Continued)

Project name	Budget	Percentage of actual project investment to budget (%)	Rate of progress (%)	Accumulated capitalization of interest	Including: capitalization of interest in this year	Interest capitalization rate in this year (%)	Sources of funds
EGR production line	25,600,000.00	14.00	14.00	0.00	0.00	0.00	Self-raised
Auto parts industrial park project	9,436,067.34	41.00	41.00	0.00	0.00	0.00	Self-raised
400 and LF904 fender welding automatic production line	6,275,000.00	40.00	40.00	0.00	0.00	0.00	Self-raised
Project of wrapping up Xikuo	4,750,000.00	67.00	67.00	0.00	0.00	0.00	Self-raised
Cooling road expansion project	3,100,000.00	97.00	97.00	0.00	0.00	0.00	Self-raised
Electrophoresis line	2,800,000.00	53.29	53.29	0.00	0.00	0.00	Self-raised
Environmental protection facilities upgrading precipitators	7,890,000.00	27.00	27.00	0.00	0.00	0.00	Self-raised
Logistics service building and dismounting room project	4,600,000.00	45.14	45.14	0.00	0.00	0.00	Self-raised
Main journal connecting rod grinding machine project	3,960,000.00	90.00	90.00	0.00	0.00	0.00	Self-raised
Large reaming machine production line project	2,900,000.00	80.00	80.00	0.00	0.00	0.00	Self-raised
Digital technology in non-axis machining of cylinder production trial	2,320,000.00	76.00	76.00	0.00	0.00	0.00	Self-raised
4000 ton forging press overhaul project	2,600,000.00	80.00	80.00	0.00	0.00	0.00	Self-raised
Industrial park large wheel tractor project	1,050,000.00	100.00	100.00	0.00	0.00	0.00	Self-raised
Others	311,378,594.81	—	—	2,535,622.02	0.00	4.404-6.9	Self-raised
Total	1,804,858,962.15	—	—	16,184,554.96	0.00	—	—

(3) There is no increase on provision for impairment of construction in progress.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets

(1) Breakdown

Items	Land use rights	Patents	Trademarks	Software	House occupy rights	Others	Total
<1> Original cost							
1. Beginning balance	890,220,960.36	1,743,051.62	59,526,000.00	48,111,433.73	30,499,012.00	7,469,125.70	1,037,569,583.41
2. Increase	43,292,785.34	2,136,808.90	0.00	4,289,833.99	0.00	945,278.60	50,664,706.83
(1) Purchase	43,292,785.34	2,136,808.90	0.00	4,289,833.99	0.00	945,278.60	50,664,706.83
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease	3,925,205.75	643,953.98	0.00	3,000,410.28	30,499,012.00	0.00	38,068,582.01
(1) Disposal	3,925,205.75	643,953.98	0.00	836,917.10	30,499,012.00	0.00	35,905,088.83
(2) Others	0.00	0.00	0.00	2,163,493.18	0.00	0.00	2,163,493.18
4. Ending balance	929,588,539.95	3,235,906.54	59,526,000.00	49,400,857.44	0.00	8,414,404.30	1,050,165,708.23
<2> Accumulated amortization							
1. Beginning balance	53,612,225.25	1,049,940.77	0.00	19,961,493.70	3,813,878.28	736,604.95	79,174,142.95
2. Increase	23,238,431.84	2,456,879.67	0.00	8,060,790.36	0.00	273,655.68	34,029,757.55
(1) Accrual	23,238,431.84	2,456,879.67	0.00	8,060,790.36	0.00	273,655.68	34,029,757.55
3. Decrease	3,925,204.75	404,375.11	0.00	2,048,468.48	3,813,878.28	0.00	10,191,926.62
(1) Disposal	1,717,010.90	404,375.11	0.00	589,025.62	3,813,878.28	0.00	6,524,289.91
(2) Others	2,208,193.85	0.00	0.00	1,459,442.86	0.00	0.00	3,667,636.71
4. Ending Balance	72,925,452.34	3,102,445.33	0.00	25,973,815.58	0.00	1,010,260.63	103,011,973.88
<3> Provision for impairment							
1. Beginning balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Increase	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Accrual	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<4> Carrying amount							
1. Ending balance	856,663,087.61	133,461.21	59,526,000.00	23,427,041.86	0.00	7,404,143.67	947,153,734.35
2. Beginning balance	836,608,735.11	693,101.85	59,526,000.00	28,149,940.03	26,685,133.72	6,732,529.75	958,395,440.46

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

(2) Land location and terms of land use rights:

Items	Ending balance	Beginning balance
Located in the territory of China	929,588,539.95	890,220,960.36
Long-term (Over 50 years)	609,175,607.80	524,053,328.11
Mid-term (10–50 years)	320,412,932.15	366,167,632.25
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10–50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	929,588,539.95	890,220,960.36

Note: Current period amortization was RMB34,029,757.55 (Last year: RMB27,935,610.81)

The identified useful life of intangible assets at the end of the year are two trademarks 'Yi Tuo' and 'Dong Fang Hong' purchased from YTO Group Corporation with a total amount of RMB 59,526,000.00 in 2011. The recoverable amount of the trademark use right and the production license is the value in use calculated using the discounted cash flow method. This method includes the cash flow of the affiliated companies in five years until 31 December 2019 (perpetual afterwards). As for the years after the regulated years, hypothetical sustainable growth rate of 5% has been applied to the perpetual period. The expected growth rate is consistent with the expectation of the business development. The present value of the cash flow is calculated using the discount rate before tax of 4.3%. The Company determines that these two trademarks and patents as intangible assets with indefinite useful life and impairment test are carried out annually at year end. No indication for impairment is identified for the current year.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

(3) Land use rights not yet obtained property license

The land use rights in the intangible assets of the Company has a net value of RMB43,814,883.74 Yuan at the end of the year (Beginning balance: RMB0.00), the application for land use right certificates is being processed. As the above assets are purchased in accordance with the relevant legal agreement, the Board of Directors believes that there is no actual legal uncertainties which could materially affect the title transfer or use rights of those buildings; and no significant affection on the normal operations of the business. Therefore neither provision for impairment was not recorded, nor significant additional cost would incurred.

Items	Book value	Reason for not obtaining property license
Industrial Park Land Use Rights	43,292,782.43	In progress and expected to finalise in March 2015
East side of Jing Wu Road, Jiang Yan City	522,101.31	Procedures not completed
Total	43,814,883.74	—

18. Research and development expenses

Item	Beginning balance	Increase Internal development expenditure	Decrease		Ending balance
			Transfer to intangible assets	Transfer to profit and loss	
Research and development for tractors	0.00	207,154,308.80	0.00	207,154,308.80	0.00
Research and development for dynamical machinery	0.00	76,587,693.07	0.00	76,587,693.07	0.00
Updates on accessories and R&D on machinery	0.00	68,515,810.82	0.00	68,515,810.82	0.00
Fundamental research	0.00	35,255,001.81	0.00	35,255,001.81	0.00
Technology R&D	0.00	18,056,788.40	0.00	18,056,788.40	0.00
Total	0.00	405,569,602.90	0.00	405,569,602.90	0.00

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill

(1) Cost of goodwill

Name of investee	Beginning balance	Increase		Decrease		Ending balance
		Business combination	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

(2) Provision for impairment of goodwill

Name of investee	Beginning balance	Increase		Decrease		Ending balance
		Provision	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Long-term prepayments

Items	Beginning balance	Increase	Amortization	Other deductions	Ending balance
Patents	0.00	128,205.13	24,928.79	0.00	103,276.34
Equipment					
relocation fee	727,139.31	5,041.67	286,514.87	0.00	445,666.11
Mold amortization	9,806,136.51	11,101,060.67	4,355,482.07	769,658.12	15,782,056.99
Working bench	623,176.65	0.00	339,914.52	0.00	283,262.13
Repairs	5,329,664.40	4,027,861.42	3,036,441.05	0.00	6,321,084.77
Others	433,750.70	383,460.16	353,661.41	20,341.92	443,207.53
Total	16,919,867.57	15,645,629.05	8,396,942.71	790,000.04	23,378,553.87

21. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets recognized

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	46,359,917.11	9,275,547.72	0.00	0.00
Deductible tax losses	208,756,800.00	69,585,600.00	170,742,291.58	56,344,956.22
Change in the fair value of				
financial assets	0.00	0.00	16,462,142.34	4,115,535.57
Termination welfare	23,559,099.03	3,721,872.39	30,246,225.40	4,699,616.16
Wages payable and accrued expense	39,501,780.90	9,558,113.75	47,312,000.87	10,731,889.49
Deferred revenue	0.00	0.00	3,054,000.00	458,100.00
Total	318,177,597.04	92,141,133.86	267,816,660.19	76,350,097.44

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities (Continued)

(2) Deferred tax liabilities recognized

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Revaluation of combined assets controlled by different parties	139,153,832.61	34,788,458.15	188,801,092.84	47,200,273.21
Fair value change of available-for-sale financial assets recorded in capital reserves	58,008,400.00	10,086,100.00	18,112,000.00	2,716,800.00
Valuation of financial instruments held for trading, derivatives	1,849,700.00	462,425.00	0.00	0.00
Total	<u>199,011,932.61</u>	<u>45,336,983.15</u>	<u>206,913,092.84</u>	<u>49,917,073.21</u>

(3) Deductible temporary difference on unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Provision for bad debts	406,932,012.01	259,935,943.57
Impairment on inventories	44,401,823.66	85,436,577.07
Impairment on long-term equity investments	23,204,515.65	23,204,515.65
Impairment on available-for-sale financial assets	10,701,502.00	19,124,428.40
Impairment on goodwill	14,297,893.81	14,297,893.81
Impairment on fixed assets	19,064,964.85	18,514,972.85
Impairment on construction in progress	8,533,977.20	8,533,977.20
Impairment on loans and advances	20,667,398.16	13,597,507.75
Deductible tax losses	<u>380,487,943.23</u>	<u>307,968,757.86</u>
Total	<u>928,292,030.57</u>	<u>750,614,574.16</u>

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

21. Deferred tax assets and deferred tax liabilities *(Continued)*

(4) Deductible losses unrecognized as deferred tax liabilities due in the following year

Item	Ending balance	Beginning balance	Remark
2014	0.00	8,606,372.97	—
2015	47,301,365.05	56,095,420.63	—
2016	50,116,122.21	37,782,984.10	—
2017	55,095,535.10	25,301,016.70	—
2018	131,778,225.02	180,182,963.46	—
2019	96,196,695.85	0.00	—
Total	<u>380,487,943.23</u>	<u>307,968,757.86</u>	—

22. Short-term loans

(1) Categories

Category	Ending balance	Beginning balance
Pledged loans	300,502,792.48	177,156,219.23
Mortgaged loans	70,000,000.00	50,000,000.00
Guaranteed loans	59,808,410.91	4,000,000.00
Credit loans	1,214,221,442.76	61,281,191.66
Total	<u>1,644,532,646.15</u>	<u>292,437,410.89</u>

Pledged loans: Subsidiary YTO Group Financing Co., Ltd. drawn short-term loans of RMB300,502,792.48 in which RMB151,840,525.80 was borrowed from the People's Bank of China Zhongzhou branch and RMB148,662,266.68 from Shanghai Rural Commercial Bank, which had bank acceptance and commercial acceptance bill pledged as collateral.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Short-term loans (Continued)

(1) **Categories** (Continued)

Mortgage loans: Subsidiary Changtuo Agriculture Equipment Co., Ltd. drawn short-term loan of RMB70,000,000 from Jilin Bank Dong Sheng Branch, which had building and land use right at carrying amount RMB100,098,120.94 as mortgage.

Guaranteed loans: Subsidiary YTO (France) Agriculture Co., Ltd. drawn short-term loan of RMB59,808,410.91 from the Industrial and Commercial Bank of China (Paris Branch), which the First Tractor Company Limited was the guarantor.

(2) There is no short-term loan overdue in this year.

23. Loans from Centre Bank and deposits in other financial institutes

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Savings	271,361,543.62	370,196,793.93
Include: Corporate	269,440,896.09	368,719,739.24
Individual	1,920,647.53	1,477,054.69
Time deposits (including notice deposits)	304,884,797.66	194,825,493.12
Include: Corporate	304,884,797.66	194,825,493.12
Individual	0.00	0.00
Other deposits (including outward remittance, remittance payable etc)	0.00	0.00
Total	576,246,341.28	565,022,287.05

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Deposits from banks and other financial institutes

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Deposits from banks	350,000,000.00	300,000,000.00
Deposits from other financial institutions	0.00	50,000,000.00
Total	<u>350,000,000.00</u>	<u>350,000,000.00</u>

25. Notes payable

<u>Category</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Bank acceptance notes	590,532,840.88	605,225,390.64
Commercial acceptance notes	325,841,829.29	49,544,010.37
Total	<u>916,374,670.17</u>	<u>654,769,401.01</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

26. Accounts payable

(1) Breakdown

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Purchase payable	1,178,243,379.75	1,967,872,328.76
Construction materials payable	83,787,541.39	69,175,899.89
Service fee payable	40,921,388.89	10,460,552.07
Others	47,630,175.00	47,616,070.00
Total	<u>1,350,582,485.03</u>	<u>2,095,124,850.72</u>

(2) Aging analysis

The aging analysis of accounts payable as at 31 December 2014 is as follows

<u>Age</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Within 1 year	1,227,246,014.76	1,950,132,678.70
1 to 2 years	53,754,824.26	84,585,319.73
2-3 years	17,044,284.99	19,323,750.65
Over 3 years	52,537,361.02	41,083,101.64
Total	<u>1,350,582,485.03</u>	<u>2,095,124,850.72</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

26. Accounts payable *(Continued)*

(3) Accounts payable with significant amount aged over 1 year

Creditor	Amount due	Reasons
SCIVIC Engineering Corporation	8,186,420.00	Unsettled
Chernet Dana Sana	7,235,517.18	Unsettled
Tianyong Mechanical Electronics (Shanghai) Co., Ltd	3,271,244.00	Unsettled
Acompte Subvention	3,116,440.80	Unsettled
Luoyang Yilang Industry and Trade Co., Ltd	2,206,638.89	Unsettled
Benxi Steel Plate Co., Ltd	1,789,968.08	Quality dispute
Henan Tianfon Steel Construction Co., Ltd	1,714,652.29	Unsettled
Hangzhou running world wheel manufacture Co., Ltd.	1,283,070.00	Unsettled
Total	<u>28,803,951.24</u>	—

27. Advances from customers

(1) Aging

Items	Ending balance	Beginning balance
Within 1 year	235,328,765.97	239,149,087.28
Over 1 year	31,568,412.86	21,534,357.83
Total	<u>266,897,178.83</u>	<u>260,683,445.11</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Advances from customers (Continued)

(2) Significant amounts aged over 1 year

Creditor	Amount due	Reasons for not yet settled
SINOMACH-HI (Luoyang) Co., Ltd	3,084,611.46	Transactions not completed
Ningxia Boxin Hengtong Machinery Co., Ltd	3,560,000.00	Transactions not completed
Poly Technology Co., Ltd	2,356,069.50	Transactions not completed
Shanxi Feiyuda Machinery Engineering Co., Ltd	1,052,142.87	Transactions not completed
Shaanxi Linfeng Construction Machinery Co., Ltd	2,383,299.70	Transactions not completed
Total	<u>12,436,123.53</u>	—

28. Employee benefits payable

(1) Categories

Item	Beginning balance	Increase	Decrease	Ending balance
Short-term remuneration	44,089,866.92	1,065,595,527.14	1,058,770,299.58	50,915,094.48
Post-employment welfare				
— Defined Contribution Plan	4,091,792.90	165,974,734.41	167,718,995.15	2,347,532.16
Termination benefits	<u>63,197,638.64</u>	<u>9,415,692.07</u>	<u>25,166,250.84</u>	<u>47,447,079.87</u>
Total	<u>111,379,298.46</u>	<u>1,240,985,953.62</u>	<u>1,251,655,545.57</u>	<u>100,709,706.51</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (Continued)

(2) Short-term remuneration

Items	Beginning balance	Increase	Decrease	Ending balance
Wages or salaries, bonuses, allowances and subsidies	34,286,845.46	810,676,185.94	807,753,398.82	37,209,632.58
Staff welfare	0.00	102,246,103.32	97,570,681.35	4,675,421.97
Social securities	870,103.12	58,401,480.23	59,110,347.20	161,236.15
Include: – Medical insurance	783,246.93	48,161,472.96	48,783,483.74	161,236.15
– Work-related injury insurance	43,418.42	5,214,941.17	5,258,359.59	0.00
– Maternity insurance	43,437.77	5,025,066.10	5,068,503.87	0.00
Housing funds	691,539.38	61,540,053.22	62,028,048.91	203,543.69
Union & education funds	3,961,289.51	23,321,352.14	19,001,477.70	8,281,163.95
Short-term paid absences	0.00	0.00	0.00	0.00
Short-term profit sharing plan	0.00	0.00	0.00	0.00
Others	4,280,089.45	9,410,352.29	13,306,345.60	384,096.14
Total	44,089,866.92	1,065,595,527.14	1,058,770,299.58	50,915,094.48

(3) Defined contribution plan

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension	3,250,620.37	129,892,383.03	131,539,385.33	1,603,618.07
Annuity	707,843.80	23,527,342.67	23,491,272.38	743,914.09
Unemployment insurance	133,328.73	12,555,008.71	12,688,337.44	0.00
Total	4,091,792.90	165,974,734.41	167,718,995.15	2,347,532.16

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Taxes payable

Items	Ending balance	Beginning balance
Value-Added Tax (VAT)	-363,700,448.06	-376,916,024.58
Business Tax	1,293,380.39	1,316,335.17
Corporate Income Tax	25,873,741.93	13,243,327.60
Individual Income Tax	1,214,050.48	1,916,856.21
Urban Maintenance and Construction Tax	369,530.87	444,933.48
Property Tax	5,320,788.80	5,142,378.86
Land use Tax	2,007,565.34	1,963,345.61
Education Surcharge	263,940.65	338,085.56
Others	655,052.29	1,222,203.98
Total	-326,702,397.31	-351,328,558.11

30. Interest payable

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	50,334,301.01	50,326,849.36
Interest payable on short loans	6,390,000.00	4,701,665.98
Interest payable on deposits	792,119.07	0.00
Total	57,516,420.08	55,028,515.34

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

31. Other payables

(1) **Categorized by nature**

Nature	Ending balance	Beginning balance
Current accounts	107,079,064.05	64,884,819.81
Security deposit	88,303,473.58	90,914,742.16
Expenses payable	20,381,548.34	28,503,710.76
Third party payment	15,306,592.51	6,566,609.20
Others	25,805,840.48	22,505,444.18
Total	256,876,518.96	213,375,326.11

(2) **Significant amount aged over 1 year**

Creditor	Amount due	Reasons for not yet settled
YTO Group Corporation	51,690,612.33	Not under request to pay
Career incentives payable	13,645,750.63	Not accounted yet
Provision: Others (Risks and charges)	3,213,180.49	Unpaid
Subsidies for injury	1,679,139.06	In the process of payment
Security bond for quality risks	1,486,110.87	Instalment
Total	71,714,793.38	—

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Non-current liabilities due within one year

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Long-term loans due within 1 year	18,639,000.00	300,000,000.00
Deferred revenues due within 1 year	11,416,745.54	1,018,000.00
Total	30,055,745.54	301,018,000.00

33. Other current liabilities

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Discounts given	29,488,722.16	55,836,740.16
Warranty service	20,011,890.59	28,010,489.38
Agent fees	1,920,000.00	2,129,600.00
Others	1,822,903.00	1,974,174.00
Total	53,243,515.75	87,951,003.54

34. Long-term loans

(1) Categories

<u>Category</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Pledged loans	0.00	0.00
Mortgaged loans	0.00	0.00
Guaranteed loans	0.00	0.00
Credit loans	65,236,500.00	384,189,000.00
Less: due within 1 year	18,639,000.00	300,000,000.00
Total	46,597,500.00	84,189,000.00

Note: The interest rate of long-term loans is Libor rate plus 3.5%.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

34. Long-term loans *(Continued)*

(2) Long-term loans due date analysis

<u>Item</u>	<u>Ending balance</u>	Beginning balance
1-2 years	0.00	0.00
2-5 years	46,597,500.00	84,189,000.00
Over 5 years	0.00	0.00
Total	<u>46,597,500.00</u>	<u>84,189,000.00</u>

35. Bonds payable

(1) Categories

<u>Item</u>	<u>Ending balance</u>	Beginning balance
12 YTO 01 Corporate bond	796,393,416.63	795,366,770.98
12 YTO 02 Corporate bond	695,578,322.56	694,406,047.59
Total	<u>1,491,971,739.19</u>	<u>1,489,772,818.57</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable (Continued)

(2) Movements of bonds issued(excluding preference shares and sustainable debt and other financial instruments classified as financial liabilities)

Category	Face amount	Date of issue	Term	Issue amount	Beginning balance	Amount issued for the year	Interest accrued for the year	Amortisation on discounted premium	Interest paid for the year	Ending balance
12 YTO 01 Corporate bond	800,000,000.00	4/3/2013	5 years	794,550,000.00	795,366,770.98	0.00	70,172,054.81	1,843,416.63	38,400,000.00	796,393,416.63
12 YTO 02 Corporate bond	700,000,000.00	30/5/2013	5 years	693,734,150.95	694,406,047.59	0.00	50,062,246.20	1,844,171.61	31,500,000.00	695,578,322.56
Total	1,500,000,000.00			1,488,284,150.95	1,489,772,818.57	0.00	120,234,301.01	3,687,588.24	69,900,000.00	1,491,971,739.19

Note: Approved by the China Securities Regulatory Commission [2013] No. 89 · the overall bonds issued is RMB1.5 billion and completed in two phases, which has RMB800 million in the first phase and RMB700 million in the second phase. The name of the bonds are: 2012 Public Offering Corporate Bonds of the First Tractor Company Limited (Phase I) (Abbreviation: 12 YTO 01 Corporate bonds) and 2012 Public Offering Corporate Bonds of the First Tractor Company Limited (Phase II) (Abbreviation: 12 YTO 02 Corporate bonds). 12 YTO 01 Corporate bond uses simplified annual interest rate with no compound interest applied at a coupon rate of 4.8%. The Group remains the right to decide whether to raise the coupon rate of the bonds for the next two years at the end of the third year. If the Group exercises the right to raise the coupon rate, the rate of outstanding bonds still valid for the next 2 years of existence is the coupon rate of the first 3 years plus added basis point and will remain unchanged for the next 2 years. If the Group chooses not to exercise the option to raise the coupon rate, then the coupon rate of the next 2 years remains unchanged as the original coupon rate during the existence period. '12 YTO 02 Corporate bond' uses simplified annual interest rate with no compound interest applied at a coupon rate of 4.5%. The Group remains the right to decide whether to raise the coupon rate of the bonds for the next two years at the end of the third year. If the Group exercises the right to raise the coupon rate, the rate of outstanding bonds still valid for the next 2 years of existence is the coupon rate of the first 3 years plus added basis point and will remain unchanged for the next 2 years. If the Group chooses not to exercise the option to raise the coupon rate, then the coupon rate of the next 2 years remains unchanged as the original coupon rate during the existence period.

(3) Other financial instruments classified as financial liabilities

None

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Deferred income

(1) Deferred income classification

Items	Beginning balance	Increase	Decrease	Ending balance
Government grants	182,418,508.05	22,970,000.00	30,759,815.89	174,628,692.16

(2) Government grants

Items	Beginning balance	Increase	The amount of non-operating income	Other changes	Ending balance	Related to assets/Related to earnings
The upgrade of core ability in new type of wheeled tractors	53,200,000.00	0.00	0.00	0.00	53,200,000.00	Related to assets
High-power non-road diesel engines	49,000,000.00	0.00	0.00	0.00	49,000,000.00	Related to assets
Promote independent research and development ability	20,421,223.29	0.00	1,888,463.50	1,295,130.04	17,237,629.75	Related to assets
Diesel engine crankshaft forging line	13,560,000.00	0.00	3,390,000.00	3,390,000.00	6,780,000.00	Related to assets
Technical innovation of wheeled tractors	12,456,000.00	0.00	2,768,000.00	2,768,000.00	6,920,000.00	Related to assets
Xinjiang agricultural construction projects	6,574,700.00	0.00	0.00	0.00	6,574,700.00	Related to assets
C series of government project aid	5,728,000.00	0.00	716,000.00	716,000.00	4,296,000.00	Related to assets
Eighty thousand diesel engine technical renovation project	2,036,000.00	0.00	0.00	1,018,000.00	1,018,000.00	Related to assets
Heavy tractor CVT key technology research and development	4,633,693.25	0.00	4,633,693.25	0.00	0.00	Related to assets
Annual output of 1000 big horsepower shift heavy wheeled tractors	2,750,000.00	0.00	0.00	0.00	2,750,000.00	Related to assets
Energy-saving diesel engine crankshaft machining production line project	2,700,000.00	0.00	0.00	0.00	2,700,000.00	Related to assets
Non-road high-power diesel engines	6,000,000.00	0.00	0.00	0.00	6,000,000.00	Related to assets

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Deferred income (Continued)

(2) Government grants (Continued)

Items	Beginning balance	Increase	The amount of non-operating income	Other changes	Ending balance	Related to assets/Related to earnings
Special funds for large wheeled tractor gearbox flexible production line technology integration and demonstration	980,000.00	0.00	980,000.00	0.00	0.00	Related to earnings
The friction drive rubber crawler walking system technology research	800,000.00	0.00	800,000.00	0.00	0.00	Related to assets
Intelligent energy efficient tractor technology research and industrial development	500,000.00	0.00	500,000.00	0.00	0.00	Related to assets
Special funds for tractors, diesel engine castings and rapid development of new product demonstration and application	419,960.00	0.00	0.00	0.00	419,960.00	Related to assets
Heavy tractor verification system research	300,000.00	700,000.00	1,000,000.00	0.00	0.00	Related to assets
Intellectual property risk analysis and early warning of large and medium-sized tractor industry	0.00	200,000.00	200,000.00	0.00	0.00	Related to assets
Special funds for complex efficient low consumption of green manufacturing process and equipment	130,000.00	70,000.00	200,000.00	0.00	0.00	Related to earnings
Henan agricultural equipment engineering technology center	61,927.90	0.00	32,312.40	29,615.50	0.00	Related to assets
Innovation projects in technology center	34,601.20	0.00	34,601.20	0.00	0.00	Related to assets
The revitalization of industry and technology	0.00	22,000,000.00	2,200,000.00	2,200,000.00	17,600,000.00	Related to assets
Others	132,402.41	0.00	0.00	0.00	132,402.41	
Total	182,418,508.05	22,970,000.00	19,343,070.35	11,416,745.54	174,628,692.16	—

Note: The other changes are the deferred income which has been transferred to non-current liabilities due within one year.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

37. Share capital

Changes on legally issued paid-up share capital are listed below: (all shares are ordinary shares with a par value of RMB1.00 per share.)

Current year

Items	Beginning balance	Changes in current year					Sub-total	Ending balance
		New share issued	Complimentary shares	Transferred from reserves	Others			
Total number of shares	995,900,000.00	0.00	0.00	0.00	0.00	0.00	995,900,000.00	

Last year

Items	Beginning balance	Changes in current year					Sub-total	Ending balance
		New share issued	Complimentary shares	Transferred from reserves	Others			
Total number of shares	995,900,000.00	0.00	0.00	0.00	0.00	0.00	995,900,000.00	

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Capital reserves

Current year

Items	Beginning balance	Increase	Decrease	Ending balance
Share premium	1,913,337,791.25	0.00	36,875,739.10	1,876,462,052.15
Other capital reserves	247,784,237.55	0.00	0.00	247,784,237.55
Including: others	247,784,237.55	0.00	0.00	247,784,237.55
Total	2,161,122,028.80	0.00	36,875,739.10	2,124,246,289.70

Note: The reason for the Group's capital reserves — share premium decreased by RMB36,875,739.10 in 2014: the Group acquired, under common control, the First Tractor Company Limited — Measuring Center and the First Tractor Company Limited — Craft Materials Research Institute which decreased the capital reserves by RMB36,875,739.10.

Last year

Items	Beginning balance	Increase	Decrease	Ending balance
Share premium	1,995,286,000.58	7,191,485.88	89,139,695.21	1,913,337,791.25
Other capital reserves	245,631,107.69	0.00	0.00	247,784,237.55
Including: Others	245,631,107.69	2,153,129.86	0.00	247,784,237.55
Total	2,240,917,108.27	9,344,615.74	89,139,695.21	2,161,122,028.80

Note: The reason for the Group's capital reserve — capital premium decreased by RMB81,948,209.33 in 2013 : ① the Group under common control acquired YTO (luoyang) Casting Co., Ltd., reducing capital reserves by RMB89,139,695.21; ② the Group's capital increments on Diesel Engine Company and the acquisition of Diesel Fuel Injection minority shareholders' rights and interests increased capital reserves by RMB7,191,485.88.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

39. Other comprehensive income

Items	Beginning balance	Amount before income tax	Changes in current year				Amount attributable to minority shareholders after income tax	Ending balance
			Less: Recorded in OCI in prior period, recorded in profit/loss in current period	Less: income tax expenses	Amount attributable to the parent company after income tax	Amount attributable to minority shareholders after income tax		
1. Other comprehensive income not reclassified into profit or loss in subsequent period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Other comprehensive income reclassified into profit or loss in subsequent period	-2,990,577.79	27,026,973.15	0.00	8,225,100.00	19,286,318.99	-484,445.84	16,295,741.20	
Gains and losses from changes in fair value of financial assets which are available for sale	13,012,917.42	43,319,600.00	0.00	8,225,100.00	34,160,499.37	934,000.63	47,173,416.79	
Foreign currencies translation differences	-16,003,495.21	-16,292,626.85	0.00	0.00	-14,874,180.38	-1,418,446.47	-30,877,675.59	
Total	-2,990,577.79	27,026,973.15	0.00	8,225,100.00	19,286,318.99	-484,445.84	16,295,741.20	

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

40. Special reserves

Current year

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production costs	0.00	26,040,986.46	26,040,986.46	0.00

Last year

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production costs	0.00	17,771,424.47	17,771,424.47	0.00

41. Surplus reserves

Current year

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	325,975,908.47	42,225,509.09	0.00	368,201,417.56
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
Total	326,747,339.47	42,225,509.09	0.00	368,972,848.56

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

41. Surplus reserves *(Continued)*

Last year

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	302,106,535.71	23,869,372.76	0.00	325,975,908.47
Discretionary surplus reserves	<u>771,431.00</u>	<u>0.00</u>	<u>0.00</u>	<u>771,431.00</u>
Total	<u><u>302,877,966.71</u></u>	<u><u>23,869,372.76</u></u>	<u><u>0.00</u></u>	<u><u>326,747,339.47</u></u>

The Group reserves for statutory surplus on 10% of the net profits.

42. General risk reserves

Current year

Item	Ending balance	Beginning balance	BDPR
General risk reserves	<u><u>7,683,706.66</u></u>	<u><u>7,097,463.55</u></u>	Reserved on 1% of current year net profits of the Group's subsidiary — YTO group finance Co., Ltd.

Last year

Items	Ending balance	Beginning balance	Bad Debt Provision Ratio
General risk reserves	<u><u>7,097,463.55</u></u>	<u><u>6,570,097.24</u></u>	Reserved on 1% of current year net profits of the Group's subsidiary — YTO group finance Co., Ltd.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43. Retained earnings

Current year

Items	Amount	BDPR or Allocation ratio (%)
Last year's ending balance	1,015,236,952.27	
Add: retrospective adjustments to opening balance	0.00	
Current year's beginning balance	1,015,236,952.27	
Add: Net profit for the year attributable to owners of the company	167,698,247.35	
Less: Statutory surplus reserve	42,225,509.09	10% of current year net profits
General risk reserves	586,243.11	Reserved on 1% of current year net profits of the Group's subsidiary- YTO group finance Co., Ltd.
Dividends payable on ordinary shares	59,754,000.00	
Current year's ending balance	<u>1,080,369,447.42</u>	

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43. Retained earnings *(Continued)*

Last year

Items	Amount	BDPR or Allocation ratio (%)
<hr/>		
Last year's ending balance	898,860,043.07	
Add: retrospective adjustments to opening balance	13,278,696.54	
Include: Changes in accounting policies	0.00	
Corrections of significant errors in prior period	0.00	
Change of consolidation scope under common control	0.00	
Other adjustments	13,278,696.54	
Current year's beginning balance	912,138,739.61	
Add: Net profit for the year attributable to owners of the company	227,084,951.73	
Less: Statutory surplus reserve	23,869,372.76	10% of current year net profits
General risk reserves	527,366.31	Reserved on 1% of current year net profits of the Group's subsidiary- YTO group finance Co., Ltd.
Dividends payable on ordinary shares	<u>99,590,000.00</u>	
Current year's ending balance	<u><u>1,015,236,952.27</u></u>	

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

44. Non-controlling interests

Non-controlling interests attributable to subsidiaries' minority shareholders

Name of the subsidiary	Minority holding (%)	Ending balance	Beginning balance
YTO (Luoyang) Transportation Machinery Co.,Ltd.	6.61	851,728.19	1,264,693.34
Brilliance China Machinery Holdings Co., Ltd.	9.90	13,309,390.34	12,143,864.62
YTO Group Finance Co., Ltd	7.21	51,161,197.23	47,062,308.10
China-Africa Heavy Industry Investment Co., Ltd	45.00	41,775,232.24	49,834,554.51
Luoyang Tractor Research Institute Co., Ltd.	49.00	301,630,031.32	295,759,947.42
YTO (Luoyang) Diesel Engine Co., Ltd.	14.5311	116,849,787.65	115,768,343.99
YTO (Luoyang) Fuel Injection Co., Ltd.	13.8870	31,882,079.89	31,625,129.85
Changtuo Agricultural Machinery Equipment Group Company Limited	66.6667	114,762,500.04	138,689,968.36
YTO (Luoyang) Harvesting Machinery co., LTD	6.09	-3,965,050.37	-4,024,452.21
Yang Dong Co., Ltd.	0.006	4,323.61	5,009.84
YTO (Jiangyan) Power Machinery Co., Ltd.	22.00	58,196,112.46	60,264,256.48
YITWO Agro-Industrial	6.42	901,534.05	648,051.72
Shanghai Dragon (Group) Co., Ltd	6.1728	0.00	1,988,317.36
YTO (luoyang) Zhongcheng Machinery Co., Ltd	27.00	0.00	3,374,812.90
Total	—	727,358,866.64	754,404,806.28

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

45. Net current assets

Items	Ending balance	Beginning balance
Current assets	6,197,145,429.82	6,608,435,899.28
Less: Current liabilities	5,276,332,830.99	4,635,460,980.12
Net current assets	920,812,598.83	1,972,974,919.16

46. Total assets minus current liabilities

Items	Ending balance	Beginning balance
Total assets	12,355,694,645.67	11,699,276,392.53
Less: Current liabilities	5,276,332,830.99	4,635,460,980.12
Total assets minus current liabilities	7,079,361,814.68	7,063,815,412.41

47. Loans and payables

The summary of loans and payables for the Group is as follows:

Items	Ending balance	Beginning balance
Short-term bank loans	1,644,532,646.15	292,437,410.89
Long-term loans due within one year	18,639,000.00	300,000,000.00
Long-term loans	46,597,500.00	84,189,000.00
Bonds payable	1,491,971,739.19	1,489,772,818.57
Long-term payables	0.00	0.00
Payables for financial lease	0.00	0.00
Total	3,201,740,885.34	2,166,399,229.46

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Loans and payables (Continued)

(1) Analysis for loans and payables

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Bank loans		
— due within one year	1,663,171,646.15	592,437,410.89
— due after one year	46,597,500.00	84,189,000.00
Subtotal	1,709,769,146.15	676,626,410.89
Other loans/payables		
— due within one year	0.00	0.00
— due after one year	1,491,971,739.19	1,489,772,818.57
Subtotal	1,491,971,739.19	1,489,772,818.57
Total	3,201,740,885.34	2,166,399,229.46

(2) Due dates analysis for loans and payables

a) Bank loans:

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Pay upon request or due within one year	1,663,171,646.15	592,437,410.89
Due between 1-2 years	0.00	0.00
Due between 2-5 years	46,597,500.00	84,189,000.00
Due over 5 years	0.00	0.00
Total	1,709,769,146.15	676,626,410.89

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

47. Loans and payables *(Continued)*

(2) Due dates analysis for loans and payables *(Continued)*

b) Other loans

<u>Items</u>	<u>Ending balance</u>	Beginning balance
Pay upon request or due within one year	0.00	0.00
Due between 1-2 years	0.00	0.00
Due between 2-5 years	1,491,971,739.19	1,489,772,818.57
Due over 5 years	0.00	0.00
Total	<u>1,491,971,739.19</u>	<u>1,489,772,818.57</u>

48. Operating revenue and operating costs

<u>Items</u>	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Primary business	8,549,093,440.70	7,061,589,409.66	10,848,559,251.85	9,170,186,436.61
Other business	380,222,609.98	396,155,445.71	136,881,402.94	73,883,083.49
Total	<u>8,929,316,050.68</u>	<u>7,457,744,855.37</u>	<u>10,985,440,654.79</u>	<u>9,244,069,520.1</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Net interest income

Items	Current period	Last period
Interest income	97,253,173.58	70,716,708.55
— From deposits in other banks	8,132,838.37	14,449,406.16
— From deposits in central bank	5,030,953.83	4,320,186.53
— Loads to others	3,108,008.34	1,422,790.29
— Loans and advances	70,440,594.68	50,258,849.19
Including: Personal Loans and advances	14,052.27	19,123.71
Corporate Loans and advances	22,756,353.41	26,615,596.85
Notes discounts	47,670,189.00	23,624,128.63
— Redemptory financial assets acquired	10,540,778.36	0.00
— others	0.00	265,476.38
Including: Interest income from Impaired financial assets	0.00	0.00
Interest expenses	29,170,550.21	14,375,399.37
— From loans from other banks	0.00	0.00
— From loans from central bank	0.00	0.00
— Loans from others	1,044,585.32	2,074,798.63
— Deposits adsorption	8,726,970.89	8,622,249.06
— Sale of the buyback financial assets	47,524.93	0.00
— Issue of bonds	0.00	0.00
— others	19,351,469.07	3,678,351.68
Net Interest income	68,082,623.37	56,341,309.18

50. Net fee and commission income

Items	Current period	Last period
Fees and commission income	409,596.88	1,686,127.72
— clearing and settlement fees	59,769.97	179,219.87
— agent fees	72,500.00	236,100.00
— credit commitment fees and commissions	76,387.28	535,713.95
— others	200,939.63	735,093.90
Fees and commission expense	455,137.26	222,557.94
— service fee expense	455,137.26	222,557.94
— commission expense	0.00	0.00
Fees and net commission income	-45,540.38	1,463,569.78

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

51. Business taxes and surcharges

Items	Current period	Last period
Business taxes	8,617,734.65	8,298,637.84
Urban maintenance and construction taxes	9,119,256.61	10,389,352.88
Educational surcharges	6,501,120.85	7,451,447.21
Others	3,464,843.66	3,156,984.92
Total	27,702,955.77	29,296,422.85

52. Selling and distribution expenses

Items	Current period	Last period
Packing expenses	7,865,847.90	14,800,019.83
Transportation expenses	156,880,995.12	86,551,590.20
Insurance expenses	1,392,855.18	1,231,302.38
Exhibition expenses	3,917,045.05	4,136,009.89
Advertising expenses	13,266,611.00	19,367,718.65
Sales and service fees	80,641,086.18	124,481,494.94
Employee compensation	92,197,733.16	92,568,513.66
Inc.: salaries and wages	61,607,179.91	61,565,132.41
Welfare benefits	5,111,240.81	5,450,711.21
Depreciation expenses	1,324,121.49	1,211,066.39
Repair and maintenance	1,719,082.19	2,469,565.47
Others	34,095,289.24	27,554,619.12
Total	393,300,666.51	374,371,900.53

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

53. Administrative expenses

<u>Items</u>	<u>Current year</u>	<u>Last year</u>
Employee remunerations	196,605,487.40	183,081,521.42
Including: salaries and wages	159,372,229.63	143,709,558.99
Welfare benefits	13,290,793.24	12,925,875.07
Insurance expenses	2,069,748.12	2,067,635.07
Depreciation expenses	40,549,098.19	37,585,736.40
Repair and maintenance	52,089,323.21	62,944,564.80
Amortization of intangible assets	27,830,505.47	23,108,689.42
Entertainment	7,369,407.71	9,675,701.13
Travelling expenses	6,586,598.23	6,993,635.35
Office expenses	5,924,408.74	12,158,039.49
Conference expenses	4,632,820.41	4,304,094.75
Legal expenses	403,923.14	498,138.50
Agent fees	3,520,471.65	4,099,292.32
Including: The annual final accounts audit fees	1,820,000.00	2,880,000.00
Consulting fees	1,293,028.29	1,413,172.71
Research and development expenses	405,569,602.90	408,486,411.72
Taxes	30,552,448.17	30,590,509.19
Rental expenses	3,680,089.47	4,283,275.89
Land occupancy charges	10,021,266.10	11,095,565.50
Termination benefits	42,148,139.23	4,720,839.21
Others	133,091,767.43	117,014,768.18
Total	973,938,133.86	924,121,591.05

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

54. Finance expenses

(1) Details of finance expenses

Items	Current period	Last period
Interest expenses	119,367,644.02	81,060,133.87
Less: Interest income	22,294,040.80	11,764,861.77
Add: Exchange losses	-10,769,238.14	32,731,615.98
Add: Other expenses	3,427,977.13	25,809,152.54
Total	89,732,342.21	127,836,040.62

(2) Details of interest expenses

Items	Current period	Last period
Bank loans, overdraft interests	45,097,196.63	80,013,296.02
Interest on bonds and discount notes	74,270,447.39	1,046,837.85
Subtotal	119,367,644.02	81,060,133.87
Less: capitalized interests	0.00	0.00
Total	119,367,644.02	81,060,133.87

(3) Details of interest income

Items	Current period	Last period
Interest income from bank deposits	22,294,040.80	11,764,861.77

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Impairment losses

Items	Current period	Last period
Loss on bad debt	142,489,949.23	118,846,767.76
Decline in value on inventories	14,189,179.74	12,891,787.57
Impairment loss on Available-for-sale financial assets	2,200,000.00	10,069,628.40
Impairment loss on held-to-maturity investment	0.00	0.00
Impairment loss on long-term equity investments	0.00	0.00
Impairment loss on investment properties	0.00	0.00
Impairment loss on fixed assets	549,992.00	0.00
Impairment loss on construction materials	0.00	0.00
Impairment loss on construction in process	0.00	0.00
Impairment loss on productive biological asset	0.00	0.00
Impairment loss on oil and gas assets	0.00	0.00
Impairment loss on intangible assets	0.00	0.00
Impairment loss on goodwill	0.00	14,297,893.81
Impairment loss on loans	7,069,890.41	-3,390,640.90
Total	166,499,011.38	152,715,436.64

56. Gain/Loss from changes in fair value

Items	Current period	Last period
Financial assets measured at fair value and the changes are recorded into profit and loss in the current year	8,113,671.48	676,257.27

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. Investment income

Items	Current period	Last period
Long-term equity investments by equity method	238,416.56	903,575.37
Disposal of long-term equity investments	51,600,103.86	-180,000.00
Investment income on financial assets at fair value through profit and loss in the holding period	15,332,814.72	14,151,926.16
Investment income on disposal of financial assets at fair value through profit and loss in the current period	8,212,337.51	13,610,749.13
Investment returns on held-to-maturity investment during the holding period	7,517,087.09	85,463.95
Investment returns on disposal of held-to-maturity investment during the holding period	1,023,380.62	723,845.35
Investment returns on available-for-sale financial assets during the holding period	25,122,160.00	18,687,396.55
Investment returns on disposal of available-for-sale financial assets	-117,028.44	-8,985,722.60
After the loss of control, gains from remeasuring the remaining equity at fair value	0.00	0.00
Others	0.00	-10,671.92
Total	108,929,271.92	38,986,561.99

Note: This year's investment returns from the listed and unlisted investments are RMB11,363,239.69 and RMB97,566,032.23 respectively.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Non-operating income

(1) Details of non-operating income

Items	Current period	Last period	Included in the amount of the extraordinary gains and losses of the current year
Gain on disposal of non-current assets	162,319,571.87	1,514,381.87	162,319,571.87
Including: gain on disposal of fixed assets	6,545,371.87	1,514,381.87	6,545,371.87
Gain on debt restructuring	1,801,446.13	0.00	1,801,446.13
Donations	12,600.00	0.00	12,600.00
Government grants	27,077,645.98	20,920,608.99	27,077,645.98
Others	20,625,370.99	92,470,787.20	20,625,370.99
Total	211,836,734.97	114,905,778.06	211,836,734.97

Note: RMB211,836,734.97 is recorded in the extraordinary gain and loss in the current year (Last year: RMB114,905,778.06).

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

58. Non-operating income *(Continued)*

(2) Details of government grants

Items	Current period	Last period	explanation
Diesel engine crankshaft forging line	3,390,000.00	3,390,000.00	Office of Industrial Development and Reform Commission [2005] No. 1392
Technical innovation of wheeled tractor	2,768,000.00	2,768,000.00	Office of Industrial Development and Reform Commission [2005] No. 279
Small and medium-sized enterprise international market development funds	436,937.00	1,432,200.00	Beijing CaiQi [2010] No. 2200
Eighty thousand technological upgrading projects domestically made equipment subsidies	1,018,000.00	1,018,000.00	Yu Jian Finance Office [2005] No. 1858
C series of government project aid	716,000.00	716,000.00	Luo Fa Industrial Development and Reform Commission [2009] No. 53
Promote independent research and development ability	1,888,463.50	678,776.71	Investment Development and Reform Commission [2012] No. 2719
Enterprises to export credit insurance support funds	263,200.00	465,900.00	Luo Cai Yu [2014] No. 398
Encourage and support the technological transformation of enterprises	989,400.00	298,300.00	Jiang Zheng Fa [2011] No. 116, Jiang Zheng Fa [2012] No. 178
Subsidies for enterprises in difficulty stabilizing post	2,746,690.36	431,103.00	Luo Ren social employment [2013] no. 2, no. 135
VAT paid local retained full reward	89,300.00	187,500.00	Yangdong reforming the investment agreement, Jiang Zheng Fa [2012] No. 178
CVT tractor heavy machine key technology research and development project	4,633,693.25	0.00	NSC fortune [2012] No. 48
Industrial revitalization and transformation	2,200,000.00	0.00	Industry Development and Reform Office [2013] No. 543

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

58. Non-operating income *(Continued)*

(2) Details of government grants *(Continued)*

Items	Current period	Last period	explanation
Heavy tractor verification system research	1,000,000.00	0.00	National Machinery Division [2012] No. 542
Cupola demolition of reforming government subsidies	920,000.00	0.00	Henan Province, Yu Cai Jian Department of Finance [2012] No. 258
The friction drive rubber crawler walking system technology research	800,000.00	0.00	NSC fortune [2013] No. 460
Efficient energy-saving intelligent tractor technology research and industrialization development	500,000.00	0.00	Energy efficient, intelligent tractor technology research and industrial development contract
Small and medium-sized enterprise development special funds	500,000.00	0.00	Luoyang Municipal Bureau of Finance [2014] No. 376
Risk analysis and early warning of medium-sized tractor industry intellectual property	200,000.00	0.00	Ministry of Industry and Information Technology Intellectual Property Strategic Program mission statement
Large wheeled tractor gearbox flexible production line technology integration and demonstration – special funds	980,000.00	0.00	National science support plan project commitments
863 program (for complex high efficiency low consumption of green manufacturing technology and equipment)	200,000.00	0.00	863 sub-topics task contract
2012 difficult enterprise land use tax, property tax refund	562,048.27	558,843.40	"Implementation of Henan province Urban Land Use Tax Measures" Article 9, Article 5 tax incentives
Coal-fired boiler demolition subsidies	40,000.00	0.00	Henan Yu Letter [2012] No. 587
Others	235,913.60	8,975,985.88	Other government documents
Total	27,077,645.98	20,920,608.99	—

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

59. Non-operating expenses

Items	Current period	Last period	Included in the amount of the extraordinary gains and losses of the current year
Loss from disposal of non-current assets	1,742,962.60	4,407,074.65	1,742,962.60
Include: loss from disposal of fixed assets	1,742,962.60	4,407,074.65	1,742,962.60
Losses from debt restructuring	60,377.40	0.00	60,377.40
Donations	141,830.22	0.00	141,830.22
Others	3,475,545.04	1,897,750.73	3,475,545.04
Total	<u>5,420,715.28</u>	<u>6,304,825.38</u>	<u>5,420,715.28</u>

Note: RMB5,420,715.28 is recorded in the extraordinary gain and loss in the current year (Last year: RMB6,304,825.38).

60. Income tax expenses

Items	Current period	Last period
Current income tax expenses	66,264,133.46	93,599,050.19
Deferred income tax expense	-18,595,947.23	-21,370,012.40
Total	<u>47,668,186.23</u>	<u>72,229,037.79</u>

61. Audit fees

The audit fee is RMB1,820,000.00 for the current year (last year: RMB2,880,000), including RMB1,420,000.00 for audit on financial statements and RMB400,000.00 for internal control audit.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Depreciation and amortization

Depreciation and amortization included in the Income Statement for the current year are RMB263,982,811.91 and RMB34,029,757.55 respectively. (Last year: RMB228,499,554.36 and RMB27,935,610.81 respectively)

63. Operating lease payment

Operating lease payment is RMB23,726,037.80 for the current year (Last year: RMB19,236,541.95), including industrial equipment and machinery rental expenses of RMB1,490,727.11 (Last year: RMB1,692,501.27).

64. Rental income

The rental income on land and buildings is RMB4,958,742.68 this year (Last year: RMB2,643,860.33).

65. Earnings per share

(1) Basic earnings per share

Items	Current period	Last period
Consolidated net profit attributable to the ordinary shareholders of the parent company	167,698,247.35	227,084,951.73
Consolidated net profit attributable to the ordinary shareholders of the parent company (deducting extraordinary gains or losses)	-21,999,386.97	152,798,652.61
The weighted average outstanding ordinary shares of the parent company	995,900,000.00	995,900,000.00
Basic earnings per share (RMB/share)	0.1684	0.2280
Basic earnings per share (RMB/share) (deducting extraordinary gains or losses)	-0.0221	0.1534

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

65. Earnings per share *(Continued)*

(1) Basic earnings per share *(Continued)*

Ordinary share weighted average calculation process:

Items	Current period	Last period
The beginning balance of issued ordinary shares	995,900,000.00	995,900,000.00
Reserve funds or share dividend distribution to increase the number of shares	0.00	0.00
The number of shares increased from issuing new shares or bonds convertible	0.00	0.00
Increased number of shares (II) the cumulative number of months from next month until the end of the year	0.00	0.00
Reduce the number of shares due to repurchase	0.00	0.00
Reduce the shares under this January to the end of the cumulative months	0.00	0.00
Number of reduced shares	0.00	0.00
Number of months of the reporting period	0.00	0.00
The ending balance of issued ordinary shares	<u>995,900,000.00</u>	<u>995,900,000.00</u>

(2) Diluted earnings per share

Items	Current period	Last period
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent	167,698,247.35	227,084,951.73
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent (deducting extraordinary gains or losses)	-21,999,386.97	152,798,652.61
The adjusted weighted average outstanding basic shares	995,900,000.00	995,900,000.00
Diluted earnings per share <i>(RMB/share)</i>	0.1684	0.2280
Diluted earnings per share <i>(RMB/share)</i> (deducting extraordinary gains or losses)	<u>-0.0221</u>	<u>0.1534</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

66. Other comprehensive income

Items	Current period	Last period
1. Gain (loss) from available-for-sale financial assets	43,319,600.00	-13,343,894.00
Less: available-for-sale financial assets' income tax effect	8,225,100.00	-2,367,973.50
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	-16,981,114.62
Sub-total	35,094,500.00	6,005,194.11
2. The share in accordance with the equity method of accounting for investments in other comprehensive income	0.00	0.00
Less: Income tax effect on the share in accordance with the equity method of accounting for investments in other comprehensive income	0.00	0.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	0.00
Sub-total	0.00	0.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

66. Other comprehensive income *(Continued)*

Items	Current period	Last period
3. Gain and loss from cash flow hedging	0.00	0.00
Less: Income tax effect on cash flow hedging	0.00	0.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	0.00
Adjustment on transferred initially recognized amount of hedging item	0.00	0.00
Sub-total	0.00	0.00
4. Translation difference of financial statements presented in foreign currencies	-16,292,626.85	9,592,773.31
Less: net gain and loss for the current year from disposal of foreign operation	0.00	0.00
Sub-total	-16,292,626.85	9,592,773.31
5. Others	0.00	0.00
Less: Income tax effect from other items in other comprehensive income	0.00	0.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	0.00
Sub-total	0.00	0.00
Total	18,801,873.15	15,597,967.42

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

67. Cash flow information

(1) Cash receipts and payments related to other operating/investing/financing activities

a) Cash receipts from other operating activities

Items	Current period	Last period
Cash receipts from interest income of bank deposits	22,294,040.80	11,764,861.77
Cash receipts from other receivables	152,255,145.65	84,137,054.54
Total	174,549,186.45	95,901,916.31

b) Cash payments to other operating activities

Items	Current period	Last period
Payment of selling and administrative expenses	616,774,527.59	868,411,100.88
Payment of other payables	88,035,688.10	310,099,159.83
Total	704,810,215.69	1,178,510,260.71

c) Cash receipts from other investing activities

Items	Current period	Last period
Cash received from assets-related government grants	22,900,000.00	27,400,000.00

d) Cash payments to other financing activities

Items	Current year	Last year
Financing agent fees	0.00	1,894,528.30

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Cash flow information (Continued)

(2) Supplementary information for consolidated cash flow statement

Items	Current period	Last period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	164,225,945.43	266,869,356.11
Add: Provision on the impairment of assets	166,499,011.38	152,715,436.64
Depreciation of fixed asset	263,982,811.91	228,499,554.36
Amortization of intangible asset	34,029,757.55	27,935,610.81
Amortization of long-term deferred expenses	8,396,942.71	14,299,780.11
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as “—”)	-160,576,609.27	2,923,618.03
Loss on disposal of fixed assets (Gain listed as “—”)	0.00	0.00
Gain or loss from changes in fair value (Gain listed as “—”)	-8,113,671.48	-676,257.27
Finance expenses (Gain listed as “—”)	119,367,644.02	96,563,319.19
Loss on investments (Gain listed as “—”)	-108,929,271.92	-38,986,561.99
Decrease in deferred tax assets (Increase listed as “—”)	-16,646,836.42	-20,428,538.31
Increase in deferred tax liabilities (Decrease listed as “—”)	-1,949,110.81	-941,474.09
Decrease in inventories (Increase listed as “—”)	313,517,062.75	-311,406,720.78
Decrease in operating receivables (Increase listed as “—”)	266,106,414.12	-79,701,189.90
Increase in operating payables (Decrease listed as “—”)	-965,043,692.45	-550,815,340.21
Others	0.00	71,629,581.09
Net cash flow generated from operating activities	74,866,397.52	-141,519,826.21
2. Significant non-cash investing and financing activities:	—	—
Conversion of debts into capital	0.00	0.00
Convertible bonds repayable within 1 year	0.00	0.00
Fixed assets acquired under finance lease arrangement	0.00	0.00
3. Changes in cash and cash equivalents:	—	—
Closing balance of cash	1,749,902,168.21	1,617,836,958.07
Less: opening balance of cash	1,617,836,958.07	1,626,703,246.97
Add: closing balance of cash equivalents	0.00	0.00
Less: opening balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	132,065,210.14	-8,866,288.90

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

67. Cash flow information *(Continued)*

(3) Relevant information for acquisition and disposal of subsidiaries and other business entities

Items	Current period	Last period
Relevant information for acquisition of subsidiaries and other business entities		
1. Cost for acquisition of subsidiaries and other business entities	39,929,011.36	183,389,695.21
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business entities	39,929,011.36	152,046,415.21
Less: Cash and cash equivalents held by subsidiaries and other business entities	2,673,426.60	165,168,128.43
3. Net cash paid for acquisition of subsidiaries and other business entities	37,255,584.76	-13,121,713.22
4. Acquisition of subsidiary's net assets	29,217,308.85	262,497,259.92
Current assets	22,837,985.62	373,879,875.69
Non-current assets	12,587,341.35	457,107,721.59
Current liabilities	4,678,058.12	568,490,337.36
Non-current liabilities	1,529,960.00	0.00
Relevant information for disposal of subsidiaries and other business entities	—	—
1. Cost for disposal of subsidiaries and other business entities	101,555,369.62	0.00
2. Cash and cash equivalents paid for disposal of subsidiaries and other business entities	101,555,369.62	0.00
Less: Cash and cash equivalents held by subsidiaries and other business entities	33,501,430.21	0.00
3. Net cash paid for disposal of subsidiaries and other business entities	68,053,939.41	0.00
4. Disposal of subsidiary's net assets	44,225,488.14	0.00
Current assets	91,384,522.39	0.00
Non-current assets	59,718,957.93	0.00
Current liabilities	96,877,712.93	0.00
Non-current liabilities	10,000,279.25	0.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

69. Assets with restricted ownership

Items	Net book value	
	Ending balance	Reasons for the limitation
Cash and cash equivalents	248,257,348.08	Guarantee deposits and central bank reserve requirements
Notes receivables	511,335,534.22	Pledge
Fixed assets	100,098,120.94	Pledge
Total	859,691,003.24	

Note: Cash and cash equivalents with restricted ownership or use right includes RMB3,225,117.09 for security deposits, RMB161,476,511.50 for bank acceptance deposits and RMB83,555,719.49 for central bank statutory deposit.

Notes receivables with restricted ownership are the amount of note receivables pledged in the bank in the current period.

The land and properties with restricted ownership (total original value of RMB100,098,120.94) is used as a mortgage to obtain the short-term borrowings of RMB70 million in Bank of Jilin, Dongsheng branch in the current period.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

70. Foreign currency monetary items

(1) Foreign currency monetary items

Items	Ending balance foreign currency	Exchange rate	Ending balance RMB
Cash and cash equivalents	—	—	117,703,764.62
Including: USD	6,183,230.17	6.1190	37,835,185.36
EUR	3,887,470.62	7.4556	28,983,425.95
HKD	35,279,020.98	0.7889	27,831,619.65
XOF	433,401,620.00	0.0114	4,927,776.42
ZAR	20,739,168.59	0.5295	10,981,389.77
YEN	85,788,300.97	0.0514	4,409,518.67
AUD	545,072.91	5.0174	2,734,848.80
Accounts receivable	—	—	69,246,598.02
Including: USD	6,197,748.78	6.1190	37,924,024.79
EUR	1,396,701.23	7.4556	10,413,245.69
ZAR	21,920,269.11	0.5295	11,606,782.49
XOF	586,311,908.47	0.0114	6,666,366.40
YEN	14,028,271.00	0.0514	721,053.13
AUD	381,696.80	5.0174	1,915,125.52
Other receivables	—	—	163,460.24
Including: XOF	12,181,679.50	0.0114	138,505.70
ZAR	47,128.50	0.5295	24,954.54
Prepayments	—	—	80,897.62
Including: XOF	7,013,308.00	0.0114	79,741.31
ZAR	2,183.78	0.5295	1,156.31

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

70. Foreign currency monetary items *(Continued)*

(1) Foreign currency monetary items *(Continued)*

Items	Ending balance foreign currency	Exchange rate	Ending balance RMB
Accounts payable	—	—	41,311,784.52
Including: XOF	599,973,813.54	0.0114	6,821,702.26
ZAR	65,137,076.98	0.5295	34,490,082.26
Advances from customers	—	—	5,720,132.64
Including: USD	764,802.15	6.1190	4,679,824.36
EUR	14,783.4	7.4556	110,219.12
AUD	6,000.00	5.0174	30,104.40
XOF	77,757,235.71	0.0114	884,099.77
ZAR	30,000.00	0.5295	15,885.00
Short-term loans	—	—	1,274,029,853.67
Inc.: USD	196,800,000.00	6.1190	1,204,219,200.00
EUR	8,021,944.70	7.4556	59,808,410.91
XOF	879,704,728.23	0.0114	10,002,242.76
Non-current liabilities			
due within one year	—	—	18,639,000.00
Inc.: EUR	2,500,000.00	7.4556	18,639,000.00
Long-term loans	—	—	46,597,500.00
Inc.: EUR	6,250,000.00	7.4556	46,597,500.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VI. SIGNIFICANT ITEMS ON CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

70. Foreign currency monetary items *(Continued)*

(2) The overseas business entities

Name of organization	Overseas main premises	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd.	Hong Kong	USD	Business environment and the main settlement currency
YITWO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MACHINERY (SA) (PTY) LTD	South Africa	ZAR	Business environment and the main settlement currency
YTO FRANCE SAS	France	EUR	Business environment and the main settlement currency

VII. CHANGES IN SCOPE OF CONSOLIDATION

(1) Business combination not under common control

None

(2) Business combination under common control

1) Business combination under common control in current period

Name	The proportion of equity acquired in business combination	Basis of being a business combination under common control	Date of combination	Basis of determining the combination date
First Tractor Company Limited Measuring & Testing Center	100%	Accounting Standard for Business Enterprises No. 20 – Business Combinations	31 December 2014	Transfer process has completed
First Tractor Company Limited Process & Material Research Institute	100%	Accounting Standard for Business Enterprises No. 20 – Business Combinations	31 December 2014	Transfer process has completed

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VII. CHANGES IN SCOPE OF BUSINESS COMBINATION (CONTINUED)

(2) Business combination under common control (Continued)

1) Business combination under common control in current period (Continued)

Name	Revenue of the acquiree from the beginning of the combining year to the combination date	Net profits of the acquiree from the beginning of the combining year to the combination date	Revenue of the acquirer in the comparison period	Net profits of the acquirer in the comparison period
First Tractor Company Limited Calibration and Testing Center	316,508.31	-72,238.01	4,927,307.35	-21,566.81
First Tractor Company Limited Techniques and Material Research Institute	615,311.51	-1,194,429.01	27,873,874.29	5,156,710.66

As approved by the ninth meeting of the sixth session of board of directors of the Company on 20 January 2014, the Company acquired part of assets, liabilities and related business of the techniques and material research institute and calibration and testing centre of YTO Group Corporation. Transfer agreement was signed on 21 January 2014. 31 January 2014 was the date settlement of this transfer completed on and therefore determined as the date of business combination. In accordance with Accounting Standard for Business Enterprises No. 20 — Business Combinations, above acquisition meets business combination under common control.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VII. CHANGES IN SCOPE OF BUSINESS COMBINATION *(CONTINUED)*

(2) Business combination under common control *(Continued)*

2) Costs of business combination

<u>Item</u>	First Tractor Company Limited Calibration and Testing Center	First Tractor Company Limited Techniques and Material Research Institute
Cash	39,075,007.81	854,003.55
Book value of non-cash assets	0.00	0.00
Book value of debts	0.00	0.00
Book value of equity securities	0.00	0.00
Contingent consideration	0.00	0.00
Total costs of business combination	<u>39,075,007.81</u>	<u>854,003.55</u>

3) Acquiree's carrying amount of assets and liabilities on acquisition date

<u>Item</u>	First Tractor Company Limited Calibration and Testing Center, Techniques and Material Research Institute	Ending balance of last period
	Acquisition date	
Assets:	33,474,513.50	35,425,326.97
Cash and cash equivalents	4,907,775.70	6,761,270.81
Accounts receivable	15,511,700.01	15,714,866.84
Inventories	157,319.77	162,139.87
Fixed assets	11,848,956.13	11,932,078.39
Intangible assets	474,066.39	474,066.39
Liabilities:	5,533,680.64	6,208,018.12
Loans	0.00	0.00
Accounts payable	2,766,338.27	3,160,451.77
Net asset	27,940,832.86	29,217,308.85
Less: Minority interest	0.00	0.00
Net asset acquired	<u>27,940,832.86</u>	<u>29,217,308.85</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VII. CHANGES IN SCOPE OF BUSINESS COMBINATION *(CONTINUED)*

(2) Business combination under common control *(Continued)*

4) Adjustments to financial statements in the business combination under common control

Item	Effect on the financial statements of current year	Effect on the financial statements of last year
Total assets	25,264,330.61	30,934,366.60
Total liabilities	36,975,321.99	1,717,057.75
Total equity attributable to shareholders of the parent company	-11,710,991.38	29,217,308.85
Including: Paid-in capital (Share capital)	0.00	0.00
Other equity instruments	0.00	0.00
Capital reserves	-26,072,270.64	10,803,468.46
Other comprehensive income	0.00	0.00
Special reserves	0.00	0.00
Surplus reserves	0.00	0.00
Undistributed profits	14,361,279.26	18,413,840.39
Non-controlling interests	0.00	0.00
Operating revenue	28,219,587.76	20,003,927.43
Total profits	-4,052,561.13	5,135,143.85
Net profits	-4,052,561.13	5,135,143.85
Including: Net profits attributable to shareholders of the company	-4,052,561.13	5,135,143.85
Non-controlling interests	0.00	0.00
Other comprehensive income	0.00	0.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VII. CHANGES IN SCOPE OF BUSINESS COMBINATION *(CONTINUED)*

(3) Disposal on subsidiaries

Name of the subsidiary	Disposal price	Disposal ratio (%)	Disposal method	Time-point for losing of control	Determination of the time-point for losing of control	The difference between disposal price and disposed share of net assets in corresponding consolidated financial statements
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	11,648,965.52	73.00	Sell	2014.6.30	According to the Asset and Equity Transfer Agreement, the condition of equity transfer is that the Company assists Zhongcheng Company to finish the formality for registration of ownership change. The completion date of equity transfer is the date when Zhongcheng Company acquires its new business licence.	2,878,200.33
Shanghai Dragon (Group) Co., Ltd.	89,884,340.20	93.83	Sell	2013.12.31	According to the Shanghai Asset and Equity Transaction Agreement signed by the Company and Shanghai Hongcheng with Shanghai Shenrun Investment Management Co., Ltd., the audit and appraisal base date is December 31, 2013. The profit and loss during the period from the equity transaction date in the equity transaction agreement to the completion date is attributable to the transferee.	48,721,903.53

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VII. CHANGES IN SCOPE OF BUSINESS COMBINATION (CONTINUED)

(3) Disposal on subsidiaries (Continued)

Name of the subsidiary	Remaining equity ratio on the date of losing control	Book value of remaining equity on the date of losing control	Fair value of remaining equity on the date of losing control	Gain or loss from remeasurement of remaining equity at fair value	Determination and main assumptions for the fair value of remaining equity on the date of losing control	Other comprehensive income related to equity investment in ex subsidiary transferred to investment income
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00
Shanghai Dragon (Group) Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00

Note 1: The Company's ninth meeting of the sixth session of the Board of Directors of on 20 January 2014 approved Resolution in Sale of Holding Shares and Part of Assets of YTO (Luoyang) Zhongcheng Machinery Co., Ltd. and agreed to sell 73% shareholding of Zhongcheng Company by public offering. As confirmed by Beijing Equity Exchange, YTO Group, as the transferee of this sale, signed the Asset and Equity Transfer Agreement with the Company on 5 May 2014. The price of shareholding transfer is RMB10,563,900.00 and is referenced to Zhonglianpingbaozi [2013] No. 1056 Assets Evaluation Report which was issued by China United Assets Appraisal Group Co., Ltd. on 12 February 2014. The assets appraisal base date was 31 October 2013.

According to the Asset and Equity Transfer Agreement, the condition of equity transfer is that the Company will assist Zhongcheng Company to finish the formality for registration of ownership change and the completion date of equity transfer is the date when Zhongcheng Company acquires its new business licence. The completion date of equity transfer was 30 June 2014.

Note 2: On 26 August 2014, the fifteenth meeting of the sixth session of the board of directors of the Company approved Resolution in transferring shares on Shanghai Dragon (Group) Co., Ltd.. The preliminary estimated valuation of net assets of Shanghai Dragon (Group) Co., Ltd. is RMB73,230,600.00 as at 31 December 2013 which is the audit and appraisal base date. Therefore, the preliminary estimated valuation of net assets corresponding to 93.83% shareholding equity of Shanghai Dragon (Group) Co., Ltd., which is held by the Company, is RMB68,712,300.00. The Company was approved to sell the shareholding equity it held by public offering. The price of shareholding equity cannot be lower than the estimated valuation of shareholding equity.

On 11 October 2014, both the Company and Shanghai Hongcheng City Construction Development Co., Ltd. transferred shares held on Dragon Company by public offering in Shanghai United Assets and Equity Exchange.

On 20 November 2014, the Company, together with Shanghai Hongcheng, signed the Shanghai Asset and Equity Transaction Agreement with Shanghai Shenrun Investment Management Co., Ltd.. Shanghai Shenrun Investment Management Co., Ltd. acquired 93.83% shares of the Company and 6.17% of Shanghai Hongcheng City Construction Development Co., Ltd. for RMB96,000,000.00, which includes RMB90,076,800.00 for 93.83% shares held by the Company. The profit and loss during the period from the equity transaction date in the equity transaction agreement to the completion date is attributable to the transferee.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VII. CHANGES IN SCOPE OF BUSINESS COMBINATION *(CONTINUED)*

(4) Changes in scope of business combination for other reasons

According to Guojizi [2014] No.316 "Approval on Implementation of Improving Assets Quality of YTO Group Corporation" issued by China National Machinery Industry Corporation, Luoyang Tuoqi Engineering Company Limited signed the Merger Agreement with Luoyang Xinyan Material Mechanical Engineering Co., Ltd. in August 2014. According to the agreement, Luoyang Tuoqi Engineering Company Limited merged Luoyang Xinyan Material Mechanical Engineering Co., Ltd and kept existing. Luoyang Xinyan Material Mechanical Engineering Co., Ltd was dissolved and cancelled when the merger process completed. The formality for industry and commerce change registration has completed as of 31 December 2014.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The composition of the Group

Name of the subsidiary	Main premises	Registration place	Type of business	Percentage of shareholding (%)		Acquisition method
				direct	indirect	
YTO France SAS	France	France	Tractor manufacturing	100.00	0.00	1
Luoyang Changhong Trading Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	1
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	1
YTO (Xinjiang) Machinery Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	1
YTO Heilongjiang Agricultural Machinery Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	1
Luoyang Changxing Agricultural Machinery Co., Ltd.	China	China	Tractor manufacturing	70.00	30.00	1
YTO (Luoyang) Transportation Machinery Co., Ltd.	China	China	Tractor manufacturing	93.39	0.00	1
Brilliance China Machinery Holdings Limited	Bermuda	Bermuda	Tractor manufacturing	90.10	0.00	1
YTO Finance Company Limited	China	China	Finance	88.60	4.80	1
China-Africa Machinery Investment Corp.	China	China	Tractor manufacturing	55.00	0.00	1

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

1. Interests in subsidiaries *(Continued)*

(1) The composition of the Group *(Continued)*

Name of the subsidiary	Main premises	Registration place	Type of business	Percentage of shareholding (%)		Acquisition method
				direct	indirect	
Luoyang Tractors Research Institute Co., Ltd.	China	China	Other	51.00	0.00	2
YTO (Luoyang) Forklift Truck Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO (Luoyang) Diesel Engine Co., Ltd.	China	China	Power machinery manufacturing	67.94	19.45	2
YTO (Luoyang) Drive Axle Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO (Luoyang) Fuel Injection Pump Co., Ltd.	China	China	Power machinery manufacturing	66.60	22.83	2
YTO (Luoyang) Foundry Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO International Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	2
Changtuo Agricultural Machinery Equipment Group Company Limited	China	China	Tractor manufacturing	33.33	0.00	3
YTO Shunxing (Luoyang) Spare Parts Co., Ltd.	China	China	Tractor manufacturing	100.00	0.00	3
YTO Shenyang Tractor Company Limited	China	China	Tractor manufacturing	60.00	0.00	1

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The composition of the Group (Continued)

Note: According to the decision of the first meeting of the sixth board of directors in 2013, the Company raised capital with RMB94,250,000.00 based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Company Limited (referred to as "Changtuo Company") on March 31, 2012. The Company hold 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "Guoji Group"), Guoji Group authorized its voting right and supervision and management right which are corresponded to the 33.33% equity to the Company to independently exercise these rights. The authorization will end when Guoji Group transfer the equity to unrelated third parties. During the authorization period, Guoji Group cannot unilaterally withdraw its authorization. Guoji Group has to obtain the written consent from the Company if Guoji Group needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

Acquisition method: 1. establishment or investment; 2. business combination under common control; 3. business combination not under common control.

(2) Significant partially-owned subsidiaries

Name of the subsidiary	Minority holding	Profit and loss attributable to minorities	Dividends declared to minorities	Ending balance of minority interests
Brilliance China Machinery Holdings Limited	9.90%	1,444,518.19	0.00	13,309,390.34
YTO (Luoyang) Transportation Machinery Co., Ltd.	6.61%	-387,245.75	0.00	878,087.51
YTO Finance Company Limited	6.60%	4,555,450.34	1,392,600.00	51,283,787.57
China-Africa Machinery Investment Corp.	45.00%	1,846,617.48	8,828,100.00	41,775,232.24
Luoyang Tractors Research Institute Co., Ltd.	49.00%	5,870,083.91	0.00	301,630,031.32
YTO (Luoyang) Diesel Engine Co., Ltd.	12.61%	9,552,403.41	7,445,951.00	117,874,661.68
YTO (Luoyang) Fuel Injection Pump Co., Ltd.	10.57%	454,035.13	190,254.60	31,882,079.90
Changtuo Agricultural Machinery Equipment Group Company Limited	66.67%	-23,927,457.72	0.00	114,762,500.04

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Main financial information of significant partially-owned subsidiaries

Item	Current period									
	YTO (Luoyang) Transportation Machinery Co., Ltd.	Brilliance China Machinery Holdings Limited	YTO Finance Company Limited	China-Africa Machinery Investment Corp.	Luoyang Tractors Research Institute Co., Ltd.	YTO (Luoyang) Diesel Engine Co., Ltd.	YTO (Luoyang) Fuel Injection Pump Co., Ltd.	Changtuo Agricultural Machinery Equipment Group Company Limited		
Current assets	41,763,593.97	128,383,932.95	1,780,819,452.23	125,893,693.52	210,563,428.17	1,060,474,739.51	216,421,092.89	75,478,043.12		
Non-current assets	28,710,237.03	9,178,500.00	2,008,726,018.62	3,585,122.45	463,225,326.19	837,199,724.88	106,758,341.60	221,393,368.02		
Total assets	70,473,831.00	137,562,432.95	3,789,545,470.85	129,478,815.97	673,788,754.36	1,897,674,464.39	323,179,434.49	296,871,411.14		
Current liabilities	57,189,602.48	3,124,146.68	3,077,850,895.00	35,743,432.50	34,979,632.10	909,021,754.48	94,027,216.58	115,733,317.15		
Non-current liabilities	0.00	0.00	3,924,525.00	0.00	23,237,629.75	26,812,130.12	0.00	8,994,328.03		
Total liabilities	57,189,602.48	3,124,146.68	3,081,775,420.00	35,743,432.50	58,217,261.85	935,833,884.60	94,027,216.58	124,727,645.18		
Operating revenue	70,714,918.15	0.00	132,520,793.76	83,171,016.78	171,161,634.22	2,034,264,976.56	197,083,244.28	66,393,229.77		
Net profits	-5,858,483.43	14,591,092.82	63,179,761.43	4,418,688.50	11,979,763.09	59,855,832.01	3,269,497.62	-35,891,186.58		
Total comprehensive income	-5,858,483.43	11,772,962.21	76,133,461.43	1,961,877.27	11,979,763.09	59,855,832.01	3,269,497.62	-34,991,235.33		
Cash flow from operating activities	-7,581,291.23	34,564.91	190,034,147.82	-6,066,743.98	29,247,705.86	-9,430,592.94	15,988,644.76	-22,487,469.27		

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Main financial information of significant partially-owned subsidiaries (Continued)

Item	Last period							
	YTO (Luoyang) Transportation Machinery Co., Ltd.	Brilliance China Machinery Holdings Limited	China-Africa Machinery Investment Corp.	Luoyang Tractors Research Institute Co., Ltd.	YTO (Luoyang) Diesel Engine Co., Ltd.	YTO (Luoyang) Fuel Injection Pump Co., Ltd.	Changtuo Agricultural Machinery Equipment Group Company Limited	
Current assets	52,902,112.34	113,472,132.26	168,277,638.40	254,677,092.29	1,153,861,150.62	221,076,181.57	37,544,817.55	
Non-current assets	30,377,044.82	12,306,055.00	4,342,141.07	423,489,170.41	873,771,138.72	111,053,666.02	232,898,845.60	
Total assets	83,279,157.16	125,778,187.26	172,619,779.47	678,166,262.70	2,027,632,289.34	332,129,847.59	270,443,663.15	
Current liabilities	64,136,445.21	3,112,863.20	61,228,273.27	41,823,087.64	1,037,163,830.78	104,447,127.30	52,586,427.43	
Non-current liabilities	0.00	0.00	0.00	32,751,445.64	29,413,710.78	0.00	9,822,283.18	
Total liabilities	64,136,445.21	3,112,863.20	61,228,273.27	74,574,533.28	1,066,577,541.56	104,447,127.30	62,408,710.61	
Operating revenue	75,811,177.93	0.00	339,659,536.82	201,205,759.58	2,180,331,100.97	229,885,860.17	21,735,300.21	
Net profits	-5,413,499.54	-16,379,259.56	21,450,549.78	12,544,605.54	186,513,408.07	2,053,735.45	-31,821,366.04	
Total comprehensive income	-5,413,499.54	-20,249,218.13	18,220,424.83	12,544,605.54	186,513,408.07	2,053,735.45	-34,987,163.74	
Cash flow from operating activities	8,565,463.05	-199,532.53	62,420,855.70	-5,005,460.45	157,540,093.08	904,895.65	-50,695,960.84	

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Remain control over subsidiaries with changes in owner's equity

None

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name	Main premises	Registration place	Type of business	Percentage of shareholding (%)		Accounting method of investments in joint ventures or associates
				direct	indirect	
ZF YTO (Luoyang) Drive Axle Company Limited	China	China	Tractor manufacturing	49.00	0.00	Equity method
YTO Chuanlong (Sichuan) Agricultural Equipment Co., Ltd.	China	China	Tractor manufacturing	20.00	0.00	Equity method
Luoyang First Motors Co., Ltd.	China	China	Tractor manufacturing	29.50	0.00	Equity method
Luoyang I&C Technology Consulting Co., Ltd.	China	China	Professional technical service	30.00	0.00	Equity method
Luoyang Yongwei Machinery Co., Ltd.	China	China	Other special equipment manufacturing	48.60	0.00	Equity method

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Item	Ending balance/Current period			Beginning balance/Last period		
	Luoyang Yongwei Machinery Co., Ltd.	YTO Chuanlong (Sichuan) Agricultural Equipment Co., Ltd.	ZF YTO (Luoyang) Drive Axle Company Limited	Luoyang Yongwei Machinery Co., Ltd.	YTO Chuanlong (Sichuan) Agricultural Equipment Co., Ltd.	ZF YTO (Luoyang) Drive Axle Company Limited
Current assets	12,823,734.66	5,404,815.50	17,651,041.08	13,700,551.01	6,575,625.94	0.00
Including: Cash and cash equivalents	4,252,591.54	4,754,660.19	0.00	2,144,844.70	5,442,821.56	0.00
Non-current assets	6,796,931.27	248,720.04	204,624,724.00	7,973,133.52	63,456.70	0.00
Total assets	19,620,665.93	5,653,535.54	222,275,765.08	21,673,684.53	6,639,082.64	0.00
Current liabilities	4,387,407.64	201,249.13	165,120,652.00	5,639,129.34	676,616.65	0.00
Non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	4,387,407.64	201,249.13	165,120,652.00	5,639,129.34	676,616.65	0.00
Non-controlling interest	0.00	0.00	0.00	0.00	0.00	0.00
Equity attributable to the parent company shareholders	15,233,258.29	5,452,286.41	57,155,113.08	16,034,555.19	5,962,465.99	0.00
Share of net assets calculated by shareholding ratio	7,403,363.53	1,090,457.28	57,155,113.08	7,792,793.82	1,192,493.20	0.00
Adjusting events	0.00	0.00	0.00	0.00	0.00	0.00
— Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
— Unrealized profits from insider trading	0.00	0.00	0.00	0.00	0.00	0.00
— Others	0.00	0.00	0.00	0.00	0.00	0.00
Book value of equity investments in joint ventures	7,426,196.13	1,090,457.28	57,155,113.08	7,783,243.14	1,192,493.20	0.00
Fair value of equity investments in joint ventures with public offer	0.00	0.00	0.00	0.00	0.00	0.00
Operating revenue	77,551,534.25	14,604,858.38	0.00	96,434,701.27	26,727,734.59	0.00
Financial expenses	208,936.58	-11,499.95	0.00	328,794.03	-17,939.03	0.00
Income tax expenses	242,594.18	0.00	0.00	703,102.41	0.00	0.00
Net profits	727,782.53	-510,179.58	0.00	2,109,307.26	-37,534.01	0.00
Net profits of discontinuing operation	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00
Total comprehensive income	727,782.53	-510,179.58	0.00	2,109,307.26	-37,534.01	0.00
Dividends from joint ventures for current period	729,000.00	0.00	0.00	729,000.00	0.00	0.00

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(3) Summary financial information of insignificant associates

Item	Ending balance/ Current period	Beginning balance/ Last period
Associates:		
Total book value of investments	177,404.35	208,904.86
Total amount of the following items calculated by shareholding ratio	-31,500.51	-114,040.73
— Net profits	-31,500.51	-114,040.73
— Other comprehensive income	0.00	0.00
— Total comprehensive income	-31,500.51	-114,040.73

(4) Significant restrictions of the ability to transfer funds from associates to the Company

None

(5) Excess loss occurred in associates

None

(6) Unconfirmed commitments related to investments in associates

None

(7) Contingent liabilities related to investments in associates

None

4. Significant joint operation

None

5. Structured body not included in scope of consolidated financial statements.

None

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

Major financial instruments of the Group include: loans, receivables, payables, financial assets at fair value through profit or loss, available-for-sale financial assets, loan and advances, accounts payable, borrowings from financial institutes, bonds payable etc. For the specific details of each financial instrument, please refer to Note VI. Risks related to these financial instruments and the Group's risk management policies for risk mitigation are stated as following. The management and supervision on the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

1. Risk management objectives and policies

The risk management objectives of the Group are to obtain an appropriate balance between risk and return, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

(1) Market risk

1) Exchange rate risk

Most of the Group's business is in China. As a result, most transactions are settled in RMB, which means the Group does not need to face a high exchange rate risk. The Group's foreign exchange exposure is mainly related to U.S. Dollar, H.K. Dollar, Euro, Yen, West African francs and rand. On 31 December 2014, the ending balances of assets and liabilities held by the Group are all in RMB, except for the ending balances in foreign currencies stated in the following form. The exchange rate risk rose from ending balances in foreign currencies of assets and liabilities may have effects on the Group's operation performance.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	RMB	Original currency	RMB
Cash and cash equivalents	—	117,703,764.62	—	125,968,779.38
U.S. dollar	6,183,230.17	37,835,185.36	9,575,379.34	58,380,130.33
Euro	3,887,470.62	28,983,425.95	3,930,747.58	33,092,570.80
H.K. dollar	35,279,020.98	27,831,619.65	35,225,219.33	27,694,067.44
Yen	85,788,300.97	4,409,518.67	94,557,274.00	5,456,900.28
Australia dollar	545,072.91	2,734,848.80	0.00	0.00
West African francs	433,401,620.00	4,927,776.42	104,524,240.26	1,341,519.53
South African rand	20,739,168.59	10,981,389.77	6,213.88	3,591.00
Accounts receivable	—	69,246,598.08	—	74,031,289.55
U.S. dollar	6,197,748.78	37,924,024.79	3,534,961.17	21,552,304.76
Euro	1,396,701.23	10,413,245.75	2,480,207.82	20,880,621.62
Yen	14,028,271.00	721,053.13	10,803,645.30	623,478.37
Australia dollar	381,696.80	1,915,125.52	0.00	0.00
West African francs	586,311,908.47	6,666,366.40	1,546,916,926.22	19,853,952.18
South African rand	21,920,269.11	11,606,782.49	19,243,697.21	11,120,932.62
Other receivables	—	163,460.24	—	457,530.45
West African francs	12,181,679.50	138,505.70	33,015,287.64	423,735.71
South African rand	47,128.50	24,954.54	58,478.53	33,794.74
Advances to suppliers	—	80,897.62	—	658,985.06
West African francs	7,013,308.00	79,741.31	28,094,742.17	360,582.82
South African rand	2,183.78	1,156.31	516,356.19	298,402.24

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

1. Risk management objectives and policies *(Continued)*

(1) Market risk *(Continued)*

1) Exchange rate risk *(Continued)*

Item	Ending balance		Beginning balance	
	Original currency	RMB	Original currency	RMB
Accounts payable	—	41,311,784.52	—	51,167,217.46
West African francs	599,973,813.54	6,821,702.26	1,311,735,528.33	16,835,509.40
South African rand	65,137,076.98	34,490,082.26	59,407,696.94	34,331,708.06
Other payables	—	19,430,234.98	—	19,443,023.54
West African francs	72,349,390.50	822,612.57	65,090,120.92	835,401.13
South African rand	35,141,874.24	18,607,622.41	32,198,689.06	18,607,622.41
Advances from customers	—	5,720,132.64	—	15,304,955.68
U.S. dollar	764,802.15	4,679,824.36	2,476,941.28	15,101,663.26
Euro	14,783.4	110,219.12	0.00	0.00
Australia dollar	6,000.00	30,104.40	0.00	0.00
West African francs	77,757,235.71	884,099.77	15,839,490.43	203,292.42
South African rand	30,000.00	15,885.00	0.00	0.00
Short-term loan	—	1,274,029,853.67	—	96,530,386.48
U.S. dollar	196,800,000.00	1,204,219,200.00	8,200,000.00	49,994,580.00
Euro	8,021,944.70	59,808,410.91	0.00	0.00
H.K. dollar	0.00	0.00	44,834,895.47	35,249,194.82
West African francs	879,704,728.23	10,002,242.76	879,394,211.20	11,286,611.66
Non-current liabilities				
due within one year	—	18,639,000.00	0.00	0.00
Euro	2,500,000.00	18,639,000.00	0.00	0.00
Long-term loan	—	46,597,500.00	—	84,189,000.00
Euro	6,250,000.00	46,597,500.00	10,000,000.00	84,189,000.00

The Group pays close attention to the impact of fluctuations in exchange rate. The Group does not use derivative financial instruments to hedge foreign currency risks.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

1. Risk management objectives and policies *(Continued)*

(1) Market risk *(Continued)*

2) Interest rate risk

The group's interest rate risk arises from bank loans and bonds payable and other interest-bearing debts. Financial liabilities with floating interest rates push the Group to face the cash flow interest rate risk. Financial liabilities with fixed interest rates push the Group to face the fair value interest rate risk. The Group needs to decide a relative proportion between contracts with floating interest rates and contracts with fixed interest rates according to the market environment.

The risk of changes in market interest rates the Group exposed is mainly related to loans and advances as well as deposits and borrowings.

The group maintains a proper fixed and floating rate instruments combination, and regularly reviews and monitors the combination to make a proper arrangement to reduce the risk. The Group does not use derivative financial instruments to hedge interest rate risks.

On 31 December 2014, interest-bearing debts of the Group are mainly borrowing contracts in U.S. dollar and in Euro with floating interest rates and contracts in RMB with fixed interest rates. The total amount of borrowing contracts with floating interest rates is RMB667,188,310.91 (RMB84,189,000.00 on 31 December 2013). The total amount of contracts with fixed interest rates is RMB2,542,580,835.24 (RMB2,092,437,410.89 on 31 December 2013).

The Group does not use derivative financial instruments to hedge interest rate risks.

3) Price risk

The Group sells products on the market price. Therefore the Group is influenced by the fluctuation of the market price.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

1. Risk management objectives and policies *(Continued)*

(2) Credit risk

On 31 December 2014, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses of financial assets related to the Group, including accounts receivable of the Group and loan transactions in YTO Finance Company Limited, a subsidiary of the Group.

The Group's policy is to make all customers with credit term transactions to go through credit audit procedures. In addition, the Group will continue to monitor balances of accounts receivable. The board of directors believes that the uncollected accounts receivable in the financial statement has an adequate allowance. The board of directors believes that the credit risk has been significantly reduced.

The total amount of the top five accounts receivable is RMB271,528,106.00 (RMB349,699,185.90 on 31 December 2013). The Group's risk exposure is distributed across multiple clients. At the end of the year, 21.37% of the Group's accounts receivable (26.69% for last year) comes from the top five customers. Therefore, the Group has no significant credit concentration risk.

YTO Finance Company Limited, a subsidiary of the Group, has built up a series of strict credit standards and loan approval systems to control and manage the credit risk. The loan approval commitment is responsible for making policies and confirming credit limitations to make a collective review of each credit loan business. The audit department of YTO Finance Company Limited is responsible for monitoring the policies and inspecting implementations of the systems.

Bank deposits and pledged bank deposits are in state-owned banks or other reputable financial institution. Therefore, the credit risk of bank deposits is limited.

Accounts receivable is guaranteed by state-owned banks or other reputable financial institution. Therefore, the credit risk of accounts receivable is limited.

The carrying amount of financial assets in the consolidated balance sheet; for financial instruments measured at fair value, the book value reflects its risk exposure but not the maximum risk exposure. The maximum risk exposure will change along with the change of fair value in the future.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

1. Risk management objectives and policies *(Continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfill its financial obligations at maturity date.

Cash flow forecast is performed by the operation entity of the Group and calculated by the Group financing. The Group financing monitors the rolling forecast of liquidity requirements to ensure that there has adequate funds to meet operation needs. It also maintains adequate undrawn commitments loan limitations to protect the Group from breaking any loan limitations or terms (if any). Such prediction considers the Group's debt financing plan, compliance of terms, ratio target of internal financial position statement, and external regulation or legislation (if applicable) like currency restriction.

The difference between the remaining cash held by the operation entity and the amount needed for working capital management is transferred to the group treasurer. The group treasurer invests the remaining funds into the fixed deposits, money market deposits and securities which have proper maturity dates or adequate liquidity to provide adequate space for the above forecast.

At the end of year, cash and cash equivalents held by the Group is RMB1,749,902,168.21 (RMB1,617,836,958.07 on 31 December 2013) (Note VI 6, 7). Accounts receivable and notes receivable is RMB2,211,631,632.05 (RMB2,580,303,068.62 on 31 December 2013) (Note VI 3, 4). Cash flow is expected to real-timely generate to manage the liquidity risk. Besides, listed transaction equity securities held by the Group is RMB14,360,150.44 (RMB9,095,000.00 on 31 December 2013). These securities can real-timely liquidate to cash when there is a need.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

1. Risk management objectives and policies *(Continued)*

(3) Liquidity risk *(Continued)*

Analysis of the maturity of financial assets and financial liabilities based on undiscounted remaining contractual obligations is stated as following:

On 31 December 2014:

Item	Within 1 year or upon demand	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Cash	1,998,159,516.29	0.00	0.00	0.00	1,998,159,516.29
Financial assets held					
for trading	19,095,259.97	240,000,000.00	100,000,000.00	0.00	359,095,259.97
Notes receivable	1,269,899,186.51	0.00	0.00	0.00	1,269,899,186.51
Accounts receivable	1,270,883,492.72	0.00	0.00	0.00	1,270,883,492.72
Prepayments	292,088,912.74	0.00	0.00	0.00	292,088,912.74
Interests receivable	133,472.22	0.00	0.00	0.00	133,472.22
Other receivables	240,583,624.80	0.00	0.00	0.00	240,583,624.80
Available-for-sale					
financial assets — stock	97,806,400.00	0.00	0.00	0.00	97,806,400.00
Loans and advances	1,357,162,791.06	5,016,867.82	181,788.67	0.00	1,362,361,447.55
Financial liabilities					
Short-term loans	1,644,532,646.15	0.00	0.00	0.00	1,644,532,646.15
Deposits and					
interbank deposits	576,246,341.28	0.00	0.00	0.00	576,246,341.28
Borrowing	350,000,000.00	0.00	0.00	0.00	350,000,000.00
Notes payable	916,374,670.17	0.00	0.00	0.00	916,374,670.17
Accounts payable	1,350,582,485.03	0.00	0.00	0.00	1,350,582,485.03
Other payables	256,876,518.96	0.00	0.00	0.00	256,876,518.96
Interests payable	57,516,420.08	0.00	0.00	0.00	57,516,420.08
Employee					
benefits payables	56,571,200.61	0.00	44,138,505.90	0.00	100,709,706.51
Non-current					
liabilities due					
within one year – loan	18,639,000.00	0.00	0.00	0.00	18,639,000.00
Long-term loans	0.00	18,639,000.00	27,958,500.00	0.00	46,597,500.00
Bonds payable	0.00	0.00	1,500,000,000.00	0.00	1,500,000,000.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

2. Sensitivity analysis

The group uses the sensitivity analysis technology to analyze the rationality and changes of risk variables which may effect on the profits and losses in the current period or the owner's equity. The risk variable rarely changes individually and the influence of correlation between variables is significant. Therefore, the content below is on the assumption that the change in each variable is independent.

(1) Sensitivity analysis of foreign currency risk

Hypothesis of sensitivity analysis of foreign currency risk: all net investment hedging in overseas operations and cash flow hedging are highly effective.

Based on the above hypothesis, when other variables are constant, the effect of reasonable exchange rate fluctuations to profit or loss in the current period and equity in the current period is stated as following:

<u>Item</u>	<u>Fluctuations in exchange rate</u>	<u>Year 2014 Effect on profits before income tax</u>	<u>Year 2013 Effect on profits before income tax</u>
All foreign currency	The appreciation of exchange rate of foreign currency against RMB is 5%	-730,632.86	-3,508,098.45
All foreign currency	The depreciation of exchange rate of foreign currency against RMB is 5%	730,632.86	3,508,098.45

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

2. Sensitivity analysis

(2) Sensitivity analysis of interest rate risk

Hypothesis of sensitivity analysis of foreign currency risk:

The change of market interest rate will affect interest income or expenses of financial instruments with variable interest rates;

For financial instruments with fixed interest rates and measured at fair value, the change of market interest rate will only affect interest income or expenses;

The change of fair value of derivative financial instruments and other financial assets and liabilities is calculated by the discounted cash flow method with the market interest rate on the balance sheet date.

Based on the above hypothesis, when other variables are constant, the effect of reasonable interest rate fluctuations to profit or loss in the current period and equity in the current period is stated as following:

Item	Fluctuations in interest rate	2014		2013	
		Effect on net profits	Effect on shareholders' equity	Effect on net profits	Effect on shareholders' equity
Floating rate borrowings	Increase by 1%	-2,366,795.88	-3,300,152.93	-384,270.89	-384,270.89
Floating rate borrowings	Decrease by 1%	2,366,795.88	3,300,152.93	384,270.89	384,270.89

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE

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

Item	Fair value at the end of year			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
Continuous fair value measurement				
1. Financial assets at fair value				
through profit or loss	354,360,150.44	0.00	0.00	354,360,150.44
(1) Financial assets held for trading	14,360,150.44	0.00	0.00	14,360,150.44
1) Investment				
in debt instruments	0.00	0.00	0.00	0.00
2) Investment				
in equity instruments	14,360,150.44	0.00	0.00	14,360,150.44
3) Derivative financial assets	0.00	0.00	0.00	0.00
4) Others	0.00	0.00	0.00	0.00
(2) Designated financial assets at fair value through profit or loss	340,000,000.00	0.00	0.00	340,000,000.00
1) Investment in debt instruments	340,000,000.00	0.00	0.00	340,000,000.00
2) Investment in equity instruments	0.00	0.00	0.00	0.00
3) Others	0.00	0.00	0.00	0.00
2. Available-for-sale financial assets	97,806,400.00	0.00	188,129,341.41	285,935,741.41
(1) Investment in debt instruments	0.00	0.00	0.00	0.00
(2) Investment in equity instruments	97,806,400.00	0.00	188,129,341.41	285,935,741.41
(3) Others	0.00	0.00	0.00	0.00
3. Investment real estates	0.00	0.00	0.00	0.00
4. Biological assets	0.00	0.00	0.00	0.00
Total assets continuously measured at fair value	452,166,550.44	0.00	188,129,341.41	640,295,891.85

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Determination of the market price of the first level of continuous and non-continuous fair value measurement

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets at fair value through profit or loss or available-for-sale financial assets).

3. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as OTC derivatives). Valuation techniques should use observable market data (if any) as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculate the fair value of a financial instrument, the financial instrument is in the second level.

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

If one or more of the significant inputs is not based on observable market data, the financial instrument is in the third level.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement *(Continued)*

Specific methods of valuating financial instruments:

- (1) Market price or industry price of similar financial instruments.
 - (2) The fair value of interest rate swap is calculated based on discounted value of estimated future cash flows by observable yield curve.
 - (3) Present value discounted from fair value of foreign exchange forward contracts calculated by the exchange rate on the settlement date.
 - (4) Other methods like discounted value of cash flow analysis which is used to calculate the fair value of other financial instruments.
- 5.** No conversion of financial assets between the first level and the second level happened in current year.
- 6.** No changes in valuation techniques happened in current year.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

1. Related parties relationship

(1) Parent companies and ultimate controlling parties

1) Parent companies and ultimate controlling parties

Name	Registration place	Nature	Registered capital	Percentage of share holding (%)	Percentage of voting right
YTO Group Corporation	Henan	Production and sales of large and small tractors, construction machinery, diesel engines, etc	3,174,949,000.00	44.57	44.57

The ultimate control party of the Company is China National Machinery Corporation, registered in Beijing, whose business are domestic and foreign contracting of large equipment and projects, organization of the industry's major technology and equipment research, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital is RMB13,000,000,000.00.

2) Registered capital (RMB' 0,000) of the controlling shareholder and changes

Name	Beginning balance	Increase	Decrease	Ending balance
YTO Group Corporation	287,629.83	29,865.07	0.00	317,494.90

3) Shareholding (RMB' 0,000) of the controlling shareholder and changes

Name	Amount of shareholding		Percentage of shareholding (%)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
YTO Group Corporation	44,391.00	44,391.00	44.57	44.57

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

1. Related parties relationship *(Continued)*

(2) Subsidiaries

Please refer to Note VIII 1. (1) for detailed information of subsidiaries.

(3) Joint ventures and associates

Please refer to Note VIII 3 (1) for detailed information of significant joint ventures and associates. There are no transactions incurred between the joint ventures and associates with the Company in this year or have carry forward amount due to or from the Company.

(4) Other related parties

<u>Name</u>	<u>Relationship</u>
Dongfanghong(Luoyang) Culture Communication Centre	under common control
Luoyang Duoan Advertising Co., Ltd	under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	under common control
Luoyang Tianhui Energy Engineering Co., Ltd	under common control
YTO Group Corporation (Luoyang) Vehicles Co., Ltd	under common control
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	under common control
YTO Luoyang Motor Vehicle Driver Training Schools Co., Ltd	under common control
YTO (Luoyang) Logistics Co., Ltd	under common control
YTO (Luoyang) Lubricants Co., Ltd	under common control
YTO (Luoyang) Tianze Gas Co., Ltd	under common control
YTO (Luoyang) Huide Tooling Co., Ltd	under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd	under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	under common control
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	under common control
YTO Group Corporation Linhai Vehicle Co., Ltd	same ultimate control
YTO (Luoyang) New Oriental Motor Co., Ltd	same ultimate control

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

1. Related parties relationship *(Continued)*

(4) Other related parties *(Continued)*

Name	Relationship
YTO (Luoyang) Standard Parts Co., Ltd	same ultimate control
YTO (Luoyang) Like Vehicle Co., Ltd	same ultimate control
YTO Luoyang Light Vehicle Co., Ltd	same ultimate control
Luoyang Business Daily Co., Ltd.	same ultimate control
China SINOMACH Heavy Industry Corporation	same ultimate control
Changlin Company Ltd	same ultimate control
China Erzhong Group (Deyang) Heavy Industry Co., Ltd	same ultimate control
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	same ultimate control
SINOMACH-HI (Luoyang) Co., Ltd	same ultimate control
SCIVIC Engineering Corporation	same ultimate control
SIPPR Engineering Group Co., Ltd.	same ultimate control
The Fifth Design Institute of the Ministry of Machinery Industry	same ultimate control
Luoyang East Printing Co., Ltd	same ultimate control
Luoyang Zhongshou Machinery & Equipment Co., Ltd	same ultimate control
Luoyang Bearing Science & Technology Co., Ltd	same ultimate control
Luoyang Bearing Science & Industry Co., Ltd	same ultimate control
Tianjin Daye Logistics Co., Ltd	same ultimate control
YTO (Luoyang) Construction Machinery Co., Ltd	same ultimate control
YTO (Luoyang) Engineering Machinery Co., Ltd	same ultimate control
YTO (Luoyang) Building Machinery Co., Ltd	same ultimate control
YTO Shenyang Tractor Co., Ltd	same ultimate control
Changsha Gas-electric Auto Parts Co., Ltd	same ultimate control
China CAMC Engineering Co., Ltd	same ultimate control
China Engineering and Agriculture Machinery Import and Export Co., Ltd	same ultimate control
China Machine Tool Sales and Technical Services Company	same ultimate control

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

1. Related parties relationship (Continued)

(4) Other related parties (Continued)

Name	Relationship
The Fourth Construction of China Machinery Industry Co., Ltd.	same ultimate control
China Machinery Industry Construction Group Inc.	same ultimate control
China Academy of Agricultural Mechanization Services	same ultimate control
China National Automotive Industry International Corporation	same ultimate control
SINOMAC Machine Components Completed Sets Co., Ltd	same ultimate control
CAAMS Menoble Technology Co., Ltd	same ultimate control
China Machinery TDI International Engineering Co., Ltd Luo Yang Branch	same ultimate control
China Automotive Industry International Corporation	same ultimate control
AIE Zhida (Luoyang) Construction Supervision Company	same ultimate control

2. Related party transactions

(1) Significant transactions with SINOMACH and its subsidiaries

Items	Current period	Last period
Sales of raw materials and components	27,608,245.00	76,628,481.50
Purchase of raw materials and components	80,015,429.81	46,847,033.34
Interest income	8,646,106.99	5,378,880.05
Clients' deposit interest	525,679.52	324,948.20

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

2. Related party transactions *(Continued)*

(2) Significant transactions with YTO Group

Items	Current period	Last period
Sales of raw materials and components	113,445,937.55	38,198,471.09
Purchase of raw materials and components	376,163,100.69	511,223,712.77
Payment and payable of power expenses	173,216,555.78	202,449,852.74
Payment and payable of service and transportation expenses	228,881,454.93	158,386,677.65
Payment and payable of research and development expense	0.00	4,055,000.00
Payment and payable of land rental expenses	11,582,078.10	11,701,179.00
Payment and payable of buildings rental expenses	8,603,365.65	5,842,861.68
Payment and payable of equipment rental expenses	1,224,629.32	1,692,501.27
Rental income of leasing buildings and equipment	1,599,224.53	1,632,740.00
Purchase of plant and equipment	59,662,135.24	64,638,559.76
Interest income	20,786,970.84	20,348,203.16
Payment of customer deposit interest	6,052,979.81	4,540,665.20
Received research and development expense	1,990,791.77	123,584.91

(3) Related party transactions with joint ventures and associates (including those of SINOMACH and YTO Group Corporation)

Items	Current period	Last period
Sales of raw materials and components	90,986,800.45	106,502,608.93
Purchase of raw materials and components	99,964,797.08	132,788,968.05
Customer deposit interest expenses	314.48	1,706.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3. Consolidation and the parent company

(1) Remuneration of key management personnel (Unit: RMB'0000)

Item	Current period	Last period
Remuneration of key management personnel		
Fees	36.20	36.20
Salaries and other benefits	RMB499.39	RMB564.19
	EUO14.38	EUO11.48
Retirement benefits scheme contribution	21.24	23.65
	RMB556.83	RMB624.04
Total	EUO14.38	EUO11.48

Breakdown of key management personnel remuneration (Unit: '0000):

Name and position	Fees	Current year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Yanshui Zhao				
Yong Wu		58.02	2.36	60.38
Non-executive directors				
Erlong Wang				
Linjiao Yan				
Zongyan Wu				
Kejun Wang				
Zhiqiang Guo				
Jiguo Liu				
Weike Su (former Director)				
Dawei Qu (former Director)				

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3. Consolidation and the parent company *(Continued)*

(1) **Remuneration of key management personnel** *(Continued)* *(Unit: RMB'0000)*

Name and position	Fees	Current year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Independent non-executive directors				
Xianguo Hong	6.30			6.30
Min Xing	6.40			6.40
Delong Wu	6.20			6.20
Zengbiao Yu	3.70			3.70
Qiusheng Zhang <i>(former Director)</i>	2.80			2.80
Supervisors				
Pingan Li				
Weilin Xu		11.82		11.82
Jianjun Wang		27.60		27.60
Guozhong Zhao		29.43		29.43
Yong Wang	5.40			5.40
Ping Huang	5.40			5.40
Shidong Xu <i>(Former supervisor)</i>				
Key management personnel				
Guoqing Lian <i>(Vice General Manager)</i>		59.52	2.36	61.88
		RMB27.28		RMB29.64
Yao Liu <i>(Vice General Manager)</i>		Euro14.38	2.36	Euro14.38
Zhiping Hou <i>(Vice General Manager)</i>		46.63	2.36	48.99
Weijiang Zhu <i>(Vice General Manager)</i>		49.60	2.36	51.96
Wensheng Su <i>(Vice General Manager)</i>		46.63	2.36	48.99
Yuping Song <i>(Vice General Manager)</i>		46.63	2.36	48.99
Other key management personnel				
Weidong Yao <i>(The Chief Accountant)</i>		49.60	2.36	51.96
Lina Yu <i>(The Secretary of the Board of Directors)</i>		46.63	2.36	48.99
Total	36.20	RMB499.39 Euro14.38	21.24	RMB556.83 Euro14.38

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

3. Consolidation and the parent company *(Continued)*

(1) **Remuneration of key management personnel** *(Continued)* *(Unit: RMB'0000)*

Name and Position	Fees	Last year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Yanshui Zhao				
Yong Wu		72.09	2.15	74.24
Non-executive directors				
Erlong Wang				
Linjiao Yan				
Zhiqiang Guo		Euro1.71		Euro1.71
Jiguo Liu				
Weike Su <i>(former Director)</i>				
Dawei Qu <i>(former Director)</i>				
Jianhong Dong <i>(former Director)</i>				

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

3. Consolidation and the parent company *(Continued)*

(1) **Remuneration of key management personnel** *(Continued)* *(Unit: RMB'0000)*

Name and Position	Fees	Salaries and other benefits	Last year Retirement benefits scheme contributions	Total
Independent non-executive directors				
Xianguo Hong	6.60			6.60
Min Xing	6.60			6.60
Delong Wu	6.20			6.20
Qiusheng Zhang <i>(former Director)</i>	6.60			6.60
Supervisors				
Pingan Li				
Weilin Xu		21.75	2.15	23.90
Jianjun Wang		36.42	2.15	38.57
Yong Wang	5.40			5.40
Ping Huang	5.40			5.40
Shidong Xu <i>(Former Supervisor)</i>				
Key management personnel				
Guoqing Lian <i>(Vice General Manager)</i>		66.56	2.15	68.71
		RMB39.54		RMB41.69
Yao Liu <i>(Vice General Manager)</i>		Euro9.77	2.15	Euro9.77
Zhiping Hou <i>(Vice General Manager)</i>		54.57	2.15	56.72
Weijiang Zhu <i>(Vice General Manager)</i>		54.57	2.15	56.72
Wensheng Su <i>(Vice General Manager)</i>		52.94	2.15	55.09
Yuping Song <i>(Vice General Manager)</i>		54.57	2.15	56.72

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3. Consolidation and the parent company (Continued)

(1) Remuneration of key management personnel (Continued) (Unit: RMB'0000)

Name and Position	Fees	Last year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Other key management personnel				
Weidong Yao (The Chief Accountant)		55.59	2.15	57.74
Lina Yu (The Secretary of the board of Directors)		55.59	2.15	57.74
		<u> </u>	<u> </u>	<u> </u>
		RMB564.19		RMB624.04
Total	36.20	Euro11.48	23.65	Euro11.48
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group pays neither bonus nor compensation to attract key management personnel to join the Group in this year and last year. No compensation for termination of employment relationship is paid to key management personnel in both last and this year. Key management personnel do not give up any remuneration in this year and last year.

(2) Employees' rewards:

Eight individuals with the highest rewards in the Group are members of key management personnel whose rewards are disclosed in Note XI. 3 (1).

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

4. Balance of related party transactions

(1) **Receivables and payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)**

Items	Current period	Last period
Accounts receivable	1,604,414.12	3,150,421.22
Other receivables	780,207.00	1,803,189.20
Advances to suppliers	80,000.00	1,000,000.00
Accounts payable	12,623,074.26	10,796,607.01
Other payables	0.00	5,000.00
Advances from customers	<u>6,849,103.03</u>	<u>3,640,036.34</u>

(2) **Receivables and payables between the Group and YTO Group and its subsidiaries**

Items	Current period	Last period
Accounts receivable	23,375,375.44	26,328,548.21
Other receivables	3,406,760.59	1,353,873.59
Advances to suppliers	2,366,990.76	19,221,639.90
Accounts payable	30,220,169.96	51,106,700.62
Other payables	52,129,712.33	51,399,654.01
Advances from customers	<u>81,600.00</u>	<u>1,305,519.85</u>

(3) **Receivables and payables between the Group and other related parties**

Items	Current period	Last period
Accounts receivable	1,647,965.02	3,735,696.71
Other receivables	165,120,652.00	0.00
Advances to suppliers	0.00	61,447.14
Accounts payable	5,319.00	1,877,271.98
Other payables	0.00	50,000.00
Advances from customers	<u>0.00</u>	<u>406,168.88</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(CONTINUED)*

4. Balance of related party transactions *(Continued)*

(4) Borrowing from and lending to related parties

<u>Items</u>	<u>Current period</u>	<u>Last period</u>
Granting of loans (including discount on notes)	493,688,662.65	581,521,104.97
Deposits absorption and deposits in other banks	518,541,980.94	441,694,762.07

5. Related party commitment

None

6. Others

None

XII. CONTINGENCIES

1. Consolidation

(1) Contingencies resulted from external guarantees provided

As at 31 December 2014, other parties' guarantees provided by the Group are as the followings:

In 2014, the Group, Bank of Communication, China Everbright Bank, and YTO Finance Company Limited entered into Trade Finance Agreement. According to the agreement, the three banking facilities consent to provide a limit on trade financing of RMB858 million. The above limit is specifically used for the bank acceptance, trade financing, and buyers' credit, through the three banking facilities, of the Group's or the distributors and clients recommended under the Group's authority. The bank acceptance, trade financing, and buyers' credit are used for the purchasing of agricultural machineries and mine trucks from the Group or the entities under the Group's authority. The Group and its authorized entities provided guarantee through the form of confirmation on commitment or agreement.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XII. CONTINGENCIES *(CONTINUED)*

1. Consolidation *(Continued)*

(1) Contingencies resulted from external guarantees provided *(Continued)*

As at 31 December 2014, the amount of trade financing guarantee actually assumed by the Group was RMB186.4 million and the guarantee of bank loans provided to other affiliates was RMB183.8084 million.

Secured parties	Type of guarantee	Guarantee amount
1. Within the Group		
YTO (Luoyang) Transportation Machinery Co., Ltd	Joint liability assurance	5,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd	Joint liability assurance	4,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd	Joint liability assurance	1,500,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd	Joint liability assurance	1,500,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd	Joint liability assurance	2,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	5,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Company Limited	Joint liability assurance	5,000,000.00
YTO (Luoyang) Forklift Truck Company Limited	Joint liability assurance	5,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	45,000,000.00
YTO (France) Agricultural Machinery Co., Ltd.	General assurance	22,477,919.53
YTO (France) Agricultural Machinery Co., Ltd.	General assurance	14,917,553.22
YTO (France) Agricultural Machinery Co., Ltd.	General assurance	22,412,938.16
Sub-total	—	183,808,410.91

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XII. CONTINGENCIES (CONTINUED)

1. Consolidation (Continued)

(1) Contingencies resulted from external guarantees provided (Continued)

Secured parties	Type of guarantee	Guarantee amount
2. Not within the Group		
Distributors of Quanchengtong Business	Joint liability assurance	62,300,000.00
Distributors of Nongjiwang Business	Joint liability assurance	12,900,000.00
Distributors of Dianpiaotong Business	Joint liability assurance	107,230,000.00
Client of credit business for the buyers' of mine trucks	Joint liability assurance	1,480,000.00
Client of credit business for the buyers' of agricultural machineries	Joint liability assurance	<u>2,490,000.00</u>
Sub-total	—	<u>186,400,000.00</u>
Total	—	<u><u>370,208,410.91</u></u>

Note: Part of the customers of YTO (Luoyang) Shentong Construction Machinery Co., Ltd., the Group's subsidiary referred to as Shentong Company, purchased mine trucks through applying buyers' credit and financing lease from banking facilities. Instalments were paid by the customers to banking facilities after receipts of trucks. Shentong Company paid the amount due on the customers' behalf when they were incapable to reimburse the instalments to the banking facilities. As at 31 December 2014, the actual amount of Shentong's payments on customers' behalf was RMB197.69 million. After the actual payments, the Group is still assuming a joint liability assurance of RMB1.48 million.

(2) Except for mentioned above, the Group has no other significant contingencies as at 31 December 2014

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XIII. COMMITMENTS

1. Consolidation

(1) Significant commitments

1) Capital commitments as at 31 December 2014

Capital commitments signed but not yet recognized in the financial statements

Items	Current year	Last year
Acquisition of fixed assets	0.00	0.00
External investment (Note)	<u>81,514,886.92</u>	<u>0.00</u>
Total	<u>81,514,886.92</u>	<u>0.00</u>

Note: As at 31 December 2014, the amount of significant capital commitments signed but not yet paid is RMB81.5 million, see the following:

Description	Contracted investment	Paid up investment	Investment to be paid	Date of investment	Note
ZF YTO (Luoyang) Drive Axle Co., Ltd.	138,670,000.00	57,155,113.08	81,514,886.92	2015/1/15	—

2) Outsourcing contract with significant amount that was signed and performing or commencing to perform

None

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XIII. COMMITMENTS (CONTINUED)

1. Consolidation (Continued)

(1) Significant commitments (Continued)

3) Leased agreement that was signed and performing or commencing to perform and its financial impact

As at 31 December 2014, minimum repayment of irrevocable operating lease on rental, assumed by the Group as the lessee, for buildings, machineries, and equipments as the following:

Period	Current year	Last year
Within 1 year	1,031,187.29	457,960.00
1 to 2 years	701,820.00	0.00
2 to 3 years	647,360.83	0.00
Over 3 years	1,749,000.00	0.00
Total	4,129,368.12	457,960.00

As at 31 December 2014, minimum lease income of irrevocable operating lease on rental, assumed by the Group as the lessor, for buildings, machineries, and equipments as the following:

Period	Current year	Last year
Within 1 year	10,569,921.69	1,666,737.33
1 to 2 years	8,270,776.71	73,500.00
2 to 3 years	7,818,110.04	530,000.00
Over 3 years	0.00	0.00
Total	26,658,808.44	2,270,237.33

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XIII. COMMITMENTS *(CONTINUED)*

1. Consolidation *(Continued)*

(1) Significant commitments *(Continued)*

3) Leased agreement that was signed and performing or commencing to perform and its financial impact *(Continued)*

Note: In 2013, the Company signed a lease agreement with Luoyang Jiangyang Hardware Co., Ltd. to lease out the land use right of location No. 1 Anfa Rd. Luoxin Industrial Center Luoyang, for industrial operation and offices. The leased area is 20,000 square meters, with annual rental fee of RMB530,000.00 and lease term of 3 years. The agreement was effective on 10 August 2013 and will be expired on 9 August 2016. Leasing charges is paid annually.

Note: On 21 July 2014, the Company signed a lease agreement with ZF YTO (Luoyang) Drive Axle Co., Ltd. to lease out the location of No. 16 Hangong West Road West Industrial District Luoyang, for offices use. The leased area is 68,649 square meters, with annual rental fee of RMB7,744,610.04 and lease term of 3 years. The agreement was effective on 1 January 2015 and will be expired on 31 December 2017. Leasing charges is paid annually on each 31 March by Notes on demand.

(2) Except for the above, the Group has no other significant commitments as at 31 December 2014.

2. Parent

See Note XIII.1. (1) for Capital commitments as at 31 December 2014

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XIV. SUBSEQUENT EVENTS POST BALANCE SHEET DATE

1. On 30 January 2015, the Company received consideration of RMB165,120,652.00, paid by ZF YTO (Luoyang) Drive Axle Co., Ltd. on the assignment of intangible assets. Refer to Note XV. 1. Matters of joint ventures.
2. According to the Discussion Regarding the Assignment of 100% shares in YTO (Luoyang) Forklift Truck Company Limited approved by the Eighteenth Conference of Sixth Session for Board of Director held on 5 December 2014, the Company would transfer 100% shareholding in YTO (Luoyang) Forklift Truck Company Limited through public listed. The listing price was RMB31 million. This transaction has not been completed upon till this reporting date.

3. Dividends distribution

The Company's 2014 Proposal of Profit Distribution was reviewed and approved by the 2015 first regular Board Meeting of Six Session for the Board of Directors on 30 March 2015. Dividend shall be paid to all shareholders on 995,900,000.00 shares registered as at 31 December 2014 for the total amount of RMB50,790,900.00 (including tax), on the basis of RMB0.051 per share (including tax). The proposal has not yet implemented until it is approved by the conference of the Company's shareholders.

4. Except for the matters disclosed above, the Group has no other significant Subsequent events post balance sheet date.

XV. OTHER SIGNIFICANT MATTERS

1. Joint ventures

On 18 July 2014, the Fourteenth Conference of Six Session for Board of Director approved the Discussion of Cooperation on Drive Axle Business between the First Tractors Company Limited and ZFFriedrichshafenAG. By the approval from the Discussion the Company and ZF (China) Investment Co., Ltd (referred to as ZF (China)), wholly-owned subsidiary of ZFFriedrichshafenAG, jointly contribute to establish ZF YTO (Luoyang) Drive Axle Co., Ltd which is mainly engaged in the research, application, manufacture, and sale of drive axle for agricultural machinery.

The Company and ZF (China) Investment Co., Ltd. officially entered in Joint Ventures Agreement at Luoyang, Henan on 21 July 2014.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XV. OTHER SIGNIFICANT ISSUES (CONTINUED)

1. Joint ventures *(Continued)*

On 25 December 2014, ZF YTO (Luoyang) Drive Axle Co., Ltd. was found upon obtaining a business license. According to the article of corporate constitution, the registered capital of ZF YTO (Luoyang) Drive Axle is RMB283 million including RMB144.33 million, representing 51% shares, from ZF (China) and cash and assets contribution from the Company of RMB138.67 million, representing 49% shares.

According to the timeline of Joint Ventures Agreement, the Group transferred machinery equipments and electric devices totalling 779 assets into ZF YTO (Luoyang) Drive Axle Co., Ltd., with the value of RMB57,155,113.08 on 25 December 2014. The transferring of assets was completed on 31 December 2014, which resulted a recognition of profit or loss for RMB4,615,679.56 by the Company from disposal on fixed assets related to this external investment. On 15 January 2015 the Company made a monetary investment of RMB81,514,886.92. The Company has completed all investments to ZF YTO (Luoyang) Drive Axle Co., Ltd. and hold 49% of total shares.

As stated in SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS 1. Gain or loss from extraordinary items in this Notes, on 31 December 2014 the Company and ZF YTO (Luoyang) Drive Axle Co., Ltd entered into an agreement on transferring of intangible assets of axle on agricultural machinery. The Company transferred intangible assets related to axle on agricultural machinery to ZF YTO (Luoyang) Drive Axle Co., Ltd., including the market, distribution channel, clients and suppliers relationship with a price of RMB155,774,200 (excluding tax). Transfer of this intangible assets portfolio was completed on 31 December 2014, and a net gain on disposal of RMB155,774,200 was recognised accordingly. On 30 January 2015, the Group has received consideration of RMB165,120,652.00 from ZF YTO (Luoyang) Drive Axle Co., Ltd.

2. Debt restructuring

None

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. Lease

(1) Operating lease (leaser)

As at 31 December 2014, category of the assets leased out by the Group under operating lease is as the following:

Category	Ending balance	Beginning balance
Machineries and equipments	6,197,647.45	53,141.10
Buildings	27,500,882.30	11,756,525.57
Land	4,318,454.63	4,439,843.23
Total	38,016,984.38	16,249,509.90

(2) Minimum payment on significant operating lease (lessee)

Terms	Current year	Last year
Within 1 year	1,031,187.29	457,960.00
1 to 2 years	701,820.00	0.00
2 to 3 years	647,360.83	0.00
Over 3 years	1,749,000.00	0.00
Total	4,129,368.12	457,960.00

4. Exchange of assets

None

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

5. Annuity

The Group has established annuity which is jointly paid by the Group and employees. The payment bases adopted by the Group and employees are both based on employee's actual salary for last year, requiring 3 times of salary which is 3 times higher than last-year average salary for Luoyang social employees and 60% of salary which is 60% lower than last year average salary for Luoyang social employees. The Group assumes 5%, and the amount is recognized at the costs of the Group. Employee assumes 2%, and the amount is recognized as withholding on the employees' behalf.

6. Discontinued operation

None

7. Segment information

2014 Segment report	Agriculture Machinery	Power Supply Machinery	Others Machinery	Finance	Elimination	Total
Operating income	7,893,743,200.00	2,067,238,820.84	173,143,999.53	132,520,793.76	-1,239,667,992.99	9,026,978,821.14
Including: External transaction revenue	7,376,960,313.57	1,443,714,408.55	108,397,622.06	97,906,476.96	0.00	9,026,978,821.14
Revenue between segments	516,782,886.43	623,524,412.29	64,746,377.47	34,614,316.80	-1,239,667,992.99	0.00
Total profit for Segment (total loss)	190,894,808.32	66,711,819.80	-126,198,850.27	87,554,749.01	-7,068,395.20	211,894,131.66
Total assets	9,245,340,398.30	2,211,316,192.56	303,138,400.87	943,348,204.44	-347,448,550.50	12,355,694,645.67
Including: Significant impairment loss						
on individual assets	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	5,611,735,424.89	1,020,227,054.39	491,844,639.97	228,115,793.56	-317,055,167.32	7,034,867,745.49
Supplementary information						
Capitalized expenditure	979,404,948.62	37,382,731.06	505,956.51	1,197,100.00	0.00	1,018,490,736.19
Recognized loss of impairment	116,986,128.75	4,268,213.87	42,062,288.51	3,182,380.25	0.00	166,499,011.38
Including: Amortization of goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	290,783,610.17	10,972,602.90	3,969,747.35	683,551.75	0.00	306,409,512.17
Non-cash expenses other than impairment loss, depreciation and amortization	60,139,940.13	13,929,836.72	655,181.77	0.00	0.00	74,724,958.62

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

7. Segment information (Continued)

2013 Segment report	Agriculture machinery	Power supply machinery	Others machinery	Finance	Elimination	Total
Operating income	9,892,511,612.56	2,229,984,731.10	177,217,295.22	106,164,928.54	-1,348,035,076.36	11,057,843,491.06
Including: External transaction revenue	9,077,922,894.62	1,757,403,370.92	149,762,016.25	72,755,209.27	0.00	11,057,843,491.06
Revenue between segments	814,588,717.94	472,581,360.18	27,455,278.97	33,409,719.27	-1,348,035,076.36	0.00
Total profit for Segment (total loss)	181,682,501.98	194,266,717.16	-97,194,927.64	71,458,221.32	-11,114,118.92	339,098,393.90
Total assets	9,665,900,386.36	2,310,251,437.06	426,069,804.54	3,358,992,015.44	-4,061,937,250.87	11,699,276,392.53
Including: Significant impairment loss on individual assets	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	5,078,906,733.29	1,159,901,163.14	468,659,302.97	2,706,255,426.02	-2,971,964,245.47	6,441,758,379.95
Supplementary information						
Capitalized expenditure	496,954,193.78	704,635,742.21	1,116,360.66	361,400.00	0.00	1,203,067,696.65
Recognized loss of impairment	93,925,437.97	1,456,788.63	49,930,275.96	7,402,934.08	0.00	152,715,436.64
Including: Amortization of goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	267,264,860.89	212,789,514.87	548,881.32	3,843,826.52	0.00	484,447,083.60
Non-cash expenses other than impairment loss, depreciation and amortization	100,576,000.00	1,457,000.00	44,899,000.00	5,740,000.00	0.00	152,672,000.00

Domestic and international revenue from external transaction and domestic and international non-current assets except for financial assets and deferred tax assets are as the followings:

Revenue from external transaction	Current year	Last year
China (exclude HK)	8,754,649,576.65	10,659,599,356.12
HK	244,254.25	2,025,797.04
Other foreign countries or territories	272,084,990.24	396,218,337.90
Total	9,026,978,821.14	11,057,843,491.06
Non-current assets	Current year	Last year
China (exclude HK)	4,364,115,496.66	4,048,444,910.96
HK	0.00	0.00
Other foreign countries or territories	53,995,396.37	46,379,753.32
Total	4,418,110,893.03	4,094,824,664.28

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and cash equivalents

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Cash on hand	166,073.30	226,383.01
Cash at bank	1,398,675,037.00	958,051,883.05
Other monetary assets	147,157,265.80	132,902,481.19
Total	<u>1,545,998,376.10</u>	<u>1,091,180,747.25</u>
Including: total overseas deposit	0.00	0.00

Note: the restricted cash of the Company is the insurance to the acceptance notes of RMB147, 157,221.06 as of 31 December 2014 (last year: RMB132,902,439.24).

2. Notes receivable

(1) Categories of notes receivable

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Bank acceptance notes	308,251,230.37	412,504,765.39
Commercial acceptance notes	12,613,000.00	5,250,000.00
Total	<u>320,864,230.37</u>	<u>417,754,765.39</u>

(2) Notes receivable pledged at the end of the year

<u>Item</u>	<u>Pledged amount at the end of the year</u>
Bank acceptance notes	148,297,741.74

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

2. Notes receivable *(Continued)*

(3) Notes receivable endorsed but not due at the balance sheet date

Item	Confirmation amount terminated	Confirmation amount not terminated
Bank acceptance notes	716,891,086.56	0.00
Commercial acceptance notes	27,025,708.77	0.00
Total	743,916,795.33	0.00

(4) There are no notes transferred to other receivables due to drawer's default by the end of the year.

3. Accounts receivable

Item	Ending balance	Beginning balance
Accounts receivable	983,294,307.07	1,222,684,232.46
Minus: provision for bad debts	118,385,801.89	114,412,579.77
Net amount	864,908,505.18	1,108,271,652.69

(1) Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year	828,050,566.57	1,045,086,607.92
1-2 years	7,078,808.08	6,247,278.68
2-3 years	278,400.00	18,200,021.00
Over 3 years	29,500,730.53	38,737,745.09
Net amount	864,908,505.18	1,108,271,652.69

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

3. Accounts receivable *(Continued)*

(2) Classification

Item	Book balance		Ending balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Accounts receivable provided for bad debts on portfolio basis of credit risk characteristics	983,294,307.07	100.00	118,385,801.89	12.04	864,908,505.18
Individually insignificant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	983,294,307.07	100.00	118,385,801.89	12.04	864,908,505.18

Category	Book balance		Beginning balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Accounts receivable provided for bad debts on portfolio basis of credit risk characteristics	1,222,684,232.46	100.00	114,412,579.77	9.36	1,108,271,652.69
Individually insignificant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	1,222,684,232.46	100.00	114,412,579.77	9.36	1,108,271,652.69

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Accounts receivable (Continued)

(3) Accounts receivable provided for bad debts by aging analysis

Aging	Accounts receivable	Ending balance	Proportion (%)
		Provision for bad debts	
Within 1 year	849,403,408.56	21,352,841.99	2.51
1-2 years	14,157,616.18	7,078,808.10	50.00
2-3 years	8,089,288.14	7,810,888.14	96.56
Over 3 years	111,643,994.19	82,143,263.66	73.58
Total	<u>983,294,307.07</u>	<u>118,385,801.89</u>	—

(4) The top 5 debtors

Company	Ending balance	Aging	Proportion in accounts receivable (%)	Provision for bad debts
Luoyang Changxing Agriculture Machinery Co., Ltd.	531,203,289.13	Within 1 year 531,197,245.99 Over 3 years 6,043.14	54.02	7,873,131.85
YTO (Luoyang) Harvesting Machinery Co., Ltd.	89,464,789.31	Over 3 years	9.10	89,464,789.31
Luoyang Changhong Trading Co., Ltd.	87,070,726.10	Within 1 year	8.86	1,106,116.92
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	43,490,887.75	Within 2 years	4.42	10,020,901.77
YTO (Luoyang) Diesel Engine Co., Ltd.	40,807,636.04	Within 1 year	4.15	397,152.51
Total	<u>792,037,328.33</u>	—	<u>80.55</u>	<u>108,862,092.36</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

4. Advances to suppliers

(1) Aging analysis

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	284,419,063.23	98.78	121,448,410.84	98.83
1-2 years	1,008,216.48	0.35	309,887.33	0.25
2-3 years	1,213,159.79	0.42	17,811.75	0.02
Over 3 years	1,293,493.14	0.45	1,107,871.94	0.90
Total	<u>287,933,932.64</u>	<u>100.00</u>	<u>122,883,981.86</u>	<u>100.00</u>

(2) Top 5 advances to suppliers

Company name	Ending balance	Aging	Proportion in prepayments (%)
Xuzhou Xugong Tire Co., Ltd.	79,999,946.10	Within 1 year	27.78
YTO International Ltd.	79,081,099.28	Within 1 year	27.47
Hebei Longfeng Shan Casting Industry Co., Ltd.	41,208,795.40	Within 1 year	14.31
YTO (Luoyang) Forklift Truck Co., Ltd.	17,000,000.00	Within 1 year	5.90
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd.	10,229,100.00	Within 1 year	3.55
Total	<u>227,518,940.78</u>	—	<u>79.01</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. Interests receivable

(1) Classification

Item	Ending balance	Beginning balance
Term deposits	5,279,014.53	0.00
Total	5,279,014.53	0.00

6. Dividends receivable

Item (or investee)	Ending balance	Beginning balance
YTO (Luoyang) Flag Auto-Body Co., Ltd.	20,694,898.90	0.00

7. Other receivables

Item	Ending balance	Beginning balance
Other receivables	211,258,467.36	47,613,592.16
Minus: provision for bad debts	10,211,195.93	4,240,831.46
Net amount	201,047,271.43	43,372,760.70

(1) Aging analysis of other receivables

Aging	Ending balance	Beginning balance
Within 1 year	171,003,315.53	26,766,494.87
1-2 years	25,106,741.13	3,136,941.76
2-3 years	439,057.61	262,544.04
Over 3 years	4,498,157.16	13,206,780.03
Net amount	201,047,271.43	43,372,760.70

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

7. Other receivables (Continued)

(2) Classification

Item	Book balance		Ending balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables provided for bad debts on portfolio basis of credit risk characteristics	211,258,467.36	100.00	10,211,195.93	9.52	201,047,271.43
Individually insignificant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	211,258,467.36	100.00	10,211,195.93	—	201,047,271.43

Category	Book balance		Beginning balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables provided for bad debts on portfolio basis of credit risk characteristics	47,613,592.16	100.00	4,240,831.46	8.91	43,372,760.70
Individually insignificant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	47,613,592.16	100.00	4,240,831.46	—	43,372,760.70

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

7. Other receivables *(Continued)*

(2) Classification *(Continued)*

Other receivables provided for bad debts by aging analysis

Aging	Other receivables	Ending balance Provision for bad debts	Proportion (%)
Within 1 year	171,005,885.93	2,570.40	0.002
1-2 years	25,356,222.63	249,481.50	0.98
2-3 years	439,057.61	0.00	0.00
Over 3 years	14,457,301.19	9,959,144.03	68.89
Total	211,258,467.36	10,211,195.93	—

1) Classification by nature

Nature	Ending balance	Beginning balance
Amount due to/from other parties	197,110,342.67	32,856,087.26
Deposit and reserve funds	1,804,988.41	8,789,768.91
Salaries and wages	1,336,084.11	1,293,447.13
Others	795,856.24	433,457.40
Total	201,047,271.43	43,372,760.70

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

7. Other receivables *(Continued)*

(3) Top 5 other receivables

Company	Relationship	Ending balance	Aging	Proportion in other receivables (%)	Provision for bad debts
ZF YTO (Luoyang) Drive Axle Co., Ltd.	Related party	165,120,652.00	Within 1 year	82.13	0.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Related party	24,426,617.63	1-2 years	12.15	0.00
YTO Zhongcheng Machinery Co., Ltd.	Related party	2,051,505.85	2-3 years	1.02	0.00
YTO Group Corporation	Related party	1,248,574.74	Within 1 year	0.62	3,215.00
Luoyang Jiangyang Metal Parts Co., Ltd.	Third party	530,000.00	Within 1 year	0.26	0.00
Total	—	<u>193,377,350.22</u>	—	<u>96.18</u>	<u>3,215.00</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

8. Inventories

(1) Classification

Item	Book balance	Ending balance	Book value
		Provision for inventories	
Raw material	231,532,457.91	10,025,915.46	221,506,542.45
Work-in- progress	187,629,503.68	3,661,225.30	183,968,278.38
Finished goods	169,507,175.81	4,086,948.86	165,420,226.95
Reusable materials (packing material, low value consumables, etc)	11,557,425.11	732,843.18	10,824,581.93
Others	30,940.20	0.00	30,940.20
Total	600,257,502.71	18,506,932.80	581,750,569.91

Item	Book balance	Beginning balance	Book value
		Provision for inventories	
Raw material	173,293,676.09	4,648,036.34	168,645,639.75
Work-in- progress	150,328,597.99	4,606,113.07	145,722,484.92
Finished goods	301,346,666.13	6,019,072.94	295,327,593.19
Reusable materials (packing material, low value consumables, etc)	19,791,947.88	1,491,435.49	18,300,512.39
Others	0.00	0.00	0.00
Total	644,760,888.09	16,764,657.84	627,996,230.25

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

8. Inventories *(Continued)*

(2) Provision for inventories

Item	Beginning	Increase		Decrease		Ending balance
	balance	Provision	Others	Reversal	Others	
Raw material	4,648,036.34	2,714,019.38	2,663,859.74	0.00	0.00	10,025,915.46
Work-in-progress	4,606,113.07	0.00	2,113,758.28	3,058,646.05	0.00	3,661,225.30
Finished goods	6,019,072.94	0.00	1,994,280.91	3,926,404.99	0.00	4,086,948.86
Reusable materials	1,491,435.49	0.00	0.00	758,592.31	0.00	732,843.18
Others	0.00	0.00	0.00	0.00	0.00	0.00
Total	16,764,657.84	2,714,019.38	6,771,898.93	7,743,643.35	0.00	18,506,932.80

(3) Provision for decline in value for the year

Item	Basis for net realizable value	Reasons for reversal
Raw material	Market price at the end of the year less expected cost	Value recovery or sold
Work-in-progress	Market price at the end of the year less expected cost	Value recovery or sold
Finished goods	Market price at the end of the year less expected cost	Value recovery or sold
Reusable materials	Market price at the end of the year less expected cost	Value recovery or sold
Others	Market price at the end of the year less expected cost	Value recovery or sold

(4) Capitalization of borrowing cost included in the ending balance of inventories

None

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

9. Other current assets

Item	Ending balance	Beginning balance	Nature
Prepayments	37,351.92	17,010.00	Prepaid expenses
Entrusted loans	132,000,000.00	107,000,000.00	Entrusted loans
Structured deposits	50,000,000.00	0.00	Structured deposits
Total	182,037,351.92	107,017,010.00	—

Note: Please refer to "Note VI.10" for details of structured deposits.

10. Long-term equity investments

(1) Classification

Item	Book balance	Ending balance		Beginning balance		
		Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	2,931,819,799.86	18,950,000.00	2,912,869,799.86	2,920,283,942.93	18,950,000.00	2,901,333,942.93
Investments in joint ventures and associates	65,250,086.01	7,004,515.65	58,245,570.36	8,197,008.85	7,004,515.65	1,192,493.20
Total	2,997,069,885.87	25,954,515.65	2,971,115,370.22	2,928,480,951.78	25,954,515.65	2,902,526,436.13

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

10. Long-term equity investments (Continued)

(2) Investments in subsidiaries

Name of invested companies	Beginning balance	Increase	Decrease	Ending balance	Provision for impairment	Impairment loss for the year
YTO France SAS	300,737,040.00	0.00	0.00	300,737,040.00	0.00	0.00
Luoyang Changhong Trading Co., Ltd.	2,750,001.00	0.00	0.00	2,750,001.00	0.00	2,750,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	46,500,046.00	0.00	0.00	46,500,046.00	0.00	0.00
YTO (Xinjiang) Machinery Co., Ltd.	145,000,000.00	0.00	0.00	145,000,000.00	0.00	0.00
YTO Heilongjiang Agricultural Machinery Co., Ltd.	100,000,000.00	0.00	0.00	100,000,000.00	0.00	0.00
Luoyang Changxing Agricultural Machinery Co., Ltd.	2,100,000.00	0.00	0.00	2,100,000.00	0.00	0.00
YTO (Jiangyan) Power Machinery Co., Ltd.	76,000,000.00	0.00	0.00	76,000,000.00	0.00	0.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	52,018,586.00	0.00	0.00	52,018,586.00	0.00	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	7,300,000.00	0.00	7,300,000.00	0.00	0.00	0.00
Brilliance China Machinery Holdings Limited	27,869,327.41	0.00	25.78	27,869,301.63	0.00	0.00
YTO Finance Co., Ltd.	443,802,290.00	0.00	0.00	443,802,290.00	0.00	0.00
China-Africa Machinery Corp.	55,022,000.00	0.00	0.00	55,022,000.00	0.00	0.00
Luoyang Tractors Research Institute Co., Ltd.	281,414,966.36	0.00	0.00	281,414,966.36	0.00	0.00
YTO (Luoyang) Forklift Truck Co., Ltd.	14,022,957.36	0.00	0.00	14,022,957.36	0.00	0.00
YTO (Luoyang) Diesel Engine Co., Ltd.	392,257,881.14	0.00	0.00	392,257,881.14	0.00	0.00
YTO (Luoyang) Drive Axel Co., Ltd.	224,961,387.38	0.00	0.00	224,961,387.38	0.00	0.00
YTO (Luoyang) Flag Auto-Body Co., Ltd.	234,192,767.62	0.00	0.00	234,192,767.62	0.00	0.00
YTO (Luoyang) Fuel Injection Pump Co., Ltd.	152,989,481.32	0.00	0.00	152,989,481.32	0.00	0.00
YTO (Luoyang) Foundry Co., Ltd.	120,391,996.60	40,000,000.00	0.00	160,391,996.60	0.00	0.00
YTO International Ltd.	75,668,335.13	0.00	0.00	75,668,335.13	0.00	0.00
Shanghai Dragon (Group Co., Ltd.)	21,164,117.29	0.00	21,164,117.29	0.00	0.00	0.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	94,250,000.00	0.00	0.00	94,250,000.00	0.00	0.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd.	33,670,762.32	0.00	0.00	33,670,762.32	0.00	0.00
YTO Shenyang Tractor Co., Ltd.	16,200,000.00	0.00	0.00	16,200,000.00	0.00	16,200,000.00
Total	2,920,283,942.93	40,000,000.00	28,464,143.07	2,931,819,799.86	0.0	18,950,000.00

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

10. Long-term equity investments (Continued)

(3) Investments in joint ventures and associates

Name of invested companies	Beginning balance	Increase	Decrease	Movements		Changes in other equity	Cash dividend or profit declared	Provision of impairment	Others	Ending balance	Impairment loss for the year
				Invested income under equity method	Adjustments of other comprehensive income						
Associates											
ZF YTO (Luoyang) Drive Axle Co., Ltd.	0.00	57,155,113.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,155,113.08	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	1,192,493.20	0.00	0.00	-102,035.92	0.00	0.00	0.00	0.00	0.00	1,090,457.28	0.00
Luoyang First Motors Co., Ltd.	7,004,515.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,004,515.65	7,004,515.65
Total	8,197,008.85	57,155,113.08	0.00	-102,035.92	0.00	0.00	0.00	0.00	0.00	65,250,086.01	7,004,515.65

(4) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed	0.00	0.00
China (excluding Hong Kong)	0.00	0.00
Hong Kong	0.00	0.00
Others	0.00	0.00
Sub-total	0.00	0.00
Non-listed	2,971,115,370.22	2,902,526,436.13
Total	2,971,115,370.22	2,902,526,436.13

As at 31 December 2014, the fair value of long-term equity investment in listed companies is RMB0.00.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

11. Fixed assets

Breakdown of fixed assets

Item	Buildings	Plant and machinery	Transportation facilities	Electronic and office equipment	Others	Total
I. Original cost						
1. Beginning balance	861,333,152.33	1,468,308,709.04	19,155,523.32	61,517,533.84	5,860,065.89	2,416,174,984.42
2. Increase	128,470,116.48	705,282,036.97	12,542,341.44	8,032,648.49	465,473.14	854,792,616.52
(1) Purchase	105,542.77	17,746,333.21	26,288.19	544,809.10	133,915.58	18,556,888.85
(2) Transferred from construction in progress	40,488,178.13	155,003,731.15	1,429,019.37	1,829,355.79	38,415.35	198,788,699.79
(3) Business combination	87,876,395.58	531,541,527.50	11,087,033.88	5,658,483.60	293,142.21	636,456,582.77
(4) Others	0.00	990,445.11	0.00	0.00	0.00	990,445.11
3. Decrease	1,106,600.11	112,371,141.40	2,320,011.37	2,370,427.95	278,913.00	118,447,093.83
(1) Disposal or scrapping	518,250.11	103,153,124.61	1,973,030.37	2,370,427.95	261,489.00	108,276,322.04
(2) Others	588,350.00	9,218,016.79	346,981.00	0.00	17,424.00	10,170,771.79
4. Ending balance	988,696,668.70	2,061,219,604.61	29,377,853.39	67,179,754.38	6,046,626.03	3,152,520,507.11
II. Accumulated depreciation						
1. Beginning balance	436,658,842.50	830,125,303.14	8,967,450.61	30,443,104.22	2,719,383.17	1,308,914,083.64
2. Increase	38,474,317.67	405,329,366.33	7,177,978.83	7,755,426.31	869,243.08	459,606,332.22
(1) Accrual	27,397,985.29	101,205,622.32	2,433,417.87	3,639,435.19	691,206.66	135,367,667.33
(2) Business combination	11,076,332.38	304,123,744.01	4,744,560.96	4,115,991.12	178,036.42	324,238,664.89
3. Decrease	701,574.25	62,375,905.32	1,239,753.98	1,946,508.39	264,557.49	66,528,299.43
(1) Disposal or scrapping	358,409.49	53,201,677.15	910,122.03	1,889,508.39	249,220.05	56,608,937.11
(2) Others	343,164.76	9,174,228.17	329,631.95	57,000.00	15,337.44	9,919,362.32
4. Ending balance	474,431,585.92	1,173,078,764.15	14,905,675.46	36,252,022.14	3,324,068.76	1,701,992,116.43
III. Provision for impairment						
1. Beginning balance	1,500.00	4,850,063.54	11,663.13	14,618.31	207,849.68	5,085,694.66
2. Increase	0.00	0.00	0.00	0.00	0.00	0.00
(1) Accrual	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal or scrapping	0.00	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	1,500.00	4,850,063.54	11,663.13	14,618.31	207,849.68	5,085,694.66
IV. Carrying amount						
1. Ending balance	514,263,582.78	883,290,776.92	14,460,514.80	30,913,113.93	2,514,707.59	1,445,442,696.02
2. Beginning balance	424,672,809.83	633,333,342.36	10,176,409.58	31,059,811.31	2,932,833.04	1,102,175,206.12

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

11. Fixed assets *(Continued)*

Analysis of buildings by location and useful life

Item	Ending balance	Beginning balance
Inside China	988,696,668.70	861,333,152.33
Long-term (over 50 years)	0.00	0.00
Mid-term (10–50 years)	988,696,668.70	861,333,152.33
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10–50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	988,696,668.70	861,333,152.33

The depreciation recognized in current year profit or loss is RMB135,367,667.33 (Last year: RMB105,698,788.54).

The addition of fixed assets include RMB198,788,699.79 transferred from construction in progress.

Gain on disposal on fixed assets is RMB5,638,341.68.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

11. Fixed assets (Continued)

(1) Fixed assets leased out on operating leases

The book value of fixed assets leased out on operating lease is RMB33,698,529.75 (original cost: RMB47,903,331.66) at the end of the year (last year: book value of RMB4,165,286.89 and original cost of RMB6,024,982.32). Breakdown is the following:

Item	Book value
Buildings	27,500,882.30
Plant and machinery	<u>6,197,647.45</u>
Total	<u><u>33,698,529.75</u></u>

(2) Fixed assets in the process of receiving title certificates

The original cost of purchased fixed assets whose certificates of ownership are not yet applied or still in progress is RMB6,653,046.07 (last year: RMB0.00). Since transferring process stated above is based on relevant legal agreements, the Board of Directors believes that there are no actual legal uncertainties which could materially affect the title transfer or use rights of those buildings; and no significant affection on the normal operations of the business. Therefore neither provision for impairment was not recorded, nor significant additional cost would incurred.

Item	Book value	Reason
YTO Industrial Park staff dining hall three-layer frame	6,653,046.07	Still in progress and expected to be settled in December 2015.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

12. Construction in progress (CIP)

(1) Breakdown

Item	Book balance	Ending balance		Beginning balance		
		Provision for CIP	Book value	Book balance	Provision for CIP	Book value
Core capacity upgrading project on new wheeled tractor	206,457,303.05	0.00	206,457,303.05	64,920,021.29	0.00	64,920,021.29
Agricultural high-power diesel engine project	60,810,592.40	0.00	60,810,592.40	54,025,233.86	0.00	54,025,233.86
Newly established large workshop in Third Assembly Factory	52,511,937.03	0.00	52,511,937.03	0.00	0.00	0.00
Cylinder old line reconstruction project	15,041,213.76	0.00	15,041,213.76	0.00	0.00	0.00
Forged crankshaft machining line project	13,540,080.94	0.00	13,540,080.94	47,682,142.92	0.00	47,682,142.92
Intermediate frequency electric furnace renovation project	6,914,101.32	0.00	6,914,101.32	0.00	0.00	0.00
KW molding line transformation system project	6,910,533.35	0.00	6,910,533.35	0.00	0.00	0.00
Enhancement of the heat treatment	6,207,418.13	0.00	6,207,418.13	5,674,405.84	0.00	5,674,405.84
Green technology upgrade project for casting system	5,918,904.27	0.00	5,918,904.27	0.00	0.00	0.00
Command exhibition center project	3,896,957.02	0.00	3,896,957.02	348,735.85	0.00	348,735.85
400 and LF904 fender welding automatic production line (2014)	3,217,948.72	0.00	3,217,948.72	0.00	0.00	0.00
New giant parts workshop of No. 3 Assembling Factory	3,178,102.58	0.00	3,178,102.58	0.00	0.00	0.00
Cooling pipe expansion project	3,011,038.45	0.00	3,011,038.45	0.00	0.00	0.00
Main journal connecting rod grinding machine project	1,972,495.72	0.00	1,972,495.72	0.00	0.00	0.00
Large reaming machine production line project	1,760,000.00	0.00	1,760,000.00	0.00	0.00	0.00
Digital technology in non-axis machining of cylinder production trial	1,752,136.79	0.00	1,752,136.79	0.00	0.00	0.00
Industrial park large wheel tractor project	1,729,692.00	0.00	1,729,692.00	9,662,573.82	0.00	9,662,573.82
4,000 ton forging press overhaul project	1,682,461.55	0.00	1,682,461.55	0.00	0.00	0.00
Others	59,019,610.73	8,533,977.20	50,485,633.53	50,307,031.61	8,378,977.20	41,928,054.41
Total	455,532,527.81	8,533,977.20	446,998,550.61	232,620,145.19	8,378,977.20	224,241,167.99

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

12. Construction in progress *(CIP) (Continued)*

(2) Changes in major construction in progress

Name of Project	Beginning balance	Increase	Decrease		Ending balance
			Transferred to fixed assets	Others	
Core capacity upgrading project on new wheeled tractor	64,920,021.29	333,332,859.30	40,068,638.43	151,726,939.11	206,457,303.05
Agricultural high-power diesel engine project	54,025,233.86	64,304,179.42	3,217,134.61	54,301,686.27	60,810,592.40
Newly established large workshop in Third Assembly Factory	0.00	54,198,349.40	0.00	1,686,412.37	52,511,937.03
Cylinder old line reconstruction project	0.00	15,041,213.76	0.00	0.00	15,041,213.76
Forged crankshaft machining line project	47,682,142.92	101,588,743.24	86,327,077.24	49,403,727.98	13,540,080.94
Intermediate frequency electric furnace renovation project	0.00	7,208,710.92	0.00	294,609.60	6,914,101.32
KW molding line transformation system project	0.00	7,567,441.07	656,907.72	0.00	6,910,533.35
Enhancement of the heat treatment	5,674,405.84	2,180,919.31	2,122,820.53	-474,913.51	6,207,418.13
Green technology upgrade project for casting system	0.00	5,918,904.27	0.00	0.00	5,918,904.27
Command exhibition center project	348,735.85	4,342,709.04	0.00	794,487.87	3,896,957.02
400 and LF904 fender welding automatic production line	0.00	3,217,948.72	0.00	0.00	3,217,948.72
New giant parts workshop of No. 3 Assembling Factory	0.00	4,305,089.47	1,126,986.89	0.00	3,178,102.58
Cooling pipe expansion project	0.00	3,011,038.45	0.00	0.00	3,011,038.45
Main journal connecting rod grinding machine project	0.00	1,972,495.72	0.00	0.00	1,972,495.72
Large reaming machine production line project	0.00	1,760,000.00	0.00	0.00	1,760,000.00
Digital technology in non-axis machining of cylinder production trial	0.00	1,752,136.79	0.00	0.00	1,752,136.79
Industrial park large wheel tractor project	9,662,573.82	1,729,692.00	9,662,573.82	0.00	1,729,692.00
4,000 ton forging press overhaul project	0.00	1,682,461.55	0.00	0.00	1,682,461.55
Others	50,307,031.61	108,685,767.57	55,606,560.55	44,366,627.90	59,019,610.73
Total	232,620,145.19	723,800,660.00	198,788,699.79	302,099,577.59	455,532,527.81

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

12. Construction in progress (CIP) (Continued)

(2) Changes in major construction in progress (Continued)

Name of project	Budget	Proportion of injection to budget (%)	Progress	Accumulated amount of interest capitalized	Including: interest capitalized for the year	Capitalization rate (%)	Source of funds
Core capacity upgrading project on new wheeled tractor	160,000,000.00	80.00	80%	0.00	0.00	—	Raising fund
Agricultural high-power diesel engine project	65,000,000.00	70.00	70%	12,829,031.02	0.00	—	Raising fund
Cylinder old line reconstruction project	50,000,000.00	70.00	70%	0.00	0.00	—	Raising fund
Forged crankshaft machining line project	29,773,300.00	50.52	51%	0.00	0.00	—	Self-funded
Intermediate frequency electric furnace renovation project	58,000,000.00	80.00	80%	819,901.92	0.00	—	Self-funded
KW molding line transformation system project	52,200,000.00	13.25	13%	0.00	0.00	—	Self-funded
Enhancement of the heat treatment	7,982,000.00	86.58	87%	0.00	0.00	—	Self-funded
Green technology upgrade project for casting system	3,220,000.00	80.00	80%	0.00	0.00	—	Self-funded
Command exhibition center project	9,400,000.00	62.97	63%	0.00	0.00	—	Self-funded
400 and LF904 fender welding automatic production line	3,980,000.00	80.00	80%	0.00	0.00	—	Self-funded
New giant parts workshop of No. 3 Assembling Factory	6,275,000.00	40.00	40%	0.00	0.00	—	Self-funded
Cooling pipe expansion project	4,750,000.00	66.91	67%	0.00	0.00	—	Self-funded
Main journal connecting rod grinding machine project	3,100,000.00	97.13	97%	0.00	0.00	—	Self-funded
Large reaming machine production line project	3,960,000.00	90.00	90%	0.00	0.00	—	Self-funded
Digital technology in non-axis machining of cylinder production trial	2,900,000.00	80.00	80%	0.00	0.00	—	Self-funded
Industrial park large wheel tractor project	2,320,000.00	75.52	76%	0.00	0.00	—	Self-funded
4,000 ton forging press overhaul project	1,050,000.00	100.00	100%	0.00	0.00	—	Self-funded
Cylinder old line reconstruction project	2,600,000.00	80.00	80%	0.00	0.00	—	Self-funded
Others	—	—	—	2,535,622.02	0.00	—	Self-funded
Total	—	—	—	16,184,554.96	0.00	—	—

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

12. Construction in progress (CIP) (Continued)

(3) Provision for CIP

Item	Provision for CIP	Reason
Others	155,000.00	Transferred from the subsidiary YTO Foundry
Total	155,000.00	—

13. Intangible assets

Items	Software	Land use right	Patent	Trademarks	Total
I. Original cost					
1. Beginning balance	22,894,776.42	436,008,315.90	25,000.00	59,501,000.00	518,429,092.32
2. Increase	4,910,089.45	118,711,123.50	1,452,553.68	0.00	125,073,766.63
(1) Purchase	1,699,119.92	43,292,782.43	0.00	0.00	44,991,902.35
(2) Internal development	0.00	0.00	0.00	0.00	0.00
(3) Internal transfer	3,210,969.53	75,418,341.07	1,452,553.68	0.00	80,081,864.28
3. Decrease	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00
4. Ending balance	27,804,865.87	554,719,439.40	1,477,553.68	59,501,000.00	643,502,858.95
II. Accumulated depreciation					
1. Beginning balance	9,950,256.87	29,061,924.26	0.00	0.00	39,012,181.13
2. Increase	5,959,665.14	13,962,455.22	133,423.02	0.00	20,055,543.38
(1) Accrual	5,117,079.06	12,565,430.76	94,272.02	0.00	17,776,781.84
(2) Internal transfer	842,586.08	1,397,024.46	39,151.00	0.00	2,278,761.54
3. Decrease	0.00	0.00	0.00	0.00	0.00
(1) Purchase	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00
4. Ending Balance	15,909,922.01	43,024,379.48	133,423.02	0.00	59,067,724.51

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. Intangible assets (Continued)

Items	Software	Land use right	Patent	Trademarks	Total
III. Provision for impairment					
1. Beginning balance	0.00	0.00	0.00	0.00	0.00
2. Increase	0.00	0.00	0.00	0.00	0.00
(1) Accrual	0.00	0.00	0.00	0.00	0.00
3. Decrease	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Business combination	0.00	0.00	0.00	0.00	0.00
(3) Others	0.00	0.00	0.00	0.00	0.00
4. Ending Balance	0.00	0.00	0.00	0.00	0.00
III. Carrying amount					
1. Ending balance	11,894,943.86	511,695,059.92	1,344,130.66	59,501,000.00	584,435,134.44
2. Beginning balance	12,944,519.55	406,946,391.64	25,000.00	59,501,000.00	479,416,911.19

Analysis of land use right by location and useful life

Items	Ending balance	Beginning balance
Inside China	554,719,439.40	436,008,315.90
Long-term (Over 50 years)	479,301,098.33	436,008,315.90
Mid-term (10–50 years)	75,418,341.07	0.00
Short-term (Within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10–50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	554,719,439.40	436,008,315.90

Current year depreciation and amortisation expenses recognised in the profit and loss is RMB17,776,781.84 (Last year: RMB15,298,263.18).

Note: Please refer to "Note VI.17" for the details of the intangible assets with indefinite useful life at the end of the year.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. Intangible assets (Continued)

At the end of the year, the net value of land use right without certificate of title which is still in process is RMB43,292,782.43 (At the beginning of the year: RMB0.00). Since transferring process stated above is based on relevant legal agreements, the Board of Directors believes that there are no actual legal uncertainties which could materially affect the title transfer or use rights of those buildings; and no significant affection on the normal operations of the business. Therefore neither provision for impairment was not recorded, nor significant additional cost would incurred.

Items	Carrying amount	Reason for not obtaining property license
Industrial park land use right	43,292,782.43	Still in process and expected to be settled in March 2015

14. Research and development expenses

Items	Beginning balance	Increase		Decrease			Ending balance
		Internal research and development expenses	Others	Recognized as intangible assets	Transferred to profit or loss	Others	
Research and development of tractors	0.00	198,998,076.44	0.00	0.00	198,998,076.44	0.00	0.00
Research and development of power machinery products	0.00	9,210,000.00	0.00	0.00	9,210,000.00	0.00	0.00
Updating of components and research and development of other machinery products	0.00	36,685,099.53	0.00	0.00	36,685,099.53	0.00	0.00
Basic research	0.00	47,173,718.45	0.00	0.00	47,173,718.45	0.00	0.00
Research and development of technology	0.00	13,525,307.64	0.00	0.00	13,525,307.64	0.00	0.00
Total	0.00	305,592,202.06	0.00	0.00	305,592,202.06	0.00	0.00

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

15. Long-term prepayments

Items	Beginning balance	Increase	Amortization	Other deductions	Ending balance
Amortization on mould	0.00	18,622,089.11	3,866,244.89	769,658.12	13,986,186.10
Repair and maintenance	0.00	5,946,888.23	2,017,356.81	0.00	3,929,531.42
Equipment relocation expenses	0.00	586,402.71	140,736.60	0.00	445,666.11
Work bench	0.00	566,524.23	283,262.10	0.00	283,262.13
Others	0.00	359,829.09	68,547.00	20,341.92	270,940.17
Total	0.00	26,081,733.37	6,376,147.40	790,000.04	18,915,585.93

16. Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for inventories decline in value	2,776,039.92	18,506,932.80	0.00	0.00
Termination benefit	3,055,894.96	20,372,633.09	4,068,247.23	27,121,648.22
Wages payable and accrued expense	1,269,040.80	8,460,272.00	964,664.16	6,431,094.41
Total	7,100,975.68	47,339,837.89	964	33,552,742.63

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

16. Deferred tax assets and deferred tax liabilities *(Continued)*

(2) **Recognised deferred tax liabilities**

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Movement on available for sale financial assets	44,160,000.00	6,624,000.00	18,112,000.00	2,716,800.00

(3) **Deductible temporary difference of unrecognized deferred tax assets**

Item	Ending balance	Beginning balance
Provision for bad debts	131,238,211.34	121,294,624.75
Provision on inventories decline in value	0.00	16,764,657.84
Provision of impairment on long-term equity investments	25,954,515.65	25,954,515.65
Provision of impairment on available-for-sale financial assets	4,322,800.00	2,122,800.00
Provision of impairment on fixed assets	5,085,694.66	5,085,694.66
Provision of impairment on construction in progress	8,533,977.20	8,378,977.20
Total	175,135,198.85	179,601,270.10

17. Short-term loans

(1) **Classification**

Category	Ending balance	Beginning balance
Pledged loans	0.00	35,250,539.87
Credit loans	1,528,219,200.00	415,894,580.00
Total	1,528,219,200.00	451,145,119.87

(2) There are no overdue short-term loans at the end of the year.

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

18. Notes payable

Category	Ending balance	Beginning balance
Bank acceptance notes	483,664,811.06	261,622,187.15
Commercial acceptance notes	340,670,979.21	123,557,517.30
Total	824,335,790.27	385,179,704.45

19. Accounts payable

(1) Breakdown

Nature	Ending balance	Beginning balance
Purchase payable	793,568,366.17	1,274,149,051.07
Construction materials payable	64,101,792.59	28,602,076.29
Service fee payable	2,251,949.76	780,487.25
Others	47,506,070.00	47,506,070.00
Total	907,428,178.52	1,351,037,684.61

(2) Aging analysis

Age	Ending balance	Beginning balance
Within 1 year	851,704,511.14	1,315,149,811.73
1 to 2 years	16,011,848.27	10,838,778.85
2-3 years	5,687,925.31	8,320,053.24
Over 3 years	34,023,893.80	16,729,040.79
Total	907,428,178.52	1,351,037,684.61

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

19. Accounts payable *(Continued)*

(3) Significant accounts payable aged over one year

Creditor	Amount due	Reasons for not yet settled
Tianyong Mechatronics (Shanghai) Co., Ltd	3,271,244.00	Unsettled
Bengang Steel Plates Co., Ltd.	1,789,968.08	Quality dispute
Tianfon Steel Structure Construction Co. Ltd.	1,714,652.29	Unsettled
Luoyang Dingxin Trading Co., Ltd.	962,032.00	Unsettled
Luoyang YTO East Building Co., Ltd.	858,809.55	Unsettled
Total	<u>8,596,705.92</u>	—

20. Employee benefits payable

(1) Classification

Item	Beginning balance	Increase	Decrease	Ending balance
Short-term remuneration	6,434,710.16	488,211,429.01	484,241,335.25	10,404,803.92
Defined contribution plan	89,290.51	84,439,721.66	84,484,207.20	44,804.97
Termination benefits	<u>27,121,648.22</u>	<u>4,780,986.01</u>	<u>11,530,001.14</u>	20,372,633.09
Total	<u>33,645,648.89</u>	<u>577,432,136.68</u>	<u>580,255,543.59</u>	30,822,241.98

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

20. Employee benefits payable (Continued)

(2) Short-term remuneration

Items	Beginning balance	Increase	Decrease	Ending balance
Wages or salaries, bonuses, allowances and subsidies	6,431,094.41	371,884,330.34	369,855,152.75	8,460,272.00
Staff welfare	0.00	36,978,384.15	36,978,384.15	0.00
Social securities	0.00	28,992,749.61	28,992,749.61	0.00
Include: Medical insurance	0.00	23,767,701.17	23,767,701.17	0.00
Work-related injury insurance	0.00	2,632,215.81	2,632,215.81	0.00
Maternity insurance	0.00	2,592,832.63	2,592,832.63	0.00
Housing funds	0.00	32,189,221.00	32,189,221.00	0.00
Union & education funds	3,615.75	11,407,779.75	9,703,238.26	1,708,157.24
Others	0.00	6,758,964.16	6,522,589.48	236,374.68
Total	<u>6,434,710.16</u>	<u>488,211,429.01</u>	<u>484,241,335.25</u>	<u>10,404,803.92</u>

(3) Defined contribution plan

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension	0.00	64,717,152.68	64,717,152.68	0.00
Unemployment insurance	0.00	6,500,284.30	6,500,284.30	0.00
Annuity	89,290.51	13,222,284.68	13,266,770.22	44,804.97
Total	<u>89,290.51</u>	<u>84,439,721.66</u>	<u>84,484,207.20</u>	<u>44,804.97</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

21. Taxes payable

Items	Ending balance	Beginning balance
Value-added tax (VAT)	-306,472,721.67	-325,544,780.02
Business tax	98,225.20	127,511.05
Corporate income tax	11,566,520.54	3,200,217.05
Urban maintenance and construction tax	6,902.95	10,474.63
Property tax	3,606,960.54	3,063,223.76
Land use tax	970,986.47	667,266.84
Individual income tax	547,368.23	715,721.01
Education surcharge	4,930.68	7,481.87
Others	207,658.20	277,898.00
Total	<u>-289,463,168.86</u>	<u>-317,474,985.81</u>

22. Interests payable

(1) Classification

Item	Ending balance	Beginning balance
Interest on corporate bonds	50,334,301.01	50,326,849.36
Interest payable on short-term loans	6,390,000.00	0.00
Total	<u>56,724,301.01</u>	<u>50,326,849.36</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

23. Other payables

(1) Classification by nature

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Amounts due to/from other parties	95,753,140.19	12,011,093.97
Security deposit	60,142,212.34	7,289,997.99
Expenses payable	4,030,435.04	3,540,418.97
Collect or pay on behalf of others	4,824,683.75	2,326,171.45
Others	10,363,414.09	5,526,710.69
Total	175,113,885.41	30,694,393.07

(2) Details of other payables aged over one year

<u>Creditor</u>	<u>Ending balance</u>	<u>Reasons for not yet settled</u>
YTO Group Corporation	49,340,612.33	Unsettled
YTO (Luoyang) Harvesting Machinery Co., Ltd.	4,031,683.97	Unsettled
Total	53,372,296.30	—

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

24. Non-current liabilities due within one year

(1) Breakdown

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Long-term loans due within 1 year	18,639,000.00	300,000,000.00
Deferred revenues due within 1 year	6,874,000.00	0.00
Total	<u>25,513,000.00</u>	<u>300,000,000.00</u>

25. Other current liabilities

(1) Classification

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Discounts	175,947.00	12,550,000.00
Warranty service charges	6,130,000.00	4,450,000.00
Intermediary service fees	1,920,000.00	3,830,726.00
Others	54,813.00	16,000.00
Total	<u>8,280,760.00</u>	<u>20,846,726.00</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

26. Long-term loans

(1) Classification

<u>Category</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Credit loans	<u>46,597,500.00</u>	<u>84,189,000.00</u>

(2) Analysis by due date

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
1-2 years	0.00	0.00
2-5 years	46,597,500.00	84,189,000.00
Over 5 years	<u>0.00</u>	<u>0.00</u>
Total	<u>46,597,500.00</u>	<u>84,189,000.00</u>

27. Bonds payable

(1) Classification

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
12 YTO 01 Coporate bond	796,393,416.63	795,366,770.98
12 YTO 02 Coporate bond	<u>695,578,322.56</u>	<u>694,406,047.59</u>
Total	<u>1,491,971,739.19</u>	<u>1,489,772,818.57</u>

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

27. Bonds payable *(Continued)*

(2) Changes in bonds payable

Name	Face value	Date of issue	Maturity	Issue amount	Beginning balance	Issued for the year	Interest accrued	Amortization	Repayment for the year	Ending balance
							based on face value	on premium or discount		
12 YTO 01 Corporate bond	800,000,000.00	4-Mar-2013	5 years	794,550,000.00	795,366,770.98	0.00	70,172,054.81	1,843,416.63	38,400,000.00	796,393,416.63
12 YTO 02 Corporate bond	700,000,000.00	30-May-2013	5 years	693,734,150.95	694,406,047.59	0.00	50,062,246.20	1,844,171.61	31,500,000.00	695,578,322.56
Total	<u>1,500,000,000.00</u>	—	—	<u>1,488,284,150.95</u>	<u>1,489,772,818.57</u>	<u>0.00</u>	<u>120,234,301.01</u>	<u>3,687,588.24</u>	<u>69,900,000.00</u>	<u>1,491,971,739.19</u>

Note: Please refer to "Note VI.35" for details of bonds payable.

(3) Other financial instruments classified in financial liabilities

None

28. Deferred income

(1) Classification

Items	Beginning balance	Increase	Decrease	Ending balance	Reasons
Government grants	141,056,362.41	0.00	14,858,000.00	126,198,362.41	—

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

28. Deferred income (Continued)

(2) Government grants

Items	Beginning balance	Increase	The amount of non-operating income	Other changes	Ending balance	Related to assets/Related to earnings
The upgrade of core ability in new type of wheeled tractors	53,200,000.00	0.00	0.00	0.00	53,200,000.00	Related to assets
High-power non-road diesel engines	49,000,000.00	0.00	0.00	0.00	49,000,000.00	Related to assets
Diesel engine crankshaft forging line	13,560,000.00	0.00	3,390,000.00	3,390,000.00	6,780,000.00	Related to assets
Technical innovation of wheeled tractors	12,456,000.00	0.00	2,768,000.00	2,768,000.00	6,920,000.00	Related to assets
C series of government project aid	5,728,000.00	0.00	716,000.00	716,000.00	4,296,000.00	Related to assets
Annual output of 1,000 big horsepower shift heavy wheeled tractors	2,750,000.00	0.00	0.00	0.00	2,750,000.00	Related to assets
Energy-saving diesel engine crankshaft machining production line project	2,700,000.00	0.00	0.00	0.00	2,700,000.00	Related to assets
Special funds for large wheeled tractor gearbox flexible production line technology integration and demonstration	980,000.00	0.00	980,000.00	0.00	0.00	Related to earnings
Special funds for tractors, diesel engine castings and rapid development of new product demonstration and application	419,960.00	0.00	0.00	0.00	419,960.00	Related to assets
Special funds for complex efficient low consumption of green manufacturing process and equipment	130,000.00	0.00	130,000.00	0.00	0.00	Related to earnings
Others	132,402.41	0.00	0.00	0.00	132,402.41	Related to assets
Total	141,056,362.41	0.00	7,984,000.00	6,874,000.00	126,198,362.41	—

Note: Other changes are deferred income which have been reclassified to non-current liabilities due within one year.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

29. Share capital

Changes on legally issued paid-up share capital are listed below: (all shares are ordinary shares with a par value of RMB1.00 per share.)

Current year

Items	Beginning balance	New shares issued	Changes in current year			Others	Sub-total	Ending balance
			Complimentary shares	Transferred from reserves				
Total number of shares	995,900,000.00	0.00	0.00	0.00	0.00	0.00	0.00	995,900,000.00

Last year

Items	Beginning balance	New shares issued	Changes in current year			Others	Sub-total	Ending balance
			Complimentary shares	Transferred from reserves				
Total number of shares	995,900,000.00	0.00	0.00	0.00	0.00	0.00	0.00	995,900,000.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

30. Capital reserves

Current year

Items	Beginning balance	Increase	Decrease	Ending balance
Share premium	1,990,029,134.53	0.00	36,875,739.10	1,953,153,395.43
Other capital reserves	64,872,267.48	0.00	0.00	64,872,267.48
Total	<u>2,054,901,402.01</u>	<u>0.00</u>	<u>36,875,739.10</u>	<u>2,018,025,662.91</u>

Last year

Items	Beginning balance	Increase	Decrease	Ending balance
Share premium	2,026,623,703.28	0.00	36,594,568.75	1,990,029,134.53
Other capital reserves	64,872,267.48	0.00	0.00	64,872,267.48
Total	<u>2,091,495,970.76</u>	<u>0.00</u>	<u>36,594,568.75</u>	<u>2,054,901,402.01</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

31. Other comprehensive income (OCI)

Items	Beginning balance	Changes in current year					Ending balance
		Amount before income tax	Less: Recorded in OCI in prior period, recorded in profit/loss in current period	Less: income tax expenses	Amount attributable to the parent company after income tax	Amount attributable to minority shareholders after income tax	
1. Other comprehensive income not reclassified into profit or loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Other comprehensive income reclassified into profit or loss	15,395,200.00	26,048,000.00	0.00	3,907,200.00	22,140,800.00	0.00	37,536,000.00
Including: Gains and losses from changes in fair value of available-for-sale financial assets	15,395,200.00	26,048,000.00	0.00	3,907,200.00	22,140,800.00	0.00	37,536,000.00
Total	15,395,200.00	26,048,000.00	0.00	3,907,200.00	22,140,800.00	0.00	37,536,000.00

32. Special reserves

Current year

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production costs	0.00	12,418,075.36	12,418,075.36	0.00

Last year

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production costs	0.00	8,422,849.78	8,422,849.78	0.00

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

33. Surplus reserves

Current year

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	252,254,055.64	42,225,509.09	0.00	294,479,564.73

Last year

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	228,384,682.88	23,869,372.76	0.00	252,254,055.64

Changes in surplus reserve for this year and last year are the statutory surplus reserved on 10% of the net profit.

34. Retained earnings

Current year

Items	Amounts	Appropriation %
Ending balance of last year	911,189,187.88	
Add: adjustments to beginning balance	0.00	
Beginning balance of current year	911,189,187.88	
Add: Net profit attributable to parent for the current period	422,255,090.88	
Less: Statutory surplus reserves	42,225,509.09	10% of net profit or loss
Discretionary surplus reserves	0.00	
Reserve on general risks	0.00	
Dividends payable on ordinary shares	59,754,000.00	
Dividends on ordinary shares transferred to share capitals	0.00	
Ending balance of current year	1,231,464,769.67	

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

34. Retained earnings *(Continued)*

Last year

Items	Amounts	Appropriation (%)
Ending balance of last year	777,540,992.70	
Add: adjustments to beginning balance	13,278,696.54	
Include: Retroactive adjustment in respect of the latest CAS	0.00	
Changes in accounting policies	0.00	
Corrections of significant errors in prior period	0.00	
Change of consolidation scope under common control	0.00	
Other adjustments	13,278,696.54	
Beginning balance of current year	790,819,689.24	
Add: Net profit attributable to parent for the current period	243,828,871.40	
Less: Statutory surplus reserves	23,869,372.76	10% of net profit or loss
Discretionary surplus reserves	0.00	
Reserve on general risks	0.00	
Dividends payable on ordinary shares	99,590,000.00	
Dividends on ordinary shares transferred to share capitals	0.00	
Ending balance of current year	911,189,187.88	

35. Net current assets

Items	Ending balance	Beginning balance
Current assets	4,010,514,150.98	3,518,477,148.14
Less: Current liabilities	3,405,564,864.97	2,320,486,954.45
Net current assets	<u>604,949,286.01</u>	<u>1,197,990,193.69</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

36. Total assets minus current liabilities

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Total assets	9,654,362,463.88	8,267,861,780.96
Less: Current liabilities	3,405,564,864.97	2,320,486,954.45
Total assets minus current liabilities	6,248,797,598.91	5,947,374,826.51

37. Loans and payables

Summary of loans and payables for the Company:

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Short-term bank loan	1,204,219,200.00	451,145,119.87
Short-term trusted loan	324,000,000.00	0.00
Non-current liabilities due within one year	25,513,000.00	300,000,000.00
Long-term loan	46,597,500.00	84,189,000.00
Bonds payable	1,491,971,739.19	1,489,772,818.57
Total	3,092,301,439.19	2,325,106,938.44

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

37. Loans and payables *(Continued)*

(1) Analysis for loans and payables:

Items	Ending balance	Beginning balance
Bank loans		
due within one year	1,229,732,200.00	751,145,119.87
due after one year	<u>46,597,500.00</u>	<u>84,189,000.00</u>
Subtotal	<u>1,276,329,700.00</u>	<u>835,334,119.87</u>
Other loans/payables		
due within one year	324,000,000.00	0.00
due after one year	<u>1,491,971,739.19</u>	<u>1,489,772,818.57</u>
Subtotal	<u>1,815,971,739.19</u>	<u>1,489,772,818.57</u>
Total	<u><u>3,092,301,439.19</u></u>	<u><u>2,325,106,938.44</u></u>

(2) Due dates analysis for loans and payables

Bank loans:

Items	Ending balance	Beginning balance
Pay upon request or due within one year	1,229,732,200.00	751,145,119.87
Due between 1–2 years	0.00	0.00
Due between 2–5 years	46,597,500.00	84,189,000.00
Due over 5 years	<u>0.00</u>	<u>0.00</u>
Total	<u><u>1,276,329,700.00</u></u>	<u><u>835,334,119.87</u></u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

37. Loans and payables (Continued)

(2) Due dates analysis for loans and payables (Continued)

Other loans:

Items	Ending balance	Beginning balance
Pay upon request or due within one year	324,000,000.00	0.00
Due between 1–2 years	0.00	0.00
Due between 2–5 years	1,491,971,739.19	1,489,772,818.57
Due over 5 years	0.00	0.00
Total	1,815,971,739.19	1,489,772,818.57

38. Operating income and operating costs

Items	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main operation	6,177,081,251.46	5,477,204,170.60	7,208,939,109.19	6,447,855,643.88
Other operation	403,294,252.07	333,725,878.56	31,807,952.52	1,065,972.58
Total	6,580,375,503.53	5,810,930,049.16	7,240,747,061.71	6,448,921,616.46

Gross profit

Items	Current period	Last period
Main operating income	6,177,081,251.46	7,208,939,109.19
Main operating cost	5,477,204,170.60	6,447,855,643.88
Gross Profit	699,877,080.86	761,083,465.31

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

39. Business taxes and surcharges

Items	Current period	Last period	Tax rate
Business tax	867,975.35	1,377,375.17	5%
Urban maintenance and construction tax	69,359.63	87,584.29	7%
Educational surcharge	49,542.62	62,560.27	5%
Total	986,877.60	1,527,519.73	—

40. Selling and distribution expenses

Item	Current period	Last period
Packing expenses	1,926,191.56	2,884,502.33
Shipping fees	8,094,769.04	7,691,692.64
Storage expenses	77,364.82	51,366.46
Exhibition expenses	720,143.78	683,508.96
Advertising	4,482,287.50	7,846,020.34
Selling service fees	13,408,178.09	8,431,720.41
Salary and wages	1,753,274.96	1,199,783.96
Include: Salary	1,487,592.69	1,195,123.00
Welfare	50,042.69	4,660.96
Repair and maintenance	72,837.29	9,058.00
Others	2,016,566.84	3,154,929.23
Total	32,551,613.88	31,952,582.33

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

41. Administrative expenses

Item	Current period	Last period
Salary and wages	79,750,222.33	66,202,127.96
Include: Salary	47,563,854.60	39,783,241.90
Welfare	1,329,464.25	795,630.38
Insurance	1,385,179.09	964,456.52
Depreciation	25,505,934.79	26,147,629.31
Repair and maintenance	30,319,268.62	944,837.73
Amortisation of intangible assets	16,678,141.35	14,296,703.39
Loss from inventory count	83,244.24	36,400.00
Entertainment	2,042,959.55	2,285,306.30
Travelling	2,161,542.44	2,267,581.71
Office expenses	1,959,550.64	3,388,182.34
Conference expenses	981,212.84	1,104,518.71
Legal fees	5,000.00	0.00
Agency fee	2,804,067.32	2,432,647.20
Include: Audit fee for annual reports	1,420,000.00	2,400,000.00
Consulting fees	2,849,106.54	0.00
Research and development expenses	305,592,202.06	262,223,252.25
Technology transfer fee	0.00	9,984,073.92
Sewage charge	1,739,510.99	0.00
Others	113,146,318.36	86,423,580.35
Total	587,003,461.16	478,701,297.69

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

42. Finance expenses

(1) Breakdown

Items	Current period	Last period
Interest expenses	113,279,911.57	81,759,365.80
Less: Interest income	30,419,275.61	19,905,562.36
Add: exchange losses	-13,443,254.71	-751,923.72
Add: others	937,901.20	-1,261,868.49
Total	<u>70,355,282.45</u>	<u>59,840,011.23</u>

(2) Details of interest expenses

Items	Current period	Last period
Bank loans, overdraft interests	36,863,631.74	29,943,848.82
Other loan interests payable within 5 years	3,814,533.60	0.00
Interests on bond and discounts on note	72,601,746.23	51,815,516.98
Subtotal	<u>113,279,911.57</u>	<u>81,759,365.80</u>
Less: capitalized interests	0.00	0.00
Total	<u>113,279,911.57</u>	<u>81,759,365.80</u>

(3) Details of interest income

Items	Current period	Last period
Interest income from bank deposits	<u>30,419,275.61</u>	<u>19,905,562.36</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

43. Loss on impairment of assets

Items	Current period	Last period
Loss on bad debt	4,081,589.46	4,483,546.35
Impairment loss on inventories	-5,029,623.97	7,434,670.80
Impairment loss on available-for-sale financial assets	2,200,000.00	0.00
Impairment loss on other assets	0.00	0.00
Total	1,251,965.49	11,918,217.15

44. Investment income

Items	Current period	Last period
Investment income of long-term equity investments under cost method	127,431,600.90	21,694,071.11
Investment income of long-term equity investments under equity method	-102,035.92	-7,506.80
Investment income from disposal of long-term equity investments	62,129,264.85	10,237,742.34
Investment income of available-for-sale financial assets during holding period	2,288,000.00	2,112,000.00
Total	191,746,829.83	34,036,306.65

Current-year investment income from the investments on listed and unlisted companies is RMB2.29 million and RMB189.46 million, respectively.

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

45. Non-operating income

(1) Details of non-operating income

Items	Current period	Last period	Non-operating income recognised as current-year profit or loss
Gain on disposal of non-current assets	162,074,545.02	10,565,554.73	162,074,545.02
Include: gain on disposal of fixed assets	6,300,345.02	2,659,346.68	6,300,345.02
Gain on debt restructuring	72,457.97	1,621,541.54	72,457.97
Government grants	10,742,498.00	9,974,000.00	10,742,498.00
Others	2,978,396.61	2,602,161.85	2,978,396.61
 Total	 <u>175,867,897.60</u>	 <u>24,763,258.12</u>	 <u>175,867,897.60</u>

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

45. Non-operating income (Continued)

(2) Details of government grants

Items	Current period	Last period	Resources and supports	Related to assets or earnings
Diesel engine crankshaft forging line	3,390,000.00	3,390,000.00	Fagaiban Industry (2005) No. 1392	Related to assets
Technical innovation of wheeled tractors	2,768,000.00	2,768,000.00	Fagaiban Industry (2005) No. 279	Related to assets
C series of government project aid	716,000.00	716,000.00	Luofagai Industry (2009) No. 53	Related to assets
Applied Allowance of Stable Employment for Companies in Difficulty	1,768,498.00	0.00	Luorenshe (2013) No. 135	Related to earnings
Government Subsidy for Cupola Dismantle	920,000.00	0.00	Yucaijian (2012) No. 258	Related to assets
Special funds for large wheeled tractor gearbox flexible production line technology integration and demonstration	980,000.00	0.00	Topic Mission Note of National Technology Supporting Plan	Related to assets
Manufacturing Technology and Equipments for Efficient-Low Consumption Green Production defined in 863 Plan	200,000.00	0.00	Sub-Topic Mission Note of 863 Plan	Related to assets
Joint Development Project on the Technology for High-Power Shift Tractor	0.00	3,100,000.00	International Cooperation Project	Related to assets
Total	10,742,498.00	9,974,000.00	—	—

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

46. Non-operating expenses

Items	Current period	Last period	Non-operating income recognised as current-year profit or loss
Loss on disposal of non-current assets	662,003.34	961,701.30	662,003.34
Include: loss on disposal of fixed assets	662,003.34	961,701.30	662,003.34
Loss from exchange of non-monetary assets	38,949.40	0.00	38,949.40
Donations	141,830.22	0.00	141,830.22
Others	569,563.46	78,812.45	569,563.46
Total	1,412,346.42	1,040,513.75	1,412,346.42

47. Income tax expenses

Items	Current period	Last period
Current income tax expenses	23,311,608.21	20,058,599.40
Deferred income tax expenses	-2,068,064.29	1,757,397.34
Total	21,243,543.92	21,815,996.74

48. Depreciation and amortization

Depreciation and amortization included in Income Statement for the year is RMB135,367,667.33 and RMB17,776,781.84, respectively. (Last year: RMB105,698,788.54 and RMB15,298,263.18, respectively).

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

49. Operating lease payment

Operating lease payment is RMB1,919,380.64. (Last year: RMB2,288,333.68)

50. Rental income

Rental income on land and buildings is RMB2,129,224.53 for the current year. (Last year: RMB530,000.00)

51. Other comprehensive income

Items	Current period	Last period
Gain (loss) from available-for-sale financial assets	26,048,000.00	-9,680,000.00
Less: available-for-sale financial assets' income tax effect	3,907,200.00	-1,452,000.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	0.00
Sub-total	22,140,800.00	-8,228,000.00
Total	22,140,800.00	-8,228,000.00

52. Cash flow information

(1) Cash receipts and payments related to other operating/investing/financing activities

1) Cash receipts related to other operating activities

Items	Current period	Last period
Cash receipts related to interest from deposits	8,332,991.88	11,890,190.90
Cash receipts due from other parties	80,504,545.79	69,854,061.86
Total	88,837,537.67	81,744,252.76

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

52. Cash flow information *(Continued)*

(1) **Cash receipts and payments related to other operating/investing/financing activities**
(Continued)

2) **Cash payments related to other operating activities**

Items	Current period	Last period
Cash paid on selling and administrative expenses	379,807,016.25	402,771,235.40
Cash payment due to other parties	317,639,566.48	149,134,831.33
Total	697,446,582.73	551,906,066.73

3) **Cash receipts related to other investing activities**

Items	Current period	Last period
Cash receipts related to assets-relevant government subsidies	0.00	2,700,000.00
Cash transferred in from assignment of subsidiaries' business operation	38,547,954.93	0.00
Total	38,547,954.93	2,700,000.00

4) **Cash payments related to other financing activities**

Items	Current period	Last period
Commission on financing	0.00	1,894,528.30

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

52. Cash flow information (Continued)

(2) Supplementary information for consolidation

Items	Current period	Last period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	422,255,090.88	243,828,871.40
Add: Provision on the impairment of assets	1,251,965.49	11,918,217.15
Depreciation of fixed asset	135,367,667.33	105,698,788.54
Amortization of intangible asset	17,776,781.84	15,298,263.18
Amortization of long-term prepaid expenses	6,376,147.40	0.00
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as “—”)	-161,412,541.68	-9,573,879.33
Loss on disposal of fixed assets (Gain listed as “—”)	0.00	0.00
Gain or loss from changes in fair value (Gain listed as “—”)	0.00	0.00
Finance expenses (Gain listed as “—”)	99,836,656.86	80,337,941.62
Loss on investments (Gain listed as “—”)	-191,746,829.83	-34,036,306.65
Decrease in deferred tax assets (Increase listed as “—”)	-2,068,064.29	1,757,397.34
Increase in deferred tax liabilities (Decrease listed as “—”)	0.00	0.00
Decrease in inventories (Increase listed as “—”)	44,503,385.38	-291,910,551.50
Decrease in operating receivables (Increase listed as “—”)	721,576.91	72,444,037.76
Increase in operating payables (Decrease listed as “—”)	-41,525,371.23	-93,620,520.97
Others	0.00	0.00
Net cash flow generated from operating activities	331,336,465.06	102,142,258.54

NOTES FOR FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

52. Cash flow information (Continued)

(2) Supplementary information for consolidation (Continued)

Items	Current period	Last period
2. Significant non-cash investing and financing activities:	—	—
Conversion of debts into capital	0.00	0.00
Convertible bonds repayable within 1 year	0.00	0.00
Fixed assets acquired under finance lease arrangement	0.00	0.00
3. Changes in cash and cash equivalents:	—	—
Closing balance of cash	1,398,841,155.04	958,278,308.01
Less: opening balance of cash	958,278,308.01	976,518,640.09
Add: closing balance of cash equivalents	0.00	0.00
Less: opening balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	440,562,847.03	-18,240,332.08

NOTES FOR FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2014 (Amounts presented in Renminbi unless otherwise stated)

XVI. SIGNIFICANT ITEMS ON FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

52. Cash flow information *(Continued)*

(3) Cash and cash equivalents

Items	Current period	Last period
Cash	1,398,841,155.04	958,278,308.01
Including: Cash in hand	166,073.30	226,383.01
Bank deposits available for use on demand	1,398,675,037.00	958,051,883.05
Other cash and cash equivalents available for payment on demand	44.74	41.95
Cash deposited in central bank available for payment on demand	0.00	0.00
Deposits in other banks	0.00	0.00
Inter banks loans	0.00	0.00
Cash equivalents	0.00	0.00
Include: bonds investment matured within three months	0.00	0.00
Cash and cash equivalents at end of year	1,398,841,155.04	958,278,308.01
Includes: limited cash and cash equivalents of the parent and its subsidiaries	0.00	0.00

(4) Significant investing and financing activities not involve current-year cash disbursement

See Note VI. 67(5).

53. Movement of shareholders' equities

There is no movement for Others in the statement of changes in shareholders' equity for the current year.

XVII. APPROVAL OF FINANCIAL STATEMENTS

This financial statement was approved to publish by the Broad of Directors on 30 March 2015.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. GAIN OR LOSS FROM EXTRAORDINARY ITEMS

In accordance with the Notice for Public Offering Securities Company Explanatory Information Disclosure No. 1 Gains or Losses from Extraordinary Items by the China Securities Regulatory Commission, the Group states its gains or losses from extraordinary items are disclosed as following:

Item	Current period	Note
Gain or loss on disposal of non-current assets	160,576,609.27	Note 1
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax	0.00	
Government subsidy recognized in current profit or loss	27,077,645.98	
Receipts from non-finance institutes on using state funds	0.00	
Income from the difference between the cost of investment on subsidiaries, associates and joint ventures and the fair value of identifiable net assets of invested entities	0.00	
Gain or loss from transferring of non-monetary assets	0.00	
Gain or loss from investments under entrust by others or assets under management by others	0.00	
Provisions of impairment of assets due to force majeure such as nature disasters	0.00	
Gain or loss on debt restructuring	1,741,068.71	
Gain or loss on corporation restructuring	-36,041,618.25	
Gains or loss from the difference between the fair value and transaction price which is not in arm's length	0.00	
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date	-1,266,667.02	
Gain or loss from non-related business operations or contingencies	0.00	
Profit or loss from changes of the fair value for tradable financial assets and liabilities and investment income from disposal of tradable financial assets and liabilities and available for sale financial assets, except for hedging related to companies' daily operations	16,208,980.55	
Reversal of impairment of receivables on individually impairment test	0.00	
Gain or loss from entrusted loans	0.00	
Gain or loss from changes in the fair value of investment properties using the fair value model as a subsequent measurement	0.00	

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(continued)*

1. GAIN OR LOSS FROM EXTRAORDINARY ITEMS *(CONTINUED)*

Item	Current period	Note
Impact on gain or loss from one-off adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations	0.00	
Custody income earned from entrusted operation	0.00	
Profit or loss from transferring of long-term equity investment	51,600,103.86	Note 2 and 3
Other non-operating income and expenses except for mentioned above	17,020,695.73	
Gain or loss from other extraordinary items	0.00	
Sub-total	236,916,818.83	
Effects on income tax	-40,028,524.84	
Effects on non-controlling interests (after tax)	-7,190,659.67	
Total	189,697,634.32	

Note 1: Profit or loss from disposal on non-current assets is the net gain on disposal. The total amount is RMB160,576,609.27 including net gain from disposal on fixed assets with the amount of RMB4,802,409.27 and net gain from assignment on intangible assets with the amount of RMB155,774,200. Please refer to Note XV.1 Joint ventures for the detail of gain from assignment of intangible assets.

Note 2: Appraised value on net assets of Shanghai Dragon (Group) Co., Ltd. is expected to be RMB73.2306 million on 31 December 2013 which is deemed to be the base date for audit and appraisal purposes. As approved by the Discussion on Transfer of Shareholdings on Shanghai Dragon (Group) Co., Ltd. on the Fifteenth Conference of the Sixth Session of Board of Director of the Company on 26 August 2014, the appraised value on net assets of 93.83% shareholding by the Company on Shanghai Dragon (Group) Co., Ltd. is expected to be RMB68.7123 million. It was agreed to have such shares be traded by public transferring with the transfer price not less than the appraisal value.

On 11 October 2014, the Company and Shanghai Hongcheng Urban Construction and Development Co., Ltd jointly sold their own share of Shanghai Dragon through public listing. On 20 November 2014, the Company and Shanghai Hongcheng jointly entered into Contract of Shanghai Equity Transaction with Shanghai Zirun Investment Management Co., Ltd, which agreed the sale of 93.83% shares of Shanghai Dragon held by the Company and 6.17% shares of Shanghai Dragon held by Shanghai Hongcheng Urban Construction and Development Co., Ltd through public listing. The transfer price of 93.83% held by the Company is RMB90.07 million, which resulted to net gain on equity transaction of RMB48,721,903.53.

Note 3: On 20 January 2014, the Company approved Discussion Regarding the Sale of the Company's Share in Equity and Partial Assets of YTO (Luoyang) Zhongcheng Machinery Co., Ltd., which consent the sale of 73% equity shares in Zhongcheng through public listing. With the approval by China Beijing Equity Exchange, YTO Group, as transferee, signed Agreement on Transfer of Properties Rights on 5 May 2014. The transfer price was RMB10.5639 million, which resulted recognition of a net gain of RMB2,878,200.33.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued)

2. RECONCILIATION OF SHAREHOLDERS' EQUITY AND PROFIT FOR THE TRANSITION FROM HK IFRS TO CAS

Items	Net profit attributable to the Parent		Net assets	
	Current year	Last year	Current year	Last year
HKFRS	167,698,247.35	227,084,951.73	5,320,826,900.18	5,257,518,012.58
Chinese ASBEs	<u>167,698,247.35</u>	<u>227,084,951.73</u>	<u>5,320,826,900.18</u>	<u>5,257,518,012.58</u>

Expect for certain items that are different in presentation and classification, there is no significant difference between the financial statements prepared by the Group under HKFRS and the Chinese ASBEs in terms of comprehensive financial position, comprehensive income or loss, other comprehensive income and comprehensive cash flows.

3. RETURN ON EQUITY AND EARNINGS PER SHARE

Profit in reporting period	WACC rate of return		Earnings per share			
	on equity (%)		Basic EPS		Diluted EPS	
	2014	2013	2014	2013	2014	2013
Net profit attributable to shareholders of the parent	3.68	5.07	0.1684	0.2280	0.1684	0.2280
Net profit attributable to shareholders of the parent after non-operating profit or loss	<u>-0.48</u>	<u>3.41</u>	<u>-0.0221</u>	<u>0.1534</u>	<u>-0.0221</u>	<u>0.1534</u>

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(continued)*

4. SUPPLEMENTARY INFORMATION TO CHANGES OF ACCOUNTING POLICIES

The Group made retrospective adjustments on comparatives to reflect changes on accounting policies as the result of adopting eight account standards including ASBEs No. 2 Long-term Equity Investments issued in 2014 by the Minister of Finance. Restated consolidated financial statements as at 1 January 2013 and 31 December 2013 are shown in below table:

Unit: Yuan

Item	1 January 2013	31 December 2013	31 December 2014
Current assets:			
Cash and cash equivalents	1,981,883,941.32	1,883,479,523.60	1,998,159,516.29
Settlement reserves for balance	0.00	0.00	0.00
Loans to banks and other financial institutions	0.00	0.00	0.00
Financial assets at fair value through profit or loss	306,801,244.30	359,095,259.97	354,360,150.44
Derivatives financial assets	0.00	0.00	0.00
Notes receivable	1,315,486,622.28	1,269,899,186.51	940,748,139.33
Accounts receivable	1,020,458,210.92	1,067,488,278.19	879,355,043.69
Advances to suppliers	178,823,509.51	194,539,070.95	292,088,912.74
Premium receivables	0.00	0.00	0.00
Reinsurance receivables	0.00	0.00	0.00
Reinsurance contract reserves receivable	0.00	0.00	0.00
Interest receivable	0.00	0.00	133,472.22
Dividend receivable	251,357.15	0.00	0.00
Other receivables	194,957,618.77	67,666,099.64	228,490,379.91
Financial assets purchased with agreement to re-sale	0.00	0.00	0.00
Inventories	1,470,096,511.30	1,766,268,480.42	1,447,426,253.97
Assets classified as held for sale	0.00	0.00	0.00
Non-current assets due within one year	0.00	0.00	0.00
Other current assets	0.00	0.00	56,383,561.23
Total current assets	6,468,759,015.55	6,608,435,899.28	6,197,145,429.82

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(continued)*

4. SUPPLEMENTARY INFORMATION TO CHANGES OF ACCOUNTING POLICIES (CONTINUED)

Item	1 January 2013	31 December 2013	31 December 2014
Non-current assets:			
Loans and advances to customers	779,013,966.63	725,322,825.23	1,362,361,447.55
Available-for-sale financial assets	159,449,731.06	137,580,990.01	285,935,741.41
Held-to-maturity investments	52,090,083.97	25,601,874.77	0.00
Long-term receivables	0.00	0.00	0.00
Long-term equity investments	7,810,065.83	9,184,641.20	65,849,170.84
Investment properties	32,510,571.92	31,160,041.52	—
Fixed assets	1,986,309,097.18	2,685,745,048.61	2,738,916,218.10
Construction in progress	584,079,757.68	424,579,666.44	642,813,215.87
Construction materials	0.00	0.00	0.00
Disposal of fixed assets	0.00	0.00	0.00
Productive biological assets	0.00	0.00	0.00
Oil and gas assets	0.00	0.00	0.00
Intangible assets	849,259,979.63	958,395,440.46	947,153,734.35
Research and development expenses	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00
Long-term deferred expenses	18,200,137.50	16,919,867.57	23,378,553.87
Deferred tax assets	64,585,189.18	76,350,097.44	92,141,133.86
Other non-current assets	14,717,480.21	0.00	0.00
	4,548,026,060.79	5,090,840,493.25	6,158,549,215.85
Total non-current assets			
	11,016,785,076.34	11,699,276,392.53	12,355,694,645.67
Total assets			

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (*continued*)

4. SUPPLEMENTARY INFORMATION TO CHANGES OF ACCOUNTING POLICIES (CONTINUED)

Item	1 January 2013	31 December 2013	31 December 2014
Current liabilities:			
Short-term loans	372,741,432.98	292,437,410.89	1,644,532,646.15
Borrowings from central bank	0.00	0.00	0.00
Receipts of deposits and deposits			
from other banks	1,043,808,147.64	565,022,287.05	576,246,341.28
Loans from other banks	360,000,000.00	350,000,000.00	350,000,000.00
Financial liabilities at fair value through			
profit or loss	0.00	0.00	0.00
Derivative financial liabilities	0.00	0.00	0.00
Notes payable	578,312,813.96	654,769,401.01	916,374,670.17
Accounts payable	2,130,996,833.08	2,095,124,850.72	1,350,582,485.03
Advance from customers	224,437,500.11	260,683,445.11	266,897,178.83
Funds from selling out and repurchasing			
financial assets	0.00	0.00	0.00
Fee and commission payable	0.00	0.00	0.00
Employee benefits	135,787,726.48	111,379,298.46	100,709,706.51
Taxes payables	-304,253,954.48	-351,328,558.11	-326,702,397.31
Interests payable	5,808,211.60	55,028,515.34	57,516,420.08
Dividends payable	161,702,910.68	0.00	0.00
Other payables	390,293,403.14	213,375,326.11	256,876,518.96
Reinsurance accounts payables	0.00	0.00	0.00
Reserves for insurance contracts	0.00	0.00	0.00
Brokerage for trading securities	0.00	0.00	0.00
Brokerage for consigning securities	0.00	0.00	0.00
Liabilities classified as held for sale	0.00	0.00	0.00
Non-current liabilities due within one year	79,518,000.00	301,018,000.00	30,055,745.54
Other current liabilities	73,117,452.64	87,951,003.54	53,243,515.75
Total current liabilities	5,252,270,477.83	4,635,460,980.12	5,276,332,830.99

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued)

4. SUPPLEMENTARY INFORMATION TO CHANGES OF ACCOUNTING POLICIES (CONTINUED)

Item	1 January 2013	31 December 2013	31 December 2014
Non-current liabilities:			—
Long-term loans	617,500,000.00	84,189,000.00	46,597,500.00
Bonds payable	0.00	1,489,772,818.57	1,491,971,739.19
Including: Preference shares	0.00	0.00	0.00
Perpetual bond	0.00	0.00	0.00
Long-term payables	0.00	0.00	0.00
Long-term employee salary payable	0.00	0.00	0.00
Special payables	0.00	0.00	0.00
Contingent liabilities	0.00	0.00	0.00
Deferred income	167,307,677.39	182,418,508.05	174,628,692.16
Deferred tax liabilities	15,208,584.43	49,917,073.21	45,336,983.15
Other non-current liabilities	0.00	0.00	0.00
	800,016,261.82	1,806,297,399.83	1,758,534,914.50
Total non-current liabilities	800,016,261.82	1,806,297,399.83	1,758,534,914.50
Total liabilities	6,052,286,739.65	6,441,758,379.95	7,034,867,745.49
Shareholder's equity:			
Share capital	995,900,000.00	995,900,000.00	995,900,000.00
Other equity instruments	0.00	0.00	0.00
Including: Preferred shares	0.00	0.00	0.00
Perpetual bond	0.00	0.00	0.00
Capital reserves	2,240,917,108.27	2,161,122,028.80	2,124,246,289.70
Less: Treasury shares	0.00	0.00	0.00
Other comprehensive income	-19,392,779.73	-2,990,577.79	16,295,741.20
Special reserves	0.00	0.00	0.00
Surplus reserves	302,877,966.71	326,747,339.47	368,972,848.56
General risk reserves	6,570,097.24	7,097,463.55	7,683,706.66
Retained earnings	912,138,739.61	1,015,236,952.27	1,080,369,447.42
Total equity attributable to shareholders of the Company	4,439,011,132.10	4,503,113,206.30	4,593,468,033.54
Minority interests	525,487,204.59	754,404,806.28	727,358,866.64
	4,964,498,336.69	5,257,518,012.58	5,320,826,900.18
Total shareholder's equity	4,964,498,336.69	5,257,518,012.58	5,320,826,900.18
Total liabilities and shareholder's equity	11,016,785,076.34	11,699,276,392.53	12,355,694,645.67

First Tractor Company Limited
30 March 2015

DOCUMENTS AVAILABLE FOR INSPECTION

Document available for inspection	The 2014 Annual Report signed by the legal representative of the Company and affixed with the Company seal
Document available for inspection	The 2014 Audited Financial Report of the Company issued by the accountants
Document available for inspection	The written confirmation and opinion on the 2014 Annual Report of the Company signed by the Directors and senior management of the Company

Chairman: Zhao Yanshui

The date of approval by the Board for submission: 30 March 2015